

Commodities Weekly

For the week ending Friday 10th April



Farm expense deflation on the cards

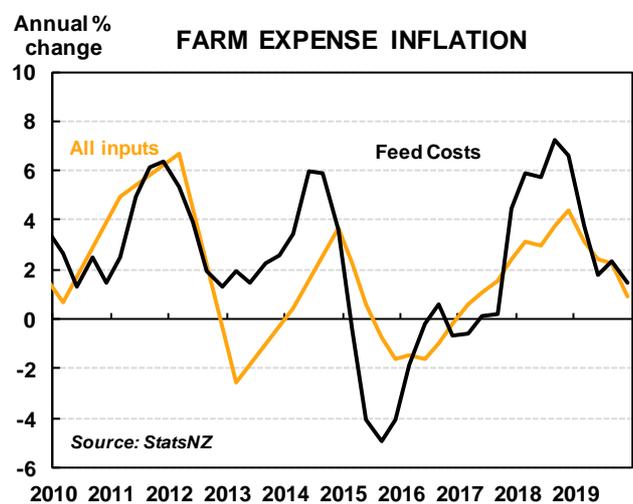
Farm expense deflation possibly ahead, though feed prices may buck the trend

Farm input inflation is already low. In the December 2019 quarter, annual farm expense inflation was 0.9%, down from 2.2% for the September quarter.

From here, we anticipate that the looming economic downturn will push farm expenses lower. Oil prices have roughly halved in USD terms since the COVID-19 outbreak. This is already flowing into fuel prices and is likely to flow into other oil-based products like fertiliser. An influx of workers into agriculture is likely to keep the lid on wages.

Feed prices are likely to buck the trend. These are more likely to reflect agri-specific factors like weather. Also, as agricultural output proves more resilient than the broader economy, feed demand is likely to be more stable.

While farm expenses remain in check, the availability of some farm inputs may be a different story. The supply of imported feed like palm kernel has been patchy over recent months. As the COVID-19 outbreak continues to play out, shortages of imported inputs may arise from time to time.



Week ending 10 April

The ASB Commodity Price Index showed mixed movements last week. While the Index rose 1.7% in USD terms, a lifting NZD/USD more than offset that gain, with the Index down 1.9% in NZD terms.

All Index components recorded gains in USD terms. Forestry and fruit prices led the gains, with a solid gain in sheep/beef prices over the week. Dairy prices posted modest gains.

The NZD rebounded last week, ending the week up 3.6% against the USD. However, the NZD has reversed some of these gains this week. **As at the time of writing, NZD was trading at US\$0.5990.**

ASB New Zealand Commodity Price Indices As at Friday 10th April 2019

| | Index* | Week % | Year %** |
|----------------|--------|--------|----------|
| Total NZD | 105.0 | -1.9% | -1.5% |
| Total SDR | 92.0 | 1.3% | -9.8% |
| Total USD | 90.6 | 1.7% | -11.4% |
| Dairy USD | 97.3 | 0.4% | -7.1% |
| Sheep/beef USD | 81.2 | 2.3% | -15.4% |
| Forestry USD | 79.7 | 3.6% | -23.2% |
| Fruit USD | 104.8 | 3.6% | 5.5% |
| NZD/USD | 0.6083 | 3.6% | -10.0% |

* 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

www.asb.co.nz/economics

 [@ASBMarkets](https://twitter.com/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.