

ASB New Zealand Commodity Price Indices As at Friday 30th September 2016

	Index *	1 Week %	Year % **
Total NZD	162.6	2.8%	-4.9%
Total SDR	176.3	3.4%	8.2%
Total USD	179.1	3.4%	7.5%
Dairy USD	172.2	0.3%	7.9%
Sheep/beef USD	217.8	9.2%	4.9%
Forestry USD	160.2	0.3%	16.2%
NZD/USD	0.7287	0.6%	13.1%

* For all indices 1997 average = 100

** Percentage change since same week last year

Lamb prices make late September run

Lamb prices have made a late September run. In fact for the first four weeks of the month, prices tracked sideways, at a time of the season when prices normally steadily lift.

But driven by very tight local supply, prices shot higher last week.

The price per kg (for a 17.5kg lamb) rose over 50 cents or by around 10% from the week before.

Also, according to AgriHQ analysts, **a window of opportunity has opened in the UK chilled lamb market, boosting prices.** However, they also caution this price impetus may be short-lived.

Meanwhile, **in the other major market, China, drought has led to an increase in local supply.** This extra supply is keeping a lid on prices in the short-term. That said, Chinese demand may recover down the track as farmers look to rebuild their flocks once the drought passes.

While farmers will welcome the sudden price rise, **the risk is that prices soon fall and continue to remain subdued compared to previous years.**

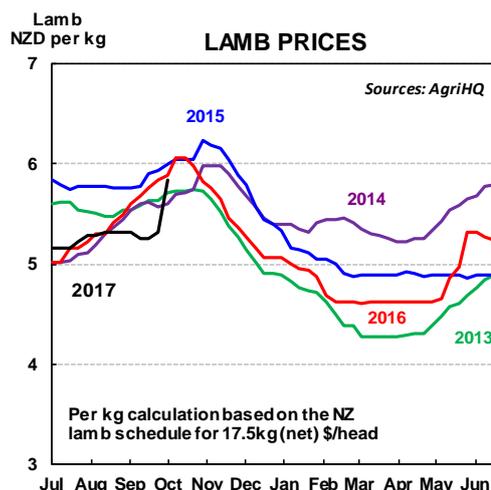
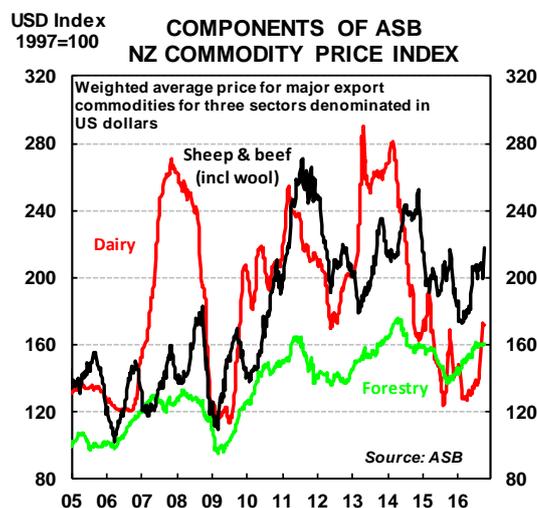
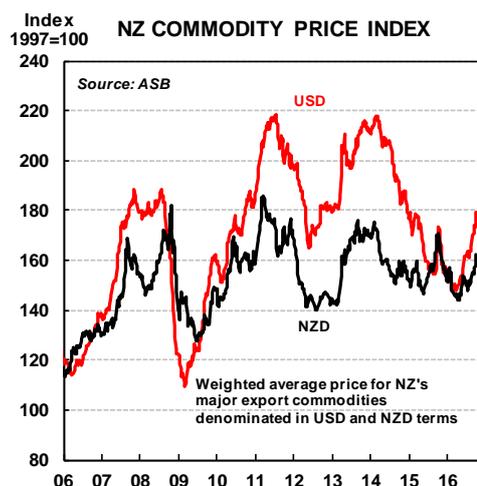
ASB NZ Commodity Price Index

The ASB Commodity Price Index reversed the trend of the previous two weeks, rising 3.4% in USD terms. A 9.2% surge in Sheep/Beef Index underpinned the rise. In NZD terms, the Index rose 2.8%.

Looking at the components, **spiking lamb prices (up 11%) and beef prices (up 12%) explained the surge in the Sheep/Beef Index.** prices saw dairy prices inch higher. However, this rise was superseded by this week's dairy auction where prices were down 3.0% overall. Lastly, forestry prices clawed their way back into positive territory, rising 0.3% overall. This lift was helped by a 0.6% increase in log prices.

Currency Markets

It was a volatile week for the NZD and other global currencies last week. Markets were nervous on talk that the German banking giant, Deutsche Bank, would need to be bailed out of a potential crisis situation. Conflicting comments from various US Federal Reserve members on the timing of the next interest rate move also added to market woes. At the time of writing, the NZD was sitting at US\$0.7163.



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