

Commodities Weekly

For the week ending Friday 7th February

Drought declared

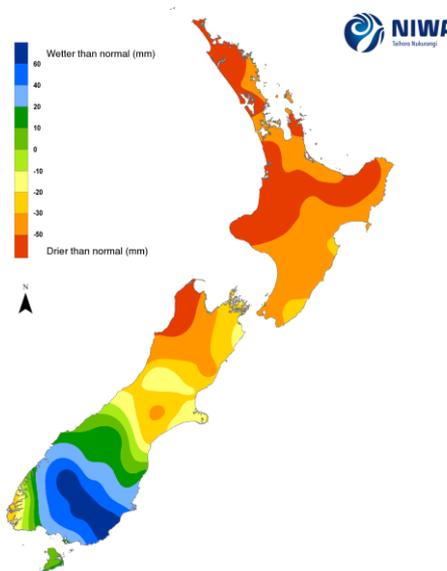
NZ government declares official drought in Northland; other regions may be next

An official drought has been declared in Northland. The official declaration means that government assistance can be now offered to farmers in the region.

Other regions may soon see an official declaration too. As shown on the map, the Waikato, Bay of Plenty, Taranaki and the northern part of the South Island are also very dry. Moreover, weather forecasts show little sign of short-term rain relief in these areas.

In terms of commodity price impacts, the drought will have mixed effects by sector. For dairy, the drought will put upward pressure on prices as dairy production is likely to fall. Currently, we forecast 2019/20 production to be flat on 2018/19, but we are reviewing this forecast next week. For meat prices, the drought is having a depressing impact as farmers bring forward or increase slaughter due to a lack of feed. Already, lamb prices have fallen more than they do normally at this time of year. Meanwhile, a hot summer can often boost production levels in the horticulture sector, although prices may fall as a result.

Soil moisture anomaly (mm) at 9am on 13/02/2020



Week ending 7 February

The ASB Commodity Price Index slid 2.7% last week in USD terms. A weaker NZD/USD offset some of the fall in NZD terms.

All the major Index components recorded falls in USD terms last week. Notably, dairy prices fell sharply (down 3.6%) on concerns coronavirus will impact demand. Sheep/beef prices also fell similarly on both virus concerns and the abovementioned pickup in seasonal and drought-related slaughter levels.

The NZD/USD dipped around 1% last week on Corona virus concerns. The NZD/USD has lifted this week following the RBNZ's relatively bullish interest rate announcement. **At the time of writing, the NZDUSD was trading around US\$0.6440.**

ASB New Zealand Commodity Price Indices As at Friday 7th February 2020

	Index*	Week%	Year%**
Total NZD	107.6	-1.8%	4.8%
Total SDR	98.8	-2.2%	0.8%
Total USD	97.6	-2.7%	-0.6%
Dairy USD	101.1	-3.6%	6.5%
Sheep/beef USD	92.4	-3.5%	-4.6%
Forestry USD	89.9	-1.0%	-13.0%
Fruit USD	108.0	-1.0%	4.3%
NZD/USD	0.6402	-1.0%	-5.1%

* For all indices 2017 average = 100

** Percentage change since same week last year

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