# AGRI BITES

**Pitching higher.**

2 May 2025

# CONTENTS AND AUTHOR




**Paul Clark**, Industry Economist

+64 9 336 5656 | +64 21 713 704
paul.clark@westpac.co.nz

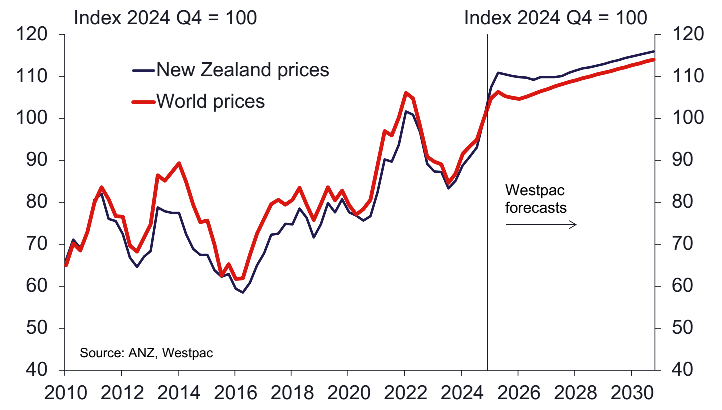



# SUMMARY

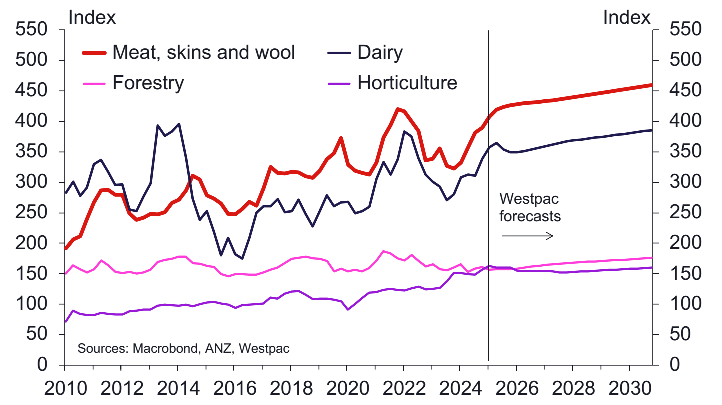
## Agricultural exports prices - so far resistant to US tariffs.

- Our forecast for this season's farmgate milk price remains at $10.30/kg, with $10.00/kg expected for the 2025/26 season. We see some modest upside risk to the latter, depending in part on how the New Zealand dollar responds to the US trade war. Futures market pricing for next season sits at around $9.75/kg.
- Meanwhile, meat prices are expected to rise further on the back of favourable supply and demand fundamentals. We note that inflation adjusted prices are currently in line with long-term averages.
- The increase in beef prices reflects production constraints in the US, less supply from most major producing countries and strong demand. A 10% tariff on beef exports to the US is likely to be manageable, especially given the limited ability of US purchasers to substitute the type of beef that NZ exports.
- Lamb prices are set to lift mainly because of stronger demand out of the EU and the Middle East. That said, with extra supply coming out of Australia and the UK over the next couple of months, prices gains are likely to moderate.
- Horticultural prices are likely to remain elevated and that should translate into higher orchard gate returns over the coming season for kiwifruit and apples.
- Export log prices are likely to move sideways this year. Policy interventions in China have had little effect on log demand so far. The trade war between the US and China could reduce demand for logs, further stifling prices.

**Commodity prices – World and NZ dollar denominated**




**Commodity prices by category**

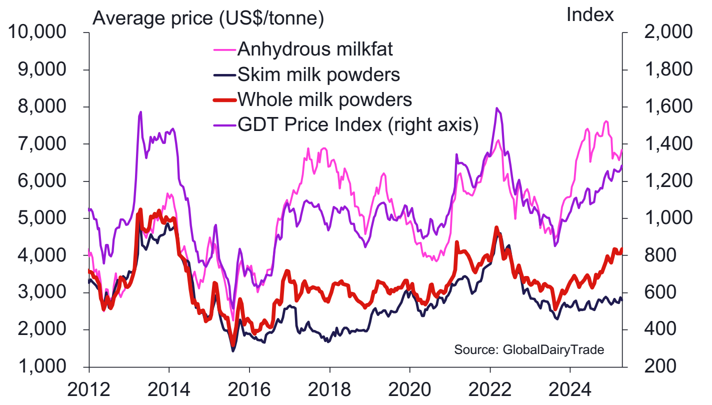


# DAIRY

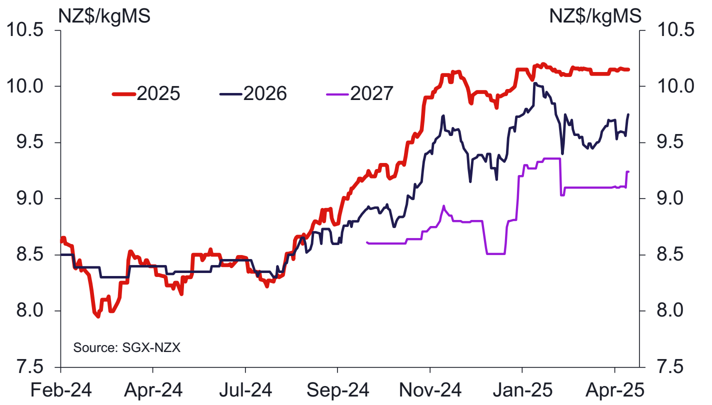
**Outlook for the milk price remains upbeat, but impacts are mixed.**

- World prices continue to rise with overall prices in the April GDT auctions reaching their highest level since mid-2022. While prices rose sharply at the end of last year due to Chinese buyers rebuilding inventories, more recently they have been driven by demand from buyers from the Middle East and increasingly Europe.
- Global milk supply remains broadly flat despite high milk prices. That is partly due to disease outbreaks in the US and Europe which have constrained herd numbers. New Zealand's milk production was up strongly in the first half of the season, but is now normalising due to dry weather in the North Island.
- New Zealand faces an additional 10% tariff on dairy exports into the US, though it's unclear to what extent the US consumer will absorb this cost.
- China has retaliated to tariffs imposed by the US with its own tariffs on US dairy imports. As a result, they may need to source product from elsewhere, which could lead to a redirection of the global flows of dairy products. We also expect the Chinese government to take steps to boost its domestic economy, which may help to support consumer demand for dairy.
- Our forecast for this season's farmgate milk price remains at $10.30/kg, with $10.00/kg expected for the 2025/26 season. We see some modest upside risk to the latter, depending in part on how the New Zealand dollar responds to the US trade war. Futures market pricing for next season sits at around $9.75/kg.

**GDT dairy prices**




**Farmgate milk prices – future pricing**



# BEEF

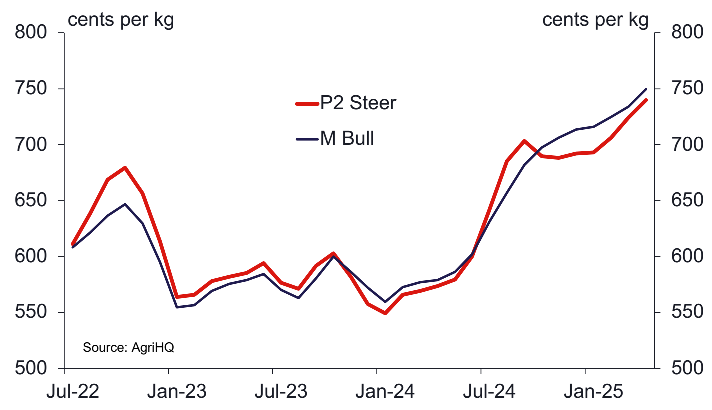
## Slaughter prices in New Zealand to continue higher.

- Slaughter prices for beef continue to track higher off the back of constrained livestock supply, further exacerbated by very recent wet weather in the North Island. A seasonal increase in slaughter rates could see schedule prices ease over the next month or so.
- However, as we get into winter, kill rates are likely to drop off. And with export demand still expected to remain strong despite ongoing trade uncertainties, we think that this will push slaughter prices higher.

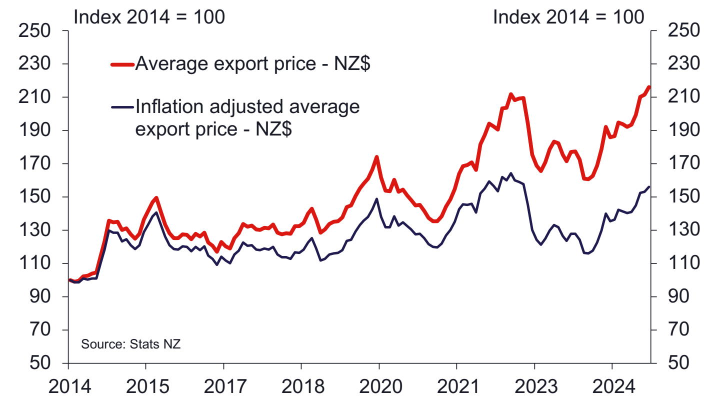
## Export prices to continue to track higher.

- Export prices continue to track higher, reflecting strong demand in key markets and a structural production deficit in the US. These prices come despite the imposition of a 10% tariff on meat exports into the US, and in part reflects the limited ability of US purchasers to substitute the type of beef that NZ exports.
- We export prices for beef to rise further over the coming year. That reflects two key factors. The first is constrained production in most major producing countries, with the possible exception of Australia. The second is an expectation that demand is likely to remain strong despite recent price gains.
- We also note that real beef export prices in NZ$ terms, remain at around the 10-year average, which suggests further upside is possible.

**Beef slaughter prices – New Zealand**




**Average monthly beef export prices**



# SHEEP MEAT

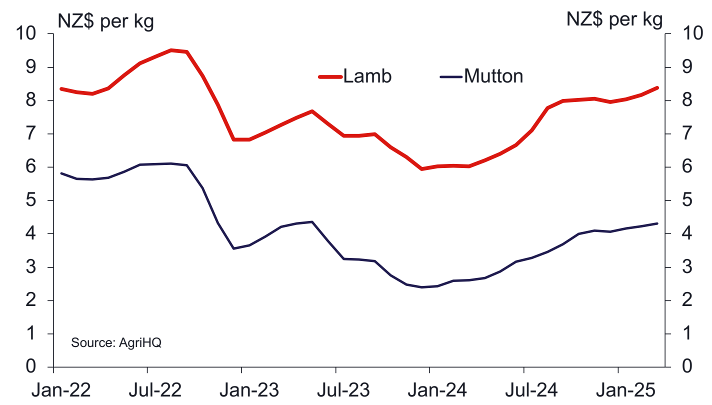
**Expect a further pickup in slaughter prices.**

- Underlying momentum in lamb slaughter prices continues to reflect elevated competition between domestic processors for stock in order to meet demand in key export markets.
- Looking forward we think that slaughter prices will remain elevated over the coming year. That reflects a lower forecast kill rate for 2025 and no consolidation in processing capacity.

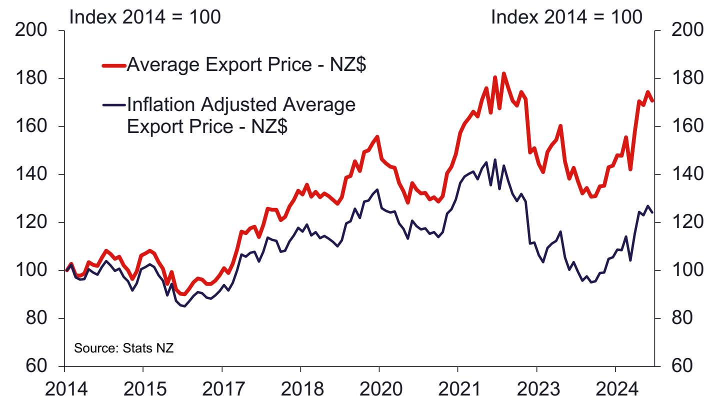
**Lamb export price gains to continue over the coming year.**

- For processors, higher export prices and a supportive New Zealand dollar have offered some relief, but this is really only at the margin.
- We expect lamb export prices to rise further. Inflation-adjusted prices for lamb remain lower that the 10-year average, which suggests further upside. That reflects sustained demand in key export markets, such as the EU and the Middle East. Demand in China is also showing some signs of improvement.
- That said, a pick up in global production over the coming year, particularly out of Australia and to a lesser extent the UK, will likely begin to offset the impact of lower New Zealand production. This should soon cap price gains. Indeed, UK slaughter prices have fallen significantly in recent months and this bears watching over coming months.

**Sheep meat slaughter prices – New Zealand**




**Average export prices for lamb**



# HORTICULTURE

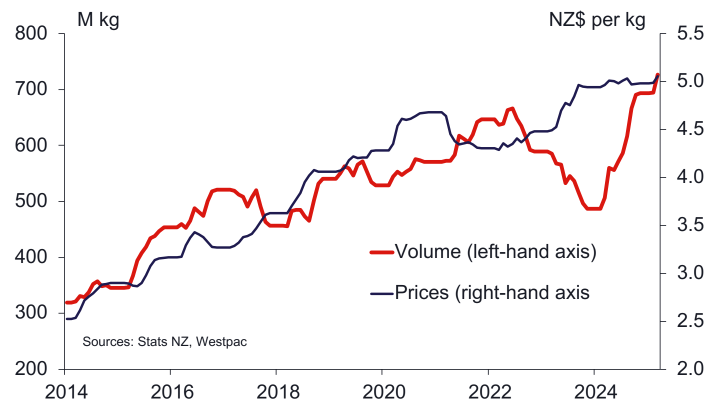
**Orchard gate returns on kiwifruit to ratchet higher.**

- Prices for horticultural products are expected to remain elevated, supported by demand for cheap, nutritious fruit.
- That said, export prices for kiwifruit should ease slightly as supply catches up with demand. Despite this, we still expect orchard returns to ratchet higher over the coming year, supported by increases in output, higher yields (per hectare), and ongoing quality improvements.
- Zespri's guidance for the 2025/26 season suggests a mid-point range well above that of the previous season.

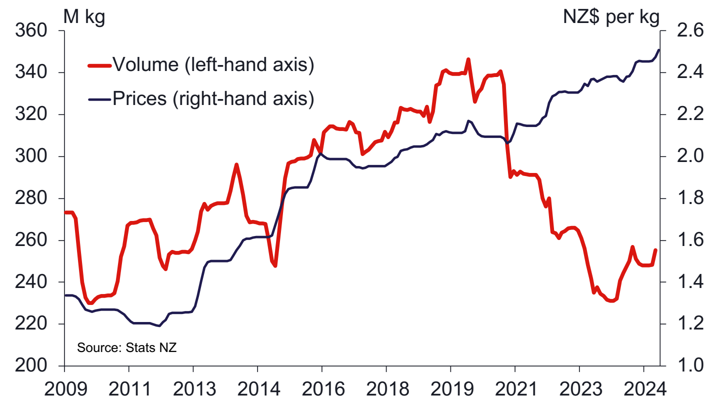
**Export prices and orchard gate turns for apples to continue to lift.**

- In contrast to kiwifruit, average export prices for apples should continue to tilt higher, with demand in key Asian and European markets expected to keep ahead of production.
- Prices should also reflect favourable growing conditions through spring and summer, which have reportedly resulted in high-quality fruit; and the legacy impact of Cyclone Gabrielle, which continues to constrain production in the Hawke's Bay.

**Kiwifruit – average export prices and production**




**Apples – average export prices and production**

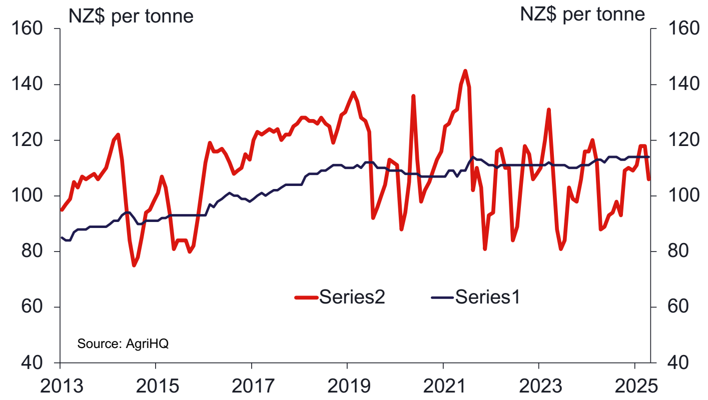


# FORESTRY

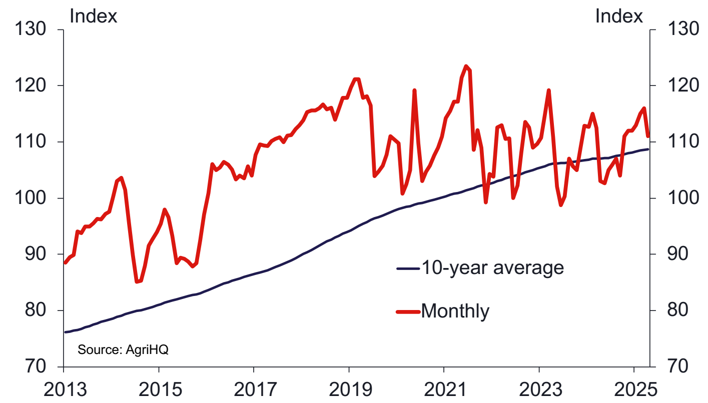
## Export log prices to move sideways over the coming year.

- A seasonal summer time slowdown in Chinese construction is set to reduce log demand over the next couple of months. And with Chinese port inventories in sitting well above historical averages at 4.2m $m^3$, prices are likely to reflect the ability of New Zealand log exporters to reduce supply.
- While policy interventions have helped to stabilise house prices (albeit at lower levels), building activity in China continues to fall, subduing demand for logs and keeping a lid on prices.
- The trade war between the US and China could further stifle prices. The US accounts for 20% of Chinese wood product exports, with softwood logs from New Zealand a significant input used to produce those products.
- However, a Chinese ban on US wood products, especially those made from softwood (accounts for 4% of total imports) does offer an opportunity to New Zealand exporters.
- The long-term outlook for log prices is more promising. Much depends on whether the Chinese Government is able to stimulate domestic demand through its housing market, in line with its stated intentions.
- India offers an opportunity to grow log exports. That said, volumes are small, and New Zealand faces competition from Australia and South America.

**Export vs domestic log prices**




**Combined log price – monthly vs 10-year average**

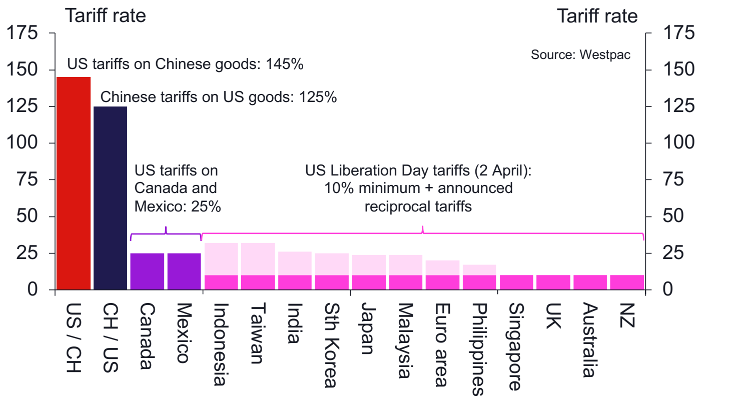


# LIBERATION DAY TARIFFS

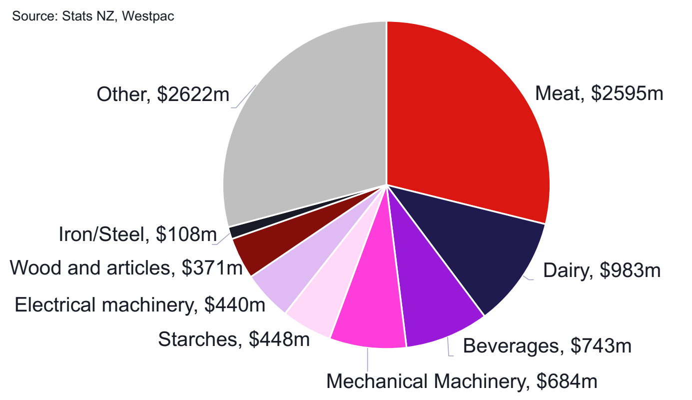
**Direct impacts limited, indirect impacts more significant.**

- "Liberation Day" saw confirmation that New Zealand will be subject to a 10% tariff on all products into the US. While clearly unhelpful, we think this is likely to be manageable for most NZ exporters.
- The magnitude of tariffs imposed on NZ is at the lower end of the scale compared to that imposed on other countries. That said, the significantly higher tariffs initially imposed on most other countries have now been reduced to 10% for a 90-day period, pending trade negotiations with the US.
- A 10% tariff could at most directly reduce export incomes by $900m (or about 0.2% of GDP). In practice, the impact is likely to be smaller, with the tariff paid wholly or partly by US consumers. Direct impacts will be depend on factors such as the NZ dollar, price elasticities of demand, transfer pricing arrangements and the extent to which product can be diverted elsewhere.
- They will also differ by product. The impact on beef exports is likely to be at the lower end of the scale. Not so for lamb, which competes head-on in that market. The direct impacts of tariffs on dairy exports remain unclear.
- The indirect impacts of US tariffs are difficult quantify at this stage, but are likely to be much more significant, especially given tit-for-tat actions between China and the US. Tariffs are likely to weaken global demand and that could dampen prices for agricultural products. They will also change trade flows, creating opportunities for and threats to our agricultural exports.

**The tariff landscape**




**NZ's direct export exposure to US tariffs – 2024 (NZ$)**



# FORECASTS

## New Zealand commodity prices (end of period)

| | Latest | Jun-25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 | Mar-27 | Jun-27 | Sep-27 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **NZ commodities index** | **397** | **400** | **396** | **395** | **394** | **396** | **399** | **401** | **403** | **405** | **407** |
| **Dairy price index** | 361 | 364 | 354 | 350 | 349 | 351 | 354 | 357 | 359 | 362 | 365 |
| **Whole milk powder USD/t** | 4,171 | 4,000 | 3,950 | 3,900 | 3,925 | 3,950 | 3,975 | 4,000 | 4,030 | 4,060 | 4,091 |
| **Skim milk powder USD/t** | 2,795 | 2,700 | 2,675 | 2,650 | 2,675 | 2,700 | 2,725 | 2,750 | 2,771 | 2,792 | 2,813 |
| **Lamb price index** | 553 | 566 | 572 | 576 | 574 | 572 | 571 | 570 | 570 | 570 | 570 |
| **Beef price index** | 309 | 311 | 312 | 314 | 316 | 318 | 320 | 322 | 325 | 327 | 329 |
| **Forestry price index** | 156 | 157 | 157 | 158 | 159 | 160 | 162 | 163 | 164 | 165 | 167 |

## New Zealand commodity prices (annual averages)

| | Levels | | | | % change | | | |
|---|---|---|---|---|---|---|---|---|
| | **2024** | **2025f** | **2026f** | **2027f** | **2024** | **2025f** | **2026f** | **2027f** |
| **NZ commodities index** | **357** | **396** | **397** | **406** | **8.4** | **10.9** | **0.3** | **2.2** |
| **Dairy price index** | 318 | 356 | 353 | 363 | 10.9 | 12.2 | -1.0 | 3.0 |
| **Whole milk powder USD/t** | 3439 | 4003 | 3952 | 4063 | 11.6 | 16.4 | -1.3 | 2.8 |
| **Skim milk powder USD/t** | 2686 | 2715 | 2702 | 2793 | 1.8 | 1.1 | -0.5 | 3.4 |
| **Lamb price index** | 462 | 557 | 572 | 570 | 0.3 | 20.5 | 2.8 | -0.4 |
| **Beef price index** | 283 | 311 | 319 | 327 | 4.4 | 9.6 | 2.6 | 2.7 |
| **Forestry price index** | 159 | 157 | 161 | 166 | -0.1 | -1.5 | 2.3 | 3.2 |

Forecasts as at 1 May 2025.

# CONTACT

**Westpac Economics Team**
**westpac.co.nz/economics**
economics@westpac.co.nz

**Kelly Eckhold**, Chief Economist
+64 9 348 9382 | +64 21 786 758
kelly.eckhold@westpac.co.nz

**Satish Ranchhod**, Senior Economist
+64 9 336 5668 | +64 21 710 852
satish.ranchhod@westpac.co.nz

**Darren Gibbs**, Senior Economist
+64 9 367 3368 | +64 21 794 292
darren.gibbs@westpac.co.nz

**Michael Gordon**, Senior Economist
+64 9 336 5670 | +64 21 749 506
michael.gordon@westpac.co.nz

**Paul Clark**, Industry Economist
+64 9 336 5656 | +64 21 713 704
paul.clark@westpac.co.nz

Past performance is not a reliable indicator of future performance. The forecasts given in this document are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from these forecasts.

# DISCLAIMER

## Things you should know.

Westpac Institutional Bank is a division of Westpac Banking Corporation ABN 33 007 457 141 ('Westpac').

## Disclaimer.

This material contains general commentary, and market colour. The material does not constitute investment advice. Certain types of transactions, including those involving futures, options and high yield securities give rise to substantial risk and are not suitable for all investors. We recommend that you seek your own independent legal or financial advice before proceeding with any investment decision. This information has been prepared without taking account of your objectives, financial situation or needs. This material may contain material provided by third parties. While such material is published with the necessary permission none of Westpac or its related entities accepts any responsibility for the accuracy or completeness of any such material. Although we have made every effort to ensure the information is free from error, none of Westpac or its related entities warrants the accuracy, adequacy or completeness of the information, or otherwise endorses it in any way. Except where contrary to law, Westpac and its related entities intend by this notice to exclude liability for the information. The information is subject to change without notice and none of Westpac or its related entities is under any obligation to update the information or correct any inaccuracy which may become apparent at a later date. The information contained in this material does not constitute an offer, a solicitation of an offer, or an inducement to subscribe for, purchase or sell any financial instrument or to enter a legally binding contract. Past performance is not a reliable indicator of future performance. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from these forecasts.

## Country disclosures.

**Australia:** Westpac holds an Australian Financial Services Licence (No. 233714). This material is provided to you solely for your own use and in your capacity as a wholesale client of Westpac.

**New Zealand:** In New Zealand, Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac or Westpac New Zealand Limited ("WNZL"). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. The current disclosure statements for the New Zealand branch of Westpac and WNZL can be obtained at the internet address www.westpac.co.nz.

**China, Hong Kong, Singapore and India:** This material has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (as defined in the applicable Singapore laws and regulations) only. Recipients in Singapore of this material should contact Westpac Singapore Branch in respect of any matters arising from, or in connection with, this material. Westpac Singapore Branch holds a wholesale banking licence and is subject to supervision by the Monetary Authority of Singapore. Westpac Hong Kong Branch holds a banking license and is subject to supervision by the Hong Kong Monetary Authority. Westpac Hong Kong branch also holds a license issued by the Hong Kong Securities and Futures Commission (SFC) for Type 1 and Type 4 regulated activities. This material is intended only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance. Westpac Shanghai and Beijing Branches hold banking licenses and are subject to supervision by the China Banking and Insurance Regulatory Commission (CBIRC). Westpac Mumbai Branch holds a banking license from Reserve Bank of India (RBI) and subject to regulation and supervision by the RBI.

**UK:** The contents of this communication, which have been prepared by and are the sole responsibility of Westpac Banking Corporation London and Westpac Europe Limited. Westpac (a) has its principal place of business in the United Kingdom at Camomile Court, 23 Camomile Street, London EC3A 7LL, and is registered at Cardiff in the UK (as Branch No. BR00106), and (b) authorised and regulated by the Australian Prudential Regulation Authority in Australia. Westpac is authorised in the United Kingdom by the

Prudential Regulation Authority. Westpac is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. Westpac Europe Limited is a company registered in England (number 05660023) and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

This communication is being made only to and is directed at (a) persons who have professional experience in matters relating to investments who fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (b) high net worth entities, and other persons to whom it may otherwise lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). Any person who is not a relevant person should not act or rely on this communication or any of its contents. The investments to which this communication relates are only available to and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such investments will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely upon this communication or any of its contents. In the same way, the information contained in this communication is intended for "eligible counterparties" and "professional clients" as defined by the rules of the Financial Conduct Authority and is not intended for "retail clients". With this in mind, Westpac expressly prohibits you from passing on the information in this communication to any third party. In particular this communication and, in each case, any copies thereof may not be taken, transmitted or distributed, directly or indirectly into any restricted jurisdiction. This communication is made in compliance with the Market Abuse Regulation (Regulation(EU) 596/2014).

## Investment recommendations disclosure.

The material may contain investment recommendations, including information recommending an investment strategy. Reasonable steps have been taken to ensure that the material is presented in a clear, accurate and objective manner. Investment Recommendations for Financial Instruments covered by MAR are made in compliance with Article 20 MAR. Westpac does not apply MAR Investment Recommendation requirements to Spot Foreign Exchange which is out of scope for MAR.

Unless otherwise indicated, there are no planned updates to this Investment Recommendation at the time of publication. Westpac has no obligation to update, modify or amend this Investment Recommendation or to notify the recipients of this Investment Recommendation should any information, including opinion, forecast or estimate set out in this Investment Recommendation change or subsequently become inaccurate.

Westpac will from time to time dispose of and acquire financial instruments of companies covered in this Investment Recommendation as principal and act as a market maker or liquidity provider in such financial instruments.

Westpac does not have any proprietary positions in equity shares of issuers that are the subject of an investment recommendation.

Westpac may have provided investment banking services to the issuer in the course of the past 12 months.

Westpac does not permit any issuer to see or comment on any investment recommendation prior to its completion and distribution.

Individuals who produce investment recommendations are not permitted to undertake any transactions in any financial instruments or derivatives in relation to the issuers covered by the investment recommendations they produce.

Westpac has implemented policies and procedures, which are designed to ensure conflicts of interests are managed consistently and appropriately, and to treat clients fairly.

The following arrangements have been adopted for the avoidance and prevention of conflicts in interests associated with the provision of investment recommendations.

(i) Chinese Wall/Cell arrangements;

(ii) physical separation of various Business/Support Units;

(iii) and well defined wall/cell crossing procedures;

(iv) a "need to know" policy;

(v) documented and well defined procedures for dealing with conflicts of interest;

(vi) steps by Compliance to ensure that the Chinese Wall/Cell arrangements remain effective and that such arrangements are adequately monitored.

**U.S:** Westpac operates in the United States of America as a federally licensed branch, regulated by the Office of the Comptroller of the Currency. Westpac is also registered with the US Commodity Futures Trading Commission ("CFTC") as a Swap Dealer, but is neither registered as, or affiliated with, a Futures Commission Merchant registered with the US CFTC. Westpac Capital Markets, LLC ('WCM'), a wholly-owned subsidiary of Westpac, is a broker-dealer registered under the U.S. Securities Exchange Act of 1934 ('the Exchange Act') and member of the Financial Industry Regulatory Authority ('FINRA'). This communication is provided for distribution to U.S. institutional investors in reliance on the exemption from registration provided by Rule 15a-6 under the Exchange Act and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors in the United States. WCM is the U.S. distributor of this communication and accepts responsibility for the contents of this communication. All disclaimers set out with respect to Westpac apply equally to WCM. If you would like to speak to someone regarding any security mentioned herein, please contact WCM on +1 212 389 1269. All disclaimers set out with respect to Westpac apply equally to WCM.

Investing in any non-U.S. securities or related financial instruments mentioned in this communication may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the SEC in the United States. Information on such non-U.S. securities or related financial instruments may be limited. Non-U.S. companies may not subject to audit and reporting standards and regulatory requirements comparable to those in effect in the United States. The value of any investment or income from any securities or related derivative instruments denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related derivative instruments.

The author of this communication is employed by Westpac and is not registered or qualified as a research analyst, representative, or associated person under the rules of FINRA, any other U.S. self-regulatory organisation, or the laws, rules or regulations of any State. Unless otherwise specifically stated, the views expressed herein are solely those of the author and may differ from the information, views or analysis expressed by Westpac and/or its affiliates.

Westpac Banking Corporation.