

Commodities Weekly

For the week ending Friday 15th March



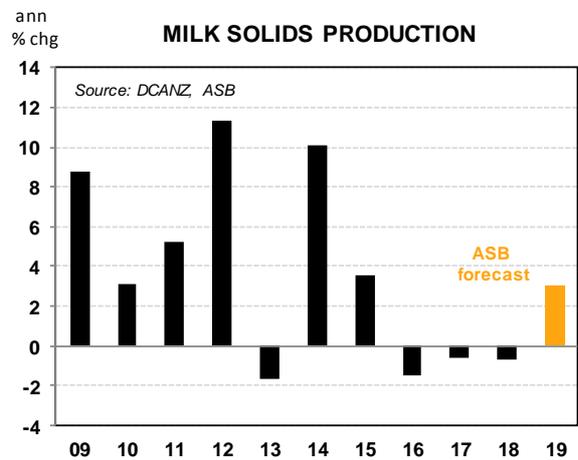
Summer swelter softens solids supply, supporting our \$6.60/kg supposition

We still expect to hit 3% annual growth despite lower dairy production last month

As we expected, the hot, dry summer led to lower milk solids production in February. Milk solid production was down -0.1% versus last February, a far cry from the massive annual growth we saw in December and January (+6.1% and +7.7%).

We've cut our production forecast for the season, but still expect a record result. We had projected +5% growth in the 12 months to May, but have revised this to +3% following the dry weather and this month's result. Still, given whopping production in the last eight months, there is a good chance that this season's prediction will still come in at a record high.

Lower production is boosting milk prices. Supply is tight globally – and now tightening domestically – whilst demand continues to hold up. Consequently, we lifted our 2018/19 milk price forecast by 35c to \$6.60/kg this week. All up, we expect the net effect of higher prices and lower production will give farmers a +\$450m boost nationwide. That said there will be considerable regional variation depending on the severity of the production fall.



Week ending 15 March

The NZD ASB Commodity Price Index was stable during the week, with rises in the USD prices of exports negated by a higher NZD/USD. The USD index was up +0.6%.

In USD terms, all key commodities gained. Sheep/beef was the big mover (+0.8%) followed by forestry and fruit (+0.6%). Dairy was close behind (+0.5%), and should rise again in this week's index following the strong dairy auction.

The NZD/USD rose 0.6% over the week, following weak US inflation data. The Kiwi rose again this week on the strong Q4 GDP result, with **the NZD/USD at 0.6884 as of the time of writing.**

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

	Index*	Week %	Year %**
Total NZD	104.6	0.0%	2.3%
Total SDR	100.3	0.2%	0.1%
Total USD	100.7	0.6%	-3.9%
Dairy USD	100.6	0.5%	1.0%
Sheep/beef USD	94.8	0.8%	-12.1%
Forestry USD	105.6	0.6%	-1.6%
Fruit USD	103.2	0.6%	-10.9%
NZD/USD	0.6845	0.6%	-6.0%

* For all indices 2014 average = 100

** Percentage change since same week last year

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