



Week Beginning: 31 October 2011

## Lamb

Deals for the all important chilled Christmas trade are mostly all signed up now and prices received appear to have exceeded last year's levels. Much of the success has been in business to the UK, while it has been reported that results in a number of other European countries have not been so positive. However, the lower chilled supply volumes this year have meant that exporters haven't needed to depend too much on those other countries.

The focus is now on negotiations for the remainder of the chilled supply period, which runs through to Easter. Because Easter falls earlier in the year in 2012, exporters will have to get shipments away about two weeks sooner than they did this year.

## Beef

New Zealand's beef production is off to a slow start this season. Weekly cattle slaughter rates have been edging up from their seasonal low over the past few weeks but throughput is lagging behind last year at this early stage, particularly in the North Island. Adding to this, the recent pipeline leak which cut gas flows to the upper North Island has impeded livestock processing and some plants have been forced to shutdown temporarily.

The US imported beef market has continued its recovery and manufacturing cow and bull prices have lifted by another US2-3c/lb.

Buyer's will have taken some confidence from the fact that the US cow slaughter has recently trended downwards from its extreme, unseasonal highs.

## Dairy

Whole milk powder (WMP) prices have firmed further this week. NZX recorded its busiest day ever on the Dairy Futures market with over 500 lots traded on Thursday. The temporary reduction in New Zealand milk supply appears to be the driver behind the stronger WMP prices.

A leak in a major gas pipeline which feeds the northern part of New Zealand occurred on Tuesday. This resulted in the shut down of several dairy processing plants. Agrifax estimates 60 million litres of milk have had to be disposed of on farm as a result of the plant closures. New Zealand milk production is running at its seasonal high, so there was little opportunity to divert milk to alternative processing plants.

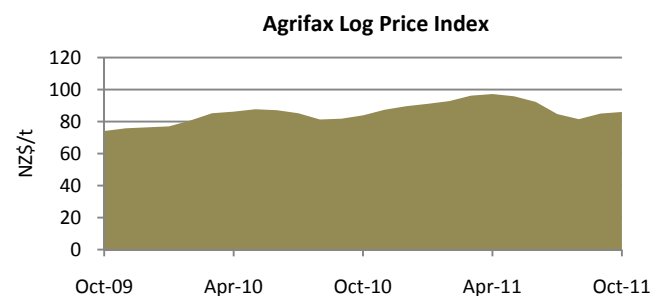
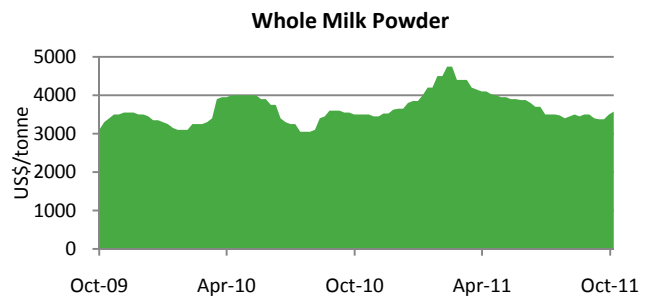
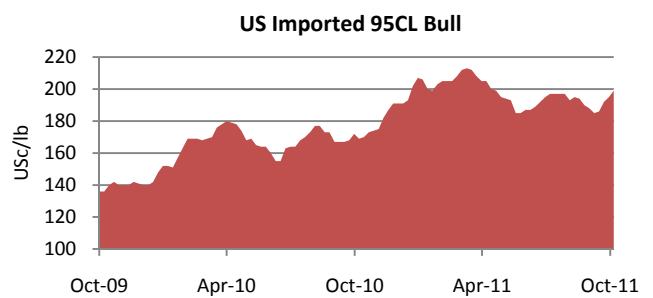
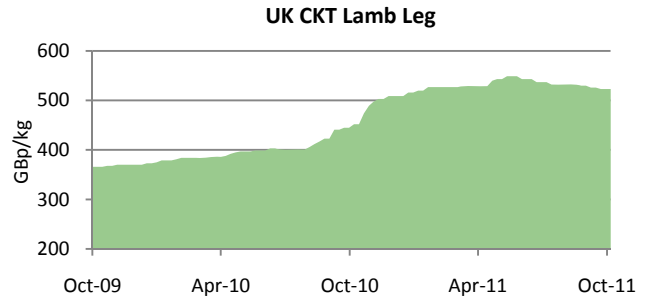
The next GlobalDairyTrade auction will see a lower amount of product on offer as the decline in the seasonal sales pattern commences.

## Forestry

Outside market forces are holding back in-market prices for export logs in overseas markets. While demand is still steady buyers are limited to what they can buy as credit facilities restrict their purchasing power.

Inventories are very high in China right now with large volumes being shipped there from the Pacific Northwest. Inventories in China were also high in June this year and at that time prices trended downward sharply in response to the imbalance in supply and demand.

Pacific Northwest (PNW) log exports to China in August were up 79% year-on-year, with New Zealand exports up 15% over the same period. A weak US dollar and low cost shipping have been a real advantage to exporters from the PNW region. In August the PNW exported 25% of China's logs, New Zealand made up 22% of log exports.



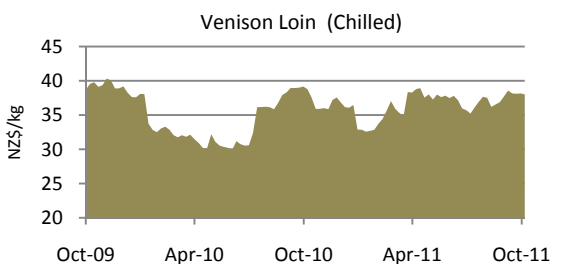
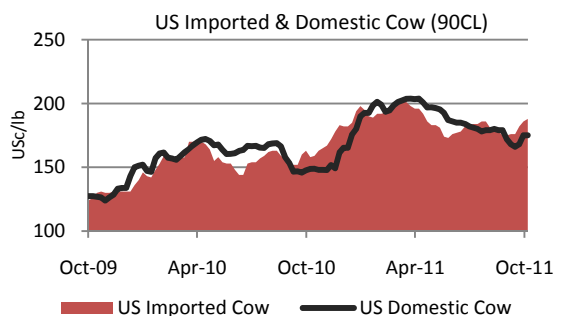
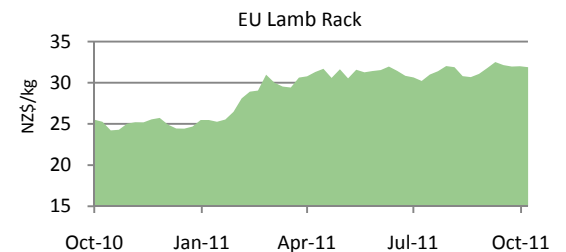
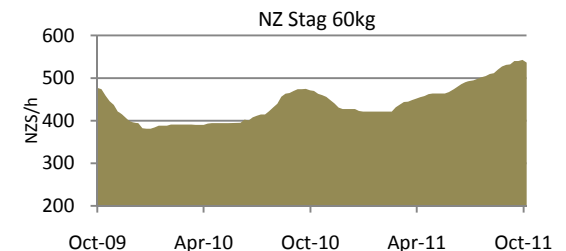
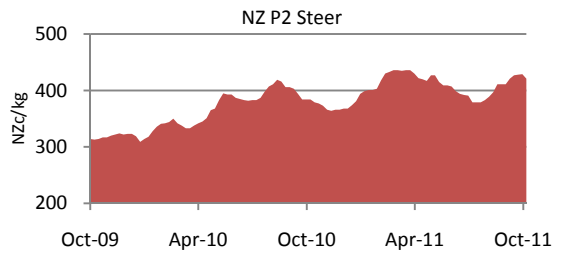
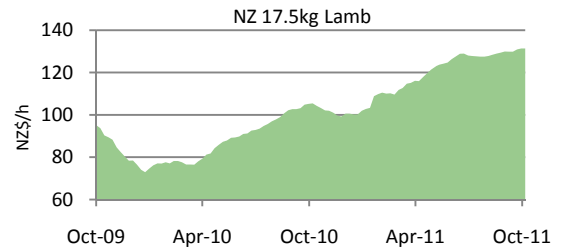
| Farm Gate     |              |              |              |              |              |              |              |              |              |            |  |
|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|--|
| Lamb NZ\$/h   | North Island |              |              | South Island |              |              | New Zealand  |              |              | Yr %       |  |
|               | TW           | LW           | LY           | TW           | LW           | LY           | TW           | LW           | LY           |            |  |
| 13kg          | 88.0         | 88.0         | 72.0         | 69.3         | 69.3         | 53.1         | 77.7         | 77.7         | 61.6         | 26%        |  |
| 15kg          | 116.1        | 116.1        | 92.0         | 110.2        | 110.2        | 90.3         | 112.9        | 112.9        | 91.0         | 24%        |  |
| <b>17.5kg</b> | <b>135.4</b> | <b>135.4</b> | <b>107.4</b> | <b>128.2</b> | <b>128.2</b> | <b>103.9</b> | <b>131.4</b> | <b>131.4</b> | <b>105.5</b> | <b>25%</b> |  |
| 17.5kg \$/kg  | 7.73         | 7.73         | 6.13         | 7.33         | 7.33         | 5.94         | 7.51         | 7.51         | 6.03         | 25%        |  |
| 19kg          | 146.9        | 146.9        | 116.6        | 138.6        | 138.6        | 112.5        | 142.3        | 142.3        | 114.3        | 24%        |  |
| 21kg          | 161.8        | 161.8        | 128.4        | 152.4        | 152.4        | 123.9        | 156.6        | 156.6        | 125.9        | 24%        |  |
| Mutton NZ\$/h | TW           | LW           | LY           | TW           | LW           | LY           | TW           | LW           | LY           | Yr %       |  |
| 21kg          | 85.2         | 85.2         | 69.7         | 88.7         | 88.7         | 68.2         | 86.99        | 87.0         | 68.9         | 26%        |  |

| Beef NZc/kg     | North Island |     |     | South Island |     |     | New Zealand |     |     | Yr %      |
|-----------------|--------------|-----|-----|--------------|-----|-----|-------------|-----|-----|-----------|
|                 | TW           | LW  | LY  | TW           | LW  | LY  | TW          | LW  | LY  |           |
| <b>P2 Steer</b> | <b>421</b>   | 429 | 384 | <b>407</b>   | 412 | 382 | <b>417</b>  | 424 | 383 | <b>9%</b> |
| P2 Cow          | 320          | 320 | 293 | 306          | 306 | 268 | 316         | 316 | 286 | 11%       |
| M Cow           | 312          | 312 | 285 | 294          | 294 | 245 | 307         | 307 | 273 | 12%       |
| M Bull          | 399          | 407 | 367 | 393          | 395 | 345 | 397         | 404 | 361 | 10%       |

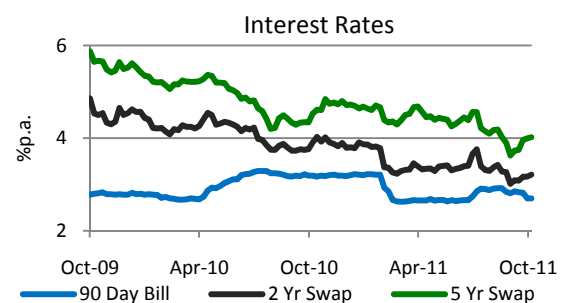
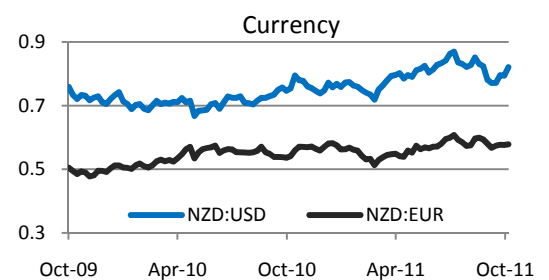
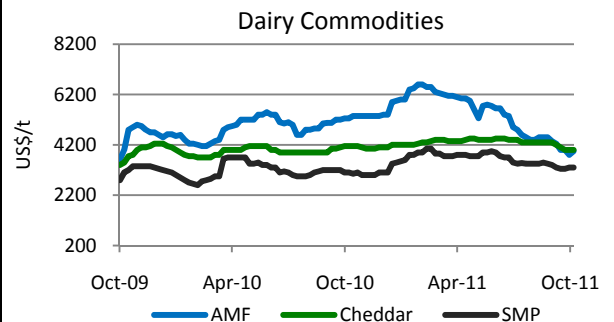
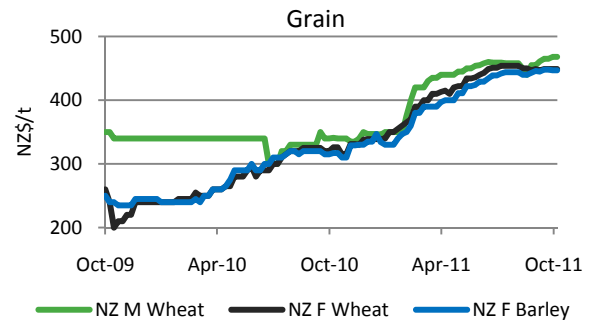
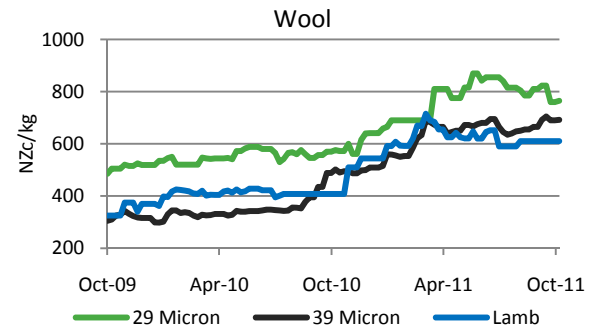
| Venison NZ\$/h      | North Island |     |     | South Island |     |     | New Zealand |     |     | Yr %       |
|---------------------|--------------|-----|-----|--------------|-----|-----|-------------|-----|-----|------------|
|                     | TW           | LW  | LY  | TW           | LW  | LY  | TW          | LW  | LY  |            |
| AP Hind 50kg        | 426          | 431 | 375 | 445          | 451 | 388 | 439         | 444 | 384 | 14%        |
| <b>AP Stag 60kg</b> | <b>525</b>   | 531 | 464 | <b>542</b>   | 549 | 473 | <b>536</b>  | 543 | 470 | <b>14%</b> |
| AP Stag 80kg        | 697          | 705 | 615 | 692          | 703 | 608 | 694         | 704 | 610 | 14%        |

### Product Prices

| Lamb                     | Overseas     |       |       |            | NZ\$/kg      |       |       |            |
|--------------------------|--------------|-------|-------|------------|--------------|-------|-------|------------|
|                          | LW           | 4W    | LY    | Yr%        | LW           | 4W    | LY    | Yr%        |
| UK Leg (GBP/kg)          | 523          | 526   | 452   | 16%        | 10.26        | 10.53 | 9.55  | 7%         |
| EU Leg (€/kg)            | 6.37         | 6.62  | 5.96  | 7%         | 11.01        | 11.54 | 11.01 | 0%         |
| Rack US (US\$/lb)        | 12.21        | 12.2  | 7.26  | 68%        | 32.73        | 34.78 | 21.19 | 54%        |
| <b>Rack EU (€/kg)</b>    | <b>1845</b>  | 1845  | 1368  | <b>35%</b> | <b>31.89</b> | 32.15 | 25.27 | <b>26%</b> |
| 5-Rib FQ (NZ\$/kg)       |              |       |       |            | 5.45         | 5.45  | 5.96  | -9%        |
| Flaps (NZ\$/kg)          |              |       |       |            | 5.00         | 5     | 4.86  | 3%         |
| Slupe Wool (NZc/kg)      |              |       |       |            | 499          | 476   | 350   | 43%        |
| Skins (US\$/skin)        | 10.17        | 10.17 | 5.56  | 83%        | 12.39        | 13.17 | 7.38  | 68%        |
| Beef                     | USc/lb       |       |       |            | NZc/kg       |       |       |            |
|                          | LW           | 4W    | LY    | Yr%        | LW           | 4W    | LY    | Yr%        |
| US Imp Bull 95CL         | 199          | 186   | 169   | 18%        | 534          | 530   | 493   | 8%         |
| <b>US Imp Cow 90CL</b>   | <b>188</b>   | 176   | 158   | <b>19%</b> | <b>504</b>   | 502   | 461   | <b>9%</b>  |
| <b>US Dom Fresh 90CL</b> | <b>175</b>   | 166   | 149   | <b>18%</b> | <b>469</b>   | 473   | 434   | <b>8%</b>  |
| US Dom Fresh 50CL        | 108          | 89    | 82    | 32%        | 290          | 254   | 240   | 21%        |
| Primal Cuts Steer        | 301          | 299   | 286   | 5%         | 807          | 852   | 835   | -3%        |
| Primal Cuts Cow          | 243          | 243   | 195   | 25%        | 651          | 693   | 569   | 14%        |
| Steer Hide (NZ\$/h)      |              |       |       |            | 82           | 82    | 62    | 32%        |
| Tallow (NZ\$/h)          |              |       |       |            | 25.46        | 28.02 | 21.17 | 20%        |
| Meat-Meal (NZ\$/h)       |              |       |       |            | 7.04         | 8.03  | 8.22  | -14%       |
| By-Products (NZ\$/h)     |              |       |       |            | 55.14        | 60.40 | 53.62 | 3%         |
| Venison                  | €/kg         |       |       |            | NZ\$/kg      |       |       |            |
|                          | LW           | 4W    | LY    | Yr%        | LW           | 4W    | LY    | Yr%        |
| Boneless Shoulder        | 5.85         | 5.85  | 4.95  | 18%        | 10.11        | 10.19 | 9.14  | 11%        |
| <b>Loin</b>              | <b>18.50</b> | 18.50 | 16.05 | <b>15%</b> | <b>31.98</b> | 32.24 | 29.65 | <b>8%</b>  |



| Product Prices   |             |       |       |      |            |        |       |       |      |     |
|------------------|-------------|-------|-------|------|------------|--------|-------|-------|------|-----|
| Wool             | USc/kg      |       |       |      |            | NZc/kg |       |       |      |     |
|                  | LW          | 4W    | 6M    | LY   | Yr%        | LW     | 4W    | 6M    | LY   | Yr% |
| 21 Micron        | 1301        | 1249  | 1260  | 878  | 48%        | 1585   | 1618  | 1570  | 1165 | 36% |
| 27 Micron        | 714         | 692   | 778   | 540  | 32%        | 870    | 897   | 970   | 716  | 22% |
| 29 Micron        | 628         | 635   | 650   | 434  | 45%        | 765    | 823   | 810   | 576  | 33% |
| 35 Micron        | 568         | 544   | 509   | 386  | 47%        | 692    | 705   | 635   | 512  | 35% |
| 37 Micron        | 568         | 544   | 513   | 378  | 50%        | 692    | 705   | 640   | 502  | 38% |
| 39 Micron        | 568         | 544   | 513   | 378  | 50%        | 692    | 705   | 640   | 502  | 38% |
| 2nd Shear        | 529         | 529   | 497   | 375  | 41%        | 645    | 685   | 620   | 498  | 30% |
| Lamb             | 501         | 471   | 501   | 308  | 63%        | 610    | 610   | 625   | 408  | 50% |
| Grain            | US\$/Bushel |       |       |      | NZ\$/tonne |        |       |       |      |     |
|                  | LW          | 4W    | LY    | Yr%  | LW         | 4W     | LY    | Yr%   |      |     |
| NZ Milling Wheat |             |       |       |      | 468        | 465    | 341   | 37%   |      |     |
| NZ Feed Wheat    |             |       |       |      | 449        | 449    | 326   | 38%   |      |     |
| NZ Feed Barley   |             |       |       |      | 447        | 448    | 317   | 41%   |      |     |
| CME Corn nrst    | 651         | 605   | 398   | 64%  | 312        | 309    | 208   | 50%   |      |     |
| CME Wheat nrst   | 644         | 616   | 683   | -6%  | 296        | 301    | 342   | -13%  |      |     |
| Dairy            | US\$/tonne  |       |       |      | NZ\$/tonne |        |       |       |      |     |
|                  | LW          | 4W    | 6M    | LY   | LW         | 4W     | 6M    | LY    | Yr%  |     |
| AMF              | 3950        | 4000  | 6050  | 5250 | 4810       | 5180   | 7540  | 6960  | -31% |     |
| Butter           | 3900        | 4000  | 4650  | 4300 | 4750       | 5180   | 5800  | 5700  | -17% |     |
| Casein           | 10100       | 10400 | 10850 | 8800 | 12310      | 13480  | 13520 | 11670 | 5%   |     |
| Cheddar          | 4000        | 4100  | 4350  | 4150 | 4870       | 5310   | 5420  | 5510  | -12% |     |
| SMP              | 3300        | 3250  | 3800  | 3100 | 4020       | 4210   | 4740  | 4110  | -2%  |     |
| WMP              | 3575        | 3375  | 4100  | 3500 | 4360       | 4370   | 5110  | 4640  | -6%  |     |
| NZX AMF nrst     | 3600        | 3675  | 5905  | N/A  | 4387       | 4762   | 7360  | N/A   |      |     |
| NZX SMP nrst     | 3275        | 3185  | 3770  | N/A  | 3991       | 4127   | 4699  | N/A   |      |     |
| NZX WMP nrst     | 3530        | 3315  | 3960  | 3560 | 4302       | 4296   | 4936  | 4723  |      |     |
| GDT TWI™         | 1070        | 1053  | 1272  | 1065 |            |        |       |       |      |     |



| Financial Markets |      |      |      |      |      |
|-------------------|------|------|------|------|------|
| Currency          | TW   | LW   | 6M   | LY   | Yr%  |
| NZD:USD           | 0.82 | 0.79 | 0.78 | 0.75 | 9%   |
| NZD:EUR           | 0.58 | 0.58 | 0.54 | 0.54 | 7%   |
| NZD:GBP           | 0.51 | 0.50 | 0.48 | 0.47 | 8%   |
| NZD:AUD           | 0.77 | 0.78 | 0.74 | 0.77 | -1%  |
| EUR:USD           | 1.42 | 1.38 | 1.45 | 1.39 | 2%   |
| AUD:USD           | 1.07 | 1.02 | 1.06 | 0.98 | 10%  |
| Finance           | TW   | LW   | 6M   | LY   | Yr%  |
| OCR               | 2.50 | 2.50 | 2.50 | 3.00 |      |
| 90 Day bill       | 2.70 | 2.70 | 2.66 | 3.19 | -15% |
| 2-yr Swap         | 3.21 | 3.17 | 3.34 | 3.91 | -18% |
| 5-yr Swap         | 4.02 | 4.00 | 4.45 | 4.53 | -11% |
| CPI               | 4.60 | 5.30 | 4.50 | 1.50 |      |
| PPI               | 0.90 | 0.90 | 0.94 | 1.40 |      |

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