

Commodities Weekly

For the week ending Friday 16th November



October dairy production sets record high

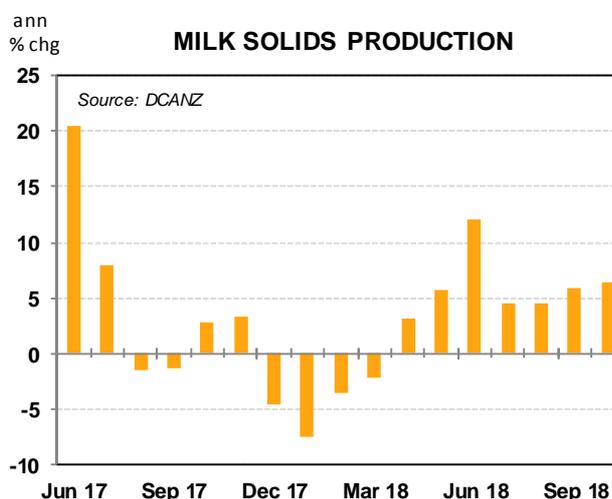
2018/19 season production also on track for a new record high

October dairy production has set a new record high for any month. October production has jumped 6.5% ahead of October 2017, and for the season to date production is running 6% above the same time last season.

And there's more to come. Recent rains across the country mean that production should kick on over November, December and into 2019. With that in mind, the risk of drought derailing production later in the season continues to recede.

On the basis of these bumper production numbers, **we have lifted our 2018/19 season production growth forecast from 4% to 5%.** Indeed, this season is comfortably on track to set a new record high. Note production growth at 3% or above will translate into a new record high.

But it is possible to have too much of a good thing. **The extra milk also means a lower milk price forecast – earlier this week, we also trimmed our milk price forecast by 25 cents to \$6.00/kg.**



Week ending 16 November

The ASB Commodity Price Index fell 1.4% in NZD terms in the week ending 16 November. Most of the dip owed to the continued lift in the NZD/USD, with the Index actually rising 0.7% in USD terms.

Last week in USD terms, all the main commodity groups posted modest rises with the exception of dairy. Indeed, forestry, fruit and sheep/beef prices all posted gains of around 2%.

The NZD/USD continued to lift last week as US-China trade tensions eased and supporting currencies like the NZD. This week the NZD/USD has softened. As at the time of writing, **the NZD/USD was trading at 0.6810.**

ASB New Zealand Commodity Price Indices As at Friday 16th November 2018

	Index*	Week %	Year %**
Total NZD	107.3	-1.4%	-3.2%
Total SDR	97.3	0.6%	-2.6%
Total USD	88.6	0.7%	-3.9%
Dairy USD	78.0	-0.6%	-12.3%
Sheep/beef USD	95.6	2.1%	1.6%
Forestry USD	101.8	2.1%	3.3%
Fruit USD	100.4	2.1%	0.3%
NZD/USD	0.6878	2.1%	-0.7%

* For all indices 2014 average = 100

** Percentage change since same week last year

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