

Commodities Weekly

For the week ending Friday 29th June



Lamb prices in rude health

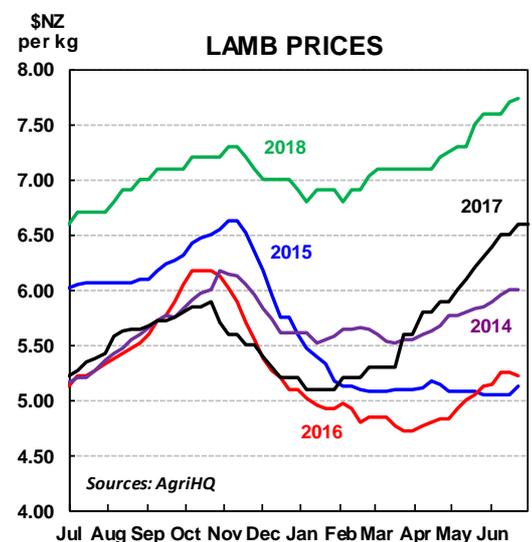
Healthy lamb prices sees sector in a good position to weather potential storms

Lamb prices are in rude health! For the fourth month in a row, our data suggest that lamb prices were the highest on record during a June month.

Meanwhile, **global lamb supply is tight, suggesting that prices are likely to remain high for the time being.** For example, the UK lamb crop has been small, meaning less competition for NZ lamb. This is likely to support NZ lamb prices in both the UK and wider Europe.

Demand in key markets also remains healthy. In particular, Chinese markets are cranking along, delivering not only higher prices but also a healthy 15% increase in NZ lamb export volumes.

On this basis, **we expect lamb prices to remain very strong heading into the start of the new season.** However like all sectors, increased trade tensions pose risks to this outlook. That said, with lamb prices in rude health, the sector is in a good position to weather potential upcoming storms.



Week ending 29 June

The ASB Commodity Price Index rose 1.5% in NZD terms in the week ending 29th June. However, the rise was entirely due to a weaker NZD/USD, with the Index down 0.6% in USD terms.

The NZD fell for the third consecutive week as US-China trade concerns continue to escalate. This weakness has continued into this week. As at the time of writing, the NZD/USD was trading at 0.6790.

Looking at the Index components, falling sheep/beef, forestry and fruit prices led the fall in USD terms. Wool prices posted the largest fall, dipping 3.5% over the week. Meanwhile, dairy prices were largely unchanged last week, although that changed at this week's dairy auction where overall prices were down 5.0%.

ASB New Zealand Commodity Price Indices As at Friday 29th June 2018

	Index*	Week %	Year %**
Total NZD	116.2	1.5%	8.4%
Total SDR	102.0	-0.4%	-1.3%
Total USD	94.4	-0.6%	0.7%
Dairy USD	91.7	0.1%	-2.2%
Sheep/beef USD	94.0	-1.6%	-1.0%
Forestry USD	100.7	-1.0%	-1.9%
Fruit USD	95.1	-2.1%	-0.5%
NZD/USD	0.6766	-2.1%	-7.1%

* For all indices 2014 average = 100

** Percentage change since same week last year

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