

ANZ Commodity Price Index

3 March 2022



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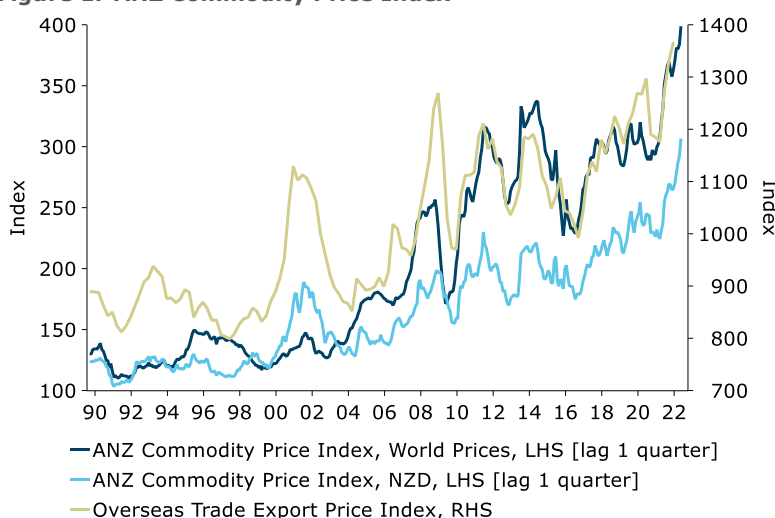
The next issue of the ANZ Commodity Price Index is scheduled for release on 6 April 2022 at 1pm.

Climbing to a higher peak

The ANZ World Commodity Price Index surged 3.9% in February to hit yet another record high. Prices lifted across most commodity groups with dairy and aluminium leading the charge.

In local currency terms, the index gained 4.9%, as local returns were supported by a 1.2% reduction in the trade weighted index (TWI).

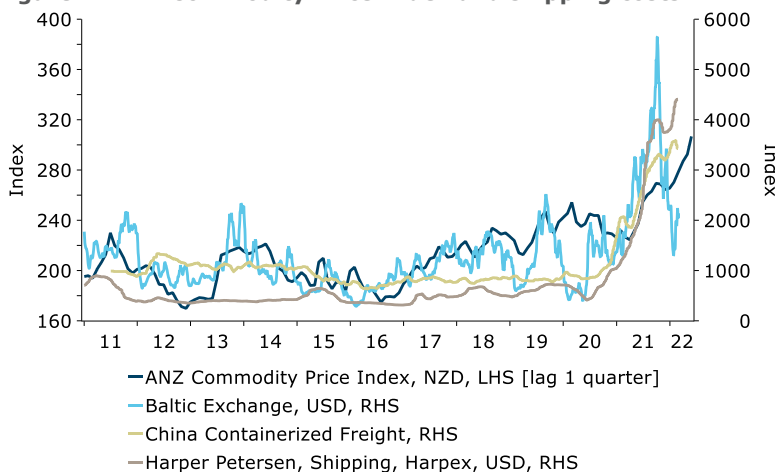
Figure 1. ANZ Commodity Price Index



Source: Stats NZ, Macrobond, ANZ Research

The **global shipping industry** continues to face challenges, with delays at ports keeping shipping costs elevated. Accessing containers remains a challenge, and there have been instances where export goods have been displaced as container ships focus on returning empty shipping containers back to the most profitable routes. Reliable shipping becomes increasingly critical during autumn as more perishable fruit and meat is exported.

Figure 2. ANZ Commodity Price Index and shipping costs



Source: Baltic Exchange, Harper Petersen & Co., Shanghai Shipping Exchange, Macrobond, ANZ Research

Dairy prices gained 7.2% month-on-month (m/m) in February with whole milk powder (WMP) lifting 9.5%. Butter and cheese prices reached record highs. Dairy markets responded positively to news of lower milk output in both New Zealand and the United States. This upward trend is expected to continue in the short-term but at some point consumer demand will react negatively to these high prices.

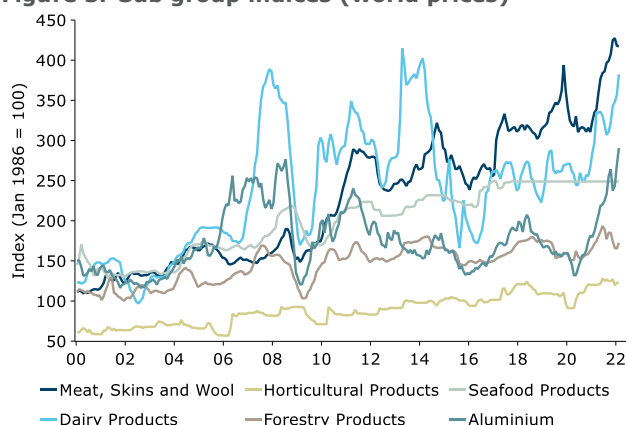
The **meat and fibre** index eased 0.1% in February as stronger prices for beef and wool offset lower returns for lamb. Beef prices are now at record levels, with this form of protein benefitting from reduced global production combined with healthy competition between the two largest buyers of NZ beef - China and the US. Lamb returns are still relatively strong but it is normal to see prices ease as the supply from NZ lifts at this time of the season.

The **horticulture** index was flat in February as the new season gets into gear. We are yet to receive pricing for new season apples. Export returns for these fruits are expected to remain elevated but the real challenge for our horticultural industries is getting the fruit picked, packed and safely delivered to markets. Orchardists are bracing for another season of labour shortages and logistical challenges.

The **forestry** index popped up 4.3% in February, retracing some of the recent declines in prices. Buying interest from China has picked up again following the lull in activity associated with the Chinese New Year holiday period. This is putting upward pressure on pricing, as is the relatively low global supply of raw logs.

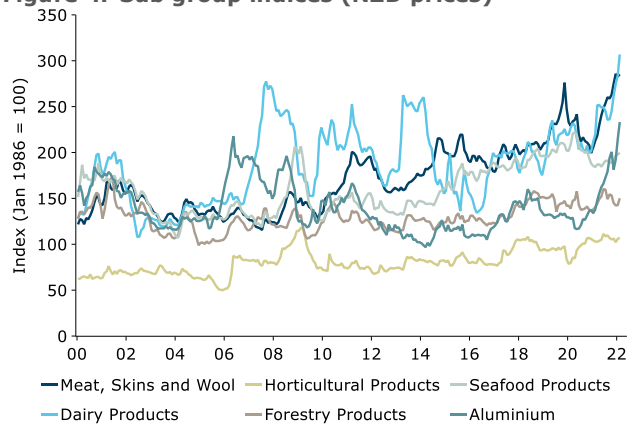
Aluminium prices jumped 7.9% m/m in February after posting a double digit lift the previous month. The cost of aluminium is lifting on concerns of limited supply as Russia is a major supplier. Stocks of aluminium stored in warehouses approved by the London Metal Exchange have halved in the past year as high energy costs had already curbed production well before the Russian invasion of Ukraine.

Figure 3. Sub group indices (world prices)



Source: Macrobond, ANZ Research

Figure 4. Sub group indices (NZD prices)



Source: Macrobond, ANZ Research

	World Price Index	Monthly % Change	Annual % Change	NZD Index	Monthly % Change	Annual % Change
Feb-18	304.7	..	5.0	215.6	..	6.5
Feb-19	297.9	..	-2.2	222.4	..	3.2
Feb-20	298.2	..	0.1	237.1	..	6.6
Feb-21	331.1	..	11.0	237.3	..	0.1
Sep-21	362.9	1.5	23.6	265.5	0.4	17.4
Oct-21	370.7	2.2	23.8	270.3	1.8	16.5
Nov-21	381.1	2.8	26.1	278.6	3.1	22.9
Dec-21	380.0	-0.3	23.5	287.0	3.0	27.8
Jan-22	383.9	1.0	19.7	292.5	1.9	26.5
Feb-22	398.8	3.9	20.4	306.7	4.9	29.3

Commodity Price Index weights are based on contributions to merchandise exports for the prior calendar year. Weights for the 2021 year are: Wool 1.2%; Beef 11.1%; Lamb 11.3%; Venison 0.4%; Skins 0.7%; Dairy 40.8%; Apples 2.3%; Kiwifruit 7.7%; Logs 11.0%; Sawn Timber 3.0%; Wood Pulp 2.0%; Seafood 4.6%; Aluminium 3.9%.



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