

ANZ Commodity Price Index

6 September 2021



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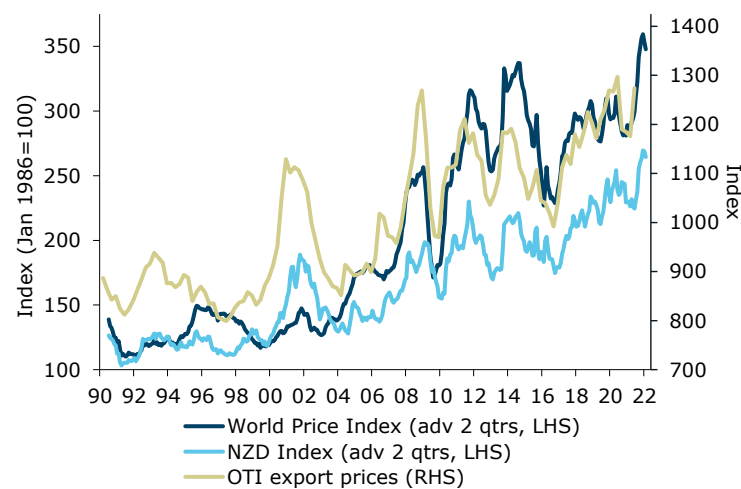
The next issue of the ANZ Commodity Price Index is scheduled for release on 5 October 2021 at 1pm.

Losing elevation

The ANZ World Commodity Price Index has continued to ease, falling 1.6% in August following a similar decrease in July. Dairy and forestry led the index down, offsetting stronger prices from other sectors.

In local currency terms the index also fell 1.6% as the NZ dollar eased just 0.1% against the US dollar.

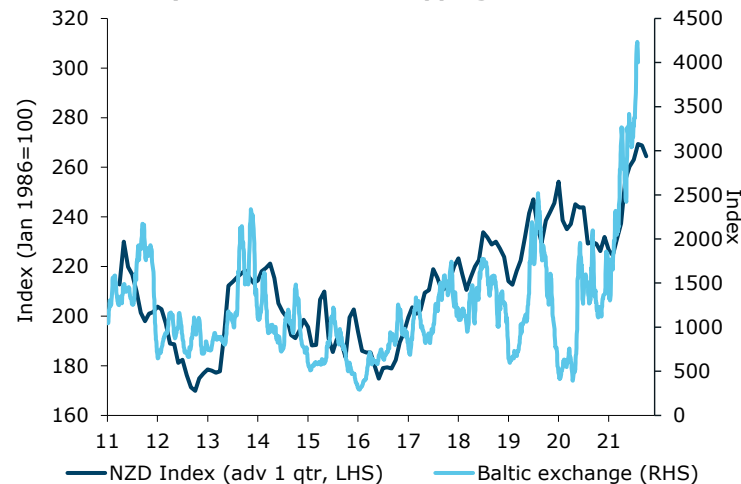
ANZ Commodity Price Index



Source: ANZ, Stats NZ

Global shipping costs are still rising. In August the Baltic Dry Index hit its highest level in over a decade. The cost of shipping goods is spiralling higher with additional costs being borne mainly by the consumer. Exporter margins are also being squeezed. Accessing sufficient refrigerated containers remains a real challenge for exporters. Meanwhile our wharves are being clogged up with standard containers as shipping lines are not relocating sufficient containers as they concentrate on higher-value freight.

NZ Commodity Price Index and shipping costs



Source: ANZ, Bloomberg

Dairy prices eased a further 4.0% m/m in August after peaking at extremely high levels in May. Milk powder prices fell the most, with whole milk powder down 6.5% and skim milk powder falling 5.4%. Firmer prices were recorded for butter. Dairy prices are now expected to stabilise near current levels as the global milk supply is growing only marginally. Global consumer demand appears stable but some countries have imported more product than usual this year. This indicates stock levels may be relatively high, curbing future demand.

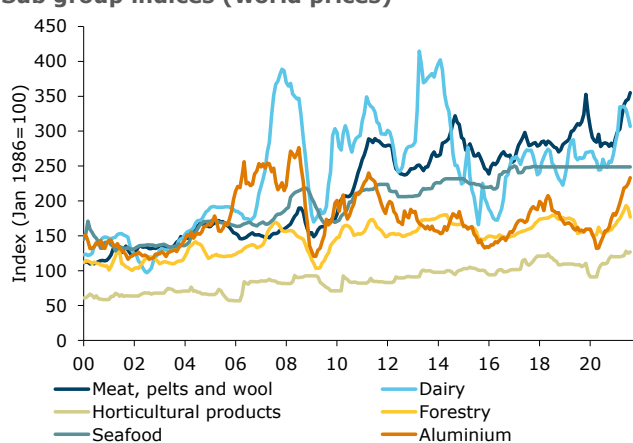
The **meat and fibre** index lifted 2.8% m/m in August with prices now back to pre-pandemic levels. Both beef and lamb returns have firmed in the past month and stronger prices have also been recorded for wool – a product that has been out of favour for a number of years. Coarse wool prices are now at their highest level in over two years, with prices expected to firm further due to stronger interest from overseas buyers.

The **horticulture** index lifted 1.3% m/m in August. Apple prices have started to trend down, which is not unusual for this time of the season as our exports compete with new-season apples from the Northern Hemisphere. Meanwhile kiwifruit demand remains robust, although prices attained in some markets are not as strong as they were last season.

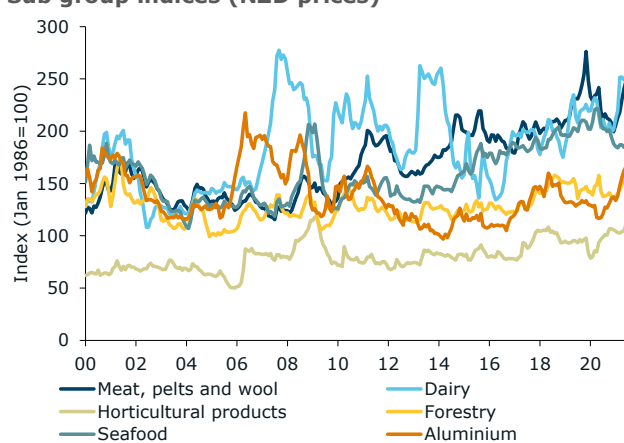
The **forestry** index fell relatively sharply in August with prices back 6.6% from the previous month, but export prices are coming off exceptionally high levels. Earlier this year a greater-than-normal proportion of logs were exported due to the high returns on offer but this has since corrected as domestic demand has remained strong while export returns eased. Shutdowns both in harvesting and milling of timber during the recent lockdown have again disrupted the industry, but will start to return to normal as most of the harvesting and processing activity occurs outside of the Auckland/Northland region.

Aluminium prices lifted again with August prices 3.6% higher than July. Aluminium is now at its highest price in a decade. China, the world’s largest producer of aluminium, has been forced to cut production due to electricity shortages and concerns about emissions. The tighter supply has pushed the price for this lightweight metal up sharply. Aluminium demand is expected to remain strong as the world looks to decarbonise, as this metal can be used to transmit power, as can copper. China is releasing state reserves in order to rein in prices.

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
Aug-17	293.2	..	16.3	211.2	..	15.8
Aug-18	291.9	..	-0.5	230.0	..	8.9
Aug-19	294.6	..	0.9	238.5	..	3.7
Aug-20	286.2	..	-2.8	229.2	..	-3.9
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	359.4	0.9	28.0	269.4	2.4	17.5
Jul-21	353.3	-1.7	22.2	268.8	-0.2	16.9
Aug-21	347.7	-1.6	21.5	264.5	-1.6	15.4

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%.



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