

New Zealand industry news

Demand for commodities could explode-Commodities are likely to be one of the best-performing asset classes over the next 10 years according to the chief investment officer at New Zealand Funds Management.

Writing for NZHerald.co.nz, Michael Lang says investment markets appear to have forgotten that man, despite his many accomplishments, owes his existence to a six-inch layer of topsoil and the fact that it rains. The world's population has continued to grow at 1.5 per cent a year and growth in emerging economies is leading to the loss of agricultural land due to water shortages and urbanisation. Lang says the move to protein-rich diets requires significantly more agricultural output. A kilogram of meat requires feeding animals somewhere between 3kg and 5kg of grain or rice.

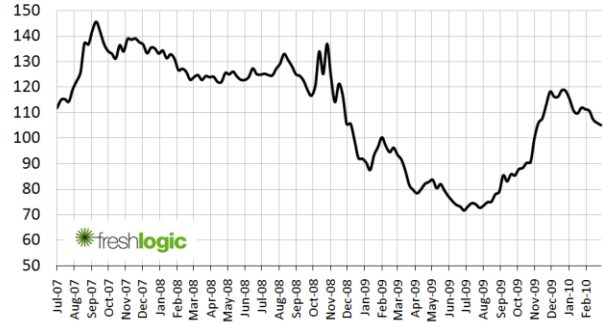
"Given the multitude of competing options for capital in today's global economy, agricultural prices will need to revisit their all-time highs to ensure production keeps pace with rising global demand. With the economic outlook still murky, investment in agriculture provides exposure to an industry that follows a very different cycle from the broader global economy. This makes agricultural commodities more defensive than industrial-driven alternatives, such as copper and oil and the companies that produce them."

Lang says interestingly, China has 22 per cent of the world's population but only 7 per cent of its arable land and 8 per cent of its water.

"If its economy continues to grow then, judging by the dietary shifts witnessed during other countries' industrialisation, the demand for agricultural commodities will explode - rewarding New Zealand's OECD ranking and investors in agriculture."

point off the index to leave it at **105.1**.

NZ export index since July 2007



Take note: The index is an indicator of spot trends in gross export returns to the industry based on quoted NZ export prices, movements in currency and the total milk usage in exports by the NZ industry. It was set at 100 on 1 January 2004.