

Commodities Weekly

For the week ending Friday 17th November



Milk production rebounds following ‘big wet’

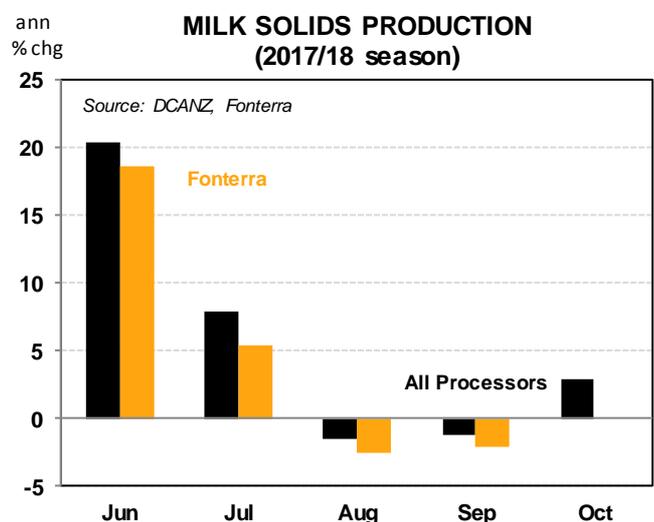
Dry and warm October boosts production

NZ dairy production has rebounded over October.

Nationwide production (i.e. for all processors) for October jumped 2.9% compared to October 2016, taking season-to-date production to 1.1% above the same period last season.

The firm October production follows weak August and September months, when very wet weather hindered production. Both the August and September months posted falls versus the respective months in 2016.

The weather has now turned, with October drier and warmer than previous months (see map over page). On the back of the improved weather, we can reaffirm our forecast that this season’s nationwide production will lift 3% compared to last season.



The improved production outlook is likely to cap any potential underlying improvement in dairy commodity prices. Although given we are now past the production peak, prices could still drift higher in the short term as production volumes fall over the remainder of the season. **We keep our 2017/18 milk price forecast of \$6/75/kg under review.**

Week ending 17 November

The ASB New Zealand Commodity Price fell 1.2% in USD terms for the week ending 17 November. However, a weaker NZD meant that the Index rose 0.5% in NZD terms.

Looking at the components, the weakness in USD terms was broad-based. Forestry and fruit led the falls, dipping 1.6%, while dairy and sheep/beef prices dropped 0.8% and 1.2%, respectively.

Last week, **the NZD lost further ground.** The downward pressure has continued so far this week – as at the time of writing, the NZD was trading at US\$0.6800.

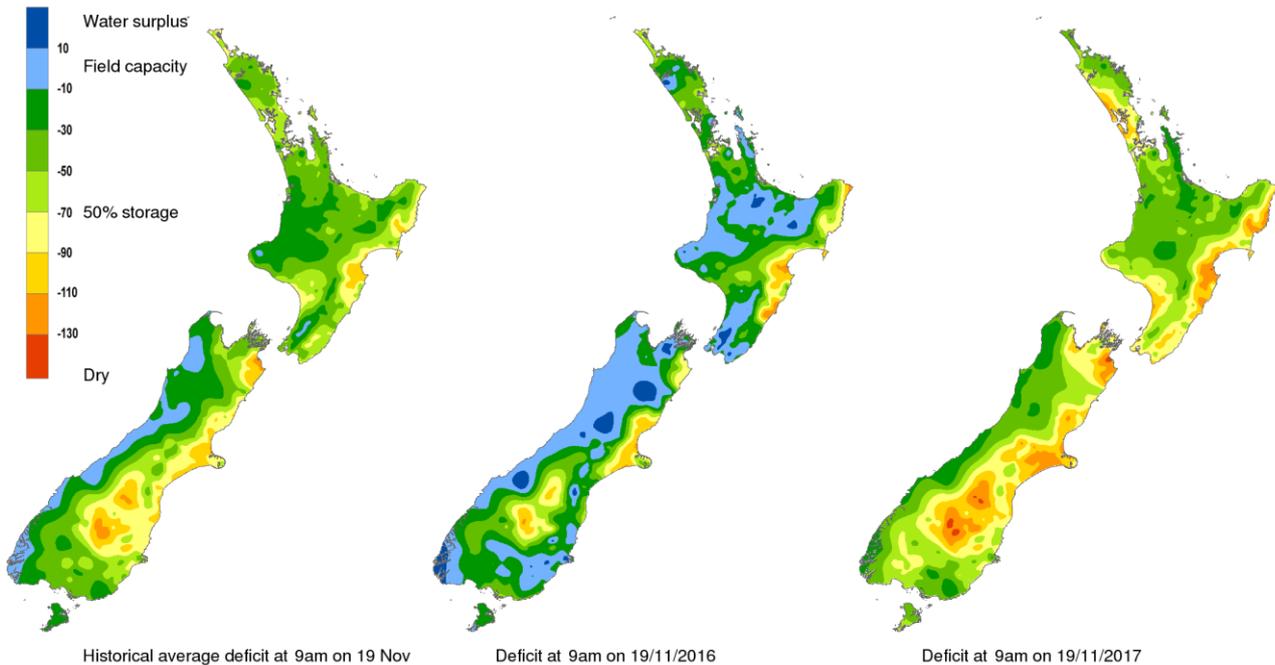
ASB New Zealand Commodity Price Indices As at Friday 17th November 2017

	Index*	Week%	Year%**
Total NZD	110.6	0.5%	8.0%
Total SDR	97.6	-1.6%	0.5%
Total USD	90.5	-1.2%	3.4%
Dairy USD	88.3	-0.8%	-0.2%
Sheep/beef USD	92.9	-1.2%	9.6%
Forestry USD	96.9	-1.6%	3.1%
Fruit USD	93.3	-1.6%	-6.6%
NZD/USD	0.6817	-1.6%	-4.2%

* For all indices 2014 average = 100

** Percentage change since same week last year

Soil moisture deficit (mm) at 9am on 19/11/2017



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