

# Commodities Weekly

For the week ending Friday 27<sup>th</sup> March



## Worst of meat capacity squeeze may be behind us

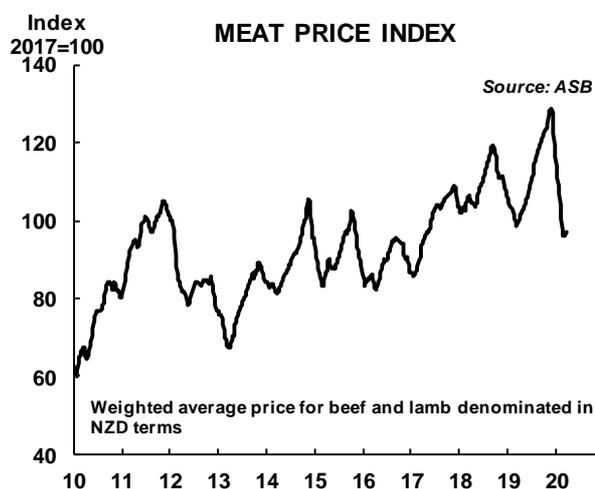
**Rain, lifting Chinese demand, and passing seasonal peak may start to clear backlog**

**The worst of the meat processing capacity squeeze may now be behind us.** Indeed, the slaughter backlog that followed drought, COVID-19 supply chain disruptions and the usual seasonal peak may now start slowly clearing.

Firstly, **rain has eased drought conditions in many areas of the country.** This rain will ease feed requirements to a degree, thus increasing farms' stock holding capacity.

Secondly, **the key Chinese market is gradually getting back to normal.** On this basis, more of the current slaughter will be shipped to market plus meat in storage may also start to move. Lastly, the seasonal slaughter peak, at least for lamb, is now passing, further reducing the supply of stock for slaughter over coming weeks.

That all said, **the clearing of the processing backlog will be a slow burn.** COVID-19 plant operating restrictions mean that most locations nationwide are operating at around 50% capacity. On balance, **easing capacity constraints are likely to help meat prices stabilise further over coming weeks.** Indeed, depending on the magnitude of the uplift in Chinese demand, some prices may see a temporary rebound.



### Week ending 27 March

**The NZ dollar dominated ASB Commodity Price Index movements last week.** Indeed, the 3% Index fall in NZD terms was entirely driven by the rebounding NZD/USD (up 4.9% for the week).

This week, NZD volatility has eased somewhat, with the currency trading in a tighter range. **As at the time of writing, the NZD/USD was trading at US\$0.5900.**

### ASB New Zealand Commodity Price Indices As at Friday 27<sup>th</sup> March 2020

	Index*	Week %	Year %**
Total NZD	105.7	-3.0%	-0.6%
Total SDR	91.7	0.7%	-10.6%
Total USD	90.2	1.8%	-12.0%
Dairy USD	96.7	-1.1%	-7.4%
Sheep/beef USD	81.4	4.9%	-14.2%
Forestry USD	78.9	4.9%	-24.5%
Fruit USD	103.7	4.9%	-2.3%
NZD/USD	0.6019	4.9%	-11.5%

\* For all indices 2017 average = 100

\*\* Percentage change since same week last year

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