

### ASB New Zealand Commodity Price Indices As at Friday 15<sup>th</sup> September 2017

	Index *	1 Week %	Year % **
Total NZD	177.3	-0.1%	12.3%
Total SDR	188.9	0.5%	10.4%
Total USD	195.4	0.3%	12.7%
Dairy USD	201.0	-0.6%	16.5%
Sheep/beef USD	223.8	1.5%	12.0%
Forestry USD	173.3	0.2%	8.2%
NZD/USD	0.7291	0.3%	0.3%

\* For all indices 1997 average = 100

\*\* Percentage change since same week last year

#### Wet weather is stalling NZ dairy production

**Wet weather in key NZ dairying regions is beginning to stall dairy production.** For example, the latest production data showed that August production was 1.5% below August 2016.

**Production had been running at a healthy 12.8% ahead for the season to July when compared to the same period last season.**

However, farmers shifting to winter milk (i.e. producing during the winter months to gain price premiums, whereas traditionally farmers and cows would have the winter off) accounted for the majority of that lift. The August data give a truer reflection of the production strength, and clearly show that the wet weather is taking its toll.

**In addition, a hangover from last year's poor spring may be having an impact this season.** Last year's wet spring led to poor mating results, with this reflected in late calving and therefore delayed production this spring.

**D-Day is fast approaching for NZ production over the remainder of the key spring months.** October is the seasonal peak for the NZ production season, with September and November also key months.

As a result, if the weather doesn't improve soon, **we will drop our production forecast, and, then off the back of that move, lift our milk price forecast.** Currently, we forecast 4% production growth this season. If we drop, to say 2%, we would then lift our 2017/18 milk price forecast to \$7.00/kg or above (from \$6.75/kg currently).

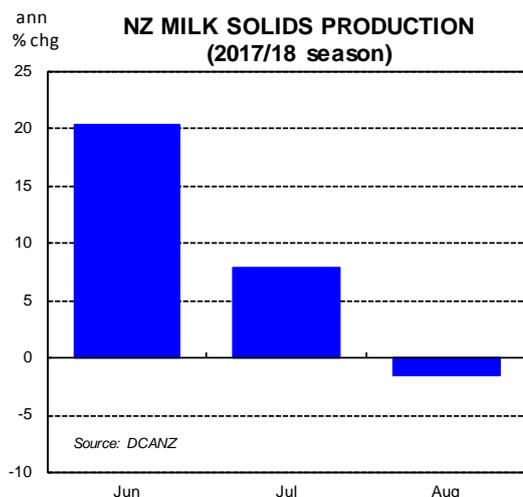
#### ASB NZ Commodity Price Index

**NZ commodity prices were largely unchanged last week in NZD terms,** with a small rise in commodity prices offset by a stronger NZD.

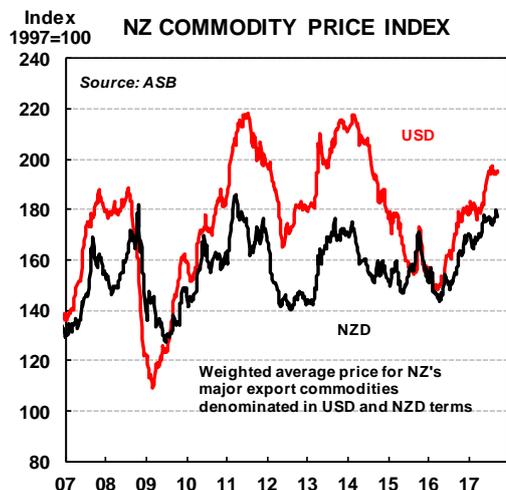
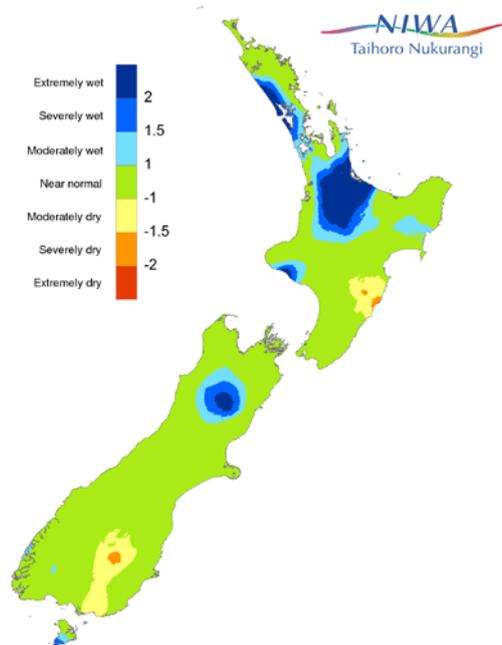
Looking at the index components, **surging wool prices lifted the Sheep/Beef Index 1.5% in USD terms.** Forestry prices posted a small rise, lifting 0.2%. Meanwhile, the 0.9% rise at this week's dairy auction eclipsed a small dairy price fall last week.

#### Currency Markets

The NZD was volatile last week, as the currency reacted to the impact of geo-political tensions, Hurricane Irma and election poll results. The volatility has continued this week; **at the time of writing, the NZD was trading at \$0.7310 against the USD.**



SPI Drought Index for 9am 21/08/2017 to 9am 20/09/2017



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