

ANZ Commodity Price Index

3 December 2020



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Contact

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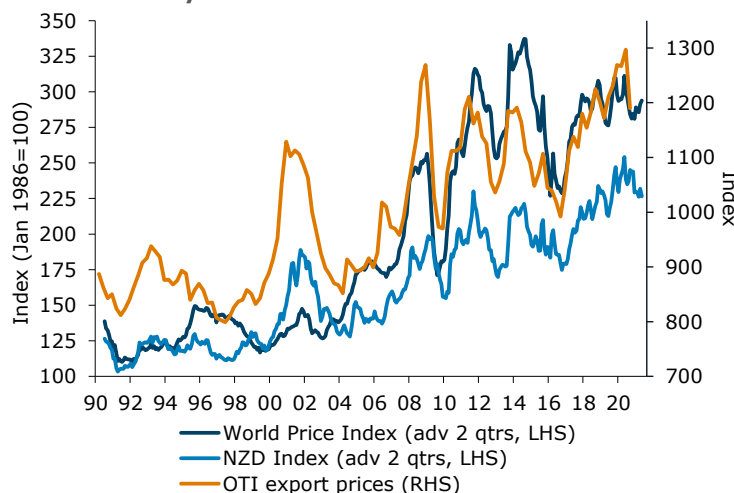
The next issue of the ANZ Commodity Price Index is scheduled for release on 13 January 2021 at 1pm.

Butter me up

The ANZ World Commodity Price Index posted a modest gain of 0.9% in November. Higher prices for aluminium, beef, wool and butter helped push the index higher.

In local currency terms the index fell 2.3%, all but wiping out the October gains. The NZD strengthened against the currencies of our main trading partners to push the Trade Weighted Index (TWI) up 2.0% in November.

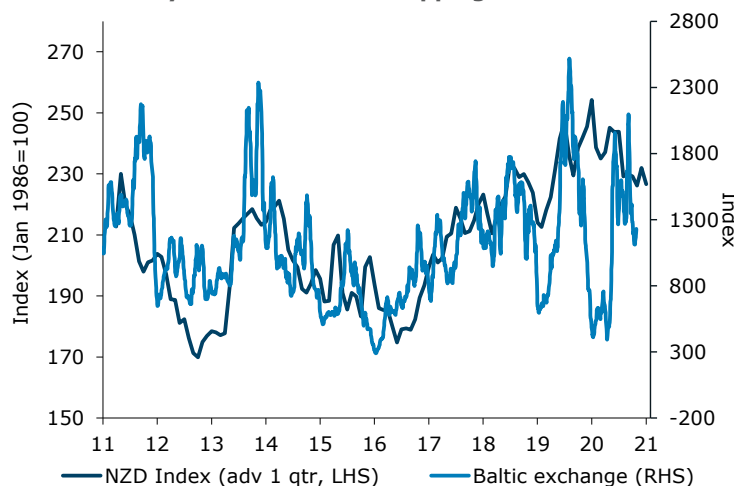
ANZ Commodity Price Index



Source: ANZ, Stats NZ

Global shipping costs lifted during November. Delays at several international ports and at the Port of Auckland has resulted in shipping companies charging extra for freight destined for congested ports. Shipping container availability is very tight at present as the delays mean the turnaround time for containers is much longer. Some ships are missing some ports out to keep to schedule, while other ships are concentrating on more lucrative shipping routes. Shipping costs are likely to remain elevated for some time.

NZ Commodity Price Index and shipping costs



Source: ANZ, Bloomberg

Dairy prices softened 0.6% in November. Price movements were mixed, with butter strengthening on the back of reduced global stocks. Cheese and whole milk powder prices softened slightly during November and skim milk powder prices fell 5.1%. Global milk supplies are growing and this is expected to put pressure on returns at some point, but for now pricing remains at relatively high levels, which is underpinning returns to dairy farmers.

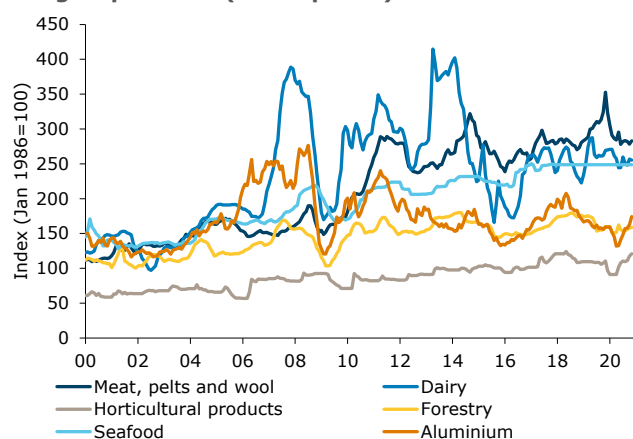
The **meat and fibre** index lifted 1.7% in November, reversing a similar-sized fall the previous month. Wool prices firmed for the sixth month in a row, but prices remain low and market conditions are still weak. Beef prices lifted this month, while returns for lamb fell in international markets. Last month these prices both moved in the opposite direction, reflecting a clear lack of direction at present. The volume of products being sold out of New Zealand is low at this time of the season. Good conditions for growing pasture mean farmers are currently holding onto livestock that might otherwise be available for processing.

The **horticulture** index lifted 3.0% in November and is now 9.5% higher than a year ago. The export season for both apples and kiwifruit is now virtually over. Our major export markets will begin sourcing fruit from the Northern Hemisphere again, and in most cases from their own domestic production. Apple production in Europe is forecast to be down on last season, which bodes well for early-season demand for our next apple crop. Kiwifruit pricing has been very resilient throughout the pandemic and Zespri is confident in the price outlook.

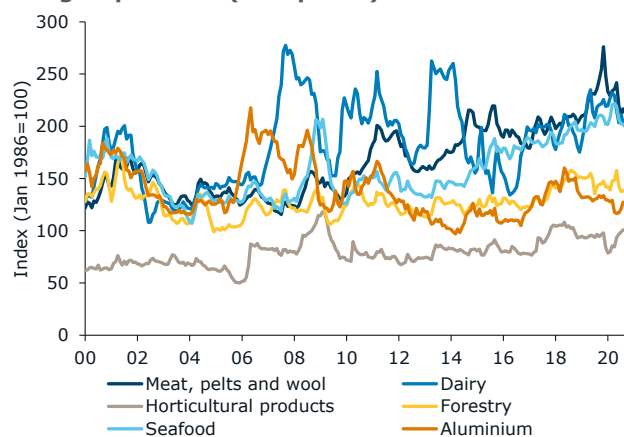
The **forestry** index gained 0.7% in November after posting a similar gain in October. Log prices are benefitting from strong demand both locally and overseas. Building activity remains strong in New Zealand and is expected to remain so due to the shortage of housing. Demand is also strong from China, our main overseas market. Good volumes of logs are being purchased, which has reduced the stock of logs sitting at Chinese ports.

Aluminium prices lifted 7.0% in November. Prices have oscillated throughout the year but are now trending higher as demand for metals lift on the back of strengthening demand for consumer goods. Prices are up 9.2% y/y.

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
Nov-16	275.3	..	13.6	199.4	..	3.0
Nov-17	291.8	..	6.0	223.2	..	11.9
Nov-18	276.9	..	-5.1	214.1	..	-4.1
Nov-19	311.2	..	12.4	254.2	..	18.8
Jun-20	280.9	-1.3	-5.7	229.2	-6.0	-2.9
Jul-20	289.1	2.9	-1.5	229.9	0.3	0.2
Aug-20	286.2	-1.0	-2.8	229.2	-0.3	-3.9
Sep-20	285.6	-0.2	-3.1	226.2	-1.3	-6.5
Oct-20	291.3	2.0	-2.3	231.9	2.5	-5.5
Nov-20	293.9	0.9	-5.5	226.6	-2.3	-10.9

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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