

Commodities Weekly

For the week ending Friday 20th September



Dairy production off to solid start

A solid start, but spring production remains the wild card

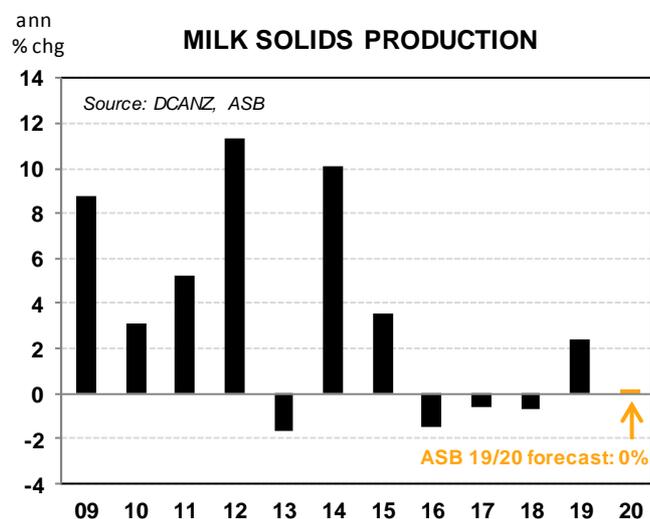
Dairy production has made a solid start to the 2019/20 season. In the three months to August, production was running 3.8% ahead of the same three months last season.

Indeed, a kind winter has helped production start strong.

Generally, winter was mild across the country, helping farmers maintain feed levels. In addition, the growing popularity of winter milking also skewed production numbers over and above the underlying growth trend.

However from here, we expect milk production to slow compared to last season.

All up, we forecast milk production to be flat on last season as a whole i.e. we expect 0% growth. Production last spring was very strong, with October setting a record high. It will be very difficult for milk production to match this level, particularly as farmer confidence is low and some farms de-convert to other land uses.



That said, **spring weather and production remains key to the season's prospects.** NZ spring can and often does surprise. As a result, we keep a close eye on both production data and the weather over the rest of spring.

Week ending 20 September

A softer NZ dollar helped the ASB Commodity Price Index lift higher in NZD terms (up 1.3%) last week. However, the Index did fall 0.5% in USD terms.

The Index fall in USD terms was largely broad-based, with fruit and sheep/beef prices both posting falls of in excess of 1%. Dairy prices were the exception, lifting 0.4% over the week.

Meanwhile, **the NZD/USD fell to 10-year lows last week on the back of US dollar strength.** This week, the NZD has regained some lost ground. **As at the time of writing, the NZD was trading close to US\$0.6300.**

ASB New Zealand Commodity Price Indices As at Friday 20th September 2019

	Index*	Week %	Year %**
Total NZD	109.2	1.3%	3.2%
Total SDR	98.2	-0.3%	0.8%
Total USD	97.0	-0.5%	-1.4%
Dairy USD	98.2	0.4%	7.0%
Sheep/beef USD	104.0	-1.5%	-4.4%
Forestry USD	84.6	-0.8%	-12.9%
Fruit USD	93.5	-1.9%	-7.0%
NZD/USD	0.6259	-1.9%	-4.4%

* 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
nathan.penny@asb.co.nz
jane.turner@asb.co.nz
mark.smith4@asb.co.nz
chris.tennent-brown@asb.co.nz
kim.mundy@asb.co.nz
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

www.asb.co.nz/economics

 [@ASBMarkets](https://twitter.com/ASBMarkets)

Disclaimer

This document is published solely for informational purposes. It has been prepared without taking account of your objectives, financial situation, or needs. Before acting on the information in this document, you should consider the appropriateness and suitability of the information, having regard to your objectives, financial situation and needs, and, if necessary seek appropriate professional or financial advice.

We believe that the information in this document is correct and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its compilation, but no representation or warranty, either expressed or implied, is made or provided as to accuracy, reliability or completeness of any statement made in this document. Any opinions, conclusions or recommendations set forth in this document are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed elsewhere by ASB Bank Limited. We are under no obligation to, and do not, update or keep current the information contained in this document. Neither ASB nor any person involved in the preparation of this document accepts any liability for any loss or damage arising out of the use of all or any part of this document.

Any valuations, projections and forecasts contained in this document are based on a number of assumptions and estimates and are subject to contingencies and uncertainties. Different assumptions and estimates could result in materially different results. ASB does not represent or warrant that any of these valuations, projections or forecasts, or any of the underlying assumptions or estimates, will be met.