

"A" is for Apple, "B" is for Beef,...

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The next issue of the *ANZ Commodity Price Index* is scheduled for release on: 3 July 2008 at 3pm.

The price level of New Zealand's key export commodities lifted in May, resulting in a 1.0 percent rise in the ANZ Commodity Price Index. Price increases were noted in seven of the commodities we monitor, while falls were measured in five.

The price of apples and beef topped the increases, mirroring last month's ranking. Apples recorded the largest monthly increase (up 23 percent), as further varieties of the new season export apple crop reached the European market. Beef prices recorded the second largest increase (up 7.9 percent). Supply of imported boneless beef remains very tight in the North American market-place, with the latest price gains reflecting the start to the US summer barbecuing season.

Surf 'n' turf prices also recorded noteworthy increases. The price of venison increased 4.0 percent, seafood prices rose 1.3 percent and lamb prices lifted 1.0 percent. Kiwifruit recorded a 4.7 percent increase in prices, as the new season crop made its way to European shores. Lastly, wool prices firmed 2.4 percent in the month.

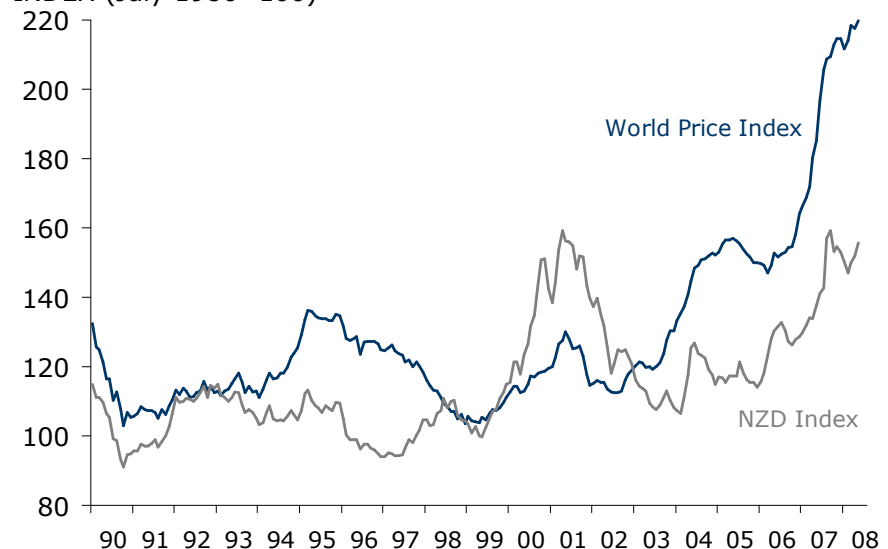
Offsetting these gains was another drop (-1.0 percent) in international dairy prices over the month. Back-to-back monthly declines were also measured for sawn timber (down 4.7 percent), aluminium (-1.9 percent) and logs (-0.4 percent). A 2.7 percent drop in pelt prices was also recorded in May.

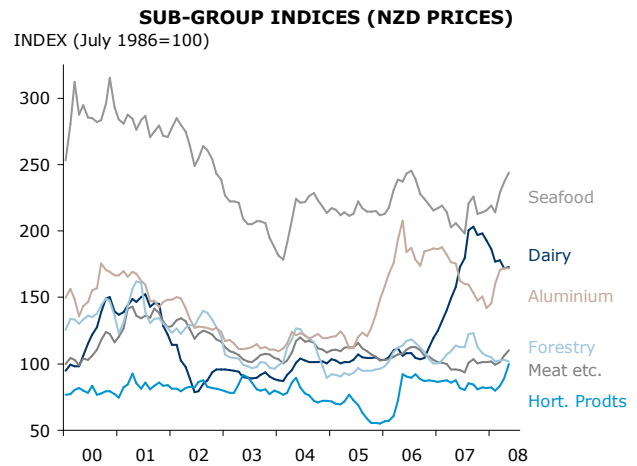
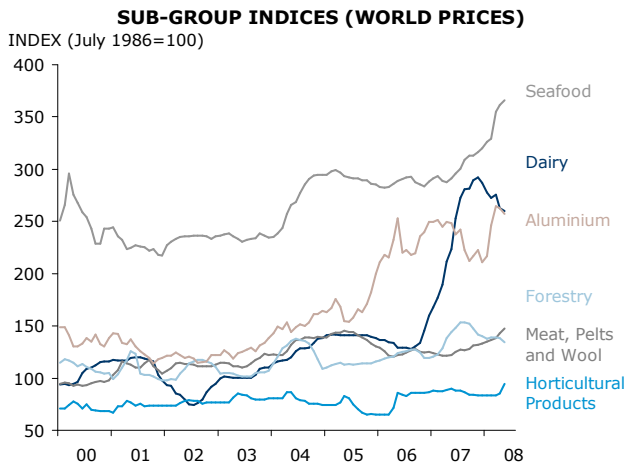
The value of the NZD fell against all but one of our main trading partners in May (the exception was a small rise relative to the Japanese yen). As a consequence of the weaker value of the kiwi dollar, the ANZ NZD Commodity Price Index strengthened 2.5 percent last month.

Overall, international commodity prices continue to lift in our favour, representing a key source of support to the economy. This is despite a recent retracement in international dairy prices and an economic slowdown occurring in several of our offshore markets.

ANZ COMMODITY PRICE INDEX

INDEX (July 1986=100)





	World Price Index	Monthly % Change	Annual % Change	NZ\$ Index	Monthly % Change	Annual % Change
May-03	120.0	0.3	5.7	109.5	-3.0	-12.7
May-04	144.5	2.6	20.4	125.5	6.6	14.6
May-05	157.1	0.3	8.7	117.2	-0.1	-6.6
May-06	152.8	2.4	-2.7	130.3	1.7	11.2
May-07	185.1	2.6	21.1	137.5	2.7	5.5
Nov-07	214.7	0.8	35.9	154.5	0.8	20.9
Dec-07	214.7	0.0	30.9	153.1	-0.9	19.0
Jan-08	211.7	-1.4	27.4	150.3	-1.8	15.9
Feb-08	214.0	1.1	26.9	147.0	-2.2	11.4
Mar-08	218.3	2.0	26.9	150.1	2.1	12.0
Apr-08	217.7	-0.3	20.7	151.8	1.1	13.4
May-08	219.8	1.0	18.7	155.6	2.5	13.2

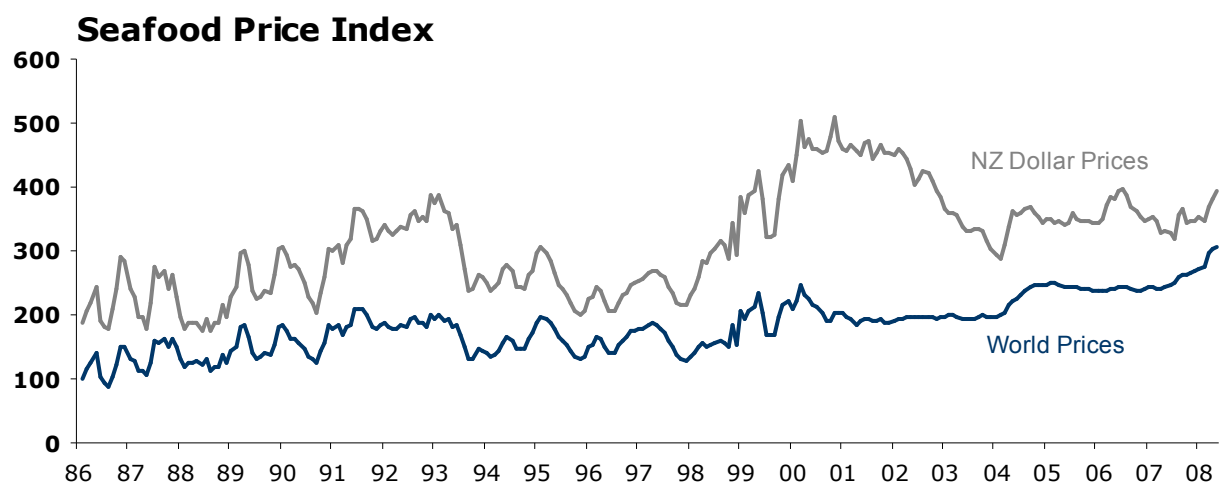
Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2008 year are: Wool 0.043; Beef 0.086; Lamb 0.130; Venison 0.012; Skins 0.025; Dairy 0.382; Apples 0.020; Kiwifruit 0.043; Logs 0.034; Sawn Timber 0.050; Wood Pulp 0.034; Seafood 0.060; Aluminium 0.083

Featured Commodity: SEAFOOD

Over the past year, the seafood industry has enjoyed a rejuvenation in international seafood prices, although a higher New Zealand dollar and increased fuel costs has wiped out most of these gains. Nevertheless, the industry is poised to "net" a large proportion of the anticipated "wave" in world-wide demand for seafood, particularly through 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 2007, \$1.3 billion of fish and shellfish was exported, making the seafood industry the country's sixth 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.

New Zealand's aquaculture sector (farming of fish and shellfish) is the country's fastest growing seafood sector. Aquaculture produces \$320 million of NZ's seafood exports, and is spread across the cultivation of mussels, salmon, Pacific oysters and paua. Aquaculture accounts for about 20 percent of New Zealand's seafood exports by revenue. 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% 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.



Source: ANZ

Following two years of negligible price movement, the international price of NZ's seafood exports has risen consistently for the past thirteen months. Returns for our fishermen have been rather more volatile, reflecting the swings in the kiwi dollar, as well as increased fuel costs. The NZD seafood price index has inched up over recent months, reflecting better returns for hoki and mussels in particular. Another small push upward will see the index lift to a 5½-year high.

Australia is our largest export market for seafood (18 percent of seafood exports), followed by Hong Kong and the USA, respectively taking 14 and 13 percent of seafood exports.

In terms of the value of NZ's seafood exported in 2007; 14 percent was made up by mussel exports, 11 percent was hoki and 10 percent was rock lobster. The next largest export values by species were squid, paua and orange roughy.

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



Source: ANZ, Seafood Industry Council, Statistics NZ

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