

ANZ Commodity Price Index

New Zealand

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Hardly a skinny fit

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The next issue of the *ANZ Commodity Price Index* is scheduled for release on: 5 October 2009 at 3pm.

The sixth and strongest rise since February. The ANZ Commodity Price Index recorded its sixth consecutive monthly rise. The 4.3 percent rise in August was the strongest monthly gain in the index since the recent low in February. The cumulative lift in the commodity price index since February has been 12 percent.

Seven commodities posted price gains. Prices of seven of the commodities we monitor registered a price rise in August, four commodities recorded price declines, while the prices for the two remaining commodities (wood pulp and venison) were unchanged.

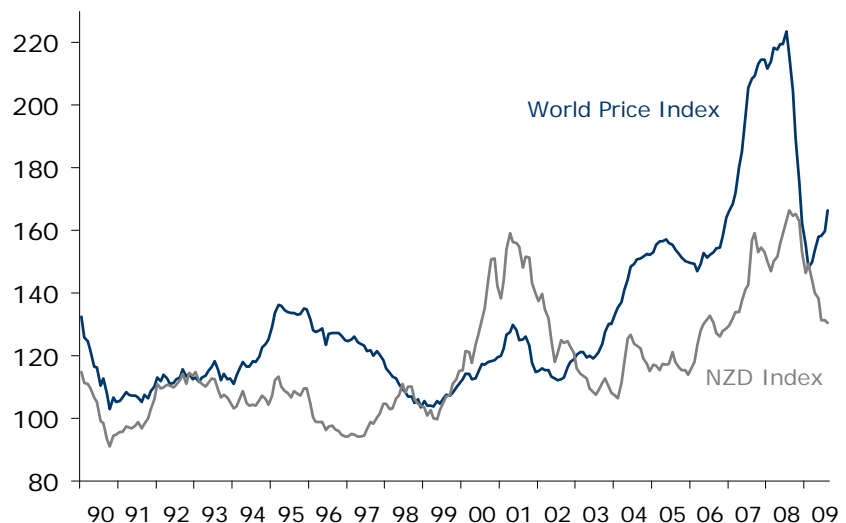
The top price rises in August were of a "hard" variety and skins. Aluminium recorded a 15 percent lift from July and now sits just above the long-run average of the series. Pelt prices recorded a strong lift, also rising 15 percent from July, but prices have only recovered to a fifth of their historical average, as calculated since 1986. Lumber prices rose 8 percent in the month, wool prices increased 7 percent, dairy prices lifted 5 percent and log prices rose 4 percent. Seafood prices increased just over 1 percent.

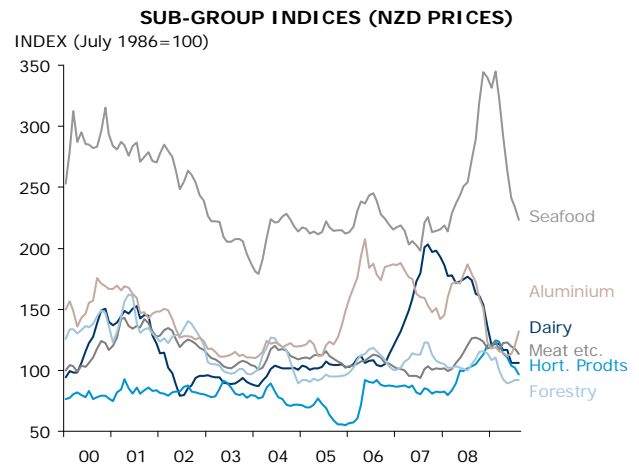
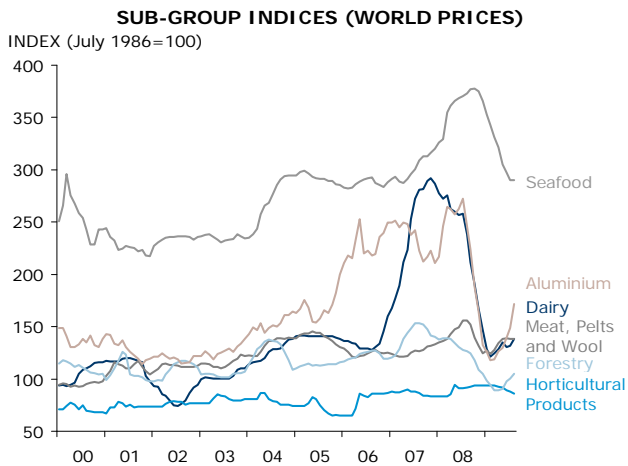
Fruit led the price falls. Fruit prices typically decay at this time of the year as the Northern Hemisphere export seasons mature. Kiwifruit prices slipped 3 percent and apple prices eased 1 percent. Beef and lamb prices softened 0.3 and 0.5 percent, respectively.

A stronger kiwi dollar wiped out the gains in world commodity prices. The New Zealand dollar strengthened against all the currencies of our major trading partners. The rise in the value of the kiwi dollar was larger than the rise in world commodity prices and consequently the NZD Commodity Price Index recorded a small decline (-0.7 percent) in the month of August.

ANZ COMMODITY PRICE INDEX

INDEX (July 1986=100)





	World Price Index	Monthly % Change	Annual % Change	NZ\$ Index	Monthly % Change	Annual % Change
Aug-04	150.7	0.9	24.3	123.3	-0.3	13.2
Aug-05	153.9	-0.9	2.1	118.0	-2.7	-4.3
Aug-06	153.0	0.5	-0.6	130.4	-1.7	10.5
Aug-07	208.6	1.4	36.3	156.9	10.0	20.3
Aug-08	216.0	-3.4	3.5	166.4	2.0	6.1
Feb-09	148.3	-4.6	-30.7	149.2	1.9	1.5
Mar-09	149.8	1.0	-31.4	144.1	-3.4	-4.0
Apr-09	153.7	2.6	-29.4	140.2	-2.7	-7.6
May-09	158.0	2.8	-28.1	138.2	-1.4	-11.2
Jun-09	158.3	0.2	-27.9	131.3	-5.0	-17.3
Jul-09	159.9	1.0	-28.5	131.4	0.1	-19.5
Aug-09	166.7	4.3	-22.8	130.6	-0.6	-21.5

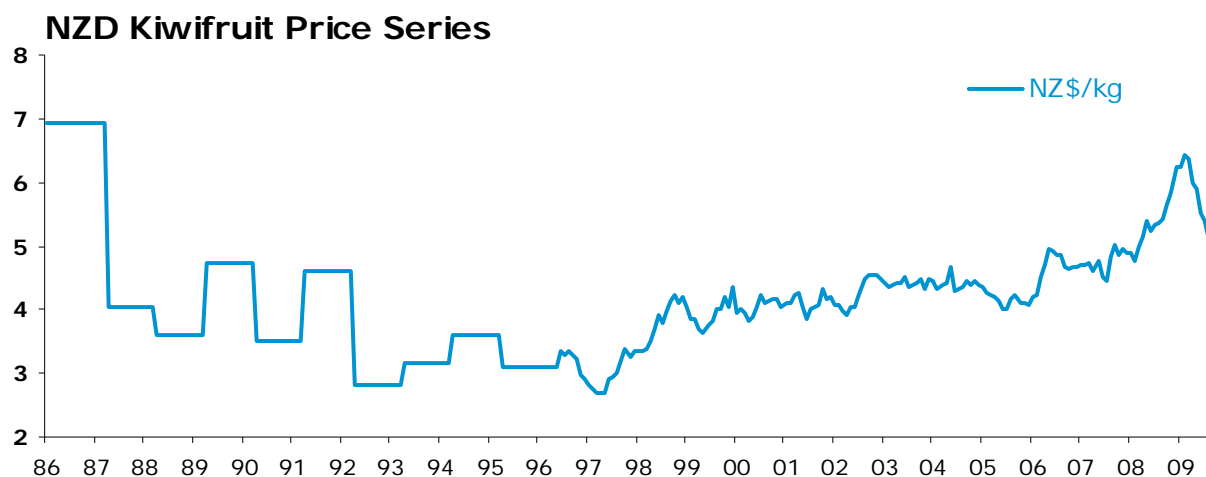
Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2009 year are: Wool 0.035; Beef 0.091; Lamb 0.131; Venison 0.015; Skins 0.025; Dairy 0.408; Apples 0.016; Kiwifruit 0.047; Logs 0.034; Sawn Timber 0.042; Wood Pulp 0.028; Seafood 0.059; Aluminium 0.069

Featured Commodity: KIWIFUIT

New Zealand has a sizeable slice of the global trade in kiwifruit. From its roots 100 years ago, the industry has grown into a \$1 billion export earner, with fruit sold in 52 countries around the globe.

Kiwifruit was first introduced to New Zealand in 1904, when a Wanganui headmistress brought "yang tao" seeds back from China, and passed them on to an orchardist friend. Propagation over the next sixteen years saw plantings recorded in Auckland, Fielding, Wanganui and Tauranga. It was another 30 years before the first commercial shipment, 13 tonnes of chinese gooseberries, were exported to England. The name kiwifruit was introduced in the late 1950s, coinciding with the first shipments that were exported to the United States.

In 1977, the New Zealand Kiwifruit Marketing Licensing Authority was established. A decade later this organisation developed to be a single desk seller of NZ kiwifruit – the New Zealand Kiwifruit Marketing Board (NZKMB). In 1997, the NZKMB chose to differentiate New Zealand kiwifruit, to avoid confusion with product from other competing nations. Thus the ZESPRI™ brand and trademark was created for NZ kiwifruit, and ZESPRI International Ltd was established as the marketing subsidiary. In the late 1970's, NZ kiwifruit growers began experimenting with the cultivation of a golden kiwifruit. Seeds were imported from China, and after a lengthy selection and nurturing process, the yellow-fleshed kiwifruit (ZESPRI™ GOLD) variety was introduced to the world in 1999. More recently the industry has launched the 'Kiwiberry' – a bite-sized kiwifruit that can be eaten whole. The Bay of Plenty is the hub of kiwifruit production in New Zealand, with over three-quarters of the national crop harvested in the region. A small, but increasing, share of ZESPRI™ kiwifruit production is now being grown offshore, in an effort to build a year round supply programme for the brand.

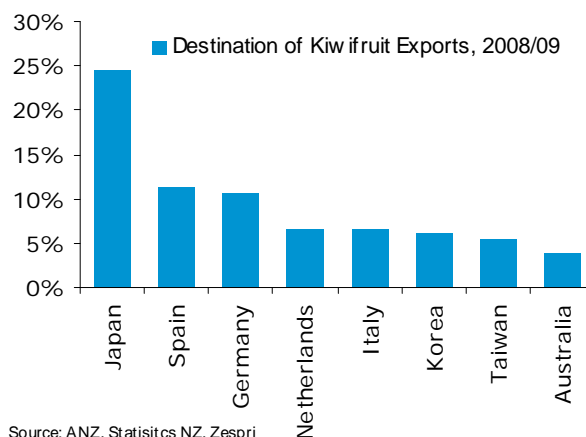


Sources: ANZ, Zentrale Markt- und Preisberichtsstelle

New Zealand is the world's third largest kiwifruit producer, behind Italy and China. Approximately 700,000 tonnes of kiwifruit enters the global market each year, of which New Zealand contributes roughly 30 percent. With world-wide kiwifruit plantings relatively stable, variations in production levels are, on the whole, dependent on weather conditions in the key producing nations (New Zealand, Italy, Chile, France and China). Consequently, global kiwifruit production can vary considerably from year to year, with the knock-on effect on world prices. NZ kiwifruit commands a price premium, reflecting high quality, innovative marketing strategies, combined with strong branding and the promotion of the health benefits linked with eating kiwifruit. NZ dollar export prices have retraced from a 22-year high posted earlier this year, the result of a traditional easing in prices as the export season matures, combined with the value of the NZ dollar increasing in value.

New Zealand exported just over a \$1 billion of kiwifruit in the twelve months to June 2009, which represents 2½ percent of our total merchandise exports. About three quarters of kiwifruit exports were the classic ZESPRI™ GREEN kiwifruit, with a rising share (20 percent) of exports sourced from the ZESPRI™ GOLD fruit.

Japan is our largest single market for kiwifruit exports, taking around a quarter of the total value of kiwifruit exported. The next largest export markets for kiwifruit are Europe, a few Asian countries and Australia. China-Hong Kong has been tipped to take 20 percent of our exports in the next ten years, up from the current share of 6 percent.



Source: ANZ, Statistics NZ, Zespri

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- Associate Member of Investment Savings & Insurance Association of NZ;
- Financial Markets Operations Association; and
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- 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.

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- Equity securities such as listed and unlisted shares;
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- Share in a limited partnership;
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- Group investment funds;
- Life insurance products;
- Derivative products including interest rate and currency forward rate contracts and options; and
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- Making an automatic payment or payment through another electronic delivery mechanism operated by the Bank.

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