

## ANZ Commodity Price Index

5 March 2024



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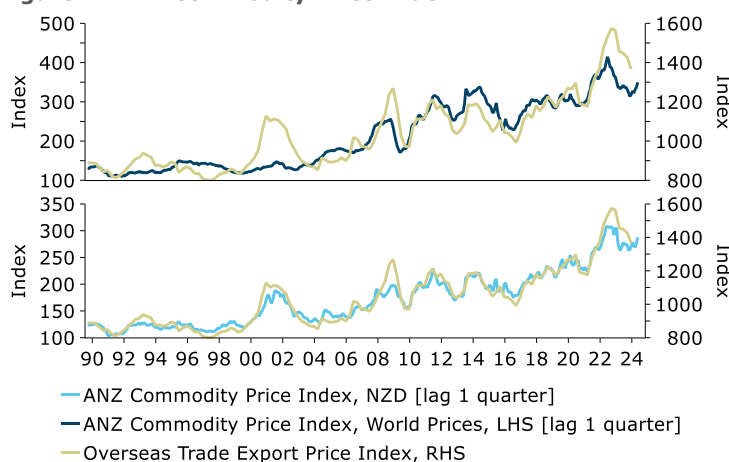
The next issue of the ANZ Commodity Price Index is scheduled for release on 3 April 2024 at 1pm.

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

## Prices lift but markets remain fragile

The ANZ World Commodity Price Index gained 3.5% m/m in February as both dairy and meat prices improved. In New Zealand dollar terms, the index lifted 4.1% m/m as the NZD fell 0.8% against the US dollar.

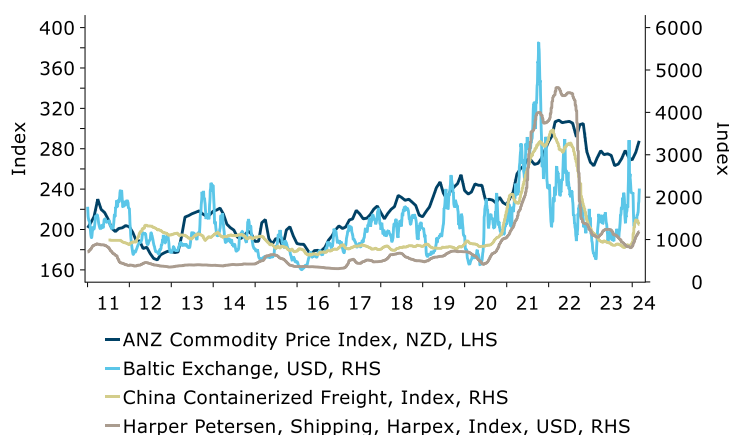
Figure 1. ANZ Commodity Price Index



Source: Stats NZ, Macrobond, ANZ Research

**Global shipping prices** are generally trending higher as problems traversing the Suez and Panama Canals are making journeys longer and more expensive. The Baltic Dry Index shot up again in February but still remains well below the level attained during the pandemic when global shipping was severely disrupted. New Zealand's smaller exporters are more exposed to the recent changes in shipping costs as they rely on gaining space on container ships, as opposed to having long-term contracts directly with the shipping providers or having the scale to utilise charter 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 4.9% in February month-on-month (m/m), with prices up 15% over the past three months. Strong lifts in butter and skim milk powder were the main drivers, improving by 14.2% and 5.6% respectively. Dairy prices are benefiting from reduced global milk production, particularly in the EU and the US, which has encouraged buyers to secure product whilst there is still ample supplies.

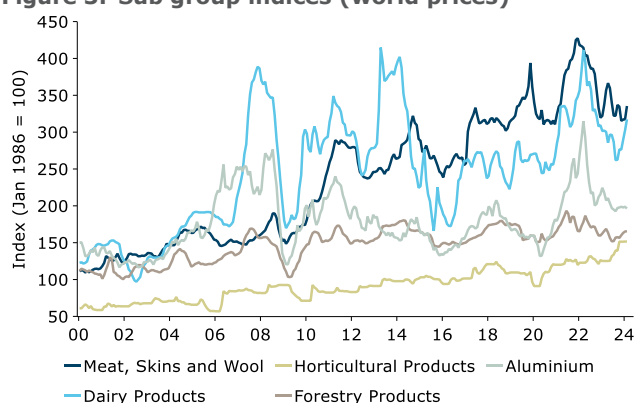
The **meat and fibre** index posted a solid gain of 5.7% in February as wool, beef and lamb prices all improved. Despite the improvement, lamb and wool prices are still very low. Demand for lamb products is particularly weak in China at present and this is our main market for many cuts of lamb. Consumers are favouring cheaper sources of protein such as pork and chicken. Elevated supply of lamb from Australia is also weighing on market prices. Beef demand remains solid despite increased supplies with the US buying more meat than usual.

The **horticulture** index remains unchanged as new season pricing is yet to become available. Harvesting of apples, kiwifruit and grapes is underway. This season there are plenty of backpackers available to help with the harvest. A record kiwifruit harvest is forecast which will test the depth of our markets, but a much smaller grape harvest is expected due to unfavourable weather earlier in the season resulting in fewer fruit forming.

The **forestry** index sneaked up 0.3% m/m in February. Wood pulp prices improved but prices for logs softened. Log prices are currently a percent lower than a year ago. Log exporters are reporting some improved demand from China as building activity lifts again following the Chinese New Year holiday period. However, log returns are being negatively impacted by the lift in global shipping costs, as they are a bulky item to move. Therefore any improvement in in-market pricing will be eroded by the higher shipping costs.

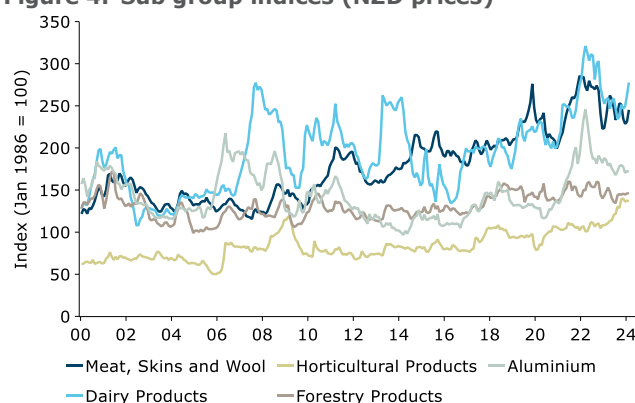
**Aluminium** was the only major sector to record a fall in prices in February (-1.2% m/m). The aluminium market is benefitting from tighter supplies within Europe but relatively low usage of aluminium from China will temper price movements. Expectations the US may sanction Russian aluminium initially pushed prices up, but aluminium was not included in the latest round of sanctions hence prices eased again in late February.

**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-20	<b>298.2</b>	..	0.1	<b>237.1</b>	..	6.6
Feb-21	<b>331.1</b>	..	11.0	<b>237.3</b>	..	0.1
Feb-22	<b>398.8</b>	..	20.4	<b>306.8</b>	..	29.3
Feb-23	<b>337.7</b>	..	-15.3	<b>270.8</b>	..	-11.7
Sep-23	<b>318.2</b>	1.4	-12.5	<b>270.2</b>	2.0	-11.1
Oct-23	<b>327.0</b>	2.8	-6.9	<b>278.2</b>	3.0	-8.7
Nov-23	<b>322.9</b>	-1.2	-4.3	<b>271.4</b>	-2.4	-2.1
Dec-23	<b>330.7</b>	2.4	-1.8	<b>268.9</b>	-0.9	0.8
Jan-24	<b>337.7</b>	2.1	1.4	<b>276.5</b>	2.8	5.1
Feb-24	<b>349.7</b>	3.5	3.5	<b>287.8</b>	4.1	6.3

Commodity Price Index weights are based on contributions to merchandise exports for the prior calendar year. Weights for the 2023 year are: Wool 1.1%; Beef 11.9%; Lamb 10.0%; Venison 0.5%; Skins 0.7%; Dairy 44.4%; Apples 2.3%; Kiwifruit 6.5%; Logs 8.8%; Sawn Timber 2.7%; Wood Pulp 1.7%; Seafood 5.2%; Aluminium 4.1%.



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