

ANZ Commodity Price Index

5 August 2020



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The next issue of the ANZ Commodity Price Index is scheduled for release on 3 September 2020 at 1pm.

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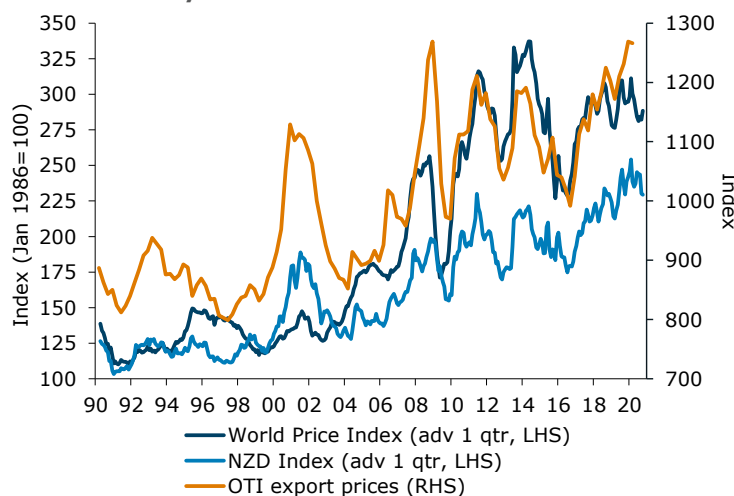
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Defying the odds

The ANZ World Commodity Price Index gained 2.3% in July with strength in the dairy market driving the index back to its pre-COVID-19 levels.

In local currency terms the index fell 0.3% as the NZD firmed against the currencies of all our major trading partners. The NZD gained a further 1.3% on a Trade Weighted Index (TWI) basis during July.

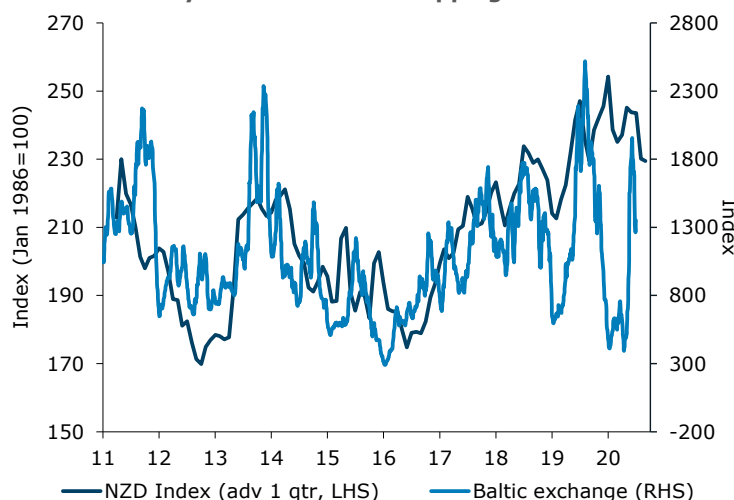
ANZ Commodity Price Index



Source: ANZ, Stats NZ

Global shipping costs remain volatile. During July the Baltic Dry Index, a measure of global shipping costs, fell 25%, wiping out about a third of the gain made the previous month. The volatility in this shipping index reflects the elevated levels of uncertainty in global markets. Prices for food commodities continue to outperform general global market conditions.

ANZ Commodity Price Index and shipping costs



Source: ANZ, Bloomberg

Dairy prices lifted 6.1% in July with whole milk powder up 11.4%, while skim milk powder prices gained 4.5%. Butter pricing was stable but cheese lost ground. The lift in milk powder prices however looks short-lived with prices falling again in the latest Global Dairy Trade event and further downside in pricing expected. Milkfat products are struggling relative to protein-based products as they tend to sit more in the luxury goods category, which is understandably struggling more than everyday products in the current environment.

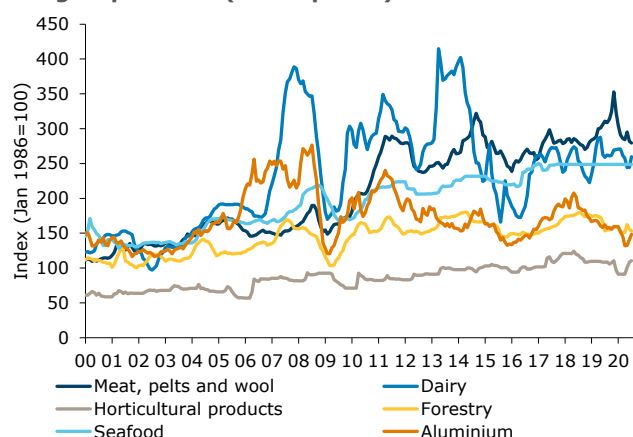
The **meat and fibre** index fell 0.9% in July, and has fallen 5% in the past two months. The value of lamb has fallen 17% in the past year, while beef prices have eased by only 1%. Beef is benefiting from the ongoing global shortage of protein. Several beef processing plants in other countries have been temporarily closed due to outbreaks of COVID-19 and Chinese authorities are vigorously testing imported meat for any traces of the virus. This has caused some delays at the border but New Zealand product is generally still moving through okay. The cheaper cuts of both beef and lamb are generally easier to sell than the high-end steaks and French racks due to reduced consumer confidence and a reduction in restaurant dining in most countries.

The **horticulture** index gained 1.9% during July following a strong lift in June. Apple prices were relatively stable, while kiwifruit prices strengthened. Both fruits displayed strong export trends earlier in the season as the warm summer resulted in a slightly earlier harvest. Market conditions are mixed for apples and becoming a little more challenging as the season progresses, but prices are ahead of year-ago levels. Kiwifruit returns are also strong but are returning slightly less than last year.

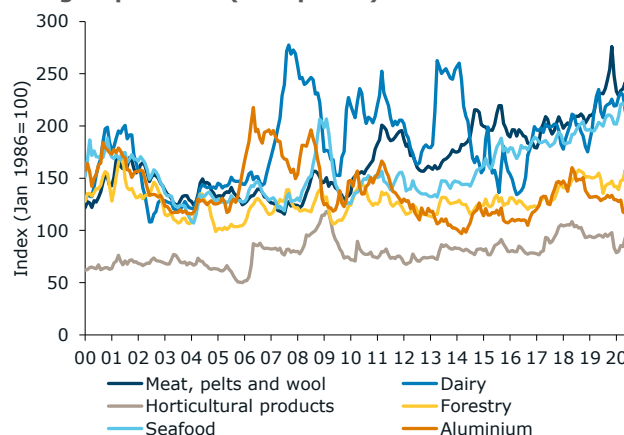
The **forestry** index fell 1.6% in July as prices for both logs and pulp eased. Demand from China for logs is reasonable but not sufficient to deliver higher prices. There are still a lot of beetle-damaged spruce logs coming in from Eastern Europe, which compete with New Zealand Pinus Radiata. Returns from logs have now fallen sufficiently for some owners of small forests to elect to delay harvest while large-scale forestry companies tend to ride out the price cycles. Local demand for timber remains strong.

Aluminium prices lifted a further 5.4% in July following a similar-sized gain the previous month. But prices are still trading 8.4% below year-ago levels. Even though the aluminium being produced from the Tiwai Point smelter is considered a premium product, Rio Tinto, the owners of the smelter, have advised they will close it next August due to it not being financially viable.

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
Jul-16	244.2	..	1.9	178.9	..	-5.8
Jul-17	295.7	..	21.1	210.6	..	17.7
Jul-18	295.1	..	-0.2	228.9	..	8.7
Jul-19	293.6	..	-0.5	229.5	..	0.3
Feb-20	290.1	-2.1	0.1	237.2	0.9	6.6
Mar-20	284.2	-2.0	-5.8	245.2	3.4	5.8
Apr-20	281.1	-1.1	-9.2	243.8	-0.6	0.9
May-20	284.3	1.1	-8.2	243.6	-0.1	-1.4
Jun-20	282.1	-0.8	-5.3	230.1	-5.5	-2.5
Jul-20	288.5	2.3	-1.7	229.4	-0.3	0.0

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2019 year are: Wool 1.6%; Beef 10.9%; Lamb 11.7%; Venison 0.5%; Skins 0.8%; Dairy 40.2%; Apples 2.6%; Kiwifruit 6.8%; Logs 10.4%; Sawn Timber 3.1%; Wood Pulp 2.2%; Seafood 5.5%; Aluminium 3.6%



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