

# Commodities Weekly

For the week ending Friday 3<sup>rd</sup> September



## Spring dairy price gains have sprung

**Trends have been positive at the latest dairy auction overnight.** The overall GDT price index lifted a solid 4%, with broad gains across most product types – including a 7.3% lift in SMP prices. WMP prices rose 3.3%, roughly in line with futures pricing ahead of the auction.

**The most interesting dynamic this auction was the shift in demand away from China.** Indeed, North Asia (i.e. China) bought far less than at previous auctions, with the South East Asia hot on its heels.

**We don't think it's a worry that Chinese buyers appear to be taking their foot of the gas,** given Fonterra's statements over recent months that it's been selling a lot of product off auction (a claim that the latest trade data from Stats NZ seem to bear out). If anything, it's positive to see volume spread a bit more broadly.

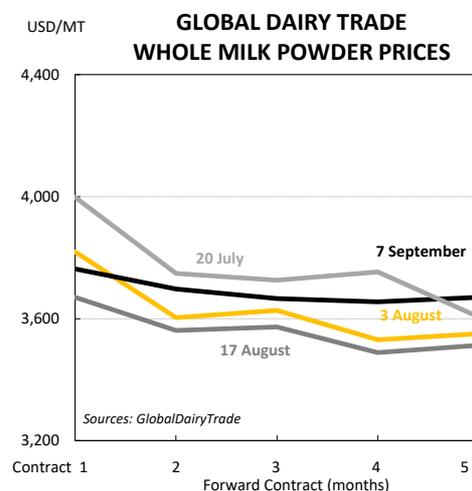
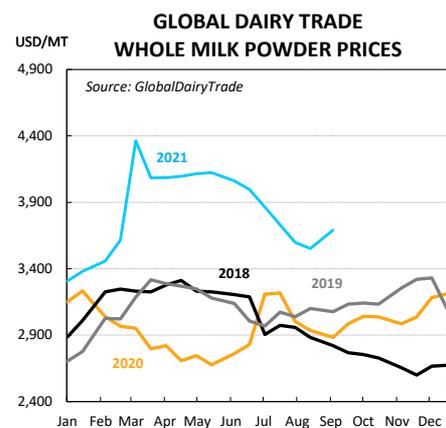
**WMP prices are looking strong and stable across the contract curve.** WMP prices settled a little north of the US\$3,700 mark, below their levels at the beginning of winter, but ahead of the last couple of auctions. The stability in prices suggests this auction's gains weren't just a near-term rush of post lockdown anxiety. It's a signal buyers expect dairy demand to remain solid and are keen to avoid missing out given the tighter WMP supply of late.

**We retain our \$7.90 kgms forecast for the season.** While we caution against placing too much emphasis on the auction-to-auction churn, this event has a particular significance as the first auction of the spring and our first good signal on where the market lies in three weeks. And as the NZX notes, gains at this auction could drive further strength in a fortnight's time as buyers who've missed out this time decide to play a bit more aggressively. Success begets success, in other words. **What we've seen looks pretty positive, supporting our view that the farmgate milk price for the 21/22 season is likely to remain very strong in a historical sense.**

	2020/21		2021/22	
	ASB	Fonterra	ASB	Fonterra
Milk Price*	\$7.60	\$7.45-\$7.65	\$7.90	\$7.25-\$8.75

\* per kg of milk solids (excluding dividend).

Product	% change in index since last auction	Annual % change in index	Weighted Average Price US\$/MT
Whole Milk Powder (WMP)	3.3%	27.6%	3,691
Skim Milk Powder (SMP)	7.3%	24.0%	3,274
Anhydrous Milk Fat (AMF)	3.1%	56.1%	5,970
Butter	3.7%	48.5%	4,948
GDT Price Index	4.0%	40.7%	n.a.



## ASB Commodities Index

Commodity prices were broadly unchanged last week. There was little movement in meat prices and the absence of an auction saw dairy prices move sideways. Note that our forestry, fruit and seafood price data are updated monthly rather than weekly.

Currency movement saw our USD price index lift 1%, while our NZD index fell back 0.9%.

## ASB New Zealand Commodity Price Indices As at Friday 3<sup>rd</sup> September 2021

	Index*	Week%	Year%**
Total NZD	112.8	-0.9%	12.5%
Total SDR	111.1	0.5%	19.5%
Total USD	114.1	1.0%	20.2%
Dairy USD	114.8	0.0%	21.7%
Sheep/beef USD	126.1	2.0%	30.9%
Forestry USD	99.1	2.0%	9.2%
Fruit USD	104.4	2.0%	6.2%
NZD/USD	0.7142	2.0%	6.9%

\* For all indices 2017 average = 100

\*\* Percentage change since same week last

### ASB Economics & Research

Chief Economist  
Senior Economist  
Senior Economist  
Senior Economist, Wealth  
Senior Economist  
Economist  
Data & Publication Manager  
[www.asb.co.nz/economics](http://www.asb.co.nz/economics)

Nick Tuffley [nick.tuffley@asb.co.nz](mailto:nick.tuffley@asb.co.nz)  
Jane Turner [jane.turner@asb.co.nz](mailto:jane.turner@asb.co.nz)  
Mark Smith [mark.smith4@asb.co.nz](mailto:mark.smith4@asb.co.nz)  
Chris Tennent-Brown [chris.tennent-brown@asb.co.nz](mailto:chris.tennent-brown@asb.co.nz)  
Mike Jones [mike.jones@asb.co.nz](mailto:mike.jones@asb.co.nz)  
Nat Keall [nathaniel.keall@asb.co.nz](mailto:nathaniel.keall@asb.co.nz)  
Judith Pinto [judith.pinto@asb.co.nz](mailto:judith.pinto@asb.co.nz)

### Phone

(649) 301 5659  
(649) 301 5853  
(649) 301 5657  
(649) 301 5915  
(649) 301 5661  
(649) 301 5720  
(649) 301 5660

@ASBMarkets

### Disclaimer

This document is published solely for informational purposes. It has been prepared without taking account of your objectives, financial situation, or needs. Before acting on the information in this document, you should consider the appropriateness and suitability of the information, having regard to your objectives, financial situation and needs, and, if necessary seek appropriate professional or financial advice.

We believe that the information in this document is correct and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its compilation, but no representation or warranty, either expressed or implied, is made or provided as to accuracy, reliability or completeness of any statement made in this document. Any opinions, conclusions or recommendations set forth in this document are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed elsewhere by ASB Bank Limited. We are under no obligation to, and do not, update or keep current the information contained in this document. Neither ASB nor any person involved in the preparation of this document accepts any liability for any loss or damage arising out of the use of all or any part of this document.

Any valuations, projections and forecasts contained in this document are based on a number of assumptions and estimates and are subject to contingencies and uncertainties. Different assumptions and estimates could result in materially different results. ASB does not represent or warrant that any of these valuations, projections or forecasts, or any of the underlying assumptions or estimates, will be met.