



# MARKET REPORT

## Key Points

- Softer tone in lamb market
- Sharp contrast between sentiments in main beef markets
- Pressure on WMP prices
- Big fall in China not as bad as it seems

↓ WHOLE MILK POWDER  
VS. MONTH AGO  
(US\$/TONNE)  
**2780**

↓ NZ P2 STEER  
(\$/KG)  
**5.90**

↓ NZ LAMB SCHEDULE  
(\$/KG)  
**8.35**

↑ NZ DOLLAR  
(US/\$)  
**0.668**

## LAMB

### Softer tone in lamb market



Rachel Agnew

The first signs of decline have emerged in lamb prices last week. Printed schedules in both islands have signalled price decreases both last week and the week prior.

The main driver for the drop is a general feeling from processors that they cannot wear the losses any more. Margins continue to be well below historical levels.

While a lower NZD and growing proportion of chilled exports is supporting average export returns, procurement rates (farmgate prices as percentage of export returns) are too high for any money to

be made at the processing level.

Supply in both islands has also lifted as lambs need to be shifted off cropping ground and teeth become an issue. Many plants are full on the current capacity they have running.

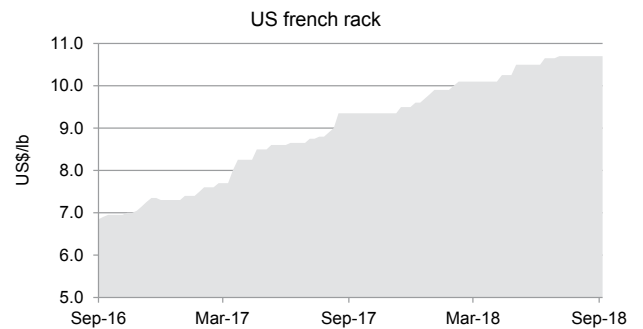
Even though there are already signals of an easing market, given the level prices are at, farmers supplying lambs in November will still be looking at a schedule with an eight in the front and somewhere in the \$7's for December. Still exceptional returns compared to historical prices.

high  
lights

Slaughter prices begin to decline

Margins on lamb too low for prices to continue to rise

Supply in both islands has lifted



## BEEF

### Sharp contrast between sentiments in main beef markets



Rachel Agnew

It's a game of two markets for NZ beef exports. With only one month to go this season, the US and China have taken two thirds of NZ's beef exports in 2017-18. The fortunes of both markets, are therefore key drivers of farmgate prices for farmers but the sentiment in each couldn't be more different.

China is going from strength to strength, despite significant competition from other beef and alternative proteins. Reports suggest demand looks positive for the remainder of 2018 and further out. Opportunities for chilled beef also appear to be growing.

In sharp contrast, the sentiment in the US market continues to weaken each week. The lack of interest in imported product has probably never been as low, and the only bids in the market, are those trying to get a bargain, meaning prices are very low.

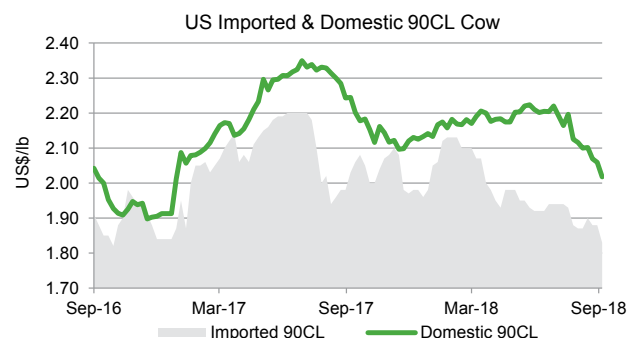
At current bid levels 95CL prices are 12% below this time last year and 20% down on the five year average. 90CL prices are 10% down on last year and 17% down on the five year average. Domestic 90CL prices have also tumbled in recent weeks, with current levels 10% down on last year and 17% down on the five year average.

high  
lights

Continued strong demand for NZ beef from China, despite a large competitive presence

US imported prices continue to weaken

Imported 95CL beef is 12% down on last year and 20% down on the five year average



DAIRY



Amy Castleton

## Pressure on WMP prices

Dairy commodity prices eased again at last week's Global Dairy Trade (GDT) event. The GDT price index was down 1.3%.

Whole milk powder (WMP) prices fell 1.8%. The lift in offer volumes along with expectations of greater NZ milk production this season would have left buyers unwilling to pay more for WMP. This situation is unlikely to change much over the next few months as NZ starts heading through its peak milk production months.

Prices for WMP futures trading on the NZX Dairy Derivatives market have eased for contracts between October and December. Prices for contracts from January to

March have lifted however. The Derivatives market expects WMP prices to see a little further downside in October and then lift into early 2019.

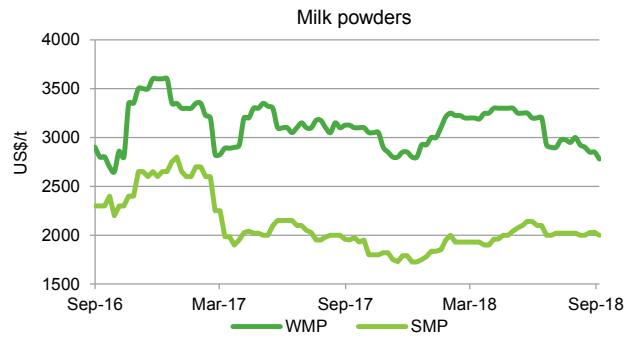
NZ milk production was up 4.6% year on year in August, on a milksolids basis. August production was expected to be higher against last season, as August 2017 production was weak against August 2016. Climate conditions have also been relatively mild through late winter and early spring, resulting in some excellent pasture growth around the country. NZ looks to be shaping up to have a more normal spring, though it is still early days.



WMP falls 1.8% at GDT

WMP futures ease for near dated contracts

NZ milk production up 4.6% in August



FORESTRY



Reece Brick

## Big fall in China not as bad as it seems

Export log price figures for August and early September make for depressing reading, however it is not as glum as it all seems.

In-market (CFR) pricing through China dropped down to US\$132-\$134/JASm3, with a poor CNY:USD rate and the nervousness surrounding them commonly to blame. A monthly decrease of this magnitude hasn't been recorded since 2015, but still leaves logs at a historically strong levels.

Chances of similar falls occurring again are looking slim. Market participants frequently believe this fall was an over-correction given port-level inventories are low and

China is moving into its busiest construction period for the year. Stable or increasing pricing is anticipated in October.

Sales at the wharfgate were somewhat sheltered by the low NZD:USD and flat shipping rates, but the main unpruned log grades were still down \$5/t on average vs. the prior month.

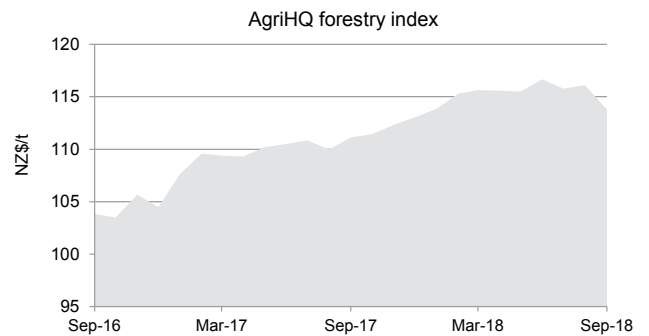
Volatility in the export trade has largely domestic sales. Structural (S1) and pruned (P1) logs were reported to be stable or slightly weaker, putting the NZ average for the former at \$137/t with the latter making \$190/t. All indications point to Q4 contracts being set at very similar levels to Q3 pricing.



A-grade logs in China fall to US\$132-\$134/JASm3

Logs at the wharfgate fall \$5/t despite the low NZD

Domestic log market essentially steady



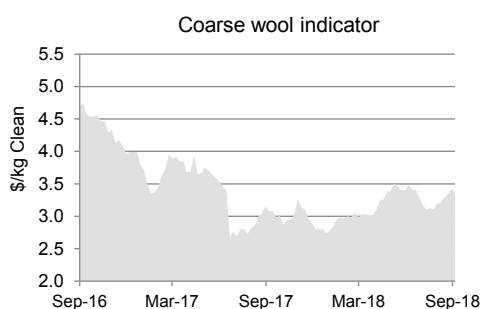
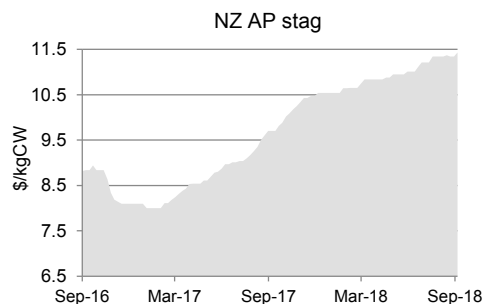
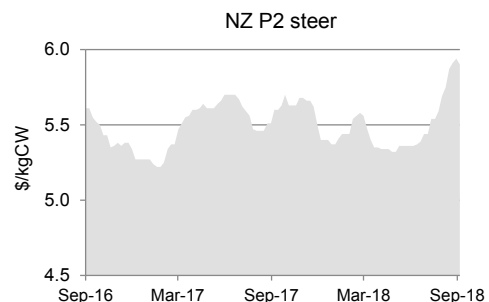
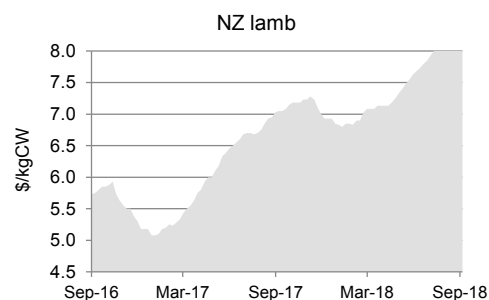
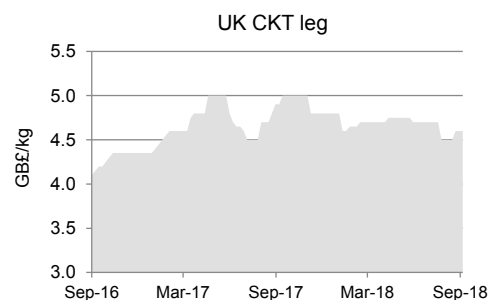
FINANCIAL MARKETS

Currency	LW	2WA	6M	LY	Yr %
NZD:USD	0.668	0.658	0.722	0.731	-9%
NZD:AUD	0.917	0.915	0.937	0.921	-0%
NZD:EUR	0.567	0.563	0.587	0.612	-7%
NZD:GBP	0.504	0.502	0.512	0.538	-6%
AUD:USD	0.727	0.717	0.771	0.793	
EUR:USD	1.175	1.165	1.231	1.193	

Finance	TW	2WA	6M	LY	Yr %
OCR	1.75	1.75	1.75	1.75	
90 Day Bill	1.94	1.94	1.94	1.94	+0%
2-yr Swap	2.03	1.99	2.24	2.26	-10%
5-yr Swap	2.41	2.32	2.70	2.80	-14%
CPI	1.50	1.50	1.60	1.70	
PPI	0.20	0.20	1.00	1.40	

RED MEAT OVERSEAS PRICES

Beef	In-market				NZ\$/kg			
	LW	LM	LY	Yr %	LW	LM	LY	Yr %
US Imp. 95CL (US\$/lb)	1.93	1.98	2.20	-12%	6.44	6.56	6.64	-3%
US Imp. 90CL (US\$/lb)	1.83	1.87	2.03	-10%	6.11	6.19	6.13	-0%
US Dom. 90CL (US\$/lb)	2.02	2.10	2.24	-10%	6.73	6.95	6.77	-1%
US Dom. 50CL (US\$/lb)	0.49	0.93	0.43	+14%	1.63	3.09	1.29	+26%
Lamb	LW	LM	LY	Yr %	LW	LM	LY	Yr %
UK CKT Leg (GBP/kg)	4.60	4.50	4.90	-6%	9.16	8.67	9.08	+1%
EU ABO Leg (EUR/kg)	6.00	6.00	5.90	+2%	10.61	10.39	9.65	+10%
US Fr. Rack (USD/lb)	10.70	10.70	9.35	+14%	35.71	35.44	28.21	+27%
EU Fr. Rack (EUR/kg)	18.50	18.50	18.75	-1%	32.73	32.03	30.67	+7%
Five-Rib FQ (USD/kg)	5.45	5.45	5.10	+7%	8.25	8.19	6.98	+18%
Flaps (USD/kg)	5.75	5.90	5.90	-3%	8.70	8.86	8.08	+8%



RED MEAT SLAUGHTER PRICES

Beef \$/kgCW	North Island			South Island			New Zealand			
	LW	LM	LY	LW	LM	LY	LW	LM	LY	Yr %
M2 Bull	5.50	5.40	5.40	5.20	5.30	5.10	5.44	5.38	5.34	+2%
P2 Steer	5.90	5.75	5.70	5.90	5.75	5.35	5.90	5.75	5.60	+5%
M Cow	4.45	4.50	4.30	4.30	4.50	4.25	4.40	4.50	4.28	+3%
Local Trade	6.00	5.85	6.00	5.90	5.85	5.70	5.97	5.85	5.91	+1%
Sheep \$/kgCW	LW	LM	LY	LW	LM	LY	LW	LM	LY	Yr %
Lamb	8.45	8.35	7.10	8.25	8.20	7.00	8.35	8.28	7.05	+18%
Mutton	5.20	5.20	4.20	5.20	5.30	4.25	5.20	5.25	4.23	+23%
Deer \$/kgCW	LW	LM	LY	LW	LM	LY	LW	LM	LY	Yr %
AP Stag	11.50	11.20	9.70	11.40	11.40	9.70	11.43	11.34	9.70	+18%

RED MEAT STORE STOCK PRICES

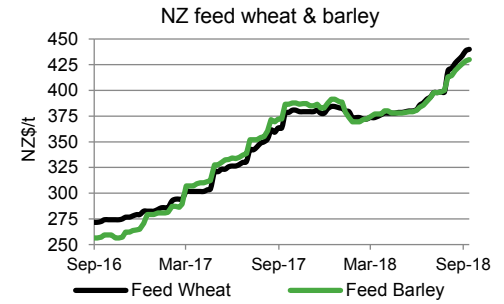
Beef \$/kgLW	Wgt	North Island				South Island				
		LW	LM	LY	Yr %	LW	LM	LY	Yr %	
1yr Fr Bull	300kg	3.10	3.25	3.20	-3%	300kg	2.95	3.00	3.30	-11%
1yr Steer	300kg	3.95	3.95	3.65	+8%	250kg	3.80	3.80	3.65	+4%
1yr Heifer	280kg	3.25	3.25	3.55	-8%	220kg	3.45	3.45	3.55	-3%
2yr Fr Bull	500kg	3.05	3.05	3.00	+2%	450kg	2.80	2.80	2.65	+6%
2yr Steer	500kg	3.20	3.20	3.10	+3%	450kg	3.10	3.10	3.05	+2%
2yr Heifer	450kg	2.90	2.90	3.00	-3%	420kg	3.00	3.00	2.95	+2%
Lamb \$/kgLW	Wgt	LW	LM	LY	Yr %	Wgt	LW	LM	LY	Yr %
Male Lamb	35kg	3.80	3.90	3.55	+7%	35kg	3.80	4.00	3.40	+12%
Ewe Lamb	35kg	3.80	3.90	3.65	+4%	35kg	3.80	4.00	3.45	+10%

WOOL AUCTION PRICES

	Auction price (NZ\$/kg Clean)				US\$/kg			
	LW	LM	LY	Yr %	LW	LM	LY	Yr %
Merino (18m)	30.60	27.10	24.50	+25%	20.21	18.04	17.90	+13%
Mid-micron (27m)	12.10	13.04	10.14	+19%	7.99	8.68	7.41	+8%
Mid-micron (29m)	8.21	8.12	7.47	+10%	5.42	5.41	5.46	-1%
Lamb (29m)	5.85	5.85	4.20	+39%	3.86	3.89	3.07	+26%
Lamb (30m)	4.55	4.55	3.85	+18%	3.01	3.03	2.81	+7%
Coarse (35m)	3.65	3.60	3.50	+4%	2.41	2.40	2.56	-6%
Coarse (37m)	3.45	3.40	3.40	+1%	2.28	2.26	2.48	-8%
Coarse (39m)	3.45	3.30	3.30	+5%	2.28	2.20	2.41	-5%

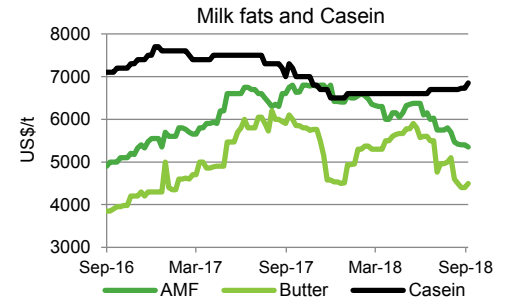
## GRAIN PRICES

	US\$/bushel				NZ\$/tonne			
	LW	LM	LY	Yr %	LW	LM	LY	Yr %
NZ milling wheat					457	430	348	+31%
NZ feed wheat					440	426	364	+21%
NZ feed barley					430	419	372	+16%
CME corn nrst	348	362	355	-2%	207	214	191	+8%
CME wheat nrst	506	542	449	+13%	281	299	226	+24%



## AGRIHQ DAIRY COMMODITY PRICES

	US\$/tonne					NZ\$/tonne				
	LW	LM	6MA	LY	Yr %	LW	LM	6MA	LY	Yr %
AMF	5350	5470	6300	6750	-21%	8100	8220	8720	9240	-12%
Butter	4500	4600	5300	6100	-26%	6810	6910	7340	8350	-18%
Casein	6850	6700	6600	7300	-6%	10370	10060	9140	9990	+4%
Cheddar	3700	3700	3700	4100	-10%	5600	5560	5120	5610	-0%
SMP	2000	2000	1930	1950	+3%	3030	3000	2670	2670	+13%
WMP	2780	2925	3200	3125	-11%	4210	4390	4430	4280	-2%
GDT TWI	916	935	1036	1075	-15%					



## NZX DAIRY FUTURES PRICES

	US\$/tonne (NZ\$/kgMS for milk)				
	LW	LM	6MA	LY	Yr %
AMF nrst	5400	5550	6175	6700	-19%
Butter nrst	4225	4400	5275	6100	-31%
SMP nrst	1995	2050	1920	1875	+6%
WMP nrst	2690	2820	3190	3100	-13%
Milk (nrst)	6.69	6.70	6.55	6.15	+9%
Milk (2nd nrst)	6.25	6.52	6.09	6.65	-6%



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