

Commodities Weekly

For the week ending Friday 6th July



Tariffs may be a small positive for NZ beef prices

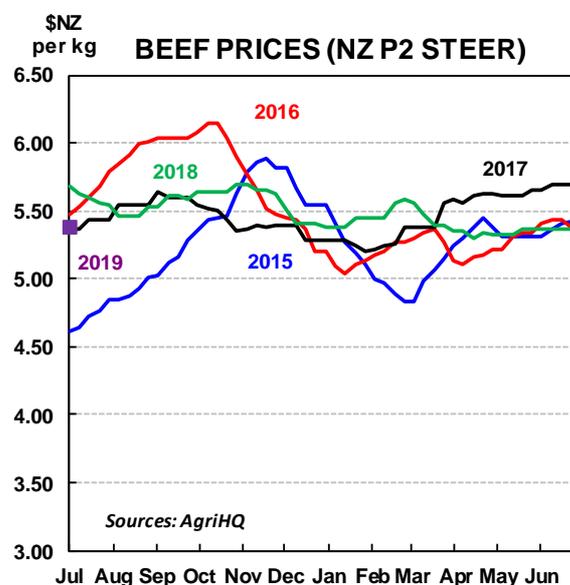
For now, NZ could gain modestly from Chinese tariffs on US beef imports

In the first instance, **the Chinese tariffs imposed on US imports may have a small positive impact on NZ beef export prices.** China increased tariffs on US beef imports by 25% on 7 July. However, the US is not a major exporter to China, so this will not change market shares.

Nevertheless, **NZ, Australia and Brazil (the key beef suppliers to China) stand to gain modestly as Chinese beef demand is growing fast.** As such the tariffs on US imports will reinforce these positions.

In addition, **Chinese tariffs on US feed imports are likely to boost demand and prices for NZ beef.** This dynamic occurs as higher input costs weaken the competitive position of China's domestic producers relative to NZ producers. In turn, this move is likely to dampen Chinese domestic beef production, meaning more imports will be needed to fill the gap.

That all said, **tariffs already imposed and those potentially on the way pose a broader to global growth and this has potential to dampen global demand for beef.** Watch this space!



Week ending 6 July

The ASB Commodity Price Index fell in all denominations in the week ending 6th July. Specifically, the Index dipped 2.6% and 1.5% in NZD and USD terms, respectively.

Dipping dairy prices accounted for most of the Index fall in USD terms. Whole milk powder prices slid 9.4%, while the dairy index overall was down 4.6%. Meanwhile, sheep/beef prices gained 1.8% in USD terms with lamb prices and to a lesser degree beef prices firm over the week.

The NZD regained some lost ground against the USD last week as the USD softened heading into the 4 July holiday. This week the NZD/USD has traded at a similar level. As at the time of writing, **the NZD/USD was trading at 0.6810.**

ASB New Zealand Commodity Price Indices As at Friday 6th July 2018

	Index*	Week %	Year %**
Total NZD	113.2	-2.6%	6.4%
Total SDR	100.2	-1.7%	-2.2%
Total USD	93.0	-1.5%	-0.7%
Dairy USD	87.4	-4.7%	-5.7%
Sheep/beef USD	95.7	1.8%	0.8%
Forestry USD	101.8	1.1%	-1.5%
Fruit USD	96.1	1.1%	0.0%
NZD/USD	0.6841	1.1%	-6.7%

* For all indices 2014 average = 100

** Percentage change since same week last year

ASB Economics & Research

Chief Economist
Senior Rural Economist
Senior Economist
Senior Economist
Senior Economist, Wealth
Economist
Data & Publication Manager

Nick Tuffley
Nathan Penny
Jane Turner
Mark Smith
Chris Tennent-Brown
Kim Mundy
Judith Pinto

nick.tuffley@asb.co.nz
nathan.penny@asb.co.nz
jane.turner@asb.co.nz
mark.smith4@asb.co.nz
chris.tennent-brown@asb.co.nz
kim.mundy@asb.co.nz
judith.pinto@asb.co.nz

Phone

(649) 301 5659
(649) 448 8778
(649) 301 5853
(649) 301 5657
(649) 301 5915
(649) 301 5661
(649) 301 5660

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