

AGRI BITES

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30 January 2026



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SUMMARY

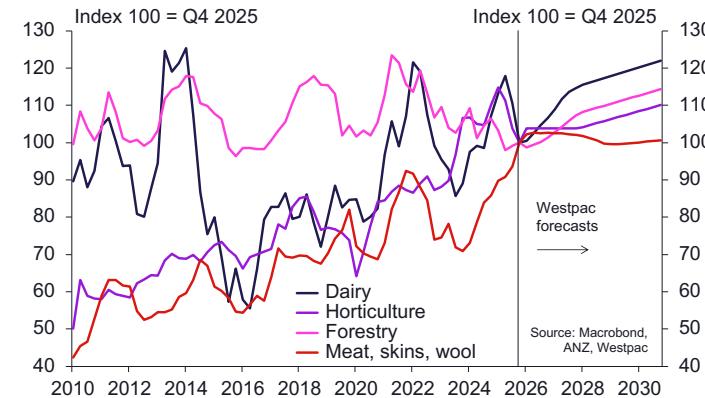
Agricultural export prices to remain buoyant.

- We have nudged up our farmgate milk price forecast to \$9.40/kg for the current season. Global production remains ample, but has plateaued in the last few months. The recent rebound in dairy prices is notable; we will be watching to see if it can be sustained in the face of still-strong milk production.
- Beef and lamb export prices are set to remain elevated off the back of still-constrained supply and strength of demand in key export markets. Key issues are how quickly the US beef herd rebuilds, the resilience of US consumer beef demand and the extent that ongoing weakness in the Chinese market and pockets of resistance in the key UK and EU markets limit lamb price gains.
- Kiwifruit and apple export prices to reflect ongoing strength in demand in key EU, US and Asian markets balanced by increased NZ production.
- Log prices may edge slightly higher. Demand from China continues to go sideways and is unlikely to go higher in the foreseeable future. India may help in this regard following the signing of an FTA, which includes a phase-down of tariffs on logs.
- This month we have special features on the carbon market and wine sector. Both are facing challenging times reflecting policy uncertainty (carbon) and excess wine supply.

Commodity prices – World and NZ dollar denominated



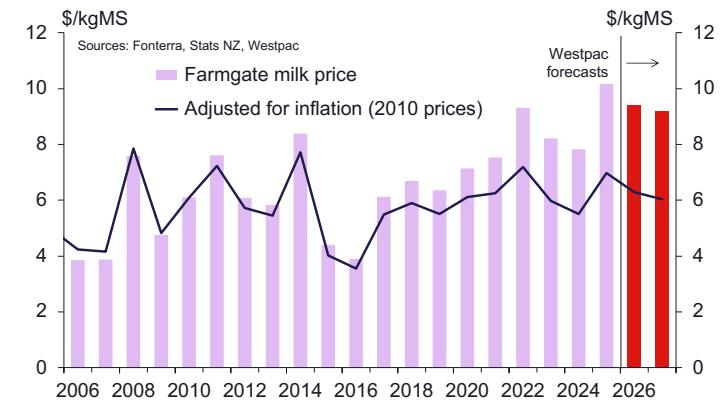
Commodity prices by category



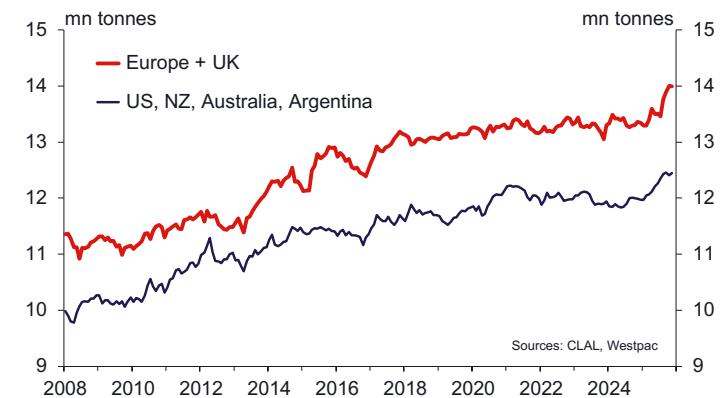
Early 2026 rebound in prices leaves the risks more balanced.

- World dairy prices continued to fall through to the end of 2025 as expected, reflecting strong global milk production. Further price falls in 2026 will reduce our farmgate milk price forecasts – especially for the 2026/27 season.
- January has seen a strong rebound in prices and futures markets suggest further gains in the near term. The path ahead for prices is unclear. But we now see balanced risks around our forecast prices for this season and next.
- We assume that world dairy prices will be around current levels on average over the remainder of the season (likely with some ups and downs along the way). On that basis, we've nudged up our farmgate milk price forecast by 10c to \$9.40/kg, compared to Fonterra's downgraded forecast of \$9.00/kg in December. We've also raised our central estimate for next season by 20c to \$9.20/kg, though still with a wide range of uncertainty around this.
- Milk collections in the main exporting countries are up about 4% on a year ago, although the level appears to have plateaued in recent months. There were indications that the lower milk prices in late 2025 were causing financial distress for farmers in some regions, given that production costs have also risen significantly in recent years.

Farmgate milk prices



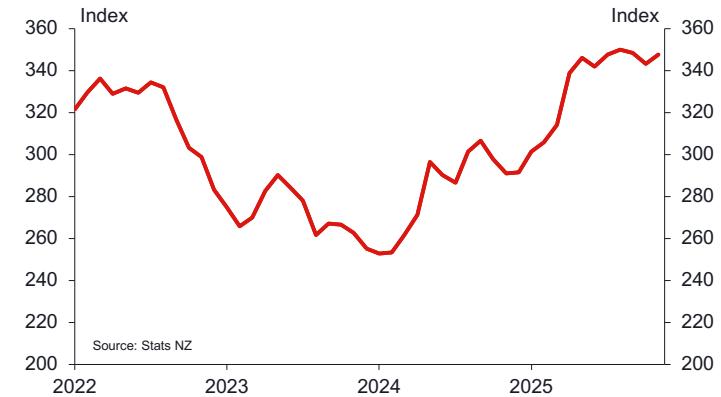
Milk production by top 5 exporting regions



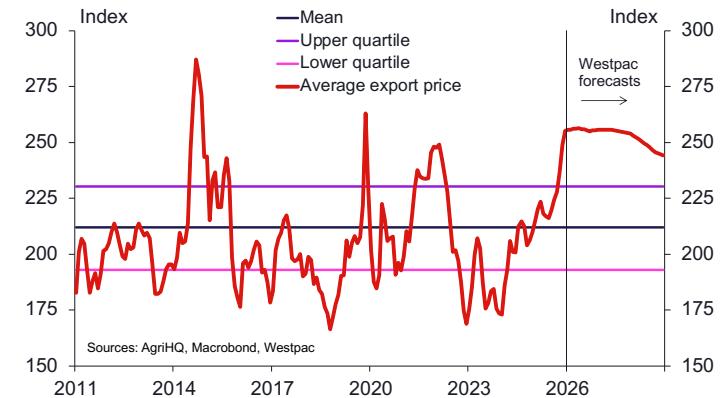
Beef prices to remain elevated but further upside potential is limited.

- We expect that beef prices will tilt higher in 2026, shifting sideways in 2027.
- Our key assumption is that the global supply of beef will remain tight in 2026, with a gradual easing in the years that follow. Much depends on how quickly the US beef herd, currently close to record lows, can be rebuilt and what that means for US import demand. Expectations are for a slow and gradual rebuild, with momentum building over time.
- Beef supplies are likely to be further constrained by ongoing reductions in the size of the EU cattle herd due to tightening regulations. Brazilian beef exports are expected to increase with more production redirected towards the key US and Chinese markets.
- Demand for beef is likely to remain robust. The key driver will be US import demand, underpinned by a strong preference for grass-fed beef. Chinese demand is set to remain subdued but stable, reflecting price sensitivity and the availability of cheaper forms of protein.
- This year's imposition of an additional 55% tariff on above-quota beef imports into China should raise prices in that market. With New Zealand exempt from this tariff, this should result in improved competitiveness and better returns for our beef exporters. That said, competitors' beef diverted from China will likely put some downward pressure on prices in affected markets.

Average monthly beef export prices - nominal



Average monthly beef export prices - real

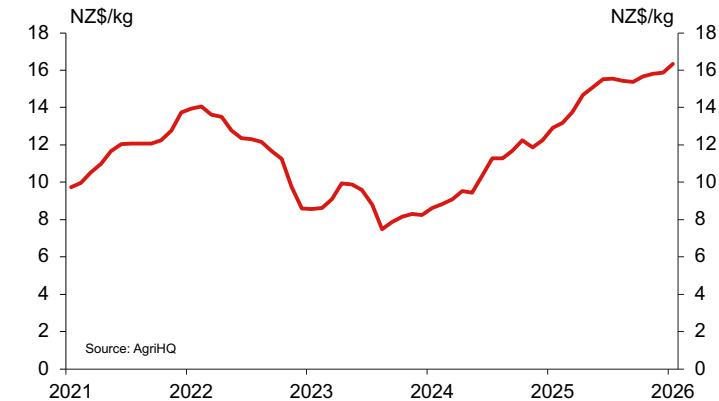


SHEEP MEAT

Lamb export prices to remain buoyant, but likely to moderate in 2027.

- Lamb prices are set to remain at elevated levels in 2026 and 2027.
- Our key assumption here is that global supply of lamb will be constrained, mainly because of lower production in Australia and New Zealand.
- In Australia's case, tight supply reflects efforts to rebuild their flock after multi-year liquidations. For New Zealand, reduced production is more a function of a structural decline in flock size (and number of breeding ewes).
- Reduced supply from New Zealand and Australia will effectively cap how much is sold into the key export markets such as the EU, US and UK, and that should help to keep prices higher for longer.
- The recent conclusion of an FTA with India should also underpin price levels, although the impacts of the phased removal of the current 30% tariffs on lamb imports are likely to take a while to materialise.
- We think that demand will lend less support to lamb prices. While demand remains elevated in many key markets because of domestic shortages, there are reports of price resistance, particularly in the UK and EU, which have been impacted by rising living costs.
- Chinese demand is also expected to remain weak, with greater sensitivity to prices compared to earlier cycles.

Average monthly lamb export prices - nominal



Average monthly lamb export prices - real



HORTICULTURE

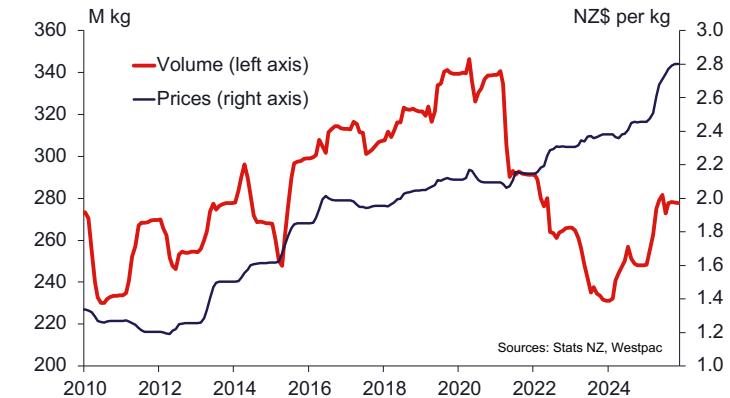
Kiwifruit and apple prices remain firm, but gains are slowing.

- Average kiwifruit export prices have firmed in over the past year, reflecting the strength of demand in key export markets, good fruit quality and a shift in production towards higher priced gold and ruby red varieties.
- A recent stabilisation of kiwifruit prices partly reflects the rebalancing of supply and demand dynamics.
- We think that average export prices for kiwifruit will remain at elevated levels over the coming year. However, gains previously seen are unlikely to repeat as supply eventually catches up with strong demand in key export markets.
- Average apple export prices have also lifted over the past year, reflecting a greater share of premium varieties in the export product mix and a deliberate targeting of markets that are willing to pay higher prices.
- The recent stabilisation of average apple export prices reflects increased supply from orchard productivity gains, increases in land under cultivation and a larger number of young orchards moving into full bearing.
- Apple production in New Zealand is expected to increase in 2026 as orchards continue to recover from Cyclone Gabrielle. Materially higher export volumes are expected to shift the market from tightness to clearance, and that is likely to cap prices at current elevated levels.

Kiwifruit – average export prices and volumes



Apples – average export prices and volumes

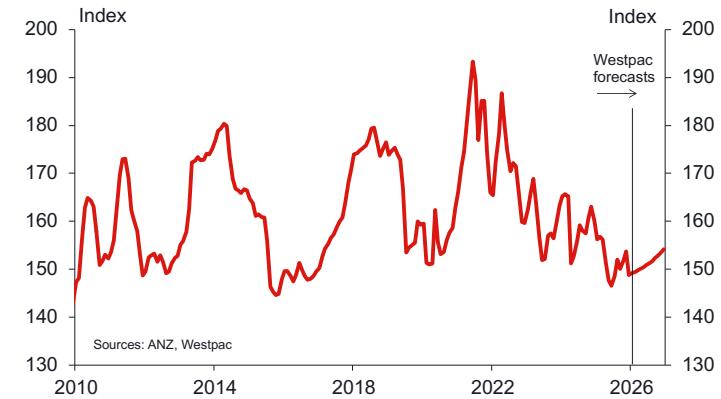


FORESTRY

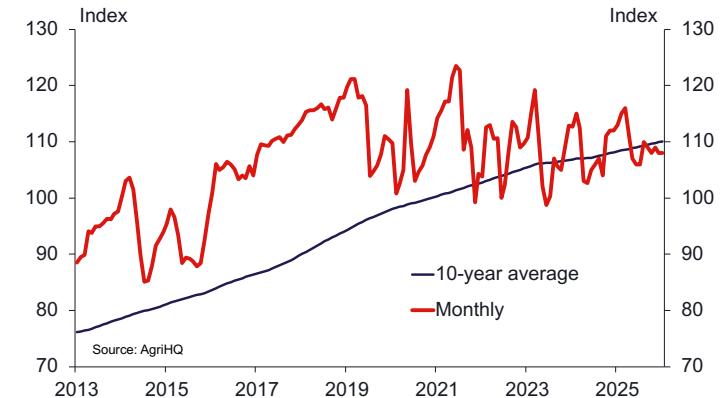
Log export prices display inertia, with marginal gains expected in 2026.

- Log export prices have effectively moved sideways in recent months, reflecting steady but unspectacular demand from China, especially for construction-related uses.
- Large port inventories in China are also in play. Buyers negotiate prices down when ports lift inventories, even when demand improves modestly.
- Looking forward, we think that lacklustre demand from China will remain the dominant constraint in 2026, with sideways demand limiting a price recovery over the course of the year. Upcoming Chinese New Year celebrations are likely to further weigh on prices.
- At present New Zealand's log exports to India amount to less than \$100m per year (about half of pre-Covid levels). However, the recently concluded FTA with India could throw up some export opportunities.
- Given strong growth in the Indian economy, it is possible that Indian demand for logs could increase by around 50% by 2030. While that growth is coming off a small base, it should help to support prices.
- While we expect a lift in New Zealand export volumes to India, the ability to increase market share is likely to be constrained by Australia, which is set to remain the biggest supplier of softwood logs into that market. Like New Zealand, Australia also has an FTA with India.

World forest prices



Combined log price – monthly vs 10-year average



CARBON

Change in policy direction prompts a drop in carbon prices.

- Carbon prices under New Zealand's ETS fell sharply in late 2025 and into 2026, as policy changes and perceptions of a weaker government commitment to climate action combined to undermine market confidence.
- The sell-off, which started in early November 2025, was sparked by a delinking of the ETS from New Zealand's Paris commitments, compounded by a shift from "reducing warming" to "no additional warming" and a downgrading of the Climate Commission's advisory role.
- Key concerns included the near-halving of the 2050 methane target, rejection of an agricultural methane tax, and increased reliance on methane-reduction technologies.
- More recently, carbon prices have weakened further with Westpac executing trades at a low of \$32 – a level last seen in July 2020. We note that during the holiday period, the carbon market can be very thin with low levels of liquidity.
- On a more positive note for forest owners, the government has recently proposed further reductions to their annual ETS registration costs. This may encourage greater participation in the scheme.

Carbon prices

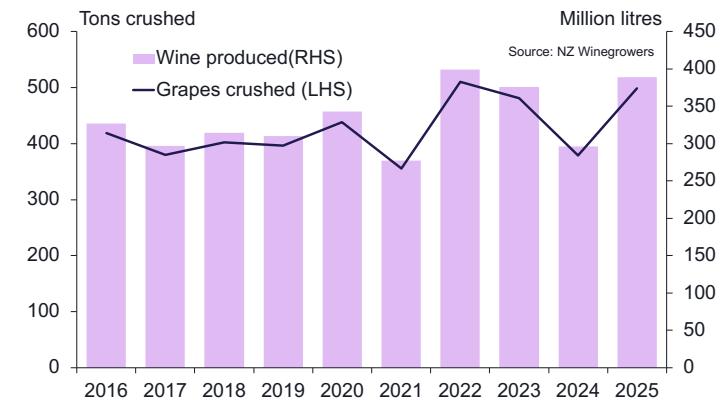


WINE AND GRAPES

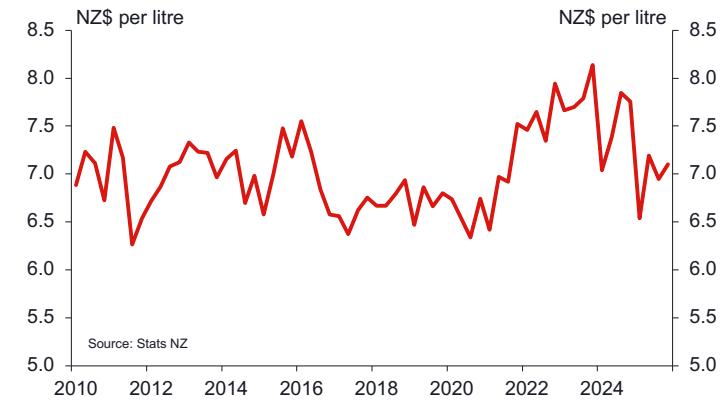
Grape growers and wineries continue to face challenging times.

- New Zealand's grape growers and winemakers are navigating a period of heightened pressure, as a global wine oversupply coincides with falling demand in domestic and key export markets, elevated inventories, and materially higher costs.
- Falling demand reflects long-term shifts in drinking behaviour, colliding with health/moderation trends, and stronger competition from substitute beverages. Coinciding with declining demand has been several large vintages alongside vineyard expansion, which has increased the supply of grapes that are available for processing by wineries.
- These factors combined have contributed to a large inventory overhang, which has imposed significant costs on both winery operations and grape growers.
- The consequences for wineries are severe. Excess wine – particularly Sauvignon Blanc – loses value in storage, forcing discounting or disposal in a weak demand environment, squeezing margins and increasing the potential for winery closures.
- For grape growers, high inventories suppress grape demand, leaving fruit unharvested and, amid rising costs, sharply compressing margins and increasing the risk of vineyard closures.

Grapes crushed and wine produced



Average wine export price (per unit)



FORECASTS

New Zealand commodity prices (end of period)

	Latest	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
NZ commodities index	371	384	389	393	397	401	407	411	413	415	416
Dairy price index	298	317	324	330	337	344	353	358	362	364	366
Whole milk powder USD/t	3,449	3,500	3,500	3,550	3,600	3,700	3,800	3,840	3,880	3,880	3,880
Skim milk powder USD/t	2,615	2,600	2,600	2,620	2,650	2,700	2,750	2,780	2,810	2,810	2,810
Lamb price index	657	657	658	653	650	648	647	643	643	640	632
Beef price index	376	379	381	383	384	385	385	385	384	383	382
Forestry price index	149	149	150	152	153	156	158	160	163	164	165

New Zealand commodity prices (annual averages)

	Levels				% change			
	2024	2025	2026f	2027f	2024	2025	2026f	2027f
NZ commodities index	357	390	391	408	8.4	9.2	0.2	4.5
Dairy price index	318	348	327	354	10.9	9.7	-6.2	8.4
Whole milk powder USD/t	3439	3902	3518	3774	11.6	13.5	-9.8	7.3
Skim milk powder USD/t	2686	2702	2614	2742	1.8	0.6	-3.3	4.9
Lamb price index	462	587	656	646	0.3	27.0	11.7	-1.5
Beef price index	283	337	381	385	4.4	19.1	12.9	1.0
Forestry price index	159	152	151	159	-0.1	-4.9	-0.2	5.2

Forecasts as at 29 January 2026.

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