

### ASB New Zealand Commodity Price Indices

As at Friday 11<sup>th</sup> August 2017

	Index *	1 Week %	Year % **
Total NZD	175.0	0.4%	15.0%
Total SDR	188.9	-1.1%	15.7%
Total USD	193.7	-0.8%	17.0%
Dairy USD	201.0	-0.9%	39.6%
Sheep/beef USD	217.7	-2.0%	5.5%
Forestry USD	174.2	-0.6%	8.7%
NZD/USD	0.7320	-1.2%	1.7%

\* For all indices 1997 average = 100

\*\* Percentage change since same week last year

#### Farm input inflation is low, but rising

The latest farm expense data show farm input inflation remains low.

On an annual basis, the farm expenses price index for all farms rose 1.1% for the June quarter. Moreover, excluding livestock purchases, farm expenses rose just 0.3% in annual terms.

However, generally farm input inflation is on the rise. For example, back in the June 2016, farm expenses were actually falling. Specifically, expenses were falling by 1.6% and 2%, for all inputs and all inputs excluding livestock purchases, respectively.

Looking at some key categories, both wages and salaries and repairs and maintenance continue to be relatively subdued. Wages and salaries rose 1.2% in annual terms, which was largely unchanged from the March quarter (up 1.3%). Meanwhile, repairs and maintenance inflation fell to 2.5%, from 2.9% last quarter.

However, feed-related costs appear to be on the up. While recording just a 0.1% annual lift for the year, this follows a period where feed cost inflation fell as low as -5% on an annual basis.

From here, we expect feed costs to rise further. In particular, the lift in the milk price will drive feed demand from the dairy sector. Similarly, the recent rises in lamb prices should see demand rise from the meat sector. Lastly, poor weather and growing conditions over much of this year may see farms look to source extra feed from off-farm. All up, we expect farm input inflation to rise on the back of rising feed costs.

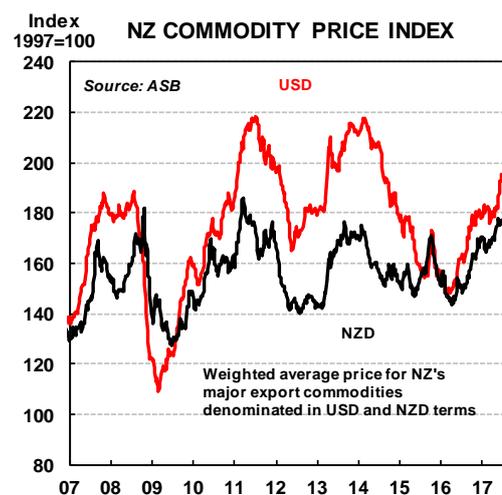
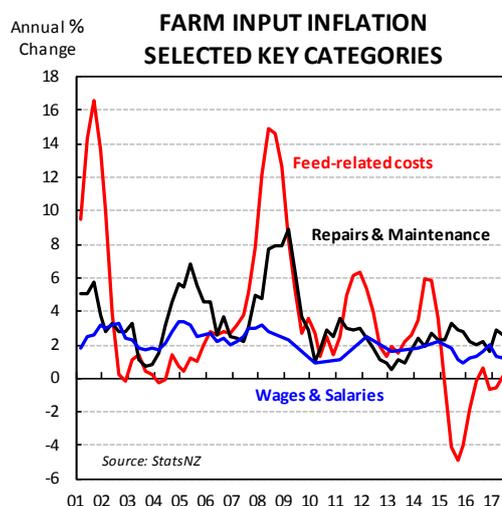
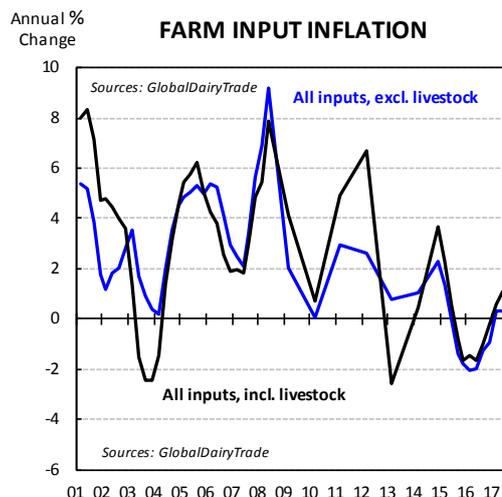
#### ASB NZ Commodity Price Index

NZ commodity prices lost ground in USD terms last week on price falls across all three component indices. But a weaker NZD offset this fall, with the index actually rising 0.4% in NZD terms.

On a components basis, the sheep/beef index fell the most, slipping 2% in USD terms. Wool prices led the fall, sliding 7%. Lamb and beef prices also dipped, falling 1.2% and 2.1%, respectively. The Dairy index edged down as well, ahead of the fall at this week's dairy auction. Meanwhile, the Forestry index was also down 0.6% as log prices fell 1.2%.

#### Currency Markets

After last week's fall, the NZD has lost further ground; the NZD was trading at around US\$0.7290 at the time of writing.



## ASB Economics &amp; Research

## Phone

Chief Economist	Nick Tuffley	<a href="mailto:nick.tuffley@asb.co.nz">nick.tuffley@asb.co.nz</a>	(649) 301 5659
Senior Economist	Mark Smith	<a href="mailto:mark.smith4@asb.co.nz">mark.smith4@asb.co.nz</a>	(649) 301 5657
Senior Economist	Jane Turner	<a href="mailto:jane.turner@asb.co.nz">jane.turner@asb.co.nz</a>	(649) 301 5853
Senior Rural Economist	Nathan Penny	<a href="mailto:nathan.penny@asb.co.nz">nathan.penny@asb.co.nz</a>	(649) 448 8778
Senior Economist, Wealth	Chris Tennent-Brown	<a href="mailto:chris.tennent-brown@asb.co.nz">chris.tennent-brown@asb.co.nz</a>	(649) 301 5915
Economist	Kim Mundy	<a href="mailto:kim.mundy@asb.co.nz">kim.mundy@asb.co.nz</a>	(649) 301 5661
Publication and Data Manager	Judith Pinto	<a href="mailto:judith.pinto@asb.co.nz">judith.pinto@asb.co.nz</a>	(649) 301 5660

ASB Economics  
 ASB North Wharf, 12 Jellicoe Street, Auckland  
<https://reports.asb.co.nz/index.html>  
 [@ASBMarkets](https://twitter.com/ASBMarkets)



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