

Commodities Weekly

For the week ending Friday 13th December



2019: the Year of Records

Lamb, beef, forestry and fruit prices all set record highs in NZD terms over the year

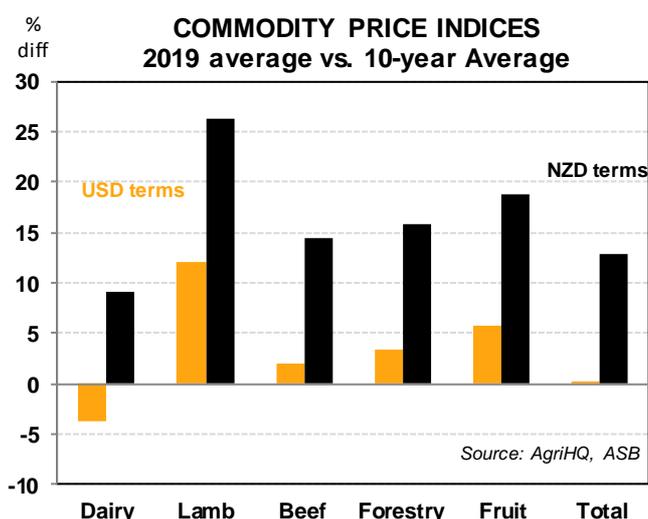
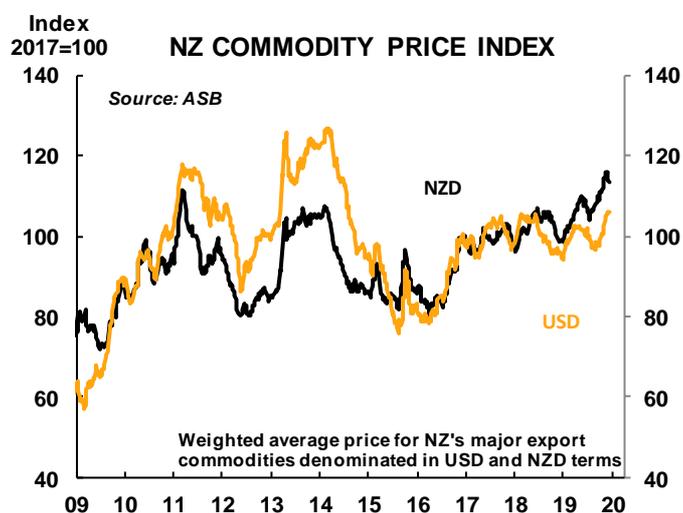
Commodity prices have set record highs in NZD terms over 2019. In October, the ASB Commodity Price Index broke the previous NZD high set back in March 2011 and then proceeded to set a fresh record high each week over November.

Lamb, beef, fruit and seafood prices (in NZD terms) led the way late in the year, while forestry prices were at record highs back in March. Notably, lamb prices set eight fresh record highs during September, October and November, with prices also cracking \$9.00/kg for the first time ever. Meanwhile, beef prices were not far behind, with AgriHQ's beef index setting seven fresh records over October and November.

In addition, the falling NZ dollar has been giving all commodity prices a boost, particularly since July. From its 2019 high back in February, the NZD/USD had dipped over 9% at one stage. While it has recovered somewhat since, the NZD/USD remains 5.1% below February's high, and thus is still boosting commodity prices in NZD terms.

Meanwhile, dairy prices in USD terms are at healthy levels prices and have improved over the year. Indeed, dairy prices are ending the year up a healthy 17.5% from where they started the year.

Looking ahead, **we expect NZ commodity prices to continue to remain healthy over 2020.** In meat markets and seasonal patterns aside, we anticipate that prices will remain very high for an extended period as the impact of African Swine Fever is likely to persist over 2020 and potentially into 2021. Similarly, we also anticipate that fruit and seafood prices are likely to remain near record highs, if not drift a little higher. Meanwhile, we expect dairy prices will rise over the first half of 2020 as global supply remains very tight. Lastly, forestry prices are likely to track sideways as demand remains somewhat subdued.



Week ending 13 December

The ASB Commodity Price Index dipped in all denominations in the week ending 13 December.

Weaker meat prices led the Index lower as meat prices started their usual seasonal decline. Lamb prices dipped almost 2%, while beef prices fell 1.2% in USD terms over the week. Meanwhile, forestry and fruit prices both posted 0.5% gains, while dairy prices were unchanged.

Meanwhile, the NZD gained 0.5% against the USD last week following the announcement that the US and China had signed a trade deal. The NZD has largely traded sideways at this level this week. As at the time of writing, the NZD was trading at US\$0.6610.

ASB New Zealand Commodity Price Indices As at Friday 13th December 2019

	Index*	Week %	Year %**
Total NZD	113.4	-0.6%	14.8%
Total SDR	106.5	-0.5%	10.6%
Total USD	106.1	-0.1%	10.3%
Dairy USD	104.7	0.0%	21.4%
Sheep/beef USD	113.9	-1.0%	9.8%
Forestry USD	93.6	0.5%	-9.6%
Fruit USD	118.9	0.5%	16.0%
NZD/USD	0.6599	0.5%	-3.9%

* For all indices 2014 average = 100

** Percentage change since same week last year

Happy Holidays!

This is the final Commodities Weekly report for 2019. We will start up again in the week starting 13 January. On behalf of all the team at ASB Economics, we hope you enjoy your holidays and wish you all the best for 2020!

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