# Keeping one move ahead

## New Zealand agribusiness outlook 2026

**RaboResearch Food and Agribusiness**

*January 2026*

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This report is based on information available as at 29/1/2026

# 2026 Commodity outlooks

## Dairy

New Zealand is likely to set another record for milk production this season at a time when milk flows are also voluminous elsewhere. Critical to farmer fortunes will be the strength of demand in the face of abundant milk supply.

## Beef

Strong US demand continues to underpin beef pricing in New Zealand in 2026, with firm farmgate values supported by elevated US import prices and only modest supply growth. Australia, Brazil and China's new quota settings remain key watch points.

## Sheep

Sheepmeat enters 2026 with firm pricing supported by tight global supply, steady demand and improved market diversification. Strong export values, solid store market confidence and stable lamb numbers signal a favourable year ahead.

## Venison

Strong global demand, diversity in markets and steady schedules support venison producers heading into 2026. Tight supply adds to the picture with an overall positive outlook for farmgate returns.

## Consumer foods

Food inflation remains elevated but should continue to trend lower. Red meat is becoming harder for households to afford. Consumer confidence starts 2026 on a stronger footing.

## Farm inputs

Farmers continue to face stubbornly high input costs, with urea and phosphate prices remaining elevated. While urea prices may rise in the near term, softer gas prices and improving global supply suggest a likely easing later in the year.

## Interest rate and FX

The New Zealand economy is once again gathering strength as cumulative cuts to the Official Cash Rate finally boost household spending activity. The economic recovery could lead to the Reserve Bank of New Zealand raising interest rates later in the year.

## Oil and freight

Geopolitics will likely remain a significant driver for oil prices in 2026. That said, signs of oversupply have led RaboResearch to predict lower prices over the course of the year for both crude oil and diesel. We expect Brent crude to average USD 58/bbl in 2026.



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# Farming in a year of fast moves

**The global chessboard shifted again in 2025.** Not through one dramatic move, but through a steady tightening of trade blocs, industrial policies, and geopolitical manoeuvring that reset the rules of play. **As we enter 2026, the pieces are still moving, and the pace hasn't slowed.** Major economies are making assertive "opening moves" on trade, technology, and security, turning commerce into a tool of leverage more than cooperation. For New Zealand, this isn't distant noise. It is the environment in which our farmers, processors, and exporters must operate – in addition to the usual supply and demand fundamentals.

**Tempo at the centre: politics, macro settings, and cashflow**
In chess, controlling the centre early shapes the entire match. For New Zealand agribusiness in 2026, the "centre" is politics and the money flows tied to it.

**New Zealand's election** will likely see land, water, and climate become key campaign topics. Offshore, the US heads into a high-stakes political cycle of its own, with policy signalling, tariff talk, and bureaucratic muscle likely to keep markets on edge. The specifics will shift – but the tempo is set, and volatility is part of the rhythm.

**With the Reserve Bank of New Zealand (RBNZ) easing cycle largely complete**, interest rate cuts are expected to pause, with a possible firming later in the year. This offers short-term breathing room on debt servicing, but also keeps currency movements front-of-mind. The NZD/USD exchange rate is expected to swing between the high-0.50s and low-0.60s, meaning export receipts may move as much with offshore politics as with economic data.

Looking further ahead, the future role of the US dollar is worth watching. China is settling more commodity purchases in renminbi, and stablecoins are creeping into international commodity trade. Exporters need not react yet, but they do need to stay aware.

**Unexpected angles: The knight's move**
Energy markets reset lower through late 2025, with Brent crude sliding into the high-50s and offering relief for freight and fuel budgets. However, as every chess player knows, the knight can strike from unexpected angles. Shipping routes remain vulnerable to disruption, and there is fast upside risk for refined products. On-farm efficiency upgrades, diversified freight paths, and disciplined cost management remain essential to avoid being "forked" by sudden swings in fuel or transport conditions.

**Pressure on the diagonals: The bishop pair**
Fertiliser affordability will likely remain challenging this year. Urea was highly volatile through 2025, and hopes of early-2026 stability have faded. Geopolitical risks remain the biggest driver, with unrest in Iran posing direct risk given its approximately 10% share of global urea exports. Any escalation would push prices higher, and markets can move quickly. Strong early-season buying in the US, alongside sustained Indian demand, is likely to keep wholesale prices supported before easing later in the year. On the other diagonal, grains and oilseeds remain subdued due to large global corn stocks and expanded South American plantings. Lower feed costs may help intensive competitors, but they also highlight the natural cost advantage of New Zealand's pasture-based systems.

**The queen's reach: Weather for an island nation**
Climate remains the strongest piece on the board, shaping every part of New Zealand's food and fibre sector. A wet La Niña summer delivered plenty of feed, complemented by strong imported feed use in 2025. ENSO is forecast to drift toward neutral, which may help to dry out parts of the north still recovering from earlier flooding.

The weather remains the queen – powerful, far-reaching, and hard to predict or control – and it will keep testing planning, timing, and feed budgets all year.

**Protein markets: Converting position into advantage**
Red-meat prices look set to lead the pack in 2026. Beef supplies remain tight, with cattle numbers across key Northern Hemisphere markets sitting at multi-year lows. This global shortage is maintaining historically firm cattle prices, despite periodic fluctuations as herds gradually rebuild. Sheepmeat also enters 2026 on a stronger footing, supported by easing Australian supply and steady demand from the UK, EU, and US. Dairy, however, is more tactical. After late-2025 weakness, early-2026 trading shows a tentative recovery, but global oversupply amid softer demand could bring some caution to 2026/27 opening milk price forecasts.

**The finishing strategy: Staying on the front foot**
Chess rewards players who think three moves ahead. For New Zealand agribusiness in 2026, this could mean focusing on the wider forces shaping the board – not just day-to-day price movements. With the right positioning, New Zealand farmers and exporters can turn a shifting board into tomorrow's opportunity.

# Climate

## Warm nights and a watchful eye on the tropics

According to NIWA, 2025 was the fourth warmest year on record, while globally it was the third warmest year. Most regions experienced above-average temperatures, and eastern areas of both islands saw some of the driest conditions of the year. Late-December rainfall delivered welcome relief to many dry regions, before intense rain through parts of January 2026 soaked much of the country and led to severe flooding in parts of the North Island, a reminder of how quickly our weather can swing between extremes. The NIWA outlook for early 2026 suggests a rapid weakening of La Niña conditions for New Zealand over the remainder of summer, with a 70% probability of ENSO-neutral conditions persisting through to March 2026.

As La Niña fades, New Zealand is likely to settle into a quieter summer pattern, with slow-moving high-pressure systems bringing longer settled spells and the odd burst of tropical moisture. This mix should mean mostly calm weather, with the occasional unsettled patch.

Temperatures are likely to be warmer than average in the west of both islands and across the top of the North Island. The top of the south and east of the North Island may also see above-average warmth, while most remaining South Island regions are expected to sit closer to average through to autumn.

Rainfall patterns are expected to remain uneven, with NIWA signalling above-normal totals for the north and east of the North Island, while the west of the North Island and east of the South Island may see near-normal to slightly wetter conditions. Rainfall in the north of the South Island could be near or below normal, whereas the west is more likely to trend drier under frequent high-pressure systems.

Soil moisture and river flows are expected to sit close to normal across much of the west of the North Island, with all other regions holding an equal likelihood of near-normal or below-normal levels to late summer. With rainfall patterns still highly regional and changeable, local monitoring remains essential for on-farm planning; particularly after a summer where heavy rainfall and flash flooding reminded us just how exposed our small, coastal nation is to weather extremes.

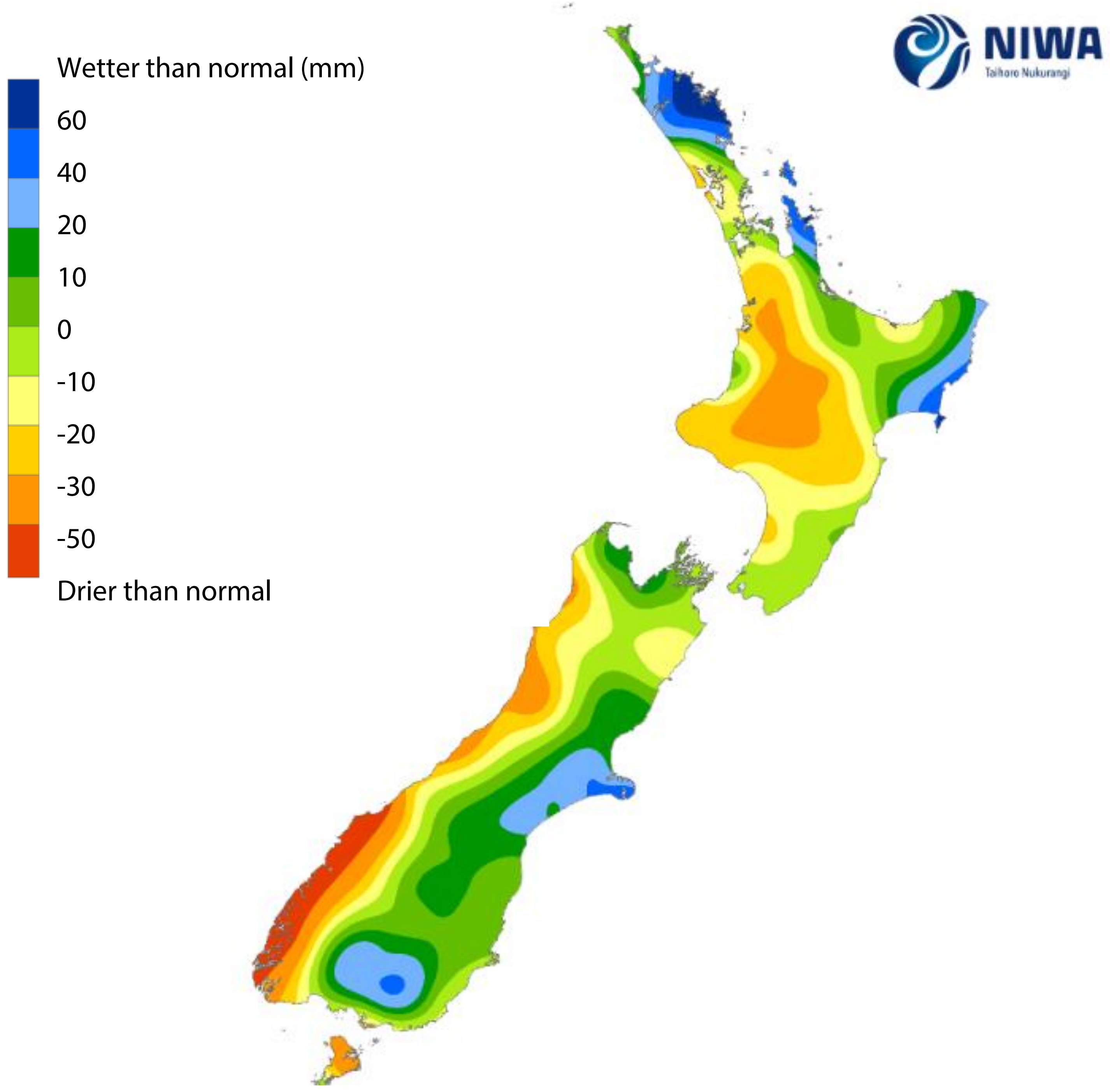
### *What to watch:*

- **Tropical cyclone risk –** This season's Southwest Pacific outlook points to a normal-to-elevated chance of ex-tropical cyclone interactions for New Zealand, particularly through late summer. While direct landfalls remain rare, late January 2026 has shown how these systems can still bring intense, short-duration rain and damaging winds to parts of the country; especially to the upper North Island. For rural businesses, the real watchpoint is the pattern of short, intense weather bursts that can disrupt harvest windows, knock pasture growth and utilisation of feed off track, and complicate day-to-day planning.

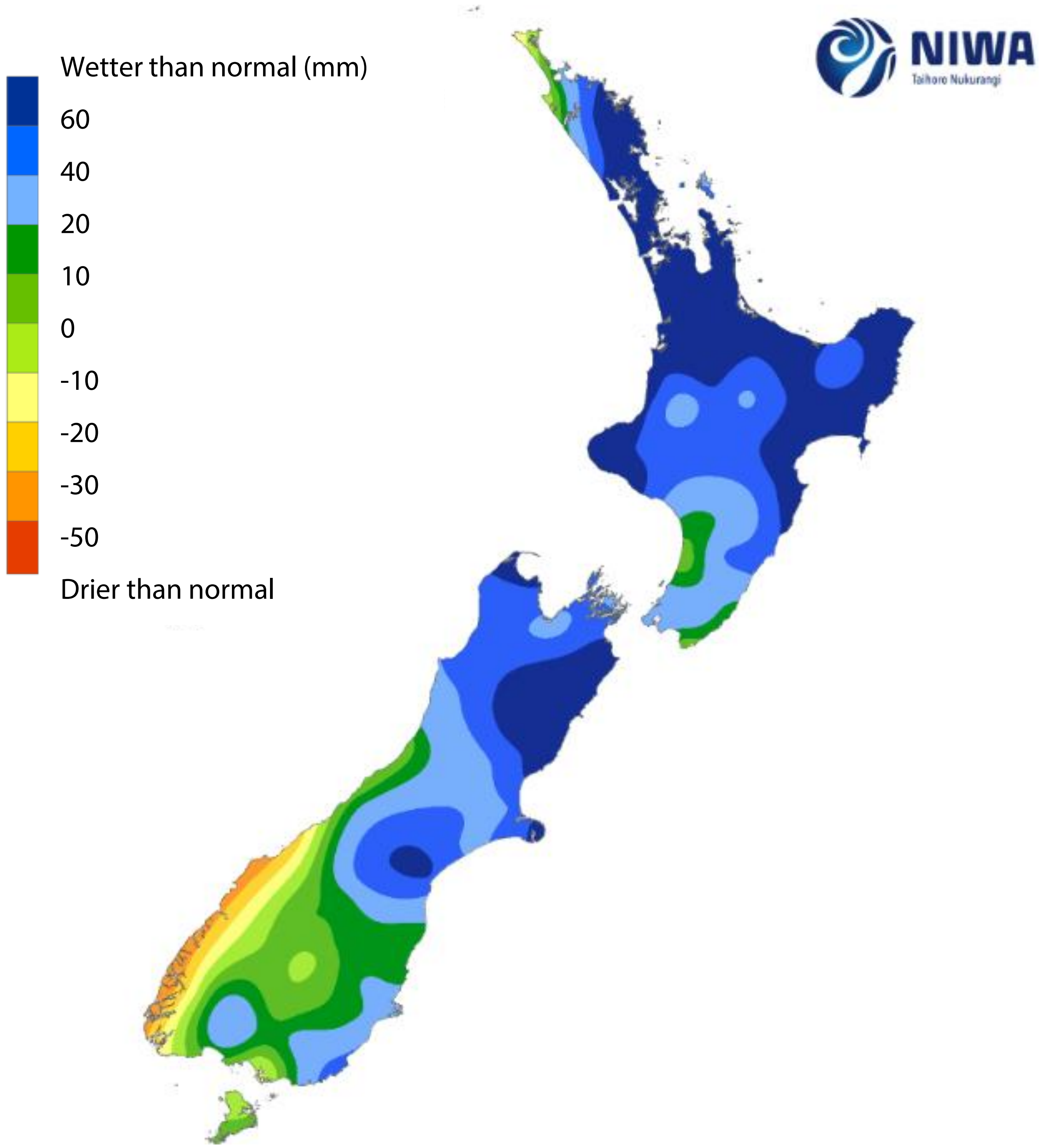
# Climate

## What a difference a year makes: Heavy January rainfall has eroded almost all summer hot spots

*Soil moisture anomaly (mm), 28 January 2025*




*Soil moisture anomaly (mm), 27 January 2026*




***Source:*** *NIWA, RaboResearch 2026*

# Dairy

## Cautious optimism for New Zealand dairy farmers

**The 2026 calendar year for dairy has got off on a better footing.** A wet summer and improved commodity prices have ensured a stronger start to the new year compared to the end of 2025. Ample feed and supportive conditions are playing out in the milk flowing through to vats. December monthly milk production ended 2.5% YOY higher, while season-to-date is stronger by 2.4% than last season on a volume basis, and 3.2% higher for milksolids. The 2025/26 season looks to be still on track to hit a new milksolid record.

**Globally, the dairy complex kicked off 2026 with broad-based weakness in the global fundamentals.** The surge in butter prices that dominated headlines in 2025 has now melted away. Oceania spot prices, which were at record highs in mid-2025, fell 32% by year-end, reaching their lowest levels since 2023. Still, the first month of 2026 provided some hope for improvement, with the first two Global Dairy Trade auctions delivering solid price lifts.

**Global fundamentals have shifted due to milk supply growth, which has accelerated amid lacklustre end-user demand, pointing to a well-supplied market.** Once all data is collected, output from the Big 7 exporters is forecast to finish 2025 up 2.2% YOY, having peaked in Q3. Milk supply growth will likely slow in 2026 as margin pressure builds.

**RaboResearch thinks commodity markets will find a floor in 2026, but the key questions remain: When will the balance shift and a clear trend of price strengthening be established?**

Demand-side headwinds persist, with low- and middle-income consumers most affected. Foodservice channels remain sluggish, while consumer confidence is deteriorating in the US and remains fragile in China, where discretionary spending is under pressure.

**Weaker commodity prices have already translated into softer farmgate returns globally.** Milk prices in other export regions have fallen to multi-year lows, with Europe bearing the brunt. The key question for New Zealand farmers is whether we will see any improvement in 2025/26 season forecasts, and whether opening gambits for 2026/27 will be more cautious.

### *What to watch:*

- **A bounce in Chinese import volumes –** Chinese dairy imports (on a liquid milk equivalent basis) are expected to increase for a second consecutive year in 2026. However, volume increases have been marginal so far. Milk prices are still low in China, and herd reduction is still underway, meaning that if demand improves more than expected, it could trigger a lift in import volumes, adding much-needed tension to the market.
- **Sticky milk supply growth –** The main risk is that if dairy commodity prices fall further and stay weak for longer, this weakness could eventually translate into lower farmgate prices. Farm margins will be squeezed by lower milk prices in 2026, but this doesn't always lead to rapid milk production declines. A benign outlook for inputs, and favourable weather, could see milk production growth linger, putting more pressure on dairy commodity markets for longer.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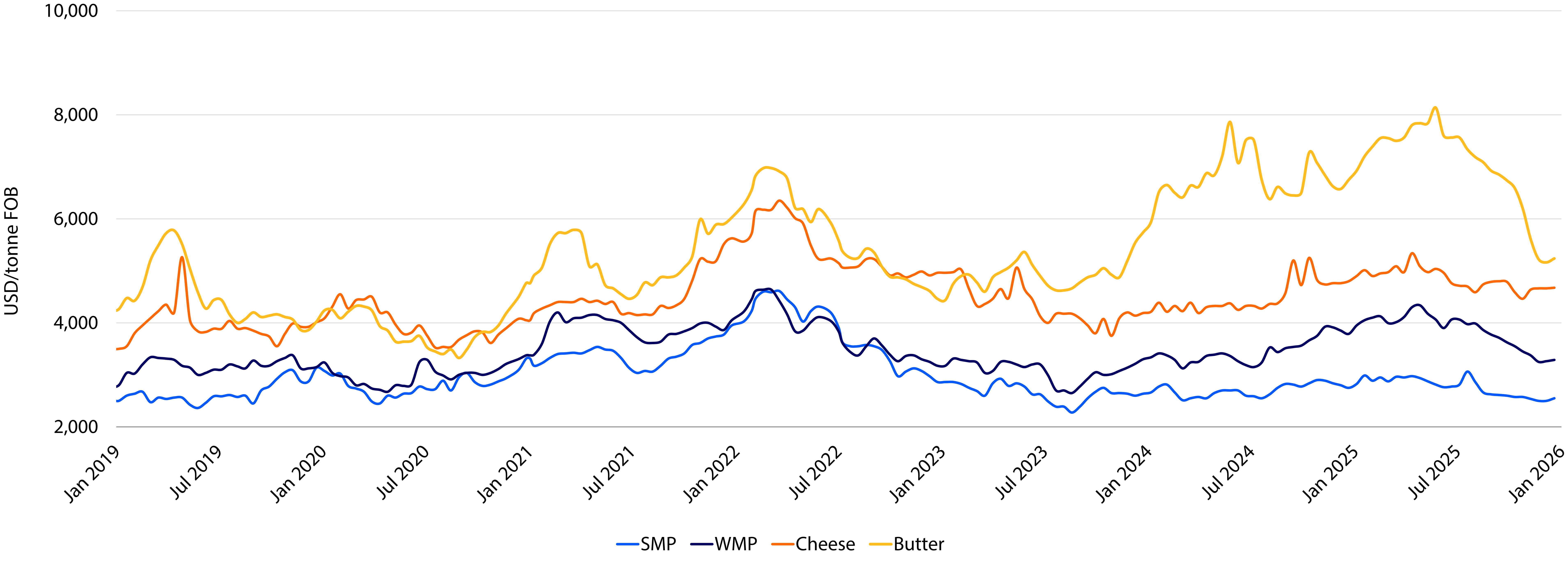
# Dairy

## The global dairy market will face a period of weaker commodity prices

*Oceania spot prices for dairy commodities, Jan 2019-Jan 2026*




***Source:*** *USDA, RaboResearch 2026*

# Beef

## Beef supply to lift slightly as firm pricing remains

**Farmgate beef pricing opened 2026 on a firm footing.** The AgriHQ NI bull price held at around NZD 9.45/kg cwt through the first weeks of the year, with some processors offering premiums above this level. We think farmgate pricing may stay broadly steady in 2026, if US demand persists and local cattle supply becomes tight. US benchmark lean prices remain elevated, with imported 90CL cow at around USD 3.60/lb, and imported NZ 95CL bull at around USD 3.80/lb, – up to 42% above five-year averages.

**Into autumn, we expect schedules to remain supported by US import demand.** Confidence on-farm appears solid and may be reinforced by continued strength in export returns. The average export price in November 2025 was NZD 11.97/kg FOB, a record; while a softer New Zealand dollar helps, an important driver remains broad global demand.

**On supply, 2026 slaughter numbers are expected to be up by approximately 3% YOY, from a 2025 low.** Production will still hinge on carcase weights and seasonal conditions. After an estimated 150,000 extra dairy-origin calves were reared in 2025, the pool of R1s is up. That could ease restocking pressure for some beef traders (with more animals to choose from), although the quality of animals and feed availability will ultimately temper store prices up and down by region.

**Export settings remain favourable.** In 2025, to November, the US accounted for approximately 39% of volume and 43% of value, with China at around 25% of volume. RaboResearch believes the US will continue to anchor New Zealand pricing in 2026, while the Chinese market could improve from weak 2025 levels. The UK has emerged as the fastest-growing market. In 2025, to November, New Zealand exported around 17,800 tonnes of beef to the UK, up from approximately 4,000 tonnes the year prior, reflecting tight local supply in the UK and EU and support of the UK-New Zealand Free Trade Agreement. Under the agreement, the duty-free beef quota will reach 20,940 tonnes in 2026 (year four) and become unlimited from year 11 (with safeguards).

**Bottom line for 2026:** Slightly more New Zealand cattle with robust international demand driven by the US. RaboResearch expects pricing to hold relatively steady, with periods of firmness if procurement tightens and if any demand recovery in China adds to the US pull.

### *What to watch:*

- **New China measures amid strong US demand –** RaboResearch will be keeping a close eye on China's new import settings in 2026 and how these may influence global beef flows. There is a 206,000-tonne annual quota for beef entering China, with a 55% tariff applying above this level. New Zealand exports have sat well below this threshold for the past two years, and the quota is unlikely to bind in the near term and may become a more material watch point in later years.
- **Shifts in Australian and Brazilian supply –** In the nearer term, the key driver to monitor is how Australia and Brazil respond as their tighter quotas fill and surplus beef is redirected into shared markets. Brazil, as the world's largest exporter, could have an outsized influence if diverted volumes increase competition. We will also be watching for any lift in Chinese demand, which could create selective opportunities for some of New Zealand's higher-value cuts later in the year.

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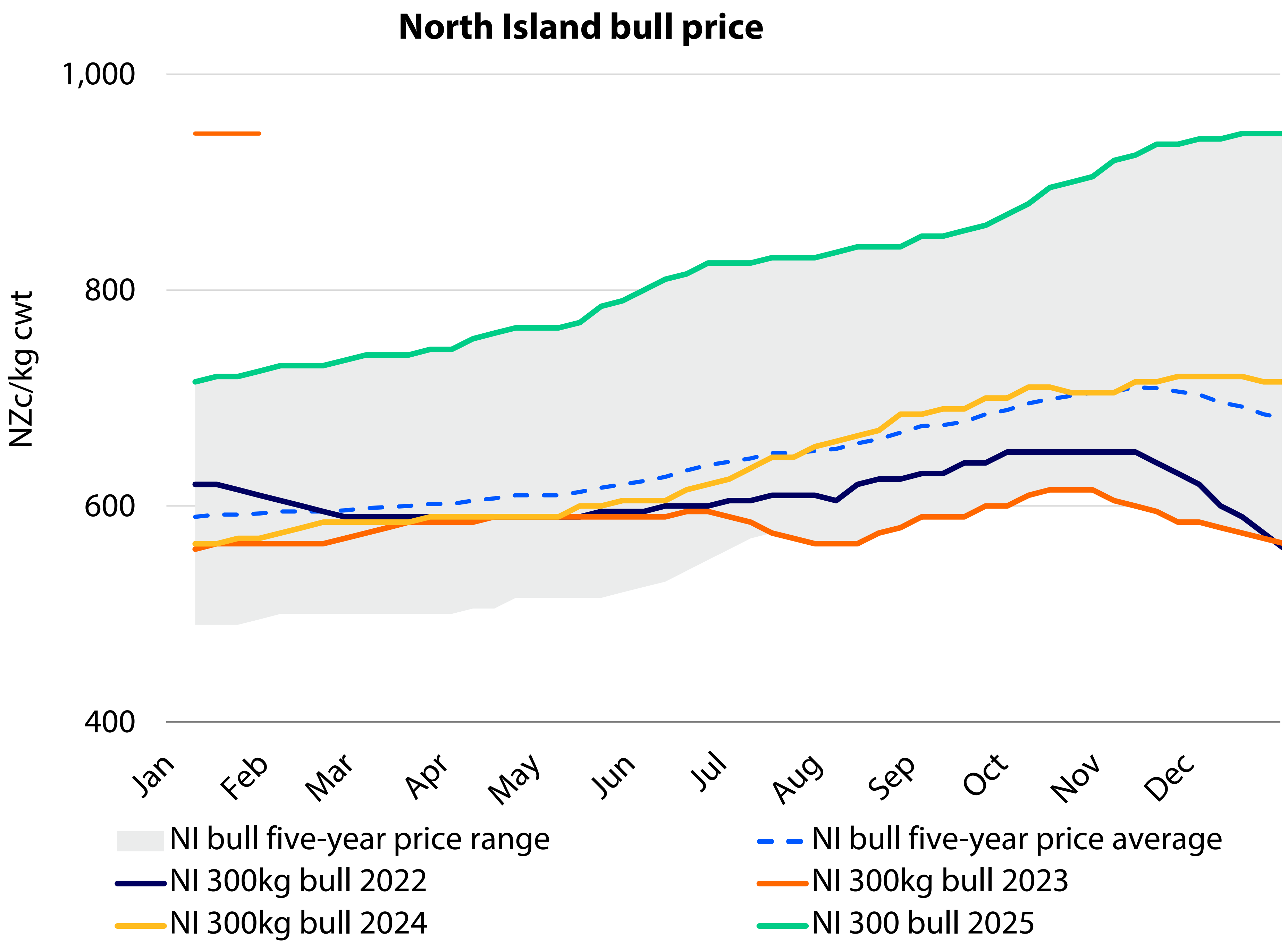
# Beef

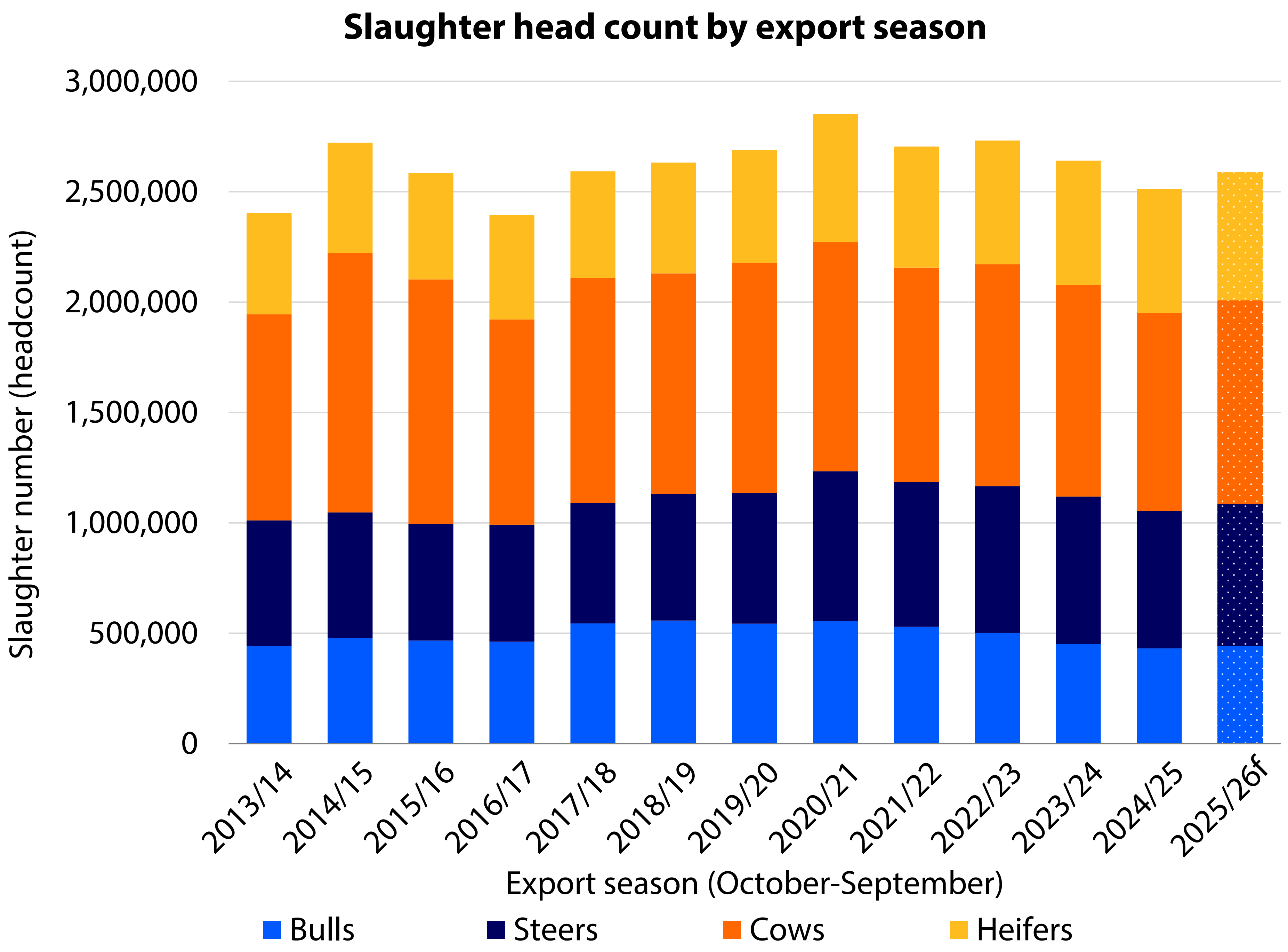
## Another strong year likely for beef prices, with increased availability of young stock

*Farmgate prices kicking off 2026 at strong record highs*




***Source:*** *AgriHQ, RaboResearch 2026*

*Beef slaughter numbers expected to be around 3% up on 2025*




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

# *Sheepmeat*

## Firm demand meets tightening global supply

**Farmgate pricing has started 2026 in strong shape.** South Island lamb is holding well above NZD 10/kg cwt, with the **AgriHQ indicator tracking around NZD 10.80/kg through much of January.** Prices sit close to NZD 3/kg higher than a year ago, supported by generally favourable summer conditions and timely rainfall in several regions. While some seasonal price softening is likely to occur as more lambs come forward through late January and February, RaboResearch believes this may be minimal, given the strength in export values and broad offshore demand.

**New Zealand lamb numbers are expected to be similar to 2025, pointing to a relatively tight domestic supply base.** This is shaping up as a key feature of 2026: The global exportable pool also remains lower than in previous years, and steady demand across multiple markets continues to support returns. Reduced local supply in several Northern Hemisphere markets, particularly the UK and EU, should keep interest in New Zealand lamb firm heading into Easter. With production stable and offshore demand holding up, lamb prices may stay well supported through autumn.

**In November, the average export value for lamb reached a record NZD 15.03/kg FOB.** Mutton values also lifted sharply, with the average export price rising to NZD 9.12/kg FOB in November 2025 (also a new record), up from NZD 6.54/kg a year earlier, reflecting improving and broader prices from China.

**Export diversification strengthened again in 2025 for lamb**: The EU, UK and "other" markets accounted for 50% of New Zealand lamb export volumes, while China, the US, and the Middle East shared the other half. China's share fell to under 35% (from 53% in 2021), contributing to higher export values and spreading market risk, a trend expected to continue in 2026.

**Store markets remain buoyant**, with trading lambs typically at NZD 4.70/kg lwt to NZD 4.90/kg lwt, and above NZD 5.00/kg in parts of the South Island in January. These saleyard prices align with the firm farmgate schedule and reflect steady confidence in finished-lamb returns. Solid demand, tight supply and improved market diversity position New Zealand sheepmeat for another year of firm pricing.

### *What to watch:*

- **Tighter global supply shaping lamb returns –** 2026 may see a tightening pool of exportable sheepmeat. Australia, which accounts for roughly 40% of global sheepmeat exports, is expected to see lower production in 2026 versus the past two years, and this further tightening of international supply may help support New Zealand farmgate prices. New Zealand has made up approximately 30% of global exports in recent years, meaning any shift in Australian availability could be influential across the supply chain. With demand in key markets holding firm despite earlier inflationary pressures and US tariffs, reduced competing volumes may continue to shape procurement, pricing, and market allocation decisions through 2026.

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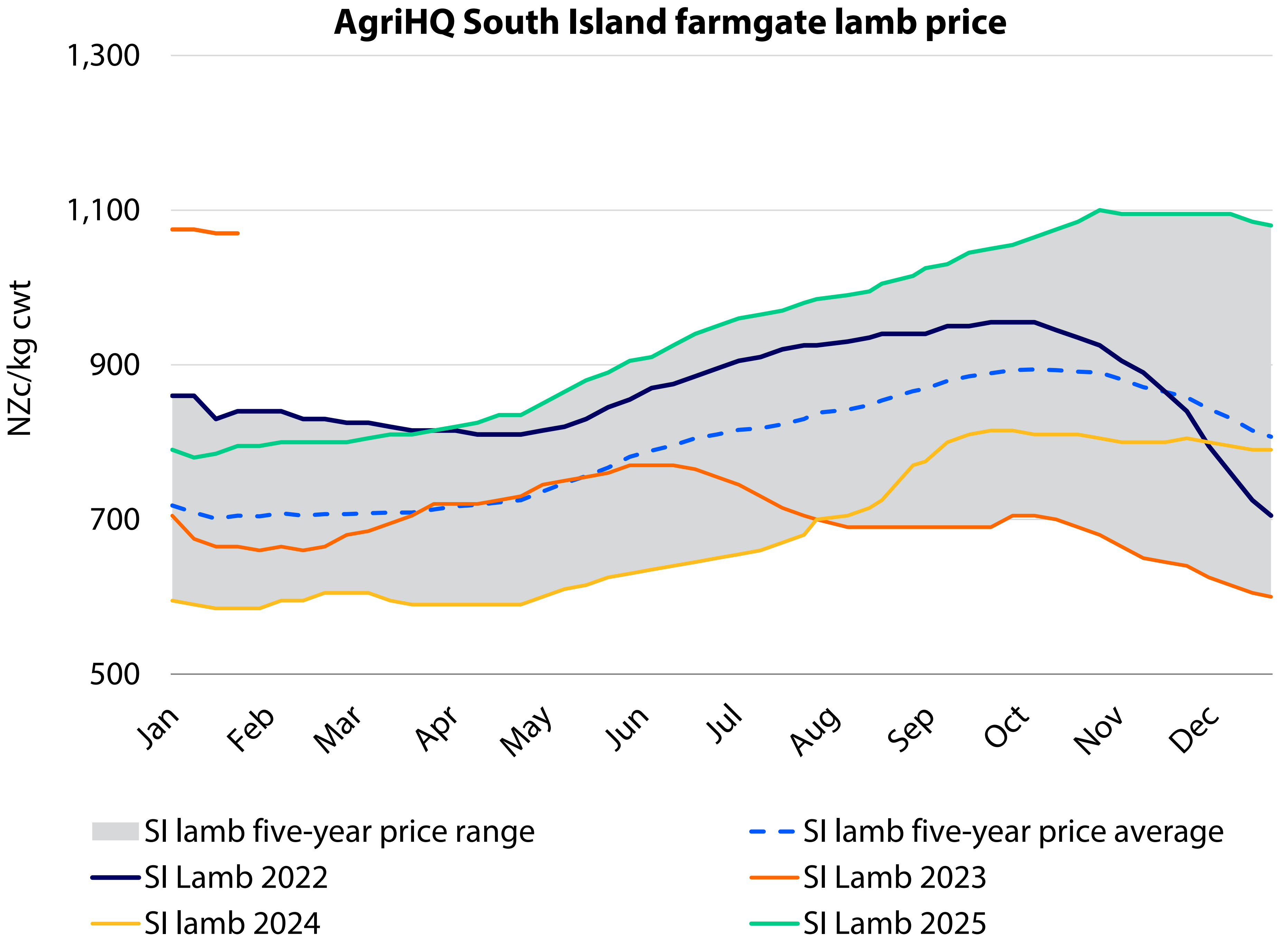
# *Sheepmeat*

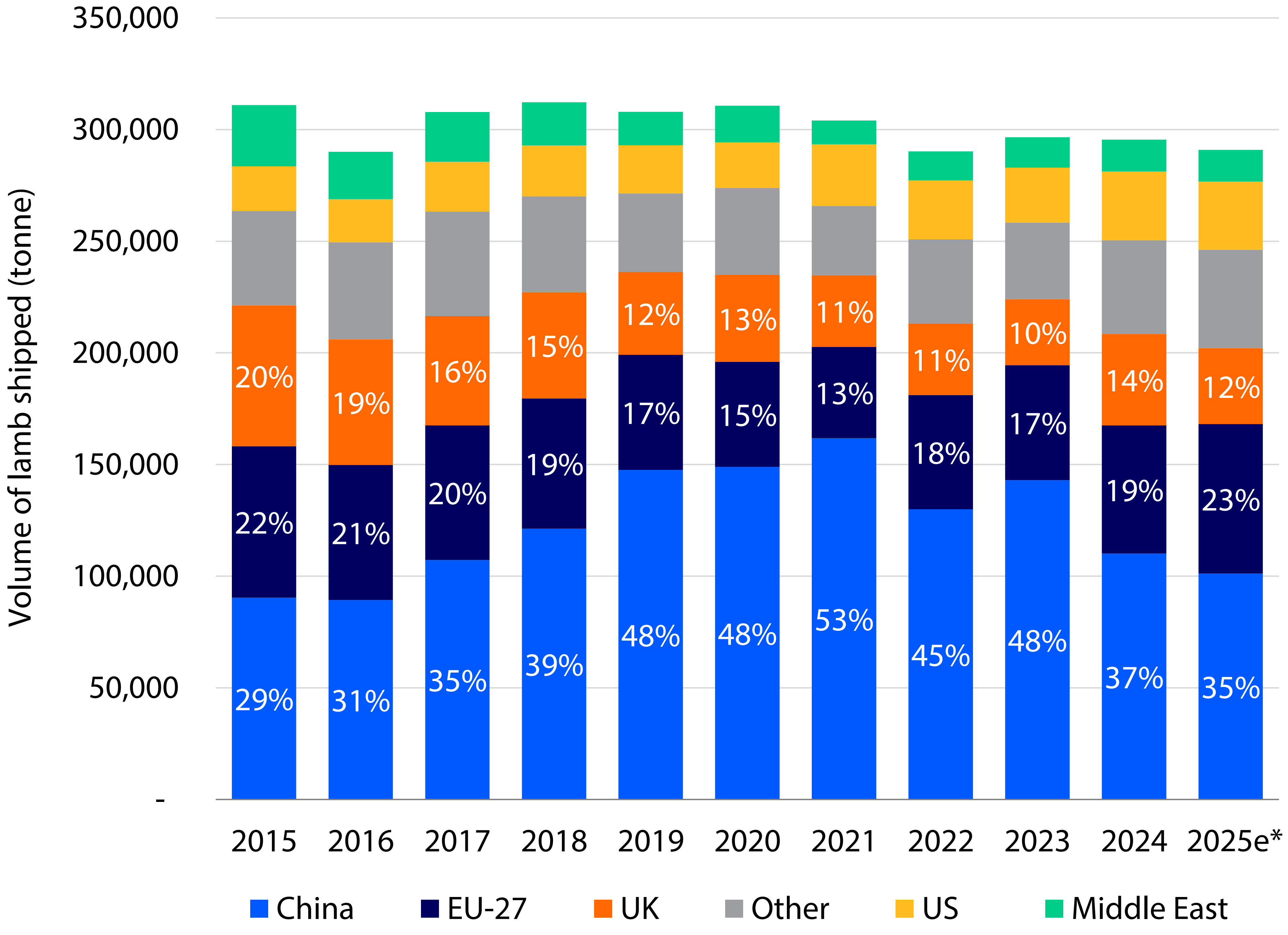
## A healthy lamb price to start the new year, strong prices likely to continue in 2026

### *Farmgate prices higher than NZD 10 in January*




*Source: AgriHQ, RaboResearch 20256*

### *Lamb volume continues to flow beyond China in 2025*




**Note:* *December 2025 data estimated*
***Source:*** *Stats NZ, RaboResearch 2026*



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# *Venison*

## A lack of supply with no shortage in venison demand

**Venison pricing has entered 2026 on steady ground, supported by firm demand and limited national supply**. Farmgate schedules remain well supported, with the AgriHQ base price holding around NZD 10.40/kg lwt for South Island stag. Premiums on top of the base schedule for well finished animals that meet requirements help lift producer returns.

**Supply tightness continues to define the venison landscape, with fewer animals across both islands.** Weaner and young stag values have remained firm, reflecting the shortage of stock, and a key watch will be how pricing settles through the April–May weaning period. With schedules expected to remain relatively flat into early autumn, the timing of kill and the weight profile of R2 animals will remain important considerations for producers.

Herd rebuild appears limited but is perhaps occurring, and Deer Industry New Zealand (DINZ) has planned another industry survey for 2026 to gauge longer-term trends. Wild deer processing provides some useful flexibility at the margins for some processors, smoothing seasonal gaps and supporting winter supply, and it is not expected to materially compete with farmed venison. Overall, constrained supply means careful management will be required to maintain stable processing flows in the years ahead.

On the demand side, **venison continues to benefit from a general global protein shortage and strong interest in nutrient-dense red meat**. Market diversification strengthened through 2025, with approximately 38% of export volumes heading to the US and 34% to the EU, while the remainder flowed into Asia and other markets. This more balanced market structure reduces seasonality and helps stabilise pricing. While the 15% US tariff continues to challenge retail programmes, demand has remained firm, supported by steady foodservice recovery.

**Overall, venison enters 2026 with supportive demand, firm pricing, and constrained supply.**

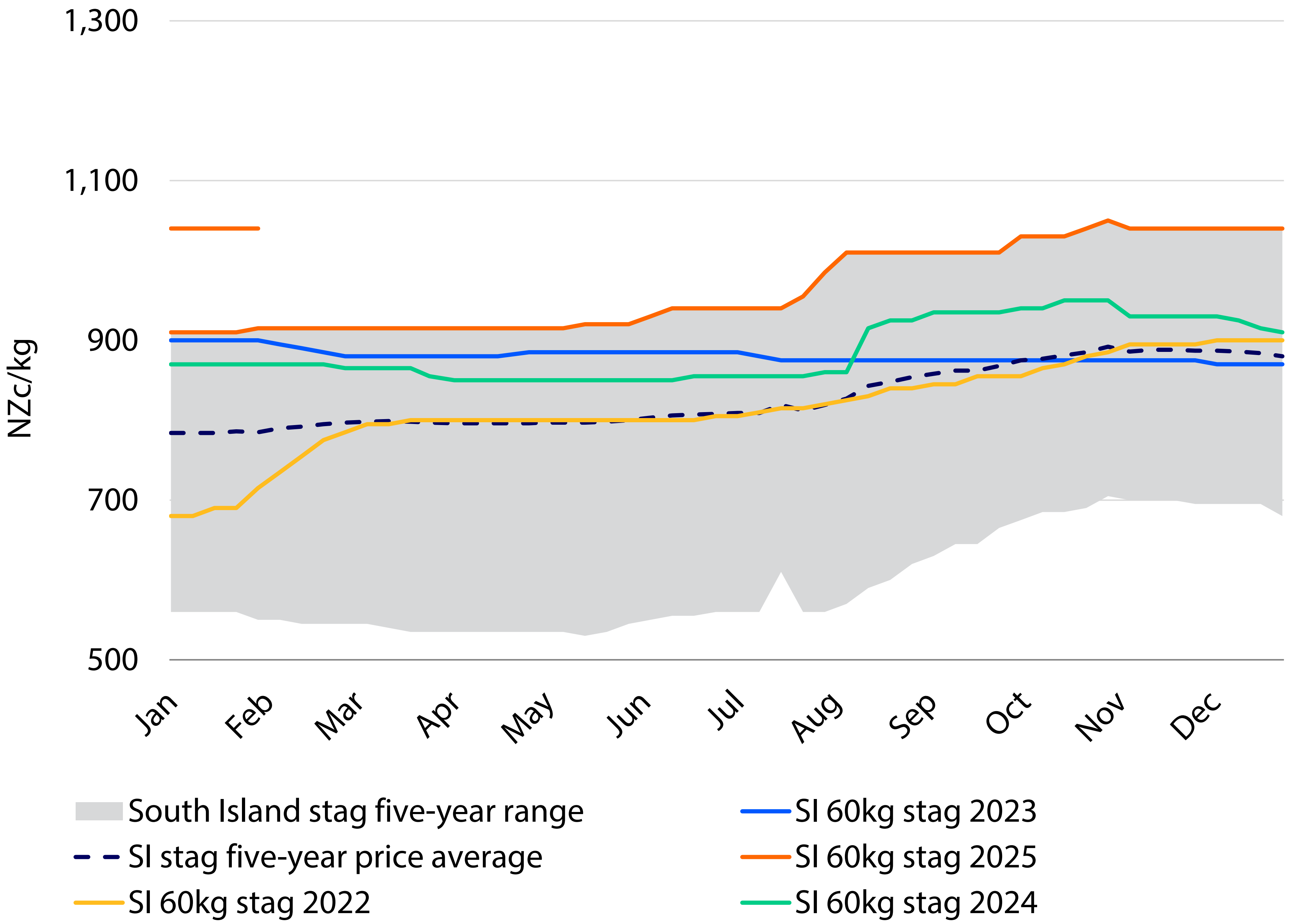
### *What to watch:*

- **Velvet dynamics in 2026 –** Velvet will remain a key watchpoint in 2026 as the sector enters a reset phase. After a difficult 2025 marked by oversupply, mixed market signals, and access issues in China, early indicators suggest tighter supply and improved demand may help rebuild confidence. China remains the market where improved demand may materialise first, with late-2025 exports surging as new access protocols took effect and buyers showed renewed pull for smaller, higher-quality heads. South Korea continues to offer long-term potential, although meaningful growth will depend on progress in human clinical studies and future functional-food claims. With DINZ estimates of New Zealand velvet production falling by 150 tonnes to 200 tonnes in 2026 due to increased stag culling, the market may begin to move away from oversupply and back toward equilibrium in 2026.

# Venison

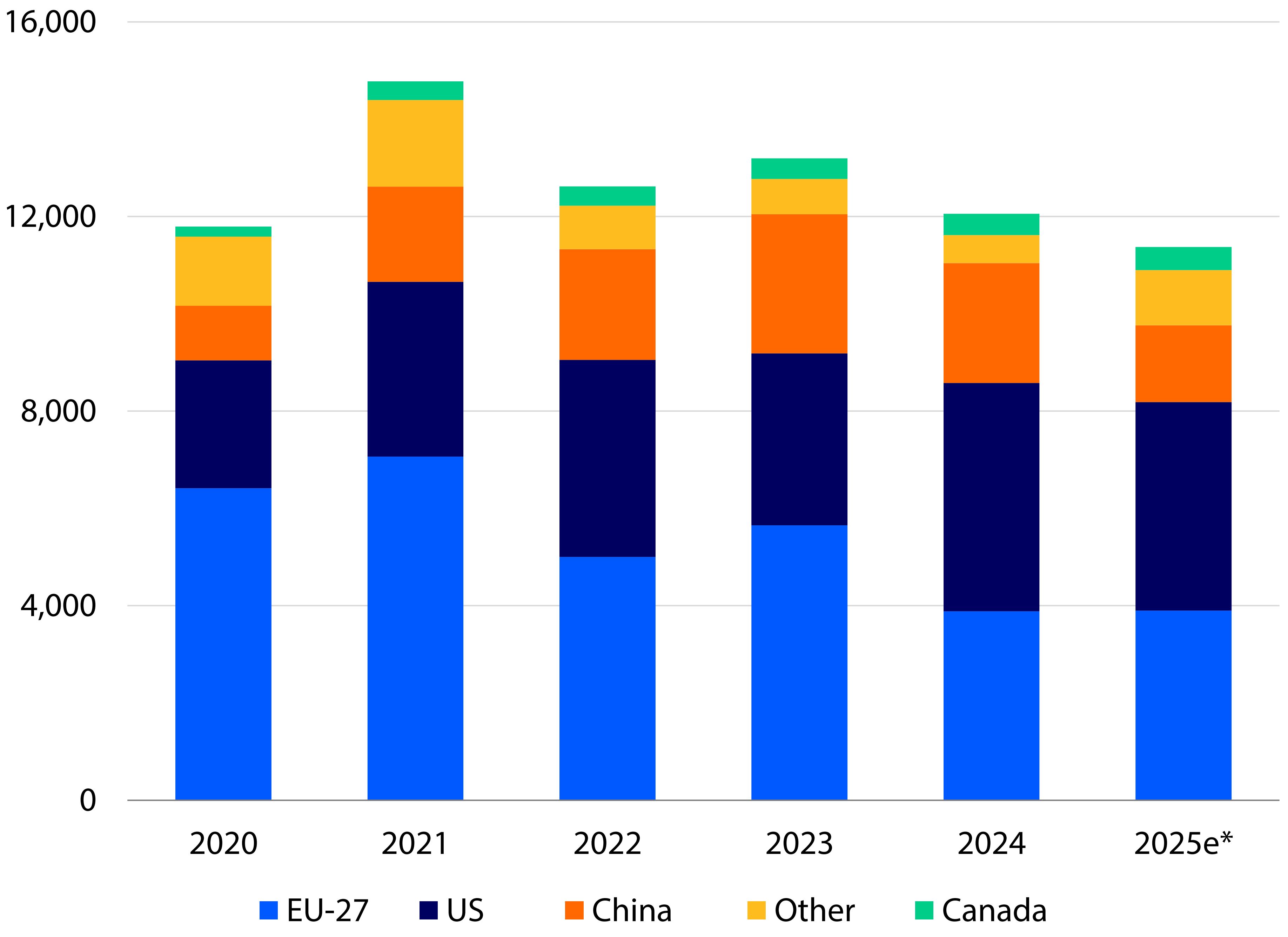
## Pricing expected to remain strong with fewer animals around and robust global demand

*Healthy farmgate pricing holds above NZD 10.00/kg cwt in 2026*




*Source: AgriHQ, RaboResearch 2026*

*Diversity in export markets as volumes to North America grow*




*Note: 2025e includes estimated December exports (similar to November 2025)*
*Source: Stats NZ, RaboResearch 2026*



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# Consumer foods

## High protein boom to endure in 2026

**New Zealand's annual CPI inflation was 3.1% in the 12 months to December 2025.** Inside the food basket there are mixed results but positive signs for consumers leading into 2026. Food inflation on a quarterly basis has broadly moderated but remains elevated. In Q4, food inflation was running at 4.3% on a year-on-year basis, down from 4.6% in Q3.

New Zealand consumers are enjoying lower prices for seasonal vegetables, but red meat prices are becoming harder for households to afford given the local and global livestock market conditions. There was mild inflation in out-of-home channels.

**Consumers should not fear a spike in retail food prices driven by high agricultural commodity costs.** Historically, global commodity market pressures have been a key contributor to rising food prices, but RaboResearch expects 2026 to bring broadly lower agricultural commodity prices across much of the complex. This outlook reflects softer global fundamentals, with many markets now well supplied.

Notably, some of the major drivers of previous price increases – such as cocoa, butter, and olive oil – had already declined in late 2025, signalling lower prices for chocolate and cooking oils ahead. However, it won't be entirely smooth sailing: Global coffee prices remain elevated at the start of the year.

**Consumer confidence is on a stronger footing to start 2026**
According to the ANZ-Roy Morgan Consumer Confidence report, New Zealand consumer confidence rose to 101.5 in December 2025 – the highest level since September 2021. The RBNZ has forecast that CPI inflation is set to fall back to about 2% in 2026 which will be welcomed news for households. The RBNZ is also forecasting that the unemployment rate will stabilise around current levels.

**Globally, high-protein demand was a major trend in 2025 and shows no signs of slowing as we head into 2026.** Several factors are driving this momentum, including the health and wellness movement and the growing adoption of weight-loss medications such as GLP-1 agonists. Uptake of GLP-1 treatments is expected to accelerate across many markets, including Australia, with the anticipated introduction of a pill format set to further increase accessibility

This shift is creating new growth opportunities for high-protein products, fuelling innovation in categories like yogurt and ready-to-drink beverages. Food and beverage companies responded with a wave of product development in 2025, and this pace is likely to continue into 2026.

### *What to watch:*

- **Chinese consumers –** Chinese consumer confidence will be a key area to monitor in 2026. There are ongoing headwinds affecting Chinese consumers, namely a fifth year of a property market downturn, wage growth losing steam, and a birth rate that fell 17% in 2025. Nonetheless, the Chinese economy is expected to grow by 4.6% in 2026 with a possibility of more stimulus to support domestic demand.

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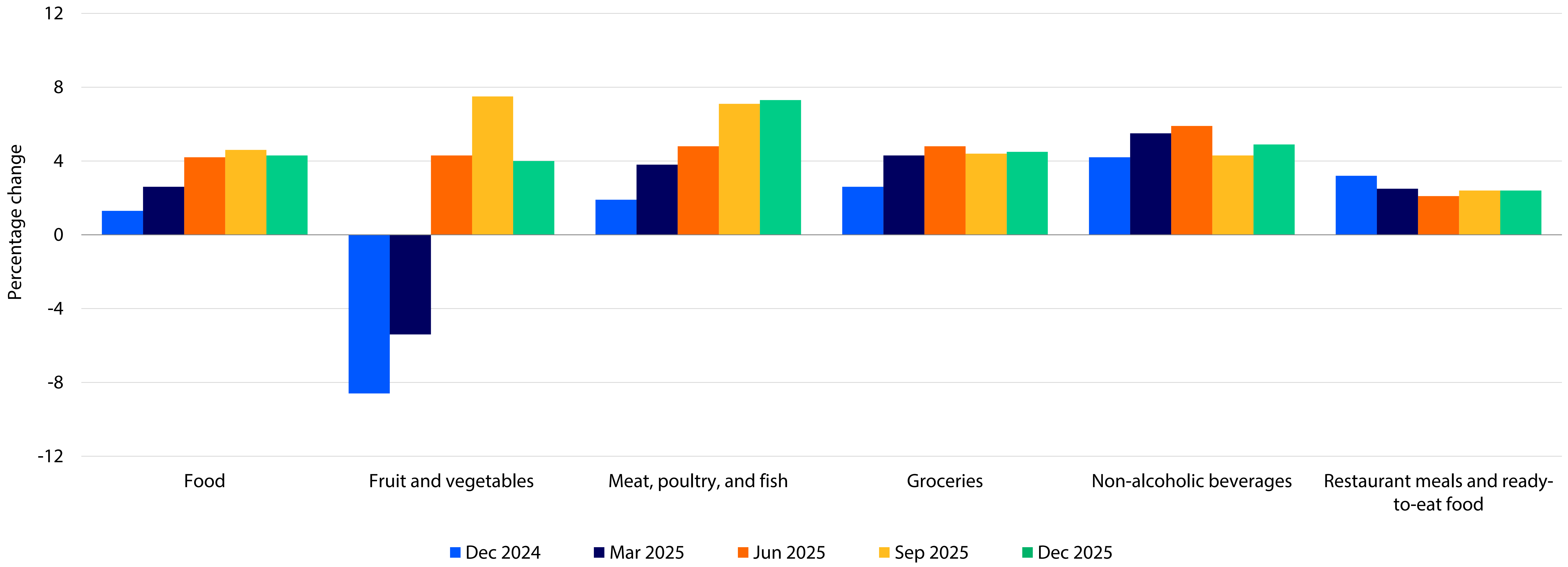
# Consumer foods

## Fewer sticker shocks ahead in 2026

*New Zealand Consumer Price Index, percentage change from same quarter of previous year, food and beverage breakdown*




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

# Farm inputs

## More volatility anticipated for urea prices in 2026

**It's been a challenging year for farmers, with elevated on-farm input costs acting as a major headwind.** In New Zealand dollar terms, urea (+8%), phosphates (+14%) and potash (+22%) have all increased year-on-year.

**Urea markets were highly volatile throughout 2025, and any hopes for greater stability in early 2026 were quickly dashed.** One of the major early talking points this year has been developments in Iran following the killing of anti-government protesters. Geopolitical unrest there poses a direct risk to global urea supply chains, given Iran accounts for around 10% of global urea trade. Although the US appears to have softened its initial threat of involvement, any indication of escalating hostilities remains a key factor to watch, and urea prices could continue to move sharply on the back of these developments.

**In the near term, one factor that may support urea markets is strong US purchasing activity.** Urea demand in the US is expected to be solid in early 2026 due to strong corn plantings. Combined with continued strong demand from India, this suggests prices could edge modestly higher over the short term before easing back later in the year.

**For phosphates and urea, geopolitics aside, one of the key reasons we've seen prices rise over the past 12 months is strong demand from India alongside lower-than-normal domestic production.** For 2026, import volumes will likely stay high given internal production is unlikely to meet requirements, and this will prevent prices from declining dramatically. In December, we saw India issue a tender for 1.5m tonnes of urea, signalling demand is still strong.

**The good news from a supply perspective is that China's return to the export market in 2025 prevented prices from pushing even higher.** We expect China's export volumes to steadily rise on a year-on-year basis in 2026, and this additional supply will help to partially alleviate the tight global supply-and-demand balance. China's export campaign will likely kick off in Q2 2026, given domestic demand needs in Q1.

One factor which could help partially offset on-farm costs in 2026, is RaboResearch's expectation of a stronger New Zealand dollar over the next 12-months. Given New Zealand's high reliance on imports, a projected rise to 0.60 for the NZD/USD cross would be a positive for pricing.

### *What to watch:*

- **Gas price dynamics –** Given natural gas is the predominant feedstock for urea production, gas prices could have an outsized influence on urea prices in 2026. The good news from this perspective is that RaboResearch expects lower gas prices this year, with global LNG supply set to expand amid new projects.
- **Unrest in Iran –** This should be monitored closely, given the nation's importance as a major urea exporter.

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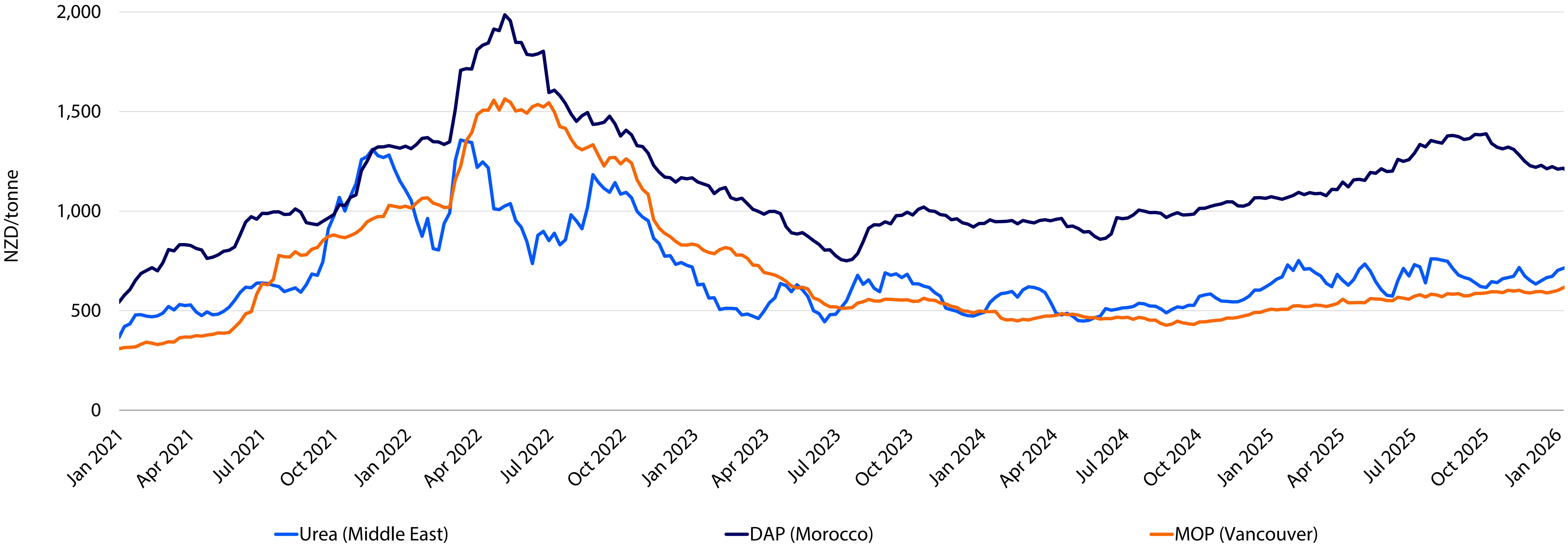
# Farm inputs

## Mild price relief anticipated for urea and phosphate markets in 2026

*However, Middle-East risks mean urea prices could be volatile given the region is a key energy and fertilizer supplier*




***Source:*** *CRU, RaboResearch 2026*


# Interest rate and FX

## Is the recovery for real this time?

**New Zealand faced a difficult year in 2025, as an emerging economic recovery early in the year was disrupted by trade war uncertainty in Q2.**

The RBNZ ultimately delivered more cuts to the Official Cash Rate (OCR) over the course of the year than we had initially expected, and the economy is now – once again – in a conspicuous upturn.

Persistently low levels of consumer confidence and a relatively high unemployment rate of 5.3% underscore the fragility of the recovery. However, a bounce-back in the housing market, net inward migration, and consumer spending are raising hopes that this time the upswing will prove more durable.

The OCR enters the year at 2.25% – a level that we consider to be stimulatory for the national economy. Inflation is sitting just outside the target band at 3.1% and the economy grew by 1.1% in Q3 2025 (the most recent quarter for which data is available) after shrinking by 1% in Q2.

RaboResearch expects that the New Zealand economy will have grown by 0.6% in 2025. We forecast growth to lift to 2% in 2026 as the economy gathers speed and the current spare capacity that is helping to keep price growth contained again finds employment.

As the economy begins to gain momentum, it stands to reason that it will no longer require stimulation from monetary policy. Consequently, we expect that the RBNZ will begin raising the OCR in Q4 of this year, with a second 0.25ppt rate hike in Q1 2027 also likely. **Longer-term interest rates have already begun to reflect this expectation that the next move in the OCR is likely to be upward.**

With the RBNZ likely to be approaching a hiking cycle later this year, and the US Federal Reserve still contemplating rate cuts, the New Zealand dollar should remain supported versus the US dollar. We forecast the NZD/USD exchange rate to hit 0.6000 on a 12-month view.

### *What to watch:*

- **RBNZ policy rate meeting, 18 February –** RaboResearch expects no changes to the OCR in February, but the first RBNZ meeting of the year will bring with it a fresh set of economic forecasts and is likely to set the tone for the direction of interest rates in 2026.
- **Stats NZ Q4 retail sales ex-inflation report, 23 February –** There were encouraging signs last year that New Zealand households are finally starting to feel comfortable spending again. The cuts to the OCR delivered last year should continue to flow through to boost household budgets as home loan rates reset, so spending data will be an important barometer for the economy.

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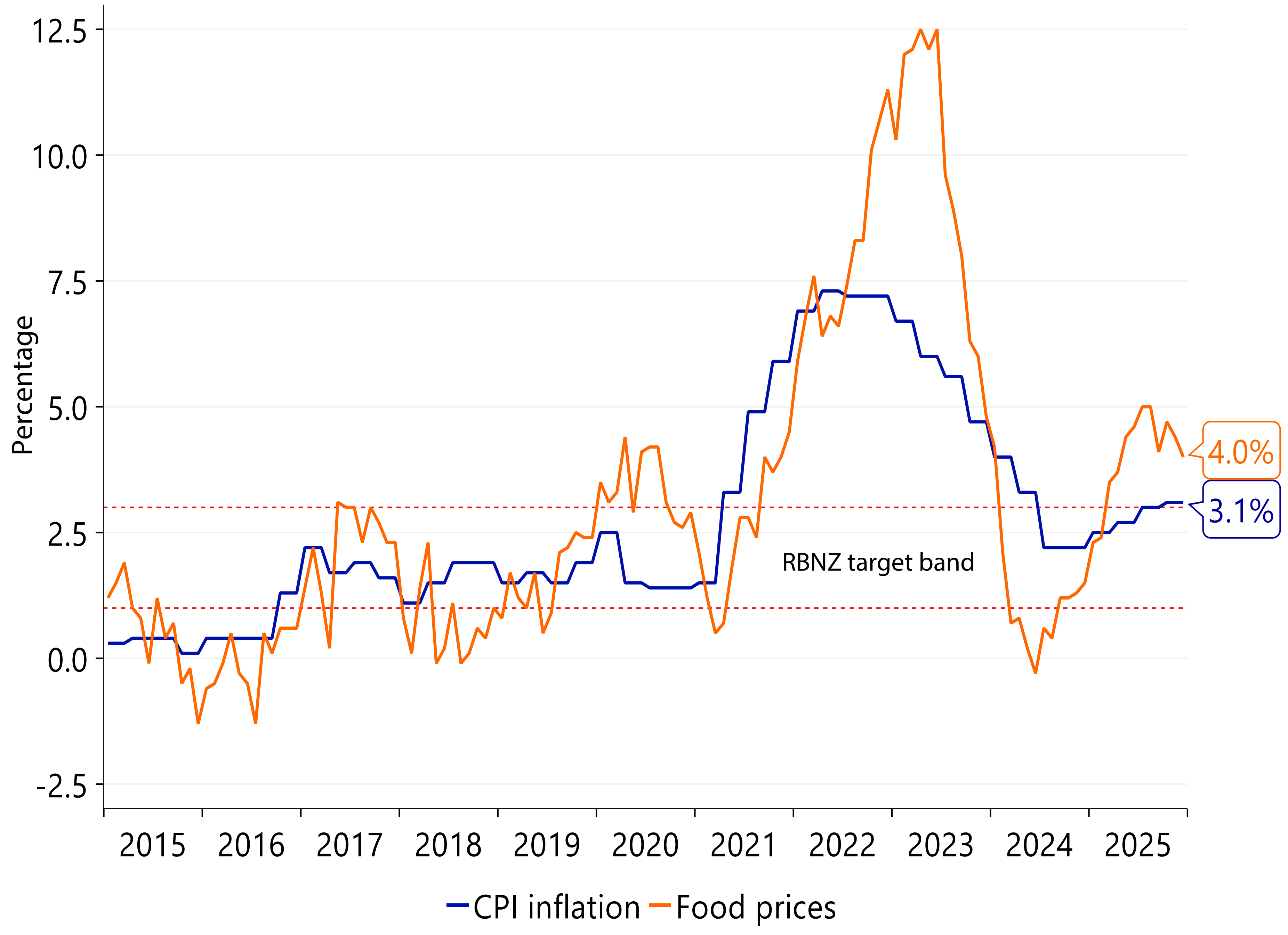
# Interest rate and FX

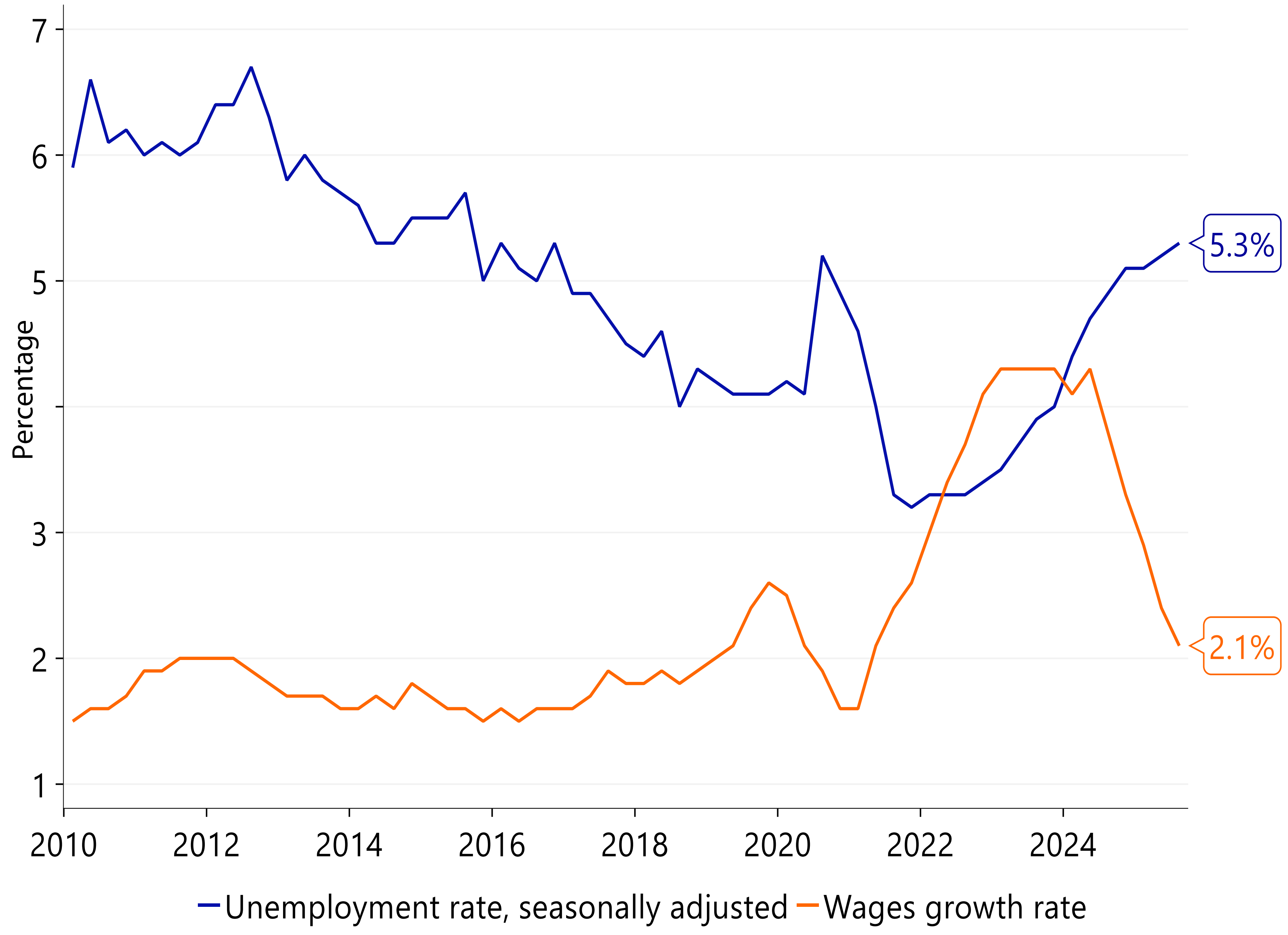
## Spare economic capacity expected to drive inflation back to target

*New Zealand inflation indicators, 2015-2025*




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

*New Zealand labour market indicators, 2010-2025*




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



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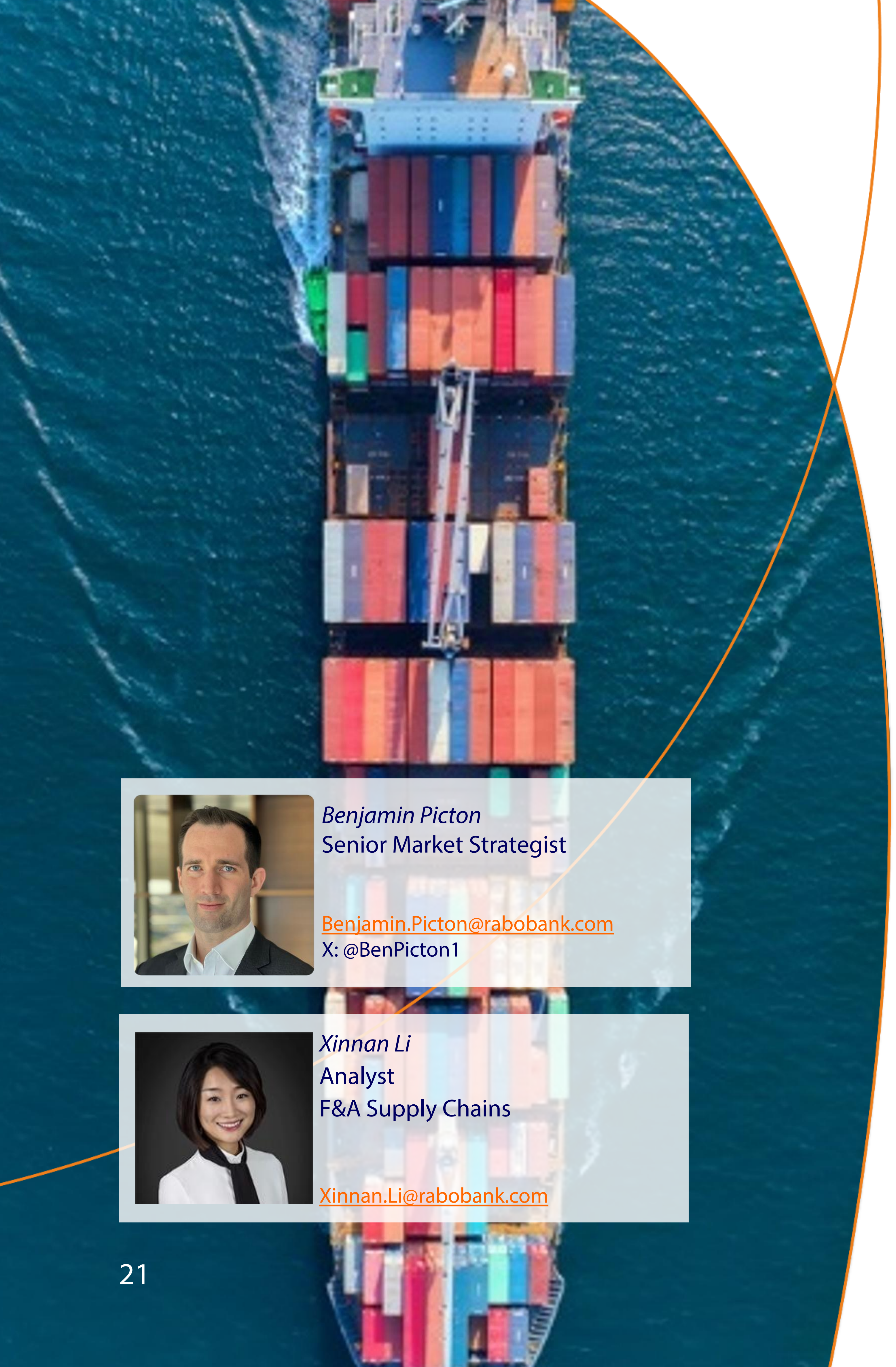

# Oil and freight

## Strong supply likely to cap rallies in energy prices

Geopolitics will likely continue to be a driving theme for oil markets in 2026. At the time of writing, Brent crude prices have already risen almost 6% YTD after slumping in mid-December following the US's arrest of Venezuelan President Nicolás Maduro.

Prices have climbed as instability in Iran – a major oil producing nation – has once again injected additional risk premium into oil markets. That's despite continued signals of otherwise ample global supply that we expect to continue throughout the year.

While concerns over Iran have caused oil prices to be bid higher recently, RaboResearch expects that supply and demand will re-assert themselves over the course of the year, and that oil prices are likely to head lower.

We forecast Brent crude prices to average USD 58/bbl in 2026 – down from an average price of USD 60/bbl in the first quarter of the year.

**We also project diesel prices to peak in Q1 before drifting lower in Q2 and Q3, with a small recovery expected in Q4.**

**Maritime shipping in 2026 remains clouded by macroeconomic and geopolitical volatility.** In the near term, US imports from Asia are unlikely to see the usual pre-Lunar New Year surge, as retailers remain cautious amid ongoing ambiguity around the Trump administration's tariff policies – extending year-on-year declines through the first half of the year. Medium-term uncertainty also surrounds the timeline for container carriers' full return to the Red Sea. Although a second Maersk vessel has transited the Suez Canal early in the new year, carriers remain divided on when to resume full operations, depending on how regional tensions evolve. Meanwhile, regulatory ambiguity continues to cloud the alternative-fuel transition, influenced in part by US lobbying. Still, alternative-fuel vessels account for about 75% of recent newbuild orders, even as these fuels remain significantly more expensive – raising carrier costs that may ultimately be passed on to shippers.

**The Baltic Panamax index (a proxy for grain bulk freight) is steadily climbing** on improved bulk cargo demand.

### *What to watch:*

- **Iran intervention –** The US has so far declined to intervene in Iran on behalf of anti-government protesters, but President Trump announced in late January that the US was deploying an "armada" to the region. While regime-change intervention is still considered a low probability, it could lead to higher oil prices if it were to occur.
- **Demand data –** Markets have been trading on an oversupply narrative for energy products for some time now, but US crude inventories are still low compared to historical levels. Faster-than-expected economic growth globally would likely lead to higher demand for transport fuels, despite the rapid shift to battery electric vehicles in China and Europe. Such growth could present upside risks to energy prices.

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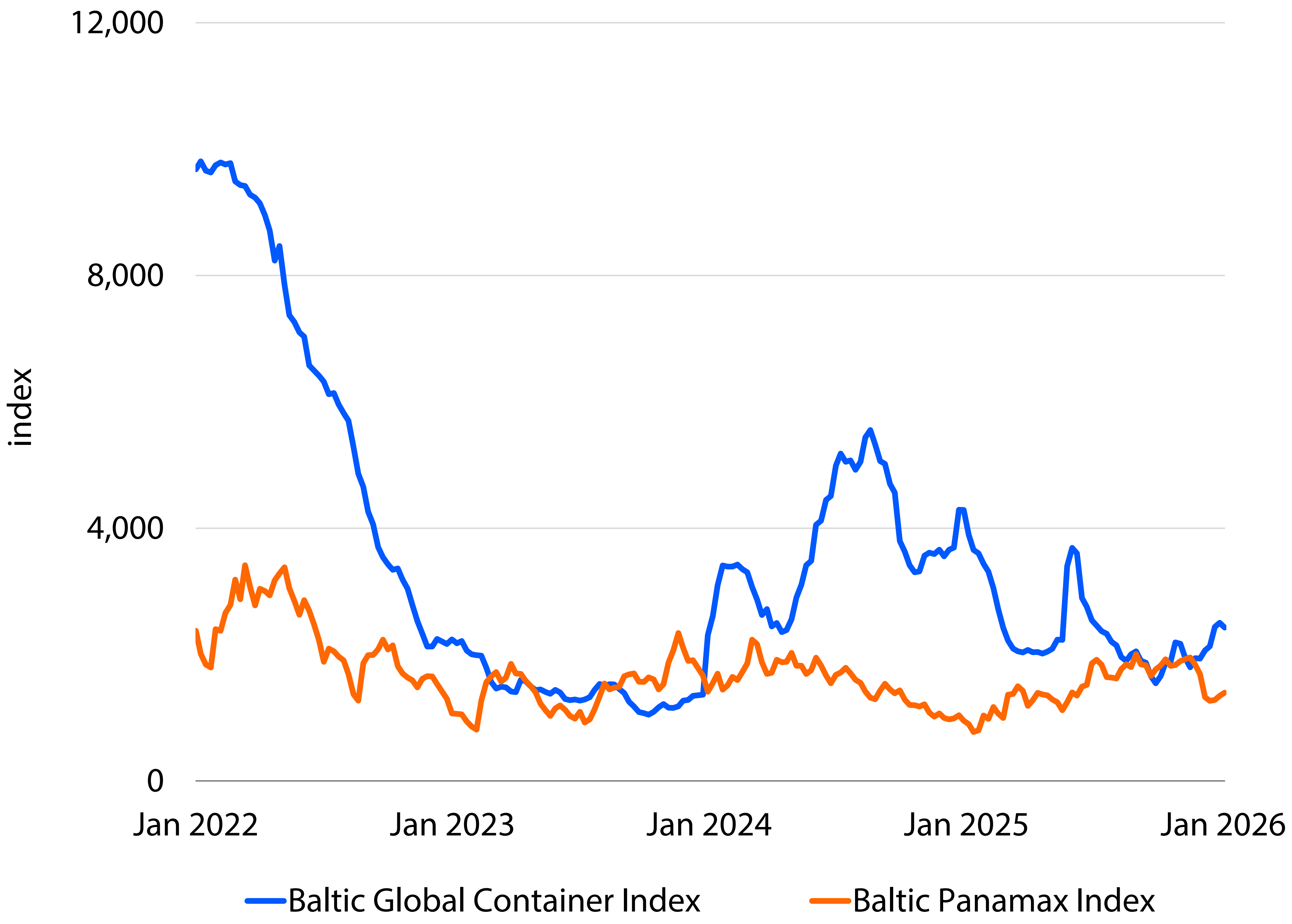
# Oil and freight

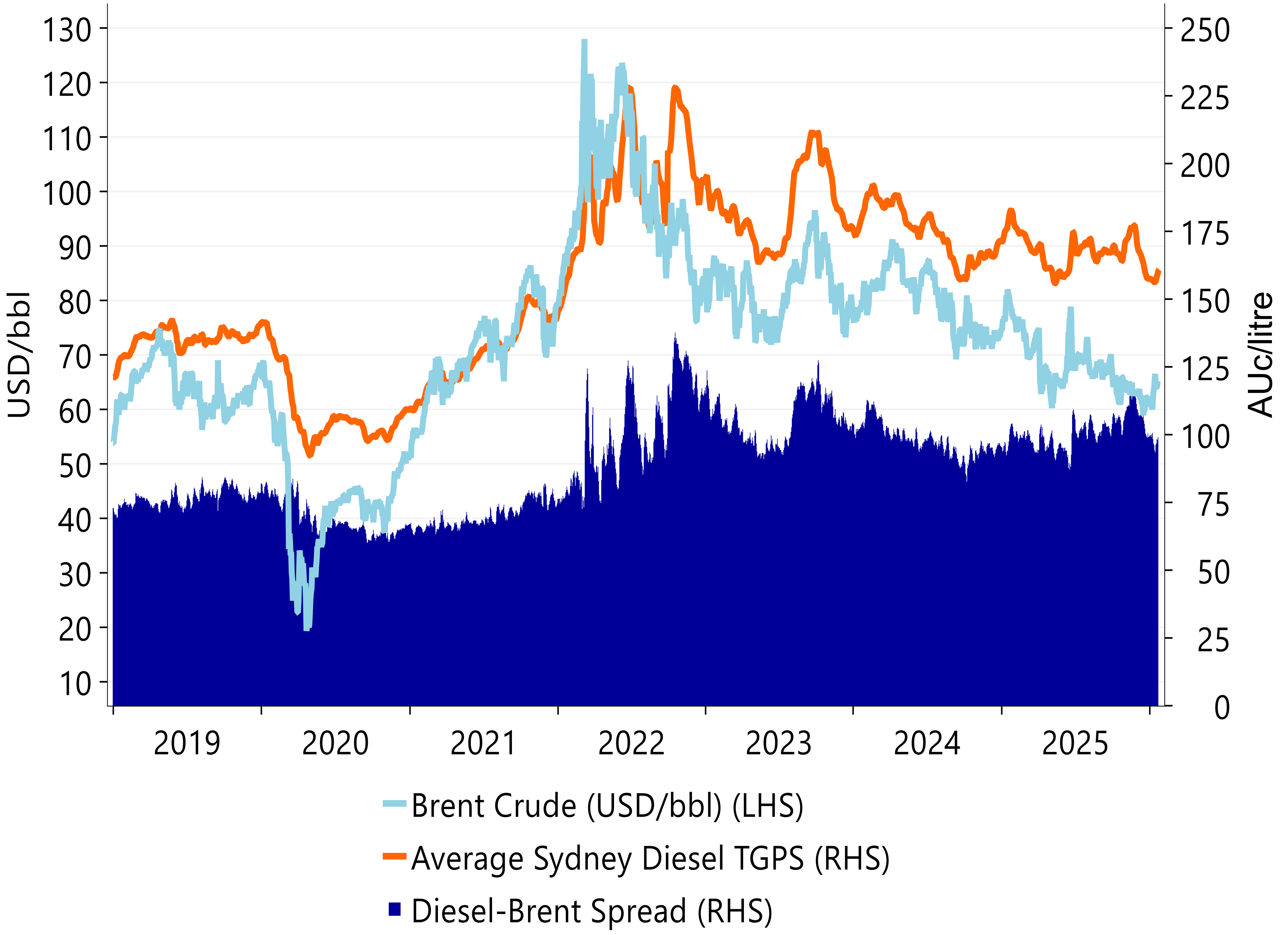
## Oil prices to trend lower on themes of oversupply

*Baltic Panamax Index and Dry Container Index, Jan 2022-Jan 2026*




**Source:** *Baltic Exchange, Bloomberg, RaboResearch 2026*

*Brent crude versus Sydney diesel prices, 2019-2026*




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



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# Agri price dashboard

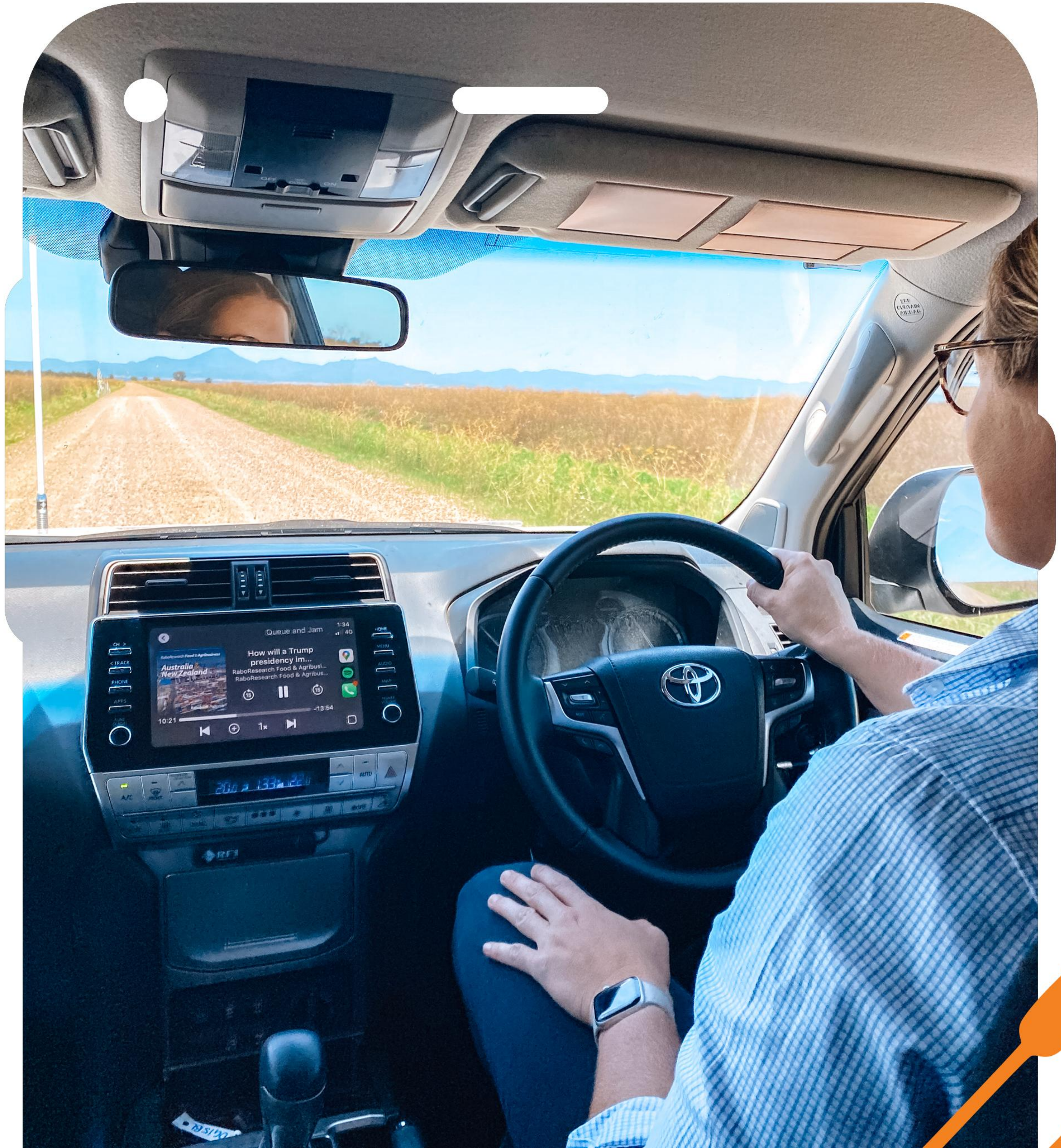
| 16/01/2026 | Unit | MOM | Current | Last month | Last year |
|---|---|---|---|---|---|
| **Grains & oilseeds** | | | | | |
| CBOT wheat | USc/bushel | ▲ | 518 | 508 | 546 |
| CBOT soybean | USc/bushel | ▲ | 1,058 | 1,052 | 1,043 |
| CBOT corn | USc/bushel | ▼ | 425 | 445 | 475 |
| Australian ASX EC Wheat Track | AUD/tonne | ▲ | 318 | 312 | 324 |
| Non-GM Canola Newcastle Track | AUD/tonne | ▼ | 732 | 742 | 783 |
| Feed Barley F1 Geelong Track | AUD/tonne | ▲ | 299 | 297 | 298 |
| **Beef markets** | | | | | |
| Eastern Young Cattle Indicator | AUc/kg cwt | ▼ | 855 | 897 | 712 |
| Feeder Steer | AUc/kg lwt | ▼ | 452 | 475 | 385 |
| North Island Bull 300kg | NZc/kg cwt | • | 945 | 945 | 720 |
| South Island Bull 300kg | NZc/kg cwt | ▲ | 915 | 875 | 690 |
| **Sheepmeat markets** | | | | | |
| Eastern States Trade Lamb Indicator | AUc/kg cwt | ▼ | 1,071 | 1,073 | 807 |
| North Island Lamb 17.5kg YX | NZc/kg cwt | ▼ | 1,080 | 1,095 | 805 |
| South Island Lamb 17.5kg YX | NZc/kg cwt | ▼ | 1,080 | 1,095 | 780 |
| **Venison markets** | | | | | |
| North Island Stag | NZc/kg cwt | • | 1,045 | 1,045 | 920 |
| South Island Stag | NZc/kg cwt | • | 1,040 | 1,040 | 910 |
| **Oceanic Dairy Markets** | | | | | |
| Butter | USD/tonne FOB | ▼ | 5,238 | 5,613 | 6,575 |
| Skim Milk Powder | USD/tonne FOB | ▲ | 2,550 | 2,538 | 2,800 |
| Whole Milk Powder | USD/tonne FOB | ▼ | 3,288 | 3,375 | 3,850 |
| Cheddar | USD/tonne FOB | ▲ | 4,675 | 4,638 | 4,763 |

*Source: Baltic Exchange, Bloomberg, RaboResearch 2026*

# Agri price dashboard

| 16/01/2026 | Unit | MOM | Current | Last month | Last year |
|---|---|---|---|---|---|
| **Cotton markets** | | | | | |
| Cotlook A Index | USc/lb | ▲ | 74.8 | 73.3 | 78 |
| ICE No.2 NY Futures (nearby contract) | USc/lb | ▲ | 64.7 | 63.5 | 68 |
| **Sugar markets** | | | | | |
| ICE Sugar No.11 | USc/lb | ▲ | 15.0 | 14.5 | 18.3 |
| ICE Sugar No.11 (AUD) | AUD/tonne | ▲ | 494 | 483 | 627 |
| **Wool markets** | | | | | |
| Australian Eastern Market Indicator | AUc/kg | ▲ | 1,544 | 1,434 | 1,188 |
| **Fertiliser** | | | | | |
| Urea Granular (Middle East) | USD/tonne FOB | ▲ | 411 | 393 | 353 |
| DAP (US Gulf) | USD/tonne FOB | ▲ | 658 | 628 | 610 |
| **Other** | | | | | |
| Baltic Panamax Index | 1000=1985 | ▲ | 1,458 | 1,389 | 906 |
| Brent Crude Oil | USD/bbl | ▲ | 64 | 60 | 80 |
| **Economics/currency** | | | | | |
| AUD | vs. USD | ▲ | 0.668 | 0.661 | 0.620 |
| NZD | vs. USD | ▼ | 0.575 | 0.578 | 0.560 |
| RBA Official Cash Rate | % | • | 3.60 | 3.60 | 4.35 |
| NZRB Official Cash Rate | % | • | 2.25 | 2.25 | 4.25 |

*Source: Baltic Exchange, Bloomberg, RaboResearch 2026*

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