

Commodities Weekly

For the week ending Friday 9th August



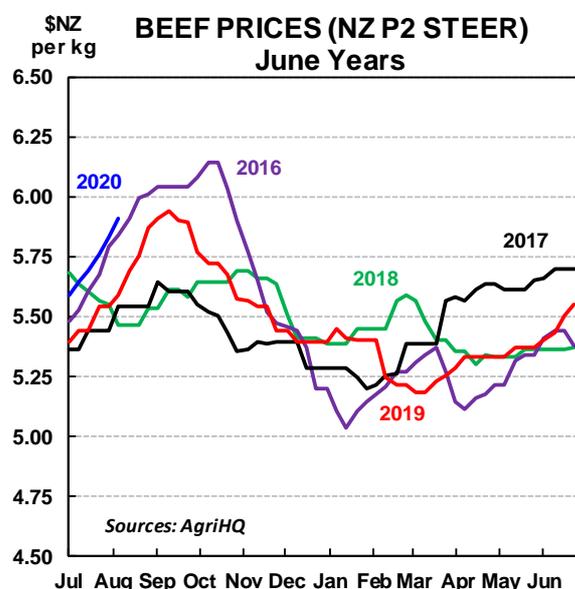
Beefing up

P2 steer prices are currently on record-setting pace

Beef prices are climbing fast. P2 steer prices, for example, are at record highs for this time of the year. **If this current trend continues, P2 prices may lift above 2015 record highs of \$6.14/kg** (based on the AgriHQ nationwide average).

The Chinese market is currently dominating demand for NZ beef exports. Over the 9 months to October, NZ beef exports to China overtook export volumes to the US, the first time on record.

As discussed in previous weeks, African Swine Fever has decimated the Chinese pork industry, leading consumers to seek other proteins, including beef from NZ. The US-China trade war is also restricting two-way agricultural trade between the US and China. While China does not import a large amount of US beef, it does rely on the US for a large proportion of its feed inputs for domestic beef production. All up, we anticipate that these factors will continue to underpin Chinese demand for NZ beef. **And on this basis, we anticipate that the 2019/20 season will eclipse the 2015/16 in terms of average beef prices for the year.**



Week ending 9 August

The ASB Commodity Price Index fell across the board last week. In USD terms, the Index dipped 1.3%, while a weaker NZD/USD tempered the fall in NZD terms (down 0.2%).

Dairy prices led the falls by component in USD terms. Milk fat prices were weak, with butter and anhydrous milk fat prices both dipping over 5%. Forestry and fruit prices declined by 1.1%, with sheep/beef prices down a more modest 0.6% for the week.

The NZD slumped across the board last week, following the Reserve Bank's surprise 50 basis point cut in the Official Cash Rate. This NZD has remained soft this week, **with the NZD/USD trading at 0.6440 as at the time of writing.**

ASB New Zealand Commodity Price Indices As at Friday 9th August 2019

	Index*	Week %	Year %**
Total NZD	106.4	-0.2%	1.9%
Total SDR	98.5	-1.5%	-0.7%
Total USD	97.6	-1.3%	-2.3%
Dairy USD	97.6	-1.9%	2.7%
Sheep/beef USD	103.9	-0.6%	-3.5%
Forestry USD	85.9	-1.1%	-13.9%
Fruit USD	102.3	-1.1%	2.6%
NZD/USD	0.6467	-1.1%	-4.1%

* For all indices 2017 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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