

Commodities Weekly

For the week ending Friday 1st December



From big wet to big dry

NZ drought risk is rising

The NZ summer has started hot and dry. For example, NIWA has reported that “New Zealand is off to a ‘concerning’ start to summer, after some of the worst rainfall patterns in over a century.”

Indeed, **the start of the NZ summer marks a stark contrast to the extremely wet spring.** Moreover, the turnaround in weather has been remarkable. For example, NZ dairy production flipped from being 2.1% behind a year ago in September to 2.3% above in October.

Nonetheless, **it is still early days in terms of the NZ summer and potential impact on agricultural production.** As a result, any potential impact on production can largely be made up later in the season.

With this in mind we maintain our production forecasts for now. Our nationwide milk production growth forecast for this season, for example, still stands at 3%. However, if the dry weather continues for the rest of December, we will revise down this forecast. Indeed, many NZ farmers will be anxious for rain over coming weeks.

Week ending December

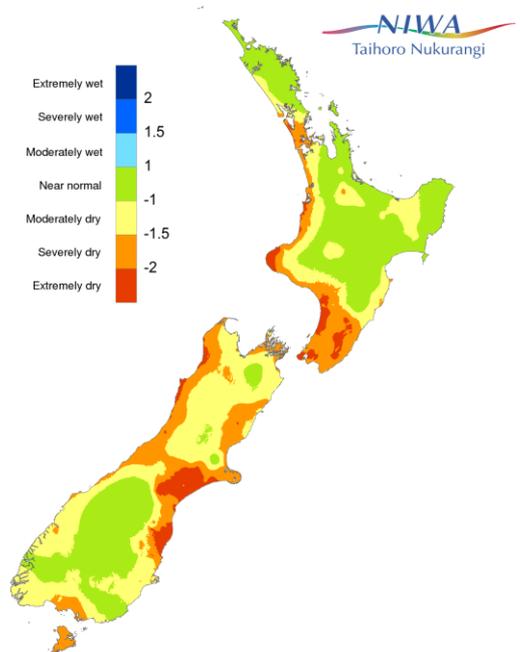
The ASB Commodity Price Index fell in all denominations for the week ending 1 December. The Index fell 0.7% in both NZD and USD terms.

Weaker dairy prices drove most of the fall; however, a lift at this week’s dairy auction has superseded this fall.

Sheep/beef prices also fell a touch. Lamb prices fell 0.6% in USD terms, and it now appears they have passed their seasonal peak. Other components were mostly unchanged.

Last week, **the NZD tracked sideways, and has continued to trade at these levels so far this week.** As at the time of writing, the NZD was trading at US\$0.6890.

SPI for 9am 05/11/2017 to 9am 05/12/2017



ASB New Zealand Commodity Price Indices As at Friday 1st December 2017

	Index*	Week %	Year %**
Total NZD	108.8	-0.7%	3.2%
Total SDR	96.6	-0.4%	-3.7%
Total USD	90.0	-0.7%	0.9%
Dairy USD	85.2	-1.2%	-8.1%
Sheep/beef USD	93.9	-0.3%	13.7%
Forestry USD	98.7	0.1%	3.9%
Fruit USD	92.2	0.1%	-6.8%
NZD/USD	0.6886	0.1%	-2.2%

* For all indices 2014 average = 100

** Percentage change since same week last year

ASB Economics & Research

Chief Economist
Senior Rural Economist
Senior Economist
Senior Economist
Senior Economist, Wealth
Economist
Data & Publication Manager

Nick Tuffley
Nathan Penny
Jane Turner
Mark Smith
Chris Tennent-Brown
Kim Mundy
Judith Pinto

nick.tuffley@asb.co.nz
nathan.penny@asb.co.nz
jane.turner@asb.co.nz
mark.smith4@asb.co.nz
chris.tennent-brown@asb.co.nz
kim.mundy@asb.co.nz
judith.pinto@asb.co.nz

Phone

(649) 301 5659
(649) 448 8778
(649) 301 5853
(649) 301 5657
(649) 301 5915
(649) 301 5661
(649) 301 5660

www.asb.co.nz/economics

 [@ASBMarkets](https://twitter.com/ASBMarkets)

Disclaimer

This document is published solely for informational purposes. It has been prepared without taking account of your objectives, financial situation, or needs. Before acting on the information in this document, you should consider the appropriateness and suitability of the information, having regard to your objectives, financial situation and needs, and, if necessary seek appropriate professional or financial advice.

We believe that the information in this document is correct and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its compilation, but no representation or warranty, either expressed or implied, is made or provided as to accuracy, reliability or completeness of any statement made in this document. Any opinions, conclusions or recommendations set forth in this document are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed elsewhere by ASB Bank Limited. We are under no obligation to, and do not, update or keep current the information contained in this document. Neither ASB nor any person involved in the preparation of this document accepts any liability for any loss or damage arising out of the use of all or any part of this document.

Any valuations, projections and forecasts contained in this document are based on a number of assumptions and estimates and are subject to contingencies and uncertainties. Different assumptions and estimates could result in materially different results. ASB does not represent or warrant that any of these valuations, projections or forecasts, or any of the underlying assumptions or estimates, will be met.