

ANZ COMMODITY PRICE INDEX

Data for June 2017,
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CREAMY GOODNESS

The ANZ Commodity Price Index lifted 2.1% (m/m) in June (+25% y/y). The continued surge in milkfat and sheepmeat prices led the charge, but there were declines for wool, wholemilk powder, casein, apples and aluminium. Overall dairy prices nudged up 2.9% in June (+49% y/y) and non-dairy prices increased 1.7% (+10% y/y). **The NZD index slipped 1.6% m/m due to the stronger NZD, but this needs to be kept in perspective with local returns up 20% y/y. In terms of sector specifics:**

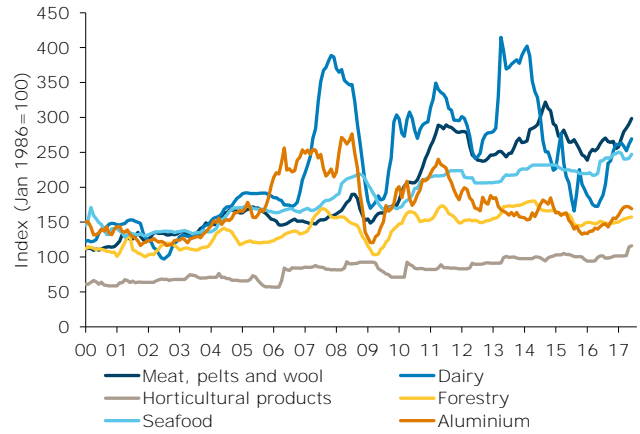
- Dairy prices increased 2.9% m/m in June (+49% y/y).** The increase was led by butter (+12%), cheese (+8%) and skim milk powder (+5%). A flat seasonal peak in European production as winter conditions lingered into spring has supported skim milk powder and butter prices. Butter supplies remain tight and demand strong from both the retail and foodservice sector across a range of key import countries. The offset was slightly lower wholemilk powder (-1.6%) and casein (-0.8%) prices in June. Wholemilk powder prices took a breather as buyers awaited higher seasonal supply from New Zealand, Chinese buyers held back for the free-trade window in December/January and additional volumes (10,000 mt, 3% for year) were added to the GlobalDairyTrade platform.
- Meat prices continued their strong performance**, up 2.8% m/m in world terms. **Lamb prices rose 4.7% 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 1.7% m/m**, with tight domestic supplies and higher seasonal demand pushing prices higher again. Prices are expected to ease when seasonal demand subsides and local supply conditions improve, with higher feedlot placements having occurred. Skin prices bounced (+3.5% m/m), but wool prices continued to push lower (-0.7% m/m) with high inventory levels in China weighing.
- Seafood prices increased 2.4% m/m.** The increase was driven by improved hoki and rock lobster prices.
- Horticulture prices maintained their momentum in June (+1.4% m/m) after surging in May.** Apples moderated a touch (-1.8% m/m), but kiwifruit prices increased further (+2.7% m/m). Green kiwifruit markets are very short of NZ product due to a late harvest and lower overall volumes. This, combined with solid demand across major markets, has seen Zespri lift the bottom of its forecast orchard gate returns for Green and push the Gold forecast higher too.
- The forestry group increased 0.4% m/m driven by a further lift in log prices.** Log prices continue to be supported by Chinese demand with port-level inventory and offtake continuing to track favourably. The Chinese government has also announced lower tariffs on logs in a bid to curb the use of logs from their own native forests. Local demand has experienced the usual seasonal slowdown, but unpruned demand for structural timber and posts/polls remains strong.
- Aluminium prices fell (-1.5% m/m).** Aluminium inventories are substantially lower than normal seasonal levels. However, there has been mixed movements recently, with London Metal Exchange (LME) inventories falling, while Shanghai Future Exchange (SFE) stocks have been rising. The latter is being driven by rising Chinese production (+11% ytd), despite Chinese smelters promising to reduce capacity.

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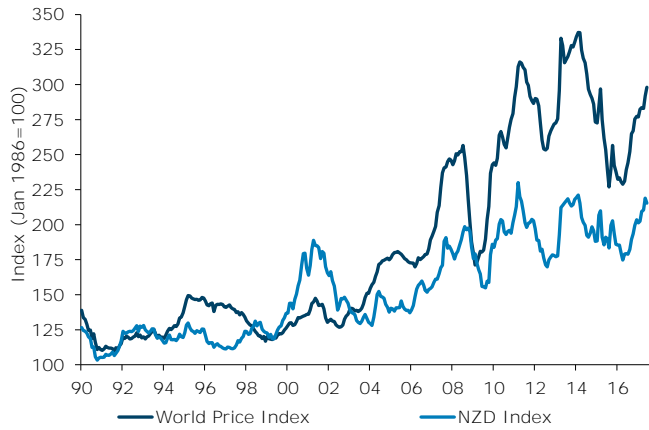
	World Price Index	Monthly % Change	Annual % Change	NZD Index	Monthly % Change	Annual % Change
Jun-13	315.6	..	24.3	215.6	..	22.3
Jun-14	315.6	..	0.0	199.4	..	-7.5
Jun-15	253.4	..	-19.7	191.0	..	-4.2
Jun-16	239.2	..	-5.6	179.3	..	-6.1
Jan-17	276.8	-0.1	19.1	201.3	-1.1	8.6
Feb-17	282.3	2.0	20.9	202.5	0.6	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
Jun-17	298.0	2.1	24.6	215.4	-1.6	20.1

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)

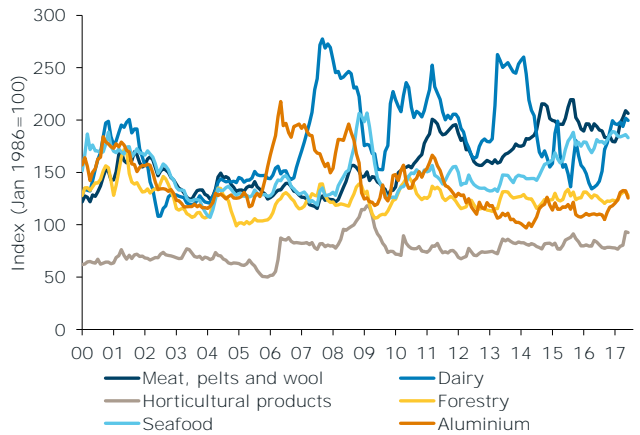


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SUB GROUP INDICES (NZD PRICES)



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