

Beef tops price growth "stakes"

Contact:

Steve Edwards

Economist

Telephone: +64 4 802 2217

Email: steve.edwards@anz.com

The next issue of the ANZ Commodity Price Index is scheduled for release on: 4 August 2008 at 3pm.

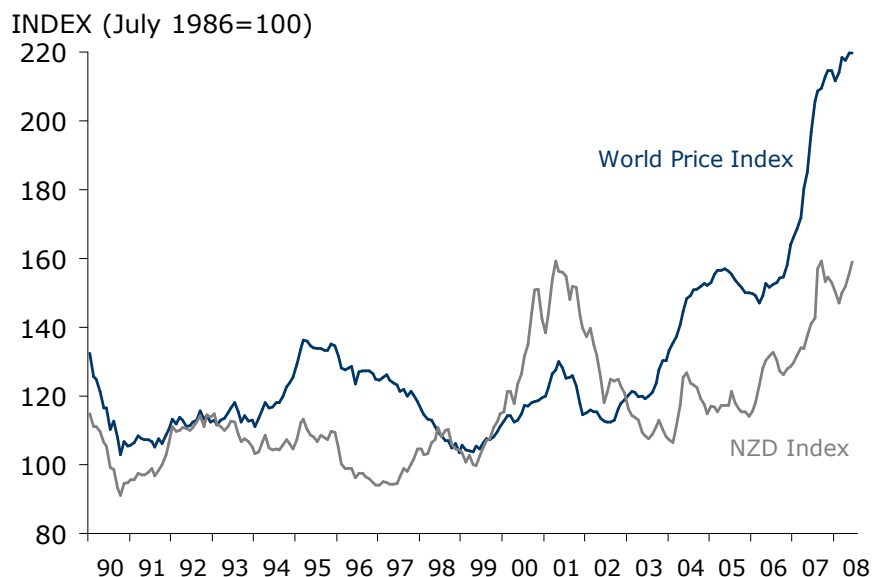
Export prices remain high. The commodity prices of New Zealand's key export basket remains at an elevated level. The ANZ Commodity Price Index recorded a very minor drop in June, but when rounded to one decimal place, the index was unchanged from a month earlier.

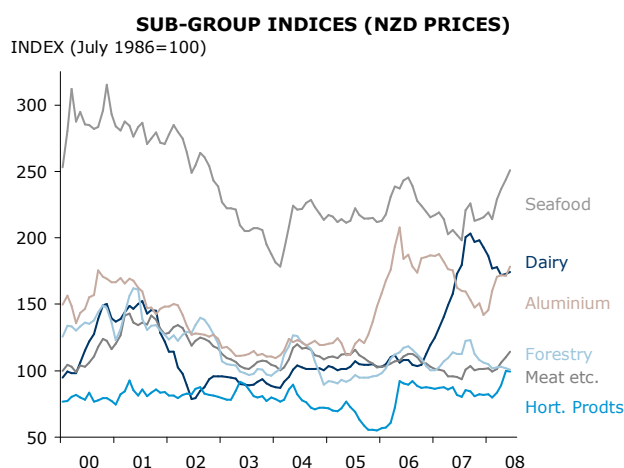
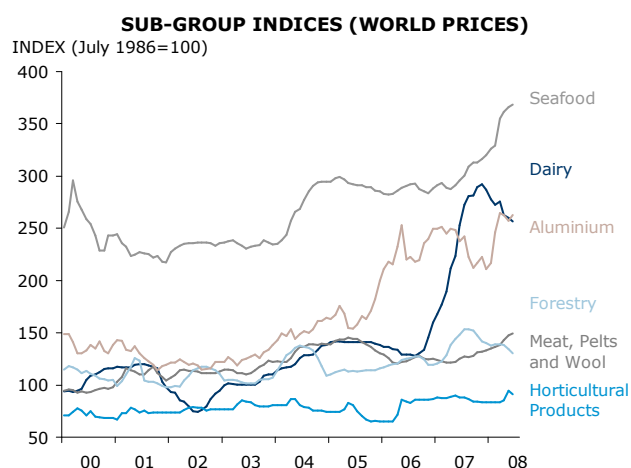
Beef takes prime position. Six commodities registered higher prices in June, while five recorded declines. Leading the increases was the price of beef (up 4.3 percent), which has risen consistently over the first half of the year. The price of beef has recorded one of the top two strongest monthly price rises for five of the past six months. Overall, beef prices are now a third higher than at the end of last year. Other commodities to show strong rises in the latest month were aluminium (up 2.0 percent), venison (1.3 percent) and wool (up 1.2 percent)

Sawn timber found lumbering. Leading the decline in commodity prices in June was sawn timber, which dropped 6 percent. Sawn timber prices have reflected prospects in the US housing market and have fallen 19 percent from a year ago. Kiwifruit prices eased 4.7 percent in June, as the price premium paid by Northern Hemisphere markets diminished. The other two large moves were for the price of skins (down 2.8 percent) and international dairy prices (down 1.1 percent). International dairy prices have eased a total of 12 percent from the peak in November last year.

NZD index rises. The kiwi dollar eased in value against our main trading partners in the month of June. The only exception was a rise relative to the Japanese yen. Overall, this resulted in the ANZ NZD Commodity Price Index lifting 2.1 percent. The index is now only a hair's-breadth (0.3 percent) behind the record high posted in November last year.

ANZ COMMODITY PRICE INDEX





	World Price Index	Monthly % Change	Annual % Change	NZ\$ Index	Monthly % Change	Annual % Change
Jun-03	119.2	-0.7	5.7	108.3	-1.1	-8.2
Jun-04	148.5	2.8	24.6	126.7	1.0	17.0
Jun-05	156.1	-0.6	5.1	117.3	0.1	-7.4
Jun-06	151.5	-0.9	-2.9	131.5	0.9	12.1
Jun-07	196.7	6.3	29.8	141.2	2.7	7.4
Dec-07	214.7	0.0	30.9	153.1	-0.9	19.0
Jan-08	211.7	-1.4	27.4	150.3	-1.8	15.9
Feb-08	214.0	1.1	26.9	147.0	-2.2	11.4
Mar-08	218.3	2.0	26.9	150.1	2.1	12.0
Apr-08	217.7	-0.3	20.7	151.8	1.1	13.4
May-08	219.7	0.9	18.7	155.6	2.5	13.2
Jun-08	219.6	0.0	11.6	158.8	2.1	12.5

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2008 year are: Wool 0.043; Beef 0.086; Lamb 0.130; Venison 0.012; Skins 0.025; Dairy 0.382; Apples 0.020; Kiwifruit 0.043; Logs 0.034; Sawn Timber 0.050; Wood Pulp 0.034; Seafood 0.060; Aluminium 0.083

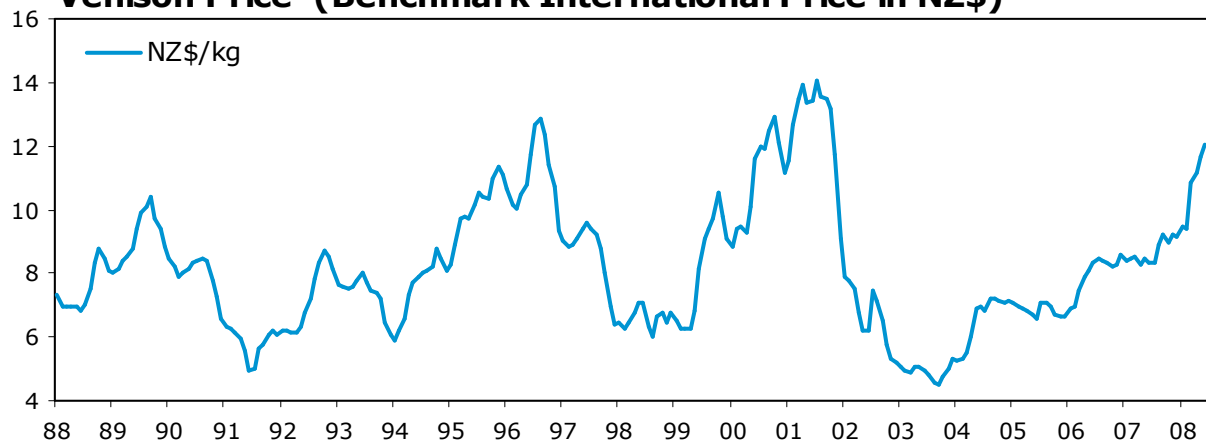
Featured Commodity: VENISON

Commercial deer farming began in New Zealand in the late sixties. Production has steadily grown over the past three decades, so that today venison and deer products account for over \$320 million in export earnings. Large price fluctuations for venison have been the norm.

When the early European settlers arrived in New Zealand they also brought with them red deer for release into the wild for hunting. The feral stock quickly spread to the point that by the 1950s they were regarded as a pest, raising concerns about their impact on the indigenous environment. The NZ Forest Service employed hunters during the 1950s and 1960s to reduce numbers. The first exports of venison from feral deer occurred in the 1960s and established an export market in Europe. The trade in feral deer was so successful that by the mid-1970s it was feared that the source would soon be exhausted. At this point farmers began trapping animals for the purpose of farming them, and thus, deer farming in NZ, as an industry in its own right, was born.

Over the next 35 years, commercial farming of deer in NZ has grown so rapidly that New Zealand now leads the rest of the world in terms of the number of deer farmed. There are approximately 1.4 million deer farmed in New Zealand, which equates to nearly half of the world's farmed deer population. On an inter-Island basis, the split is roughly 40 percent of deer in the North Island and 60 percent in the South Island. Reflecting the original imported wild population, the majority of New Zealand's deer herd (about 85 percent) is red deer and the balance is predominantly elk (also known as wapiti) or elk crosses. The 1980s saw the creation of the "Cervena" trademark. This was part of an ambitious marketing strategy by the NZ Game Industry Board, designed to distinguish NZ deer meat from all other venison, with the trademarked assurance that the meat has been naturally produced and processed.

Venison Price (Benchmark International Price in NZ\$)

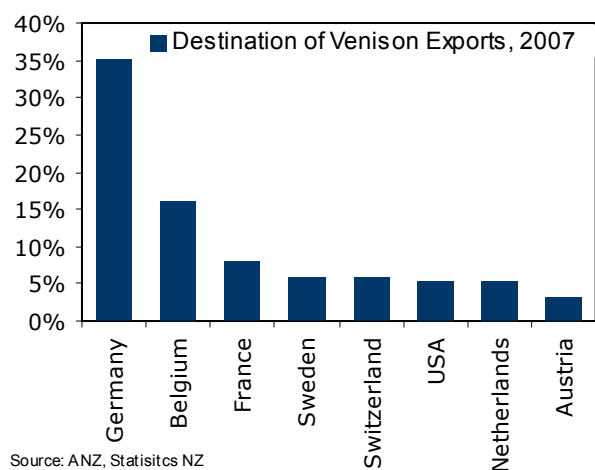


Source: ANZ, NZX Agrifax

The world price of venison has always been on a rollercoaster ride. Influences include: economic conditions in Germany, variations in supply from New Zealand, changing tastes of health conscious consumers and resistance to price peaks. The current indicator price has recently firmed to €5.9/kg, which is at its highest level since the end of 2001. When converted into NZ dollars, venison prices are currently sitting at a six-year high. The current high price for venison reflects limited supply after a partial liquidation of the NZ herd during the past four years. A high venison price can be detrimental to demand, as chefs weigh-up the costs of including venison on their menus, compared to competing red meats.

New Zealand exported \$296 million of venison in the twelve months to May 2007, which represented less than one percent of our total merchandise exports. The export of velvet, deer hides and other co-products pushes the total deer industry export figure in excess of \$320 million.

The deer farming industry has put an increasing effort into extending the reach of venison in export markets. Nevertheless, by far the largest share of our venison exports continues to be shipped to Germany. The next largest destinations are all Central European countries, with the exception of the United States. Venison is an important part of traditional German diet in autumn and winter, with strong links to the autumn hunting season – when game meats are in high demand. Venison, and a range of other game foods, is a common feature on German menus at this time.



Source: ANZ, Statistics NZ

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ANZ, Level 7, 1 Victoria Street, Wellington 6011, New Zealand Phone 64-4-802 2000 Fax 64-4-496 8639
<http://www.anz.com/nz> e-mail ecnmcs@anz.com