

Commodities Weekly

For the week ending Friday 5th July



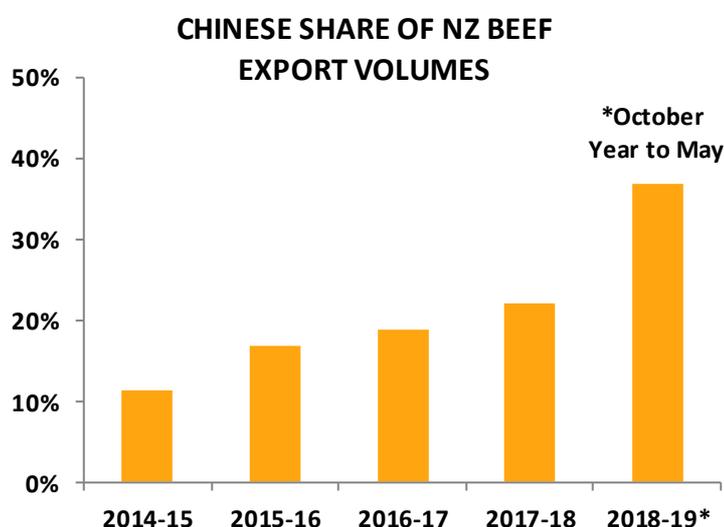
Beef prices: the only way is up

P2 steer prices are poised to challenge record highs this spring

Beef prices are poised to surge over the remainder of 2019. As measured by the Agrifax Beef Index, prices have lifted nearly 9% over the past three months.

We are more bullish (excuse the pun) on prices than we were three months ago. We anticipate P2 steer prices may challenge the \$6.00/kg mark over the spring, and may even test the record highs set back in 2016.

African Swine Fever has ripped through the Chinese pork industry, with reports of up 250 million pigs slaughtered. As a result, Chinese consumers have had to switch to other proteins, highlighted by the China's share of NZ beef exports jumping to 37% so far this season.



Meanwhile, **global beef export supply is modest**, at least into the key Chinese market. Australian supply is tight following drought, while US beef exports are being held back by Chinese tariffs. All up, these factors point to prices strengthening over the second half of 2019.

Week ending 5 July

The ASB Commodity Price Index fell across the board in the week ending 5 July. In USD terms, the Index dipped 1.6%, while dipping 0.3% in NZD terms.

Weaker dairy prices led the Index fall in USD terms over the week. In particular, milk fat prices slumped, with butter and anhydrous milk fat prices both posting double-digit price declines. Notably, forestry prices posted a modest fall and we anticipate the Index will incorporate much larger falls from next week.

Meanwhile, **the NZD fell against the USD last week following positive US labour market data.** This week, the NZD/USD is largely unchanged. **As at the time of writing, the NZD was trading at US\$0.6670.**

ASB New Zealand Commodity Price Indices As at Friday 5th July 2019

	Index*	Week%	Year%**
Total NZD	106.3	-0.3%	-0.6%
Total SDR	100.4	-0.9%	-0.7%
Total USD	99.9	-1.6%	-2.6%
Dairy USD	98.0	-2.4%	-3.4%
Sheep/beef USD	102.3	-0.7%	-2.0%
Forestry USD	98.8	-1.4%	-2.1%
Fruit USD	102.5	-1.4%	0.0%
NZD/USD	0.6627	-1.4%	-2.1%

* For all indices 2017 average = 100

** Percentage change since same week last year

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