

ANZ COMMODITY PRICE INDEX

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CONTACT:

Con Williams
Agri Economist

Telephone: +64 4 802 2361

E-mail: con.williams@anz.com

SAILING ALONG

While the headline ANZ Commodity Price Index dipped 0.2% in April, the underlying detail for New Zealand's main commodities remained robust. The headline index was driven lower by dairy (-2.5% m/m), while the non-dairy component rose 1.2% m/m. Continued weakness in the NZD also added to local exporter returns, with local prices up 0.5% m/m and 20.4% y/y. The NZD index is now at its highest level since 2013/14 when milk powder prices were at record highs.

Despite some global jitters for commodity prices, New Zealand's main basket continues to perform well for now. This strength has been driven primarily by supply shortages in some sectors, but also robust demand from Asia (especially China) and the US for some products.

In terms of sector specifics:

- Dairy prices slipped 2.5% m/m in April, but are 46% higher than a year ago.** Skim milk powder (-12.2%) and cheese (-6.8%) led the decline. The pressure point in global dairy markets remains SMP with an excess of North Hemisphere inventory and seasonal supply lifting. There is nervousness that North American trade spats could lead to more SMP supply trying to find a home in traditional New Zealand markets too. Encouragingly, however, GDT whole milk and milkfat product prices have recently increased, due to low seasonal supply from New Zealand and strong demand from Middle East/North Africa and China, suggesting the overall dairy picture is more nuanced.
- Meat and fibre prices continued their strong performance**, up 1.9% m/m in world terms and 2.8% m/m in NZD terms. **Lamb prices rose 3.6% m/m** with tight Australasian supply spurring further intermarket competition across all major markets and cuts. Many major cuts are now approaching record highs, with in-market prices 31% above last year. **Beef prices rose 2.2%** with ongoing tight supply into the US and robust demand. **Wool prices remain lacklustre** (-5% m/m). Auction supply increased as farmers tried to sell product previously withheld due to low prices. **In world terms prices for this group are 13% above last year, but the weak GBP and euro continue to suppress local returns (+6.3% y/y).**
- Aluminium prices continued to push higher; lifting 0.8% m/m in April** after inventories on the LME fell the most in two decades. The market has also been buoyed by reports that China is halting aluminium smelter construction in Xinjiang and planning to close 3.3 million tonnes of current operating capacity. The closures are part of a plan to fight air pollution, with most of the closures occurring over the winter when pollution peaks.
- Wood pulp and log prices pushed the forestry group up a further 0.7% m/m in April.** Wood pulp prices lifted 2.7% m/m on persistent Chinese demand, particularly for hardwood product (lifting softwood by association). Log prices increased 0.4% m/m as a challenging Japanese market was offset by buoyant Chinese demand (more infrastructure/housing activity, reduced harvesting of the nation's own native forests, and steady competitive pressure from the likes of Russia). Competition with the local market also remains a supportive factor for sawn timber prices.

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- Horticulture prices had a modest lift (+0.6% m/m) as apples start another season among European markets.** Apples fetched 2.1% m/m more in April than last season's closing price. More new club apple varieties coming into production and high soluble solids should support average pipfruit pricing and total sector revenue

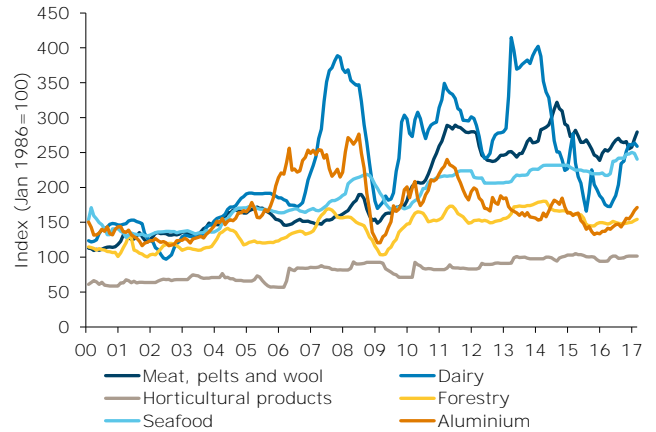
from the 2017 crop. With the kiwifruit export season getting underway, all eyes will be on the reception of increased Gold volumes and reduced yield/higher forecast prices for traditional Hayward varieties.

- Seafood prices were unchanged in April.**

	World Price Index	Monthly % Change	Annual % Change	NZD Index	Monthly % Change	Annual % Change
Apr-13	333.0	..	22.3	212.3	..	17.2
Apr-14	324.6	..	-2.5	205.2	..	-3.4
Apr-15	274.9	..	-15.3	191.0	..	-6.9
Apr-16	228.8	..	-16.8	174.8	..	-8.5
Nov-16	275.4	3.2	13.6	199.5	3.2	3.0
Dec-16	277.3	0.7	16.5	203.5	2.0	9.4
Jan-17	276.8	-0.1	19.1	201.3	-1.1	8.6
Feb-17	282.3	2.0	20.9	202.5	0.6	9.2
Mar-17	283.5	0.4	23.0	209.4	3.4	16.5
Apr-17	282.9	-0.2	23.7	210.5	0.5	20.4

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2017 year are: Wool 2.7%; Beef 10.9%; Lamb 10.3%; Venison 0.6%; Skins 1.5%; Dairy 38.0%; Apples 2.8%; Kiwifruit 6.7%; Logs 10.0%; Sawn Timber 3.8%; Wood Pulp 2.5%; Seafood 6.3%; Aluminium 3.8%

SUB GROUP INDICES (WORLD PRICES)

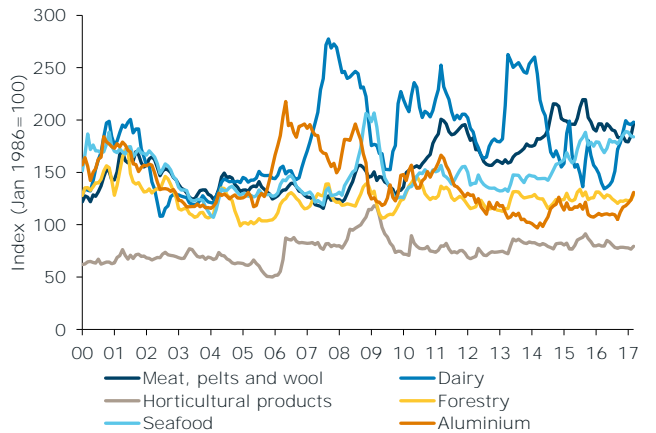


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SUB GROUP INDICES (NZD PRICES)



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