

ANZ Commodity Price Index

12 January 2022



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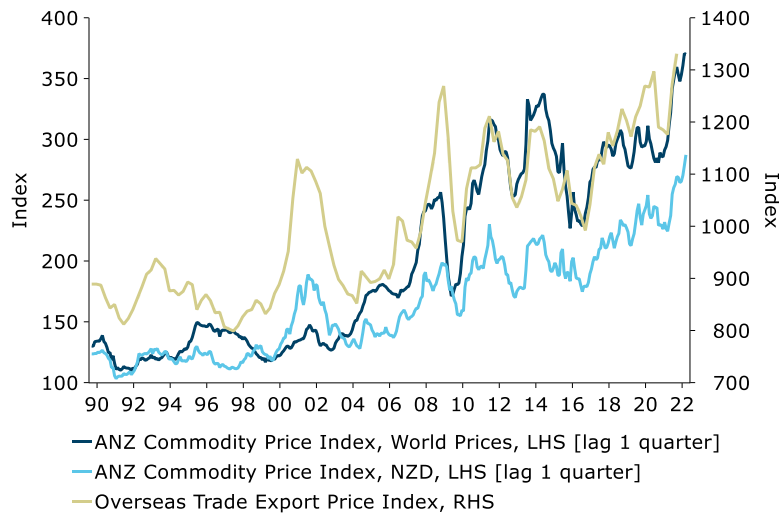
The next issue of the ANZ Commodity Price Index is scheduled for release on 3 February 2022 at 1pm.

Forestry returns fall

The ANZ World Commodity Price Index eased 0.2% in December, as stronger prices for dairy, meat and aluminium were not sufficient to offset lower returns from the forestry and horticultural sectors. The index still finished the year up 24% y/y.

In local currency terms, the index gained 3.1%, to extend its record high, bolstered by a 2.8% reduction in the trade weighted index (TWI).

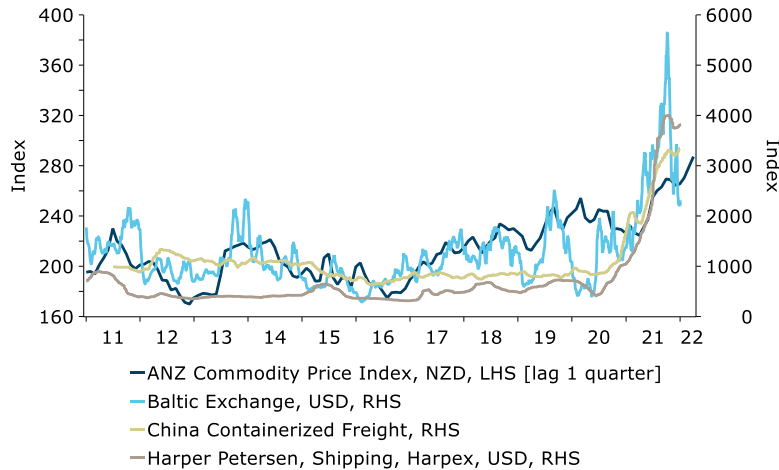
Figure 1. ANZ Commodity Price Index



Source: Stats NZ, Macrobond, ANZ Research

Global shipping costs have fallen, but remain volatile. The Baltic Dry Index dropped a further 26% during December, while falls in other shipping price indices were less dramatic. Delays at ports and limited airfreight options are expected to keep freight costs elevated throughout 2022.

Figure 2. ANZ Commodity Price Index and shipping costs



Source: Baltic Exchange, Harper Petersen & Co., Shanghai Shipping Exchange, Macrobond, ANZ Research

Dairy prices gained 1.5% m/m in December, but growth is now stagnating. Skim milk powder and cheese sourced from NZ are currently priced a little higher than product sourced from major suppliers in the Northern Hemisphere. Milk supplies remain tight globally, which will be supportive of prices and likely offset any easing of demand associated with slower economic growth in China, and the potential negative impact from the spread of Omicron.

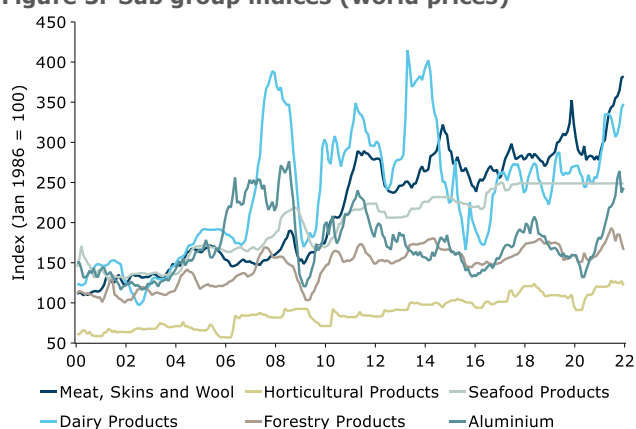
The **meat and fibre** index gained just 0.5% m/m in December as lamb and beef prices firmed, but wool prices have retreated once more. Wool continues to underperform with returns from coarse grade wool not sufficient to cover the cost of shearing it from the sheep. Beef demand remains strong in both China and the US – our two major offshore markets – as consumers search for low priced cuts of meat. Demand for lamb also remains robust which has been supportive of prices, but the seasonal increase in supply is expected to put downwards pressure on prices.

The **horticulture** index fell 4.6% m/m in December as prices fell at the end of the season for the limited volumes of kiwifruit exports. The new export season will not get underway until the late summer/early autumn.

The **forestry** index fell 4.9% m/m in December following a similar fall the previous month. High freight costs reduced the value of export logs which has prompted a reduction in felling, and more logs being supplied to local mills. Stockpiles of logs in China are now being worked through which is expected to eventually prompt additional demand, but activity is expected to remain muted until after the Chinese New Year.

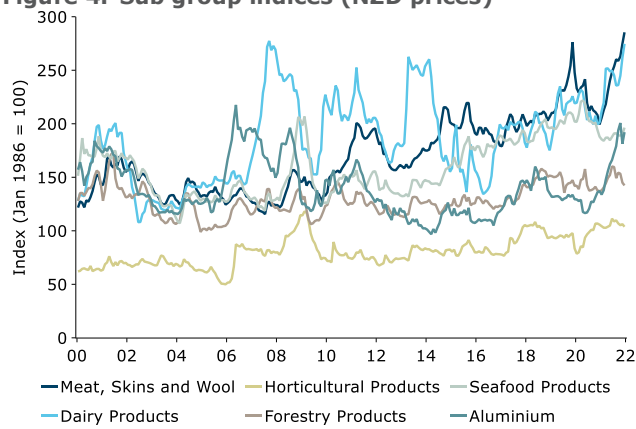
Aluminium prices lifted 2.5% m/m in December. Global aluminium inventories are falling as production is not keeping up with demand. Aluminium production has been compromised in both Europe and China by expensive electricity and coal prices, as it is very energy-intensive to produce aluminium. Stocks of aluminium in warehouses approved by the London Metal Exchange have halved since March.

Figure 3. Sub group indices (world prices)



Source: Macrobond, ANZ Research

Figure 4. Sub group indices (NZD prices)



Source: Macrobond, ANZ Research

	World Price Index	Monthly % Change	Annual % Change	NZD Index	Monthly % Change	Annual % Change
Dec-17	286.2	..	3.2	217.0	..	6.6
Dec-18	276.4	..	-3.4	212.6	..	-2.0
Dec-19	300.5	..	8.7	238.7	..	12.2
Dec-20	299.2	..	-0.4	224.5	..	-5.9
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
Sep-21	353.0	1.5	23.6	265.5	0.4	17.4
Oct-21	360.6	2.2	23.8	270.3	1.8	16.5
Nov-21	370.6	2.8	26.1	278.6	3.1	22.9
Dec-21	369.9	-0.2	23.7	287.3	3.1	28.0

Commodity Price Index weights are based on contributions to merchandise exports for the prior calendar year. 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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