

ANZ Commodity Price Index

5 October 2021



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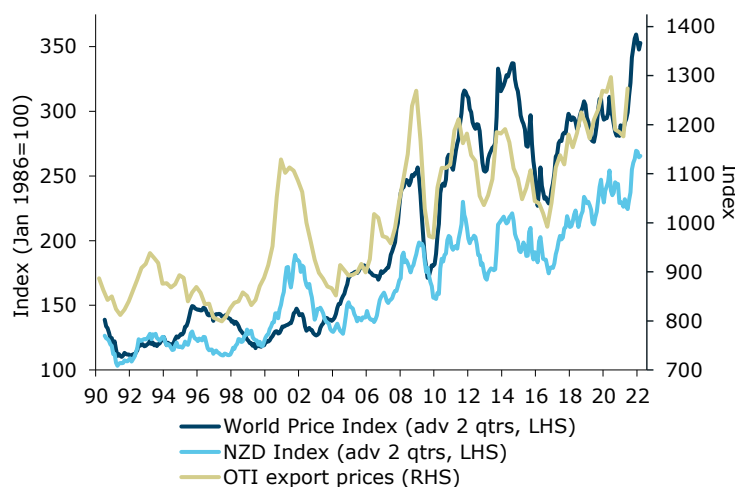
The next issue of the ANZ Commodity Price Index is scheduled for release on 4 November 2021 at 1pm.

Spring bounce

The ANZ World Commodity Price Index lifted 1.5% in September, partially unwinding the previous month's fall. Dairy and forestry both regained some ground and aluminium and meat prices (particularly lamb) were strong.

In local currency terms, the index gained just 0.4% as the NZD-TWI lifted 1.1% in the month.

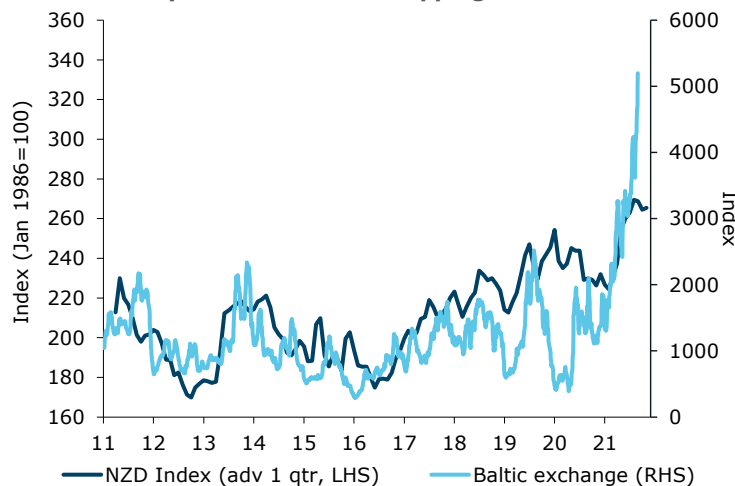
ANZ Commodity Price Index



Source: ANZ, Stats NZ

The **global shipping industry** remains congested and shipping costs are still rising. In August, the Baltic Dry Index lifted a further 26% to put shipping costs at their highest rate since September 2008. There appears to be no end in sight, with high freight costs so far doing little to dampen demand for imported goods. More ships are being built but this takes two to three years, so it won't solve the freight crisis anytime soon.

NZ Commodity Price Index and shipping costs



Source: ANZ, Bloomberg

Dairy prices lifted 1.3% m/m in September, halting three months of falling prices. Dairy product is typically plentiful at this time of year as New Zealand dairy exporters start forward selling new-season production. But this year the market is a little tighter than usual and Fonterra has reduced its offerings on the GlobalDairyTrade platform due to strong sales through alternative channels. Milk production in the main Northern Hemisphere exporting regions is growing only sedately as high grain prices are curbing profits at the farm level.

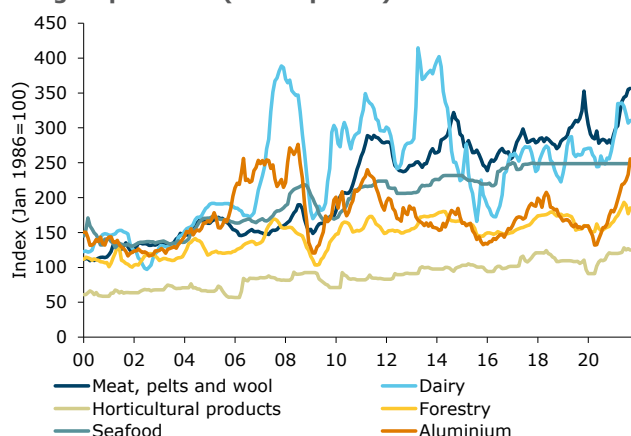
The **meat and fibre** index lifted a further 0.6% m/m in September on the back of higher international prices for lamb. The lamb sub-index is now at a record level, driven by stronger prices for all cuts. Unfortunately, wool lost some of the gains it made the previous month. Beef prices eased a tad during September but returns are still very healthy. Demand for beef remains robust from both China and the United States, whilst the volume of beef available for trade globally has been curtailed by various trade restrictions.

The **horticulture** index fell 1.5% in September. Apple prices have continued to trend down as new-season apples from the Northern Hemisphere compete with our end-of-season exports. Kiwifruit demand remains robust, with export returns for gold kiwifruit on par with last season.

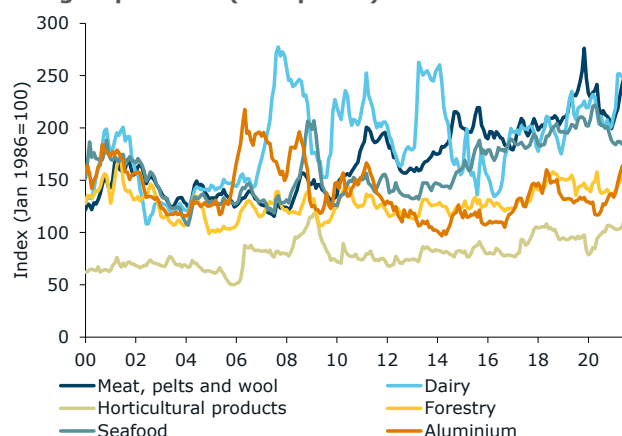
The **forestry** index lifted 4.7% to claw back some of the previous month's losses. Export demand remains relatively robust despite China's housing development industry being under some pressure. There are plenty of logs sitting on wharves in China, but demand for New Zealand logs is still robust despite the slowdown in end-user demand and the excessively high shipping costs. Logs are difficult to source from many other markets and the high shipping costs make it particularly prohibitive for China to source logs from South America. Local mills have also been competing strongly with export markets to secure logs.

Aluminium prices lifted a whopping 9.6% in September, and is up more than 60% over the past year. Aluminium prices are being supported by limited supply from China – the world's largest producer of this light-weight, versatile metal – as China addresses an electricity shortage. The supply of bauxite – the raw material used to make aluminium – is also under threat from a coup in Guinea, a major supplier.

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
Sep-17	295.4	..	11.5	214.8	..	13.4
Sep-18	284.9	..	-3.5	227.2	..	5.8
Sep-19	294.7	..	3.4	241.9	..	6.5
Sep-20	285.6	..	-3.1	226.2	..	-6.5
Apr-21	349.1	2.2	24.2	260.2	2.1	6.7
May-21	356.3	2.1	25.2	263.1	1.1	7.9
Jun-21	359.4	0.9	28.0	269.5	2.4	17.6
Jul-21	353.3	-1.7	22.2	268.8	-0.3	16.9
Aug-21	347.7	-1.6	21.5	264.5	-1.6	15.4
Sep-21	353.0	1.5	23.6	265.5	0.4	17.4

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2020 year are: Wool 1.2%; Beef 11.3%; Lamb 11.9%; Venison 0.5%; Skins 0.6%; Dairy 41.4%; Apples 2.8%; Kiwifruit 8.1%; Logs 9.4%; Sawn Timber 3.0%; Wood Pulp 1.9%; Seafood 4.9%; Aluminium 3.1%.



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