

Commodities Weekly

For the week ending Friday 2nd February

Rinse and repeat

We expect another strong year for beef prices over 2018

Beef prices have started 2018 on a very healthy note. In fact, per kg prices for P2 steers over January were the highest on record.

Moreover, **the seasonal dip in prices has been modest to date.** After peaking near \$5.70/kg back in November, P2 steer prices have fallen 24 cents per kg through to the end of January. This fall compares favourably to the 44 cent per kg dip over a similar period last season.

With that in mind, **we expect prices to remain healthy over the remainder of the first half of 2018.** Indeed, we expect P2 steer prices to hold above \$5.00/kg through June. In many ways, we are expecting a rinse and repeat of 2017 over 2018.

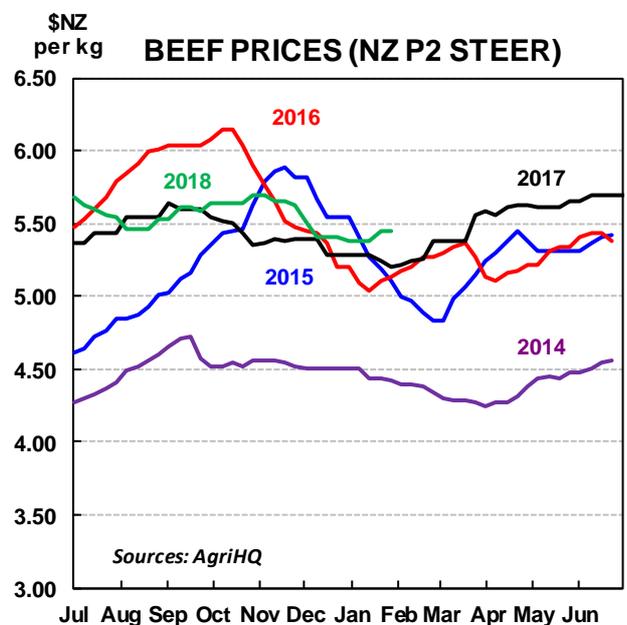
As it stands, **the main risk to beef prices is a stronger NZD/USD.** This strength has the potential to push beef prices in NZD terms from very good to merely good. For now though, beef prices are very healthy despite the recent move higher in the NZD/USD.

Week ending 2 February

The ASB Commodity Price Index posted a 0.5% gain in USD terms in the week ending 2 February. A weaker NZD extended the gains so that the Index lifted by 1.2% in NZD terms.

By component, dairy prices led the way, rising 1.7% in USD terms. Elsewhere, sheep and beef prices lifted 0.8%, while forestry and fruit prices both dipped 0.7%.

Meanwhile, the NZD weakened last week particularly against the USD. This week and despite the sharemarket plunge, **the NZD remains at US\$0.7300 at the time of writing.**



ASB New Zealand Commodity Price Indices As at Friday 2nd February 2018

	Index*	Week %	Year %**
Total NZD	106.6	1.2%	3.9%
Total SDR	97.8	0.6%	-2.6%
Total USD	93.5	0.5%	4.4%
Dairy USD	87.5	1.7%	-4.2%
Sheep/beef USD	95.0	0.8%	17.8%
Forestry USD	106.1	-0.7%	6.4%
Fruit USD	95.3	-0.7%	-1.8%
NZD/USD	0.7302	-0.7%	0.5%

* For all indices 2014 average = 100

** Percentage change since same week last year

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