

ANZ Commodity Price Index

7 June 2022



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Contact

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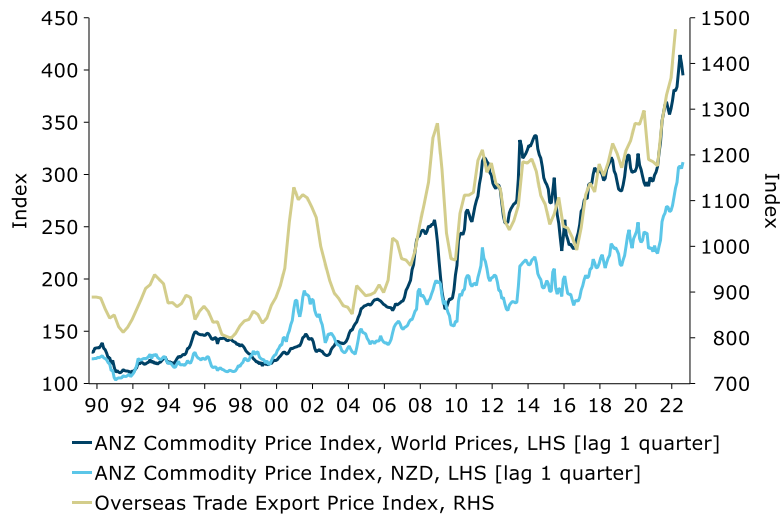
The next issue of the ANZ Commodity Price Index is scheduled for release on 5 July 2022 at 1pm.

Confused by acronyms or jargon? See a glossary [here](#).

Prices fall in May

The ANZ World Commodity Price Index fell a further 2.8% in May, driven down by weakness in aluminium, dairy and forestry. But in local currency terms the index gained 2.0%, due to the NZ dollar depreciating sharply on a trade weighted index (TWI) basis.

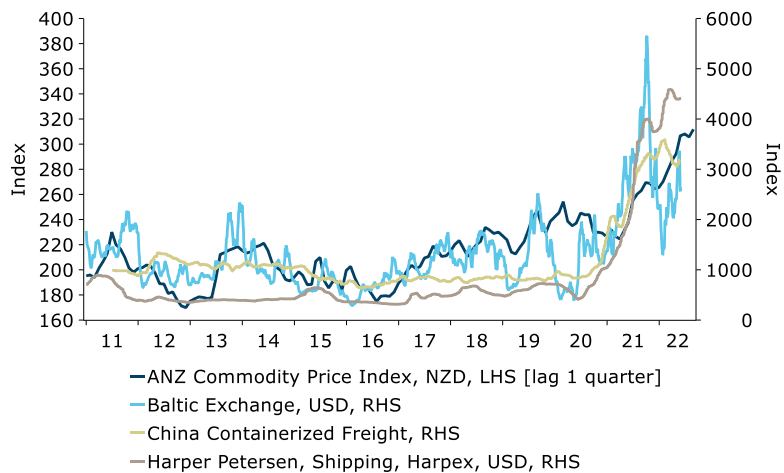
Figure 1. ANZ Commodity Price Index



Source: Stats NZ, Macrobond, ANZ Research

Global shipping prices have generally eased over the past month as the export of goods out of China has slowed. But prices paid by our local exporters to freight produce internationally remain firm. Refrigerated shipping containers are in tight supply, and getting shipping space remains a challenge. Limited cool storage capacity within New Zealand is putting pressure on exporters to move product, which means some goods have been diverted to other markets due to the congestion at Chinese ports.

ANZ Commodity Price Index and shipping costs



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

Dairy prices fell 4.8% month-on-month (m/m) in May. Prices for most dairy commodities fell, with whole milk powder (WMP) leading the charge. Extra product was made available on the Global Dairy Trade auction platform at a time when demand for dairy products had softened due to uncertainty associated with the lockdowns in China and the economic crisis in Sri Lanka. But supply-side challenges continue to keep a lid on global milk production, and the limited supply of dairy products is now offsetting demand-side challenges.

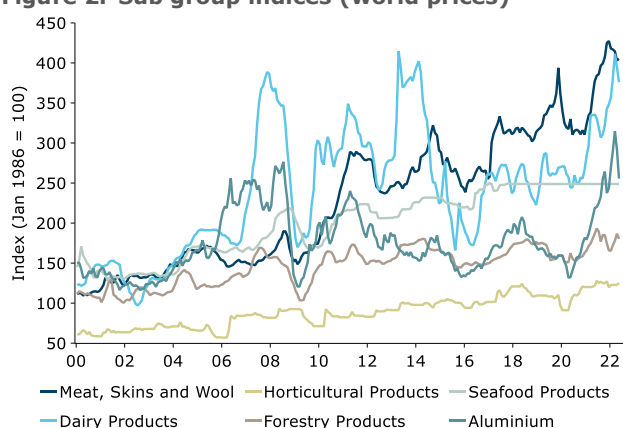
The **meat and fibre** index gained 0.5% in May as higher prices for lamb and wool offset a decrease in the price of beef. Meat processing capacity has been curtailed this season due to a shortage of labour. The smaller volumes of lamb processed so far have helped export prices to recover. Beef prices have been impacted by recent logistical challenges getting product into China, which has meant more meat being diverted to the United States, which tends to be a lower-value market. Wool prices have improved slightly, but still have a long way to go before coarse wool will be a profitable value stream for our farmers.

The **horticulture** index lifted up 1.9% in May in world price terms. Higher apple prices were recorded in European markets. International demand for kiwifruit remains strong. Some early shipments of fruit destined for China were diverted to other markets such as Japan due to the congestion at Chinese ports. Kiwifruit shipments are tracking ahead of last season, but Zespri is expecting a slightly smaller kiwifruit crop this season.

The **forestry** index fell 3.5% in May, wiping out much of the gains made in April. Prices for both logs and wood pulp deteriorated. Log demand has been hit by the lockdowns in China, which has reduced the uptake of logs from Chinese wharves. However, this situation should improve as the major cities reopen.

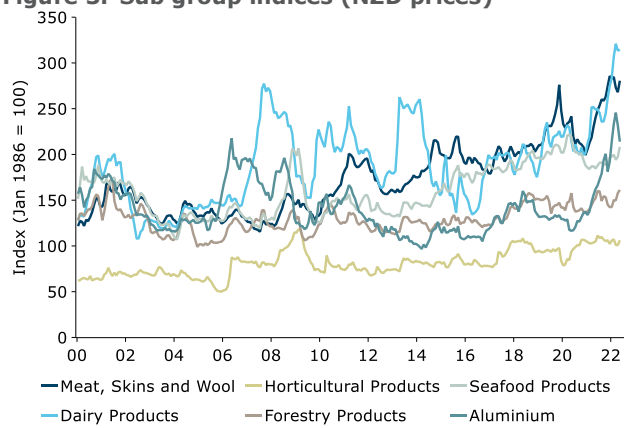
Aluminium prices dropped 12.4% m/m, continuing the downward trend from the previous month. Demand for aluminium has been curbed by the lockdowns in China, which reduced manufacturing activity. Manufacturing has also slowed in countries that depend on supply of components from China.

Figure 2. Sub group indices (world prices)



Source: Macrobond, ANZ Research

Figure 3. Sub group indices (NZD prices)



Source: Macrobond, ANZ Research

	World Price Index	Monthly % Change	Annual % Change	NZD Index	Monthly % Change	Annual % Change
May-18	316.4	..	5.4	233.8	..	6.8
May-19	318.5	..	0.7	247.1	..	5.7
May-20	292.6	..	-8.1	243.8	..	-1.3
May-21	366.4	..	25.2	263.1	..	7.9
Dec-21	380.0	-0.3	23.5	287.0	3.0	27.8
Jan-22	383.9	1.0	19.7	292.5	1.9	26.5
Feb-22	398.7	3.9	20.4	306.7	4.9	29.2
Mar-22	414.4	3.9	18.0	308.1	0.5	20.9
Apr-22	406.4	-1.9	13.2	305.7	-0.8	17.5
May-22	394.9	-2.8	7.8	311.8	2.0	18.5

Commodity Price Index weights are based on contributions to merchandise exports for the prior calendar year. Weights for the 2021 year are: Wool 1.2%; Beef 11.1%; Lamb 11.3%; Venison 0.4%; Skins 0.7%; Dairy 40.8%; Apples 2.3%; Kiwifruit 7.7%; Logs 11.0%; Sawn Timber 3.0%; Wood Pulp 2.0%; Seafood 4.6%; Aluminium 3.9%.



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Last updated: 28 February 2022

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