

NEW ZEALAND ECONOMICS ANZ COMMODITY PRICE INDEX

November 2010

CONTACT:

Steve Edwards
Economist
Telephone: +64 4 802 2217
E-mail: Steve.Edwards@anz.com

The next issue of the *ANZ Commodity Price Index* is scheduled for release on: 13 January 2011 at 3pm.

MORE THAN SKIN DEEP

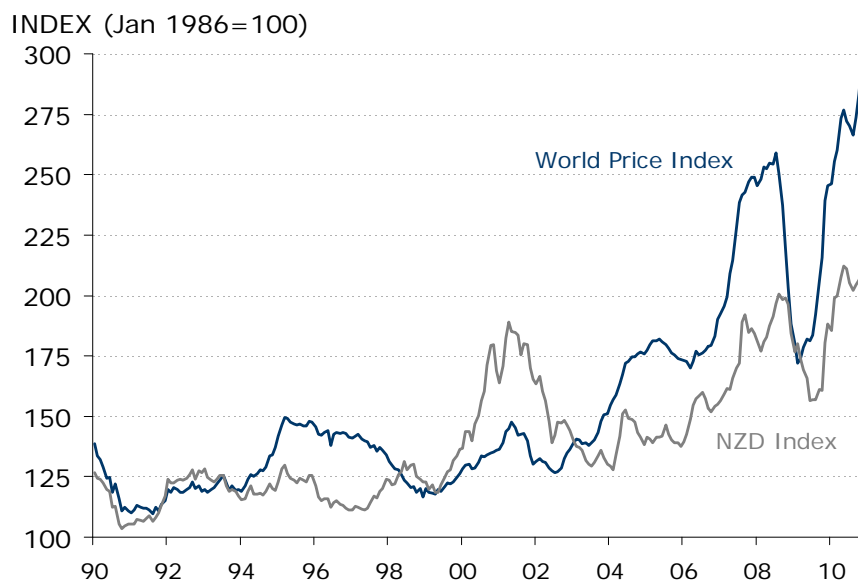
A new peak in commodity prices. The ANZ Commodity Price Index lifted a further 4.5 percent in November, taking the series to a new all-time high. Prices were higher for ten of the commodities we measure, while two commodities recorded price declines and three were unchanged.

Pelts and skin prices lift off. Last month it was the price of wool that surged. This month it is the price of pelts, which jumped 32 percent on the previous month. After being in the doldrums for all of 2009, the series has now leapt ten-fold to sit at a 13-year high. Additional strong rises were noted in the price of logs and lamb, both up 6 percent. Wool prices lifted a further 3 percent, and the price of beef, wood pulp and dairy products all lifted 1 percent. Seafood prices increased 0.4 percent.

Two laggards. Aluminium and skim milk powder prices were the two commodities to record a drop in price over the month, falling 1 and 3 percent, respectively. The prices of kiwifruit, casein and venison were unchanged from the previous month.

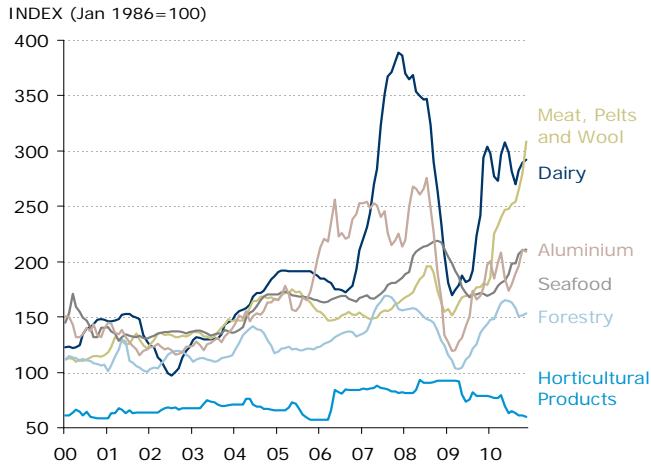
Stronger kiwi dollar caps NZD price gains. The New Zealand dollar strengthened against all the currencies of our major trading partners. Consequently, this constrained the lift in the NZD Commodity Price Index to 1.4 percent, leaving the series marginally below its peak recorded in May 2010.

ANZ COMMODITY PRICE INDEX

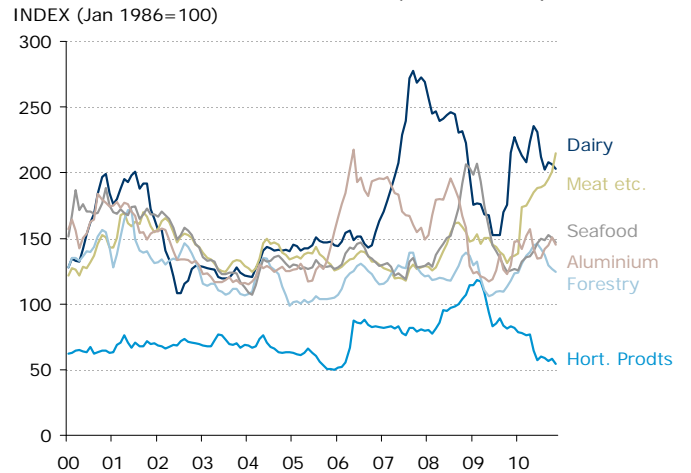


ANZ COMMODITY PRICE INDEX

SUB-GROUP INDICES (WORLD PRICES)



SUB-GROUP INDICES (NZD PRICES)



	World Price Index	Monthly % Change	Annual % Change	NZ\$ Index	Monthly % Change	Annual % Change
Nov-06	183.1	2.2	5.4	154.0	1.3	10.7
Nov-07	248.8	0.7	35.8	186.1	0.8	20.8
Nov-08	203.3	-7.4	-18.3	196.3	-1.4	5.5
Nov-09	239.4	11.0	17.8	180.6	12.3	-8.0
Jun-10	272.3	-1.6	50.1	211.2	-0.4	34.9
Jul-10	270.2	-0.8	47.3	205.3	-2.8	30.9
Aug-10	266.3	-1.4	38.6	202.2	-1.5	28.9
Sep-10	273.7	2.8	32.9	204.5	1.1	26.9
Oct-10	283.5	3.5	31.4	206.2	0.8	28.2
Nov-10	296.2	4.5	23.7	209.0	1.4	15.7

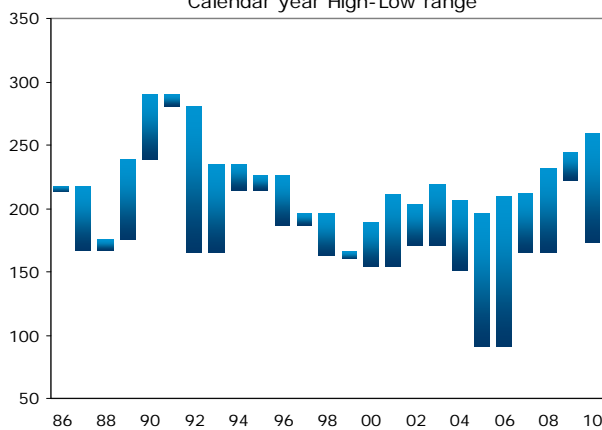
Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2010 year are: Wool 0.033; Beef 0.093; Lamb 0.150; Venison 0.013; Skins 0.019; Dairy 0.383; Apples 0.021; Kiwifruit 0.053; Logs 0.049; Sawn Timber 0.045; Wood Pulp 0.030; Seafood 0.065; Aluminium 0.046

FEATURED COMMODITY: APPLES

New Zealand has a generous sized portion of the global trade in apples. The recent decision of the Australian government to bow to the demands of the World Trade Organisation will end a 90 year export ban to our neighbouring market.

Apples were introduced into New Zealand when the Rev Samuel Marsden planted the first apple trees in Kerikeri in 1819. After another eighty years, the first trial shipment of apples was successfully exported to the United Kingdom in 1899. As offshore demand grew over the next fifty years, so did the number of apple orchards in New Zealand. A growing pipfruit industry prompted the government in 1948 to give statutory powers to the New Zealand Apple and Pear Marketing Board (NZAPMB) to control the purchase and marketing of export apples and pears. In the early 1990s, the NZAPMB introduced the "ENZA" brand to distinguish New Zealand pipfruit in the world marketplace. ENZA Limited became the marketing arm of the NZAPMB and continued to be responsible for the sales of all export-grade apples and pears from New Zealand. The NZAPMB was corporatised in 2000, with shares issued to all ENZA suppliers. Three years later the operations of ENZA were acquired by Turners & Growers, pushing up the number of export destinations to over fifty countries.

Apple Price Index (World Prices)
Calendar year High-Low range



Sources: ANZ, ZMP Tricop

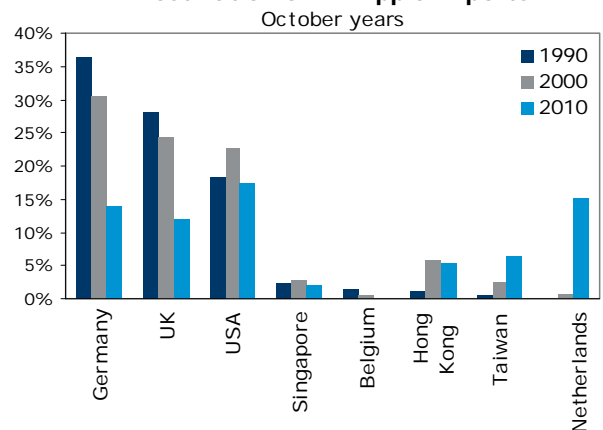
The international trade in apples is a hard-fought marketplace, with NZ competing with several other southern hemisphere apple producers, as well as all other alternative fruits. In addition, over the past decade China has become the world's leading producer of apples, with a global export market share of about 20 percent. NZ accounts for less than 1 percent of world-wide apple production, but our share of global apple trade is around 6½ percent (16 percent of southern hemisphere production).

International prices for apples hit a low in 2005, caused by an oversupply of product combined with a declining trend in global apple consumption. Prices have since picked up, peaking over the middle of 2010. More recently apple prices have eased, as they normally do at this time of the year, due to the conclusion of the Northern Hemisphere export season.

Depending on growing conditions, New Zealand's annual apple production is in the vicinity of 500,000 tonnes; of which 65 percent are exported as fresh fruit, 25 percent tonnes are processed into juice and other products, and the remaining 10 percent are consumed domestically.

The total value of apple exports in the year to October was \$340 million, representing about three quarters of one percent of the total value of our merchandise trade. The largest single market for our apple exports is the United States. A collection of European countries take the next largest share.

Destination of NZ Apple Exports



Sources: ANZ, Statistics NZ

A widely heralded omission from the above chart is Australia. In 1921, Australia imposed a ban on the importation of NZ apples to keep out fireblight — a bacterial infection that causes shoots and twigs to wither and die. Despite the risk of infection through NZ fruit being very low, Australia has maintained its 'biological' ban. In 2006 the ban was formally lifted, but Australia imposed very stiff conditions and appealed the decision. These stumbling blocks look like they will be removed given that, in the past week, the Australia government has accepted the World Trade Organisation decision. But, the Australian authorities have stipulated that they will seek scientific based reviews of the bio-security risk. All going to plan the 90 year export banned will soon be freed up and exports are most likely to commence as early as 2012.

IMPORTANT NOTICE

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.

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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.
- OnePath (NZ) Limited, as a wholly owned subsidiary of the Bank, is an associated person of the Bank. OnePath and its related companies 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.
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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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