

Commodities Weekly

For the week ending Friday 11th June



Whole Milk Powder prices edge down a smidgen

Whole Milk prices have edged down a smidgen at the latest GlobalDairyTrade auction overnight. WMP prices fell 1.8%, taking them below US\$4000/MT for the first time since they skyrocketed in March. The overall GDT price index fell a slightly smaller 1.3%, supported by the resilience in fat prices. All-up, the moves were a little larger than the futures market had been expecting, but in line with our own expectations as highlighted in yesterday's [Daily Alert](#).

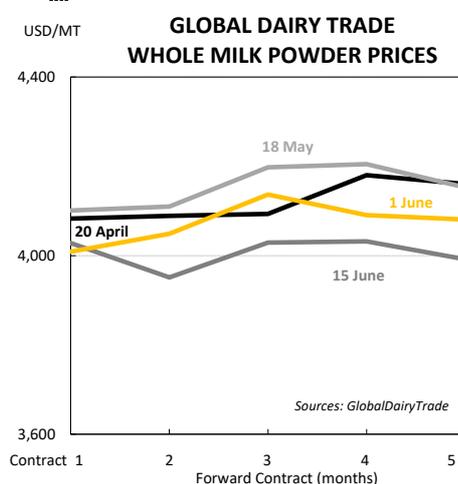
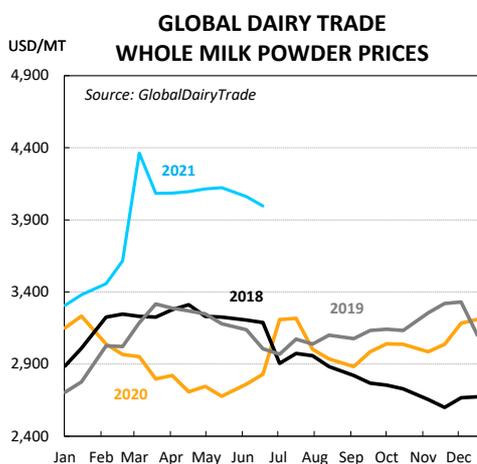
Don't Panic. While this auction's more sizable fall will have wrongfooted some analysts, we emphasise the key theme is still that prices remain remarkably resilient. Little has changed in terms of market fundamentals – WMP prices are still running circa 40% ahead of last year, and other products are enjoying similarly lofty premiums. While prices have edged down across all contracts, the curve remains flat rather than downward sloping. **While we expect prices to edge down further from their highs, a sharp correction continues to look like an unlikely prospect.**

We retain our \$8.20 kgms forecast for the season, with risks tilting towards a slightly lower (but still historically impressive) figure. While there's an awful lot of uncertainty this far out from the end of the season we still expect global demand to outstrip global supply over the remainder of the year. Aggressive Chinese purchases have yet to let up, and ~~when~~ if they do, we expect the return of other buyers should prevent prices moving too low.

	2020/21		2021/22	
	ASB	Fonterra	ASB	Fonterra
Milk Price*	\$7.60	\$7.45-\$7.65	\$8.20	\$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)	-1.8%	42.0%	3,997
Skim Milk Powder (SMP)	-1.7%	29.2%	3,356
Anhydrous Milk Fat (AMF)	0.6%	43.7%	5,687
Butter	-1.7%	27.3%	4,612
GDT Price Index	-1.3%	53.0%	n.a.



Another week, another whopper for the ASB Commodities Index

The ASB Commodities Index continues its Cinderella run, with NZD prices lifting even closer to record highs last week. Having hit an eighteen-month high last week, NZD prices benefitted this week from a more favourable exchange rate. The NZD/USD fell off the back of some stronger US inflation data (for more thoughts on the currency, check out the FX section of our [Economic Weekly](#)).

Among the underlying commodities, the most notable move this week was another lift in meat prices. Both beef and lamb are gradually recovering from their lows in line with the usual seasonal trend and the broader global reopening. Dairy prices tracked largely sideways in advance of this morning's dairy auction.

ASB New Zealand Commodity Price Indices As at Friday 11th June 2021

	Index*	Week %	Year %**
Total NZD	115.1	0.9%	15.1%
Total SDR	112.0	0.0%	22.5%
Total USD	116.3	-0.1%	27.9%
Dairy USD	126.3	-0.1%	38.3%
Sheep/beef USD	106.6	0.6%	22.8%
Forestry USD	110.7	-1.0%	23.0%
Fruit USD	103.6	-1.0%	7.7%
NZD/USD	0.7128	-1.0%	11.2%

* For all indices 2017 average = 100

** Percentage change since same week last

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