

Commodities Weekly

For the week ending Friday 28th June

A season of two halves

We expect flat 2019/20 season production growth

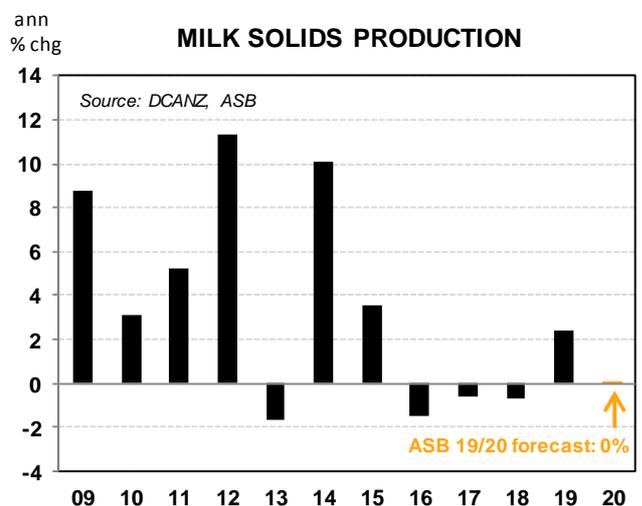
Dairy production for the 2018/19 season was 2.4% higher than 2017/18. This broke the run of three consecutive falls from 2014/15 to 2017/18.

The overall lift, however, masked a season of two halves. Production was strong through the spring and early summer. Late last year we had thought that production for the 2018/19 season might be as much as 5% higher than the 2017/18 season.

The hot and dry summer put paid to that expectation. February and March were particularly hot. Production levels swung from being 7.7% ahead of the same month the previous year in January to being 7.7% behind by April.

Regionally, the contrast was also stark. Production north of Lake Taupo fell below 2017/18's level. Production south of Lake Taupo fared better, with most regions posting a lift in production compared to the season prior.

Looking to 2019/20, we expect a similar level of production to 2018/19 i.e. for 2019/20 production growth to be flat (0%) compared to 2018/19. In particular, the very favourable spring growing conditions from 2018 are unlikely to repeat this spring. In addition, incremental dairy de-conversions are also likely to weigh on nationwide production.



Week ending 28 June

The ASB Commodity Price Index fell 0.5% in NZD terms week ending 28 June as the NZD/USD strengthened. In USD terms, however, the Index fared better, rising 1.4%.

Sheep/beef prices led the Index higher in USD over the week, beef prices jumping 3.7%. Forestry and fruit prices posted gains of around 2%, while dairy prices were unchanged

Meanwhile, the NZD strengthened against the USD last week following the positive trade headlines from the G20. This week, is largely unchanged. As at the time of writing, the NZD was trading at US\$0.6790.

ASB New Zealand Commodity Price Indices As at Friday 28th June 2018

	Index*	Week%	Year%**
Total NZD	106.6	-0.5%	0.9%
Total SDR	101.4	1.2%	-0.4%
Total USD	101.6	1.4%	-1.8%
Dairy USD	100.4	0.0%	-1.0%
Sheep/beef USD	103.0	3.1%	-3.0%
Forestry USD	100.1	2.2%	-1.8%
Fruit USD	103.9	2.0%	-0.7%
NZD/USD	0.6719	2.0%	-2.7%

* For all indices 2017 average = 100

** Percentage change since same week last year

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