

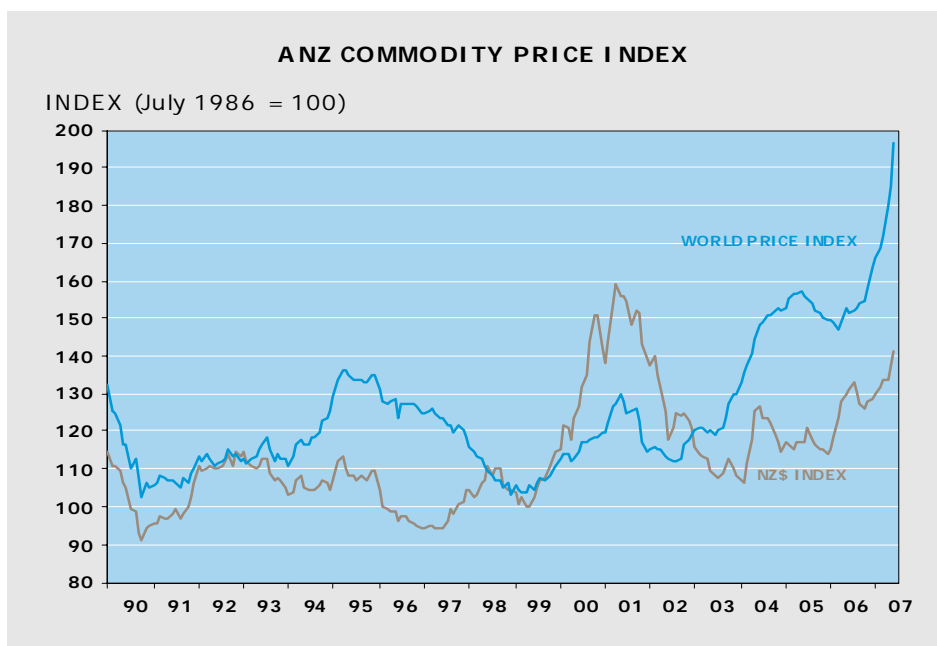
## Abracowdabra

The price of New Zealand's key exports surged higher in June. The **ANZ World Commodity Price Index** increased 6.1 percent from last month, with annual growth in the index rising to 29.6 percent.

A magical 13 percent rise in dairy prices was the main catalyst for the increase in the index in June. World dairy prices have posted the tenth consecutive monthly rise and have nearly doubled (up 96 percent) from a year ago. Rising dairy prices have underpinned the recent strength in the overall level of the index. If dairy prices were held constant over the past twelve months, the world commodity price index would have recorded a 0.8 percent rise in the month of June, with annual growth in the index a more modest 4.9 percent.

Price rises were also recorded across seven other commodities. The price of skins recorded a strong increase, up 11.3 percent in the month of June. Sawn timber prices rose for the sixth successive month, lifting 4.3 percent in June, venison and lamb rose just over 2 percent and wool, beef and seafood recorded rises of around 1.7 percent. At the other end of the scale, the price of apples and aluminium dropped between 4 and 5 percent, kiwifruit dropped 1.3 percent and log prices edged down 0.7 percent.

The New Zealand dollar appreciated against the currencies of all our major trading partners in June, with the NZD/USD hitting a new post-float high. The rise in the value of the kiwi dollar was only about half the magnitude of the rise in our export commodity basket. Consequently, the **ANZ NZD Commodity Price Index** recorded a 2.5 percent rise in the month of June, pushing up annual growth in the index to 7.2 percent.



**Commodity Price Index Weights** are based on contributions to merchandise exports. Weights for the 2007 year are: Wool 0.048; Beef 0.103; Lamb 0.137; Venison 0.015; Skins 0.027; Dairy 0.333; Apples 0.018; Kiwifruit 0.044; Logs 0.032; Sawn Timber 0.056; Wood Pulp 0.034; Seafood 0.068; Aluminium 0.085.

	<b>World Price Index</b>	<b>Monthly % Change</b>	<b>Annual % Change</b>	<b>NZ\$ Index</b>	<b>Monthly % Change</b>	<b>Annual % Change</b>
Jun-02	112.8	-0.6	-11.9	118.0	-5.9	-24.4
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
Dec-06	164.0	3.8	9.4	128.7	0.7	12.9
Jan-07	166.2	1.3	11.1	129.7	0.8	12.2
Feb-07	168.6	1.4	13.0	131.9	1.7	11.7
Mar-07	172.0	2.0	17.1	134.0	1.6	8.7
Apr-07	180.4	4.9	20.9	133.9	-0.1	4.5
May-07	185.1	2.6	21.1	137.5	2.7	5.5
Jun-07	196.4	6.1	29.6	141.0	2.5	7.2

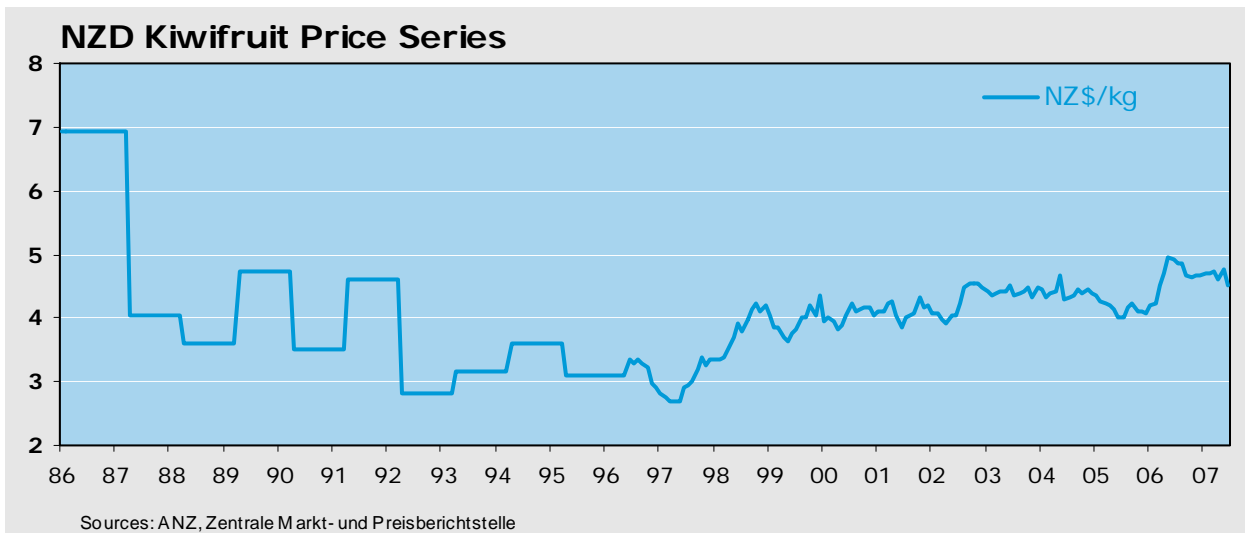
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## FEATURED COMMODITY: KIWIFRUIT

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.

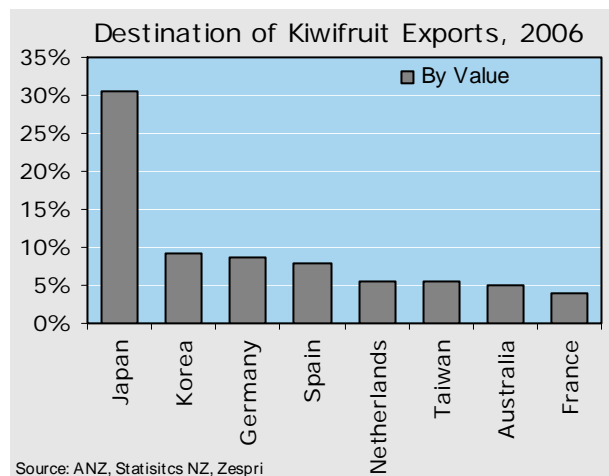
In 1977, the New Zealand Kiwifruit Marketing Licensing Authority was established. A decade later this organisation developed to be a single desk seller of NZ kiwifruit – the New Zealand Kiwifruit Marketing Board (NZKMB). In 1997, the NZKMB chose to differentiate New Zealand kiwifruit, to avoid confusion 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.



Approximately 700,000 tonnes of kiwifruit enters the global market each year, of which New Zealand contributes roughly a third. 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. In mid-2006, the New Zealand dollar price of kiwifruit hit a twenty year high. In the following 12 months, the NZ dollar price of kiwifruit has eased 8 percent but it nevertheless remains at a relatively elevated level, historically.

New Zealand exported \$760 million of kiwifruit in 2006, which represents 2¼ 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 about 30 percent of the total value of kiwifruit exported. However, this share shrinks to around 20 percent when calculated by volume, caused by the Japanese market commanding a price premium over other export destinations. Our next largest export markets for kiwifruit are fairly evenly spread across Asia, Europe and Australia.



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