

ANZ Commodity Price Index

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The next issue of the ANZ Commodity Price Index is scheduled for release on 9 January 2020 at 1pm.

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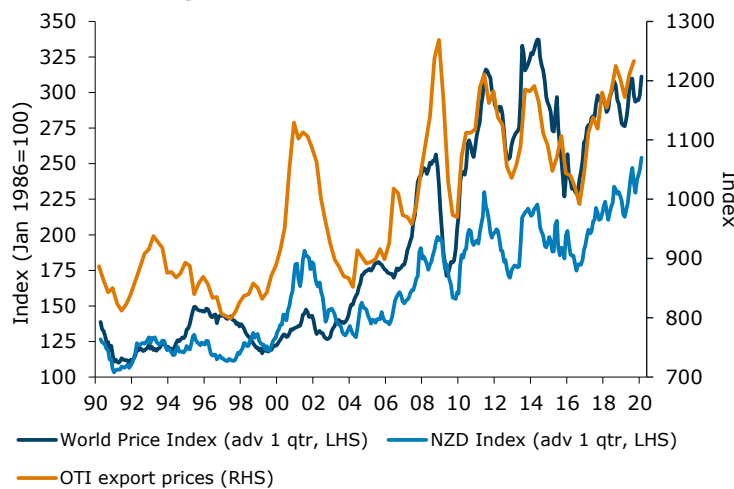
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Burger fuel

The ANZ World Commodity Price Index lifted 4.3% in November, with beef up an astonishing 19% m/m. The overall index is currently 12.4% higher than it was a year ago.

In local currency terms the index lifted 3.5% m/m, constrained by a stronger New Zealand dollar. The NZD-TWI firmed 0.5% during November.

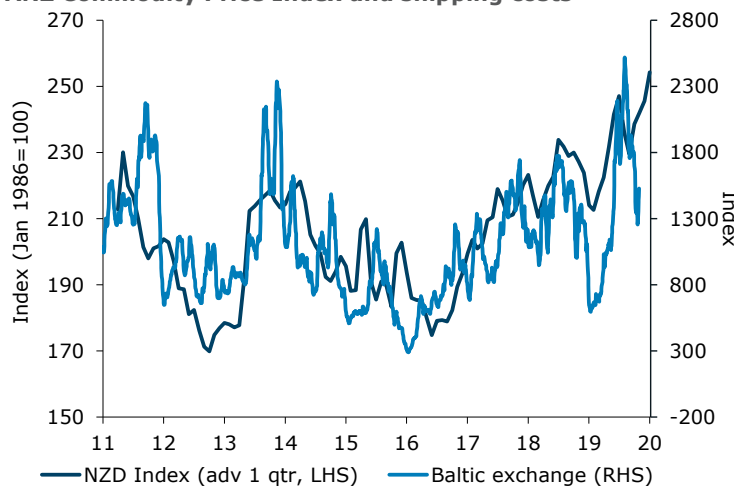
ANZ Commodity Price Index



Source: ANZ, Stats NZ

Shipping costs eased further with the Baltic Dry Index, a measure of global demand for shipping, falling 15% in November, continuing the downward trend. Global trade volumes have been negatively impacted by the trade tensions between China and the US. The decrease in general demand for global shipping is expected to mitigate some of the additional costs associated with the new legislation requiring ships to use higher-quality fuel that contains less sulphur and is therefore less damaging to the environment. This new rule takes effect in January, although some freight rates have already lifted in anticipation.

ANZ Commodity Price Index and shipping costs



Source: ANZ, Bloomberg

Dairy prices bounced 2.8% in November. Milk powders continue to display strength, with whole milk powder lifting 3.7% while skim milk powder gained 9.1% in November. SMP has gained 46% in the past year whereas butter and cheese prices are virtually unchanged. SMP prices have lifted over the past year since the excess stocks that previously overhung the market have disappeared.

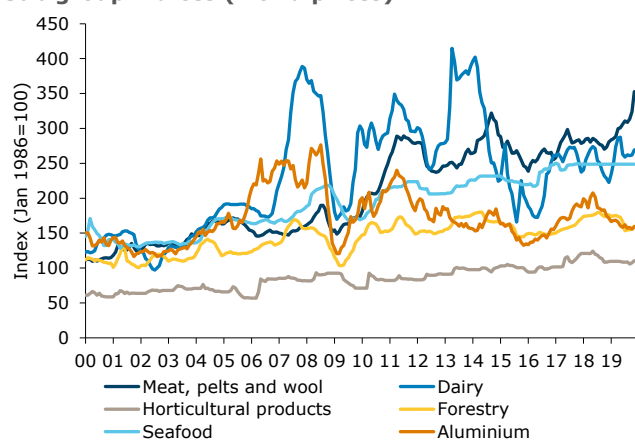
The **meat and fibre** index increased 8.8% during November, and has gained 29% in the past year. Lamb prices lifted another 2.2%, while beef prices lifted a massive 19% in one just month. The sharp lift in beef prices was driven by China and the United States competing hard for the limited supply of manufactured beef available from New Zealand. The demand from China is driven by its shortage of protein associated with African swine fever decimating its pig population.

The **horticulture** index lifted 2.6% in November, adding to the 1.7% gain recorded in October. Kiwifruit prices gained 3.3% while returns from apples were stable. Kiwifruit returns have remained strong this year on a slightly smaller harvest volume. Fruit size was a tad smaller than the optimal size due to the hot summer resulting in fruit maturing earlier than normal.

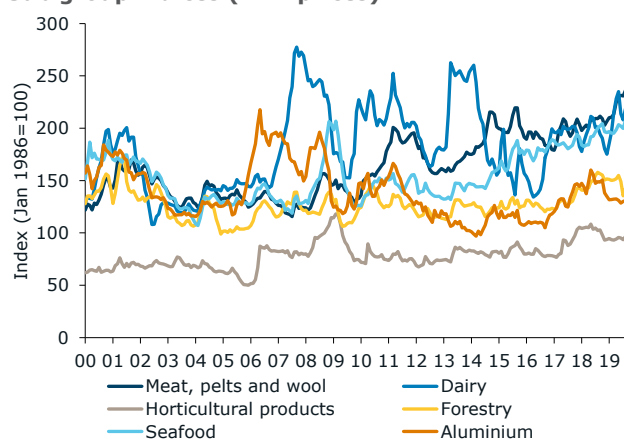
The **forestry** price index lifted 2.9% in November following a 0.4% lift in October. Log prices lifted 4.3% during the month but are still 7% weaker than a year ago. The market has gradually recovered since the middle of the year, helped along by a small reduction in harvest volumes. More logs have also been sold in the domestic market, alleviating the pressure from weaker export markets.

Aluminium prices firmed 2.4% in November. Prices are now 9% weaker than a year ago. The future of aluminium production in New Zealand still remains uncertain. Rio Tinto, the owner of the aluminium smelter at Tiwai Point, is looking to negotiate a more favourable deal for the price it pays for electricity. At this point it remains uncertain if a concession will be granted but it seems in the interest of both parties to come to an agreement as due to lack of infrastructure the electricity used by the smelter is currently unable to be distributed to other regions.

Sub group indices (world prices)



Sub group indices (NZD prices)



Source: ANZ

	World Price Index	Monthly % Change	Annual % Change	NZD Index	Monthly % Change	Annual % Change
Nov-15	242.3	..	-15.3	193.6	..	-1.0
Nov-16	275.4	..	13.6	199.5	..	3.0
Nov-17	291.8	..	6.0	223.2	..	11.9
Nov-18	276.9	..	-5.1	214.1	..	-4.1
Jun-19	297.8	-3.9	-2.4	236.1	-4.5	1.8
Jul-19	293.6	-1.4	-0.5	229.5	-2.8	0.3
Aug-19	294.6	0.3	0.9	238.6	3.9	3.7
Sep-19	294.7	0.0	3.4	241.9	1.4	6.5
Oct-19	298.3	1.2	7.2	245.6	1.5	9.7
Nov-19	311.2	4.3	12.4	254.3	3.5	18.8

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2018 year are: Wool 1.9%; Beef 9.9%; Lamb 12.1%; Venison 0.6%; Skins 1.2%; Dairy 38.0%; Apples 2.4%; Kiwifruit 7.0%; Logs 11.4%; Sawn Timber 3.5%; Wood Pulp 2.7%; Seafood 5.2%; Aluminium 4.0%



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