

## ANZ COMMODITY PRICE INDEX

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## HI HO, HI HO

**The ANZ Commodity Price Index lifted in May, climbing 3.2% m/m to be 26% higher than the same time last year.** There was broad-based strength across most components, but the horticulture sector led the charge, rising 12.1% m/m as more new-season fruit hit markets.

**In NZD terms, the index rose 4.0% m/m and is 22.3% above the same time last year. The NZD index is now just 5% below the all-time peak registered in March 2011.** The stark difference this time around is that while the previous spike was driven largely by dairy prices, recent gains are much broader across forestry, horticulture, and meat as well. This means the gains are being more widely spread across sectors, regions and individual businesses.

### In terms of sector specifics:

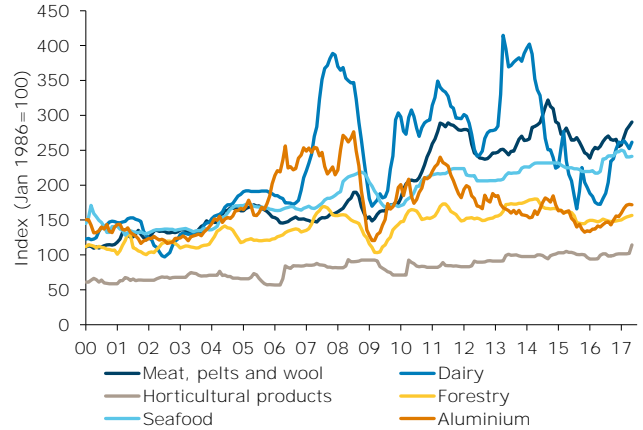
- **Dairy prices increased 3.8% m/m in May and are more than 50% above where they were this time last year.** The gains were broad-based across milk powder and milkfat products. Global prices were supported by lower peak milk flows in Europe's major producing countries such as Germany and France, due to cold spring conditions. Continued strong demand from China and broader Asia also continued to boost prices.
- **Meat prices continued their strong performance**, up 1.9% m/m in world terms and 3.3% m/m in NZD terms. **Lamb prices rose 2.8% m/m**, with tight Australasian supply spurring further intermarket competition across all major markets and cuts. Many major cuts are now approaching record highs, with in-market prices 35% above last year. **Beef prices rose 2.0% m/m**, with tight domestic supplies and higher seasonal demands creating a perfect storm. Prices are expected to ease when seasonal demand subsides. In world terms, prices for the meat group are 13.6% above last year, but the weak GBP and euro have suppressed local returns (+6.4% y/y). **Wool prices remain lacklustre** (-0.3% m/m; -34% y/y).
- **Aluminium prices stabilised (-0.4% m/m) after climbing 22.7% over the last year.** The market took a breather in May as inventories rose for the first time since February. There have also been concerns Chinese smelter cuts may not happen.
- **Wood pulp and log prices pushed the forestry group up a further 0.8% m/m in April.** Wood pulp prices lifted 2.6% m/m on persistent Chinese demand, particularly for hardwood product (lifting softwood by association). Log prices increased 0.6% m/m as a challenging Japanese market was offset by buoyant Chinese demand (more infrastructure/housing activity, reduced harvesting of the nation's own native forests, and steady competitive pressure from the likes of Russia). Competition within the local market for logs to produce sawn timber is supporting prices too.
- **Horticulture prices surged 12.1% m/m as new-season Southern Hemisphere fruit hit markets.** Apples lifted 7.5% m/m as lower-quality European supplies closed off for the season. Kiwifruit prices surged 14.1% m/m. A late picking season due to the wet weather and low chill hours meant the market was well primed for new-season fruit to arrive. A slower start for Green exports and a higher proportion of Gold, especially in Europe, is supporting average export prices.
- **Seafood prices were up slightly in May (+0.4% m/m).**

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	World Price Index	Monthly % Change	Annual % Change	NZD Index	Monthly % Change	Annual % Change
May-13	327.8	..	25.9	213.8	..	17.2
May-14	318.8	..	-2.7	201.7	..	-5.6
May-15	261.6	..	-18.0	185.5	..	-8.0
May-16	231.1	..	-11.7	179.1	..	-3.5
Dec-16	277.3	0.7	16.5	203.5	2.0	9.4
Jan-17	276.8	-0.1	19.1	201.3	-1.1	8.6
Feb-17	282.3	2.0	20.9	202.5	0.6	9.2
Mar-17	283.5	0.4	23.0	209.4	3.4	16.5
Apr-17	282.9	-0.2	23.7	210.5	0.5	20.4
May-17	291.9	3.2	26.3	219.0	4.0	22.3

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2017 year are: Wool 2.7%; Beef 10.9%; Lamb 10.3%; Venison 0.6%; Skins 1.5%; Dairy 38.0%; Apples 2.8%; Kiwifruit 6.7%; Logs 10.0%; Sawn Timber 3.8%; Wood Pulp 2.5%; Seafood 6.3%; Aluminium 3.8%

## SUB GROUP INDICES (WORLD PRICES)

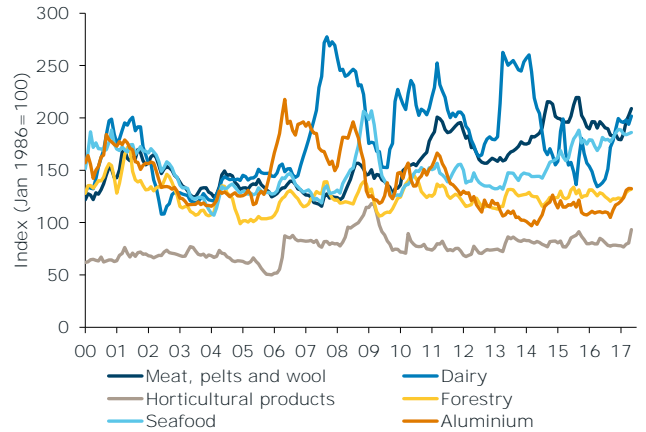


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## SUB GROUP INDICES (NZD PRICES)



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