

Commodities Weekly

For the week ending Friday 9th March

Lucky Seven

Prices have a set record high for March

Lamb prices have bucked the normal seasonal pattern and have lifted over the past four weeks. In fact, per kg prices have snuck back above \$7 over the last two weeks after trading in the high 6's for most of the year. Moreover, our records suggest that lamb prices are the highest ever recorded during a March month.

AgriHQ reports that procurement pressures have driven the recent lamb price lift. Indeed, it may have been that recent rains have led to lower slaughter rates, and so to entice farmers back to market processors have had to lift prices.

It follows that underlying demand is also solid. The fact that processors are willing to pay prices this high indicates that they have the ability to pass this cost on. Indeed, all key export markets are paying 15% or more so far this season compared to last season. In particular, Chinese and US markets look robust, delivering not only higher prices but also an increase in NZ lamb export volumes.

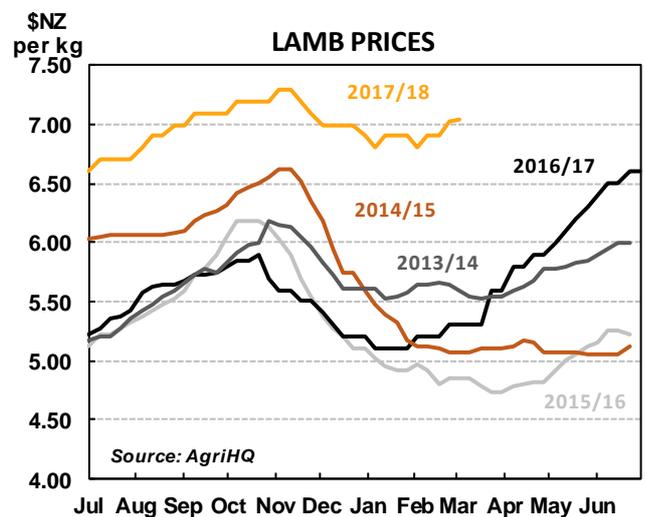
We expect lamb prices to remain very strong over the remainder of this season and to also start the new season at healthy levels. However, the growing risk of a global trade war could put a damper on prices later in the year.

Week ending 9 March

The ASB Commodity Price Index rose a modest 0.3% in USD terms in the week ending 9 March. However, a 0.6% lift in the NZD/USD meant the Index dipped 0.4% in NZD terms.

Sheep/beef prices led the gains in USD terms. As described above lamb prices were strong over the week, while wool prices also lifted 1.5%. Meanwhile, dairy prices slid 0.6% as whole milk powder and milk fat prices dropped.

Last week, the NZD firmed as global sentiment improved. This week, the NZD has continued to trade at similar levels; as at the time of writing, the NZD was trading at US\$0.7290.



ASB New Zealand Commodity Price Indices As at Friday 9th March 2018

	Index*	Week %	Year %**
Total NZD	108.8	-0.4%	3.3%
Total SDR	99.8	0.3%	-0.7%
Total USD	95.1	0.3%	6.8%
Dairy USD	90.3	-0.6%	0.0%
Sheep/beef USD	97.2	1.7%	19.1%
Forestry USD	107.1	0.6%	8.8%
Fruit USD	96.0	0.6%	-1.5%
NZD/USD	0.7283	0.6%	3.4%

* For all indices 2014 average = 100

** Percentage change since same week last year

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