

ANZ Commodity Price Index

7 April 2021



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Contact

Susan Kilsby for more details.

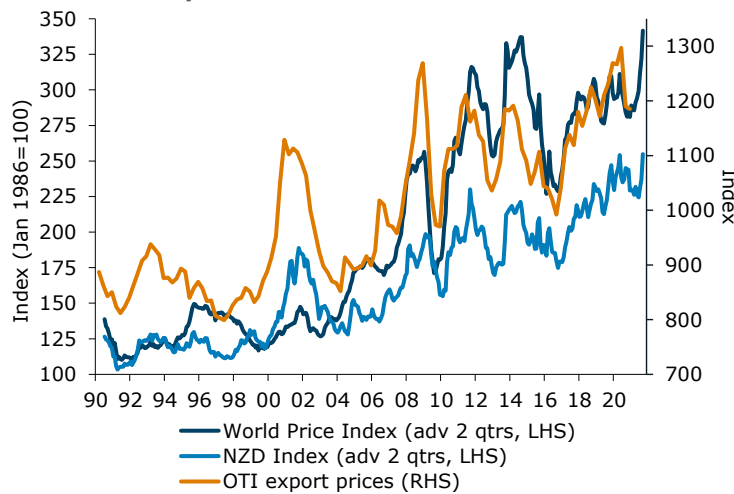
The next issue of the ANZ Commodity Price Index is scheduled for release on 5 May 2021 at 1pm.

Sky high

The ANZ World Commodity Price Index lifted 6.1% m/m in March to reach a record high. The strength in the index was driven primarily by the sharp lift in dairy prices.

In local currency terms the index gained 7.4% m/m to also reach a record high, supported by a 0.4% reduction in the Trade Weighted Index (TWI).

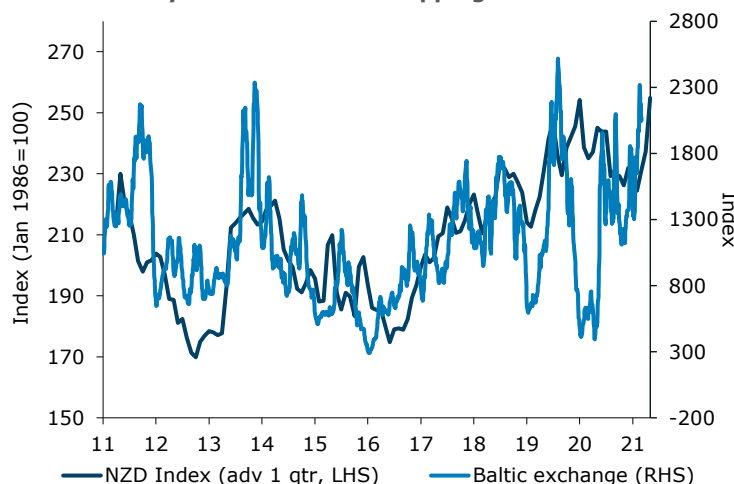
ANZ Commodity Price Index



Source: ANZ, Stats NZ

Global shipping costs continue to trend higher, meaning a smaller portion of the overseas returns is making it back to our local producers. The Baltic Dry Index – a lead indicator of economic activity – lifted a whopping 25% during March. Container shortages are really starting to bite, with NZ exporters finding it increasingly difficult to source containers and secure space on ships. Delays at various ports loading and unloading ships are causing havoc with shipping schedules, and resulting in ships skipping some ports to make up time. Shipping issues are expected to plague global trade for many months to come.

NZ Commodity Price Index and shipping costs



Source: ANZ, Bloomberg

Dairy prices lifted 12.7% in March, to reach the highest level in 7 years. Whole milk powder is now 43% higher than a year ago and strong gains were also recorded for skim milk powder and butter. On the other hand, cheese prices are very similar to a year ago. Cheese is not included in Fonterra's farmgate milk price calculation, which is heavily weighted to milk powders. Dairy prices are currently being supported by strong global demand, combined with a steady milk supply in the main dairy-exporting nations.

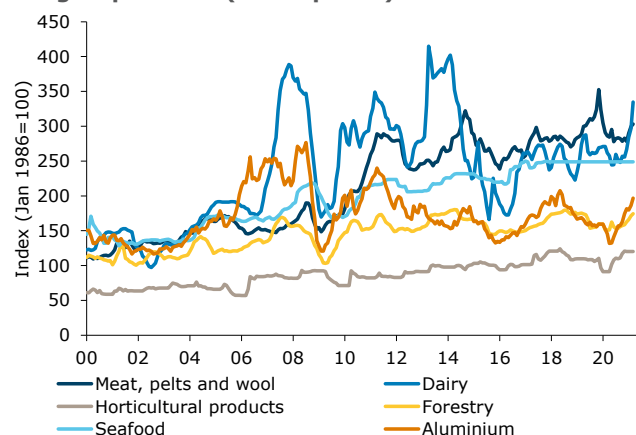
The **meat and fibre** index lifted 1.1% in March and is now 5.9% higher than a year ago. Beef prices eased marginally in March but this sector is still up 17% y/y. Lamb prices lifted 1.6%, and the sector is hopeful prices will continue to firm as restaurants gradually reopen in our main European and US markets. Lamb is a traditional dish for Easter consumption in the UK. Wool prices lifted sharply in March, gaining 9.9%. The industry still has a long way to go to recover fully, with shearing costs still considerably higher than the value received for the wool shorn on many farms.

The **horticulture** index is unchanged, as prices for new season produce are yet to flow through. Ships laden with early-season kiwifruit have already left New Zealand and will be on the shelves in Asian markets very soon. A record crop of kiwifruit is expected this season but it will be logistically challenging to find sufficient staff to pick the fruit at the optimal time. The apple industry is also facing similar issues due to the limited availability of foreign workers and insufficient local labour to meet the seasonal demand.

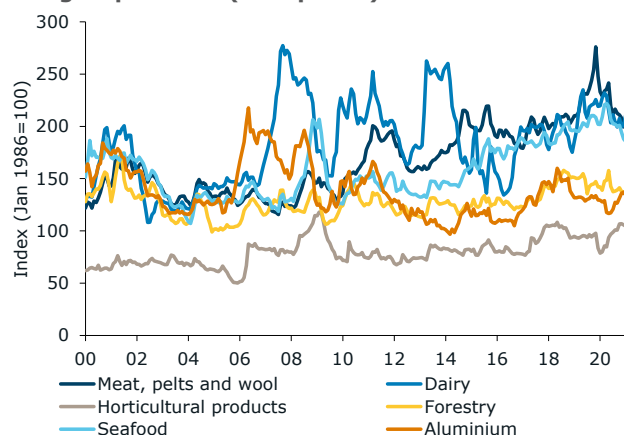
The **forestry** index gained 1.9% in March. Log prices are now the highest since May 2014, having lifted 25% in the past year. Unfortunately, the high cost of shipping is presently offsetting much of the recent price gains. Demand for higher-grade logs used domestically is also strong due to the construction boom. The availability of timber in some parts of New Zealand is tight, as sawmills continue to close due to a lack of profitability.

Aluminium prices have firmed for the past couple of months, gaining 5.6% in March. Aluminium is now worth 35% more than a year ago. Tightening supply in China, due to shutdowns of plants for environmental reasons, has bolstered pricing. Demand for aluminium is expected to rise significantly this year.

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-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	231.6	..	5.3
Mar-20	284.2	..	-5.8	245.1	..	5.8
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	311.9	4.3	5.2	231.2	3.0	-1.6
Feb-21	322.1	3.3	11.0	237.3	2.6	0.1
Mar-21	341.6	6.1	20.2	254.9	7.4	4.0

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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Sharon Zollner
Chief Economist

Follow Sharon on Twitter
[@sharon_zollner](#)

Telephone: +64 27 664 3554
Email: sharon.zollner@anz.com

General enquiries:
research@anz.com

Follow ANZ Research
[@ANZ_Research](#) (global)



David Croy
Senior Strategist

Market developments, interest rates, FX, unconventional monetary policy, liaison with market participants.

Telephone: +64 4 576 1022
Email: david.croy@anz.com



Susan Kilsby
Agricultural Economist

Primary industry developments and outlook, structural change and regulation, liaison with industry.

Telephone: +64 21 633 469
Email: susan.kilsby@anz.com



Liz Kendall (maternity leave)
Senior Economist

Research co-ordinator, publication strategy, property market analysis, monetary and prudential policy.

Telephone: +64 27 240 9969
Email: elizabeth.kendall@anz.com



Miles Workman
Senior Economist

Macroeconomic forecast co-ordinator, fiscal policy, economic risk assessment and credit developments.

Telephone: +64 21 661 792
Email: miles.workman@anz.com



Finn Robinson
Economist

Macroeconomic forecasting, economic developments, labour market dynamics, inflation and monetary policy.

Telephone: +64 21 629 553
Email: finn.robinson@anz.com



Kyle Uerata
Economic Statistician

Economic statistics, ANZ proprietary data (including ANZ Business Outlook), data capability and infrastructure.

Telephone: +64 21 633 894
Email: kyle.uerata@anz.com



Natalie Denne
PA / Desktop Publisher

Business management, general enquiries, mailing lists, publications, chief economist's diary.

Telephone: +64 21 253 6808
Email: natalie.denne@anz.com



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