

ASB New Zealand Commodity Price Indices As at Friday 18th November 2016

	Index *	1 Week %	Year % **
Total NZD	169.8	2.4%	8.6%
Total SDR	183.4	2.3%	18.3%
Total USD	180.1	0.9%	16.0%
Dairy USD	194.2	3.8%	38.3%
Sheep/beef USD	195.9	-1.5%	2.4%
Forestry USD	158.3	0.3%	11.4%
NZD/USD	0.7017	-1.4%	6.8%

* For all indices 1997 average = 100

** Percentage change since same week last year

October NZ dairy production dives

Data have now officially confirmed that very wet weather has led to a dive in NZ dairy production over October. October nationwide production (i.e. production for all milk processors) fell 6.1% compared to October 2015. This fall follows stable production over September compared to the same month a year ago.

On a season-to-date basis, nationwide production is now running 3.1% behind last season. Similarly, this is a marked deterioration from September where production was just 0.8% behind at that stage.

For Fonterra (i.e. excluding other processors), the picture is worse. Its October milk collections were 8.1% behind October 2015, while on a season-to-date basis they are 5.2% behind. In other words, on top of the wet weather, Fonterra is losing market share.

With the production dive, it's not surprising that dairy prices have lifted dramatically. Over the three dairy auctions since the wet weather began to impact, whole milk powder prices have increased 27%, while overall prices have lifted 18%. In fact, at the 1 November auction alone, WMP prices lifted a tad under 20%.

Moreover, we expect that production is unlikely to make up much lost ground this season. In particular, pastures in regions such as the Waikato are damaged and won't recover this season. Cows in the wet regions have passed their peak production levels, making it doubly difficult to make up lost production ground. All up, we expect weak production to support dairy prices for the remainder of this season.

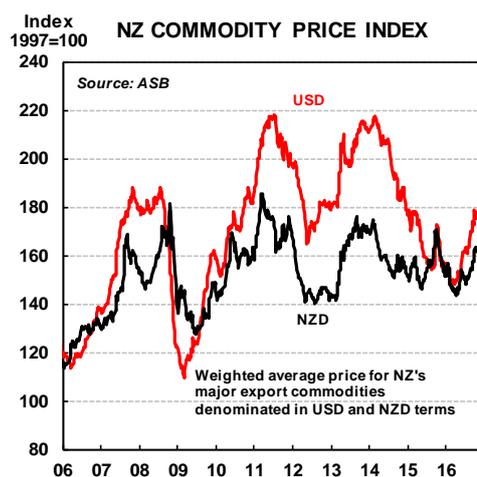
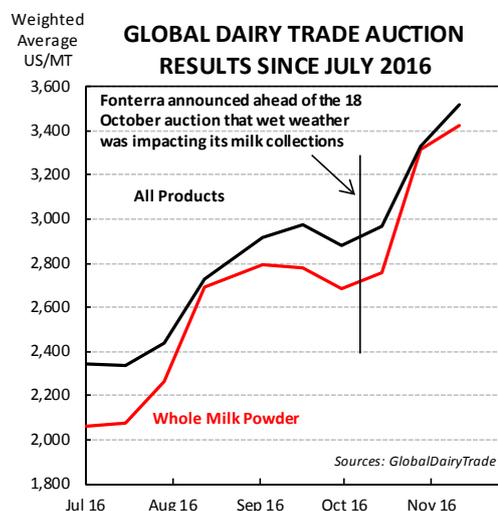
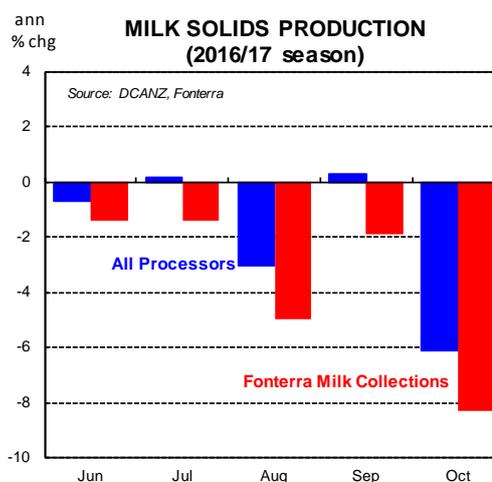
ASB NZ Commodity Price Index

The ASB Commodity Price Index rose across the board last week, underpinned by strong dairy product prices.

On a components basis, the Dairy index gained most, climbing 3.8% on the back of massive gains in skim milk (8.2%) and cheddar (7.2%) prices. Meat prices slipped a tad last week, with the Sheep/Beef Index registering a 1.5% decline. On the forestry front, log prices inched up 0.6%, while pulp prices were unchanged.

Currency Markets

Last week, the NZD faltered on weaker ground against a generally-strong US dollar. Last week's Canterbury earthquake also softened the currency. As at the time of writing, the NZD/USD was trading at \$0.7001.



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