

# ANZ Commodity Price Index

6 December 2021



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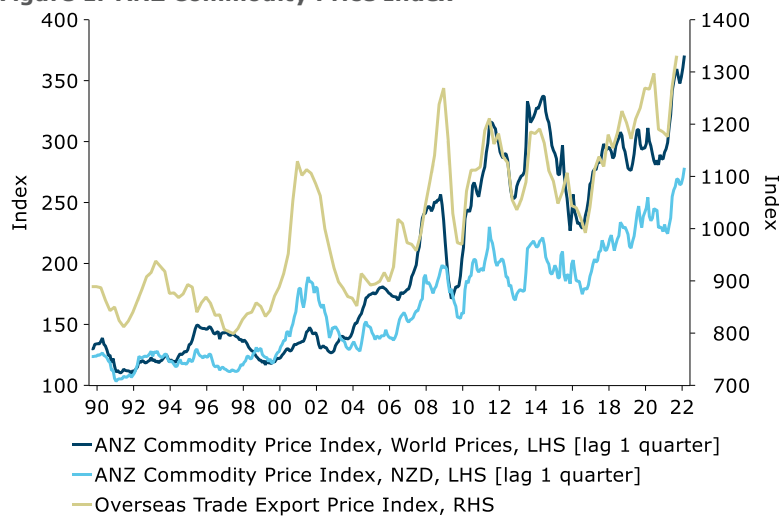
The next issue of the ANZ Commodity Price Index is scheduled for release on 12 January 2022 at 1pm.

## Dairy drives index higher

The ANZ World Commodity Price Index lifted 2.8% in November, pushing it into new territory. Dairy prices led the charge, supported by strong gains in meat, which offset weaker prices for forestry and aluminium.

In local currency terms, the index gained 3.1%, which was also a record high.

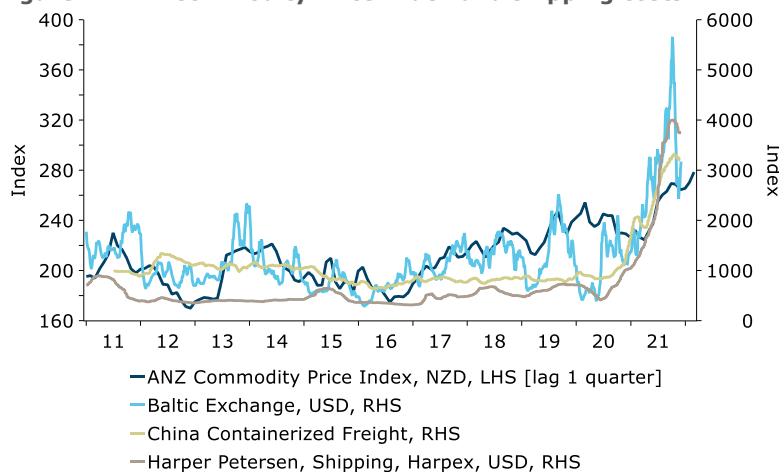
Figure 1. ANZ Commodity Price Index



Source: Stats NZ, Macrobond, ANZ Research

**Global shipping costs** have eased, although pricing remains elevated and expected to remain volatile. The Baltic Dry Index dropped sharply, falling 21% during November, to end the month at just half the level it was in early October. There has also been some easing in both the Harper Peterson World Container Index and the Shanghai China Containerised Freight Index, but prices are choppy and are expected to remain elevated throughout 2022.

Figure 2. ANZ Commodity Price Index and shipping costs



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

**Dairy** prices lifted 6.3% m/m in November, with particularly strong price lifts achieved for butter and cheese. Global milk supplies are relatively tight. NZ is the largest supplier of globally traded butter, and export volumes have been negatively impacted by an increase in UHT cream. This has helped push up the price of butter. But all dairy commodities have strengthened in the past month and this trend is expected to continue into 2022.

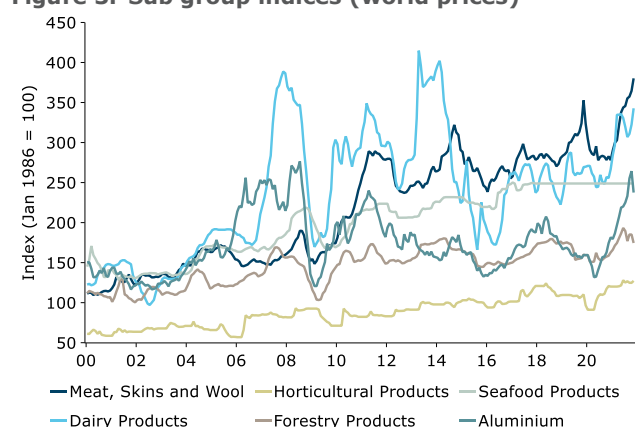
The **meat and fibre** index lifted 4.4% m/m in November to extend its record high. Returns for both beef and lamb are at record levels whilst venison is still trying to recover from the reduction in the European restaurant trade caused by the pandemic. Wool is now worth only half what it was a decade ago. Wool prices did lift 3% in November but this only partially offset a similar fall in price the previous month.

The **horticulture** index gained 2.0% in November as stronger returns for kiwifruit crept up at the tail end of the export season. Labour and pack-house limitations have forced Zespri to reconsider the rate at which the industry can expand and it has revised down the volume of SunGold licences that will be available next year. But the next harvest is expected to be bigger than this season, as previous plantings start to reach fruit-bearing age, which will add to already stretched labour requirements next season.

The **forestry** index fell 5.7% as high freight costs reduced the value of logs at the wharf-gate. The volume of logs being used in China has also fallen away as their property and construction industry goes through some financial challenges. The drop in returns means the number of logs offered for sale has fallen, which is helping to rebalance the market. Shipping rates are starting to ease and the lower quantity of logs being shipped to China should help prices start to recover.

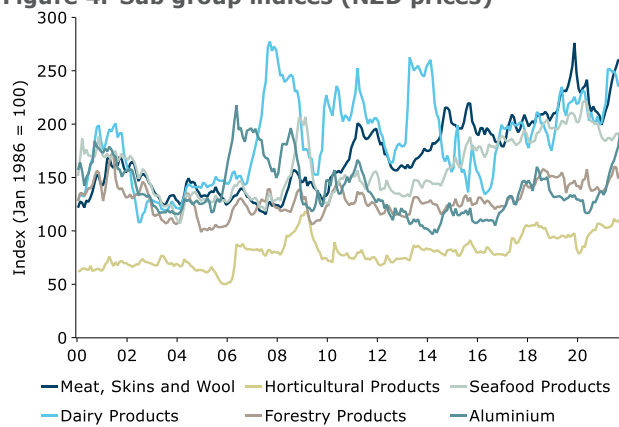
**Aluminium** prices dropped a massive 10.1% in November, offsetting gains recorded in the past couple of months. Aluminium pricing has been impacted by the recent uncertainty associated with the new COVID-19 variant, which has plagued financial markets and put downward pressure on metal prices generally.

**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
Nov-17	291.8	..	6.0	223.2	..	11.9
Nov-18	276.9	..	-5.1	214.1	..	-4.1
Nov-19	311.2	..	12.4	254.2	..	18.8
Nov-20	294.0	..	-5.5	226.6	..	-10.9
Jun-21	359.4	0.9	28.0	269.4	2.4	17.5
Jul-21	353.3	-1.7	22.2	268.8	-0.2	16.9
Aug-21	347.7	-1.6	21.5	264.5	-1.6	15.4
Sep-21	353.0	1.5	23.6	265.5	0.4	17.4
Oct-21	360.6	2.2	23.8	270.3	1.8	16.5
Nov-21	370.7	2.8	26.1	278.6	3.1	22.9

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2020 year are: Wool 1.2%; Beef 11.3%; Lamb 11.9%; Venison 0.5%; Skins 0.6%; Dairy 41.4%; Apples 2.8%; Kiwifruit 8.1%; Logs 9.4%; Sawn Timber 3.0%; Wood Pulp 1.9%; Seafood 4.9%; Aluminium 3.1%.



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