

Log exports contrast other commodity pricing in Dec

ANZ: NZ commodity price slide slowed in December - New Zealand commodity prices fell for a seventh straight month in December, with gains in log, beef and lamb prices not enough to offset weaker dairy returns, ANZ Bank's monthly commodity price index shows.

The world price index fell 0.2 percent last month, the smallest of the recent declines, and ended 2018 3.4 percent lower than a year earlier. In local currency terms, the index fell 0.9 percent in December and was down 2.2 percent for the year.

"A strong year for forestry prices was not sufficient to offset the weaker prices recorded in the dairy, horticulture and aluminium sectors," ANZ agri-economist Susan Kilsby said.

The fact forestry returns have continued to push higher, despite increased harvest volumes, is "pretty positive for the industry," she said.

Dairy prices, which have since shown signs of recovery, fell 2.5 percent in December. They were down 6.2 percent for the year and at their lowest level since mid-2016.

ANZ said the recent improvement in the dairy market will likely be captured in the bank's January report.

"Global dairy markets are benefiting from a slowing of milk production across the main dairying regions, and a decrease of in-market stocks," Kilsby said.

Prices rose 2.8 percent at Fonterra's Global Dairy Trade auction this week, the first for 2019. It was the third consecutive increase in the fortnightly auction's index.

ANZ's report showed aluminium prices continued their recent slide, down 2 percent last month and 8.7 percent for the year.

Kilsby noted that prices peaked in April and have trended down since. Sanctions on Russian producer Rusal are expected to be lifted later this month, which may put further downward pressure on prices.

"Rusal, which is responsible for about 7 percent of global production, is reported to have about 200,000 tonnes of aluminium currently warehoused in Rotterdam. A slowdown in global market activity, particularly in China, is expected to limit demand for aluminium, putting further downward pressure on prices."

About 90 percent of the production from Tiwai Point, the country's sole aluminium smelter, is exported. Last month, the smelter formally marked the resumption of production from the site's fourth pot line after a six-year break.

On the plus side of the export ledger, ANZ's meat and fibre index rose 2.7 percent in December, having gained 1.1 percent the month before. It ended the year up 0.8 percent.

ANZ said returns for both lamb and beef lifted in December, while venison pricing was also "upbeat". International lamb prices ended the year 6.1 percent higher. Beef prices were still down 3.3 percent from the prior December, despite improved demand from the United States for manufacturing beef.

"Wool prices remain in the doldrums, falling 2.3 percent in December to end the year down 3.6 percent."

The horticulture index rose 0.9 percent but was still down 9.6 percent for the year. Apple prices fell

14.8 percent during the year, with kiwifruit also down 7.4 percent, despite a lift in December as the last of this season's fruit was sold through European markets, ANZ said.

Forestry prices rose 0.8 percent in December, having fallen 0.3 percent in November. They ended the year up 3.3 percent.

ANZ said the recent positive trend is expected to continue into 2019, given log stocks on wharves in China – New Zealand's biggest market – are "very low".

"The strength of this market has helped absorb the increase in the supply of logs being harvested in New Zealand," Kilsby said. "Other main markets for New Zealand logs, such as Japan and India, are not as buoyant as China but need to pay competitive rates in order to secure supplies."

Source: BusinessDesk via Scoop News