

# ANZ Commodity Price Index

6 July 2020



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

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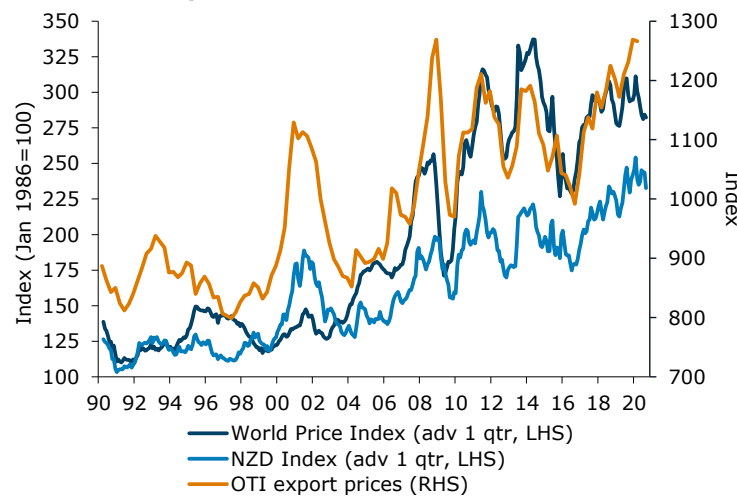
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## Mixed emotions

The ANZ World Commodity Price Index fell by 0.7% in June as falling prices for logs and lamb more than offset gains in other sectors.

In local currency terms the index fell 4.5% as the NZD firmed against the currencies of all our major trading partners. The NZD gained 3.8% on a Trade Weighted Index (TWI) basis during June.

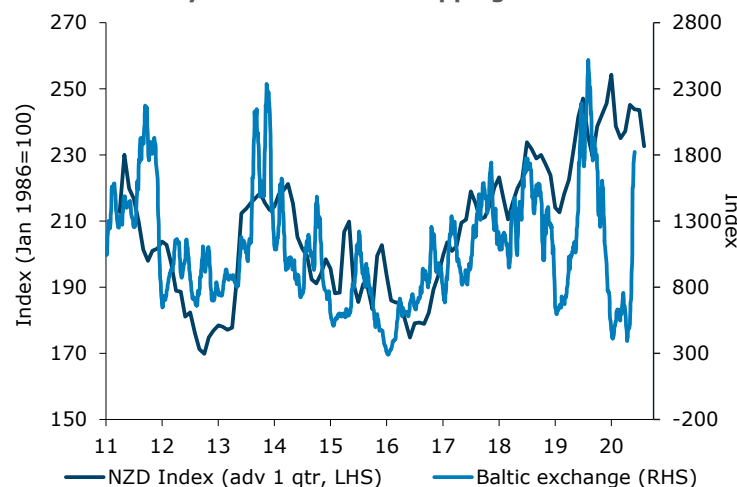
### ANZ Commodity Price Index



Source: ANZ, Stats NZ

**Global shipping costs** are on the rise again driven by strong demand from China for iron ore which is used to produce steel. The Baltic Dry Index, a measure of global shipping costs, leap 250% in June, after falling to very low levels the previous month. The sharp lift in demand for ships is making it more expensive to move some of our lower value commodities such as logs.

### ANZ Commodity Price Index and shipping costs



Source: ANZ, Bloomberg

**Dairy** prices firmed marginally in June as gains in milk powders offset weaker prices for cheese and butter. Whole milk powder is currently priced 9% below year ago levels while butter prices are down 24% y/y. The US government is supporting their dairy sector with dairy product buying programmes which is indirectly supporting global dairy prices, particularly the cheese market. However global prices are expected to continue to soften in the coming months as global demand for dairy products is curbed by reduced opportunities to eat out in certain markets.

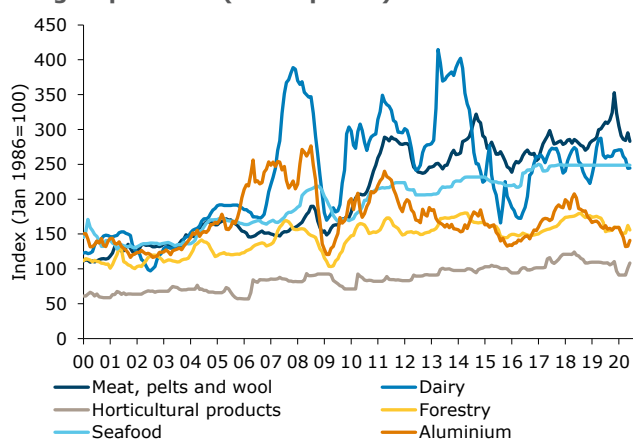
The **meat and fibre** index fell 4.1% in June giving up the temporary gains made in May. Lamb prices have fallen the most, losing 11.2% over the month as it has become increasingly challenging to sell the higher end lamb cuts and downward price pressure is also being seen for the cheaper cuts of lamb such as shoulders. Beef prices made small gains during the month but this market remains unpredictable.

The **horticulture** index shot up 7.5% during the month as overseas market prices for our new seasons fruit became available. Apples are currently priced a little stronger than they were a year ago while kiwifruit prices are marginally weaker. Overall fruit prices have held up through the pandemic as consumers seek out healthy food options. This trend is particularly prevalent in Asian markets.

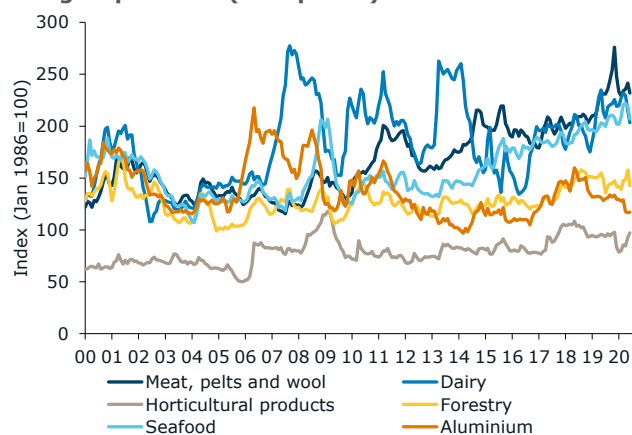
The **forestry** index continues to oscillate with prices for logs and wood pulp weakening in June after strong gains were achieved the previous month. Stocks of logs on ports in China are growing again and this is putting downward pressure on prices. The quantity of logs being used in China remains relatively low compared with the same time last year which is why stock levels are growing again. The temporary reduction in supply from New Zealand due to the industry not operating during Level 4 lockdown allowed in-market stocks to be worked through which prompted a strong lift in prices back in May.

**Aluminium** prices firmed in June with the strong gains seen in pricing in China now also being replicated on the London exchange as well. The aluminium sub-index gained 6.4% in June but remains 10.9% behind year ago levels. However, stock levels are expected to grow due to strong production in China, which, combined with relatively subdued demand, could well result in prices faltering later in the year. But for now aluminium pricing is trending up.

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
Jun-16	<b>239.2</b>	..	-5.6	<b>179.3</b>	..	-6.1
Jun-17	<b>298.0</b>	..	24.6	<b>215.4</b>	..	20.1
Jun-18	<b>305.0</b>	..	2.3	<b>231.8</b>	..	7.6
Jun-19	<b>297.8</b>	..	-2.4	<b>236.1</b>	..	1.8
Jan-20	<b>296.4</b>	-1.4	5.1	<b>235.1</b>	-1.5	7.7
Feb-20	<b>290.1</b>	-2.1	0.1	<b>237.2</b>	0.9	6.6
Mar-20	<b>284.2</b>	-2.0	-5.8	<b>245.2</b>	3.4	5.8
Apr-20	<b>281.1</b>	-1.1	-9.2	<b>243.8</b>	-0.6	0.9
May-20	<b>284.3</b>	1.1	-8.2	<b>243.6</b>	-0.1	-1.4
Jun-20	<b>282.4</b>	-0.7	-5.2	<b>232.6</b>	-4.5	-1.5

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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