

Commodities Weekly

For the week ending Friday 10th September



Lamb market looking far from sheepish

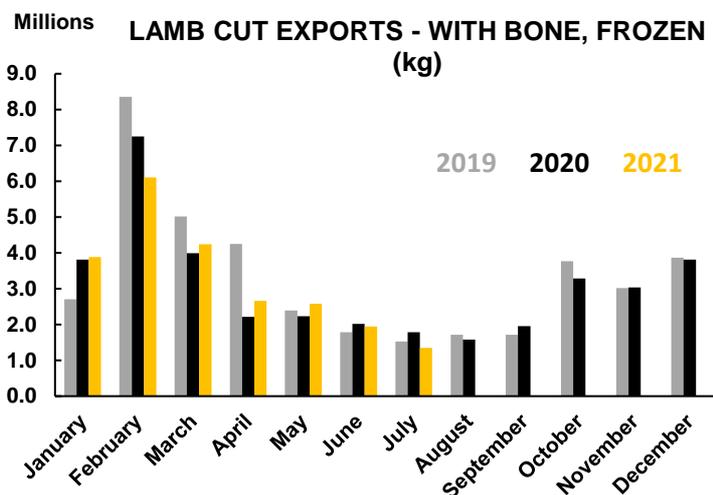
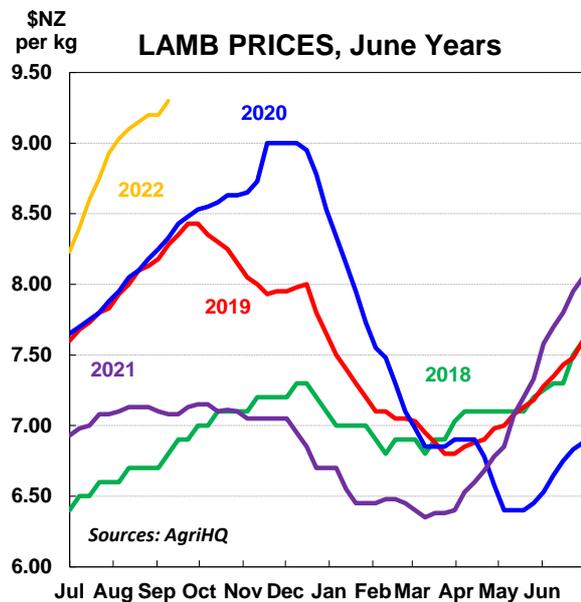
Lamb prices continue to exceed record highs. The NZ lamb schedule is currently trading at the \$9.30/kg mark, a whopping 30% ahead of their previous highs at this point in the season, reached in 2019 and 2020.

We expect demand factors to remain favourable over the remainder of the season. As we've noted in [previous reports](#), African Swine Fever is on the rise in China and has the potential to drive demand away from pork to other kinds of meat. More broadly, the global reopening continues to support restaurant demand offshore.

Our friends at AgriHQ expect domestic production to come under pressure as we move through the season. While the step-down Alert Levels has made social distancing less of an issue, staffing woes are a recurring anecdotal theme, kill space may struggle to meet the coming rush, and backlogs are likely. That's notable given logistics challenges have already crimped export volumes. Frozen lamb cuts with – NZ largest lamb export segment – are currently down around 13% on pre-COVID levels over the beginning of 2021.

From a revenue perspective, we expect high prices will continue to offset any trend lower in volumes over the remainder. While export volumes may be a shade lower, with prices up circa 30% on last season, farmers and exporters can expect to be quids in over the remainder of the season.

We think prices could reach as high as the \$9.65 – 9.75 range. While prices may already be hitting record highs, we are still some way off the usual seasonal peak in December/January.



ASB Commodities Index

Commodity prices reversed their gradual decline last week, lifting in both NZD and USD terms. Higher dairy prices were in the driver's seat, experiencing a good lift off the back of stronger-than-anticipated dairy auction. Our sheep/beef index also managed a small lift, driven by further gains for lamb prices, which continue to exceed new records. All-up, our USD index lifted 1.7%. With little net currency movement over the week, our NZD index rose by a similar magnitude at +1.8%.

ASB New Zealand Commodity Price Indices As at Friday 10th September 2021

	Index*	Week%	Year %**
Total NZD	114.8	1.8%	14.5%
Total SDR	113.0	1.7%	21.4%
Total USD	116.0	1.7%	22.5%
Dairy USD	119.0	3.7%	26.9%
Sheep/beef USD	126.5	0.3%	30.8%
Forestry USD	99.1	-0.1%	9.3%
Fruit USD	104.3	-0.1%	6.3%
NZD/USD	0.7137	-0.1%	7.0%

* For all indices 2017 average = 100

** Percentage change since same week last

ASB Economics & Research

Chief Economist
Senior Economist
Senior Economist
Senior Economist, Wealth
Senior Economist
Economist
www.asb.co.nz/economics

Nick Tuffley nick.tuffley@asb.co.nz
Jane Turner jane.turner@asb.co.nz
Mark Smith mark.smith4@asb.co.nz
Chris Tennent-Brown chris.tennent-brown@asb.co.nz
Mike Jones mike.jones@asb.co.nz
Nat Keall nathaniel.keall@asb.co.nz

Phone

(649) 301 5659
(649) 301 5853
(649) 301 5657
(649) 301 5915
(649) 301 5661
(649) 301 5720

@ASBMarkets

Disclaimer

This document is published solely for informational purposes. It has been prepared without taking account of your objectives, financial situation, or needs. Before acting on the information in this document, you should consider the appropriateness and suitability of the information, having regard to your objectives, financial situation and needs, and, if necessary seek appropriate professional or financial advice.

We believe that the information in this document is correct and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its compilation, but no representation or warranty, either expressed or implied, is made or provided as to accuracy, reliability or completeness of any statement made in this document. Any opinions, conclusions or recommendations set forth in this document are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed elsewhere by ASB Bank Limited. We are under no obligation to, and do not, update or keep current the information contained in this document. Neither ASB nor any person involved in the preparation of this document accepts any liability for any loss or damage arising out of the use of all or any part of this document.

Any valuations, projections and forecasts contained in this document are based on a number of assumptions and estimates and are subject to contingencies and uncertainties. Different assumptions and estimates could result in materially different results. ASB does not represent or warrant that any of these valuations, projections or forecasts, or any of the underlying assumptions or estimates, will be met.