

Commodities Weekly

For the week ending Friday 1st November

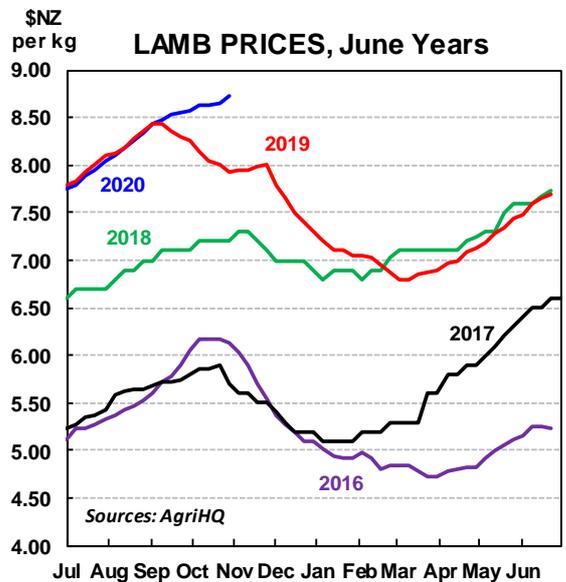
Lamb prices: double delight

Lamb prices have set new record highs this season

Lamb prices have set fresh record highs this spring. AgriHQ reported that the nationwide price has surged to \$8.73/kg in the first week of November. This price level eclipses the previous record high set back in September 2018 of \$8.43/kg.

Notably, **African Swine Fever has decimated the Chinese pork industry**, leading consumers to seek other proteins, including lamb from NZ. Meanwhile, **lamb export supply remains relatively tight both in NZ and in Australia**. Moreover, the increasing number of conversions of sheep/beef land to forestry will reduce lamb supply over the coming few years - and underpin lamb prices for an extended period.

Heading into 2020, **we expect prices to moderate as they normally do over summer and autumn, although the price decline may be more muted than normal**. Over time we also expect further moderation as Chinese pork production begins to recover. However, given the magnitude of the swine fever outbreak the industry will take time to recover. As a result, **lamb prices are likely to stay at healthy levels well into the 2020/21 season**.



Week ending 1 November

The ASB Commodity Price Index posted a 0.9% gain in USD terms last week. However, that gain was tempered by the 1.4% lift in the NZD against the USD.

By component, sheep/beef led the gains in USD terms.

Notably, lamb prices lifted 2.2%, setting fresh record highs. Forestry and fruit prices also gained over the week, while dairy prices were unchanged (these data precede this week's dairy auction lift).

The NZD strengthened against the USD last week. However, the NZD has given back some of this gain this week. **As at the time of writing, NZD was trading at US\$0.6370.**

ASB New Zealand Commodity Price Indices As at Friday 1st November 2019

	Index*	Week %	Year %**
Total NZD	110.3	-0.4%	6.7%
Total SDR	101.0	0.3%	5.6%
Total USD	100.7	0.9%	5.5%
Dairy USD	99.9	0.0%	11.9%
Sheep/beef USD	110.0	2.1%	8.3%
Forestry USD	88.6	1.4%	-8.2%
Fruit USD	101.6	1.4%	0.5%
NZD/USD	0.6435	1.4%	-1.2%

* For all indices 2017 average = 100

** Percentage change since same week last year

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