

# Commodities Weekly

For the week ending Friday 23<sup>rd</sup> February



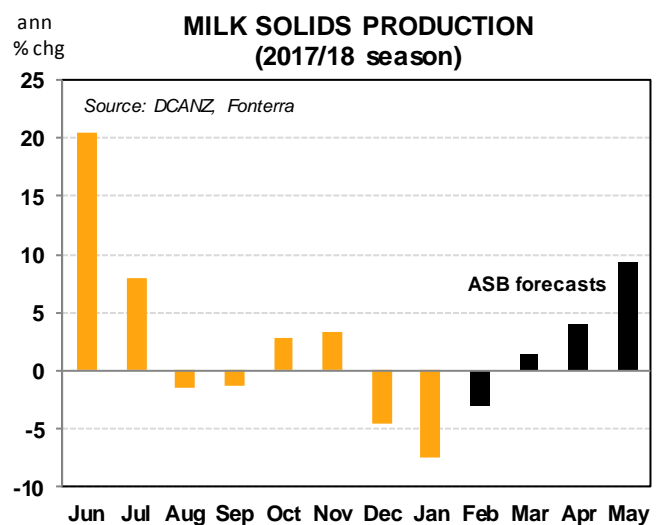
## Milk production turning around...slowly

**We have revised down our 17/18 production forecast to equal to 16/17**

**January nationwide dairy production was weak.** January production fell 7.4% compared to January 2017, marking the second weak month in a row.

Moreover, **January production was weaker than we had anticipated.** While December was very dry, January saw rain in many areas. However, the rain hasn't translated into better production just yet.

As a result, **we have revised our 2017/18 production forecast to equal with last season, from +1% previously.** Recent rain means that production will still recover some lost ground in coming months. However, this recovery is likely to come too late to prevent lower overall production.



The flipside to weaker production (as we have mentioned previously) is higher prices. We now expect dairy prices to maintain their current levels for longer than we had anticipated previously. In turn, **this points to some upside risk to our 2017/18 milk price forecast of \$6.50/kg.**

## Week ending 23 February

**A fall in the NZD against the USD helped the ASB Commodity Price Index post a 1.0% gain in NZD terms in the week ending 23 February.** However, in USD terms the Index posted a modest (0.3%) fall.

**Looking at the components, dairy and fruit prices in USD terms weakened over the week.** In contrast, sheep/beef prices posted a modest gain as beef prices rose 1.3%. While forestry prices were largely flat in USD terms, **the weaker NZD helped forestry prices post a record high in NZD terms.**

As already mentioned the NZD weakened against most of the major currencies last week. However, the NZD has rebounded a touch so far this week. **As at the time of writing, the NZD was trading at US\$0.7320.**

## ASB New Zealand Commodity Price Indices As at Friday 23<sup>rd</sup> February 2018

	Index*	Week %	Year %**
Total NZD	108.6	1.0%	3.7%
Total SDR	99.8	0.2%	-1.9%
Total USD	95.1	-0.3%	5.1%
Dairy USD	90.9	-0.5%	-2.3%
Sheep/beef USD	95.8	0.3%	17.7%
Forestry USD	107.2	-0.1%	6.6%
Fruit USD	95.2	-1.3%	-2.0%
NZD/USD	0.7291	-1.3%	1.3%

\* For all indices 2014 average = 100

\*\* Percentage change since same week last year

**ASB Economics & Research**

Chief Economist  
Senior Rural Economist  
Senior Economist  
Senior Economist  
Senior Economist, Wealth  
Economist  
Data & Publication Manager

Nick Tuffley  
Nathan Penny  
Jane Turner  
Mark Smith  
Chris Tennent-Brown  
Kim Mundy  
Judith Pinto

[nick.tuffley@asb.co.nz](mailto:nick.tuffley@asb.co.nz)  
[nathan.penny@asb.co.nz](mailto:nathan.penny@asb.co.nz)  
[jane.turner@asb.co.nz](mailto:jane.turner@asb.co.nz)  
[mark.smith4@asb.co.nz](mailto:mark.smith4@asb.co.nz)  
[chris.tennent-brown@asb.co.nz](mailto:chris.tennent-brown@asb.co.nz)  
[kim.mundy@asb.co.nz](mailto:kim.mundy@asb.co.nz)  
[judith.pinto@asb.co.nz](mailto:judith.pinto@asb.co.nz)

**Phone**

(649) 301 5659  
(649) 448 8778  
(649) 301 5853  
(649) 301 5657  
(649) 301 5915  
(649) 301 5661  
(649) 301 5660

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