

ASB New Zealand Commodity Price Indices

As at Friday 2nd June 2017

	Index *	1 Week %	Year % **
Total NZD	175.1	-0.5%	14.3%
Total SDR	187.7	0.2%	19.6%
Total USD	189.1	0.6%	17.3%
Dairy USD	200.4	0.3%	48.6%
Sheep/beef USD	207.3	1.3%	0.6%
Forestry USD	170.1	0.5%	8.3%
NZD/USD	0.7141	1.1%	2.6%

* For all indices 1997 average = 100

** Percentage change since same week last year

Lamb prices still going strong

Lamb prices are kicking on. After notching up the \$6.00/kg mark earlier last month, prices have lifted further. Currently, prices stand at \$6.40/kg, representing a 6.7% lift over the last four weeks. Moreover, current prices are at their second-highest on record for a June month, behind only June 2011.

Previously we have talked about low slaughter rates lifting prices, **but now demand is coming to the party as well.** European demand, in particular, looks to have firmed. For example, AgriHQ reports that French rack prices in the European market are some 31% higher than this time a year ago.

Firming demand bodes well for prices heading into the 2017/18 season. This fact is important because, as we have mentioned previously, the support for prices from low slaughter rates will fade over time (as slaughter eventually rebounds). However, we are now more confident that improved demand can pick up some of this slack, keeping prices at relatively healthy levels over the new season.

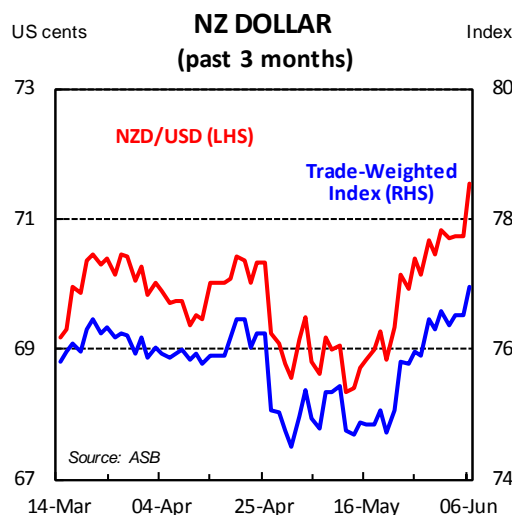
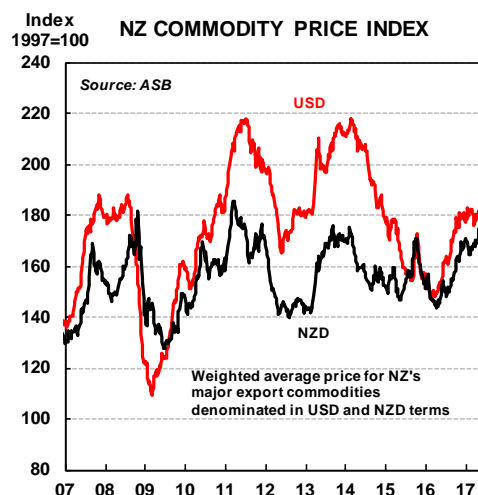
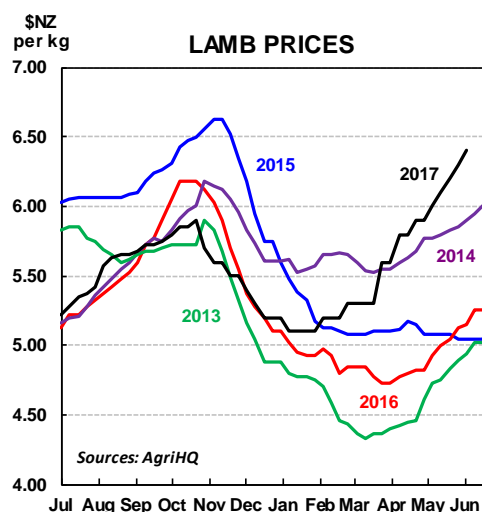
ASB NZ Commodity Price Index

NZ commodity prices climbed 0.6% in USD terms last week. But a strong local currency offset this gain and the index actually fell 0.5% in NZD terms.

In USD terms, **the Sheep/Beef index extended gains, rising 1.3% last week.** Within the index, beef prices recorded the largest gain, lifting 1.6%. A 5% jump in skim milk powder lifted overall dairy prices by 0.3% last week, in keeping with the modest rise at this week's GlobalDairyTrade auction. Meanwhile, the Forestry index rose 0.5%, supported by a 1.1% increase in log prices.

Currency Markets

The NZD rose to a near three-month high against the USD last week, due to broad-based USD weakness. The local currency extended gains this week. As at the time of writing, **the NZD was trading at US\$0.7210.** Also, the relatively poor showing by British PM Theresa May's party at the UK election has seen the Pound fall. At the time of writing, **the NZD was trading at UK£0.5650,** nearly a pence higher than prior to the election results.



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