

# Commodities Weekly

For the week ending Friday 4<sup>th</sup> May



## Lamb prices: no news is good news

### Prices are at record highs for this time of the year

In the case of lamb markets at the moment, no news is good news. In other words, **lamb prices remain very healthy**. Moreover, our data suggest that lamb prices are the highest ever recorded during this time of the year.

Meanwhile, **AgriHQ reports lamb supply remains tight**. Indeed, competition among processors is keen given the still relatively low levels of slaughter.

It follows **that underlying demand is also solid**. Indeed, all key export markets are paying 14% or more so far this season compared to last season. In particular, Chinese markets look robust, delivering not only higher prices but also a healthy increase in NZ lamb export volumes.

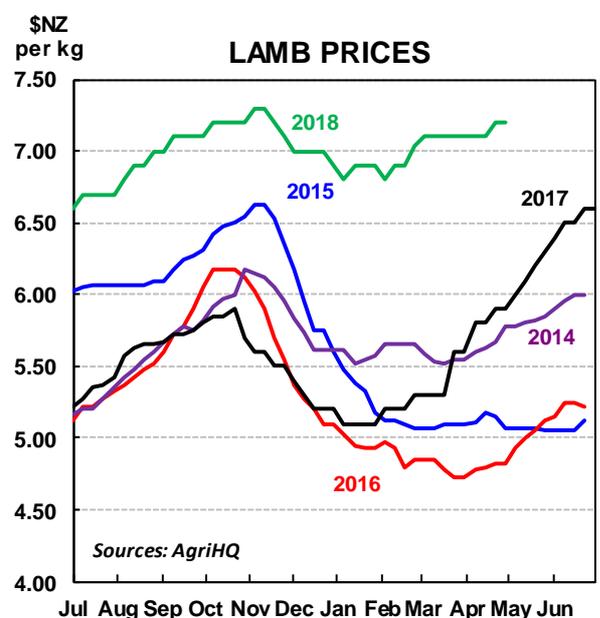
On this basis, **we expect lamb prices to remain very strong heading into the start of the new season i.e. through most of 2018**. Moreover, the possibility of the recent weakness in the NZD being sustained adds weight to this view.

### Week ending 4 May

The ASB Commodity Price Index posted a **0.9% lift in NZD terms in the week ending 4 May**. Notably though, the lift was entirely due to a 0.9% fall in the NZD/USD, with the Index unchanged in USD terms.

**Dairy prices posted the only gain (up 0.2%) over the week in USD terms**. Skim milk and cheddar prices both rose around 2%. In contrast, the other main index components posted falls.

Meanwhile, the NZD/USD fell on the back of continued strength in the USD. This week, the NZD has weakened further; **as at the time of writing, the NZD was trading at US\$0.6970**.



### ASB New Zealand Commodity Price Indices As at Friday 4<sup>th</sup> May 2018

	Index*	Week %	Year %**
Total NZD	113.6	0.9%	6.5%
Total SDR	102.0	0.7%	4.2%
Total USD	95.8	0.0%	8.8%
Dairy USD	92.6	0.2%	4.2%
Sheep/beef USD	92.2	-0.6%	8.4%
Forestry USD	103.5	-0.9%	8.5%
Fruit USD	105.6	-0.9%	19.9%
NZD/USD	0.7020	-0.9%	2.2%

\* For all indices 2014 average = 100

\*\* Percentage change since same week last year

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