

Commodities Weekly

For the week ending Friday 22nd November



Farm expense inflation has bottomed – may now lift

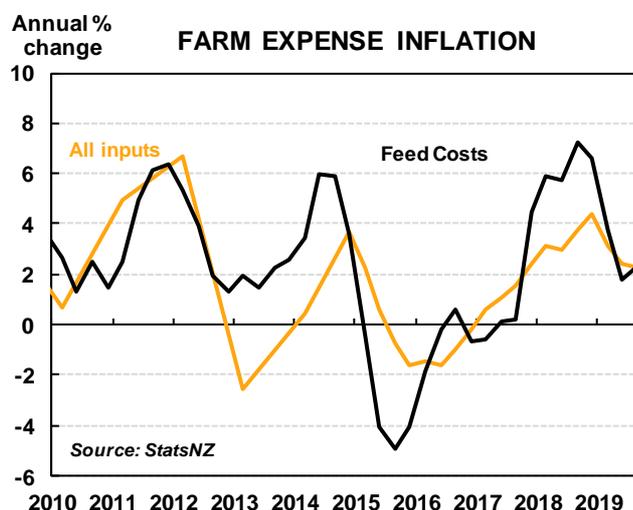
Feed price inflation has picked up over the latest quarter

Farm input prices continue to rise modestly. In annual change terms, farm input prices rose 2.2% in September 2019, down from a peak of 4.4% back in December 2018.

However, annual feed price inflation picked up over the quarter. Over the September 2019 year, feed prices rose 2.3%, up from just 1.8% over the June 2019 year.

Looking to 2020, **we expect annual farm input price inflation to rise.** Notably, meat prices have hit record highs, while the milk price forecast has lifted as well. With farm incomes are rising, we expect this to translate into more demand for feed and for this extra demand to push feed prices higher. This view is weather dependent particularly as we head into the summer months: dry weather could push feed prices even higher than we expect, while a wet summer could see feed prices more subdued.

Meanwhile, compliance costs (which are not captured in the farm expense price data) continue to rise and put pressure on underlying farm operating costs. Accordingly, we expect 2020 farm expense inflation to be at the higher end of recent averages.



Week ending 22 November

The ASB Commodity Price Index rose across the board last week. This latest rise takes the Index to a fresh record high in NZD terms.

Forestry prices led the gains in USD terms, jumping 3.0% over the week. Dairy prices also firmed 1.6% in line with a similar change at last week's dairy auction. Meanwhile, sheep/beef and fruit prices were largely unchanged.

The NZD was largely unchanged last week. This week the currency has traded sideways around this level. **As at the time of writing, NZD was trading at US\$0.6420.**

ASB New Zealand Commodity Price Indices As at Friday 22nd November 2019

	Index*	Week %	Year %**
Total NZD	115.5	1.2%	15.9%
Total SDR	105.9	1.2%	8.8%
Total USD	105.0	1.2%	8.0%
Dairy USD	105.3	1.6%	20.5%
Sheep/beef USD	112.5	0.2%	6.2%
Forestry USD	90.8	3.0%	-11.0%
Fruit USD	112.1	0.1%	4.8%
NZD/USD	0.6406	0.1%	-6.9%

* For all indices 2017 average = 100

** Percentage change since same week last year

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