

Commodities Weekly

For the week ending Friday 15th November

Spring production slide

Dairy production growth continues to slow, but milk price is heading north

NZ dairy production growth continues to slow. October production was 1.5% down on October 2018. For the season to date, however, production is still marginally (0.5%) ahead of the same point last season.

Spring 2019 growing conditions have been markedly worse than over spring 2018. Some parts of the country have experienced unseasonably low temperatures, while others have been very wet. In turn, the mixed weather has translated into slower production growth this spring.

From here, we expect milk production to slow further compared to last season. For the season as a whole, we forecast milk production to be flat on last season i.e. we expect 0% growth.

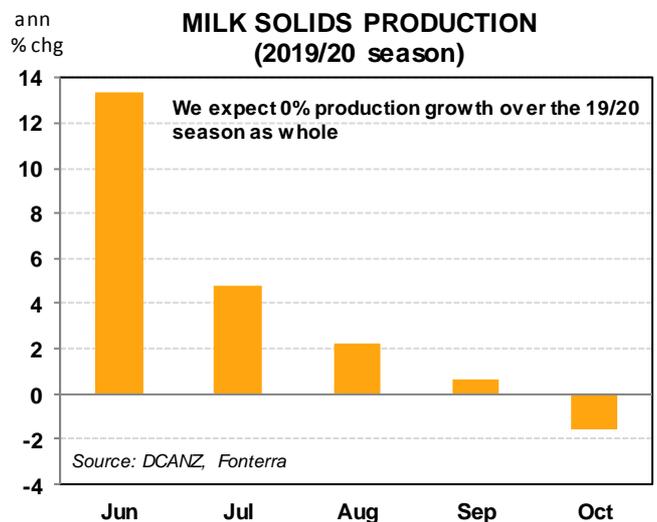
There has been a silver lining to soft production though. Dairy prices have been lifting as NZ production growth has softened. Indeed, overall dairy auction prices have lifted 8% since early September. With this in mind, we have lifted our 2019/20 milk price forecast by 50 cents to \$7.50/kg.

Week ending 15 November

The ASB Commodity Price Index lifted 1.2% in USD terms last week. However, a stronger NZD eroded the gain, so that the Index was effectively flat in NZD terms.

The Index lift in USD terms was broad-based. Sheep/beef prices continued their hot run, rising 1.6%. Meanwhile, dairy, forestry and fruit all posted price gains of 1.1%.

Meanwhile, **the NZD/USD was one of the top performing currencies last week.** This week, the NZD has largely traded sideways. **As at the time of writing, the NZD was trading close to US\$0.6400.**



ASB New Zealand Commodity Price Indices As at Friday 15th November 2019

	Index*	Week %	Year %**
Total NZD	113.3	0.1%	12.5%
Total SDR	103.7	1.0%	7.5%
Total USD	102.9	1.2%	6.9%
Dairy USD	103.7	1.1%	18.1%
Sheep/beef USD	112.3	1.6%	8.2%
Forestry USD	88.1	1.1%	-11.8%
Fruit USD	101.0	1.1%	-3.6%
NZD/USD	0.6400	1.1%	-5.0%

* For all indices 2014 average = 100

** Percentage change since same week last year

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