

# Commodities Weekly

For the week ending Friday 13<sup>th</sup> October

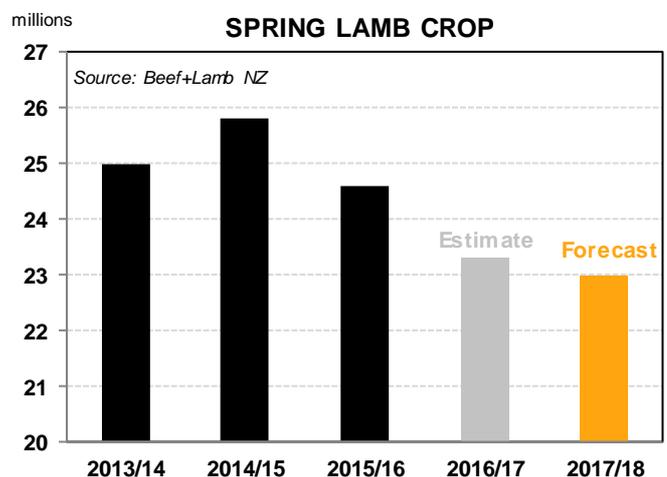


## Smaller lamb crop to underpin lamb prices

### 2017/18 lamb crop to fall vs. 2016/17

This year's lamb crop is likely to be smaller than last year's. In its New Season Outlook, Beef+Lamb NZ forecasts a 1.9% fall. This forecast contrasts with its previous estimate where Beef+Lamb NZ had pencilled in a modest rise of 1.1%

If this new estimate is close to the mark, we expect lamb prices for the new season to remain elevated, allowing for the normal seasonal price pattern. For a start, this season's spring (peak) prices are likely to be the second-highest on record, after spring 2011. With the per kg for a 17.5kg lamb sitting at around \$7.10/kg, we expect the peak could be as high as \$7.25/kg.



From there and with the smaller lamb crop, we only expect a modest seasonal decline this season. Indeed, in recent seasons the seasonal decline has ranged between \$0.60/kg and \$1.60/kg, and averaged \$1.20/kg. Accordingly, we expect the seasonal decline to be towards the lower end of this range. The more conservative assumption of the average decline and starting from the \$7.25/kg peak, would see prices reach around \$6.00/kg by autumn.

Of course other factors such as the weather and the level of the NZD may change this outlook. But at this juncture, we expect lamb prices to remain healthy over 2017/18.

### Week ending 13 October

The ASB New Zealand Commodity Price Index rose a touch in USD terms in the week ending 13 October. The rise was fairly broad-based with all of the main components posting gains. However, a rising NZD meant the Index fell in NZD terms.

Looking at the components, forestry and fruit prices led the way, both posting a 1.0% increase in USD terms. Sheep/beef prices also lifted 0.9%. Meanwhile, dairy prices were largely unchanged over the week in USD terms (up 0.1%).

### ASB New Zealand Commodity Price Indices As at Friday 13<sup>th</sup> October 2017

	Index*	Week %	Year %**
Total NZD	108.2	-0.5%	10.8%
Total SDR	99.8	-0.1%	8.8%
Total USD	92.9	0.5%	10.9%
Dairy USD	92.2	0.1%	16.5%
Sheep/beef USD	94.3	0.9%	6.4%
Forestry USD	100.6	1.0%	6.0%
Fruit USD	88.1	1.0%	4.7%
NZD/USD	0.7167	1.0%	0.1%

\* For all indices 2014 average = 100

\*\* Percentage change since same week last year

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