

ANZ Commodity Price Index

6 April 2020



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The next issue of the ANZ Commodity Price Index is scheduled for release on 5 May 2020 at 1pm.

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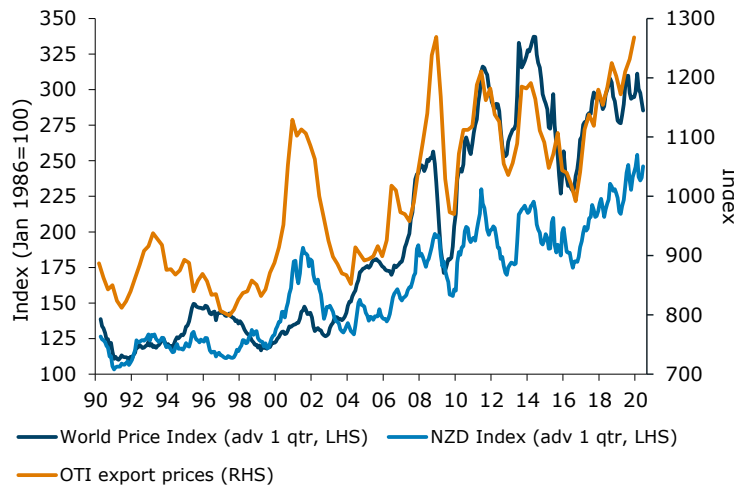
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Down but not out

The ANZ World Commodity Price Index fell another 2.1% in March. The index has now fallen 8.3% in the past four months, but relative to other global commodities, that's not too bad.

In local currency terms the index actually lifted 3.3% due to the sharp fall in the NZD. The NZD weakened by 3.7% on a Trade Weighted Index (TWI) basis during March.

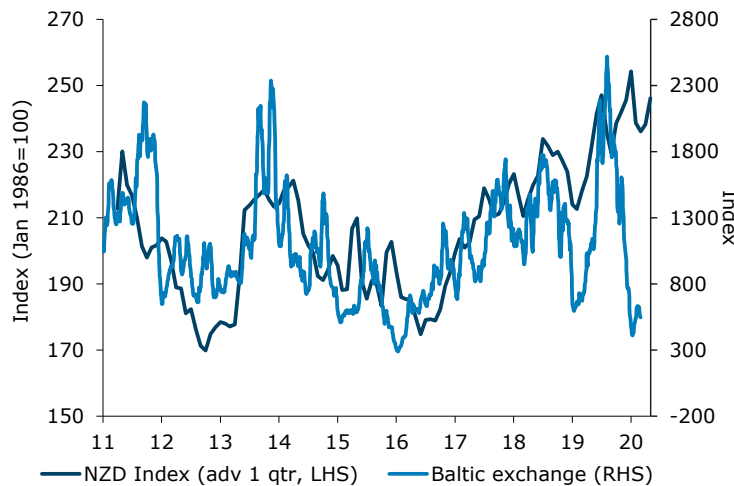
ANZ Commodity Price Index



Source: ANZ, Stats NZ

Shipping costs trended up slightly during March despite oil prices weakening. The Baltic Dry Index, a measure of global demand for shipping, firmed 2.4% during March after plummeting to a four-year low in early February. Shipping costs are expected to remain relatively low in the coming months due to reduced demand and low fuel prices.

ANZ Commodity Price Index and shipping costs



Source: ANZ, Bloomberg

Dairy prices fell 3.4% in March and are now 4.5% lower than a year ago. Skim milk powder prices have fallen the most, down 8.1%, while whole milk powder is back 5.3%. The market for SMP starts to be impacted by additional supply from the Northern Hemisphere at this time of the season as milk supply in Europe and the US starts to increase. This season there are concerns that not all milk will be processed during the Northern Hemisphere spring when supply peaks due to staff shortages associated with COVID-19 restrictions. But at the same time, we are seeing a larger portion of milk being dried where demand for fresh product has dissipated.

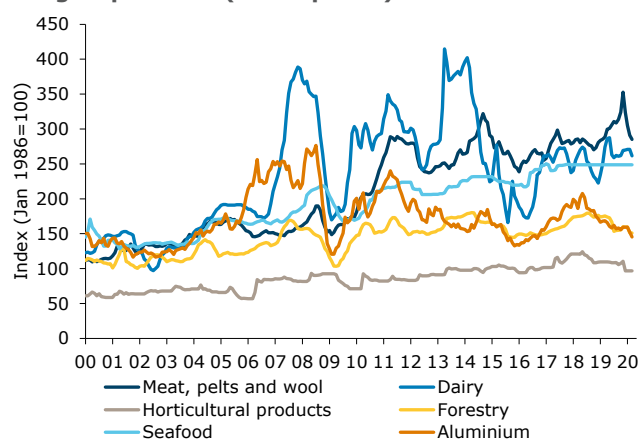
The **meat and fibre** index fell 2.0% in March, continuing the downward trend that has been present for the past four months. The industry has experienced challenges getting product into markets. Competition from buyers that was present through much of 2019 has now waned and prices have fallen. The restaurant trade is non-existent due to the major importing countries being in some form of lockdown. Demand from supermarket channels has increased but this has not been sufficient to offset the decrease in demand.

The **horticulture** index was unchanged again in March. Exports of new-season product are only now hitting international markets. The industry expects to encounter major logistical challenges this season with labour shortages expected in picking and processing fruit. There is also a shortage of refrigerated containers, which initially stemmed from delays at Chinese ports and is now being exacerbated by the restrictions now in place in New Zealand. Ports are able to process essential items but this means containers holding less essential items are not being emptied and returned into service in as timely a manner as usual.

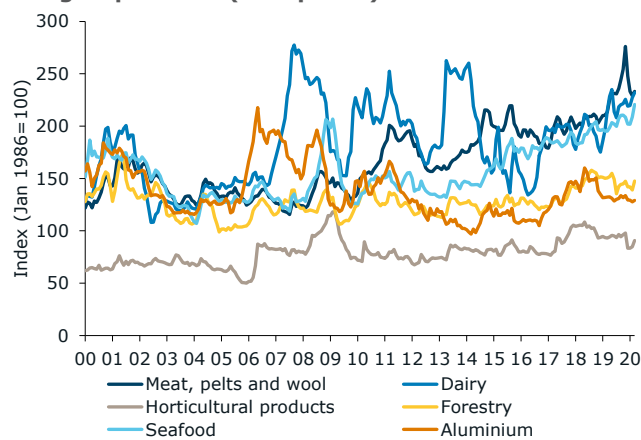
The **forestry** index fell 0.2% m/m in March, but prices are expected to improve. Tree felling and log exports have ground to a halt as they are not considered an essential service. At the same time we are starting to see an improvement in the offtake of logs from Chinese ports and their own manufacturing industries increase their operating capacity. The temporary decrease in the supply of logs from New Zealand will allow existing stocks to clear and is expected to be supportive of stronger prices in the future.

Aluminium prices declined by a further 4.5% in March and are now at a four-year low. Rio Tinto's Tiwai Point plant is currently operating but it has closed down one of its four production lines to meet current restrictions for distancing of staff.

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
Mar-16	230.5	..	-22.4	179.8	..	-14.3
Mar-17	283.5	..	23.0	209.5	..	16.5
Mar-18	300.0	..	5.8	220.0	..	5.0
Mar-19	301.8	..	0.6	231.7	..	5.3
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
Dec-19	300.5	-3.4	8.7	238.7	-6.1	12.2
Jan-20	297.7	-0.9	5.6	236.1	-1.1	8.2
Feb-20	291.4	-2.1	0.6	238.2	0.9	7.1
Mar-20	285.3	-2.1	-5.5	246.1	3.3	6.2

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2019 year are: Wool 1.6%; Beef 10.9%; Lamb 11.7%; Venison 0.5%; Skins 0.8%; Dairy 40.2%; Apples 2.6%; Kiwifruit 6.8%; Logs 10.4%; Sawn Timber 3.1%; Wood Pulp 2.2%; Seafood 5.5%; Aluminium 3.6%



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