

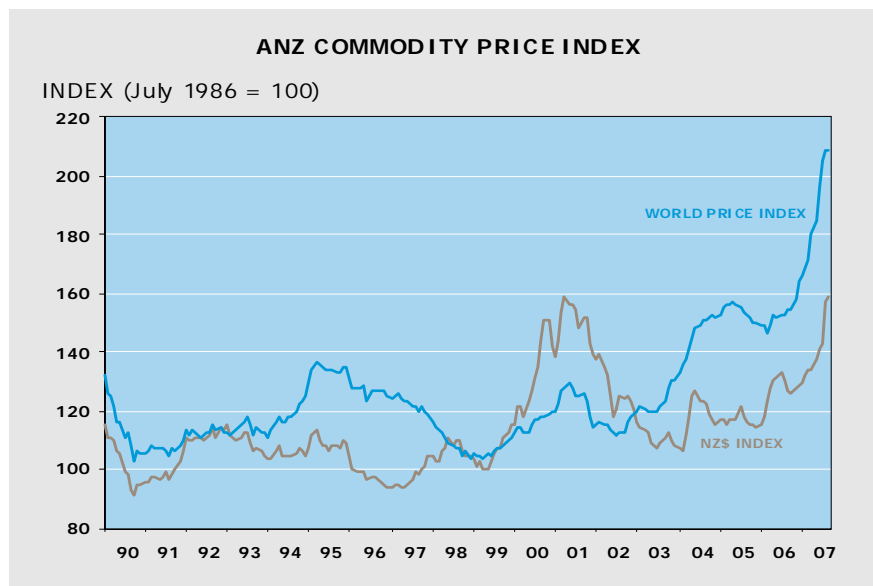
## Healthy tanning

The **ANZ World Commodity Price Index** recorded a 0.4 percent rise in the month of September. Eight commodities registered a lift in prices, while the prices of five eased. The 0.4 percent increase in the world commodity index represents the smallest monthly percentage change since October last year, and largely reflects international dairy prices reaching a plateau. Dairy prices inched up 0.3 percent in September. Butter and cheese prices continued to tick up in September, contrasting a small retracement in the international price of milk powders.

For the first time in four months, dairy prices didn't top the monthly rises in commodity prices. This month tanning took the top spot, with the world price of skins and pelts recording the largest rise (up 17 percent) across the commodity basket. Lamb and seafood prices recorded rises between 1 and 2 percent. Kiwifruit, wood pulp, venison, wool and dairy recorded rises below 1 percent. At the other end of the scale, apples recorded a 12 percent fall, as this season's exports to the European market concludes. This was followed by price declines for aluminium and beef of 4.9 and 2.2 percent, respectively. Timber and logs recorded price declines between 1 and 2 percent.

Compared with the same period last year, commodity prices have risen 36 percent in September. Dairy prices dominate the annual growth profile, surging 116 percent from a year ago. Skins and pelts increased 35 percent, followed by sawn timber and logs, with increases of 27 and 23 percent, respectively. Apple prices (-19 percent) trail the annual percent growth profile, while other declines were recorded in the price of lamb, aluminium and beef.

Over the month of September, the NZ dollar eased to a six-month low against our major trading partners. Moreover, with regard to our largest trading partner, Australia, the NZ dollar has eased to a 13-month low. Consequently, the **ANZ NZ Dollar Commodity Price Index** increased by 1.5 percent in September, lifting the index to equal the previous record high, registered in March 2001.



**Commodity Price Index Weights** are based on contributions to merchandise exports. Weights for the 2007 year are: Wool 0.048; Beef 0.103; Lamb 0.137; Venison 0.015; Skins 0.027; Dairy 0.333; Apples 0.018; Kiwifruit 0.044; Logs 0.032; Sawn Timber 0.056; Wood Pulp 0.034; Seafood 0.068; Aluminium 0.085.

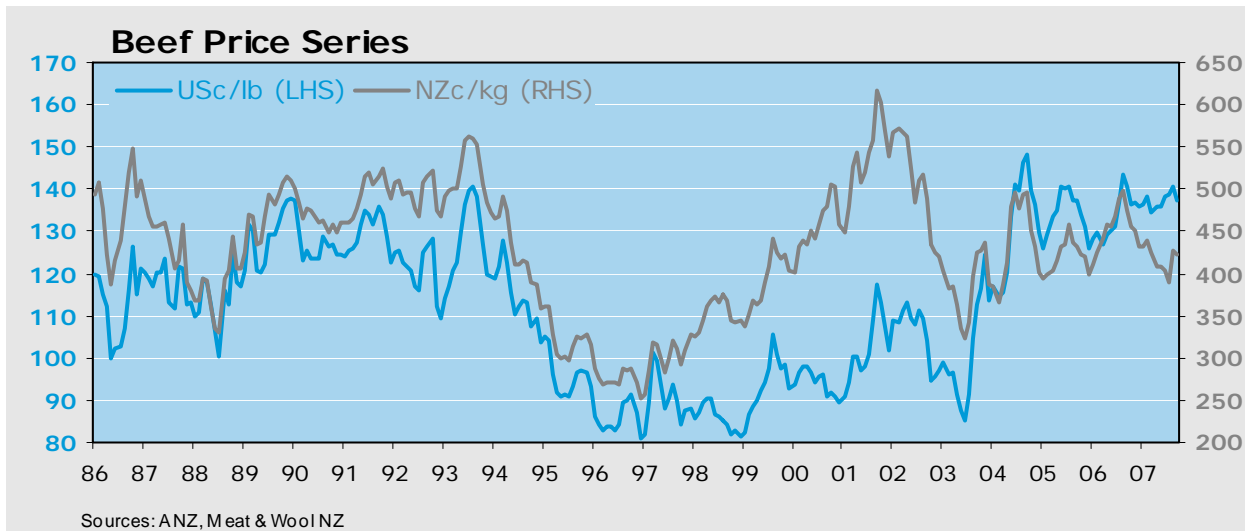
	World Price Index	Monthly % Change	Annual % Change	NZ\$ Index	Monthly % Change	Annual % Change
Sep-02	113.0	0.5	-10.3	124.2	-0.6	-18.2
Sep-03	123.7	2.1	9.5	111.2	2.1	-10.5
Sep-04	151.0	0.2	22.1	122.5	-0.6	10.2
Sep-05	152.4	-1.0	0.9	116.3	-1.4	-5.1
Sep-06	154.3	0.8	1.2	127.3	-2.4	9.5
Mar-07	172.0	2.0	17.1	134.0	1.6	8.7
Apr-07	180.4	4.9	20.9	133.9	-0.1	4.5
May-07	185.1	2.6	21.1	137.5	2.7	5.5
Jun-07	196.7	6.3	29.8	141.2	2.7	7.4
Jul-07	205.7	4.6	35.1	142.7	1.1	7.5
Aug-07	208.6	1.4	36.3	156.9	10.0	20.3
Sep-07	209.4	0.4	35.7	159.3	1.5	25.1

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## FEATURED COMMODITY: BEEF

The global price for beef has generally been flat over the past year. A major influence on the supply side has been Australian farmers culling stock in response to the drought conditions that they are facing. Countering this, the world-wide demand for beef has been affected (for better and for worse) by animal disease. Avian influenza (or bird flu) dented demand for poultry meat and conversely raised demand for alternative sources of protein, such as beef. Additionally, the Atkin's diet provided a boost in demand for red meat. However, both of these influences are abating. A negative impact resulted from an incidence (albeit a very low one) of Bovine Spongiform Encephalopathy (BSE) in Canada and the United States (10 cases since 2003 in 110 million cattle). This was the catalyst that halted beef exports from these two countries to Japan and Korea. This, in turn, resulted in Asian demand switching towards other countries, which has proved to be a boon for beef producers here and in Australia. The United States and Canada are on the road to regaining access to the Asian markets, but the process has become drawn out.

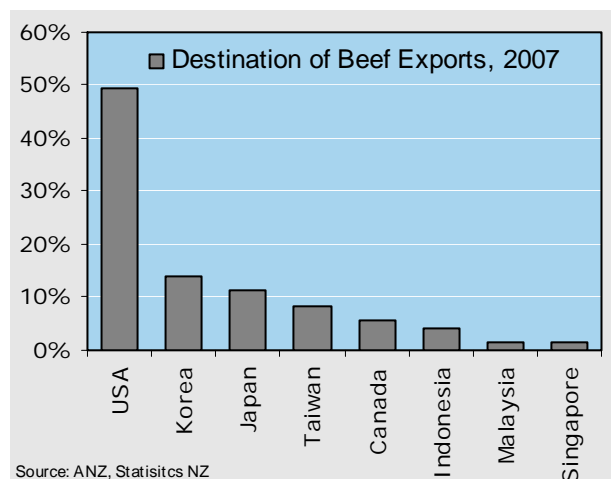


Looking at the longer-term trend, world beef prices have been climbing an upward path for the past 10 years. Overlaid on top of this long-term trend is a traditional seasonal pattern in prices, reflecting increased demand for grilling (BBQ) meat over the Northern Hemisphere summer months. The most recent cycle in beef prices has seen a relatively mild seasonal decline over the Northern Hemisphere winter, compared to previous years. International beef prices are currently 22 percent above their 22-year average (US113c/lb). In NZ dollar prices, the latest reading of beef prices are 2 percent below the 22-year average of NZ429c/kg.

Another factor driving up beef prices generally is the rising price of corn. The beef industry in the United States uses corn as a source of feed, and the higher corn prices that currently prevail are being slowly passed on to consumers. But this plays into the hands of New Zealand's producers, as we have an advantage that our beef is pasture fed.

New Zealand is the 8th largest producer of beef and veal in the world, with New Zealand's production accounting for 5 percent of the value of NZ's total merchandise export receipts in the twelve months to June 2007.

The United States and North Asia are important destinations for New Zealand beef, with nearly half of our beef production exported to the USA. When combined with the next five largest export destinations, 93 percent of all our beef exports in 2007 were shipped to just six countries. As mentioned earlier, New Zealand has picked up market share in Korea and Japan, caused by the Asian markets banning North American beef exports due to BSE-related trade restrictions.



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