

# ANZ Commodity Price Index

5 July 2021



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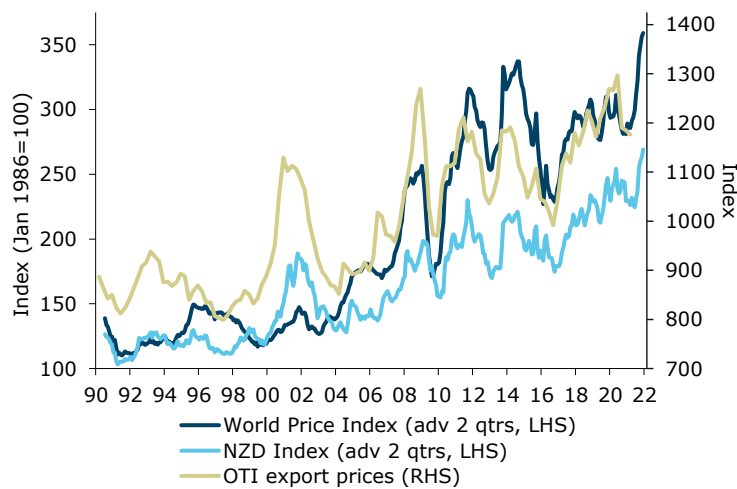
The next issue of the ANZ Commodity Price Index is scheduled for release on 4 August 2021 at 1pm.

## Freight frustrations

The ANZ World Commodity Price Index continues to gain elevation, lifting 0.8% m/m in June. Dairy was the only major category to lose ground during the month, with very strong gains again recorded in the forestry sector.

In local currency terms the index gained 2.3% m/m, as stronger commodity prices were further boosted by the Trade Weighted Index easing by 1.1%.

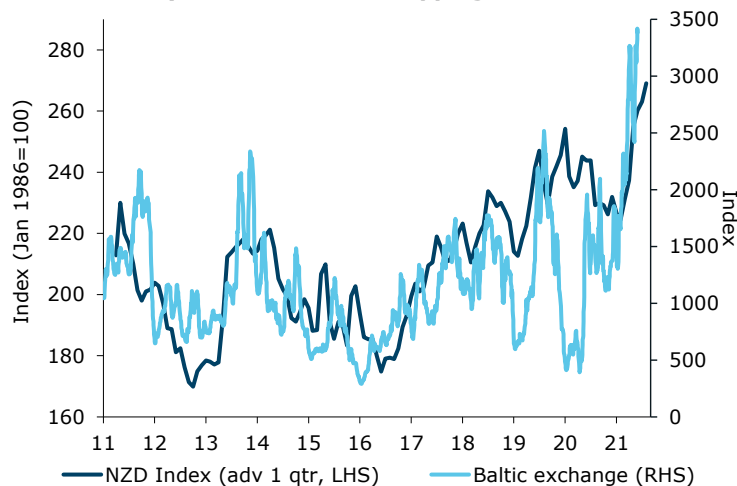
### ANZ Commodity Price Index



Source: ANZ, Stats NZ

**Global shipping costs** are not showing any signs of abating. Shipping delays have been exacerbated by issues at the Yantian port in southern China, which was compromised by a COVID-19 outbreak. While that port is now back operating at full capacity it will take months to clear the backlog. Costs to move goods on both container ships and bulk carriers have skyrocketed. The Baltic Dry Index gained 30% in June to hit a new record high. The congestion in the shipping industry is **not expected to abate** until well into next year.

### NZ Commodity Price Index and shipping costs



Source: ANZ, Bloomberg

**Dairy** prices eased 1.5% in June but remain 35% higher than a year ago. Most dairy products eased in price, with whole milk powder falling 2.1% m/m. It is not unusual for prices to soften at this time of the season as we start to sell high volumes of new-season product. Milk production in the US has lifted, which means we are likely to see more non-fat dry milk (a product similar to skim milk powder) and cheese being offered on world markets. Overall demand for dairy products remains robust, but not strong enough for prices to be maintained at such lofty levels.

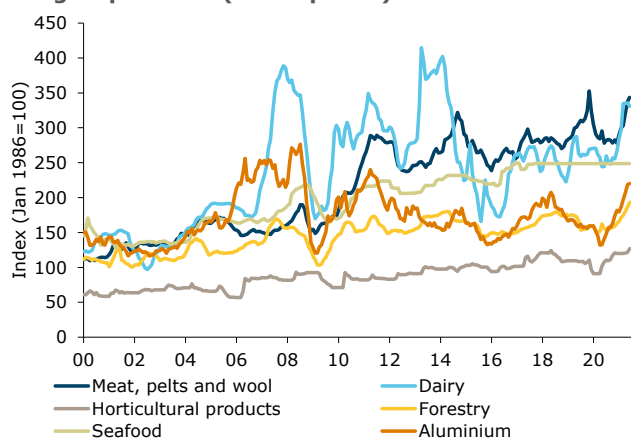
The **meat and fibre** index lifted 1.8% in June with prices for both beef and lamb pushing a little higher. Lamb is now priced 30% higher than it was a year ago and beef prices are up nearly 18%<sup>1</sup>. Wool prices lifted nearly 6% in June and have gained 48% in the past year. However, prices for coarse wool still need to lift further to provide a positive financial return for farmers. At present shearing costs exceed wool returns on most farms.

The **horticulture** index lifted 4.3% m/m in June. Higher prices were recorded for both kiwifruit and apples as new-season product reaches markets. Getting product to market is extremely challenging for our horticultural industries, which face limited access to refrigerated containers, and are often faced with 'blank sailings' due to ships missing out ports completely in order to stay on schedule, or continually adjusting shipping schedules.

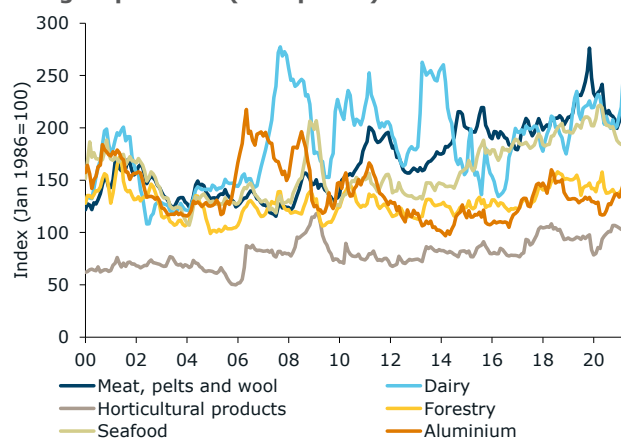
The **forestry** index posted another record in June with in-market prices lifting a further 3.6%. This is being driven by very strong demand within China for logs. However, the strength of this market is of little consolation when it is so difficult to get product to market. The forestry sector is also experiencing extremely high shipping costs and regularly being faced with delays, which is frustrating when demand for logs is so strong.

**Aluminium** posted a further 0.6% price rise during June. Over the past year, aluminium prices have increased more than any of the other industries that make up the overall index, having lifted 56%. Aluminium returns are being supported by strong global demand, supply restrictions in China (due to elevated electricity prices), and Russia's proposed export tax that will come into effect in August.

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-17	298.0	..	24.6	215.4	..	20.1
Jun-18	305.0	..	2.3	231.8	..	7.6
Jun-19	297.8	..	-2.4	236.1	..	1.9
Jun-20	280.9	..	-5.7	229.2	..	-2.9
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
Apr-21	349.1	2.2	24.2	260.2	2.1	6.8
May-21	356.3	2.1	25.2	263.1	1.1	7.9
Jun-21	359.1	0.8	27.8	269.1	2.3	17.4

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%.

<sup>1</sup> Lamb prices for April and May were revised due to discovery of an error. This also had a small impact on the overall index, with April and May being revised down 0.1%pts and up 0.8%pts respectively. We apologise for any inconvenience.



## Contact us

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