Summer on the horizon

New Zealand agribusiness monthly



RaboResearch Food and Agribusiness

November 2026

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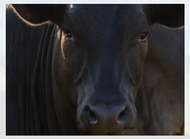
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Commodity outlooks



Dairy

Dairy commodity prices found support in October for most of the complex, although butterfat prices remained weak. Powder prices are doing the heavy lifting and this has translated into a lift in Fonterra's farmgate milk price forecast for 2026/27.



Beef

Strong global demand continues to support historically high New Zealand beef prices, although increasing cattle supply points to seasonal easing. US and China demand may be critical as summer supply builds.



Sheepmeat

Strong export returns and tight supply support sheepmeat prices entering 2026/27. China's improving price signals are encouraging, but new-season lamb arrivals will test how firmly farmgate returns hold over the coming months.



Farm inputs

Global urea prices strengthened through October amid renewed Indian demand and Middle Eastern supply uncertainty, while phosphate markets remained elevated but stable. Potash has the softest outlook, with growing global supply and weak demand.



Interest rate and FX

The RBNZ shocked markets in October by keeping the Official Cash Rate unchanged at 2.75% despite rising inflation pressures and signs of continued recovery in economic activity. RaboResearch continues to project 25bp increases in both December and February.



Oil and freight

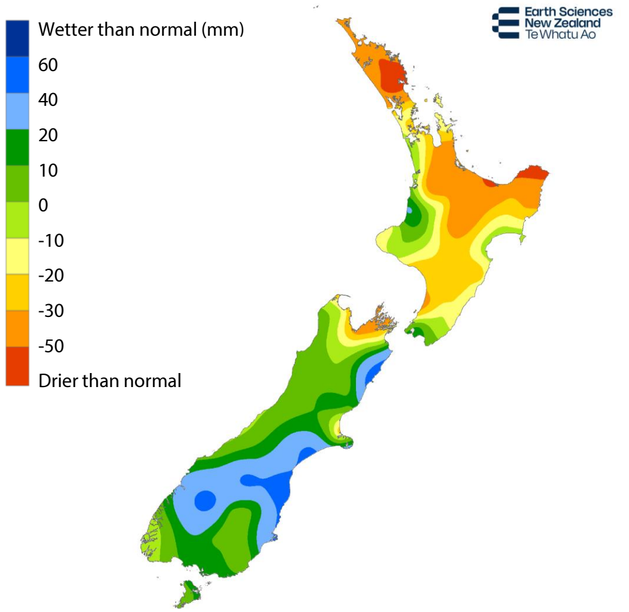
In October, oil prices rose to the highest levels since April and could be poised to rise further as the US and its allies contemplate renewed strikes against Iran.



Climate

Mixed spring conditions around the country

Soil moisture anomaly (mm), 1 November 2026



Source: *Earth Sciences New Zealand 2026*

Very strong El Niño conditions strengthened further during October and may peak over November to January. The resulting stronger westerly influence is expected to reinforce regional contrasts, with drier conditions in the east of the North Island and wetter conditions in the far south and west of the South Island.

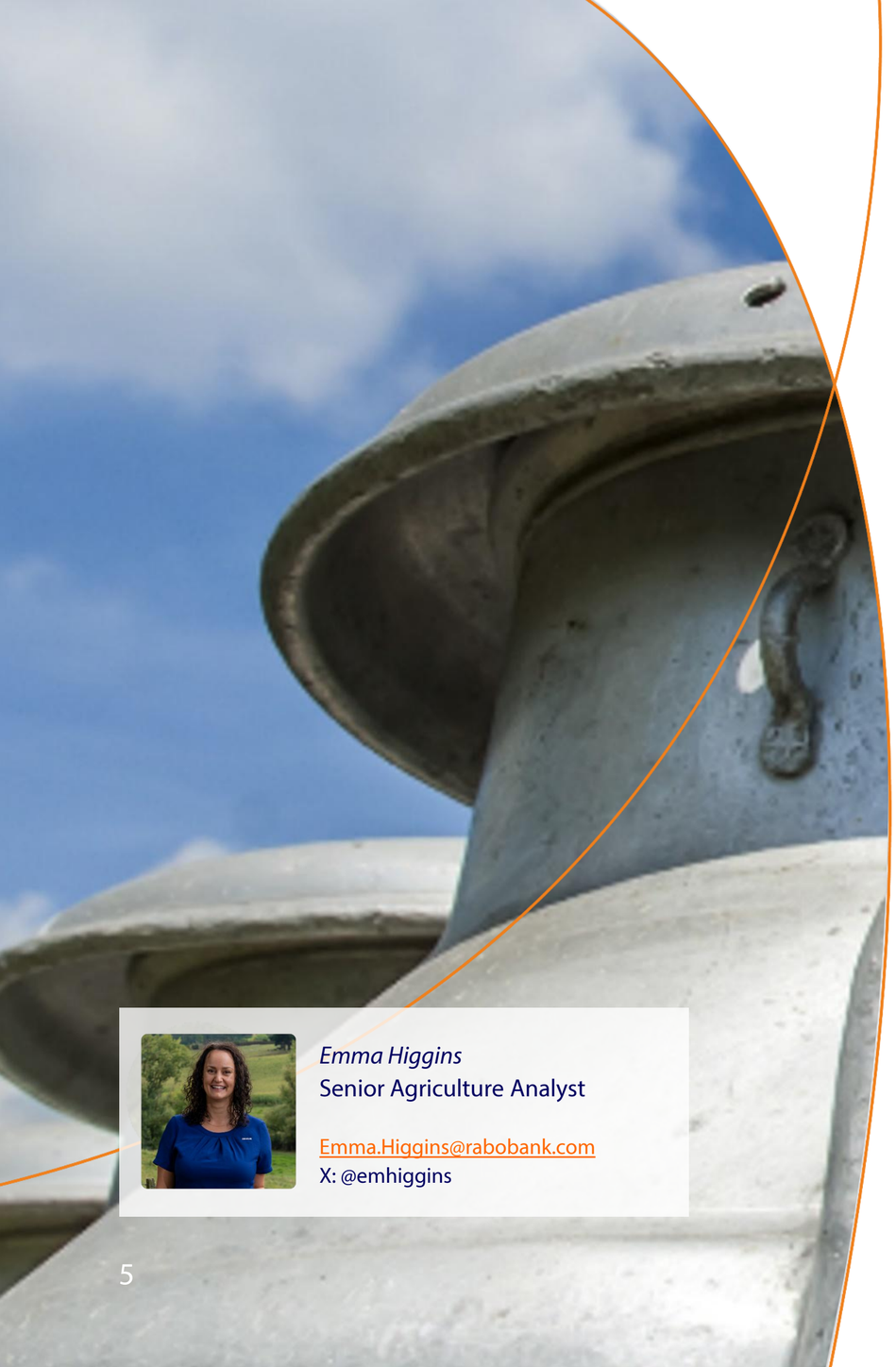
Below-normal rainfall is most likely in the north and east of the North Island, while above-normal rainfall is favoured in the west of the South Island. Soil moisture and river flows are already below normal across parts of the North Island, with the north and east particularly exposed to reduced rainfall, more frequent dry spells and further drying of soils and vegetation. Conditions across the South Island are generally healthier, although some areas have become drier recently.

Temperatures are most likely to be above average across the North Island and eastern South Island, while near-average temperatures are favoured in the west of the South Island. Conditions are also expected to be more variable than usual, with periods of warmth interspersed with cooler spells. Unusually high temperatures are expected to be most frequent and intense in eastern areas, potentially adding to moisture pressure where rainfall is also forecast to be lower.

What to watch:

- **Summer soil moisture –** The combination of below-normal rainfall, more frequent dry spells, and above-average temperatures could place increasing pressure on soil moisture in northern and eastern parts of the North Island. With some areas already starting the period with below-normal soil moisture and river flows, we will be watching how quickly conditions become drier as summer develops.
- **Regional contrasts –** Very strong El Niño conditions are expected to reinforce differences between regions, with wetter conditions favoured in the west and far south of the South Island and drier conditions in the north and east of the North Island. These contrasts will be important for pasture growth, feed availability, and water availability over the coming months.

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Dairy

Another farmgate milk price forecast increase for 2026/27

October was a relatively positive month for Oceania dairy commodity prices, although performance across the complex continued to diverge.

Protein products led the gains, with skim milk powder (SMP) the standout performer, increasing 6% over the month. Whole milk powder (WMP) also strengthened, up 1%, while average USDA Oceania cheese prices improved from September. In contrast, butter prices continued to decline, falling a further 4% over October 2026.

The latest decline has pushed average Oceania butter prices to their lowest level in three years. Butter values are now 9% below where they started 2026 and almost 30% lower than a year ago, highlighting the significant pressure that has emerged in the butter market.

At the other end of the spectrum, protein values have performed strongly. SMP prices ended October 54% above the start of the year and are now 27% above their five-year average. Whey powder has also recorded an exceptional run, with prices 64% higher than at the beginning of 2026 and 78% above year-ago levels. WMP prices are up 11% since the start of the year.

Cheese has been less resilient. Despite improving during October, prices remain 16% below the start of 2026 and around 17% below their five-year average.

Prices are holding up well in the face of strong milk production in Oceania. Australian milk production has made a solid start to the 2026/27 season. National output reached 2.140bn litres through September, up 2.2% YOY. Growth has been led by New South Wales (+7.3%) and Western Australia (+7.4%), with Queensland (+2.5%) and Victoria (+0.9%) also recording gains. Attention now turns to the seasonal peak, with October production an important indicator of whether the early-season momentum can be sustained.

New Zealand milk production has also continued to perform strongly. September milk solids collections reached 233.3m kg, up 1.9% YOY, with cumulative production continuing to track ahead of previous seasons.

Meanwhile, Fonterra has lifted the midpoint of its 2026/27 forecast Farmgate Milk Price by NZD 0.25 to NZD 9.75/kgMS. Stronger dairy protein values, particularly WMP and SMP, are providing support to the milk price outlook, despite continued weakness in butter.

What to watch:

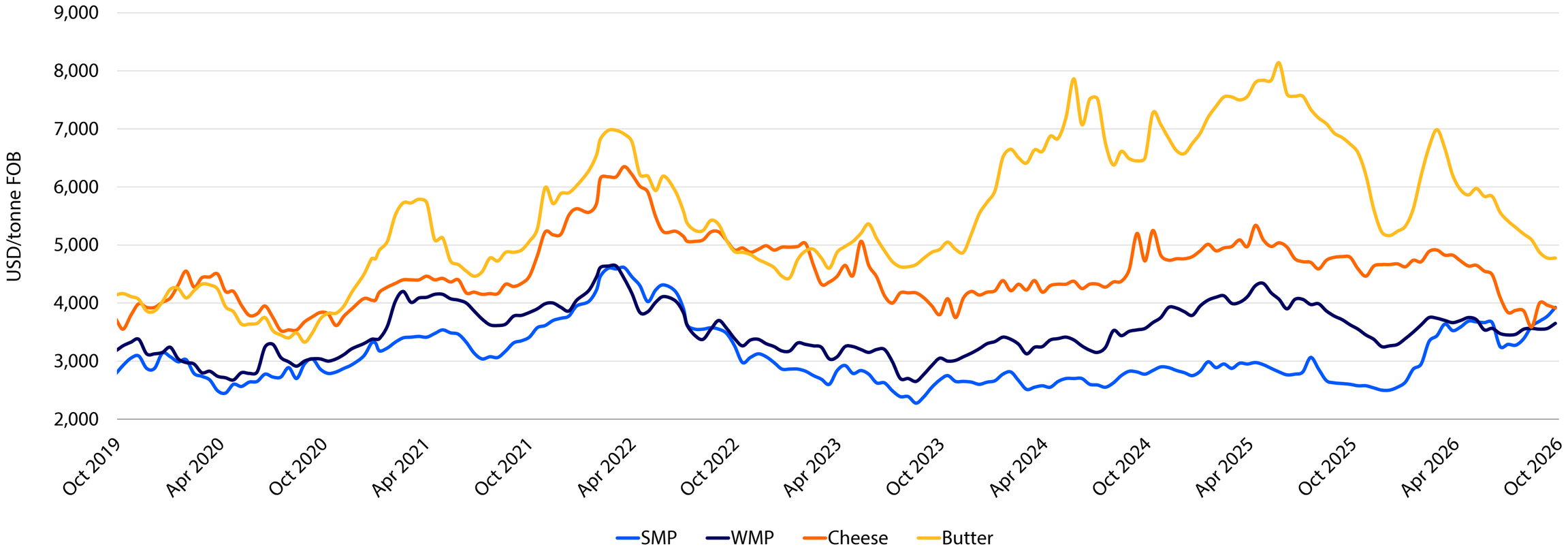
- **Sustained growth in the US milk pool –** US milk production continued to expand in September, rising 2.6% YOY to 19.44bn pounds (8.6bn litres), driven primarily by an increase in dairy cow numbers and ongoing improvements in per-cow productivity. The national dairy herd increased by 169,000 head from a year earlier to 9.74m cows.
- **Next phase of the whey pricing cycle –** Whey protein concentrate prices have had a stellar run, driven by tight supply as manufacturers struggle to keep pace with demand growth for high-protein dairy products. Global benchmarks have reached record highs, although there are now some early signs of a price correction.

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Dairy

Dairy complex converges in October as weakness in fats continues and protein values improve

Oceania spot prices for dairy commodities, Oct 2019-Oct 2026



Source: *USDA, RaboResearch 2026*

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Beef

The calm before the supply comes on

Strong global demand continues to underpin New Zealand beef returns, but rising cattle supply points toward seasonal farmgate price easing through November and into summer. The key question is how export markets absorb additional supply as trade flows shift ahead of January quota resets.

AgriHQ bull indicators remain comfortably above NZD 9.50/kg cwt, with prime cattle at or above NZD 10.00/kg cwt. Cow prices are easing toward NZD 7.60/kg cwt. **These remain historically high finished-cattle prices.** Saleyard returns vary by stock class and quality, while good pasture conditions across many regions shift attention toward maintaining feed quality as pasture growth moves beyond balance date and seedheads emerge.

The seasonal finished cattle supply trough is now likely behind us. Recent years have seen P2 steer (spring) supply peak shortly before Christmas, followed by bulls in early January. Rainfall in key regions will influence this season's timing, but cattle availability is likely to exceed year-earlier levels. Provisional New Zealand Meat Board data show 2025/26 beef processing rose 1.7% YOY, or just over 40,000 head. Bull processing increased 9.8%, approximately 42,000 head, while cull cows fell 1.1%, around 10,000 head, and prime steers were broadly steady.

Demand remains strong globally, although average New Zealand beef export values softened in August and September. Lower US trim prices, amid increased Australian and Brazilian supply, were the likely driver. A weaker New Zealand dollar has partly cushioned the impact for exporters. China offers a more encouraging signal: Average export values to China have shown resilience and edged higher over recent months. That could reflect reduced competing supply rather than a decisive demand recovery, so this remains something to watch.

As New Zealand approaches summer, key northern markets enter cooler weather and some seasonal demand periods. Shipping for January quota and tariff resets could redirect product from early December, changing competitive pressure. RaboResearch will watch US trim pricing, China's willingness to pay and regional rainfall closely: Together, these will shape how strong export demand translates into farmgate returns as supply builds.

What to watch:

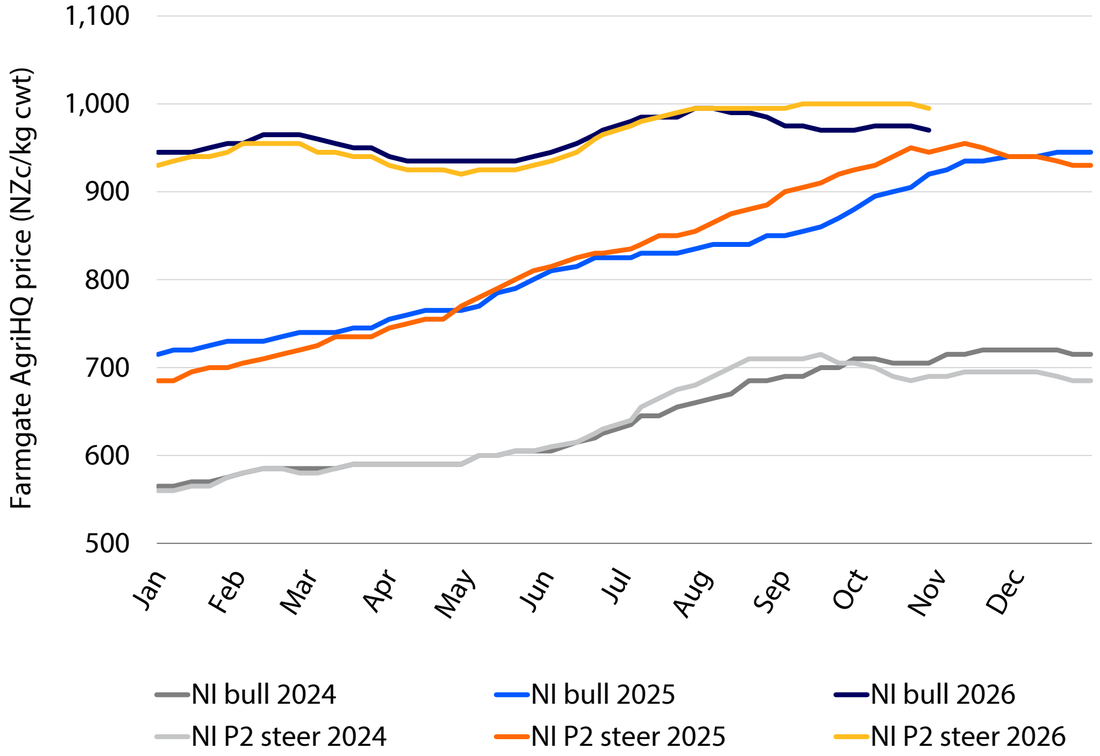
- **Australia's push to access New Zealand's unused China beef quota puts competing supply in focus** – Australian media reported in late October that New Zealand has declined "making friends" with Australia by gifting it some unused China quota. Any reallocation is ultimately China's decision. New Zealand looks set to retain substantial unused quota this year (possibly 80,000 tonnes), but this access doesn't automatically mean spare demand. Keeping Australian access constrained is somewhat of a protectionist play and could support New Zealand export values into China, although buyer appetite and alternative supplies remain important. Regardless of this, quota limits will reset on 1 January, and given shipping lead times RaboResearch will watch what this means for Chinese buying and New Zealand beef pricing toward the New Year.

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Beef

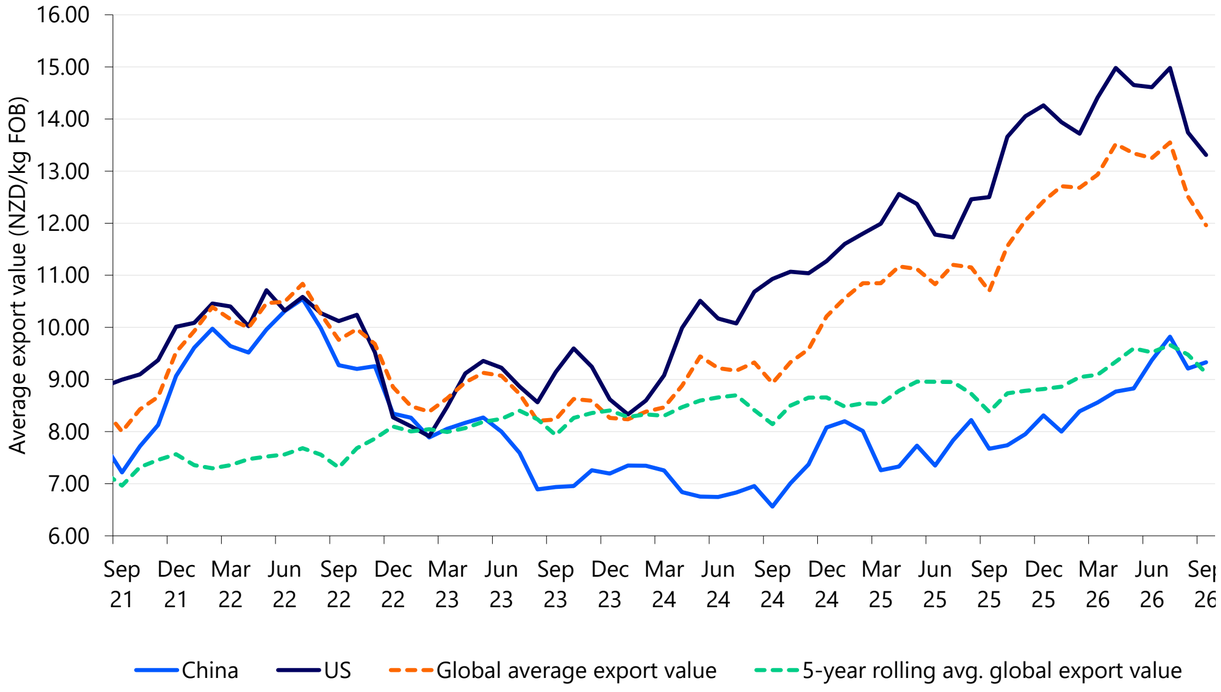
Farmgate values hold up well despite a drop in average export values over August and September

North Island bull and P2 steer prices hold steady as the prime seasonal advantage persists



Source: *AgriHQ, RaboResearch 2026*

US weakness pulls global average export value lower, while China remains resilient



Source: *Stats NZ, RaboResearch 2026*



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Sheepmeat

End of the export season spells start of the next one

Strong export returns and tight lamb supply provide a supportive start to 2026/27, but farmgate prices may be nearing their seasonal peak. The timing of new-season lambs will help determine how long current prices hold, particularly in the South Island.

The AgriHQ South Island lamb indicator stands at NZD 12.30 as processors navigate the gap between old- and new-season supply. September's average lamb export value of NZD 16.31/kg FOB eased from July's high but remained historically strong, underpinning the positive pricing backdrop.

China's mutton market offers an encouraging demand signal. Average export values reached NZD 10.41/kg FOB in August and NZD 10.28/kg FOB in September, around NZD 3/kg FOB above last year's low-NZD 7/kg FOB levels. Seasonally small shipments and lower New Zealand mutton processing temper the interpretation, but the signals point toward improved demand. Tighter global supply could also support prices, although that remains a possibility rather than an established explanation.

Lamb adds weight to the story: China export values were around 19% YOY higher in August and September, on broadly unchanged volumes. September's value reached NZD 8.63/kg FOB, up NZD 1.39/kg FOB for September YOY. These are seasonally quieter shipping months. The next test is whether stronger sheepmeat values hold as demand builds ahead of Chinese New Year.

Supply remains a key part of the story. **Provisional New Zealand Meat Board data show 2025/26 lamb processing finished just below 17m head, around 185,000 fewer than the previous season.** Yet total lamb export volumes were approximately 5,000 tonnes higher year on year, despite fewer lambs processed. That contrast highlights the strength of export shipments, without establishing what happened to domestic availability. Lower hogget and mutton processing also raises the question of flock rebuilding but does not confirm it.

Broad demand across export markets is supportive, rather than a guarantee of further price gains. Over the coming months, new-season lamb availability, the NZD/USD exchange rate and El Niño developments across eastern sheep regions will be the main watchpoints. Together, these factors will shape how export strength translates into farmgate returns. With lamb export earnings exceeding NZD 4.5bn for the season, New Zealand enters 2026/27 from a strong base.

What to watch:

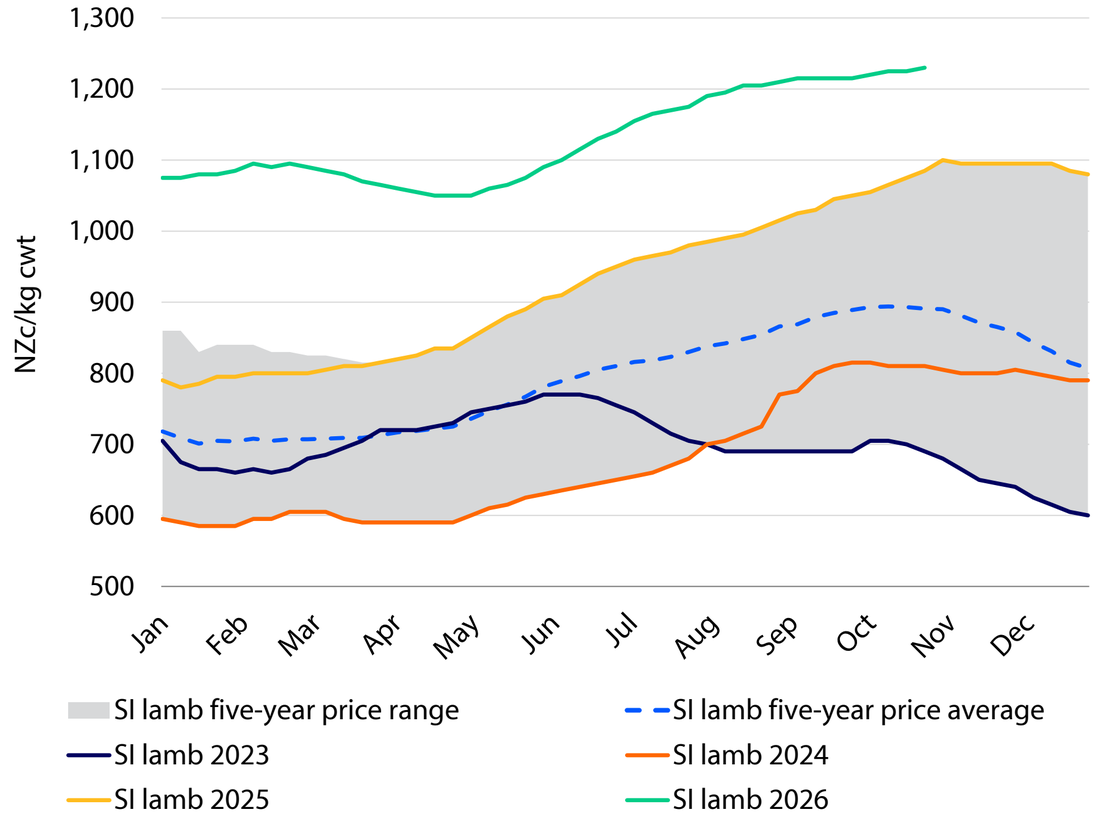
- **US lamb import review** – A key watchpoint in November will be the United States International Trade Commission's determination, expected around mid-November, on whether imports are causing, or threatening to cause, serious harm to domestic US lamb producers. An affirmative finding could see additional tariffs, quotas or other safeguards considered. Beef + Lamb New Zealand and the Meat Industry Association have been coordinating New Zealand's response, arguing imports fill supply gaps and meet different customer requirements. With the US taking just over 10% of New Zealand's lamb export volumes in the 2025/26 season and being a high-value market (close to 16% of total 2025/26 lamb export value), additional trade barriers could weigh on supply-chain margins and ultimately farmgate prices.

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Sheepmeat

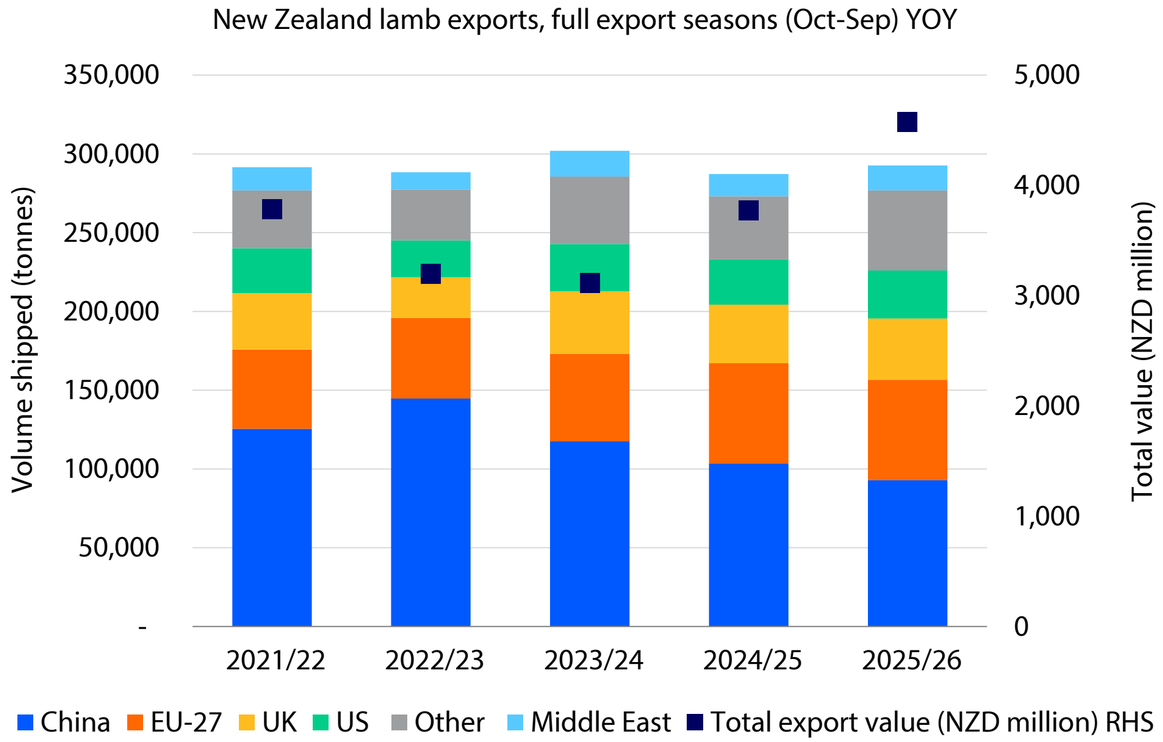
Prices holding up, with diversity in lamb export markets helping resilience

South Island lamb farmgate price holding strong



Source: *AgriHQ, RaboResearch 2026*

Great diversity of export markets for New Zealand lamb over the 2025/26 export season supports a strong total value



Source: *Stats NZ, RaboResearch 2026*

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Farm inputs

Supply risks underline fertiliser markets

Farm input markets through October were headlined by strengthening urea prices, after India's latest tender volume was not met and was undersubscribed by 1.3m tonnes, with suppliers resisting lower-than-expected Indian tender prices. India is expected to return to the market in the coming weeks, providing further near-term demand support. Higher European gas prices and continued disruption to Middle Eastern supply are also supporting granular urea prices.

In New Zealand the prospect of a strong El Niño will add a new variable to the urea market. Drier summer conditions may incentivise farmers to increase strategic applications where conditions remain favourable through the peak spring growing period. This could bring some nitrogen demand forward, particularly in dairy regions where farmers are looking to build feed reserves ahead of a potentially drier summer.

Global MAP and DAP prices remain elevated but broadly stable, with weak buying interest offset by tight supply, limited Chinese exports and high sulphur costs. More than 600,000 tonnes of sulphur remain constrained west of the Strait of Hormuz, although sulphur prices have recently begun to ease. Phosphate prices are expected to soften over the coming months, but declines are likely to remain gradual given tight availability. This would see demand remain tempered in New Zealand, as purchasing will remain disciplined at currently elevated price levels.

Potash has the softest outlook of the major nutrients. Prices remain broadly stable across major import markets, but weak Chinese demand, high inventories and additional global capacity point toward increasing supply availability. For New Zealand buyers, this should provide some offset to firmer nitrogen prices and still-elevated phosphate costs.

However, weather is likely to be an increasingly important driver of fertiliser demand through summer, particularly across northern and eastern regions where El Niño poses the greatest downside risk to pasture growth.

What to watch:

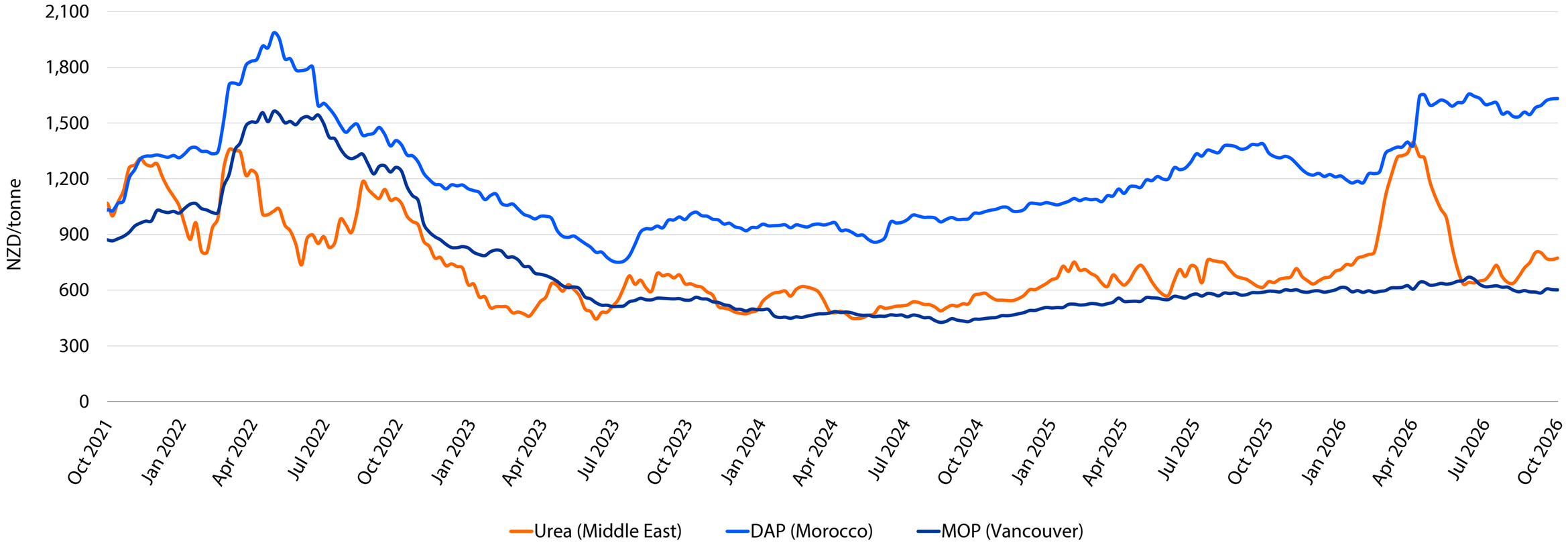
- **El Niño and soil moisture –** Timing and severity of drier conditions will be a major driver of nitrogen demand.
- **India and global urea supply –** Further Indian tenders, alongside Middle Eastern supply disruptions, which potentially escalate after the US midterm elections, and European gas prices will be key drivers of fertiliser pricing.
- **Sulphur pricing -** Continued disruption to Middle Eastern sulphur flows is expected to keep global supply tight into 2027. This should provide ongoing cost support to phosphate fertilisers and limit the pace of MAP/DAP price declines for New Zealand buyers.

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Farm inputs

Input costs remain elevated

Phosphate prices remain high



Source: *Bloomberg, CRU, RaboResearch 2026*

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Interest rate and FX

Surprise, surprise

Confounding market expectations, the RBNZ left the Official Cash Rate (OCR) unchanged in October. RaboResearch had made a late change to its forecast to predict that the RBNZ would lift rates, but the central bank's Monetary Policy Committee (MPC) voted four to three to leave rates unchanged, deciding that risks to the growth outlook outweighed inflation concerns this time around.

Last month we noted that the Q3 CPI inflation report to be released in late October and other activity indicators would be important for firming up our views on the OCR. Overall inflation was broadly in line with expectations at 3.7%, but that is well above the RBNZ's 1% to 3% target range and the proportion of items experiencing price increases rose to 71.2% – indicating that inflation pressures are not confined to energy.

The ex-vehicle fuels CPI group saw annual price growth of 3%, while the non-tradables series – which is used to get a gauge on domestic inflation pressures by excluding imported inflation – rose by 3.3%.

Activity measures showed some improvement, particularly in the goods-producing sectors of the economy, but the recovery in services remains nascent and may have been the critical factor in convincing the RBNZ to keep rates unchanged.

Nevertheless, the statement noted that all members of the MPC agreed that tighter monetary policy is likely to be required but remains conditional on the economic outlook. Risks to growth from a slowdown in the AI-related investment and renewed hostilities in the Middle East were nominated specifically as issues to watch. RaboResearch continues to project 25bp OCR increases in both December and February.

Despite the unexpected hold in the OCR, the New Zealand dollar rose 0.5% against the US dollar over the course of October. The gap between long-term bond yields in New Zealand and the US narrowed slightly, helping the New Zealand dollar to gain some ground.

RaboResearch projects the New Zealand dollar to rise toward 0.61 against the US dollar on a 12-month horizon.

What to watch:

- **Q4 inflation expectations, 17 November –** Like many central banks, the RBNZ is sensitive to changes in inflation expectations when setting monetary policy. A material drift higher in inflation expectations could reflect markets losing faith that the RBNZ will do what is necessary to meet its price stability mandate. Such an outcome would be viewed negatively by the central bank and more assertive efforts to fight inflation could follow.

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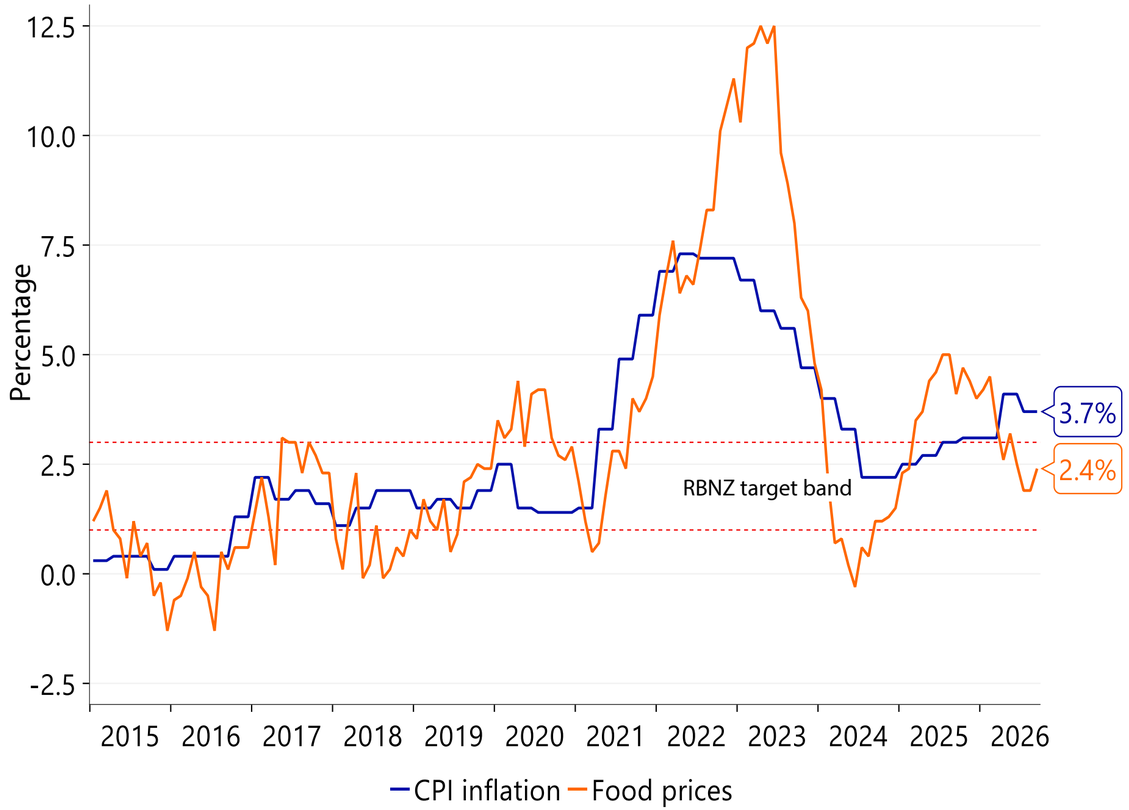
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Interest rate and FX

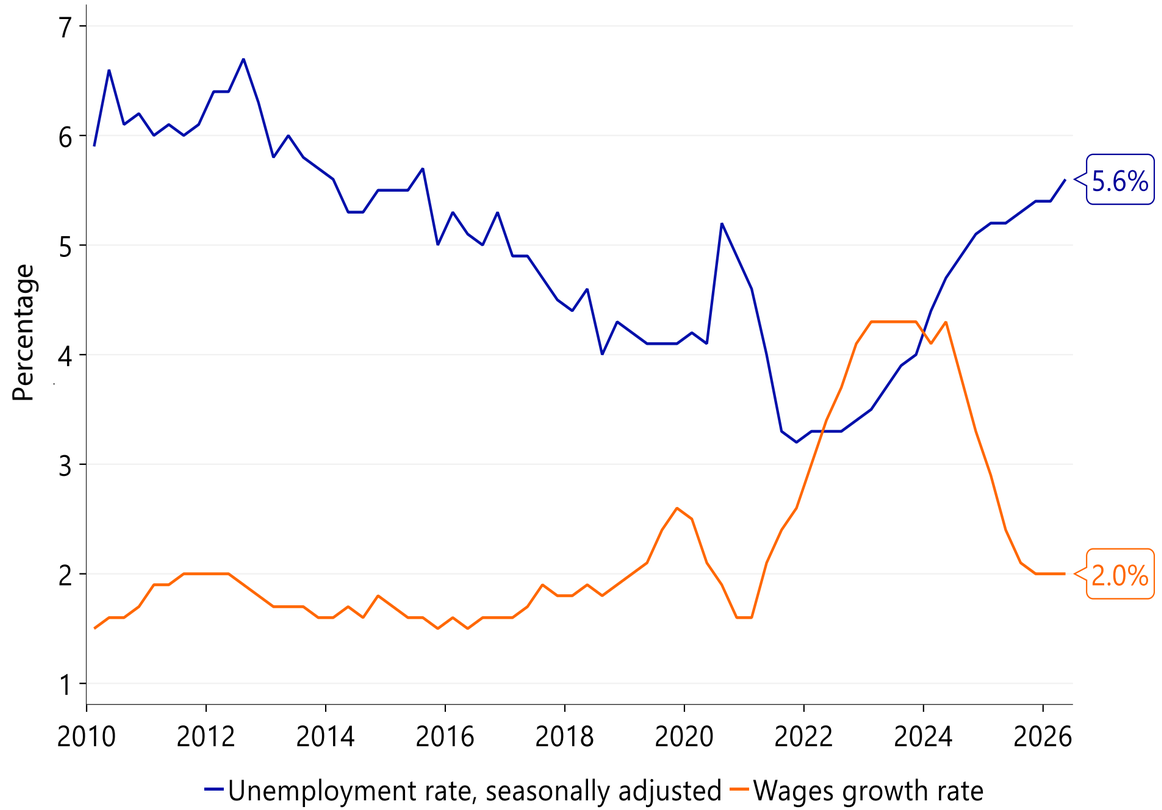
Inflation is too high, but the RBNZ is choosing to focus on growth risks

New Zealand inflation indicators, 2015-2026



Source: *Macrobond, Stats NZ, RBNZ, RaboResearch 2026*

New Zealand labour market indicators, 2010-2026



Source: *Macrobond, Stats NZ, RaboResearch 2026*

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Oil and freight

Oil prices have risen again, but could they rise further?

In October, Brent crude prices reached their highest levels since April, the major near-term risk is further escalation in the Middle East.

Although oil is again moving through the Strait of Hormuz in greater volumes, these flows remain vulnerable to disruption. Shipping and insurance costs have surged, while attacks on tankers and the threat to key regional energy infrastructure mean that simply maintaining physical supply has become considerably more expensive – a fact reflected in prices for end users.

Meanwhile, global oil and refined-product inventories are being steadily depleted, leaving the market with less capacity to absorb further supply shocks. RaboResearch sees all of its main geopolitical scenarios as supportive of oil prices in the short term.

The outlook therefore remains bullish through the first half of 2027, before prices moderate later in the year. However, a prolonged or wider Middle Eastern conflict would create substantial upside risk to these forecasts.

The global freight market is gradually loosening, but operational disruptions remain a key risk. Los Angeles–Long Beach continues to face rail congestion and potential labour disruption amid extended strike deadlines, while adverse weather has disrupted Taiwanese ports. On the positive side, shipping networks are gradually normalising, with MSC and ZIM resuming Suez Canal transits for their joint Asia–US East Coast service, although geopolitical risks continue to support alternative routing options.

Container rates remain under pressure as demand softens and capacity expands. India-US East Coast spot rates have fallen by as much as USD 3,000 per forty-foot equivalent unit, while the global containership orderbook has reached 46.5% of the existing fleet, reinforcing expectations for a capacity-driven downturn from 2027. This should benefit cargo owners, including agri-food shippers, through lower freight costs, although labour disputes, port congestion, weather events and geopolitical tensions could still trigger short-term rate spikes and reliability issues.

The Baltic Panamax Index (a proxy for grain bulk freight) has continued to trend higher, supported by steady vessel demand and improving market fundamentals.

What to watch:

- **Middle East escalation –** US President Donald Trump has repeatedly hinted at restarting hostilities with Iran after the US midterm elections held on 3 November. An escalating conflict is likely to add further pressures to an already fragile supply outlook for liquid fuels.



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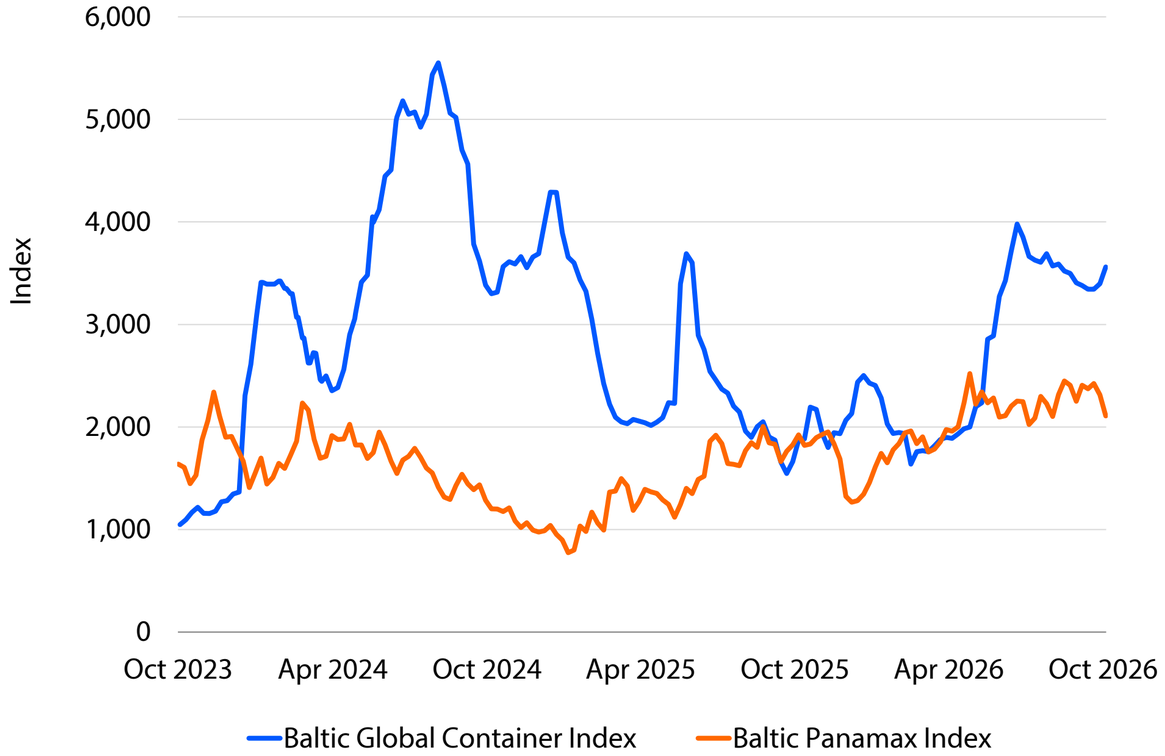
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Oil and freight

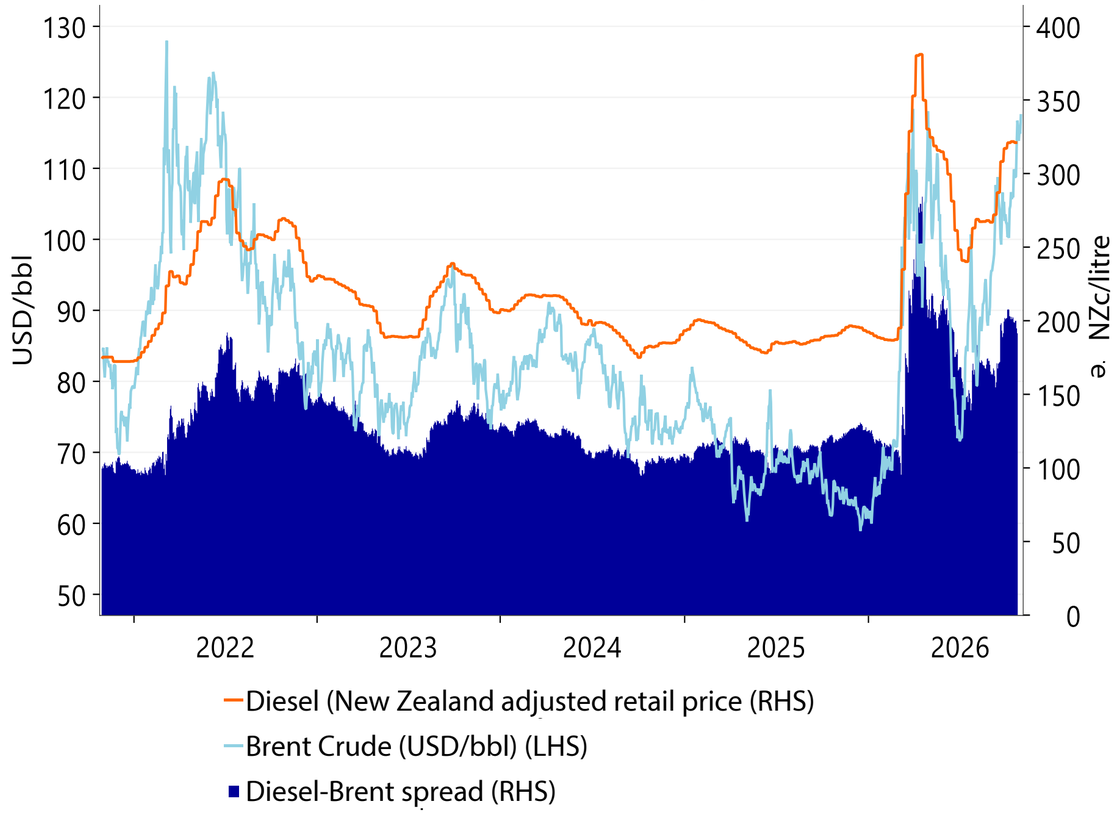
A possible resumption of Middle East hostilities sees oil testing April highs

Baltic Panamax Index and Global Container Index, Oct 2023-Oct 2026



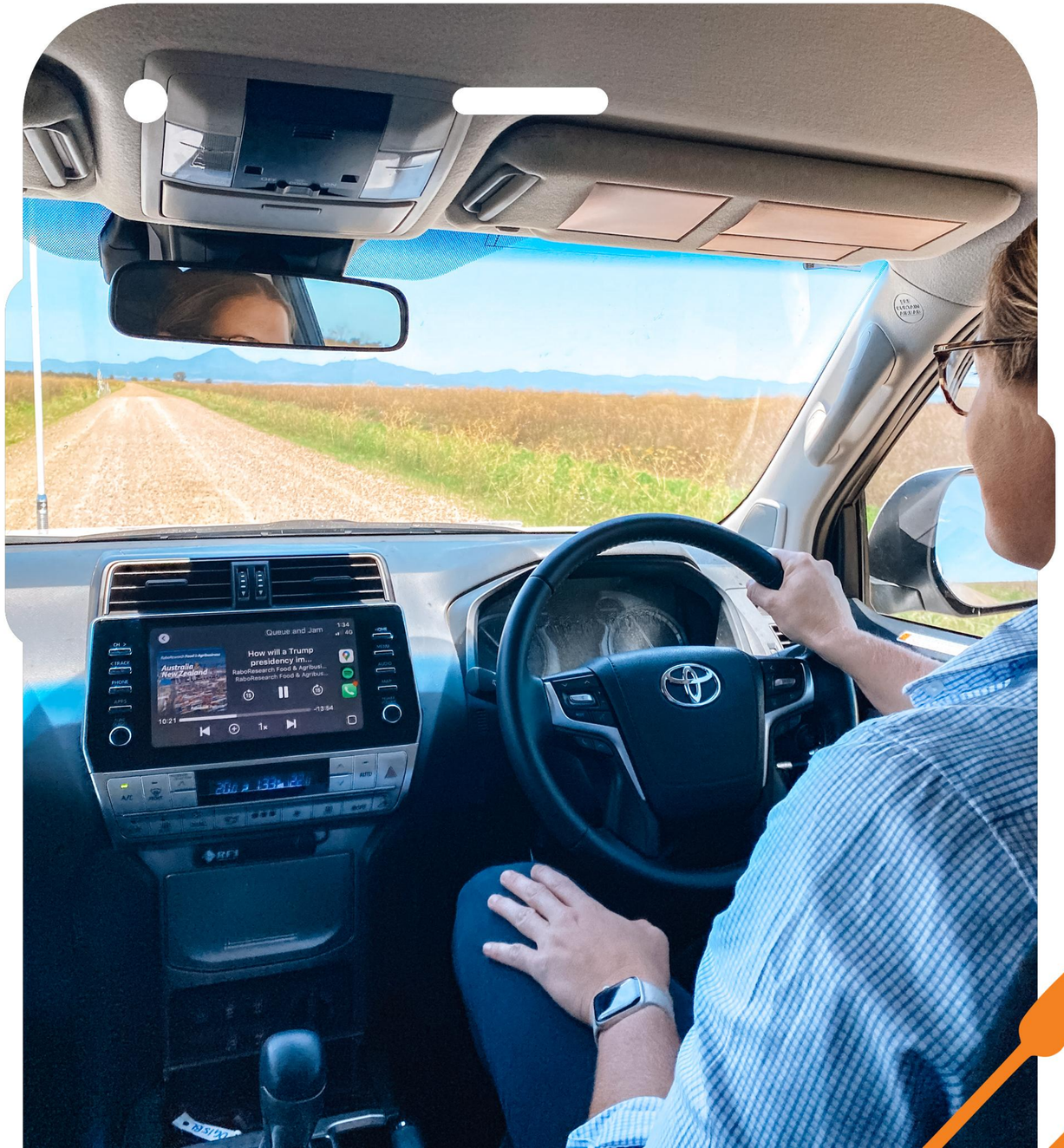
Source: *Baltic Exchange, Bloomberg, RaboResearch 2026*

Brent crude versus New Zealand diesel prices, 2021-2026



Source: *Macrobond, NZ Ministry of Business, Innovation and Employment, ICE, RaboResearch 2026*

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