

ANZ Commodity Price Index

5 February 2024



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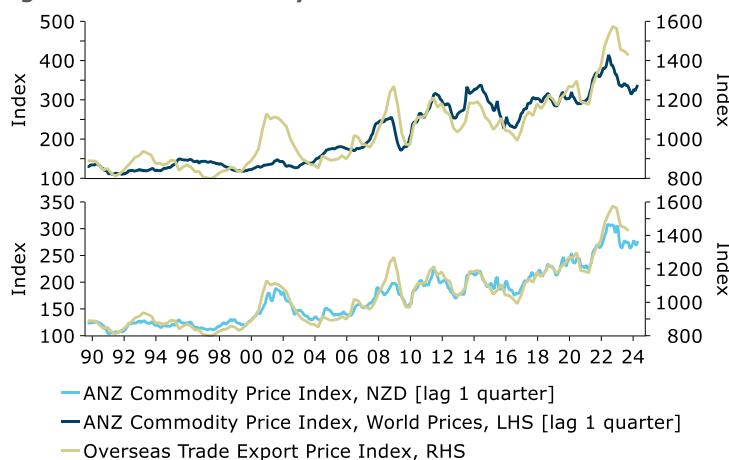
The next issue of the ANZ Commodity Price Index is scheduled for release on 5 March 2024 at 1pm.

Confused by acronyms or jargon? See a glossary [here](#).

Butter prices lift index

The ANZ World Commodity Price Index gained 2.2% m/m in January. Higher returns for dairy products were again the major driver. In New Zealand dollar terms, the index lifted 2.9% m/m as the NZD fell 0.2% against the trade weighted index.

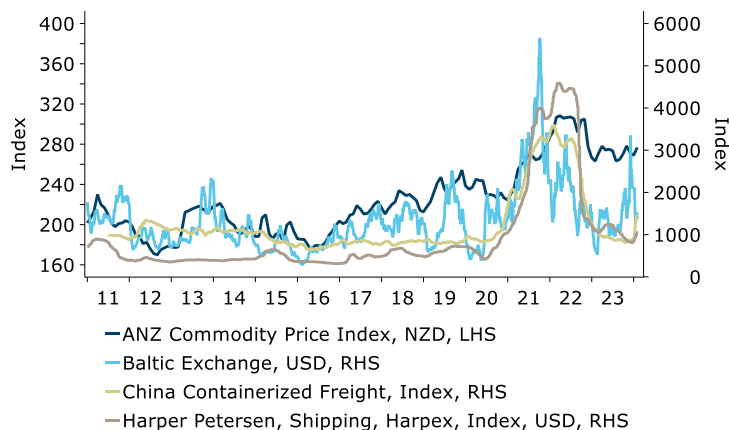
Figure 1. ANZ Commodity Price Index



Source: Stats NZ, Macrobond, ANZ Research

Global shipping prices are trending higher as problems traversing the Suez and Panama Canals are making journeys longer and more expensive. This is also indirectly impacting shipping on other routes, such as NZ-Asia, due to the reduced supply of ships and containers. The Baltic Dry Index, which tends to be the most volatile of the shipping indices, has trended down since spiking in December. Other shipping indices are trending higher as they start to reflect the additional costs being imposed on freight. In the current uncertain environment charter ships are proving to be a more reliable and quicker method of shipping than relying on container ships.

Figure 2. ANZ Commodity Price Index and shipping costs



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

Dairy prices lifted 4.7% in January month-on-month (m/m) following a 4.9% gain the previous month. Butter and whole milk powder were the main drivers, improving by 9.9% and 5.3% respectively. Butter prices were lagging other dairy prices but as milk production slows in the Northern Hemisphere the butter market has started to tighten. Dairy prices are expected to continue to improve as global milk supplies ease.

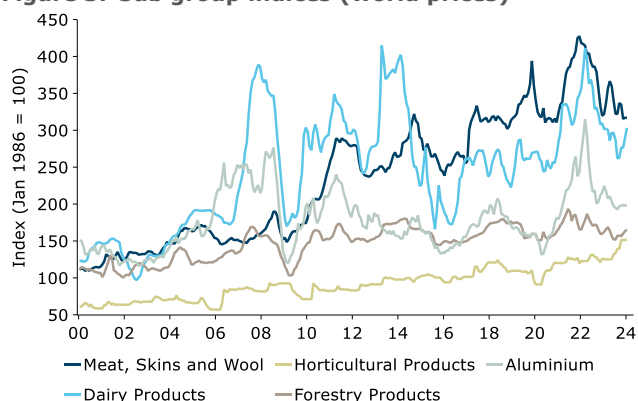
The **meat and fibre** index stalled in January. Gains in wool pricing were offset by weaker prices for lamb. Beef prices lifted marginally. The US market continues to take a greater share of the beef that is traded globally, which has helped offset softer demand from China. Lamb prices remain under pressure primarily due to slower demand from China, which has become our main market for many cuts of lamb and mutton. The lift in wool prices is welcome but it is still costing more to shear coarse-wool sheep than the returns for the wool.

The **horticulture** index was unchanged in January as we remain in between selling seasons. Conditions have generally been favourable for horticulture this year and a record crop of kiwifruit is forecast. Dry conditions have prevailed throughout Marlborough and the Wairarapa, which is favourable for wine producers. New-season apples are beginning to be harvested but it is too early to know how prices will fare this season.

The **forestry** index lifted 1.2% m/m in January following a 2.0% m/m lift in December. Prices firmed a little before Chinese New Year but it will be another month before end-user demand become clearer. At this stage pricing is expected to hold near current levels over the next few months. The high shipping costs will discourage moving logs long distances, reducing competition in the Asian markets from South American logs.

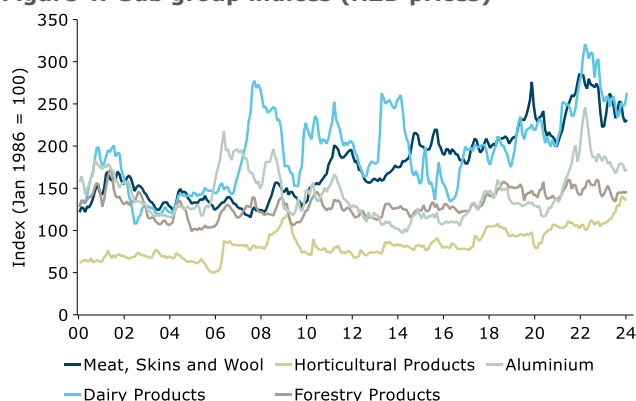
Aluminium prices lifted 0.5% m/m in January, offsetting the 0.5% m/m fall in prices recorded in December. Prices are currently down 11.5% y/y and are 26% lower than two-years ago. Prices have been pushed up recently by expectations that aluminium may be included in the next round of embargos imposed by the EU on Russia. Not all EU countries are in favour of restricting access of Russian metals such as aluminium so it is not yet clear if this will occur. Russia is the third-largest producer of aluminium, accounting for approximately 5% of global production.

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 |
|--------|-------------------|------------------|-----------------|-----------|------------------|-----------------|
| Jan-20 | 304.8 | .. | 5.1 | 235.1 | .. | 7.7 |
| Jan-21 | 320.7 | .. | 5.2 | 231.2 | .. | -1.6 |
| Jan-22 | 384.0 | .. | 19.7 | 292.6 | .. | 26.6 |
| Jan-23 | 333.0 | .. | -13.3 | 263.2 | .. | -10.1 |
| Aug-23 | 313.8 | -2.9 | -14.3 | 264.9 | 0.6 | -9.2 |
| Sep-23 | 318.2 | 1.4 | -12.5 | 270.3 | 2.0 | -11.1 |
| Oct-23 | 327.0 | 2.8 | -6.9 | 278.2 | 3.0 | -8.7 |
| Nov-23 | 322.9 | -1.2 | -4.3 | 271.4 | -2.5 | -2.1 |
| Dec-23 | 330.7 | 2.4 | -1.8 | 268.8 | -1.0 | 0.8 |
| Jan-24 | 337.9 | 2.2 | 1.4 | 276.7 | 2.9 | 5.2 |

Commodity Price Index weights are based on contributions to merchandise exports for the prior calendar year. Weights for the 2022 year are: Wool 1.1%; Beef 12.0%; Lamb 10.7%; Venison 0.4%; Skins 0.8%; Dairy 43.8%; Apples 2.2%; Kiwifruit 6.5%; Logs 8.8%; Sawn Timber 2.8%; Wood Pulp 2.3%; Seafood 4.5%; Aluminium 4.1%.



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