

ASB New Zealand Commodity Price Indices

As at Friday 28th July 2017

	Index *	1 Week %	Year % **
Total NZD	173.6	-0.6%	15.7%
Total SDR	192.9	-0.2%	19.8%
Total USD	197.3	0.2%	20.6%
Dairy USD	205.1	0.1%	49.6%
Sheep/beef USD	225.4	0.4%	8.6%
Forestry USD	176.3	0.4%	10.0%
NZD/USD	0.7513	0.8%	4.2%

* For all indices 1997 average = 100

** Percentage change since same week last year

Japan increases tariffs on frozen beef imports

There is a spanner in the works for beef prices. While the market fundamentals for beef are still positive, a Japanese move to increase tariffs on beef imports is likely to hurt overall NZ beef export returns.

On the back of surging beef imports, Japan has moved to lift the import tariff from 38.5% to 50%. This move is aimed at protecting the Japanese beef industry. According to AgriHQ, the tariff increase only applies to frozen beef and not chilled. In addition, Australian beef is exempt on the back of its trade agreement with Japan, so NZ and US exporters are expected to bear most of the brunt from the tariff increase.

This will hurt overall export prices as, of our major beef markets, Japan is the highest paying. Indeed, the average beef export price in the Japan market for the September 2016 year was almost 20% higher than the next-best market, and around 45% higher than prices than prices in the US, our largest market.

As a result of the Japanese tariff move, **beef prices are likely to struggle to reach the \$6.00/kg this spring as we had hinted at in previous commentary.** Beef prices (P2 steer per kg) had already dipped 2.6% over the last month prior to the Japanese tariff announcement. With this in mind, prices are likely to drift lower over the remainder of 2017. Indeed, the Six Dollar Trifecta may have to wait for another day.

ASB NZ Commodity Price Index

NZ commodity prices lifted a touch in USD terms last week.

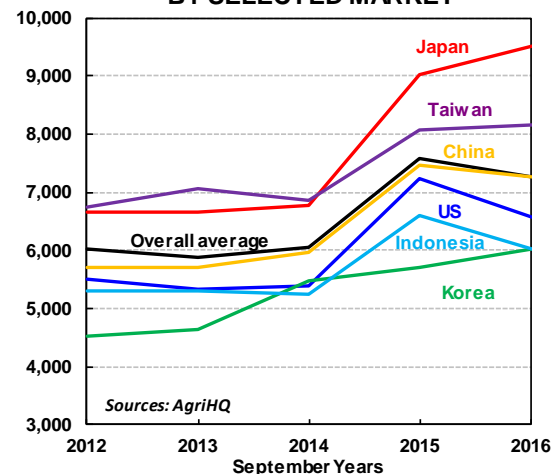
However, a stronger NZD offset this rise, with the prices falling 0.6% in NZD terms.

By component, lamb and wool prices led the Sheep/Beef index 0.4% higher. There was a similar rise for forestry prices. Meanwhile, dairy prices were flat last week. In addition, this week's dairy auction saw a small fall in overall prices, although whole milk prices did lift.

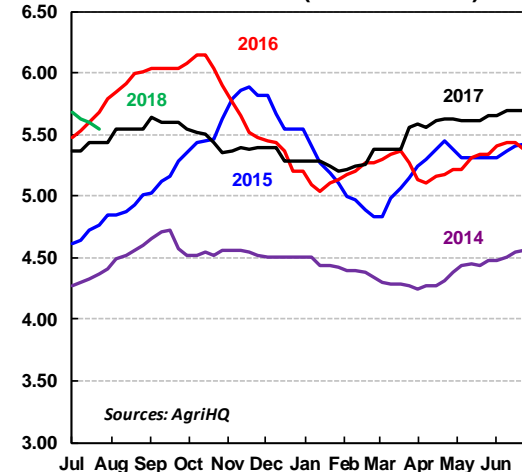
Currency Markets

The NZD rose against last week, mainly in response to USD weakness. This week the Kiwi fell as data showed that the NZ labour market was soft over the June quarter. As at the time of writing, **the NZD was trading at around US\$0.7440.**

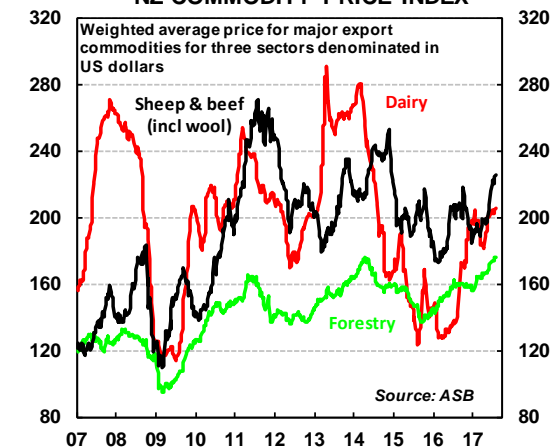
AVERAGE BEEF EXPORT VALUES BY SELECTED MARKET



BEEF PRICES (NZ P2 STEER)



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