

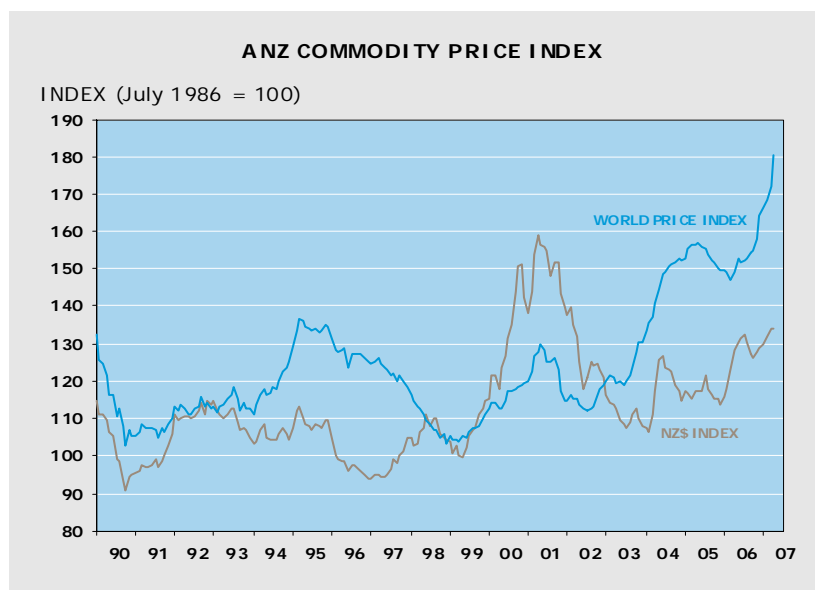
Stairwhey to heaven

The prices of New Zealand's key exports continued to surge higher in April. This was confirmed by a 4.8 percent rise in the **ANZ World Commodity Price Index** last month. The index hit a new record high, up 21 percent from where it stood a year ago.

Once again a rise in dairy prices has underpinned the jump in the world commodity price index. In April the dairy component, which has the largest weight in the construction of the index, posted the strongest percentage increase in the month. Following on the heels of a string of solid gains that began in September last year, the world price of dairy products increased 11.8 percent in April, up 58 percent from where they stood a year earlier.

The price of sawn timber also posted a double-digit rise in April, increasing 11.6 percent in the month. Other large price increases were measured in logs (up 5.6 percent) and aluminium, wood pulp and beef (all of which rose between 1-2 percent). The only price falls were measured for lamb and seafood, both dropping a modest 0.3-0.4 percent in the month. If the dairy component is excluded from the calculation, the world commodity price index would have risen 1.2 percent in April.

An equally strong lift in the New Zealand dollar last month has offset the returns to exporters, with the **ANZ NZ Dollar Commodity Price Index** only posting a 0.1 percent rise in April. The New Zealand dollar appreciated against all the currencies of our major trading partners. The largest gain was measured against the Japanese yen (up 6.5 percent) and the smallest rise (0.7 percent) was against the Australian dollar. The kiwi dollar rose 5.2 percent in value against the US dollar.



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 0.310; Apples 0.027; Kiwifruit 0.058; Logs 0.032; Sawn Timber 0.056; Wood Pulp 0.034; Seafood 0.068; Aluminium 0.085.

	World Price Index	Monthly % Change	Annual % Change	NZ\$ Index	Monthly % Change	Annual % Change
Apr-02	115.4	0.1	-9.4	132.0	-2.1	-17.1
Apr-03	119.6	-1.2	3.6	112.9	-0.8	-14.5
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
Oct-06	154.7	0.3	2.1	126.1	-0.9	9.4
Nov-06	158.0	2.1	5.3	127.8	1.3	10.8
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	180.3	4.8	20.8	134.1	0.1	4.7

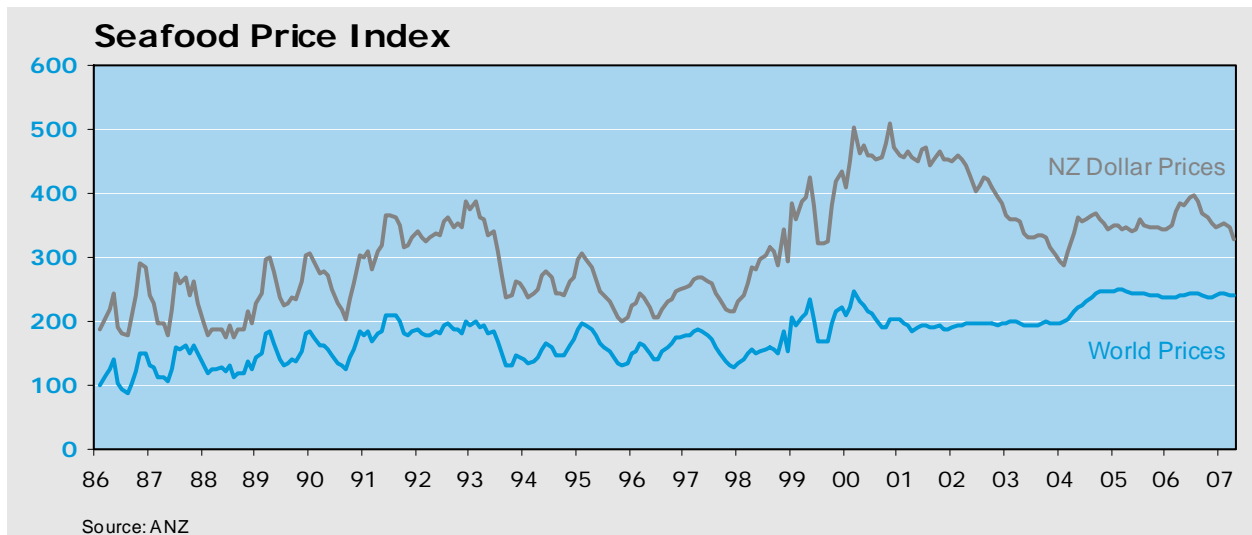
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FEATURED COMMODITY: SEAFOOD

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 2006, over \$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 the fish in the sea 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 \$240 million of NZ's seafood exports, and is spread across the cultivation of mussels, salmon, Pacific oysters and paua. Aquaculture accounts for just over 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.



The world price of New Zealand's seafood exports has, by and large, been relatively flat over the past two years, following a generally rising trend. However, returns for our NZ fishermen have been rather more volatile, reflecting the swings in the kiwi dollar, as well as increased fuel costs. In April, the NZD seafood price index touched a three-year low, reflecting weaker prices for orange roughy (easing to a seven-year low), hoki and mussels.

Australia is our main export market for seafood (with 21.3 percent of exports), with the USA a close second, taking 20.6 percent of our seafood exports.

In terms of the value of NZ's seafood exported in 2006; 14 percent was made up by mussel exports, 12 percent was hoki and 10 percent was rock lobster. The next largest export values by species was squid, orange roughy and paua.

Mussels are generally exported in frozen half-shell form; hoki is sent as prime white fish portions and ready-to-cook battered and breaded fish meals; and rock lobsters are primarily air-freighted live.



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