

Commodities Weekly

For the week ending Friday 13th September



Dairy and meat prices keep pressing higher

ASB's commodity price indices were up in all denominations last week. The NZD remained off its peaks against the USD over the week ending 13th September but has pressed back above 0.6200 this week.

The Kiwi was down 0.6% within the index last week and is trading near 0.6240 at the time of writing.

Within the index, the overall dairy index was up 1.3% in USD terms last week, and 30% higher than a year ago.

Those movements were captured prior to another decent Global Dairy Trade (GDT) event this week.

The devil is in the detail for dairy prices now. Whole milk prices are good, but within the GDT event results we continue to see a downward slope over the contract curve – suggesting some buyers will pay up now to secure near-term supply, but there is no panic about the upcoming important months for NZ production and in turn export prices. In terms of our forecasts, US\$3,300-\$3,400 seems where the market is at for committing to WMP purchases in the key months for NZ. The real strength is other prices – with butter prices up 38% on a year ago, AMF prices up 50% and cheddar up 10%. Mozzarella prices are up over 30% since December 2023's GDT events. All up we remain comfortable with our current forecast of \$8.60/KGMS for next season, and it's nice to see an even balance of risks around that number.

Meanwhile for sheep and beef, it's another week of the same story of tight markets and strong prices – especially for lamb. AgriHQ continue to report on issues of lamb shortage, commenting that last week "Procurement competition and the impending start of chilled Christmas production continued to drive lamb slaughter prices higher".

ASB Commodities Index at 13/09/2024

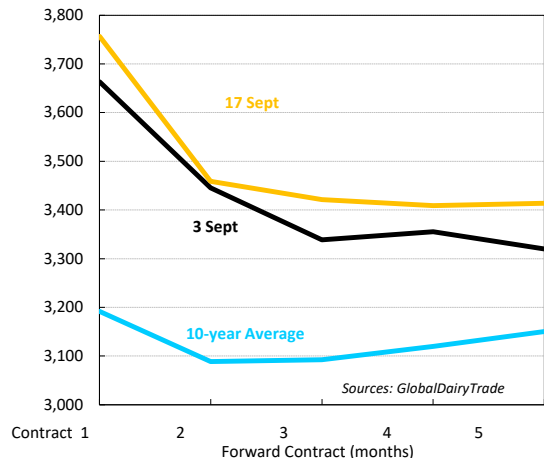
Index	Index*	Week %	Year %**
Total NZD	116.4	1.3%	13.7%
Total SDR	111.6	0.4%	16.5%
Total USD	108.9	0.6%	18.7%
Dairy USD	120.0	1.3%	30.2%
Sheep/beef USD	104.3	0.6%	22.5%
Forestry USD	88.3	-0.6%	4.5%
Fruit USD	98.8	-0.6%	-4.6%
NZD/USD	0.6166	-0.6%	4.5%

Base Year 2019, Base = 100

This week's GlobalDairyTrade Auction Results

Stream	Product	% change in index since last event	Annual % change in index	Weighted Average Price US\$/MT
Milk Powder Stream	Whole Milk Powder (WMP)	1.5%	0.0%	3,448
	Skim Milk Powder (SMP)	2.1%	0.0%	2,809
	Anhydrous Milk Fat (AMF)	-1.2%	50.5%	7,220
Butter	Butter	-1.7%	37.8%	6,546
Cheese	Cheddar	2.9%	10.4%	4,441
	GDT Price Index	0.7%	0.0%	n.a.

GLOBAL DAIRY TRADE WHOLE MILK POWDER PRICES



Meanwhile, for cattle, AgriHQ commented that *“the volume of finished cattle coming forward is building enough to keep production capacity and supplies more evenly balanced”*.

Reflecting these developments within our ASB sub-indices, the lamb index rose 2.3% and the beef index rose 0.5% in NZD terms last week. Fruit and forestry index movements tabled above reflect currency movements rather than fresh price information.

On the data front, New Zealand Gross Domestic Product (GDP) fell 0.2% over the June quarter and down 0.5% on a year ago. The primary sector was the predominant driver of the fall in GDP, but there were pockets of weakness in the goods manufacturing and services sectors as well. Taking the strong population growth into account, GDP per capita has shrunk 4.6% since the peak in Q3 2022. **The data doesn’t change our OCR outlook – we expect the RBNZ to deliver more cuts at its upcoming meetings in October and November.**

Offshore, the major event has been the US Fed’s interest rate cut. US interest rate developments are important for borrowers in NZ, because of the influence that the US interest rate market has on funding costs in other global markets, including NZ. The ‘Great Fed Debate’ of 2024 (when, how big etc) has been settled with a 50bp or 0.5% cut delivered at this week’s meeting. The decision to cut by the larger amount comes on the back of the Federal Open Market Committee (FOMC) seeing greater risks of a softening in the US labour market while feeling confident that inflation will continue to decelerate towards the 2% inflation target. The ‘dot plot’ forecasts that come out following the meeting show the median FOMC member expects another 50bps of cuts over the remainder of 2024, 100bp of cuts over 2025, and 50bps in 2026.

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