

ANZ Commodity Price Index

New Zealand

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Out-driven by the metal wood

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

Par five. The ANZ Commodity Index posted a 1.0 percent rise in July – the fifth consecutive monthly increase in the series, to date. The cumulative rise in the index since the recent trough in February this year has been 7.8 percent.

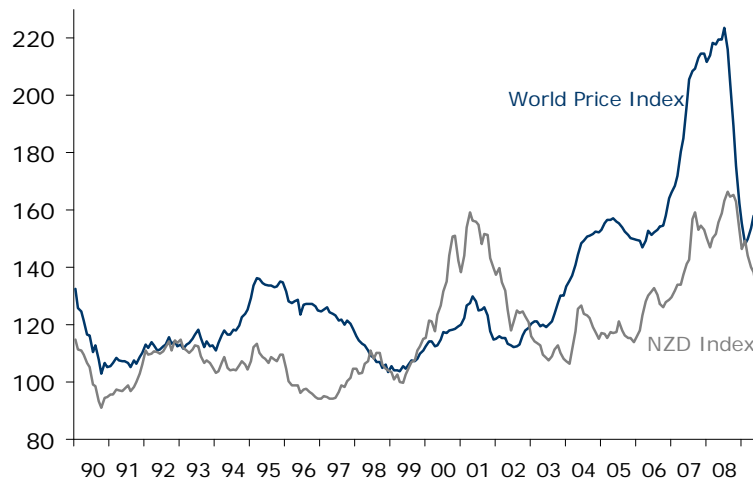
Hard resources do the hard yards. Eight commodities registered a rise in prices in July, while five recorded a drop in prices. Aluminium topped the monthly increases lifting 6.7 percent from June, to sit 26 percent above the recent low measured in February. Forestry products recorded the next tier of price increases, with wood pulp, lumber and log prices increasing 3.4, 2.5 and 2.1 percent, respectively. Beef prices increased 1.4 percent and wool prices improved 0.8 percent. The all important international dairy price nudged up 0.6 percent in July, while venison prices inched up 0.3 percent.

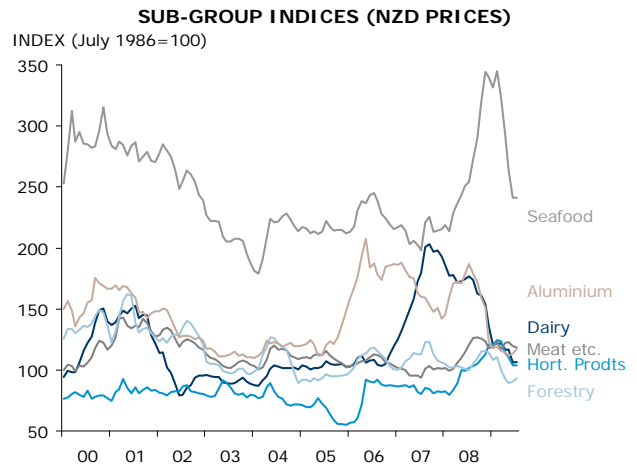
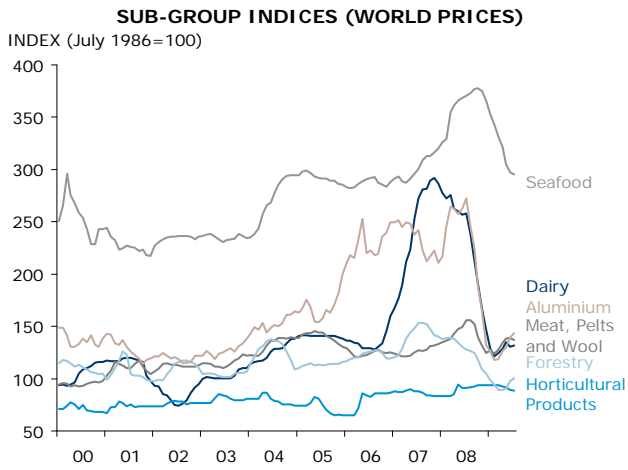
Seafood caught in the water hazard. Seafood prices recorded the largest monthly decline across the export commodity basket we monitor, dropping 2.2 percent in July. This is the ninth successive drop in our benchmark seafood price series, returning prices back to the level where they prevailed two years ago. Seasonal falls in kiwifruit (-1.6 percent) and apple prices (-0.4 percent) was noted, as the Northern Hemisphere export season matures. Lastly, lamb prices eased 1.4 percent in July and skin prices dipped 0.4 percent.

Playing into the wind. With the exception of the Japanese yen, when averaged over the month the New Zealand dollar firmed against all the currencies of our main trading nations in July. Consequently, the ANZ NZ Dollar Commodity Price Index only recorded a very minor (0.1 percent) rise in July.

ANZ COMMODITY PRICE INDEX

INDEX (July 1986=100)





	World Price Index	Monthly % Change	Annual % Change	NZ\$ Index	Monthly % Change	Annual % Change
Jul-04	149.3	0.5	24.4	123.7	-2.4	15.1
Jul-05	155.3	-0.5	4.0	121.3	3.4	-1.9
Jul-06	152.3	0.5	-1.9	132.7	0.9	9.4
Jul-07	205.7	4.6	35.1	142.7	1.1	7.5
Jul-08	223.5	1.8	8.7	163.2	2.8	14.4
Jan-09	155.5	-4.3	-26.5	146.4	-4.3	-2.6
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

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

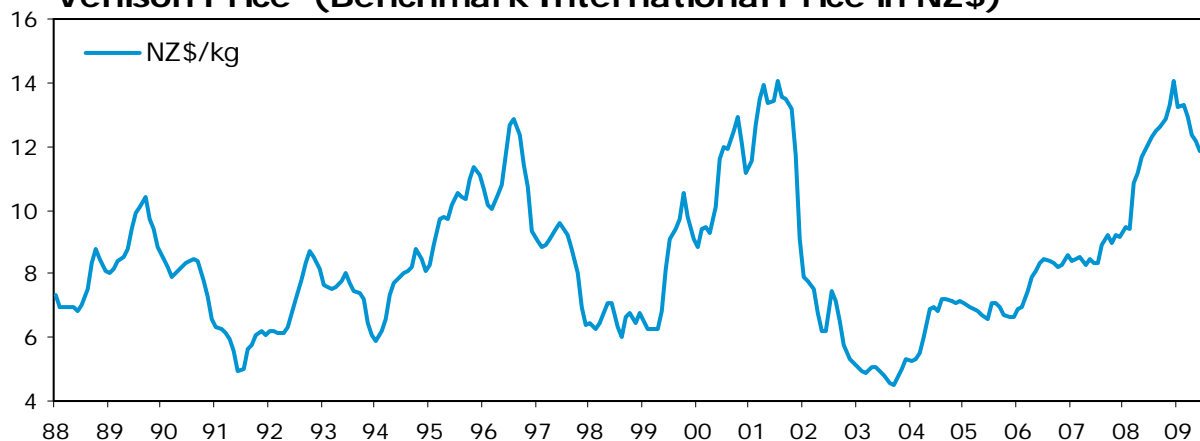
Featured Commodity: VENISON

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\$)

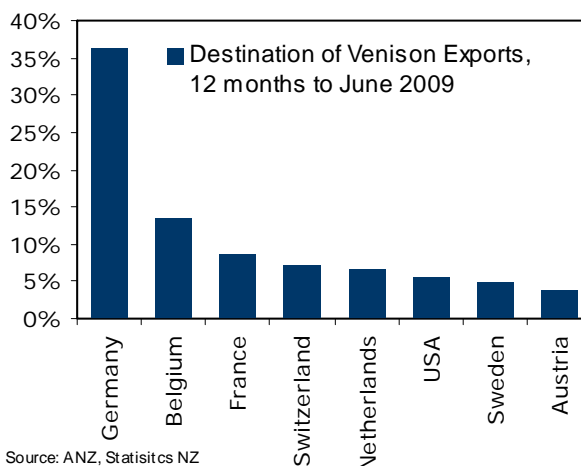


Source: ANZ, NZX Agrifax

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 European indicator price has retraced 8 percent from a recent high of €5.9/kg. When converted into NZ dollars, venison prices have eased 16 percent from their recent high. Nevertheless the price for venison remains relatively elevated, reflecting limited supply after a partial liquidation of the NZ herd during the past five years. Ironically, 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 \$302 million of venison in the twelve months to June 2009, 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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- Group investment funds;
- Life insurance products;
- Derivative products including interest rate and currency forward rate contracts and options; and
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