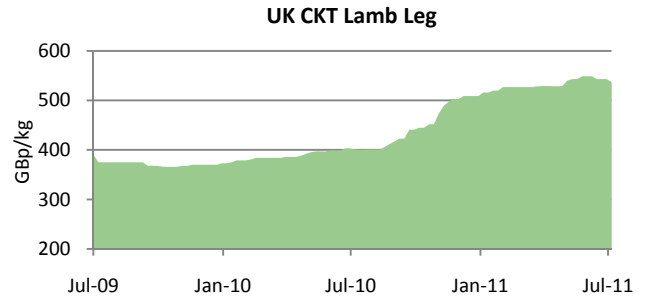




Week Beginning: 18 July 2011

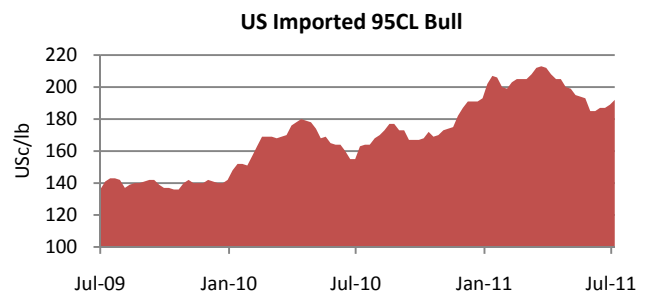
Lamb

New Zealand lamb production is now at its seasonal low. There is currently very little product trading outside of contract. The tumbling prices for domestic lamb in Britain will be of concern. But production in Britain got off to an early start this season so could also finish early. This outcome will leave a period in October and November where product availability is short. Exchange rate fluctuations have been causing headaches for exporters and traders of both Australian and New Zealand product. A rapidly rising currency is causing product to devalue. Some of those with product in hand have been under pressure to sell rather than risk losing more value. This indicates a bearish outlook for lamb prices in overseas markets



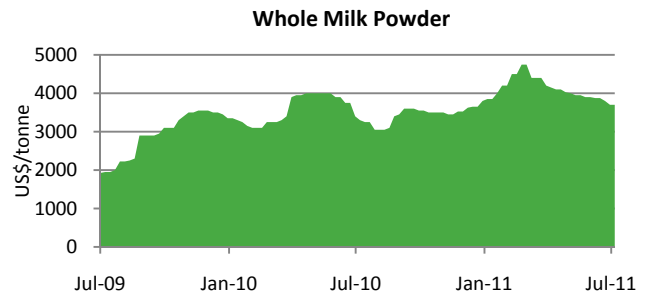
Beef

The stranglehold that the US drought has on beef producers is tightening every day as its severity increases. According to US Drought Monitor on July 12, 24% of the US (excluding Alaska and Hawaii) is experiencing severe, extreme or exceptional drought conditions. Over 70% of Texas is now considered to be in an exceptional drought – the highest possible ranking. This state is home to the greatest portion of the US beef cow herd. Clear signs of drought culling are showing in the US slaughter figures. In the four weeks to July 2, 11% more cows were killed than the five-year average for the period but weights were down 3%. This is applying downwards pressure to US domestic meat prices. In contrast, returns for imported product have trended upwards on light trading.



Dairy

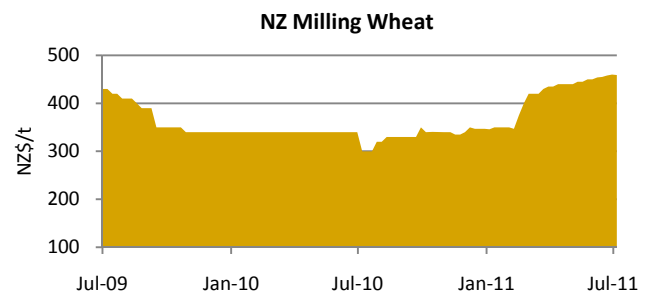
Dairy commodity prices have been mostly stable in the past week. The market remains slightly bearish especially around skim milk powder (SMP). Large volumes of this product are available in northern hemisphere markets. The US shipped an additional 60 thousand tonnes of SMP during the first five months of 2011 compared with the corresponding period in 2010. Mexico remains the largest market for the US. Asian markets are gaining importance for the UK with a large increase recorded in the volume of SMP exported to Vietnam, Indonesia, and the Philippines.



Prices for fat based products have eased. Current prices continue to favour the product mix of SMP and either butter or anhydrous milkfat over whole milk powder (WMP) production.

Grain

An increase in demand for grain due to a dramatic change in weather has coincided with an increase in the amount of grain being offered to the market by growers over the past week. This has enabled prices to remain mostly unchanged. Although some grains, such as barley, are in short supply across the entire country wheat has now become more available. Many end users would still like to get hold of larger volumes of grain now to avoid any rush later in the season. Excellent autumn conditions have seen winter forage feeds being well utilised and even cases where feed has not been used to completion as cows now make their way back towards milking platforms. There has been strong demand for hay, straw and baleage to supplement standing feed crops.



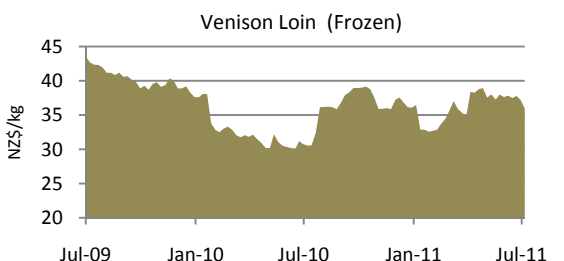
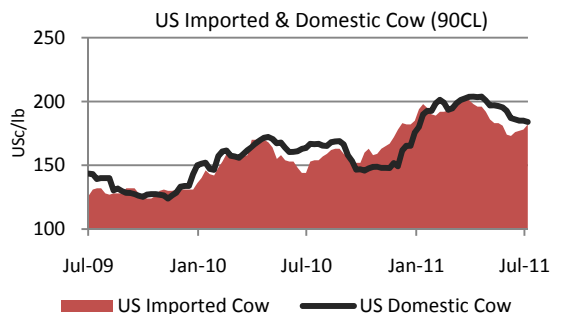
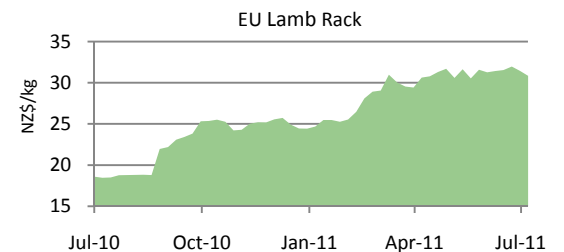
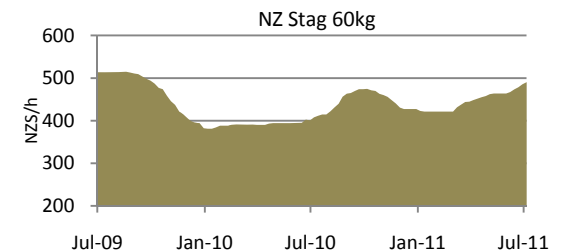
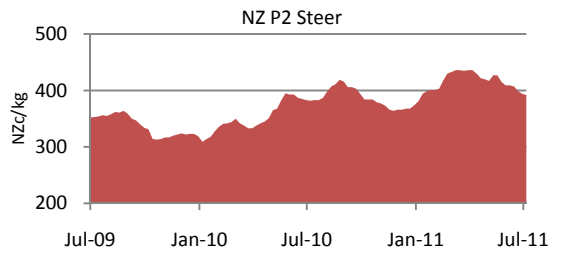
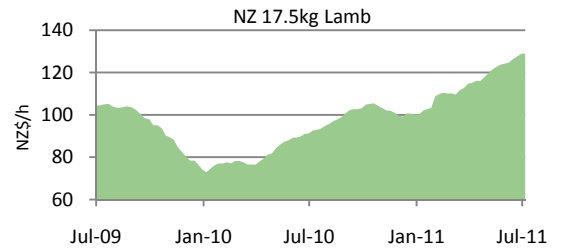
Farm Gate											
Lamb NZ\$/h	North Island			South Island			New Zealand			Yr %	
	TW	LW	LY	TW	LW	LY	TW	LW	LY		
13kg	86.5	86.3	58.7	68.0	68.0	46.6	76.3	76.2	52.1	47%	
15kg	114.4	114.1	79.5	107.9	107.9	80.4	110.8	110.7	80.0	38%	
17.5kg	133.3	133.0	92.8	125.5	125.5	92.4	129.0	128.9	92.6	39%	
17.5kg \$/kg	7.62	7.60	5.30	7.17	7.17	5.28	7.37	7.37	5.29	39%	
19kg	144.7	144.4	100.7	135.7	135.7	100.0	139.7	139.6	100.3	39%	
21kg	159.3	159.0	110.8	149.2	149.2	109.7	153.7	153.6	110.2	39%	
Mutton NZ\$/h	TW	LW	LY	TW	LW	LY	TW	LW	LY	Yr %	
21kg	83.8	83.8	56.5	89.6	89.6	58.1	86.81	86.8	57.3	51%	

Beef NZc/kg	TW	LW	LY	TW	LW	LY	TW	LW	LY	Yr %
P2 Steer	392	394	382	418	415	357	400	400	375	7%
P2 Cow	316	319	287	314	314	256	315	318	278	13%
M Cow	300	304	282	301	301	238	300	303	269	12%
M Bull	380	382	374	395	395	334	384	386	362	6%

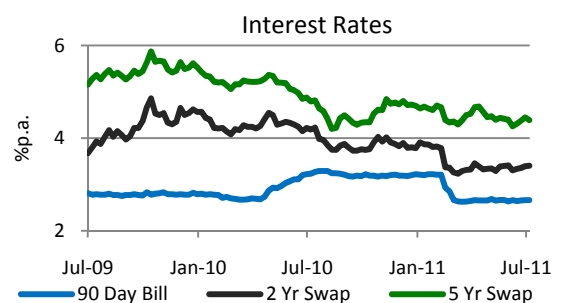
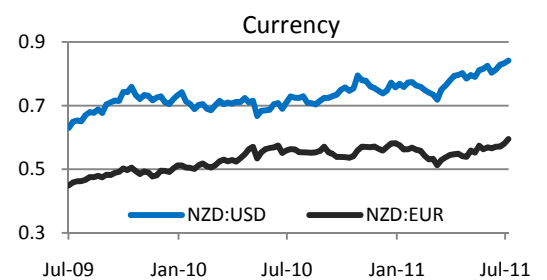
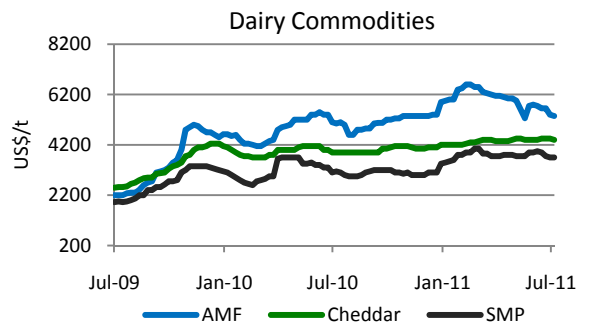
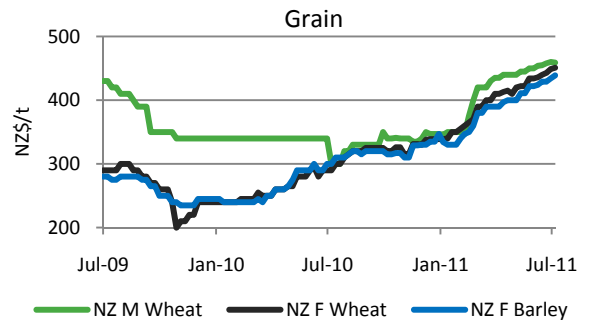
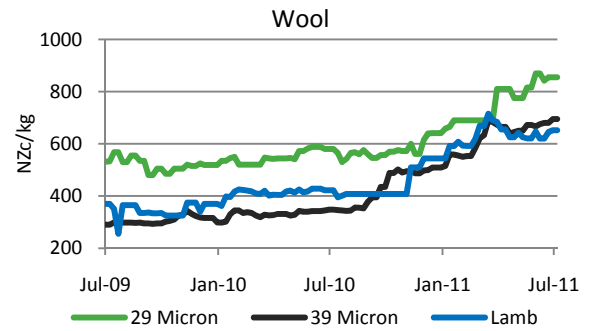
Venison NZ\$/h	TW	LW	LY	TW	LW	LY	TW	LW	LY	Yr %
AP Hind 50kg	389	387	320	407	401	337	401	396	331	21%
AP Stag 60kg	480	479	398	496	489	413	491	486	408	20%
AP Stag 80kg	637	635	527	639	629	527	638	631	527	21%

Product Prices

Lamb	Overseas				NZ\$/kg			
	LW	4W	LY	Yr%	LW	4W	LY	Yr%
UK Leg (GBP/kg)	537	543	401	34%	10.30	10.68	8.50	21%
EU Leg (€/kg)	6.99	7.02	5.35	31%	11.75	12.30	9.50	24%
Rack US (US\$/lb)	11.95	11.96	6.22	92%	31.25	32.34	18.77	66%
Rack EU (€/kg)	1836	1801	1040	77%	30.86	31.56	18.47	67%
5-Rib FQ (NZ\$/kg)					5.76	5.85	5.92	-3%
Flaps (NZ\$/kg)					5.06	5.22	4.7	8%
Slipe Wool (NZc/kg)					490	490	306	60%
Skins (US\$/skin)	9.69	9.64	4.33	124%	11.52	11.85	5.93	94%
Beef	USc/lb				NZc/kg			
	LW	4W	LY	Yr%	LW	4W	LY	Yr%
US Imp Bull 95CL	192	187	163	18%	502	506	492	2%
US Imp Cow 90CL	182	176	153	19%	476	476	462	3%
US Dom Fresh 90CL	184	186	167	10%	481	503	503	-4%
US Dom Fresh 50CL	82	90	76	7%	214	243	231	-7%
Primal Cuts Steer	293	293	250	17%	766	792	754	2%
Primal Cuts Cow	246	240	184	34%	643	649	555	16%
Steer Hide (NZ\$/h)					75	80	70	8%
Tallow (NZ\$/h)					29.95	31.62	19.87	51%
Meat-Meal (NZ\$/h)					8.61	9.29	9.36	-8%
By-Products (NZ\$/h)					52.91	53.43	44.50	19%
Venison	€/kg				NZ\$/kg			
	LW	4W	LY	Yr%	LW	4W	LY	Yr%
Boneless Shoulder	5.50	5.50	4.45	24%	9.24	9.64	7.90	17%
Loin	17.90	17.90	15.00	19%	30.08	31.36	26.64	13%



Product Prices										
Wool	USc/kg					NZc/kg				
	LW	4W	6M	LY	Yr%	LW	4W	6M	LY	Yr%
21 Micron	1522	1598	995.1	736	107%	1809	1964	1295	1010	79%
27 Micron	824	797	593	502	64%	980	980	772	688	42%
29 Micron	719	685	506	423	70%	855	842	658	580	47%
35 Micron	596	569	399	270	121%	708	700	519	370	91%
37 Micron	585	557	396	255	129%	695	685	515	350	99%
39 Micron	585	553	396	254	130%	695	680	515	348	100%
2nd Shear	548	521	388	246	123%	652	640	505	338	93%
Lamb	548	504	418	308	78%	652	620	544	422	55%
Grain	US\$/Bushel				NZ\$/tonne					
	LW	4W	LY	Yr%	LW	4W	LY	Yr%		
NZ Milling Wheat					459	455	300	53%		
NZ Feed Wheat					451	440	290	56%		
NZ Feed Barley					439	429	300	46%		
CME Corn nrst	716	680	395	81%	335	329	213	57%		
CME Wheat nrst	691	649	548	26%	310	301	284	9%		
Dairy	US\$/tonne				NZ\$/tonne					
	LW	4W	6M	LY	LW	4W	6M	LY	Yr%	
AMF	5350	5650	5950	5050	6360	6950	7740	6930	-8%	
Butter	4700	4750	4450	4100	5590	5840	5790	5620	-1%	
Casein	11000	11000	9000	9000	13080	13520	11710	12350	6%	
Cheddar	4400	4450	4200	3900	5230	5470	5470	5350	-2%	
SMP	3700	3900	3500	3150	4400	4790	4550	4320	2%	
WMP	3700	3875	3850	3300	4400	4760	5010	4530	-3%	
NZX AMF nrst	5185	5310	N/A	N/A	6164	6527	N/A	N/A		
NZX SMP nrst	3620	4280	N/A	N/A	4303	5261	N/A	N/A		
NZX WMP nrst	3550	3695	3835	N/A	4220	4542	4991	N/A		
GDT TWI™	1195	1278	1190	1017						



Financial Markets					
Currency	TW	LW	6M	LY	Yr%
NZD:USD	0.84	0.83	0.76	0.73	15%
NZD:EUR	0.60	0.58	0.56	0.56	6%
NZD:GBP	0.52	0.52	0.48	0.47	11%
NZD:AUD	0.79	0.77	0.77	0.83	-5%
EUR:USD	1.41	1.44	1.36	1.29	9%
AUD:USD	1.07	1.08	0.99	0.90	20%
Finance	TW	LW	6M	LY	Yr%
OCR	2.50	2.50	3.00	2.75	
90 Day bill	2.66	2.66	3.20	3.23	-18%
2-yr Swap	3.41	3.39	3.87	4.19	-19%
5-yr Swap	4.39	4.45	4.68	4.79	-8%
CPI	4.50	4.50	4.00	2.00	
PPI	2.20	2.20	0.70	1.30	

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