

ANZ Commodity Price Index

4 April 2024



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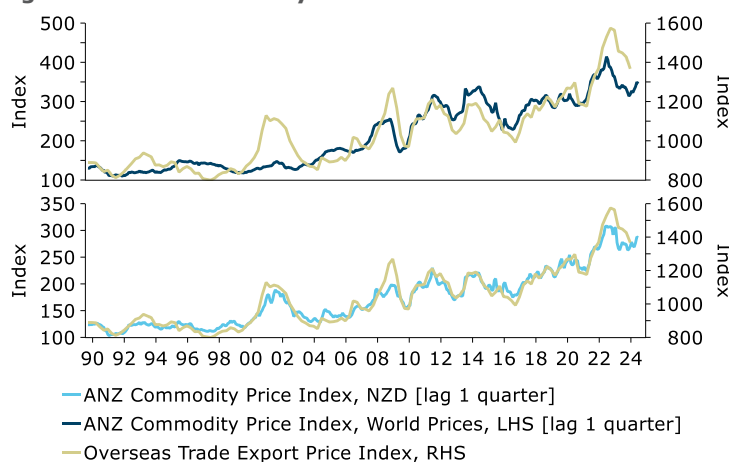
The next issue of the ANZ Commodity Price Index is scheduled for release on 6 May 2024 at 1pm.

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

Softer dairy prices drag down index

The ANZ World Commodity Price Index fell 1.3% m/m in March as dairy and forestry prices fell. In New Zealand dollar terms, the index fell 0.4% m/m as the NZD lost 0.8% against the Trade Weighted Index.

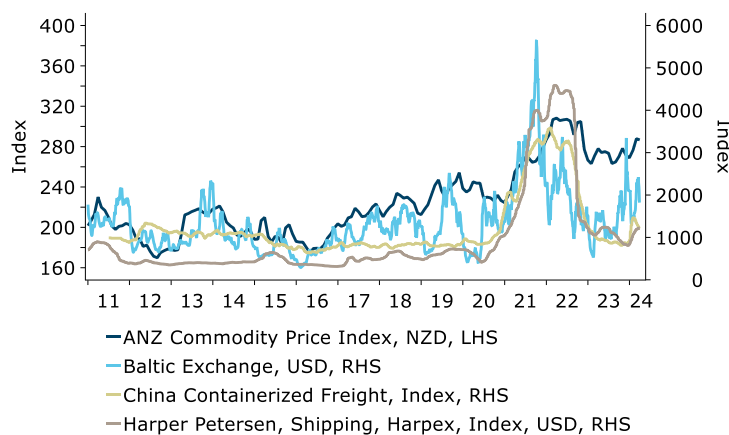
Figure 1. ANZ Commodity Price Index



Source: Stats NZ, Macrobond, ANZ Research

Global shipping prices have eased slightly but still remain relatively high due to ongoing congestion in global shipping channels. The Baltic Dry Index, which tends to be particularly volatile, eased 10% in March, but is still up 30% y/y. More ships are now sailing through the Panama Canal, but the Suez Canal is still a 'no go' zone for most freighters and this is expected to continue into the second half of the year. This means it costs more to get produce to Europe, impacting our horticultural exports, including apples, kiwifruit, and wine.

Figure 2. ANZ Commodity Price Index and shipping costs



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

Dairy prices fell 4.3% month-on-month (m/m) in March, giving up most of the gains made in February. Milk powder prices have retreated considerably, with whole milk powder dropping 6.2% and skim milk powder falling 7.0% during the month. Smaller decreases in prices were also recorded for butter (-1.3%), cheese (-1.7%) and casein (-1.7%).

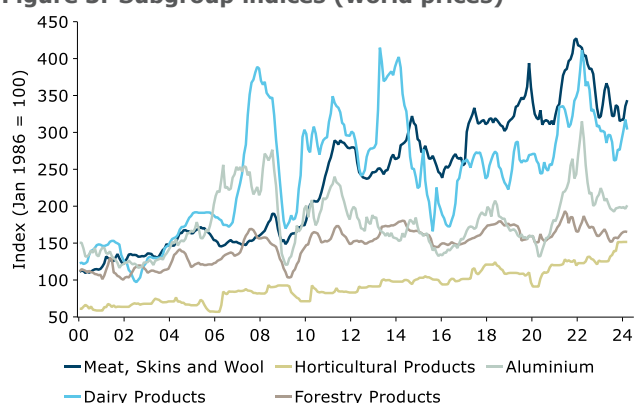
The **meat and fibre** index lifted a further 2.5% in March as strong beef prices offset weaker prices for wool and lamb. Lamb continues to struggle as consumers trade down to cheaper sources of protein but strong demand from the US for beef is keeping prices elevated. Exporters are diverting beef from China to take advantage of the additional demand brought about by a reduction in beef production in the US.

The **horticulture** index remains unchanged as official new-season pricing is not yet available, but prices for both apples and kiwifruit are under pressure. This season a record volume of kiwifruit is forecast, which will be challenging for markets to absorb without prices easing to some degree. Apple prices are also expected to be a little lower than last season, but this will vary considerably between varieties. Fewer grapes will be harvested this season due to poorer growing conditions, which will help address the current oversupply of wine.

The **forestry** index fell 0.3% m/m in March, giving up all the gains made the previous month. Prices are expected to fall further as demand from China is reported to be extremely weak. Exporters had hoped for an improvement in demand after Chinese New Year, but this has not eventuated. Logs are now building up on wharves in New Zealand as well as stocks increasing at ports in China.

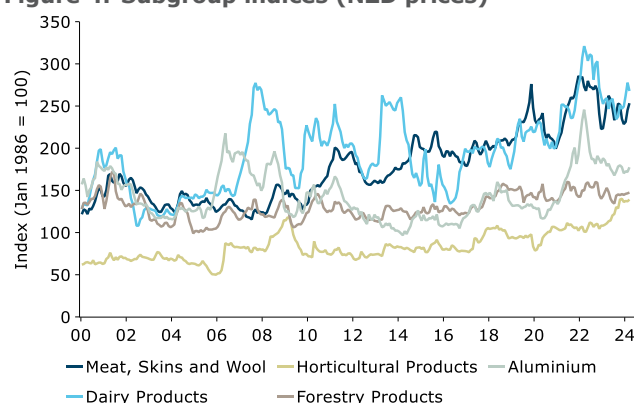
Aluminium prices lifted 2.4% in March with prices now at their highest level in 10 months. Premiums for 'green aluminium' like that produced at the Tiwai Point smelter are starting to emerge as demand increases for products with a lower level of embedded carbon. A 'green' aluminium smelter is planned to be built in the US, which will be the first new plant constructed in 45 years. Aluminium production in the US has fallen sharply this century as they have become more reliant on imported aluminium.

Figure 3. Subgroup indices (world prices)



Source: Macrobond, ANZ Research

Figure 4. Subgroup indices (NZD prices)



Source: Macrobond, ANZ Research

	World Price Index	Monthly % Change	Annual % Change	NZD Index	Monthly % Change	Annual % Change
Mar-20	292.2	..	-5.8	245.1	..	5.8
Mar-21	351.2	..	20.2	254.9	..	4.0
Mar-22	414.5	..	18.0	308.3	..	20.9
Mar-23	342.2	..	-17.4	278.0	..	-9.8
Oct-23	327.0	2.8	-6.9	278.2	3.0	-8.7
Nov-23	322.9	-1.2	-4.3	271.4	-2.4	-2.1
Dec-23	330.7	2.4	-1.8	268.9	-0.9	0.8
Jan-24	337.7	2.1	1.4	276.5	2.8	5.1
Feb-24	349.7	3.6	3.5	287.9	4.1	6.3
Mar-24	345.3	-1.3	0.9	286.7	-0.4	3.1

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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