

Commodities Weekly

For the week ending Friday 23rd August

Lamb prices: double eight

Lamb prices have broken the \$8/kg threshold for the second successive year

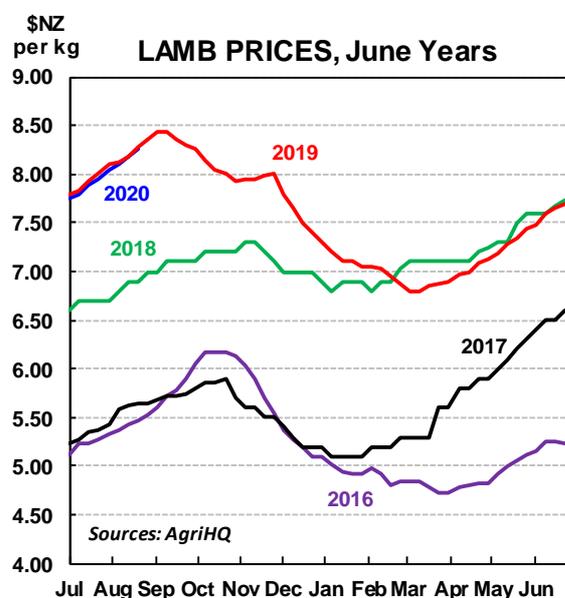
Lamb prices have cracked the \$8/kg mark. This is the second successive year that prices have reached \$8/kg and curiously, prices have reached \$8/kg at almost identical times of the year.

At this juncture, we think that there is a 50/50 chance that lamb prices set fresh record highs over spring, particularly as current prices (\$8.25/kg) are neck-and-neck with this time last year's.

Recall that according to AgriHQ, nationwide prices topped out at \$8.43/kg last spring.

As discussed in previous editions, African Swine Fever has decimated the Chinese pork industry, leading consumers to seek other proteins, including lamb from NZ.

Meanwhile, lamb export supply remains relatively tight both in NZ and in Australia. Moreover, the increasing number of conversions of sheep/beef land to forestry will reduce lamb supply over the coming few years. While not necessarily a great development for the sheep industry, these conversions will nonetheless underpin lamb prices for an extended period.



Week ending 23 August

The ASB Commodity Price Index was largely unchanged last week.

By component, commodity prices were mixed in USD terms. Dairy prices led the falls, dipping 0.5%, with fruit prices also falling (down 0.4%). However, forestry prices lifted 0.4%, while sheep/beef prices were broadly unchanged over the week.

The NZD weakened against most of the major currencies last week. This weakness has continued into this week as negative market sentiment has weighed on currencies like the NZD. As at the time of writing, NZD was trading at US\$0.6320.

ASB New Zealand Commodity Price Indices As at Friday 23rd August 2019

	Index*	Week %	Year %**
Total NZD	107.2	0.2%	1.1%
Total SDR	98.4	-0.3%	-1.3%
Total USD	97.4	-0.2%	-2.4%
Dairy USD	97.1	-0.5%	1.2%
Sheep/beef USD	104.4	0.1%	-2.6%
Forestry USD	85.7	0.4%	-12.8%
Fruit USD	101.4	-0.4%	3.3%
NZD/USD	0.6404	-0.4%	-3.5%

* For all indices 2017 average = 100

** Percentage change since same week last year

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