

# Commodities Weekly

For the week ending Friday 07<sup>th</sup> January



## A summer recap

### Commodity prices begin 2022 in rude health as hot weather hits hard

The ASB commodities index kicks off 2022 in rude health, hovering near the all-time high it hit as 2021 closed. There's been little to report in terms of the underlying price data, with the most notable development being a dip of about a cent in the NZD since mid-December.

**Hot weather has been hitting the country hard.** After the warm, dry conditions over the summer, soil moisture levels are well below normal levels. The impact is proving widespread, with conditions particularly severe in the Central North Island and Northland. Among New Zealand's big agri power houses, only Manawatū-Whanganui and parts of Canterbury have escaped the impact (and the latter is already well irrigated).

**Fonterra has revised down its forecast milk collections for the 2022 season.** The co-op now expects to collect 1,500 million tonnes of milk solids, a downward revision of 25 million tonnes. The hot, dry weather is a big driver here. Milk production struggling to build momentum over the spring, we'd have needed to see a sizable overperformance over the summer to offset the impact. The weather has ensured growing conditions haven't played ball.

**On that note, we've also had two dairy auctions since our last publication.** Prices have eased a little, but neither changed our view that a record farmgate milk price is on the cards. With WMP prices still running circa 20% above long run averages, even an auction where prices are flat or fall a little is still a pretty good result. What's more, the forward signals we have still look positive. In addition to the slightly softer NZ production outlook, data out of the US and Europe points to tightening supply overseas as well. Expect dairy prices to remain well supported over the remainder of the season.

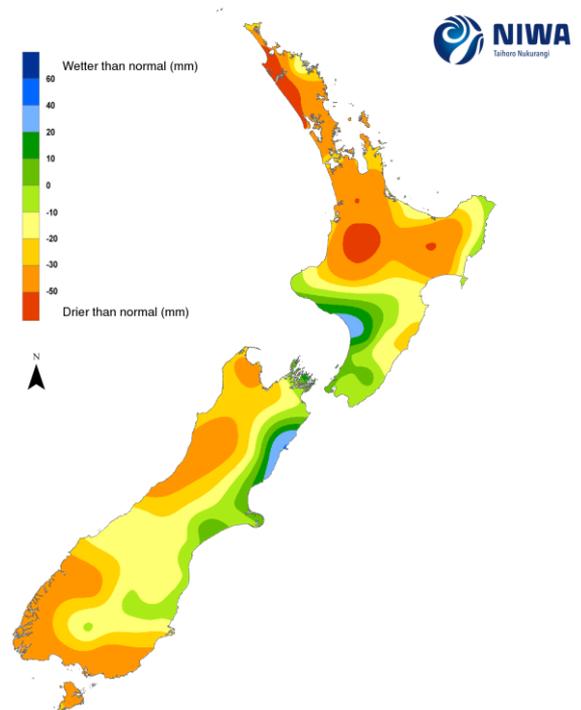
### ASB New Zealand Commodity Price Indices As at Friday 7<sup>th</sup> January 2021

	Index*	Week %	Year %**
Total NZD	123.8	0.7%	23.8%
Total SDR	117.4	-0.5%	19.0%
Total USD	118.4	-0.6%	15.3%
Dairy USD	134.2	0.0%	32.6%
Sheep/beef USD	115.7	-1.3%	21.8%
Forestry USD	89.6	-1.3%	-12.9%
Fruit USD	107.0	-1.3%	-19.4%
NZD/USD	0.6756	-1.3%	-6.9%

\* For all indices 2017 average = 100

\*\* Percentage change since same week last

Soil moisture anomaly (mm) at 9am on 12/01/2022



**ASB Economics & Research**

Chief Economist  
Senior Economist  
Senior Economist  
Senior Economist, Wealth  
Senior Economist  
Economist

Nick Tuffley  
Jane Turner  
Mark Smith  
Chris Tennent-Brown  
Mike Jones  
Nat Keall

[nick.tuffley@asb.co.nz](mailto:nick.tuffley@asb.co.nz)  
[jane.turner@asb.co.nz](mailto:jane.turner@asb.co.nz)  
[mark.smith4@asb.co.nz](mailto:mark.smith4@asb.co.nz)  
[chris.tennent-brown@asb.co.nz](mailto:chris.tennent-brown@asb.co.nz)  
[mike.jones@asb.co.nz](mailto:mike.jones@asb.co.nz)  
[nathaniel.keall@asb.co.nz](mailto:nathaniel.keall@asb.co.nz)

**Phone**

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

[www.asb.co.nz/economics](http://www.asb.co.nz/economics)

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