

AGRI BITES

Rolling momentum.

3 June 2025



CONTENTS AND AUTHOR

Summary	3
Dairy	4
Beef	5
Sheep meat	6
Horticulture	7
Forestry	8
Commodity price impacts	9
Forecasts	10



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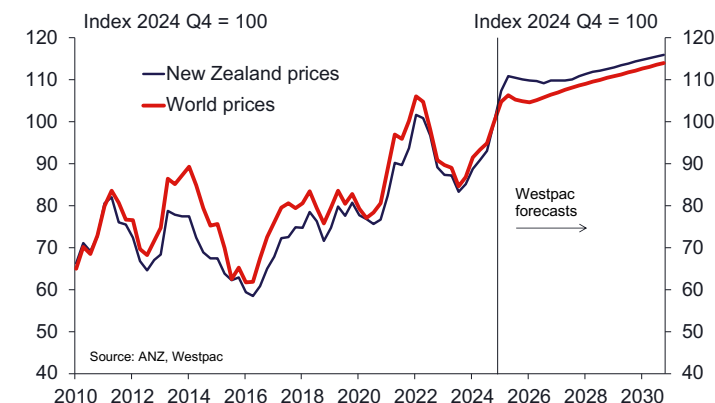


SUMMARY

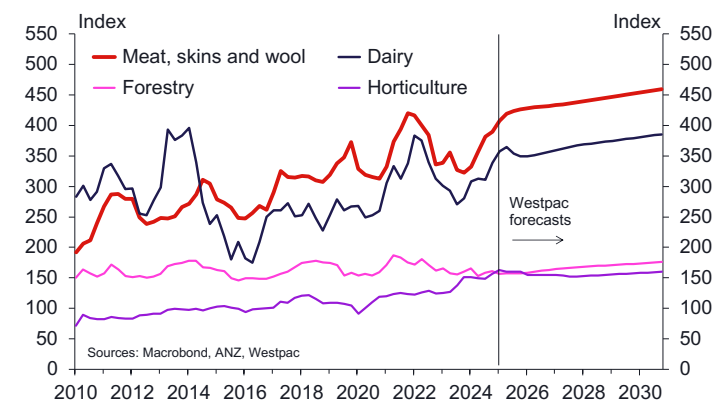
Agricultural export prices on the move.

- Amidst only a modest lift in global supply, our forecast for the 2025/26 season farmgate milk price remains at \$10.00/kg. That said, there are many uncertainties, including the potential impact of tariffs, how demand in China will play out and the performance of both the New Zealand and US dollars.
- Meanwhile beef slaughter prices continue to ratchet higher, reflecting stronger competition for stock by processors and increasing export returns. Export prices should rise further over the coming year, as shortages in key export markets persist and demand remains strong.
- Similarly, lamb slaughter prices continue to increase as competition for stock remains high. Lamb export prices should rise further over the coming year, reflecting demand in key markets. That said, gains may be more limited, given reports that suggest increasing resistance to higher prices in some markets.
- Kiwifruit and apple prices are expected to remain elevated over the coming year. Orchard gate returns per hectare are expected to lift off the back of higher yields.
- China's still moribund property sector and high port inventory levels suggests that log export prices should move sideways this year. That said, government policy actions aimed at stimulating domestic demand to offset the impact of tariffs could provide some support going forward.

Commodity prices – World and NZ dollar denominated



Commodity prices by category

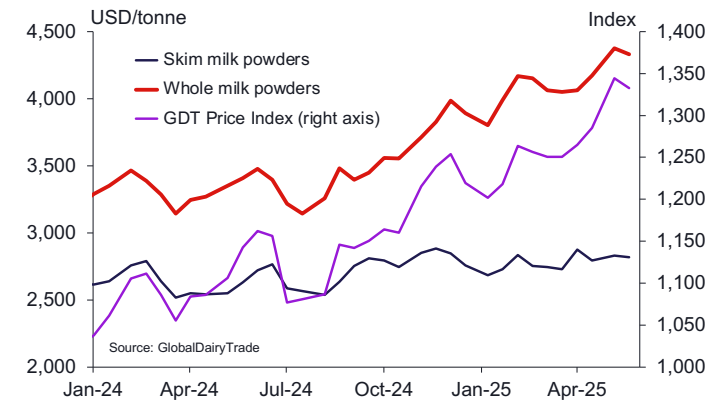


DAIRY

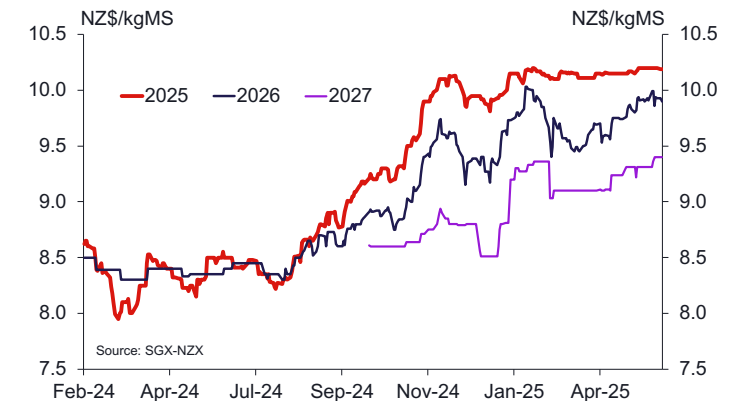
Outlook for the milk price remains promising but uncertainties abound.

- Dairy prices continue to trend higher. That said, a softer result was seen at the last full GDT auction of the 2024/25 season, with this weaker tone also evident at the most recent Pulse auction.
- Global milk supply remains broadly flat despite high milk prices. Both the European Union and Australia have seen a fall in production, while in New Zealand output levels have dropped back to normal levels with dry weather conditions in the North Island affecting the availability of pasture.
- Looking forward, we maintain our forecast a \$10.00/kg farmgate milk price for the 2025/26 season. While we expect global production to lift somewhat, prices are still likely to be supported by ongoing growth in demand. We note that futures market pricing for next season currently sits at around \$9.90/kg.
- That said, it is early in the season and much can change, as evident in the wide \$3/kg range seen in Fonterra's opening forecast. Amongst the various uncertainties, it is not clear how demand in China will play out given a lack of transparency on the rebuild of its dairy inventories. It's also not clear how tariffs on dairy products into the US might affect trade flows, and what tariffs more generally might mean for global demand and thus dairy prices.
- What also matters is the performance of the exchange rate. While a firmer NZ dollar would ordinarily hurt returns, further broad-based US dollar weakness could see US dollar denominated prices move higher over the coming year.

GDT auction prices – recent trends



Farmgate milk prices – future pricing



BEEF

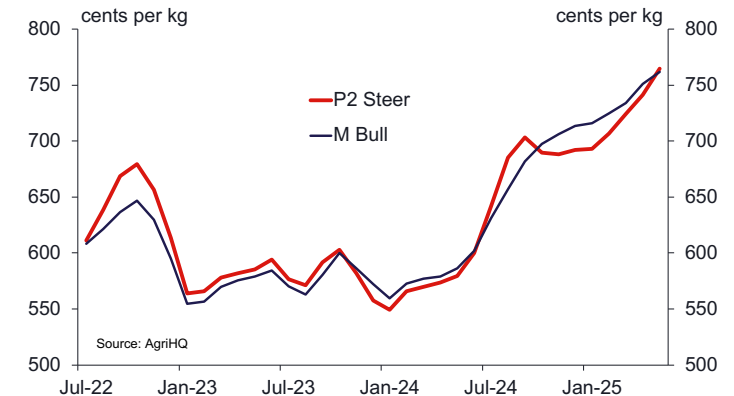
Slaughter prices continue to build off shortages.

- Beef slaughter prices continue to ratchet higher, reflecting stronger competition for stock by processors and increasing export returns. With processors finding it difficult to increase volumes through their plants, some are thinking about curtailing processing capacity.
- With very little evidence that volumes for slaughter are going to lift anytime soon, the expectation is that farmgate prices should continue to rise further over the foreseeable future.

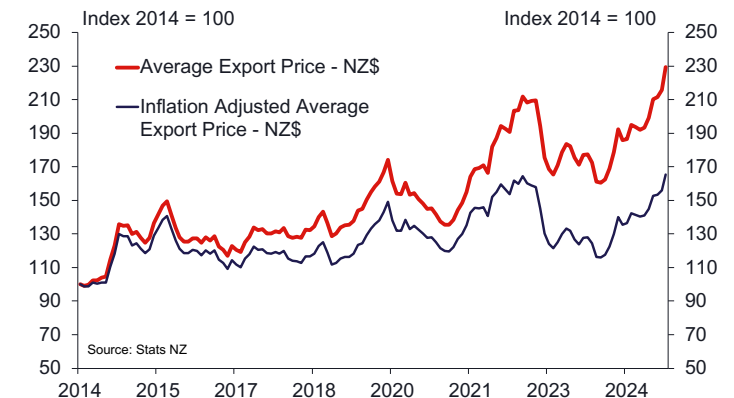
Export prices to continue to track higher.

- Export prices for beef reflect favourable strength of demand in key export markets and a shortage of product. That said, prices in the key US market have recent stabilised following “Liberation Day” tariff announcements, although much of that could be due to increased supply out of Brazil and Australia.
- Beef export prices are set to rise further, underpinned by demand for high quality protein and an acute supply shortage in key markets, such as the EU and UK. That said, gains could be limited, as competition from cheaper forms of protein increases.
- The longer-term price outlook remains positive, particularly in the US where supply remains particularly constrained.

Beef slaughter prices – New Zealand



Average monthly beef export prices



SHEEP MEAT

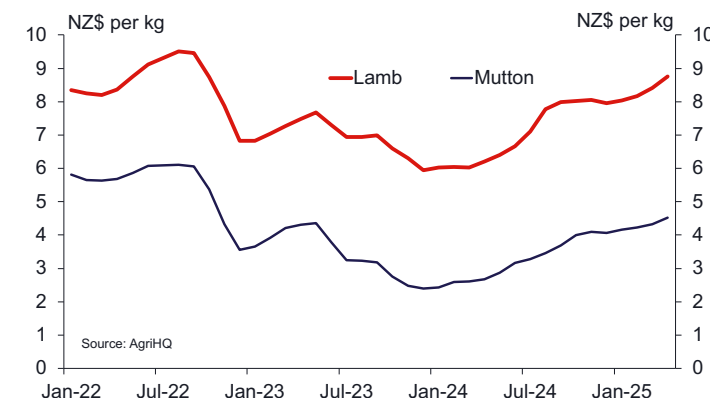
Slaughter prices to rise further, but there are limits.

- Lamb slaughter prices continue to track higher mainly because of increased competition between processors for stock to meet export demand.
- There is little to suggest that these dynamics are likely to change in the foreseeable future.
- Given structural lamb shortages, it is inevitable that processing capacity will have to consolidate. That should eventually cap farmgate prices, although much depends on what happens to export prices.

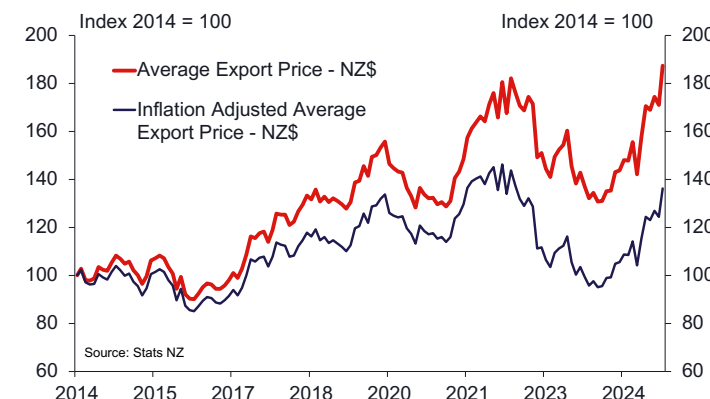
Lamb export prices set for further gains.

- Strengthening demand for protein and shortages of product continues to drive lamb prices sharply higher in export key markets, particularly in the UK and EU. Lamb prices have also been influenced by higher beef export prices.
- The volume of lamb entering the US seems to be unaffected by the “Liberation Day” tariffs. However, exports to China remain soft compared to previous years – trading down is evident, amid a hesitancy to pay higher prices.
- Looking forward, we think there is further upside for lamb export prices. That said, there is a limit, with recent reports suggesting that exporters are starting to see some resistance to higher prices in some markets, such as the EU.

Sheep meat slaughter prices – New Zealand



Average export prices for lamb



HORTICULTURE

Orchard gate returns on kiwifruit to march higher.

- Kiwifruit exports continue to outperform, reflecting strong demand for price competitive nutritious fruit in key markets as well as the quality/quantity of product sold.
- Export prices have lifted further, with higher volumes absorbed by stronger demand, particularly in the EU and North America. OGR per hectare are at record levels, mainly because of improved yields. A weaker New Zealand dollar has helped to lift performance, with Zespri recording NZ\$5bn in sales.
- 2025/26 is set to be a bumper season, with strong early sales in Europe and the US. That said, US tariffs could well affect sales, given a narrowing of the price discount between New Zealand and US produced product.

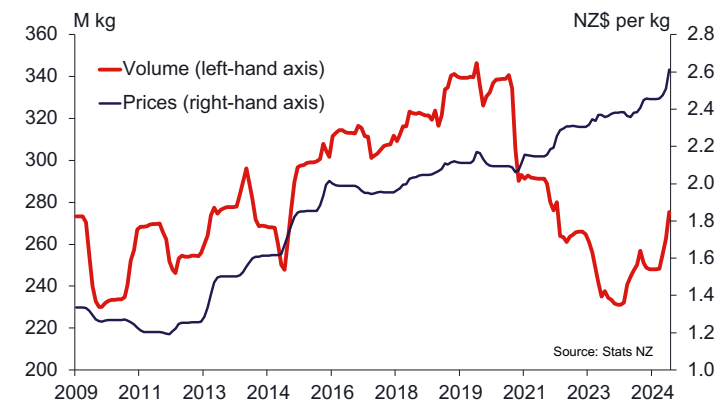
Export prices apples to remain on the up.

- Apple export prices have ratcheted higher off the back of still constrained supply and strong demand. Excellent weather, an early harvest and more previously planted fields coming online have helped to support production.
- Stronger competition in European markets, particularly from South Africa and Chile, is prompting exporters to turn to new markets in Asia. US tariffs are not expected to significantly impact exports given a high regard for the quality of New Zealand apples in that market.

Kiwifruit – average export prices and production



Apples – average export prices and production



FORESTRY

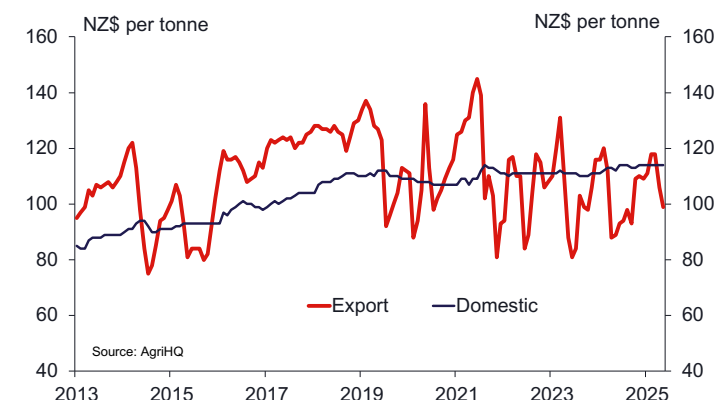
Export prices fall off the back of unfavourable supply/demand conditions.

- Export prices remain soft. In part that reflects high Chinese port inventory levels, which currently sit around the 4m m³ level. But more fundamentally, weaker prices reflect the impact of lower daily log usage rates in China – a direct consequence of slowing activity following the trade spat with the US.
- Other contributing factors include the large volume of New Zealand sourced logs previously delivered into the Chinese market. Impacts here have been amplified by a slight strengthening recently of the New Zealand dollar.

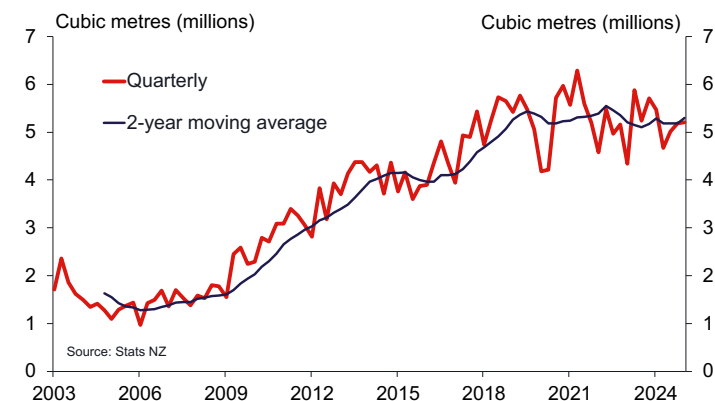
Export prices will remain flat for the remainder of the year.

- We expect that export log prices will continue to reflect the impact of weaker construction activity in China for the remainder of this year. While house prices are not falling as quickly as they were previously, they are still in decline.
- That said, government policy interventions in China aimed at boosting the property market as well as other measures to stimulate domestic demand in response to US tariffs could provide some support to log prices over time.
- Also important will be how New Zealand forest owners react to weaker log prices, with reports that some harvesting crews have been laid off. For many smaller operations that do not benefit from economies of scale, harvesting is not viable at current price levels.

Export vs domestic log prices



Log export volumes

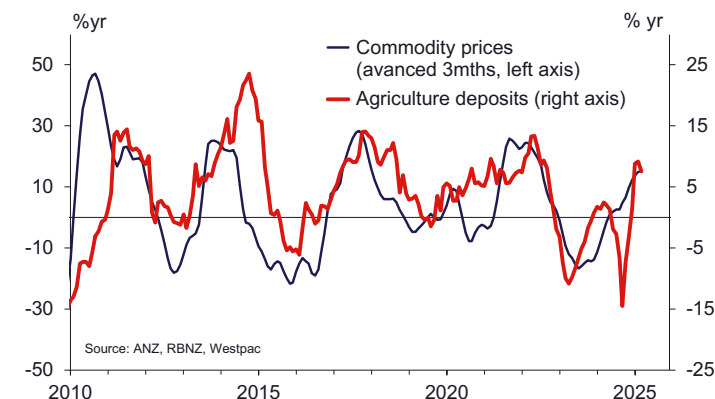


COMMODITY PRICE IMPACTS

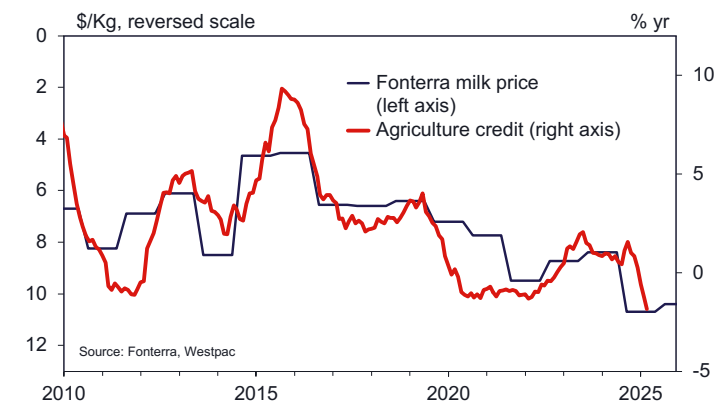
Farmers and growers are increasing their resilience to external shocks.

- Rising commodity prices have proven to be a boon to New Zealand's farmers over the past year or so. With farm input cost expenses now flatlining, higher commodity prices have translated into a much-needed improvement in on-farm profitability.
- The response of farmers has been telling. Having taken on more debt when interest rates were at record low levels, many farmers found themselves exposed to sharply higher debt servicing costs as monetary policy was tightened to counter the post-pandemic surge in inflation.
- Chastened by this experience, and the resulting deterioration in financial circumstances, farmers are now opting to bank the proceeds of rising commodity prices. They are doing this by paying down debt and/or by increasing bank deposits.
- The result is a financially firmer footing; one that allows farmers to better withstand potential future negative shocks. And that is important. While our outlook is for commodity prices to rise further over the coming year, and for input cost inflation to remain contained, ongoing geo-political tensions and changes in global trade patterns could easily upset the applecart.
- Should that happen, it is likely that finances would come under pressure. Paying down debt/putting money on deposit are just two ways that farmers can mitigate against an inevitable future cyclical downturn, whenever that comes.

Agricultural sector deposits and commodity prices



Agricultural sector credit and the milk price



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	398	392	387	384	386	389	391	394	396	398
Dairy price index	366	374	363	352	348	350	353	355	358	361	364
Whole milk powder USD/t	4,374	4,200	4,047	3,900	3,925	3,950	3,975	4,000	4,030	4,060	4,091
Skim milk powder USD/t	2,817	2,750	2,700	2,650	2,675	2,700	2,725	2,750	2,771	2,792	2,813
Lamb price index	578	566	572	576	574	572	571	570	570	570	570
Beef price index	340	311	312	314	316	318	320	322	325	327	329
Forestry price index	151	151	152	152	153	154	156	157	158	160	161

New Zealand commodity prices (annual averages)

	Levels				% change			
	2024	2025f	2026f	2027f	2024	2025f	2026f	2027f
NZ commodities index	357	393	389	397	8.4	10.0	-1.2	2.2
Dairy price index	318	362	352	363	10.9	14.0	-2.6	3.0
Whole milk powder USD/t	3439	4086	3952	4063	11.6	18.8	-3.3	2.8
Skim milk powder USD/t	2686	2736	2702	2793	1.8	1.9	-1.3	3.4
Lamb price index	462	559	572	570	0.3	21.0	2.4	-0.4
Beef price index	283	313	319	327	4.4	10.5	1.7	2.7
Forestry price index	159	153	155	160	-0.1	-4.2	1.4	3.3

Forecasts as at 30 May 2025.

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