

Commodities Weekly

For the week ending Friday 13th July



2018 grape harvest jumps on 2017

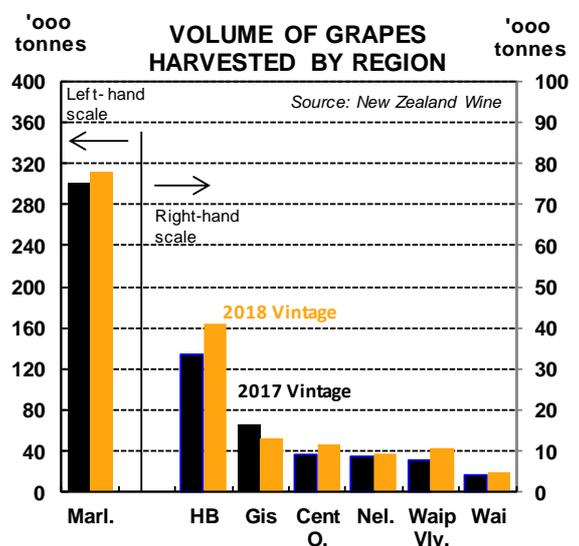
However, larger harvest could put some downward pressure on prices

The 2018 grape harvest has jumped on the 2017 level. All up, the harvest was around 23,000 tonnes or 6% larger than last year's. A 4% lift in yield accounted for most of the lift in harvest.

Regionally, the Waipara Valley has bounced back from last year's difficulties, with the harvest up by over a third. In addition, the Hawkes Bay, Central Otago and Wairarapa all saw harvests jump by over 20%. Of the main wine regions, only Gisborne saw its harvest dip (by 20%), while Marlborough posted a modest 4% lift.

The larger harvest will support export volume and value growth this year. In the year to May 2018, export values lifted 3.3% compared to the year earlier, mainly due to higher export volumes, with prices lifting just a touch.

However, we expect this year's larger harvest to put some downward pressure on prices. Also, given wine's relative luxury status it is more likely to get see global demand soften in the fallout from trade tensions.



Week ending 13 July

The ASB Commodity Price Index rose 0.4% in NZD terms in the week ending 13th July. However, the lower NZD/USD accounted for all of the rise over the week, with the Index actually down 0.8% in USD terms.

All the major Index components posted falls over the week.

Forestry and fruit posted the largest falls, with both sub-Indices dipping 1.1% in USD terms (in line with the NZD/USD fall). Meanwhile, both dairy and sheep/beef prices posted more modest falls of 0.5%.

The NZD fell against most currencies last week. This downward move came as markets began to factor in the possibility of Reserve Bank interest rate cuts. The NZD has remained soft this week, and at the time of writing was trading at US\$0.6740.

ASB New Zealand Commodity Price Indices As at Friday 13th July 2018

	Index*	Week %	Year %**
Total NZD	113.6	0.4%	6.8%
Total SDR	100.0	-0.2%	-2.0%
Total USD	92.3	-0.8%	-0.8%
Dairy USD	86.9	-0.5%	-6.3%
Sheep/beef USD	95.2	-0.5%	0.3%
Forestry USD	100.7	-1.1%	-1.9%
Fruit USD	95.0	-1.1%	7.2%
NZD/USD	0.6765	-1.1%	-7.1%

* For all indices 2014 average = 100

** Percentage change since same week last year

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