

NEW ZEALAND ECONOMICS ANZ COMMODITY PRICE INDEX

Data for August 2011,
released on 1 September
2011

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The next issue of the *ANZ Commodity Price Index* is scheduled for release on: 3 October at 1pm.

SPRING ROLL

Another slip. The ANZ Commodity Price Index recorded a third successive monthly decline in August, dropping 1.2 percent. The cumulative decrease over the past three months has been 2½ percent, but the index remains at historically high levels.

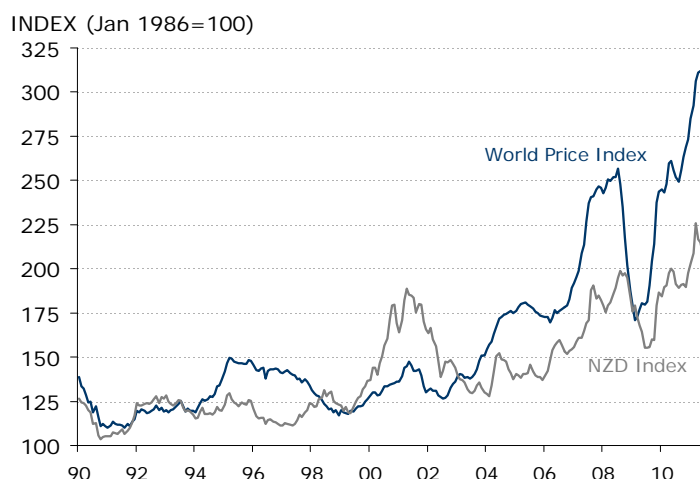
Falls outnumbered rises by two to one. Five commodities recorded a lift in prices in August, with twice as many recording a decrease in price. This represents the broadest range of commodities to register a decline since August 2010.

Milk powder, logs and aluminium led the declines, each falling 6 percent. The price of wool, butter and skins dropped 4 percent. Lamb prices eased 2 percent, with the price of cheese and sawn timber slipping 1 percent. Rises were recorded in the price of our fruit components, supported by modest gains in the price of beef, seafood and venison. Wood pulp and casein prices were unchanged.

Powder runs out of puff. The price of milk powders has steadily dropped over the past few months. In aggregate, milk powder prices have decreased 16 percent since reaching a recent high in March. The price of whole milk powder has fallen 18 percent and skim milk powder prices have eased 8 percent. Log and aluminium prices have both fallen 11 percent since their respective peaks in May and April.

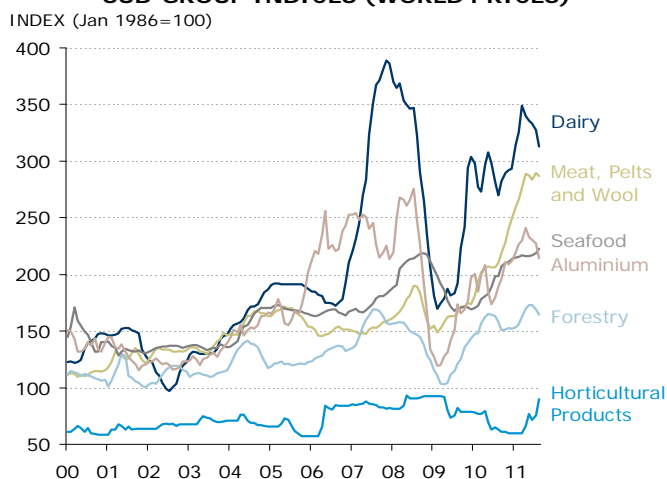
Wild times in the exchange rate market. With the exception of the Australian dollar, the value of the New Zealand dollar was weaker across our major trading currencies. After hitting a post-float high in early August, the NZD/USD exchange rate fell 10 percent, before finishing the month about 4 percent weaker than at the start of the month. The month-on-month decline in the value of the kiwi dollar buffered the commodity price fall, resulting in the NZD Commodity Price Index being unchanged in the month of August. While the world and NZ dollar price indices have retraced from recent peaks, the levels, nevertheless, remain elevated.

ANZ COMMODITY PRICE INDEX

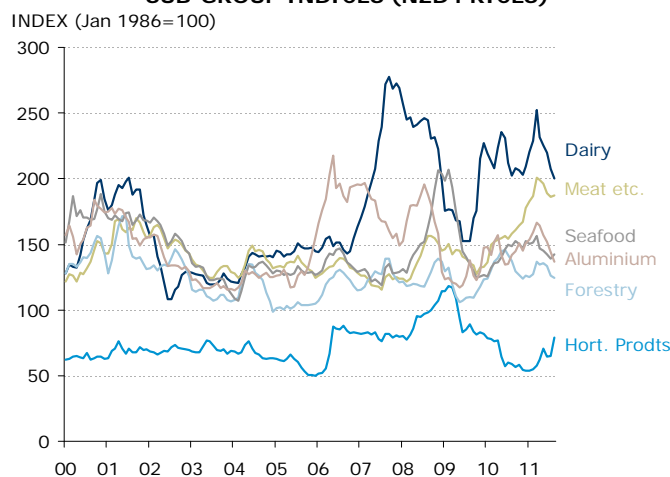


ANZ COMMODITY PRICE INDEX

SUB-GROUP INDICES (WORLD PRICES)



SUB-GROUP INDICES (NZD PRICES)



	World Price Index	Monthly % Change	Annual % Change	NZ\$ Index	Monthly % Change	Annual % Change
Aug-07	240.5	..	35.8	188.0	..	19.7
Aug-08	248.0	..	3.1	198.7	..	5.6
Aug-09	190.5	..	-23.2	155.6	..	-21.7
Aug-10	249.1	..	30.8	189.1	..	21.6

Mar-11	306.2	4.7	23.5	225.6	8.1	18.4
Apr-11	311.0	1.6	19.8	216.8	-3.9	9.8
May-11	312.1	0.4	19.6	215.1	-0.7	7.6
Jun-11	308.5	-1.2	20.6	208.0	-3.3	4.9
Jul-11	308.0	-0.2	22.2	200.3	-3.7	4.7
Aug-11	304.3	-1.2	22.1	200.3	0.0	5.9

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2011 year are: Wool 3.3%; Beef 8.8%; Lamb 12.4%; Venison 0.9%; Skins 2.0%; Dairy 41.6%; Apples 1.5%; Kiwifruit 4.5%; Logs 6.1%; Sawn Timber 4.7%; Wood Pulp 2.8%; Seafood 5.9%; Aluminium 5.5%

FEATURED COMMODITY: SEAFOOD

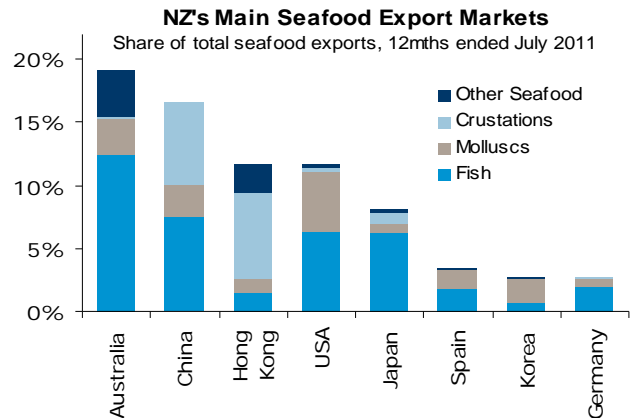
International seafood prices have recovered from the commodity price bust, following the Global Financial Crisis, to record a new high. But the stronger exchange rate has dampened the lift in prices when converted to New Zealand dollars. Nevertheless, it appears that the industry is benefiting from a lift in world-wide demand for seafood.

When New Zealand declared a 200 nautical mile Exclusive Economic Zone (EEZ) in 1978, it took control of 4.2 million square kilometres of ocean around its islands. The area covered by the EEZ represents the fourth largest fishing zone in the world. There are 130 species of fish that are commercially fished in our waters, but 10 species make up 80 percent of all our seafood exports. In the past 12 months, \$1.5 billion of fish and shellfish was exported, making the seafood industry the country's fourth largest merchandise export earner. Since 1986, New Zealand's fishery stock has been governed by the Quota Management System, today acknowledged as one of the best fishery management regimes in the world. Under the quota system a sustainable total catch, or harvest, of fish is set with individuals or companies allocated the right to catch certain quantities of particular species. Previously, sea fish could be caught by anyone who had a licence and complied with other regulations.

New Zealand's aquaculture sector (farming of fish and shellfish) is the country's fastest growing seafood sector. Aquaculture accounts for nearly 25 percent of New Zealand's seafood exports by revenue, and is spread across the cultivation of mussels, salmon, Pacific oysters and paua. The United Nation's Food and Agriculture Organisation (FAO) predicts that the world's seafood consumption will rise 35 percent within 10 years, with aquaculture production increasingly used to meet this surge in demand. Currently, NZ's contribution to global aquaculture is only about 0.02 percent of sales by weight, thus providing NZ with a huge opportunity to tap into this anticipated increase in worldwide demand. The FAO forecast that by 2030 aquaculture will match the wild fisheries catch. Likewise, the NZ Aquaculture Council projects our waters could be producing over \$1 billion worth of aquaculture products annually by 2025.

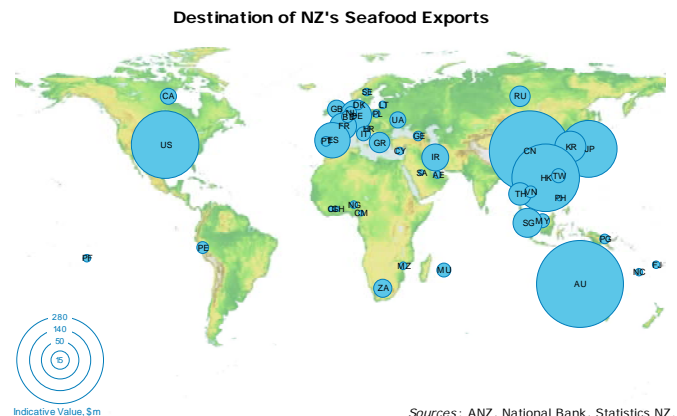
International seafood prices have recovered all of the losses that stemmed from the Global Financial Crisis. Between October 2008 and July 2009, seafood prices dropped by nearly 25 percent. Prices moved sideways until early 2010, before lifting. Over the last two months the price level has eclipsed the previous high recorded in late 2008. Returns for

our local fishermen have been rather more volatile, reflecting the swings in the kiwi dollar, as well as increased fuel costs. New Zealand dollar seafood prices are 4 percent lower than a year ago, but 14 percent higher than in the midst of the financial crisis.



Sources: ANZ, Statistics NZ

Australia is our largest market for seafood exports, and China has overtaken Hong Kong for second position. The group at the top of the list is a relatively recent phenomenon. Prior to 2003, our largest seafood export markets were Japan and the United States.



In terms of the value of NZ's seafood exports, around half is whole and filleted fish. Molluscs and crustaceans account for roughly 20 percent each and the remaining 10 percent is made up of miscellaneous fish products. Mussels are generally exported in frozen half-shell form, predominantly to the US and EU; hoki is sent as prime white fish portions and ready-to-cook battered and breaded fish meals, largely to Australia and Europe; and rock lobsters are primarily air-freighted live to China, Hong Kong and Japan.

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