

NEW ZEALAND ECONOMICS ANZ COMMODITY PRICE INDEX

June 2010

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The next issue of the *ANZ Commodity Price Index* is scheduled for release on: 2 August 2010 at 3pm.

SOFTENING IN DAIRY PRICES

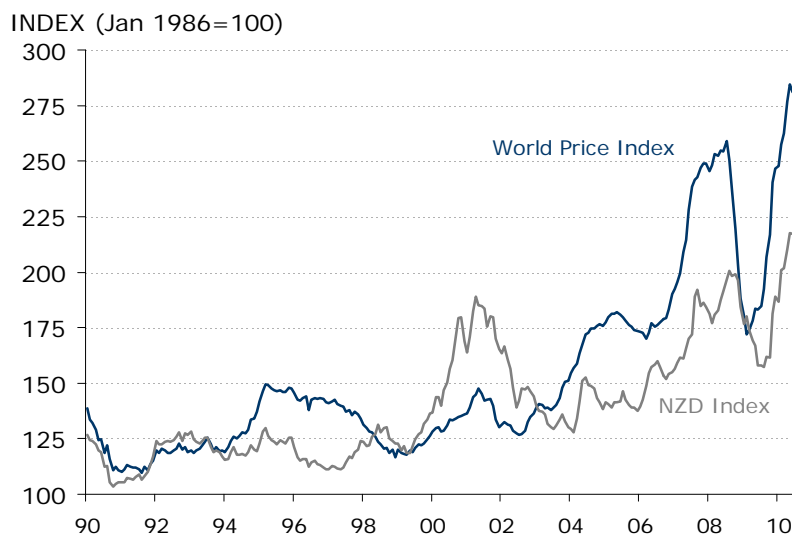
A retracement from last month's high. The ANZ Commodity Price Index recorded a drop in June, the first monthly decline in a year. The index eased 1.2 percent from its level in May, but remains at the second highest level measured, behind last month's peak. Compared to the same month last year the index remains up a solid 53 percent.

Dairy prices adjust down. A softening in dairy prices was the main influence on the direction of the index over July. The overall dairy price index retraced 3.1 percent in June, returning the series to levels that prevailed in April after a brief lift in May. With the dairy index skim milk prices slumped 8.1 percent, while whole milk prices eased 2.7 percent. Aluminium prices dropped 6.0 percent, with the price of apples and beef also posting falls (-5.8 and -5.2 percent respectively). Log prices slipped 2.3 percent, sawn timber eased 1.7 percent and kiwifruit prices slipped 1.2 percent.

Positive gains noted. On the positive side of the ledger, skin prices lifted 6.8 percent, wood pulp prices rose 4.5 percent and seafood prices gained 3.2 percent. Smaller rises were noted for wool (up 1.5 percent) and venison (up 1.3 percent).

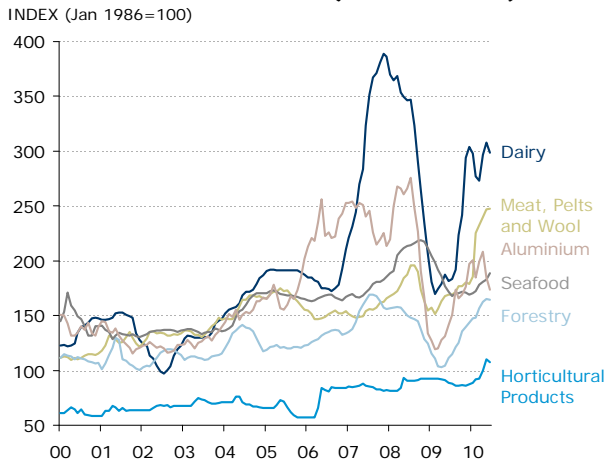
A muted drop in NZ priced commodity prices. When converted in to New Zealand dollars, the ANZ NZD Commodity Price index edged down 0.2 percent, reflecting a general weakening in the value of the New Zealand dollar in June.

ANZ COMMODITY PRICE INDEX

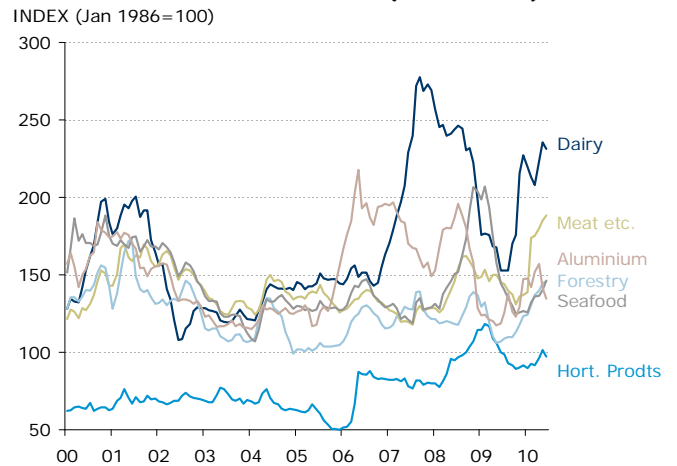


ANZ COMMODITY PRICE INDEX

SUB-GROUP INDICES (WORLD PRICES)



SUB-GROUP INDICES (NZD PRICES)



	World Price Index	Monthly % Change	Annual % Change	NZ\$ Index	Monthly % Change	Annual % Change
Jun-06	175.5	-0.9	-2.9	158.5	0.9	12.0
Jun-07	227.9	6.2	29.9	170.1	2.7	7.3
Jun-08	254.5	0.0	11.7	191.3	2.1	12.4
Jun-09	183.2	-0.2	-28.0	158.2	-5.3	-17.3
Jan-10	247.6	0.4	37.4	186.5	-1.3	5.7
Feb-10	257.6	4.0	49.8	201.0	7.8	11.7
Mar-10	262.4	1.8	50.9	201.7	0.4	16.0
Apr-10	276.6	5.4	55.1	210.3	4.2	24.3
May-10	284.4	2.8	55.0	217.6	3.5	30.3
Jun-10	280.9	-1.2	53.3	217.2	-0.2	37.3

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2010 year are: Wool 0.033; Beef 0.093; Lamb 0.150; Venison 0.013; Skins 0.019; Dairy 0.383; Apples 0.021; Kiwifruit 0.053; Logs 0.049; Sawn Timber 0.045; Wood Pulp 0.030; Seafood 0.065; Aluminium 0.046.

The May figures are revised due to an error in the calculation of one component.

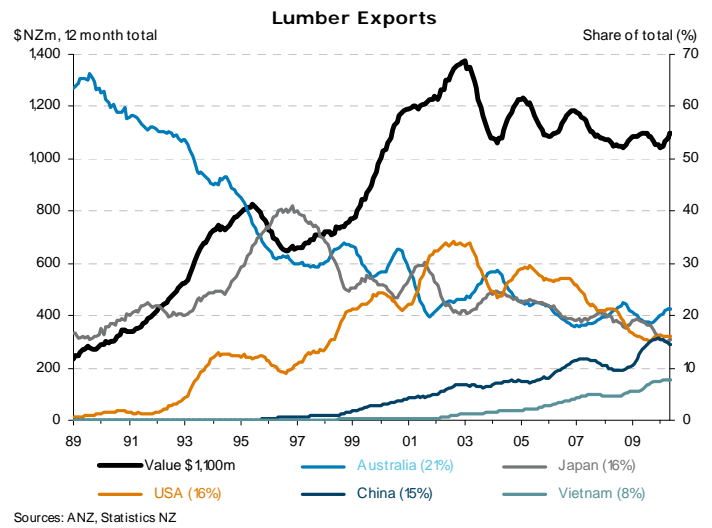
FEATURED COMMODITY: LUMBER

The value of forestry exports account for 10 percent of NZ's total merchandise exports, with lumber exports making up a large chunk of this. The slump and recovery in the international price of lumber reflects the fortune of the global economy. The slowdown in house construction in the US has resulted in a drop in the value of lumber exports sent there.

In the twelve months to May 2010, New Zealand exported \$3.8 billion of forestry related products, which represented nearly 10 percent of New Zealand's total merchandise exports. Lumber exports include \$770 million of sawn timber and another \$381 million of further processed wood (such as fibreboard and plywood). Forestry is projected to be one of New Zealand's leading export industries over the next two decades, with the annual plantation harvest set to double by 2025.

Sawn timber is a key input used in the construction of housing. As such, the price at which lumber sells for generally moves in tandem with demand pressures overseas. With this in mind, it makes a crude but timely gauge of economic prospects in offshore markets. The turmoil in the global economy is likely to have contributed to the international price of sawn timber slumping in 2008/09. Since hitting an eight-year low in March 2009, the price of lumber has recovered, although we note that it has eased slightly over the past two months. When converted into New Zealand dollars, the fall in the export price of lumber was accentuated, and sunk to a 20-year low last year. Prices have picked up since the middle of last year, although they have moved sideways over the past three months.

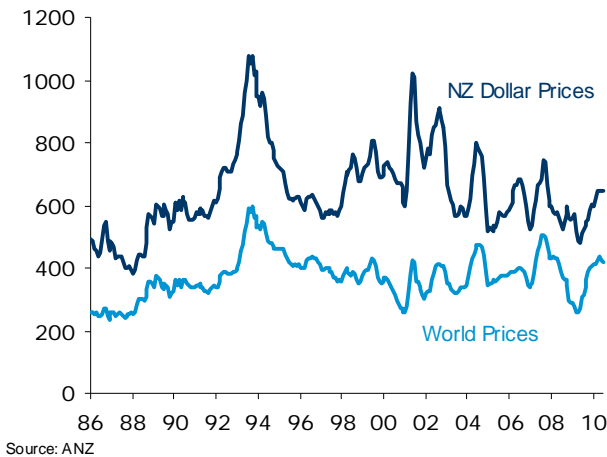
recovered from ten-year lows. New Zealand pine is used extensively for mouldings and millwork in the United States. As such, one of the repercussions of the recession that hit the United States has been a greatly reduced demand for New Zealand's wood. By comparison, the primary use of our lumber exports destined for Australia is for structural and exterior purposes. With regard to the Asian countries, a large proportion of our timber exports are further processed once they are landed there and then shipped on to North America and Europe.



Over most of last decade, the United States was our largest market for NZ's lumber exports, at one point reaching a third share of all lumber exports. Since the global financial crisis has hit the value of lumber shipments to the US have slipped down the rankings, with its share of total lumber exported halving to only 16 percent. Offsetting this, an increasing share of our lumber exports are now being sent to China and Vietnam, with 15 and 8 percent of our lumber exports being sent there, respectively, by value.

Vietnam has the highest concentration of New Zealand's lumber exports, with sawn timber comprising about a fifth of all NZ exports sent there. The next largest concentration of lumber exports is with the USA, with sawn timber making up 4 percent of total NZ exports sent there from New Zealand.

Sawn Timber Price Index



As exhibited in the graph below, the total value of lumber exports (the thicker black line) has



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The Bank (in respect of itself and its principal officers) makes the following investment broker disclosure to you pursuant to section 41G of the Securities Markets Act 1988.

Qualifications, experience and professional standing Experience

The Bank is a registered bank and, through its staff, is experienced in providing investment advice about its own securities and, where applicable, the securities of other issuers. The Bank has been selling securities, and providing investment advice on those securities, to customers as a core part of its business for many years, drawing on the extensive research undertaken by the Bank and its related companies and the skills of specialised staff employed by the Bank. The Bank is represented on many bank, finance and investment related organisations and keeps abreast of relevant issues by running seminars and workshops for relevant staff and having its investment adviser staff attend external seminars where appropriate. The Bank subscribes to relevant industry publications and, where appropriate, its investment advisers will monitor the financial markets.

Relevant professional body

The Bank is a member of the following professional bodies relevant to the provision of investment advice:

- New Zealand Bankers Association;
- Associate Member of Investment Savings & Insurance Association of NZ;
- Financial Markets Operations Association; and
- Institute of Finance Professionals.

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The Bank (and its subsidiaries), through its ultimate parent company Australia and New Zealand Banking Group Limited, has professional indemnity insurance which covers its activities including those of investment advisers it employs.

This insurance covers issues (including 'prior acts') arising from staff fraud, electronic crime, documentary fraud and physical loss of property. The scope of the insurance also extends to third party civil claims, including those for negligence. The level of cover is of an amount commensurate with the size and scale of the Bank.

The insurer is ANZcover Insurance Pty Limited.

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In the five years before the relevant investment advice is given none of the Bank (in its capacity as an investment adviser and where applicable an investment broker) or any principal officer of the Bank has been:

- Convicted of an offence under the Securities Markets Act 1988, or the Securities Act 1978 or of a crime involving dishonesty (as defined in section 2(1) of the Crimes Act 1961);
- A principal officer of a body corporate when that body corporate committed any of the offences or crimes involving dishonesty as described above;
- Adjudicated bankrupt;
- Prohibited by an Act or by a court from taking part in the management of a company or a business;

- Subject of an adverse finding by a court in any proceeding that has been taken against them in their professional capacity;
- Expelled from or has been prohibited from being a member of a professional body; or
- Placed in statutory management or receivership.

Fees

At the time of providing this disclosure statement it is not practicable to provide accurate disclosure of the fees payable for all securities that may be advised on. However, this information will be disclosed to you should you seek advice from one of the Bank's investment advisers on a specific investment.

Other interests and relationships

When a security is sold by the Bank, the Bank may receive a commission, either from the issuer of a security or from an associated person of the Bank. Whether that commission is received and, if received, its value depends on the security sold. At the time of providing this disclosure statement it is not practicable to provide a detailed list of each security that may be advised on, the name of the issuer of that security and the rate of the commission received by the Bank. However, this information will be disclosed to you should you seek advice from one of the Bank's investment advisers on a specific investment.

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- UDC Finance Limited (UDC), as a wholly owned subsidiary of the Bank, is an associated person of the Bank. UDC may receive remuneration from a third party relating to a security sold by the Investment Adviser.
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- Debt securities including term and call deposits, government stock, local authority stock, State-Owned Enterprise bonds, Kiwi bonds and corporate bonds and notes;
- Equity securities such as listed and unlisted shares;
- New Zealand and overseas unit trusts;
- Share in a limited partnership;
- Superannuation schemes and bonds;
- Group investment funds;
- Life insurance products;
- Derivative products including interest rate and currency forward rate contracts and options; and
- Other forms of security, such as participatory securities.

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If you wish to pay investment money to the Bank you can do this in several ways such as by:



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- Providing cash;
- Providing a cheque payable to the relevant product or service provider and crossed 'not transferable'; or
- Making an automatic payment or payment through another electronic delivery mechanism operated by the Bank.

Investment property (other than money) may be delivered to the Bank by lodging the relevant property (for example, share certificates) with any branch of the Bank offering a safe custody service, or by posting (using registered post) the documents or other property to a branch of the Bank, identifying your name, account number and investment purpose.

Any investment money lodged with the Bank for the purchase of securities offered by the Bank, its subsidiaries or any third parties will be deposited in accordance with your instructions, to your nominated account or investment. Such money will be held by the Bank according to usual banking terms and conditions applying to that account or the particular terms and conditions relating to the investment and will not be held by the Bank on trust unless explicitly accepted by the Bank on those terms. Any investment money or property accepted by the Bank on trust will be so held until disbursed in accordance with your instructions. Any investment property lodged with the Bank will be held by the Bank as bailee according to the Bank's standard terms and conditions for holding your property.

Record Keeping

The Bank will keep adequate records of the deposit of investment moneys or property and all withdrawals and dealings with such money or property, using the account/investment number allocated to your investment. You may have access to those records upon request.

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The Bank's systems and operations are internally audited on a regular basis. The financial statements of the Bank and its subsidiaries are audited annually by KPMG. However, this does not involve an external audit of the receipt, holding and disbursement of the money and other property.

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Money or property held by the Bank for a specific purpose communicated to the Bank (e.g. the purchase of an interest in a security) may not be used by the Bank for its own purposes and will be applied for your stated purpose. No member of the Bank's staff may use any money or property deposited with the Bank, for their own purposes or for the benefit of any other person. In the absence of such instructions, money deposited with the Bank may be used by the Bank for its own purposes, provided it repays the money to you upon demand (or where applicable, on maturity), together with interest, where payable.

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