

ANZ Commodity Price Index

6 June 2024



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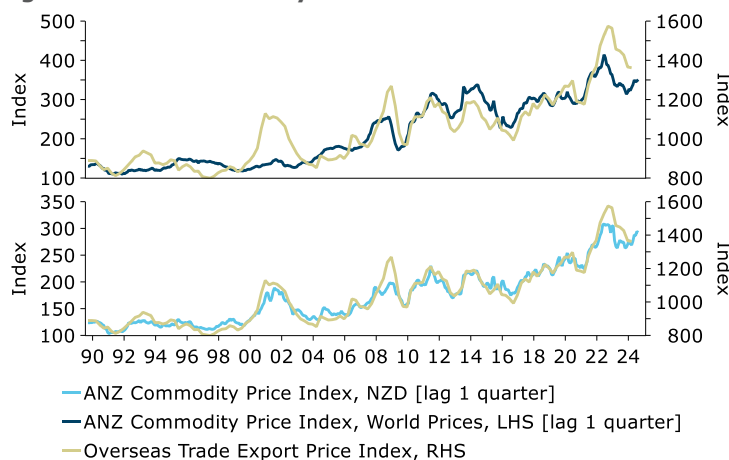
The next issue of the ANZ Commodity Price Index is scheduled for release on 3 July 2024 at 1pm.

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

Dairy drives index higher

The ANZ World Commodity Price Index lifted 1.1% m/m in May as stronger dairy and aluminium prices offset lower returns for meat and horticultural produce. In New Zealand dollar terms, the index fell 0.7% m/m as the NZD Trade Weighted Index lifted 1.3%.

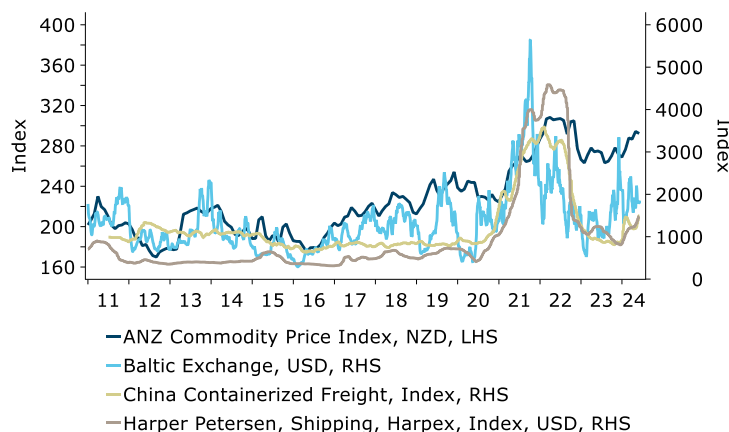
Figure 1. ANZ Commodity Price Index



Source: Stats NZ, Macrobond, ANZ Research

Global shipping prices firmed during May. The volatile Baltic Dry Index did ease slightly during the month, but both the China Containerised Freight Index and the Harper Peterson Index increased. Global shipping routes remain subject to disruptions, and this has prompted unprecedented demand for charter ships. Charter ships give exporters more control of the route taken and departure dates, which helps ensure product is delivered to markets on time. This is particularly important for fresh produce, which has a limited shelf life. The longer shipping routes being taken to avoid high-risk areas has resulted in congestion at some international ports, and a shortage of containers.

Figure 2. ANZ Commodity Price Index and shipping costs



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

Dairy prices gained 2.9% month-on-month (m/m) in May. This means dairy commodity prices are 5.7% stronger than they were at the beginning of the previous milk production season. Prices of all major dairy products lifted during May. Whole milk powder prices lifted 3.7% and butter prices were up 2.9%. Demand for butter has been particularly strong, with prices up 36% y/y. Anhydrous milkfat pricing is now at record levels and butter prices are only marginally below the level achieved in early 2022. Whole milk powder prices are up 9.3% y/y, which bodes well for a stronger milk price for the 2024-25 season.

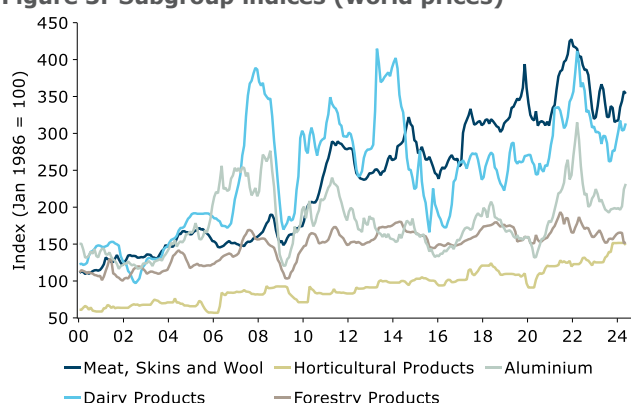
The **meat and fibre** index fell 1.0% in May as beef prices eased, offsetting recent improvements in wool and lamb pricing. Beef pricing tends to come under pressure at this time of the season due to the high volumes of cows being culled. Beef prices are still at quite high levels whereas wool and lamb prices are unsustainably low.

The **horticulture** index fell 1.8% as new season kiwifruit prices were slightly less than the previous season. New Zealand has a lot more kiwifruit to sell than last season, but so far exporters are very positive about global market demand. However, apple markets are proving to be very challenging. While returns in the European markets have been similar to the previous season, there has been a lot less high-quality, larger fruit available. This fruit typically attracts premium prices in the Asian markets.

The **forestry** index lifted 1.0% in May, clawing back a small portion of the previous month's losses. However, any gains in international pricing have been gobbled up by higher shipping costs. Harvesting activity is slowing in New Zealand, which will help the market rebalance. Log prices are currently down 4.5% y/y.

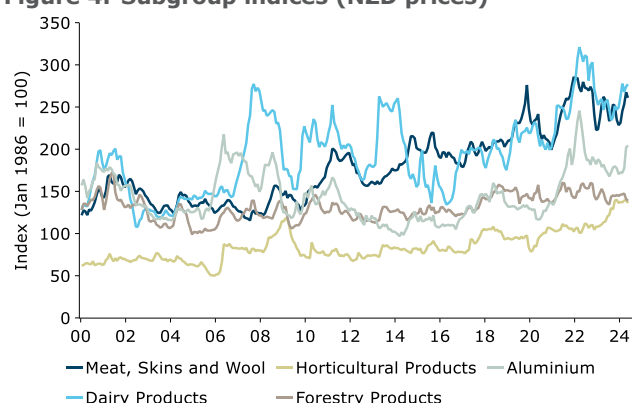
Aluminium prices lifted 3.3% in May, the third consecutive month of price gains. Strong global demand for aluminium, supply concerns, and potential for the US tariffs on Chinese aluminium have pushed prices up. Rio Tinto's aluminium smelter at Tiwai Point will now remain operational to 2044 as a deal on electricity supply has been brokered. The deal involves the plant reducing its electricity consumption during electricity shortages.

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
May-20	292.6	..	-8.1	243.8	..	-1.3
May-21	366.4	..	25.2	263.1	..	7.9
May-22	389.0	..	6.2	306.5	..	16.5
May-23	337.6	..	-13.2	275.0	..	-10.3
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
Apr-24	347.1	0.5	3.2	294.3	2.7	7.4
May-24	350.9	1.1	4.0	292.3	-0.7	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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