

# Commodities Weekly

For the week ending Friday 17<sup>th</sup> January



## Heating up, drying out

### It's early days in the NZ summer, but drought risks are rising

**January has been hot and dry across many parts of the country.**

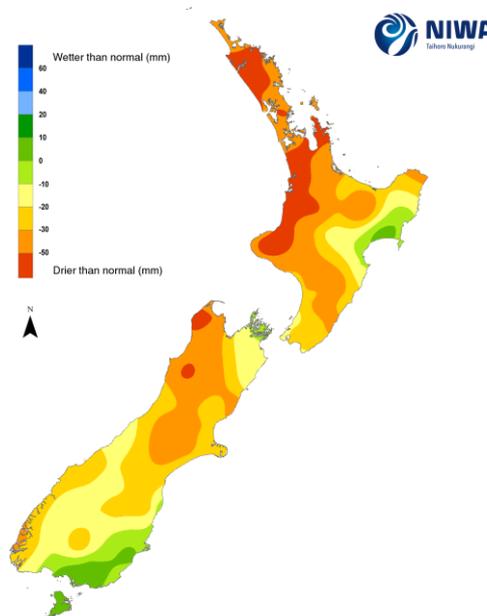
According to NIWA, the hotspots are mainly in the North Island, and in particular, Northland and parts of the Waikato. NIWA also notes that northern parts of the South Island are also nearing “hotspot” status.

While still early days, **the dry weather is having a (modest) impact on agricultural production.** Sheep and beef farmers have brought forward slaughter due to limited availability of feed, although recent record prices have also been an incentive to slaughter early.

**Dairy production is showing signs of slowing.** December production rose just 0.2% on December 2018, after a 0.4% for the month prior. For now, we stick with our 0% growth forecast for the season, however, if a drought eventuates, that forecast may prove too ambitious.

**The dry weather price impact differs across the sectors.** For dairy, dry weather will constrict production and put upward pressure on prices. In the short term, the opposite applies to meat prices as a lack of feed causes farmers to bring forward slaughter. This extra supply then puts downward pressure on prices. Although, in the medium term, prices may lift as farmers rebuild their herds and flocks.

Soil moisture anomaly (mm) at 9am on 23/01/2020



### Week ending 17 January

**The ASB Commodity Price Index was largely unchanged last week.** By component, commodity prices had a mixed week. Sheep/beef continued to recede from their earlier record prices. In USD terms, lamb and beef prices fell 3.1% and 2.5%, respectively over the week. In contrast, dairy prices gained 1.0%, while fruit and forestry prices were down a touch (0.2%).

Meanwhile, **the NZD/USD largely treaded water last week.** This week, the NZD has traded in a tight range, and **at the time of writing, NZD/USD was trading at US\$0.6600.**

### ASB New Zealand Commodity Price Indices As at Friday 17<sup>th</sup> January 2020

	Index*	Week %	Year %**
Total NZD	109.7	0.0%	7.9%
Total SDR	103.5	-0.2%	6.7%
Total USD	102.9	-0.2%	5.8%
Dairy USD	103.9	1.0%	12.1%
Sheep/beef USD	101.7	-2.5%	4.2%
Forestry USD	93.4	-0.2%	-9.5%
Fruit USD	119.2	-0.2%	17.2%
NZD/USD	0.6615	-0.2%	-1.9%

\* For all indices 2014 average = 100

\*\* Percentage change since same week last year

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