

ASB New Zealand Commodity Price Indices

As at Friday 26th May 2017

	Index *	1 Week %	Year % **
Total NZD	176.0	-1.0%	14.2%
Total SDR	187.4	1.0%	22.3%
Total USD	188.0	0.9%	20.4%
Dairy USD	199.8	-0.3%	52.6%
Sheep/beef USD	204.7	2.5%	4.2%
Forestry USD	169.2	0.9%	10.9%
NZD/USD	0.7062	1.9%	5.4%

* For all indices 1997 average = 100

** Percentage change since same week last year

World's 2nd-largest beef exporter, India, may ban cattle slaughter
Beef markets remain abuzz about India's potential ban on cattle and buffalo slaughter. The ban, if implemented, would take a large amount of carabeef (buffalo) and a small amount of beef off the global market. India exports around US\$5 billion worth of beef and buffalo meat, accounting for around 20% of global 'beef' exports. India is also the second-largest exporter.

Other beef exporters, like NZ, stand to gain. Indeed, opening up additional market opportunities for NZ exporters would help underpin further rises in NZ beef export prices.

This development follows other recent ones affecting beef markets such as the tainted meat scandal in Brazil. Moreover, beef prices are already healthy. As a result, **we expect fresh record highs for NZ beef prices at some stage in 2017.**

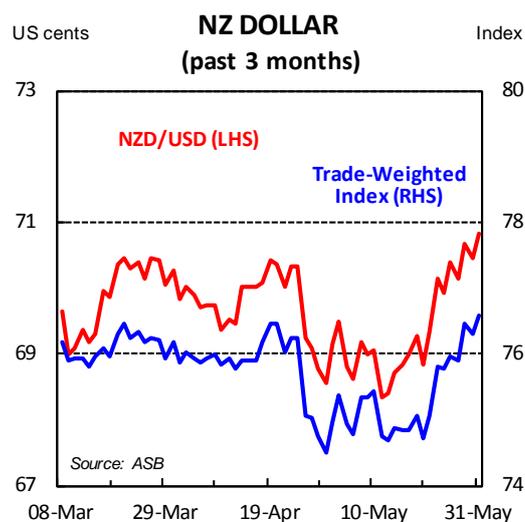
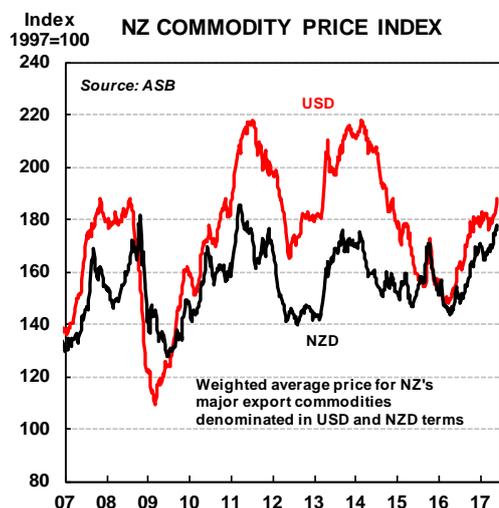
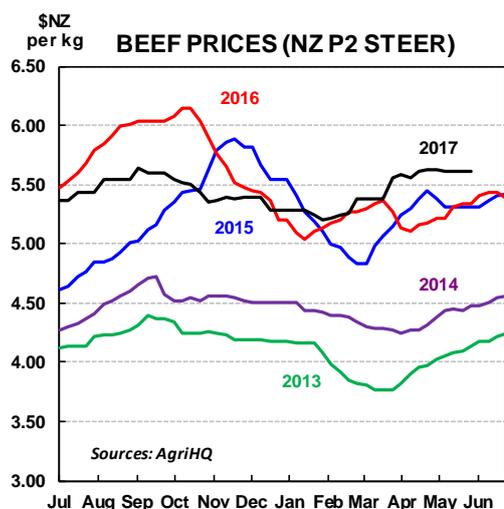
The "if implemented" caveat, though, is no minor qualification. India's process of debating policy changes generally means the initial "policy" announcement is nearer the start of the process than the end of it. The final policy that will be implemented is still some way off. Occasionally the result of the debate is no policy at all. We think the issue is just too big though to come to nought. The nub of the issue is whether the ban substantially affects carabeef exports. Cows are certainly scared, buffalo are not, so the outcome is debateable.

ASB NZ Commodity Price Index

NZ commodity prices rose 0.9% in USD terms last week. However, a strong local currency offset this gain and the index actually fell in NZD terms. In USD terms, the Sheep/Beef index provided the most support, rising 2.5% last week. Looking at the components, lamb prices jumped 3.4%. Beef and wool prices also followed suit, rising 1.9% each last week. Within the Dairy index, whole milk prices slipped 0.9%, while all other products were unchanged. The Forestry index rose 0.9%, cushioned by a 1.9% increase in log prices.

Currency Markets

The NZD rose last week underpinned by positive market risk sentiment and a weak USD. Earlier this week, the RBNZ's Financial Stability Report reiterated the view that the financial system was sound. The NZD gained further this week; as at the time of writing, **the NZD was trading at US\$0.7067.**



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