

AGRI BITES

Going strong, but
risks remain.

31 Mar 2025



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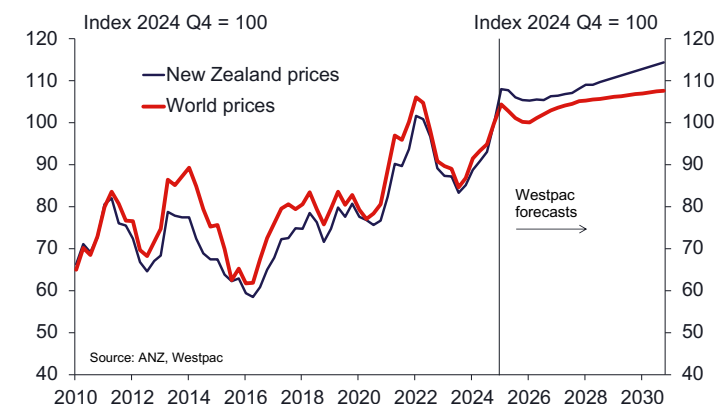


SUMMARY

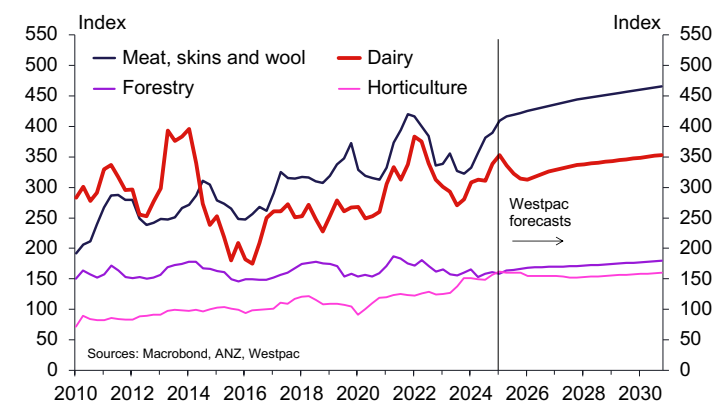
The commodity price outlook is positive, but risks loom.

- While we continue to see prices lift across most commodities, global demand fundamentals coupled with ongoing geopolitical uncertainties suggest greater risks now lie to the downside.
- That's evident in our milk price forecast of \$10.30/kgMS, which incorporates an expectation that dairy prices may well come off in coming months as China rolls back its inventory buildup, particularly of whole milk powder.
- Meat prices are expected to continue to rise, underpinned by a supportive New Zealand dollar. That is particularly true for beef, which continues to be bolstered by a shortfall in US meat production.
- Lamb prices are set to rise further, mainly because of stronger demand out of the EU and US. However, gains may be constrained by extra supply coming out of Australia and the UK over coming months.
- Horticultural prices are set for a bumper year. Recent guidance from Zespri points to improving orchard gate returns across all varietals. Export prices for apples should track higher as demand in key markets continues to outpace still-constrained supply out of New Zealand.
- Export log prices are likely to cautiously edge higher over 2025. Chinese government initiatives aimed at boosting domestic demand should gain traction thereafter, which should provide further support to log prices.

Commodity prices – World and NZ dollar denominated



Commodity prices by category

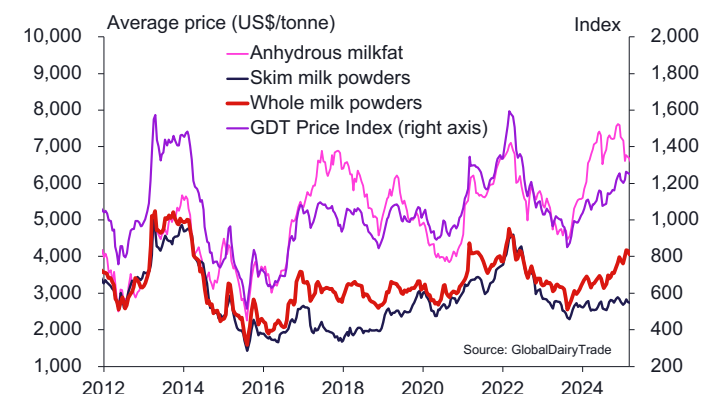


DAIRY

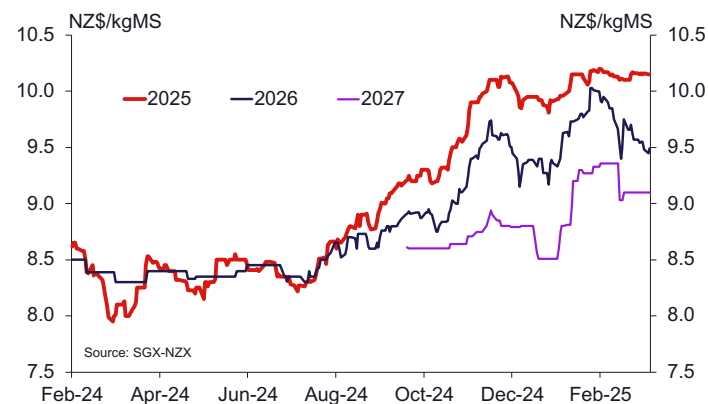
Outlook for the milk price remains upbeat, but are risks are mounting.

- Farmers are likely to be in good spirits with farmgate milk prices on the rise and input cost inflation well contained.
- Dairy NZ's slightly higher break-even estimate of \$8.57/kgMS reflects greater use of feed and fertiliser in response to higher milk prices, as well as to make up for a reduced use of these inputs when their prices were higher.
- Our forecast farmgate milk price of \$10.30/kgMS reflects the upward trend in in dairy prices at the most recent GlobalDairyTrade auctions. Key here has been the price of whole milk powder, which continues to track higher, with Middle Eastern buyers being particularly active.
- Chinese demand has weakened – possibly due to Lunar New Year celebrations, but also because inventory restocking may be complete. We expect whole milk powder prices to weaken somewhat.
- We are also sticking to our next season's milk price forecast of \$10.00/kgMS, which we note is above current futures prices. Even with some normalisation of Chinese buying patterns and weaker prices, the low New Zealand dollar should support returns.
- The key risk is that global trade uncertainty weighs on global demand and prices. We are watching that space carefully.

GDT dairy prices



Farmgate milk prices – futures pricing



BEEF

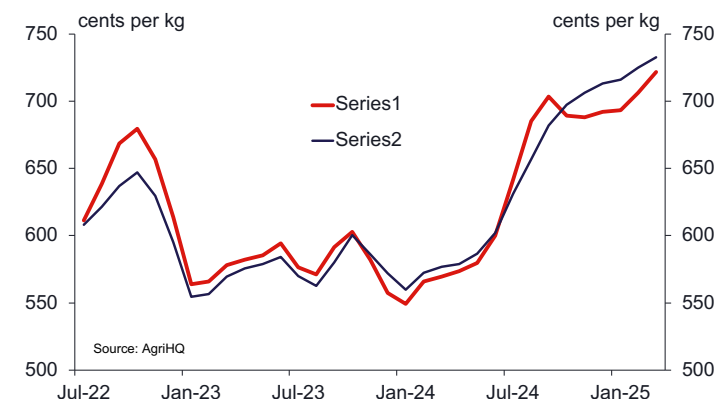
Slaughter prices in New Zealand continue higher.

- Slaughter prices for beef continue to surge off the back of lower stock volumes for processing and ongoing demand in the US and other markets for New Zealand exports.
- Drier weather conditions, particularly in the North island, have not resulted in stock being brought forward for processing. In part that reflects better on-farm financial circumstances as well as access to feed supplies.
- Price gains could moderate over coming months as we reach peak slaughter in May. However, as we get into winter, kill rates are likely to drop off. Together with strong export demand, that should translate into higher slaughter prices.

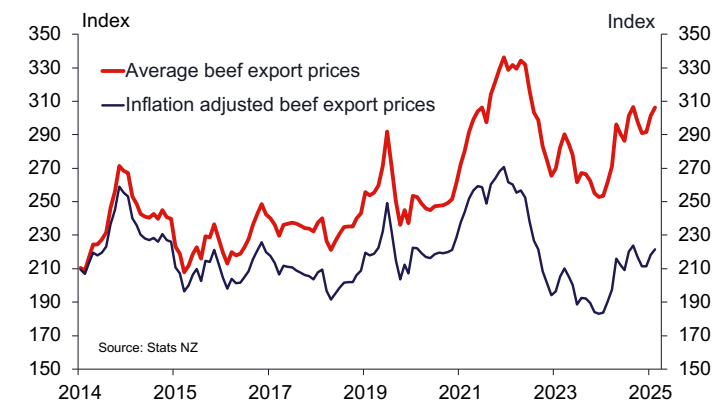
Export prices reflect strength in demand and weakness in production.

- Export prices continue to increase due to an ongoing structural production deficit in the US and New Zealand dollar weakness. With global production set to ease, we think that will lead to higher beef prices over the coming year.
- Conversely, Australia is forecast to increase beef exports into the US. Much of this will be lean trimmings, where it competes head on with New Zealand.
- A key uncertainty is the impact of any future tariff on beef exports into the US. We note that lean trimmings are an intermediate product, which are in short supply in the US.

Beef slaughter prices – New Zealand



Average monthly beef export prices



SHEEP MEAT

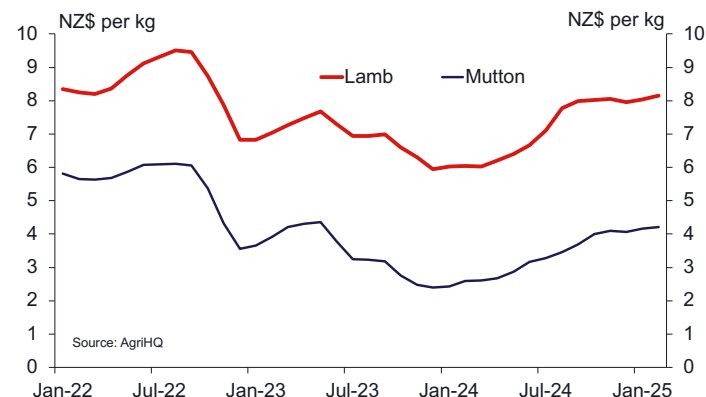
Expect a further pickup in slaughter prices.

- Underlying momentum in lamb slaughter prices continues to reflect elevated competition between processors for stock to meet growing export demand, out of the EU and increasingly the US.
- While kill rates have held up above last year's levels, the expectation is that there will be a significant shortage of lambs coming forward in the next couple of months, which should then drive prices higher.

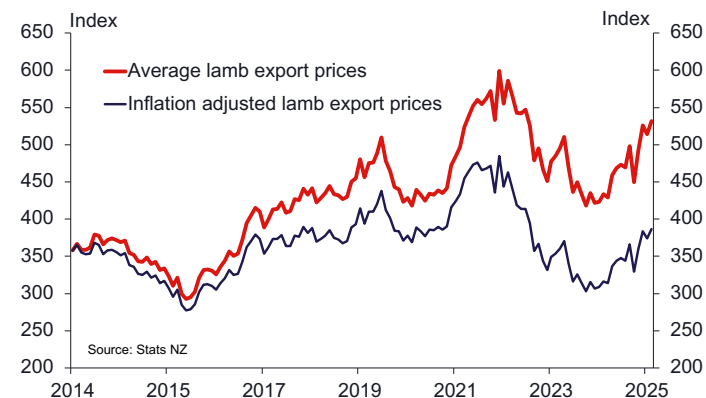
Lamb export price gains to continue over the coming year.

- Export prices continue to tick higher off the back of strong demand in key markets and weakness in the New Zealand dollar. That reflects solid demand in the EU, UK and the US, coupled with what has been weaker production out of New Zealand and (to date) Australia.
- Some of these factors may be less supportive to prices over the coming year. Lamb production in the UK, for example, is expected to rise, with some suggesting that this will lead to a 13% reduction in imports. Australia, the world's biggest exporter of sheep meat, is also expected to lift production, specifically targeting markets in the Middle East and the US.
- We expect export lamb prices to rise further over the remainder of this year, but the pace of increase could slow given a change in supply fundamentals.

Sheep meat slaughter prices – New Zealand



Average export prices for lamb



HORTICULTURE

Kiwifruit to go from strength to strength in 2025.

- According to Zespri, strong demand in key markets in Asia, EU and US, increased production yields and quality improvements, and a supportive New Zealand dollar will support orchard gate returns over the coming year.
- At this early stage of the season, Zespri guidance on orchard gate returns for 2025/26 has a lower end of the range that sits just under the 2024/25 forecast, while the upper end shows significant gains, irrespective of varietal.
- The big area of focus is likely to be on RubyRed Kiwifruit, which commands a higher return per tray than other varieties. However, RubyRed vines are still relatively immature, so yields tend to be a bit lower than for other varieties.

Apple export prices to remain elevated on constrained supply.

- New Zealand apple exports remain constrained, reflecting the impact of Cyclone Gabrielle on output levels in the Hawke's Bay – current levels are only around where they were in 2022, and are well-off pre-Covid levels. That is likely to remain the case with new plantings still to reach maturity.
- Average export prices continue to track higher, as demand in key Asian and European markets keeps ahead of production. Favourable growing conditions through spring and summer have reportedly resulted in high-quality fruit. With supply likely to remain constrained, we think prices will remain elevated.

Kiwifruit – average export prices and production



Apples – average export prices and production



FORESTRY

Export log prices move sideways in March.

- After a small upward adjustment, export log prices moved sideways in March. Post the Chinese New Year holiday, port inventories are sitting slightly above 4,000,000m³, with an uplift of around 65,000m³ per day.
- Shipping costs, which had previously supported an upward tick in export prices, have risen sharply over the last month. That reflects ship availability, growing trade tensions, and renewed conflict in the Red Sea.
- Chinese demand is little changed and remains lacklustre despite recent stimulus packages, weighed down by a massively oversupplied housing market. However, the pace of house price declines has moderated.

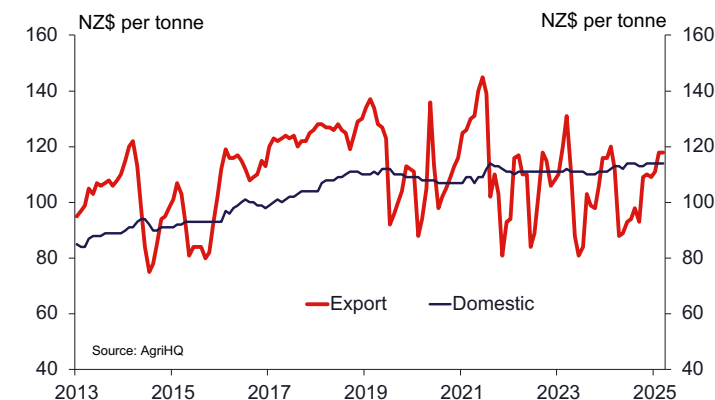
Longer-term, log prices to lift on Chinese demand and other markets.

- Looking forward, there is potential for downside pressure on export prices over the next couple of months. Key here is a lack of confidence among that country's manufacturers, not helped by a likely trade war with the US.
- Further out, the 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.
- Other markets also hold promise. That includes India, which although small at the moment, has the potential to be a key market for New Zealand log exports.

Shipping costs – weekly Baltic Dry Index



Export vs domestic log prices

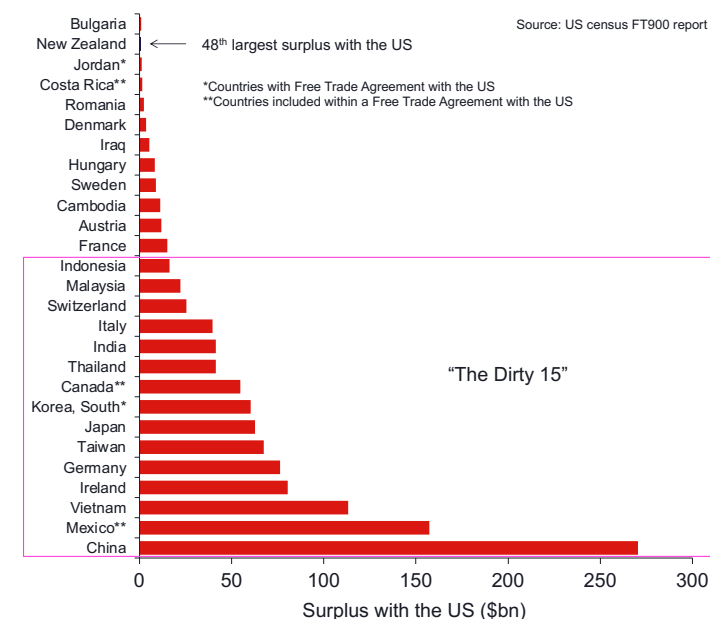


TARIFFS

New Zealand is unlikely to be a target for large reciprocal tariffs.

- It's likely the US will soon introduce reciprocal tariffs on goods from countries with large trade surpluses with the US. Tariffs are likely to be larger in cases where existing tariffs are high or where non-tariff barriers are in place (e.g. Value Added Taxes, packaging requirements, high biosecurity standards).
- The most vulnerable countries are those with the largest surpluses such as China and Mexico.
- According to research by the Peterson Institute for International Economics, tariffs on Mexico and Canada could see their GDP decline by 2.3% and 3.4% (over 3 and 8 years), respectively. For China, that falls to 0.2% over 3 years, which is pretty much in line with the estimated cost for the US.
- By contrast, New Zealand runs a small trade surplus of about US\$1bn with the US, ranking a lowly 48th of countries which do so. In terms of its peer group it is the second lowest in the OECD, save for Iceland. The implication is that New Zealand is unlikely to be singled out for special treatment from the US.
- Further product-specific tariffs might also be applied at a later date. That could potentially have a bigger impact on New Zealand, especially if the primary sector is subjected to tariffs designed to protect US agriculture.

Country's that run a trade surplus with the US



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	399	387	381	377	377	381	384	387	390	392	394
Dairy price index	364	336	323	314	313	317	321	326	329	331	334
Whole milk powder USD/t	4,052	3,800	3,673	3,550	3,600	3,650	3,700	3,750	3,778	3,807	3,835
Skim milk powder USD/t	2,729	2,600	2,524	2,450	2,499	2,550	2,600	2,650	2,670	2,690	2,710
Lamb price index	532	530	536	541	547	552	555	558	561	564	567
Beef price index	301	308	309	310	312	314	316	318	320	323	325
Forestry price index	157	164	165	167	169	169	170	170	170	170	171

New Zealand commodity prices (annual averages)

	Levels				% change			
	2024	2025f	2026f	2027f	2024	2025f	2026f	2027f
NZ commodities index	357	384	382	393	8.4	7.6	-0.6	2.7
Dairy price index	318	332	319	333	10.9	4.4	-3.7	4.2
Whole milk powder USD/t	3439	3817	3654	3809	11.6	11.0	-4.3	4.2
Skim milk powder USD/t	2686	2609	2554	2692	1.8	-2.9	-2.1	5.4
Lamb price index	462	531	552	565	0.3	14.9	3.9	2.4
Beef price index	283	308	314	323	4.4	8.6	2.2	2.8
Forestry price index	159	163	169	171	-0.1	2.5	3.6	0.8

Forecasts as at 28 Mar 2025.

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