

# Commodities Weekly

For the week ending Friday 28<sup>th</sup> August



## NZD eases off recent peak

The ASB Commodity Price Index lifted 0.4% in NZD terms last week, courtesy of a 0.8% pull back in the NZD from its recent peak of 0.6785, a 14-month high. The index was down 0.4% in USD terms and 0.3% in SDR terms.

The underlying commodity price movements were limited, so the currency has been the key index driver last week, as it was in the week prior.

Next week could be a little more eventful, for dairy prices at least. The next Global Dairy trade event takes place on Tuesday night, and Fonterra will release its FY20 annual financial results on Friday 18th September.

Fonterra will confirm the final Farmgate Milk Price for the 2019/20 season at the meeting (its last forecast range was \$7.10-\$7.20). Last week Fonterra maintained the previous forecast range for the 2020/21 season of \$5.90 - \$6.90 per kgMS and could justifiably stick with the same wide range next week.

However, by next Friday the co-op will have two more Global Dairy Trade events to ponder, and so will we. ASB will review our 20/21 \$6.75 forecast after next week's events.

If the softening whole milk powder prices observed over recent events continues next week, our forecast will need to be trimmed. Growing conditions have been very good in many areas, and the associated high production sends a clear signal that NZ supply will be high over the coming months, and we think that's likely to keep a lid on prices for a while.

## ASB New Zealand Commodity Price Indices As at Friday 4<sup>th</sup> September 2020

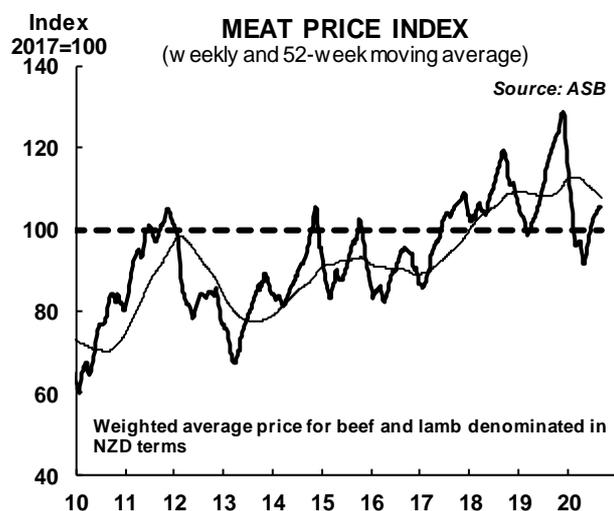
	Index*	Week %	Year %**
Total NZD	100.7	0.4%	-6.7%
Total SDR	93.5	-0.3%	-6.1%
Total USD	95.4	-0.4%	-3.0%
Dairy USD	94.3	0.0%	-3.4%
Sheep/beef USD	96.3	-0.8%	-9.2%
Forestry USD	90.8	-0.8%	5.6%
Fruit USD	100.3	-0.8%	-1.0%
NZD/USD	0.6682	-0.8%	4.0%

\* For all indices 2017 average = 100

\*\* Percentage change since same week last year

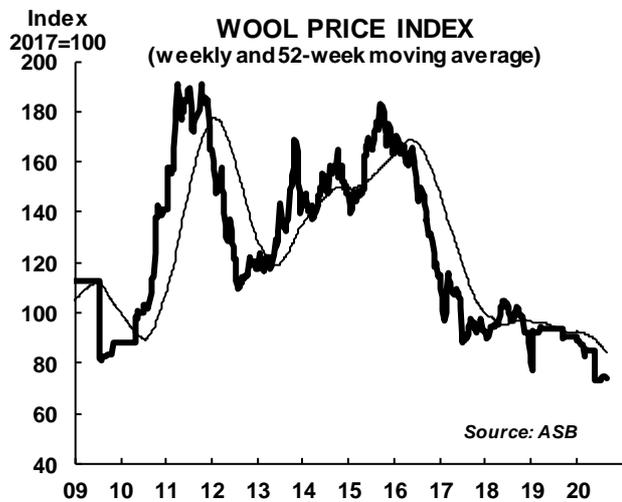
	2019/20		2020/21	Long Run
	Fonterra	ASB	ASB	ASB
Milk Price*	\$7.10-\$7.20	\$7.15	\$6.75	\$6.50-\$7.50

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



NZD Lamb, wool and beef prices were little changed within the index last week, and the tabled index returns are a function of the NZD/USD exchange rate. It's the usual quiet time of the year for meat exports, but the low prices are still a concern. NZD lamb prices are down around 15% on a year ago, and NZD beef prices are down around 6%.

Wool prices are really in a rut, and down closer 20% on a year ago within the ASB index.



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