

Commodities Weekly

For the week ending Friday 3rd December



Groundhog auction

Another GDT, another lift for dairy prices. The overall GDT price index rose 1.4%, with fats leading the charge. WMP was up 0.6%.

That latter gain was actually a significant underperformance from what the futures market was expecting (pricing a lift of circa 6%). Still, with WMP prices already up 13% since the end of winter, when they were *already* strong, that's thing to focus on here. **At this point in the season, a record-high farmgate price is practically guaranteed and every auction where WMP prices simply hold onto the gains they've already made supports that prospect.**

On that front, there is little to suggest that prices will be correcting in the near future. Most obviously, the WMP contract slope continues to point to prices maintaining momentum from here. October NZ production was softer than anticipated and, while we still expect an improvement over the rest of the season, the near-term demand and supply balance will continue to favour sellers. Relatively soft EU dairy exports are a factor here too.

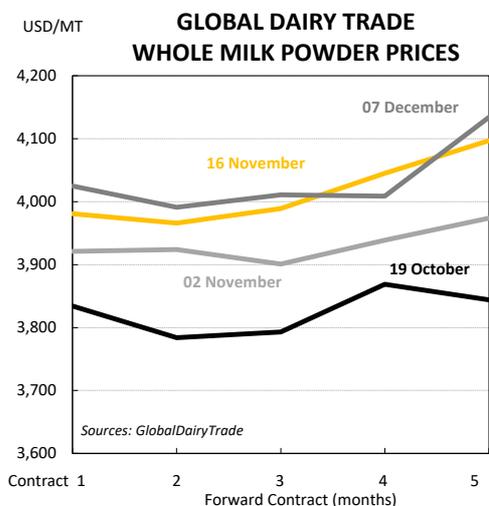
We retain our \$8.75 per kgMS forecast for the season. We are a little bit more cautious than the bullish futures market, which sees WMP prices lifting and remaining north of USD\$4,000/MT over much of the rest of the season but has had a tendency to overcorrect to swings in demand and supply. Still, there is room for a little upside in our lofty forecast.

ASB Commodities Index

Underlying USD commodity prices were little changed to slightly softer last week. Both beef and lamb prices eased 2.5% in USD terms in another sign we are past the seasonal peak, though both are still at very high historical levels. Dairy prices were unchanged after a fortnight with no auction scheduled but should see a good lift in our index off the back of this morning's result.

All-up, there was a 0.9% drop in our index in USD terms, but the impact was offset by another lift in the NZD/USD. That left our NZD index up marginally by 0.1% over the week.

Product	% change in index since last auction	Annual % change in index	Weighted Average Price US\$/MT
Whole Milk Powder (WMP)	0.6%	25.7%	4,008
Skim Milk Powder (SMP)	1.3%	29.8%	3,721
Anhydrous Milk Fat (AMF)	3.0%	56.8%	6,668
Butter	3.9%	45.2%	5,791
GDT Price Index	1.4%	38.1%	n.a.



ASB New Zealand Commodity Price Indices As at Friday 3rd December 2021

	Index*	Week%	Year%**
Total NZD	122.4	0.1%	20.3%
Total SDR	116.2	-1.2%	18.9%
Total USD	117.1	-0.9%	15.4%
Dairy USD	132.3	0.0%	33.0%
Sheep/beef USD	119.7	-2.5%	21.8%
Forestry USD	85.7	-1.0%	-12.7%
Fruit USD	97.9	-1.0%	-22.0%
NZD/USD	0.6755	-1.0%	-4.1%

* For all indices 2017 average = 100

** Percentage change since same week last

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