

WEEKLY ECONOMIC REPORT:

Farm Advisors NZ Ltd & AgSafe NZ Ltd

Property & Farm Management Consultants & Safety Consultants

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21 November 2020

Daily grass growth rates: Range 70 to 85 kg DM/ha/day.
 Average pasture cover: 2550 kg DM/ha.
 10 cm soil temperature: 18.2°C
 Rainfall (Hamilton)– Month to date: 98 mm. Nov 10 year Av 96 mm. Below average September rainfall. It is very dry in much of the central North Island.

Stock prices report:

Prime steers	\$2.897/kg
Prime bulls	\$2.754/kg
Boner Cows	\$2.069/kg
Store lambs	\$101.89
Feeder Calves	\$116.89

Weaner bulls to 101 to 120 kg \$3.642/kg av \$400.00/head

Many farmers are commenting about the fall in production this season that is greater than normal. Pasture quality usually drops off as the plants try to flower and seed. A recent report from OCD has shown the MJME being down about 5% on last year and the NDF being up about 15% on last year. Topping is the only simple way of pushing the quality forward for a few more weeks.

Week commencing 23 November 2020

	This Week Nth Is	This Week Sth Is	Last Week Av	1 Year ago
18 kg YX Lamb (cents/kg)	\$6.90	\$6.70	\$6.77	\$8.70
21 kg Mutton (cents/kg)	\$4.75	\$4.75	\$4.57	\$6.05
P2 Steer (270 to 295 kg)	\$5.15	\$4.85	\$4.90	\$6.00
M Cow (160 to 195 kg)	\$3.90	\$3.60	\$3.75	\$4.71
Bull (270 to 295 kg)	\$5.10	\$4.65	\$4.88	\$6.00
Venison (60 kg AP Stag)	\$5.50	\$6.00	\$5.75	\$8.88
		Previous Week	1 year ago	2 yrs ago
Fine Crossbred Indicator price	\$2.79	\$2.63	\$ 4.19	\$ 3.96
Mid Micron Indicator price	\$7.90	\$7.90	\$11.90	\$16.40
Butter (NZ \$ per tonne)	\$ 5550	\$ 5600	\$ 6550	\$5775
Skim Milk Powder (SMP NZ \$ per tonne)	\$ 4050	\$ 4300	\$ 4600	\$2925
Whole Milk Powder (WMP NZ \$ per tonne)	\$ 4400	\$ 4525	\$ 5150	\$3900
Cheddar Cheese (NZ \$ per tonne)	\$ 5550	\$ 5750	\$ 5600	\$4900
Casein (lactose casein NZ \$ per tonne)	\$11550	\$11550	\$11400	\$8050
US currency	\$0.692	\$0.683	\$0.640	\$0.694
Euro	\$0.583	\$0.578	\$0.579	\$0.584
Australian dollar	\$0.949	\$0.944	\$0.943	\$0.941

Finance: The NZ dollar firmed against the US dollar at the end of the week. It is of some concern as NZ is in the peak export period for much of the primary production. See the comments on quantitative easing below as the increased money supply should be pushing the value of the NZ down.

Wool: The wool prices are a disaster. Interesting TV reports on the developments for the use of wools, let's hope they come to fruition sooner than later and save the ailing industry.

Beef, Sheep & Venison schedules: The meat schedules are steady to slightly easier. The demand for high quality meat cuts including venison are still only easy internationally. Manufacturing beef is in demand in the US markets.

Dairy Prices: The g/DT lifted 1.8% with WMP at \$US3037 and SMP at \$US2799/tonne. Lactose was down 18.8%. The sales volume was up. It was good result. The g/DT has been fairly steady since Nov 2016 which is good news for the dairy sector.

Need Help. If at any time you just want to talk about being isolated on your farm and to have a chat, just call me – no charges!!
 027-2872886. Rural Support Trust 0800-787-245. Lifeline 0800-543354. Crisis TXT – HELP (4357)

The spring AB matings of dairy cows is nearly over, the grass quality is declining and production will have peaked. Some topping can push the grass quality and growth rates forward and any fertiliser including nitrogen should be on by now. The summer is nearly here!!

Quote: from a political commentor – If you disagree with the PM, you are immoral. People are incapable of reason and debate.

Jim's Weekly Rant:

There has been debate about the possibility of the government making inquiry into the Reserve Bank and its independence verses its economic management strategy being implemented, particularly relating to Quantitative Easing (QE). To try and understand QE and its effect on the economy seems to be a minefield of economic theory, this is what I have gleaned and hope it might be helpful. During the election propaganda process leading up to the October elections were told to **be nice and be kind** and we were not educated about the economic realities of what was going on. To instill fear in much of the population then offer them smiles and hugs doesn't help fix the economy or educate us about the realities of macro-economics that are complex and often confusing. I am now trying to understand the potential final outcome of QE. The Reserve/Central Banks around the world have several weapons in their armoury to manage inflation from:

- The Official Cash Rate (OCR) - used extensively by the Reserve Bank in NZ (RB).
- The maximum loan to value ratio (LVR) restrictions on bank loans to investors as seen with house purchasing in recent times.
- Reserve ratios - where the trading banks are required to hold lending ratios between different sectors- dairy farming in NZ is out of step with other sectors, hence the tight lending market for the rural operators.
- Quantitative easing (electronic money printing) - soaks up Treasury and other bonds out of the market, which is simply the printing of money. It was the backbone of the Social Credits "funny money" plan through the 1960's to 1980's but is now an acceptable money management system.
- The direct lending to banks by the Reserve Bank of newly created money for the purpose of on-lending, called 'Funding for Lending Programme' (FLP).

These monetary concepts are part of macro-economics, but confusing and poorly understood by most of us. It is these concepts that help determine many of the basics of daily life, including the cost of housing, the cost of food and the cost of everything else, interest rates, inflation and the availability of jobs.

The RB has chosen QE and is injecting \$100 billion into the economy up to June 2022 as a stimulus to keep the economy out of recession and hopefully keep the resulting inflation under control. The QE plan is simply to put more money into the marketplace to generate spending. Some commentators, and the Opposition MP's, have questioned the government as to when enough is enough as the \$100b is considered excessive by many. The main question must be: **"how do/will we get out of the inflationary spiral if our export lead recovery becomes real as the additional funds being injected by QE are not generating additional income in the main export /rural sector?"** In my simple understanding the additional cash in the economy will drive a demand for imported items and housing, further fuelling inflation while not generating export income, unless there is serious downward pressure on the NZ dollar. There appears to be a potential separation of production for export and cash availability for imports and discretionary spending. The real cash is obtained from exports while printed money fuels imports. We only need to look back a few years when Argentina and Zimbabwe just keep the printing presses rolling and see what happened to their countries. So, the question are:

1. How much is needed, and how much is too much??
2. Will it create a separation between the major export industries and the internal demand for imports of non-productive goods? That is, will the high dollar lower the cash returns to the primary industry producers while the "workers" demand more cash/wages to receive equivalent pay to their urban counterparts?
3. Who has the final say regarding the management of a recession and possible hyper-inflation?

Contact AgSafe NZ Ltd - Phone 027-2872886. We can prepare your Work Safe manual and hazard management plan at a very competitive price. We can arrange drug tests and farm maps for your property.

Calf rearing is important for your future production – Check out the Bell-Booth "**Queen of Calves**" rearing plan. There is research data from Massey University measuring the benefits. They are clearly documented, and the long-term benefits are more production per cow and longevity of the animals!! Research has shown calves can be weaned approximately 22 days earlier when Queen of Calves is used. The early weaning saves milk and allows more milk to be sold!

Q-Labs for your comprehensive farm soil & nutrient test. Qlabs are based in Waipawa.

Soils: Full Soil Analysis, Soil Respiration Test, Home Garden Soil Testing

Feeds: Full Feed Analysis, Ruminant Nitrogen Utilization, Efficiency (RNUE), ME (Metabolizable Energy), Feed Single Element, DM (Dry Matter), Nitrate (Feeds)

Waters & Effluents: In Depth Water Test, Water - Bacterial, Water - Extras, Dairy Effluent (TKN), Dairy Effluent (Totals). Check out their services at [www.qlabs.co.nz](http://www qlabs.co.nz) Phone 0800-857733

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