

Commodities Weekly

For the week ending Friday 27th October



Dairy production stalls

Wet weather dragging down production

Wet weather has officially stalled spring dairy production.

September nationwide (i.e. for all processors), production fell 1.3% compared to September 2016. This fall was the second month in a row, which monthly production has fallen on an annual basis. Moreover, on a season-to-date basis, production is now effectively level with last season.

Indeed, the weak production numbers come at the start of the spring flush – the time of the season where production is highest. September is usually the fourth-highest month for milk production, while the current month, October, is the usually the highest.

With this weakness anticipated earlier in the month, **we cut our milk production growth forecast to 3%, from 4% previously.** However, even this lower forecast may prove optimistic as production needs to rebound strongly over the remaining 8 months of the season.

It follows that we remain surprised at soft dairy prices over recent weeks. Other analysts have pointed to production strength in the EU and US. However, **with NZ still the leading dairy exporter and production weak at part of the season where it should be strongest, we'd be surprised if prices stayed soft for long.**

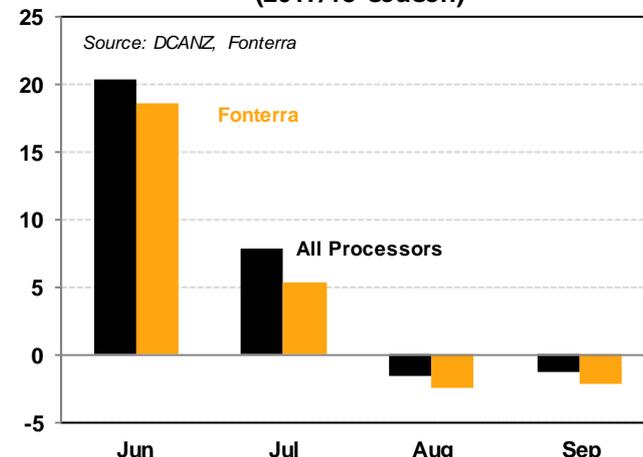
Week ending 27 October

The ASB New Zealand Commodity Price Index fell 0.6% in USD terms in the week ending 27 October. However, a 1.2% dip in the NZD meant the Index posted a 0.7% lift in NZD terms.

Looking at the components, **sheep/beef, forestry and fruit prices all posted falls of above 1% in USD terms.**

Meanwhile, dairy prices were largely unchanged over the week. The NZD has continued its downward trend to start the new week. As at the time of writing, the NZD was trading at US\$0.6840.

ann % chg
MILK SOLIDS PRODUCTION (2017/18 season)



Source: DCANZ, Fonterra

Fonterra

All Processors

Jun Jul Aug Sep

ASB New Zealand Commodity Price Indices
As at Friday 20th October 2017

	Index*	Week %	Year %**
Total NZD	105.0	0.7%	10.6%
Total SDR	96.2	0.1%	4.1%
Total USD	88.5	-0.6%	6.2%
Dairy USD	83.8	-0.1%	6.8%
Sheep/beef USD	92.1	-1.1%	4.5%
Forestry USD	97.8	-1.2%	3.4%
Fruit USD	89.7	-1.2%	6.5%
NZD/USD	0.6881	-1.2%	-4.0%

* 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

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