

# NEW ZEALAND ECONOMICS ANZ COMMODITY PRICE INDEX

July 2010

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The next issue of the *ANZ Commodity Price Index* is scheduled for release on: 1 September 2010 at 3pm.

## DAIRY DOWN AGAIN

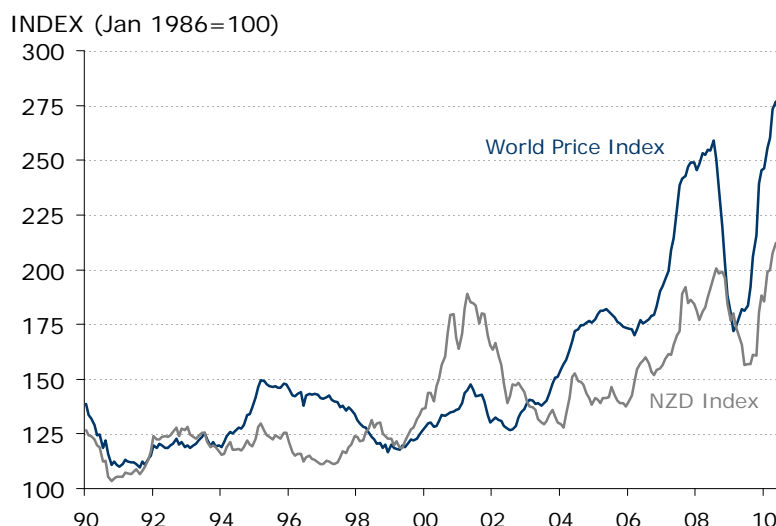
**New Zealand's commodity prices eased further in July.** The ANZ Commodity Price Index recorded a second successive drop in July, easing 0.8 percent over the month. There were falls in six of the commodities and rises in nine.

**Dairy prices the main catalyst.** For the second consecutive month, the price of milk powders recorded the largest fall across the commodity basket. Whole milk powder prices dropped 12.6 percent, while skim milk powder recorded a 2.7 percent drop. In addition to this, beef prices weakened 3.4 percent in July and sawn timber prices decreased 2.8 percent. Butter prices slipped 1.4 percent and log prices rounded out the price falls, easing 0.9 percent from a month earlier.

**It's not all one way traffic though.** Nine commodity prices recorded rises. Skin prices increased 10.1 percent in July, topping the list of commodities to record higher prices for the second consecutive month. Seafood and kiwifruit recorded the next strongest price rises, lifting 5.0 and 4.8 percent, respectively. Wool, casein and aluminium prices lifted between 3 and 4 percent, while venison, apples and lamb all recorded price rises below 1 percent.

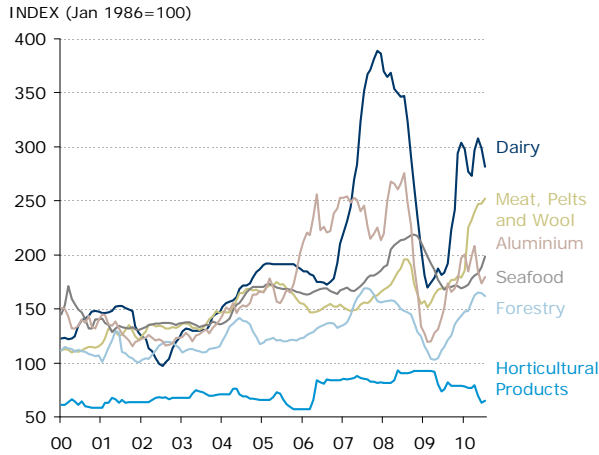
**NZ dollar strengthens.** When converted into New Zealand dollars, the ANZ NZD Commodity Price index dropped 2.8 percent, reflecting a general strengthening in the value of the New Zealand dollar in July.

### ANZ COMMODITY PRICE INDEX

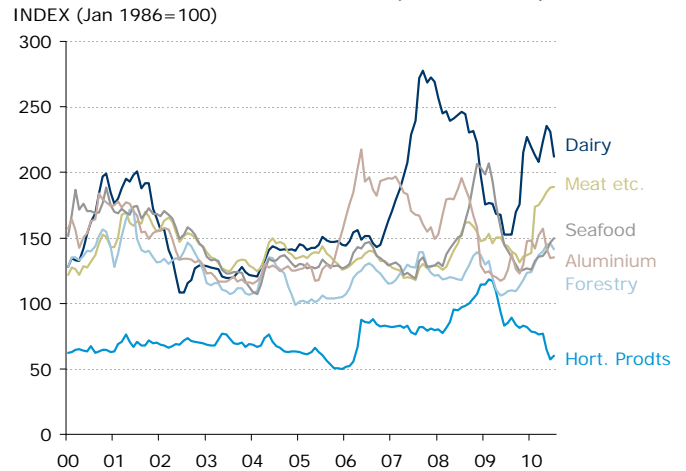


# ANZ COMMODITY PRICE INDEX

### SUB-GROUP INDICES (WORLD PRICES)



### SUB-GROUP INDICES (NZD PRICES)



	World Price Index	Monthly % Change	Annual % Change	NZ\$ Index	Monthly % Change	Annual % Change
Jul-06	176.4	0.6	-1.9	160.0	0.9	9.3
Jul-07	238.3	4.6	35.1	171.9	1.0	7.4
Jul-08	259.0	1.8	8.7	196.7	2.8	14.4
Jul-09	183.4	1.1	-29.2	156.9	0.2	-20.2
Feb-10	255.5	3.7	48.6	199.2	7.4	10.7
Mar-10	260.0	1.8	49.5	199.9	0.3	14.9
Apr-10	273.2	5.1	53.2	207.7	3.9	22.8
May-10	276.6	1.2	51.8	212.0	2.1	27.9
Jun-10	272.3	-1.6	50.1	211.2	-0.4	34.9
Jul-10	270.0	-0.8	47.2	205.2	-2.8	30.8

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2010 year are: Wool 0.033; Beef 0.093; Lamb 0.150; Venison 0.013; Skins 0.019; Dairy 0.383; Apples 0.021; Kiwifruit 0.053; Logs 0.049; Sawn Timber 0.045; Wood Pulp 0.030; Seafood 0.065; Aluminium 0.046

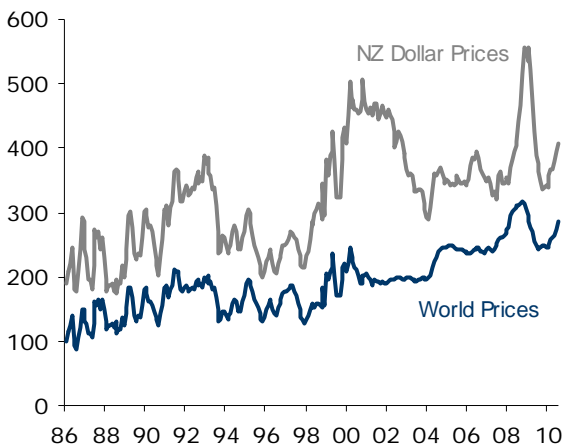
An alternative source for both of the horticultural components has been incorporated into this month's index, resulting in backward revisions from 2009.

## FEATURED COMMODITY: SEAFOOD

**Global seafood prices have started to recover some of the ground they lost following the global recession. Reduced fuel costs have been a consolation for fishermen, but a stubbornly high NZ dollar is proving to be a drag on the industry. Nevertheless, the industry is poised to benefit from an anticipated lift in worldwide demand for seafood, particularly aquaculture.**

When New Zealand declared a 200 nautical mile Exclusive Economic Zone (EEZ) in 1978, it took control of the 4.2 million square kilometres of ocean around its islands. The area covered by the EEZ represents the fourth largest fishing zone in the world. There are 130 species of fish that are commercially fished off our waters, but only 10 species make up 80 percent of all our seafood exports. In the past 12 months, \$1.3 billion of fish and shellfish was exported, making the seafood industry the country's fifth largest merchandise export earner. Since 1986, New Zealand's fishery stock has been governed by the Quota Management System, which is today acknowledged as one of the best fishery management regimes in the world. Under the quota system a sustainable total catch, or harvest, of fish is set – with individuals or companies having been allocated the right to catch certain quantities of particular species. Previously sea fish could be caught by anyone who had a licence and complied with other regulations.

### Seafood Price Index

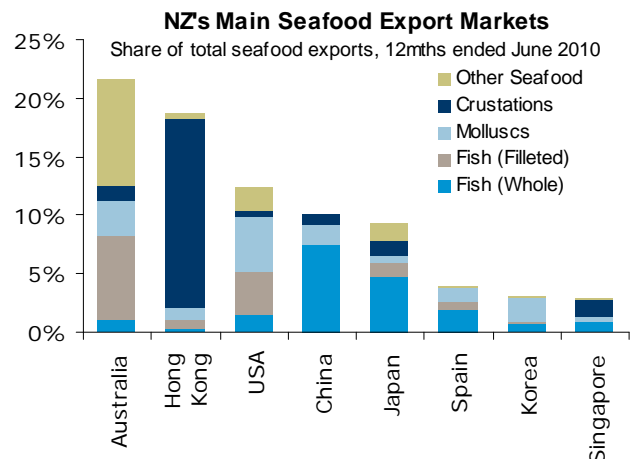


Source: ANZ

New Zealand's aquaculture sector (farming of fish and shellfish) is the country's fastest growing seafood sector. Aquaculture accounts for nearly 25 percent of New Zealand's seafood exports by revenue, and is spread across the cultivation of mussels, salmon, Pacific oysters and paua. The United Nation's Food and Agriculture Organisation

(FAO) predicts that the world's seafood consumption will rise 35 percent within 10 years, with aquaculture production increasingly used to meet this surge in demand. Currently, NZ's contribution to global aquaculture is only about 0.02 percent of sales by weight, thus providing NZ with a huge opportunity to tap into this anticipated increase in worldwide demand. The FAO forecast that by 2030 aquaculture will match the wild fisheries catch. Likewise, the NZ Aquaculture Council projects our waters could be producing over \$1 billion worth of aquaculture products annually by 2025.

The recent lift in the worldwide price of NZ's seafood exports have recovered just over half of the level that was wiped out following of the global recession in 2009. Returns for our local fishermen have been rather more volatile, reflecting the swings in the kiwi dollar, as well as increased fuel costs.



Sources: ANZ, Statistics NZ

At 22 percent, Australia is our largest market for seafood exports, followed by Hong Kong, on 19 percent. The next largest markets are the USA, China and Japan, respectively taking 12, 10 and 9 percent of the value of our seafood exports. Australia and Hong Kong being the top two seafood export markets is a relatively recent phenomenon. Prior to 2003, the largest seafood export markets were Japan and USA.

In terms of the value of NZ's seafood exported, around half are whole and filleted fish. Molluscs and crustaceans account for roughly 20 percent each and the remaining 10 percent is made up of miscellaneous fish products.

Mussels are generally exported in frozen half-shell form predominantly to the US and EU; hoki is sent as prime white fish portions and ready-to-cook battered and breaded fish meals, largely to Australia

## FEATURED COMMODITY: SEAFOOD

and Europe; and rock lobsters are primarily air-freighted live to Japan.

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## NEW ZEALAND DISCLOSURE INFORMATION

The Bank (in respect of itself and its principal officers) makes the following investment adviser disclosure to you pursuant to section 41A of the Securities Markets Act 1988.

The Bank (in respect of itself and its principal officers) makes the following investment broker disclosure to you pursuant to section 41G of the Securities Markets Act 1988.

### Qualifications, experience and professional standing Experience

The Bank is a registered bank and, through its staff, is experienced in providing investment advice about its own securities and, where applicable, the securities of other issuers. The Bank has been selling securities, and providing investment advice on those securities, to customers as a core part of its business for many years, drawing on the extensive research undertaken by the Bank and its related companies and the skills of specialised staff employed by the Bank. The Bank is represented on many bank, finance and investment related organisations and keeps abreast of relevant issues by running seminars and workshops for relevant staff and having its investment adviser staff attend external seminars where appropriate. The Bank subscribes to relevant industry publications and, where appropriate, its investment advisers will monitor the financial markets.

### Relevant professional body

The Bank is a member of the following professional bodies relevant to the provision of investment advice:

- New Zealand Bankers Association;
- Associate Member of Investment Savings & Insurance Association of NZ;
- Financial Markets Operations Association; and
- Institute of Finance Professionals.

### Professional indemnity insurance

The Bank (and its subsidiaries), through its ultimate parent company Australia and New Zealand Banking Group Limited, has professional indemnity insurance which covers its activities including those of investment advisers it employs.

This insurance covers issues (including 'prior acts') arising from staff fraud, electronic crime, documentary fraud and physical loss of property. The scope of the insurance also extends to third party civil claims, including those for negligence. The level of cover is of an amount commensurate with the size and scale of the Bank.

The insurer is ANZcover Insurance Pty Limited.

### Dispute resolution facilities

The Bank has a process in place for resolving disputes. Should a problem arise, you can contact any branch of the Bank for more information on the Bank's procedures or refer to any of the Bank's websites.

Unresolved complaints may ultimately be referred to the Banking Ombudsman, whose contact address is PO Box 10-573, Wellington.

### Criminal convictions

In the five years before the relevant investment advice is given none of the Bank (in its capacity as an investment adviser and where applicable an investment broker) or any principal officer of the Bank has been:

- Convicted of an offence under the Securities Markets Act 1988, or the Securities Act 1978 or of a crime involving dishonesty (as defined in section 2(1) of the Crimes Act 1961);
- A principal officer of a body corporate when that body corporate committed any of the offences or crimes involving dishonesty as described above;
- Adjudicated bankrupt;
- Prohibited by an Act or by a court from taking part in the management of a company or a business;

- Subject of an adverse finding by a court in any proceeding that has been taken against them in their professional capacity;
- Expelled from or has been prohibited from being a member of a professional body; or
- Placed in statutory management or receivership.

### Fees

At the time of providing this disclosure statement it is not practicable to provide accurate disclosure of the fees payable for all securities that may be advised on. However, this information will be disclosed to you should you seek advice from one of the Bank's investment advisers on a specific investment.

### Other interests and relationships

When a security is sold by the Bank, the Bank may receive a commission, either from the issuer of a security or from an associated person of the Bank. Whether that commission is received and, if received, its value depends on the security sold. At the time of providing this disclosure statement it is not practicable to provide a detailed list of each security that may be advised on, the name of the issuer of that security and the rate of the commission received by the Bank. However, this information will be disclosed to you should you seek advice from one of the Bank's investment advisers on a specific investment.

In addition to the interest that the Bank has in products of which it is the issuer, the Bank, or an associated person of the Bank, has the following interests or relationships that a reasonable person would find reasonably likely to influence the Bank in providing the investment advice on the securities listed below:

- ANZ Investment Services (New Zealand) Limited (ANZIS), as a wholly owned subsidiary of the Bank, is an associated person of the Bank. ANZIS may receive remuneration from a third party relating to a security sold by the Investment Adviser.
- UDC Finance Limited (UDC), as a wholly owned subsidiary of the Bank, is an associated person of the Bank. UDC may receive remuneration from a third party relating to a security sold by the Investment Adviser.
- ING (NZ) Holdings Limited (ING), as a wholly owned subsidiary of the Bank, is an associated person of the Bank. ING and its related companies, including ING (NZ) Limited, may receive remuneration from a third party relating to a security sold by the Investment Adviser.
- Direct Broking Limited (DBL), as a wholly owned subsidiary of the Bank, is an associated person of the Bank. DBL may receive remuneration from a third party relating to a security sold by the Investment Adviser.

### Securities about which investment advice is given

The Bank provides investment advice on the following types of securities:

- Debt securities including term and call deposits, government stock, local authority stock, State-Owned Enterprise bonds, Kiwi bonds and corporate bonds and notes;
- Equity securities such as listed and unlisted shares;
- New Zealand and overseas unit trusts;
- Share in a limited partnership;
- Superannuation schemes and bonds;
- Group investment funds;
- Life insurance products;
- Derivative products including interest rate and currency forward rate contracts and options; and
- Other forms of security, such as participatory securities.

### PROCEDURES FOR DEALING WITH INVESTMENT MONEY OR INVESTMENT PROPERTY

If you wish to pay investment money to the Bank you can do this in several ways such as by:



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- Providing cash;
- Providing a cheque payable to the relevant product or service provider and crossed 'not transferable'; or
- Making an automatic payment or payment through another electronic delivery mechanism operated by the Bank.

Investment property (other than money) may be delivered to the Bank by lodging the relevant property (for example, share certificates) with any branch of the Bank offering a safe custody service, or by posting (using registered post) the documents or other property to a branch of the Bank, identifying your name, account number and investment purpose.

Any investment money lodged with the Bank for the purchase of securities offered by the Bank, its subsidiaries or any third parties will be deposited in accordance with your instructions, to your nominated account or investment. Such money will be held by the Bank according to usual banking terms and conditions applying to that account or the particular terms and conditions relating to the investment and will not be held by the Bank on trust unless explicitly accepted by the Bank on those terms. Any investment money or property accepted by the Bank on trust will be so held until disbursed in accordance with your instructions. Any investment property lodged with the Bank will be held by the Bank as bailee according to the Bank's standard terms and conditions for holding your property.

### Record Keeping

The Bank will keep adequate records of the deposit of investment moneys or property and all withdrawals and dealings with such money or property, using the account/investment number allocated to your investment. You may have access to those records upon request.

### Auditing

The Bank's systems and operations are internally audited on a regular basis. The financial statements of the Bank and its subsidiaries are audited annually by KPMG. However, this does not involve an external audit of the receipt, holding and disbursement of the money and other property.

### Use of Money and Property

Money or property held by the Bank for a specific purpose communicated to the Bank (e.g. the purchase of an interest in a security) may not be used by the Bank for its own purposes and will be applied for your stated purpose. No member of the Bank's staff may use any money or property deposited with the Bank, for their own purposes or for the benefit of any other person. In the absence of such instructions, money deposited with the Bank may be used by the Bank for its own purposes, provided it repays the money to you upon demand (or where applicable, on maturity), together with interest, where payable.

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