

Commodities Weekly

For the week ending Friday 20th April



Dairy production limping into season end

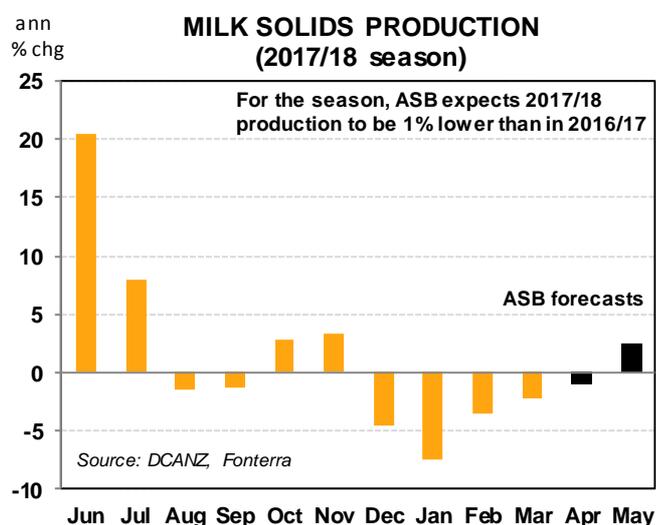
We lower our 2017/18 production growth forecast to -1%

NZ dairy production remained weak last month. March production for all processors was 2.2% below March 2017.

Furthermore, **we had expected production would be firmer by now.** Indeed, we had anticipated that rain over February and March would have re-ignited production, particularly when combined with the healthy milk price. Alas, this has not proved the case.

As a result, **we have revised our 2017/18 production growth forecast down to -1%**, from flat previously. Indeed, it now appears that the production recovery will have to wait until the 2018/19 season.

With NZ production still weak, we now expect higher dairy prices than we had anticipated previously. Also, recall that we expect butter prices to surge over coming months as the global butter shortage worsens (read more [here](#)). On this basis, **we place both our 2017/18 and 2018/19 milk price forecasts of \$6.55/kg and \$6.50/kg, respectively, under review.**



Week ending 20 April

The ASB Commodity Price Index posted a 2.2% lift in NZD terms in the week ending 20 April. Notably though, most of the lift was due to a 2.1% fall in the NZD/USD, with the Index largely unchanged in USD terms.

Dairy prices posted the only gain over the week in USD terms. Skim milk prices lifted 3.1%, while milk fat and cheddar prices rose around 2%. In contrast, all of the other major Index components posted price falls of 2.1%.

Meanwhile, the NZD/USD fell as the USD strengthened on the back of higher US benchmark interest rates. This week, the NZD has continued to weaken; **as at the time of writing, the NZD was trading at US\$0.7150.**

ASB New Zealand Commodity Price Indices As at Friday 20th April 2018

	Index*	Week%	Year %**
Total NZD	112.1	2.2%	8.3%
Total SDR	101.8	0.4%	4.4%
Total USD	97.0	0.1%	11.5%
Dairy USD	92.2	1.8%	9.4%
Sheep/beef USD	94.7	-2.1%	10.1%
Forestry USD	106.3	-2.1%	8.8%
Fruit USD	109.2	-2.1%	21.6%
NZD/USD	0.7207	-2.1%	3.0%

* For all indices 2014 average = 100

** Percentage change since same week last year

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