

Commodities Weekly

For the week ending Friday 17th August



Beef prices: looks can be deceiving

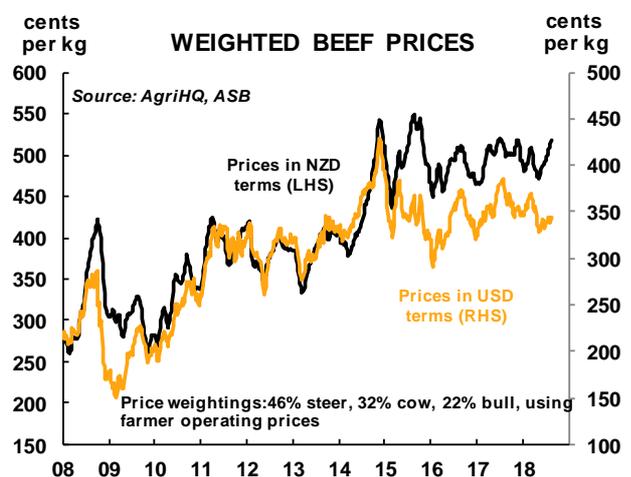
Beef prices firm for now, but market fundamentals suggest weakness by year end

On the surface, beefs price are healthy. AgriHQ's weighted average price in NZD terms is around 4% higher than this time last year, and the price has lifted around 10% since mid-May.

But looks can be deceiving. All of the annual price increase described above owes to the NZD, with AgriHQ's weighted price actually down 6% in USD terms.

Moreover, beef market fundamentals are on shaky ground. In particular, US beef production is lifting, putting downward pressure on US prices. AgriHQ reports that the prices of imported beef in the US are down around 8% on an annual basis. There's also more supply likely to come on stream from Australia. There, the drought has pushed up the price of feed and this may see an increase in beef cattle slaughter over coming months.

In the short-term, though, the seasonal lull in local production is likely to keep a floor under NZ prices. However, **by the end of the year, we anticipate that beef prices will feel the pressure of increased global supply.**



Week ending 17 August

The ASB Commodity Price Index rose 0.9% in USD terms in the week ending 17th August. However, a stronger NZD/USD (up 0.9%) kept the Index unchanged in NZD terms.

The Index rise in USD terms was broad-based, with all the major components posting gains. Sheep/beef prices led the gains (up 1.6%) as wool prices picked up by 2.6% over the week.

Last week, the NZD/USD regained some recent lost ground as better US-China trade headlines lifted currencies like the NZD. This week the NZD has built on its gains, with the currency market remaining positive. **As at the time of writing, NZD was trading at US\$0.6710.**

ASB New Zealand Commodity Price Indices As at Friday 17th August 2018

	Index*	Week %	Year %**
Total NZD	114.9	0.0%	7.8%
Total SDR	100.4	1.0%	-0.7%
Total USD	91.6	0.9%	-2.3%
Dairy USD	86.4	1.2%	-6.5%
Sheep/beef USD	96.7	1.6%	2.0%
Forestry USD	98.1	0.9%	-5.3%
Fruit USD	95.5	0.9%	0.9%
NZD/USD	0.6638	0.9%	-9.3%

* For all indices 2014 average = 100

** Percentage change since same week last year

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