

# Commodities Weekly

For the week ending Friday 16<sup>th</sup> March



## Baby steps

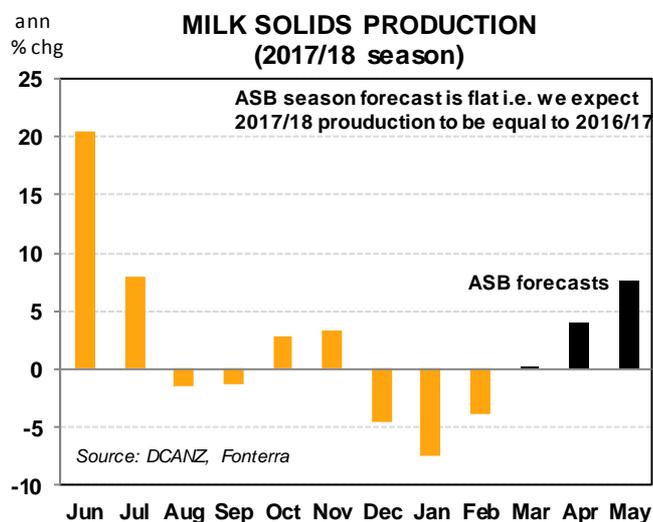
### NZ dairy production showed only tentative signs of recovery over February

**NZ dairy production remained weak last month.**

Production for all processors fell 3.9% over February compared to February 2017.

**That said, production is at least heading in the right direction in change terms.** Indeed, the 3.9% annual fall over February was an improvement on the 7.4% annual fall posted over January. In other words, rain over many parts of the country has helped stem the production loss over February, and we anticipate that this trend will gather steam in March.

With the production recovery taking only baby steps so far, **dairy prices are likely to remain firmer for longer than we had expected previously. On this basis, we maintain our milk price forecast for this season at a relatively optimistic \$6.50/kg.** With Fonterra due to update its forecast tomorrow, we'll get to see if Fonterra shares our optimism.



### Week ending 16 March

The ASB Commodity Price Index posted a 0.5% fall in USD terms in the week ending 16 March. However, a 0.9% dip in the NZD/USD meant the Index rose 0.4% in NZD terms.

**The Index fall in USD terms was broad-based.** Fruit prices fell in line with the fall in the NZD/USD. Sheep/beef prices and forestry prices dipped 0.7%, while dairy prices were also down a touch.

Last week, the NZD fell as global risk sentiment deteriorated. In particular, changes in White House personnel and trade tensions contributed to falls in commodity currencies, including the AUD, CAD and the NZD. This week, the NZD has recovered some of the ground it lost last week; **as at the time of writing, the NZD was trading at US\$0.7250.**

### ASB New Zealand Commodity Price Indices As at Friday 16<sup>th</sup> March 2018

	Index*	Week %	Year %**
Total NZD	109.2	0.4%	6.0%
Total SDR	99.3	-0.5%	2.9%
Total USD	94.6	-0.5%	10.5%
Dairy USD	90.1	-0.2%	7.4%
Sheep/beef USD	96.5	-0.7%	18.7%
Forestry USD	106.4	-0.7%	9.9%
Fruit USD	95.1	-0.9%	-0.8%
NZD/USD	0.7216	-0.9%	4.2%

\* For all indices 2014 average = 100

\*\* Percentage change since same week last year

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