

ASB New Zealand Commodity Price Indices

As at Friday 21st April 2017

	Index *	1 Week %	Year % **
Total NZD	170.9	1.2%	16.5%
Total SDR	183.7	1.3%	23.2%
Total USD	181.8	1.7%	19.6%
Dairy USD	188.9	3.8%	42.1%
Sheep/beef USD	199.3	0.7%	11.1%
Forestry USD	166.3	0.0%	8.9%
NZD/USD	0.7033	0.5%	2.6%

* For all indices 1997 average = 100

** Percentage change since same week last year

Forestry's record run continues

Back in mid-February, we discussed the potential of a banner year for forestry prices. Two months later, it's largely so far, so good.

Indeed, forestry prices remain near historical highs as measured by the AgriHQ log index (note the index also includes pulp prices). In NZD terms, prices are just 0.6% off the record level set back in February and March of this year. Meanwhile in USD terms, prices are also healthy.

Locally, the construction boom continues to underpin the high log prices. Moreover, if you'll recall from our February report, the deep Auckland housing shortage is likely to drive log demand for years to come.

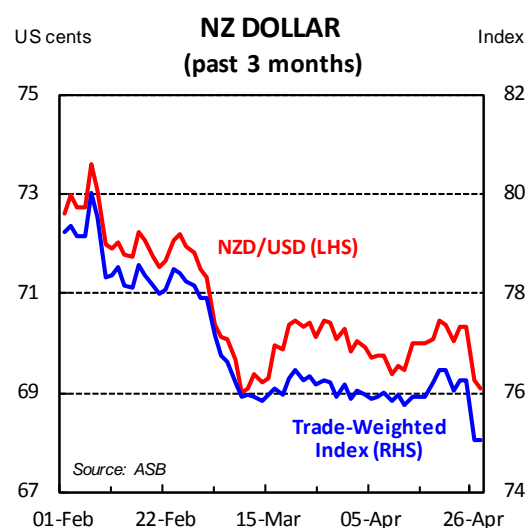
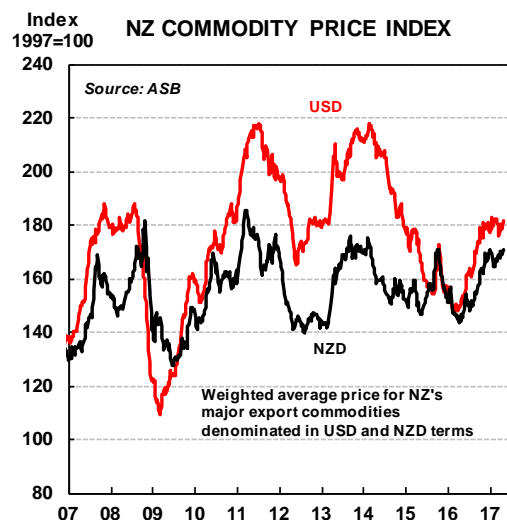
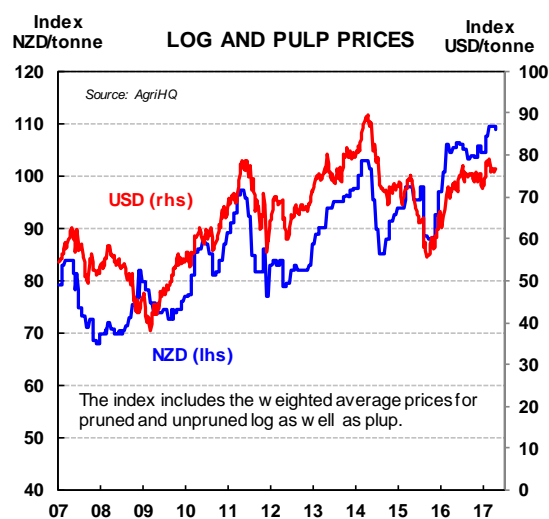
Meanwhile, export demand also remains healthy. Prices across most log grades, for example, have largely held their levels over recent months.

Looking forward, there are some potential headwinds. For example, shipping rates have lifted, while the recent cyclones have limited shipping capacity. The other source of concern comes via President Trump's recent tough talk around NAFTA. In particular, at one stage he threatened to place a tariff of up to 24% on Canadian lumber exports to the US. While such a policy has the potential to disrupt forestry markets and prices in the markets that both Canada and NZ trade, more recently Trump has toned down his rhetoric. Moreover, as any re-negotiation of NAFTA will take time (possibly years), this concern is unlikely to move forestry prices materially over 2017.

All up though, we believe that there are sufficient positives in play to more than offset any headwinds for prices. As a result, we expect forestry prices to remain very healthy over 2017.

ASB NZ Commodity Price Index & Currency Markets

Rising dairy prices lifted NZ commodity prices in all denominations last week. The 3.8% lift in dairy mirrored the earlier lift of 3.1% at last week's dairy auction. Meanwhile, the NZD strengthened against the USD last week. This week, however, the NZD has fallen over 1.5 cents against the USD, trading at US\$0.6880 at the time of writing. In particular, the USD has strengthened following the announcement of President Trump's tax proposals.



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