

ASB New Zealand Commodity Price Indices

As at Friday 25th August 2017

	Index *	1 Week %	Year % **
Total NZD	176.9	0.1%	14.0%
Total SDR	188.5	-1.3%	13.2%
Total USD	193.7	-0.9%	14.0%
Dairy USD	202.2	-1.4%	29.3%
Sheep/beef USD	216.8	-0.8%	5.0%
Forestry USD	172.7	-0.5%	8.4%
NZD/USD	0.7240	-1.0%	0.0%

* For all indices 1997 average = 100

** Percentage change since same week last year

Lamb prices have reached \$7.00/kg

Lamb prices have cracked the \$7.00/kg mark. And there may be more to come as the traditional peak demand period for prices is still a month or two away.

Indeed, lamb prices have surged over 2017. After starting the year at \$5.10/kg, prices have now lifted 37% and are also 24% above the same time back in 2016. In addition, prices are at the second-highest level on record for August; only back in August 2011 have lamb prices been higher.

Moreover, fears of a lamb export market downturn post the Brexit vote are proving unfounded. Other markets have picked up the export volume slack. The Middle East, in particular, has increased its share of NZ exports from 6.6% to 9.1% over the period. China and the US too have increased their shares.

Actually, rather than fall, demand has lifted so far this year. Overall lamb export prices, for example, have lifted 6.6% on the back of firm demand. Indeed, prices have lifted in all major markets, except the UK; prices in China, up nearly a quarter, have led the way.

Heading into the new season, the price outlook is strong. Lamb supply is likely to lift as the season progresses, so prices may soften a touch. However, with such a high starting point for prices, the 2017/18 price outlook is rosy.

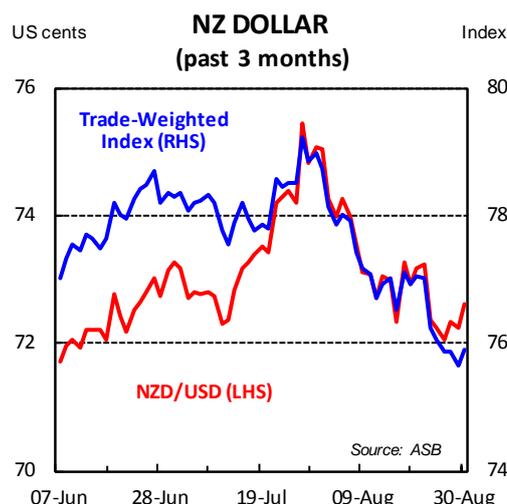
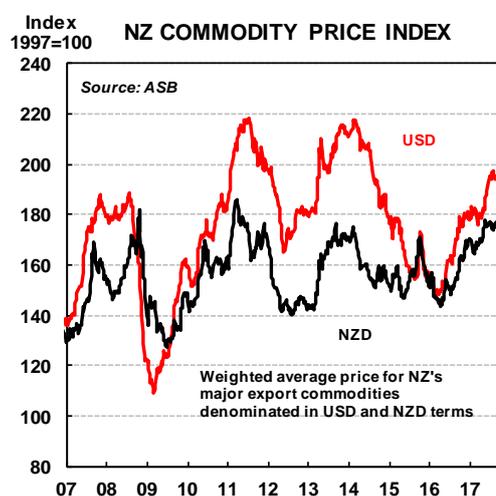
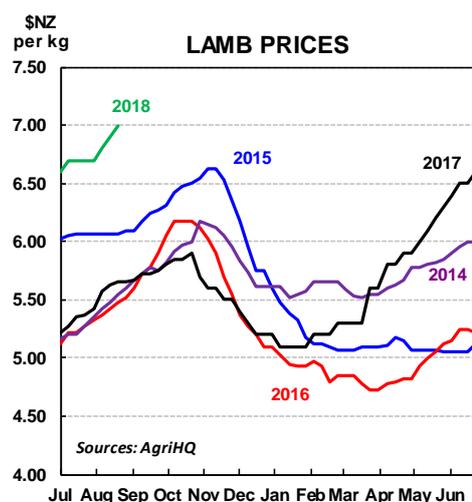
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NZ commodity prices fell in USD terms last week as dairy prices cooled. However, a weaker NZD offset the fall in USD terms, so that commodity prices were largely unchanged in NZD terms.

Dairy prices led the fall in USD terms, with butter and whole milk powder prices declining by 3.2% and 1.6%, respectively. Meanwhile, Sheep/Beef prices were marginally weaker, slipping 0.8% over the week. Meanwhile, forestry prices slipped 0.5% in USD terms, with a 1.0% fall in log prices driving the decline.

Currency Markets

The NZD weakened last week as US-North Korea tensions kept currency markets on edge. Also, a less rosy-than-expected fiscal picture added to the NZD weakness. This weakness has continued into this week. As at the time of writing, the NZD was trading at around US\$0.7200.



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