

Lamb Rack 'em up

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The next issue of the *ANZ Commodity Price Index* is scheduled for release on: 4 June 2009 at 3pm.

Back-to-back monthly rise in commodity prices. Another rise in the ANZ Commodity Price Index was measured in April, lifting 2½ percent in the month, which follows a 1 percent rise in March. At the component level, consecutive rises were recorded in the price of wool, beef, sheepmeat, dairy and aluminium. The latest lift in the index represents the strongest monthly rise in nearly two years, but it comes off a depressed base – with the level of the index still not far off its recent low.

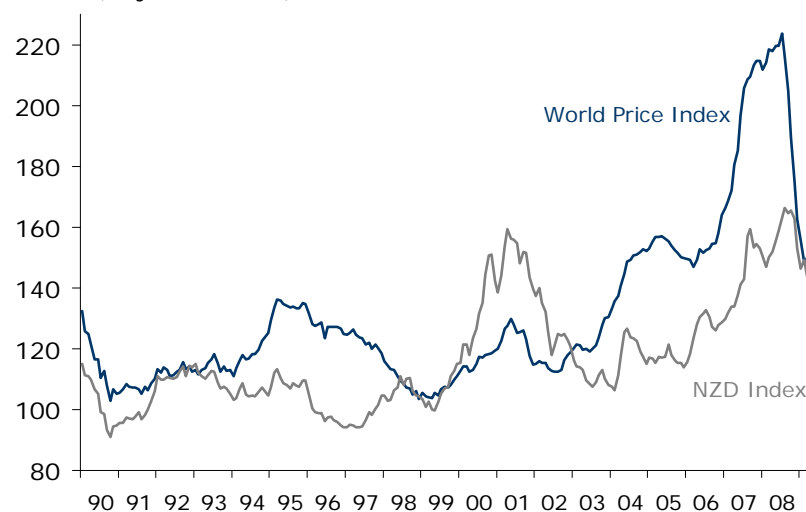
Another month of broad-based increases. Eight commodities recorded a lift in export prices in April, two were unchanged and three prices eased. The largest rise was recorded in aluminium, which increased 6.6 percent over the month. Lamb prices recorded the next largest increase (up 6.4 percent) to hit a new high (*refer to page 3*). Other meat prices also recorded a rise, with beef prices increasing 3.2 percent and venison prices lifting 1.6 percent. Dairy prices recovered 3.1 percent and skin and wool prices rose 2.3 and 1.3 percent, respectively.

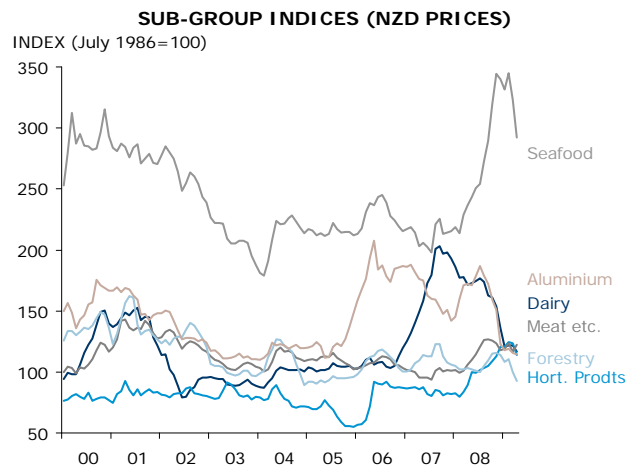
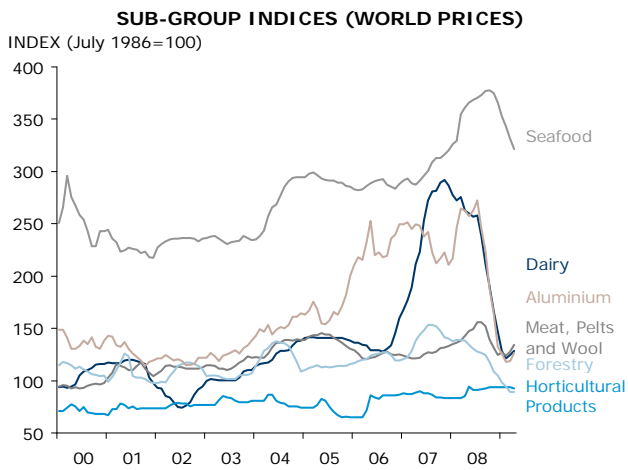
Apples prices came a “cropper”. The new export season apple crop has just reached the European market. However, the prices that the produce has been sold at are 4.2 percent lower than last season’s closing prices. Seafood and logs also recorded weaker prices, with declines of 2.9 and 2.0 percent, respectively.

The kiwi dollar rallies. The value of the New Zealand dollar rose against all our major trading partners last month. On a trade-weighted basis, the rise in the value of the kiwi dollar was 5.5 percent in April and an even stronger rise (7.4 percent) was measured against the United States dollar. As the strength in the currency outstripped the rise in world commodity prices, the ANZ NZD Commodity Price Index registered a drop in April, slipping 2.8 percent from a month earlier.

ANZ COMMODITY PRICE INDEX

INDEX (July 1986=100)





	World Price Index	Monthly % Change	Annual % Change	NZ\$ Index	Monthly % Change	Annual % Change
Apr-04	140.9	2.7	17.8	117.7	5.7	4.3
Apr-05	156.6	0.0	11.1	117.3	1.6	-0.3
Apr-06	149.2	1.6	-4.7	128.1	3.9	9.2
Apr-07	180.4	4.9	20.9	133.9	-0.1	4.5
Apr-08	217.7	-0.3	20.7	151.8	1.1	13.4
Oct-08	189.4	-7.6	-11.1	165.3	0.4	7.9
Nov-08	175.4	-7.4	-18.3	162.9	-1.5	5.4
Dec-08	162.5	-7.4	-24.3	153.0	-6.1	-0.1
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	153.5	2.5	-29.5	140.1	-2.8	-7.7

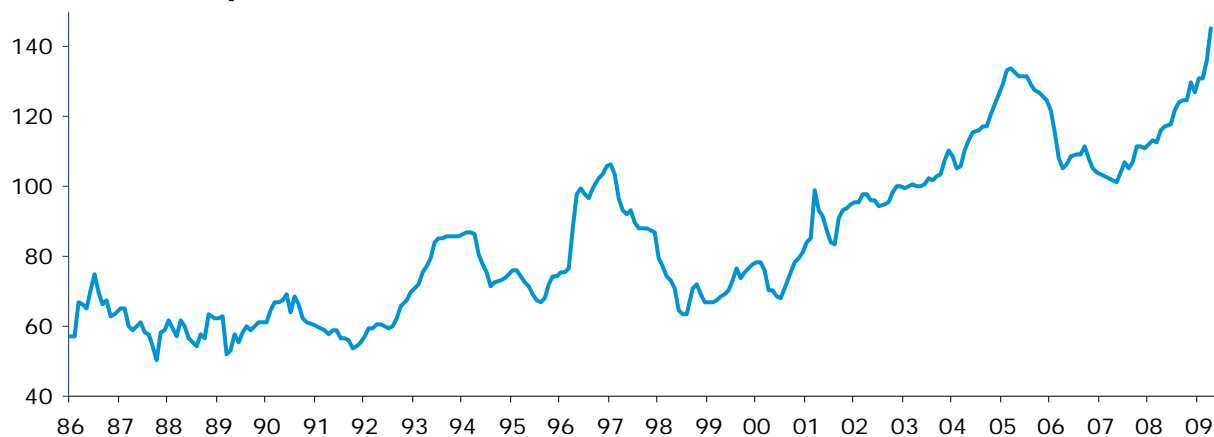
Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2009 year are: Wool 0.035; Beef 0.091; Lamb 0.131; Venison 0.015; Skins 0.025; Dairy 0.408; Apples 0.016; Kiwifruit 0.047; Logs 0.034; Sawn Timber 0.042; Wood Pulp 0.028; Seafood 0.059; Aluminium 0.069

Featured Commodity: SHEEPMEAT

New Zealand has the lion's share of the global trade in sheepmeat, particularly lamb. In contrast to the overall weakening of commodity prices recently, world sheepmeat prices have risen since mid-2007. Three quarters of our sheepmeat exports are sent to Europe and North America, with an increasing share going to China.

Two years ago marked the 125th anniversary of the departure of the first shipment of frozen sheepmeat from our shores to Britain. Since those early days – through a combination of a temperate climate, technological advances on the farm and processing efficiencies – New Zealand has grown to be the fourth largest producer of sheepmeat in the world (behind China, Australia and India). On an annual basis, New Zealand produces in excess of 400,000 tonnes of lamb and around 100,000 tonnes of mutton – which represents about 6 percent of the world's production of sheepmeat. More noteworthy, with regard to the external trade in sheepmeat, New Zealand is the world leader, with around 40 percent of the worldwide market. In terms of lamb, the share is higher, with New Zealand accounting for about 75 percent of world trade in lamb meat.

World Sheepmeat Price Index



Source: ANZ, NZX Agrifax

Sheepmeat prices have bucked the general trend of weakening commodity prices and have risen steadily over the past two years – and currently sit at a record high. This reflects a tightening in the global supply of sheepmeat. Low returns for wool and meat in Australia and New Zealand has encouraged a change in land use over the past 15 years to cereals, dairying or dairy support. The structural change to the sheep industry has been exacerbated by droughts in both countries over the past 2-3 years, reducing numbers further. The national flock has reduced by 23 million sheep since 1990 and now totals 34 million. The productivity of the flock has improved significantly over that period but this hasn't offset the fall in numbers. An additional factor for the strength in sheepmeat prices has been reduced production in Europe, due to a partial decoupling of subsidies in the United Kingdom and Ireland.

In the twelve months to June 2008, New Zealand sheepmeat exports totalled \$2.5 billion, which accounted for 6 percent of New Zealand's total merchandise trade.

The European Union is our largest market for our sheepmeat exports, taking nearly two-thirds of our mutton and lamb exports. One thing that hasn't changed since the first shipment was sent to Britain 127 years ago – that is the United Kingdom is still our largest single market, taking nearly a quarter of our total sheepmeat exports. A noteworthy feature in last year's export figures was the inclusion of China in the top eight destinations. Exports to China last year were up 59 percent from 2007.

Lamb exports, in product weight terms, comprise bone-in cuts (80 percent), boneless cuts (15 percent) and carcasses (5 percent). Carcasses as a proportion of exports have been on a declining trend for many years. While this share has been dropping, it is not expected to disappear completely, as there will always be a market for export carcasses to retail butchers, particularly in the UK. The second trend has been from frozen to chilled product. Chilled product now makes up about 20 percent of the total export volume, and this is expected to increase as demand in the high-value markets continue to favour a move away from frozen to chilled products.



Source: ANZ, Statistics NZ

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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.

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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
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- Equity securities such as listed and unlisted shares;
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- Share in a limited partnership;
- Superannuation schemes and bonds;
- Group investment funds;
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- Derivative products including interest rate and currency forward rate contracts and options; and
- Other forms of security, such as participatory securities.

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- Making an automatic payment or payment through another electronic delivery mechanism operated by the Bank.

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identifying your name, account number and investment purpose.

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