

Commodities Weekly

For the week ending Friday 11th January



Lamb prices running out of steam

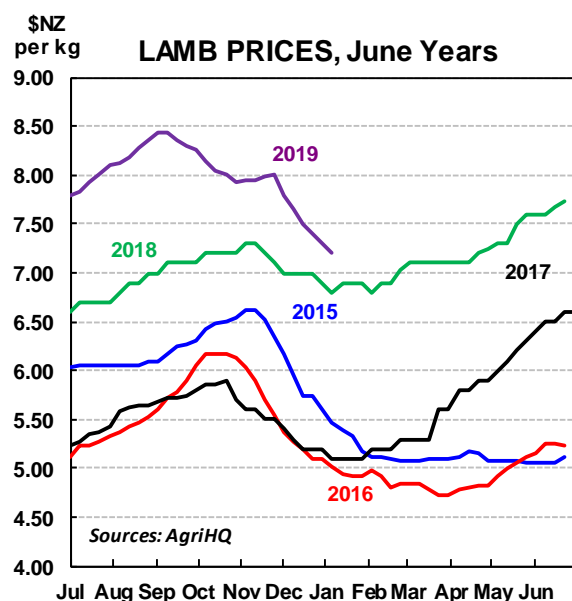
The gap is closing between 2019 season and 2018 season prices

The last 18 months or so have been stellar for lamb prices. But lamb prices, so far over 2019, are hinting that they are running out of steam.

Lamb prices opened 2019 at \$7.20/kg, some 45c/kg lower than where they ended 2018. From the peak price of \$8.43/kg back in September, the per kg price has now fallen \$1.23/kg (or around 15%).

This fall is a little more than we expected at this stage. The average fall over the past five years from the spring peak to autumn low is around \$1.20/kg. In other words, the fall to date has already exceeded the average fall with another two or so months before prices usually bottom out.

Still at \$7.20/kg, lamb prices remain healthy. Nonetheless, the steepness of the recent fall warrants a wary eye on lamb prices over the next month or two. In particular, we will be monitoring closely how Chinese lamb demand develops given the broader slowing in the Chinese economy as discussed in last week's Commodities Weekly (click [here](#)).



Week ending 11 January

The ASB Commodity Price Index lifted in USD terms last week. However, a strengthening in the NZD/USD meant that the Index in NZD terms was largely unchanged.

Dairy prices led the gains for the second successive week. Moreover, the dairy auction this week saw further dairy price strength; overall prices lifted 4.2%. Meanwhile, all of the other major Index components posted gains.

The NZD firmed against the USD last week. However, this week the USD firmed in the wake of the failed UK Brexit vote. Meanwhile and unsurprisingly, the NZD has gained over 1.4 pence against the GBP following the failed vote.

ASB New Zealand Commodity Price Indices As at Friday 11th January 2019

	Index*	Week %	Year %**
Total NZD	106.5	-0.1%	1.2%
Total SDR	95.2	1.0%	-1.5%
Total USD	87.4	1.4%	-3.5%
Dairy USD	79.3	2.0%	-5.1%
Sheep/beef USD	88.4	0.6%	-4.6%
Forestry USD	102.2	1.5%	-1.1%
Fruit USD	103.2	1.5%	9.2%
NZD/USD	0.6833	1.5%	-4.7%

* For all indices 2014 average = 100

** Percentage change since same week last year

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