

# ANZ Commodity Price Index

3 February 2021



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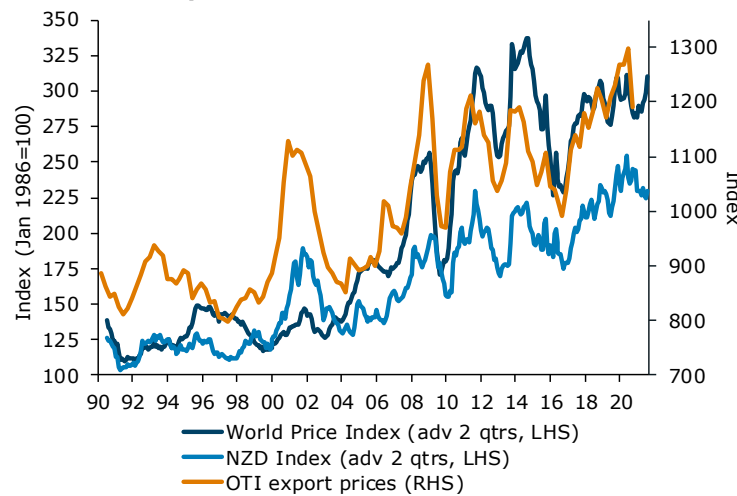
The next issue of the ANZ Commodity Price Index is scheduled for release on 3 March 2021 at 1pm.

## Dairy leads the way

The ANZ World Commodity Price Index has started 2021 strongly, gaining 3.6% in the month of January. The dairy sector provided most of the lift, while stronger prices were also recorded in the meat and forestry sectors.

In local currency terms the index gained 2.4%, as the Trade Weighted Index (TWI) gained a further 0.6%.

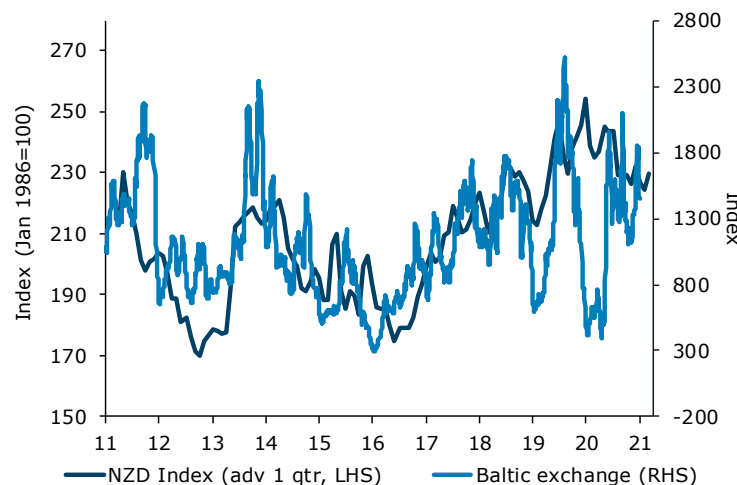
### ANZ Commodity Price Index



Source: ANZ, Stats NZ

**Global shipping costs** lifted again during January. Demand for ships continues to exceed the available supply, with ship availability constrained by delays at ports. Port congestion and shipping delays are expected to continue to plague the global flow of goods in the coming months. The tighter availability of ships and access to shipping containers is substantially pushing up the cost of shipping. This is occurring at differing rates as existing contracts are rolled over.

### NZ Commodity Price Index and shipping costs



Source: ANZ, Bloomberg

**Dairy** prices lifted 6.6% in January with prices now higher than pre-pandemic levels. Whole milk powder prices lifted 5.5% with even stronger gains recorded for skim milk powder and butter. Demand for dairy products is considerably stronger than anticipated with particularly strong demand for product for near-term delivery. Delays with getting goods to market may be a factor contributing to this demand as clients look to stock up in order to avoid potentially running short of product.

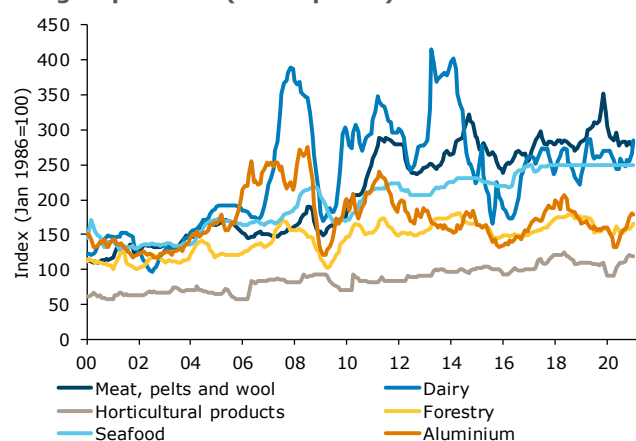
The **meat and fibre** index gained 1.5% in January, making up most of the loss seen in the previous month. The strength in this sector was driven solely by higher returns for beef. Returns from lamb cuts and wool continued to ease in January. Wool prices are now 18.8% below year-ago levels. Lamb continues to be a challenging product due to a relatively high reliance on the European and North American restaurant trade.

The **horticulture** index started the year unchanged from last season mainly due to this being the off-season for sales of apples and kiwifruit. Both of these crops sustained some damage from the hail storms that swept over the top of the South Island after Christmas. This will reduce the quantity of product available for export this season as some fruit is no longer suitable for picking, and a larger portion of fruit that is picked is expected to be downgraded for juicing or will be sold locally.

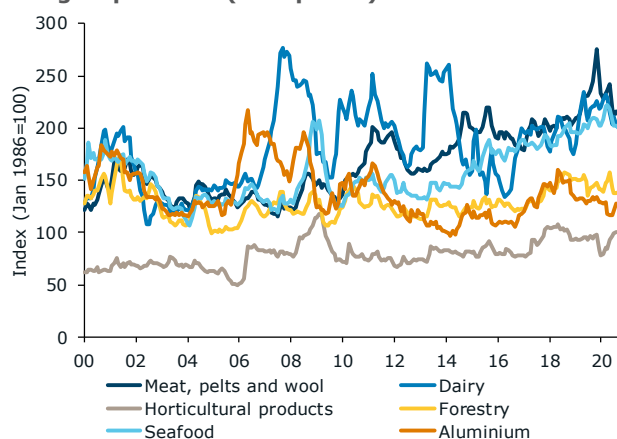
The **forestry** index gained 2.0% in January with prices now 4% above year-ago levels. Demand from China for logs remains robust but this is expected to slow as we move into the Chinese New Year holiday period.

**Aluminium** was the other product to record a fall in January, with prices down 1.1% m/m. Following a strong price rally in 2020 aluminium is still worth nearly 13% more than a year ago. China is expected to increase its aluminium production further in 2021 after reaching record levels in 2020. The increased production is expected to cap further upside in pricing. Rio Tinto has also advised that it will continue to operate the Tiwai Point aluminium smelter until the end of 2024.

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
Jan-17	276.8	..	19.1	201.0	..	8.4
Jan-18	288.2	..	4.1	210.5	..	4.7
Jan-19	281.9	..	-2.2	218.2	..	3.6
Jan-20	296.4	..	5.1	235.1	..	7.7
Aug-20	286.2	-1.0	-2.8	229.2	-0.3	-3.9
Sep-20	285.6	-0.2	-3.1	226.2	-1.3	-6.5
Oct-20	291.3	2.0	-2.3	231.9	2.5	-5.6
Nov-20	294.0	0.9	-5.5	226.6	-2.3	-10.9
Dec-20	299.2	1.8	-0.4	224.5	-0.9	-5.9
Jan-21	310.0	3.6	4.6	229.8	2.4	-2.2

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2020 year are: Wool 1.2%; Beef 11.3%; Lamb 11.9%; Venison 0.5%; Skins 0.6%; Dairy 41.4%; Apples 2.8%; Kiwifruit 8.1%; Logs 9.4%; Sawn Timber 3.0%; Wood Pulp 1.9%; Seafood 4.9%; Aluminium 3.1%



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