AGRI BITES

Still on top.

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CONTENTS AND AUTHOR

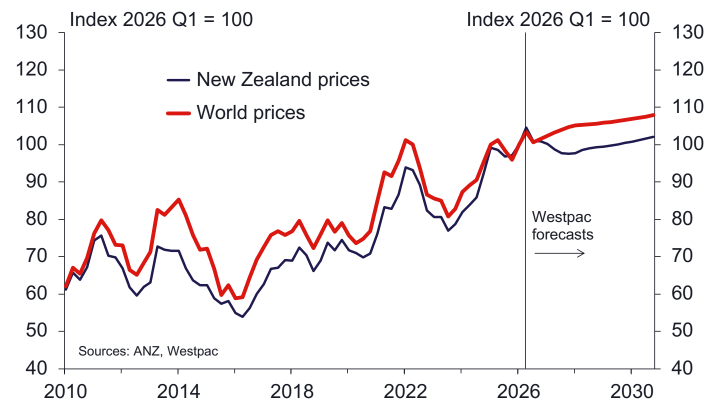
Paul Clark, Industry Economist
+64 9 336 5656 | +64 21 713 704
paul.clark@westpac.co.nz

SUMMARY

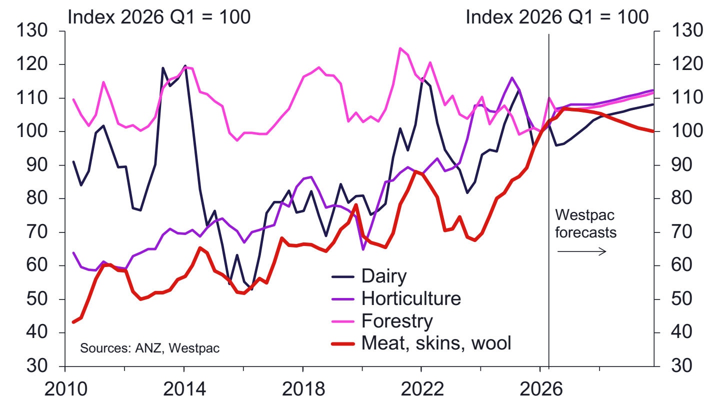
Despite uncertainties, agricultural export prices to remain elevated.

- The twist and turns associated with the conflict in the Middle East is increasing volatility in energy and related prices. At the current point in time supply is uninterrupted but prices remain elevated relative to pre-conflict levels. If this continues, this will place upward pressure on farm input costs, potentially eroding some of the gains from still-elevated commodity prices.
- Our forecast for the 2026/27 farmgate milk price remains at $9.50/kg, noting that the range of uncertainty is particularly wide at this stage of the season. Global milk production remains ample but is slowing from its highs.
- Meanwhile, global beef and lamb prices are expected to remain well supported over the coming year, reflecting strong demand and constrained supply. Beef prices are being underpinned by lower production in the US and Brazil, while lamb prices face some headwinds from rising Australian supply and slower demand growth in Europe, the US, and China.
- Meanwhile, strong demand for premium kiwifruit and apple varieties is set to keep prices and grower returns at elevated levels, despite higher input costs, soft market conditions in China and aforementioned geopolitical headwinds.
- Forestry prices should improve moderately, supported by tighter supply and recovering demand, but China's still weak property market will cap upside.

Commodity prices – World and NZ dollar denominated



Commodity prices by category

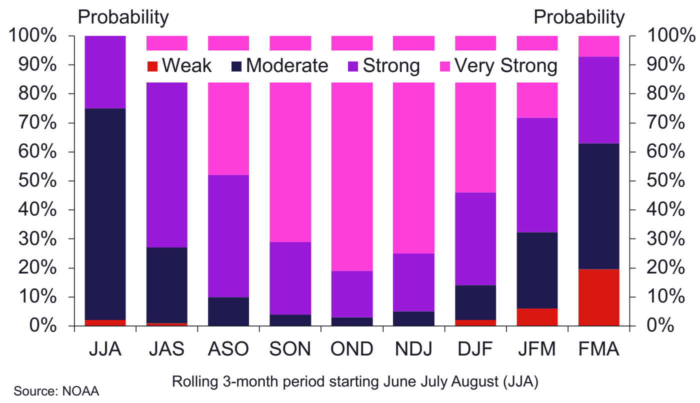


POSSIBLE IMPACTS OF EL NIÑO

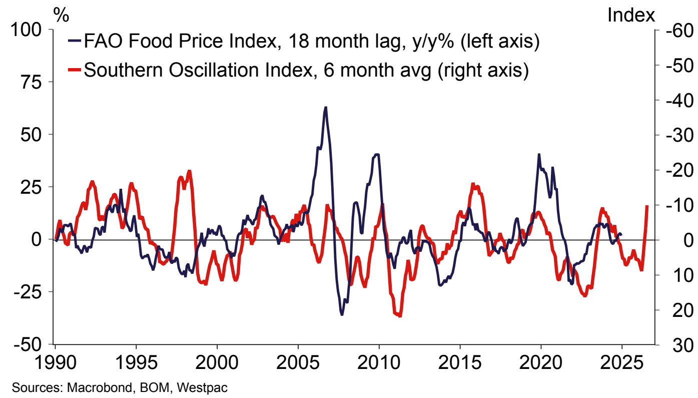
El Niño events could support commodity export prices.

- Climate forecasts indicate an increasing likelihood of El Niño developing through summer 2026/27, raising the risk of dry conditions across northern and eastern New Zealand.
- New Zealand agriculture enters this period in relatively good condition, with normal soil moisture and adequate feed supplies. However, conditions could deteriorate if a strong El Niño persists.
- Poor pasture growth could reduce dairy production through earlier cow dry-offs. If other dairy-exporting regions are similarly affected, tighter global supply could support dairy prices and farmgate returns.
- For sheep and beef farmers, weaker pasture growth may initially increase slaughter rates and pressure prices. Later, herd and flock rebuilding could tighten supply and support beef and lamb prices.
- Kiwifruit, apples and viticulture are generally more resilient, but prolonged drought, heat stress and water restrictions could reduce yields. Lower production may be partly offset by firmer export prices if global demand remains strong.
- Given the uncertainty surrounding El Niño, we have assumed no material impact on commodity prices over the coming year.

El Niño – Probability of severity



El Niño (SOI) and food prices

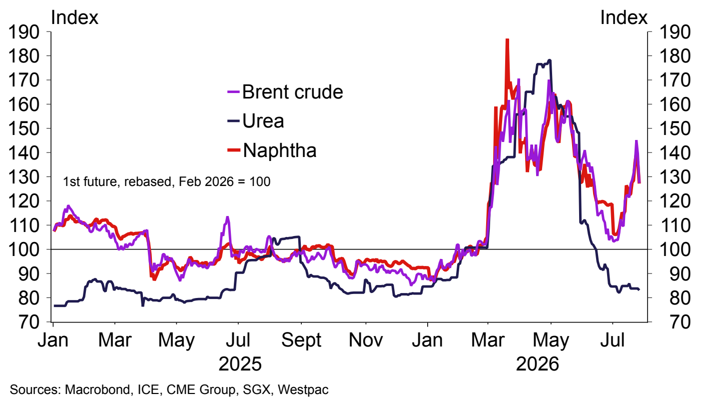


UPDATED IMPACTS OF WAR IN IRAN

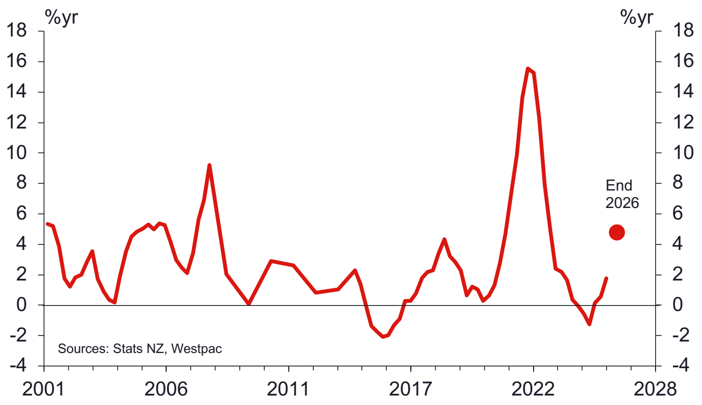
Conflict-related disruptions could push input costs higher than expected.

- Global geopolitical risks have re-emerged as a significant source of uncertainty. The temporary easing in tensions that had helped stabilise markets in June has faded, with renewed US-Iran hostilities and ongoing attacks on commercial shipping in and around the Red Sea increasing concerns about global trade flows and energy supplies.
- These developments have contributed to heightened volatility in energy markets. Crude oil prices have fluctuated sharply in response to shifting perceptions of supply risk, with flow-on effects for petroleum products, gasoil, and petrochemical feedstocks such as naphtha, an important input for plastics manufacturing.
- Fertiliser markets are also under pressure. Sanctions on Russia and Belarus, trade restrictions, and shipping disruptions have constrained global supplies of sulphur, phosphate, potash, and some nitrogen fertilisers. However, urea prices have remained relatively stable, supported by recovering international supply and increased exports from China, which have helped offset conflict-related disruptions.
- For New Zealand farmers, the key risk is that more volatile energy and fertiliser markets could result in input costs increasing faster than what we have already pencilled in.

Crude and derivative product prices



Farm input cost index

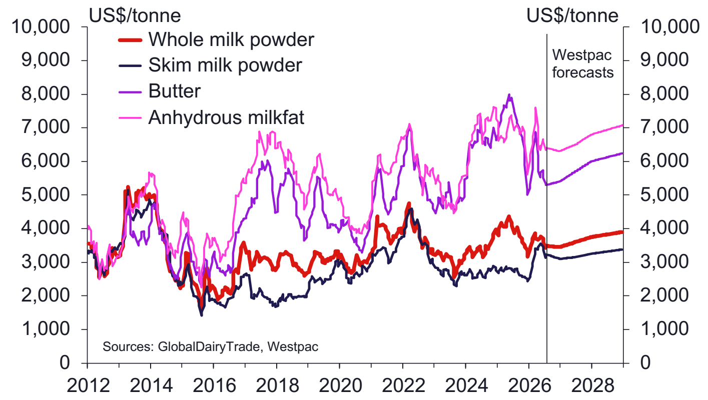


DAIRY

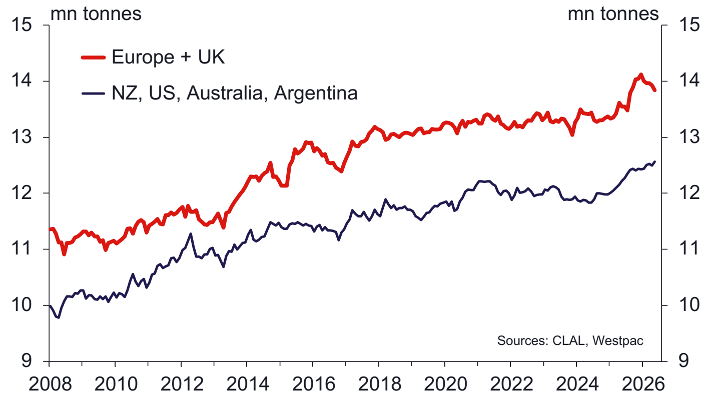
Dairy prices expected to remain favourable.

- World dairy prices have declined in recent months, though overall they have remained at favourable levels. Skim milk powder prices have fared better than other products as global demand has turned from fats and towards proteins.
- Global milk production remains strong but is easing back from last year's rapid pace of growth. Milk collections in the main exporting countries are up about 2% on a year ago. The Iran conflict has put pressure on energy, feed, fertiliser and freight costs, while the heatwave in Europe has weighed on milk production in some countries.
- Our farmgate milk price forecast for the 2026/27 season remains at $9.50/kg. This assumes that world prices remain around current levels on average over the rest of the season.
- There are upside and downside risks to this view, and the range of possibilities remains wide at this early stage of the season. Fonterra recently revised down its forecast midpoint from $9.75 to $9.25, with a range of $8.00-10.50.
- The main downside risk to prices stems from higher fuel costs having a larger than expected impact on global consumer demand. The key upside risk is that El Niño could lead to a substantial shortfall in milk supply over the New Zealand summer and autumn (which is already starting to be reflected in futures prices over this period).

GlobalDairyTrade auction prices



Milk production by top 5 exporting regions

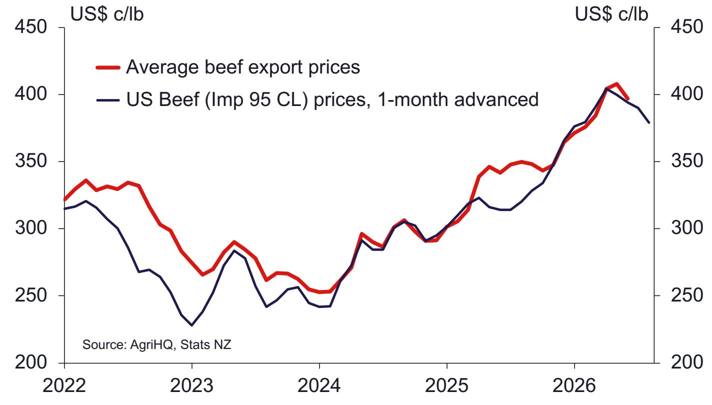


BEEF

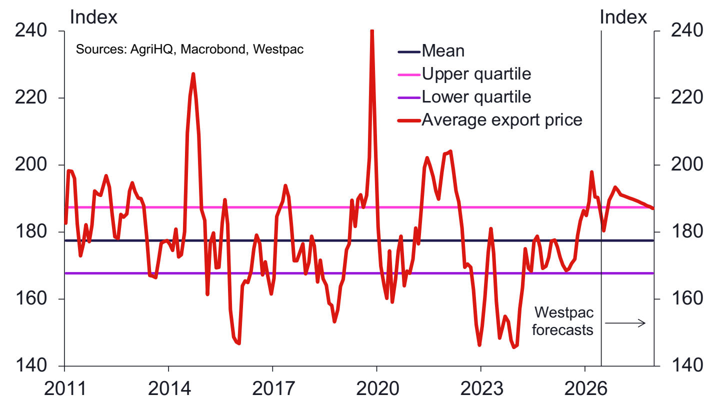
Fundamentals continue to support NZ beef export prices.

- Global beef supply remains structurally constrained, which is expected to continue supporting export prices for NZ farmers.
- US import demand is likely to be a key driver of global beef prices for the foreseeable future. While the US cattle herd is rebuilding, a meaningful increase in US beef production is not expected for another 2 to 3 years.
- The supply outlook is also being tightened by developments elsewhere. Brazil, the world's largest beef exporter, has entered a herd rebuilding phase, which is likely to slow export growth over the coming year.
- At the same time, China and the European Union are expected to see lower beef production due to shrinking cattle herds, tighter environmental regulations, and rising production costs. This is expected to more than offset stable to higher output from Australia, New Zealand, Mexico, and Canada.
- Demand for beef is expected to be supported by rising incomes and consumption in Asia and other emerging markets, continued foodservice demand, and strong consumer preference for beef in key markets.
- These factors are likely to help keep global beef prices at firm levels, despite some downside risks from weaker economic growth and/or softer Chinese demand, and with cost of living pressures favouring cheaper forms of protein.

Average monthly beef export prices - nominal



Average monthly beef export prices - real



US INVESTIGATION INTO NZ LAMB EXPORTS

The US formally launches investigation into lamb meat exports.

- On 13 July 2026, the Office of the US Trade Representative (USTR) requested that the US International Trade Commission (USITC) investigate whether rising lamb imports are causing serious injury to the US sheep industry.
- The American Sheep Industry Association argues that imports have increased substantially and now account for roughly 70% of the US lamb market. The investigation covers fresh, chilled, and frozen lamb meat, which is primarily imported from Australia and New Zealand.
- For New Zealand lamb exporters, this remains a risk rather than an actual tariff event. No safeguard measures are in place yet. From a market perspective, the investigation introduces uncertainty for NZ lamb exporters, but export flows continue normally at present.
- Decision day is 13 November 2026. That's when the USITC decides whether imports are causing serious injury. If the finding is yes, the Commission will recommend remedies to the US President, who will decide whether to impose tariffs, quotas, tariff-rate quotas, or other restrictions in 2027 Q1.
- It's not clear how the recent increase in tariffs on a range of New Zealand exports, from 10% to 12.5%, including lamb, will affect any decisions made by the President in this regard.

Investigation timeline

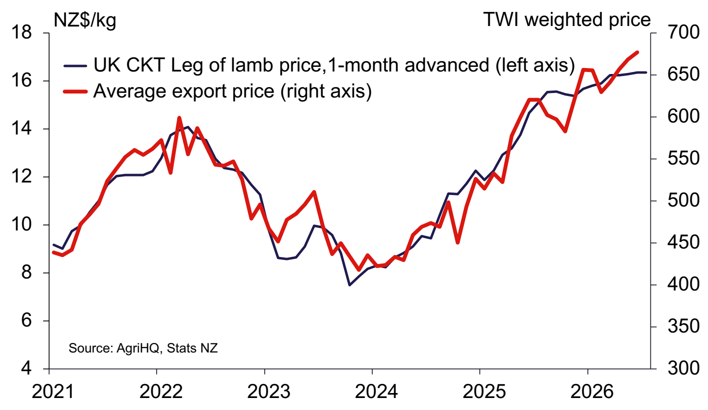
Phase	Timing
Public	Mid-2025
Formal request lodged (ASI)	Oct 2025
Pre-investigation activity	Nov 2025 – early 2026
Policy trigger (tariff ruling overturned)	Feb 2026
Investigation initiated	Jul 2026
Public hearing	Oct 2026
Injury determination	Nov 2026
Remedy hearing	Dec 2026
Final report to President	Jan 2027
Presidential decision	Jan 2027 – Mar 2027

SHEEP MEAT

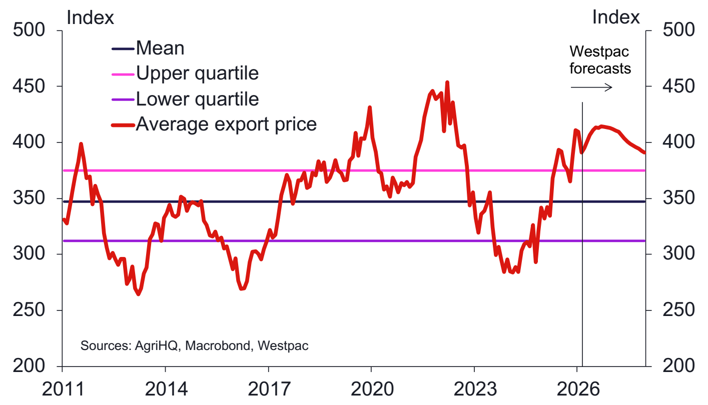
Lamb export prices to remain elevated, but downside risks increasing.

- Lamb prices are expected to remain well supported over the coming 12 months, underpinned by constrained global supply and strong demand from premium markets in the UK, Europe, North America and the Middle East.
- On the supply side, sheep flocks have been declining in New Zealand, the UK, and parts of Europe for several years, reducing the volume of lamb available for export. Further flock declines should continue to support prices.
- Offsetting this to some degree, Australian lamb production and exports are expected to rise, supported by a large breeding flock and higher lambing rates. Given Australia's dominant share of global lamb exports, this is likely to temper price gains.
- Demand in European markets has been slowing for some time. There are signs that this might also be happening in the UK with weak domestic pricing prompting a switch away from New Zealand lamb exports.
- US demand, although buoyant, continues to track sideways. The imposition of a slightly higher tariff on New Zealand exports by the US could well result in a softening in demand in that market for New Zealand lamb.
- Ongoing economic weakness in China is encouraging some consumers to trade down to cheaper cuts which could limit further price growth.

Average monthly lamb export prices - nominal



Average monthly lamb export prices - real

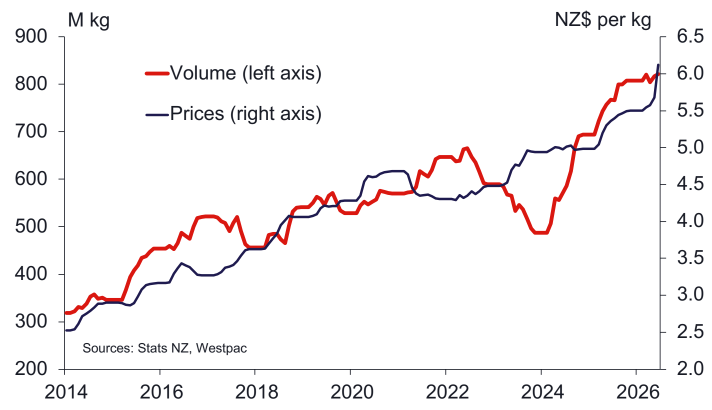


HORTICULTURE

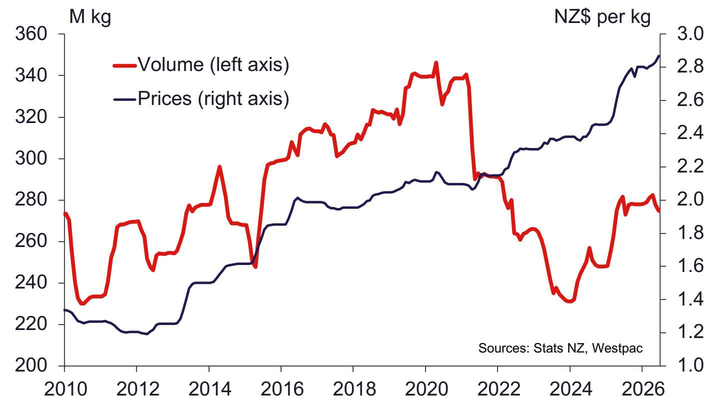
Demand for quality is helping to keep prices at firm levels.

- Strong global demand and growth in premium varieties are expected to keep kiwifruit prices firm over the next year, supporting grower returns at around current strong levels.
- Rising sales of SunGold and RubyRed kiwifruit should help sustain high per-hectare returns and profitability for New Zealand growers despite larger crop volumes.
- That said, higher freight costs, pricing pressure in China, and geopolitical uncertainty may limit further price increases, but grower returns are still expected to remain favourable.
- Strong demand from Asia, North America and other premium markets is expected to keep apple prices firm to slightly higher over the next year, supporting grower revenues and orchard profitability.
- Limited supplies of premium apple varieties should maintain price premiums, benefiting growers with newer, higher-value cultivars and strong export market positions.
- Improved market access, including India, and a shift toward higher-value cultivars are likely to provide further support for prices, although a larger global crop could moderate gains.

Kiwifruit – average export prices and volumes



Apples – average export prices and volumes

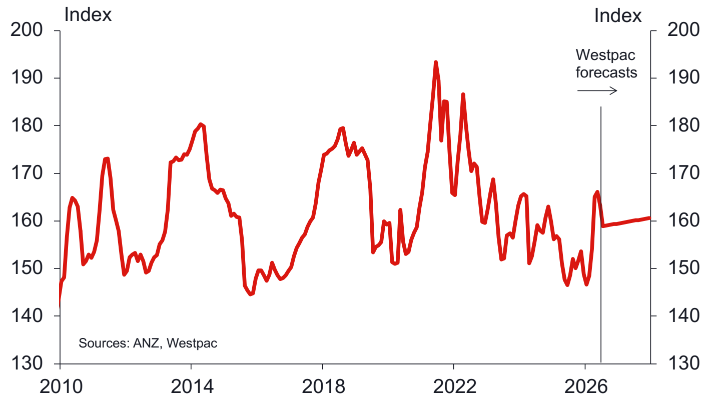


FORESTRY

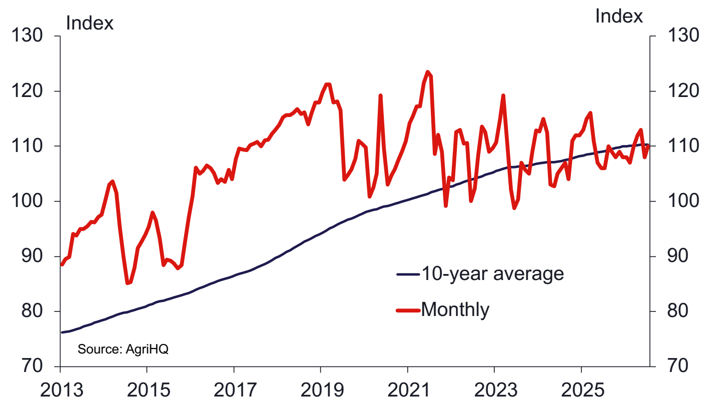
Limited upside for log prices for the foreseeable future.

- Forestry prices are expected to strengthen modestly through the second half of 2026 as market conditions improve.
- On the supply side, lower harvesting volumes and the wind-down of salvage logging following Cyclone Gabrielle and other storms are expected to tighten log supply and support prices. Elevated freight and energy costs, combined with a still-soft New Zealand dollar, are likely to weigh on returns.
- Demand conditions are improving, with domestic timber demand supported by a stronger residential construction outlook and rising building consents.
- Meanwhile, the NZ-India Free Trade Agreement has improved the competitiveness of New Zealand logs and timber in the fast-growing, albeit still relatively small, Indian market. This should support a recovery in exports following the disruption caused by the 2020 biohazard dispute.
- Despite these gains, China remains the key driver of forestry markets. A recovery in Chinese construction activity would boost log demand. Ongoing weakness in the property sector is, however, likely to constrain price growth.
- Overall, forestry prices should remain stable to moderately firmer over the next 12 months, supported by tighter supply and improving demand, although weakness in China's property market is likely to limit significant upside.

World forestry prices



Combined log price – monthly vs 10-year average

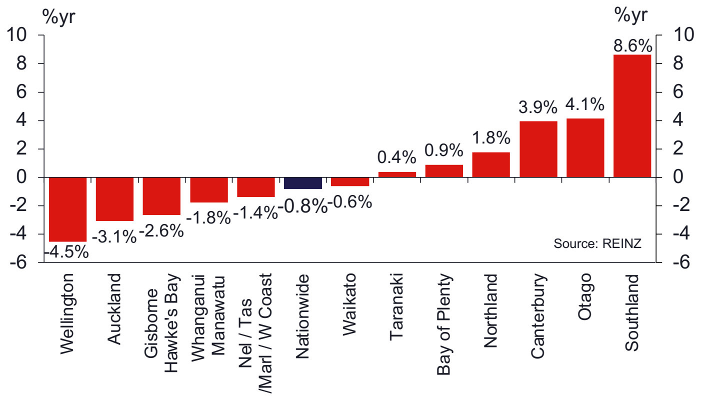


INDICATORS OF REGIONAL PERFORMANCE

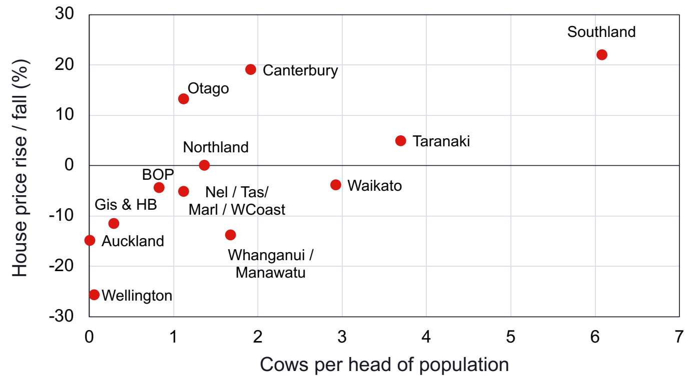
An unlikely indicator of regional economic performance.

- It should come as no surprise that agriculture has been the standout performer in the New Zealand economy over the past few years.
- Strong commodity prices, supported by robust global demand, constrained supply, and a favourable exchange rate, have boosted incomes for farmers and orchardists alike.
- Farmers have used those higher earnings in several ways, including reducing debt and investing in new plant and equipment.
- Spending on vehicles has also increased, with new registrations in agriculturally focused regions generally outpacing those elsewhere. A similar trend is evident in retail spending, with southern regions typically outperforming the north.
- House prices tell a similar story. Over the past five years, prices across New Zealand's agricultural heartland have outperformed most other regions. Since 2021, Southland house prices have risen around 22%, while Wellington prices have fallen by about a quarter.
- With tongue firmly in cheek, we suggest this may reflect Southland's status as the region with the most cows per capita in New Zealand. Wellington, with relatively few cows per person, has also recorded some of the largest house price declines. The policy implications, of course, are obvious.

House price growth by region (year to June)



House prices and cows



Source: figure.co.nz, Stats NZ, Westpac

FORECASTS

New Zealand commodity prices (end of period)

	Latest	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
NZ commodities index	**406**	**397**	**401**	**404**	**407**	**410**	**413**	**415**	**415**	**416**	**417**
Dairy price index	333	317	319	324	329	335	342	345	347	349	351
Whole milk powder USD/t	3,425	3,480	3,500	3,530	3,580	3,640	3,720	3,770	3,810	3,850	3,890
Skim milk powder USD/t	3,135	3,190	3,130	3,110	3,140	3,180	3,230	3,270	3,300	3,330	3,370
Lamb price index	677	683	685	682	678	674	670	663	655	647	640
Beef price index	394	390	408	407	408	408	408	407	405	402	400
Forestry price index	163	159	159	160	160	160	161	161	162	163	164

New Zealand commodity prices (annual averages)

	Levels				% change			
	2025	2026f	2027f	2028f	2025	2026f	2027f	2028f
NZ commodities index	**390**	**400**	**408**	**416**	**9.2**	**2.5**	**2.2**	**1.8**
Dairy price index	348	326	333	348	9.7	-6.4	2.0	4.6
Whole milk powder USD/t	3902	3573	3617	3829	13.5	-8.4	1.2	5.9
Skim milk powder USD/t	2702	3183	3165	3319	0.7	17.8	-0.6	4.8
Lamb price index	587	669	676	651	27.0	14.0	1.0	-3.6
Beef price index	337	396	408	403	19.1	17.4	3.0	-1.1
Forestry price index	152	158	160	162	-4.9	4.4	1.2	1.4

Forecasts as at 29 July 2026.

Contact

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

Connect with us

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

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