2024: Smooth sailing or choppy waters?

New Zealand agribusiness outlook 2024

RaboResearch Food and Agribusiness

January 2024

Rabobank

2024 commodity outlooks

Climate

The non-traditional El Niño is still alive and kicking. The sting in El Nino's tail could still be felt over the coming months.

Dairy

The general trend is for global dairy commodity prices to stay above 2023 levels, but demand will be essential for this to play out. New Zealand milk supplies recently improved.

Sheep

Sheepmeat remains a subdued waiting game for 2024. There is hope that 2H will see a more positive upward correction in pricing.

Beef

We expect resilient beef pricing in New Zealand in 2024 and likely good demand from the US. Strong supply from Brazil and Australia may hold pricing versus the highs of 2022.

Horticulture

The kiwifruit industry is expecting a year of record returns as progress has been made to improve fruit quality over the past few years.

Consumer foods

2024 will likely be another difficult year for many households despite moderating inflation and likely rate relief. In the near term, expect reduced volume spending on discretionary and staples.

Farm inputs

After a few seasons of persistent rising prices, the coming year will see a reversal in the trend, and lower costs from fertilisers and agrochemicals are expected.

FX

The New Zealand dollar has been under pressure in January as a re-assessment of the speed of rate cuts in the US put a bid under the US dollar, but we expect it to rise over 2024.

Oil and freight

The escalation of military activities around the Red Sea is leading to soaring shipping prices of affected routes and a tightening of global shipping capacity.

Government and regulation

A new government may bring fresh eyes to the helm. However, the broader regulatory environment is likely to remain the same.

Rabobank

Riding the wave of change in 2024

New Zealand food and fibre producers are no strangers to navigating challenges. In 2024, the currents of change will likely run deep for our export-focused nation, bringing yet another interesting year for New Zealand's primary producers.

There are three prevailing undercurrents that will charter the course for 2024.

1. Central bank actions will flow through to the cost of funds. The current restrictive monetary policy settings might start to ease up later this year – but don't be getting hopeful for a throw-back to post-GFC rate levels. Immense challenges remain for central bankers in developed countries when making calls to cut – or not to cut.

Our view is that the Reserve Bank of New Zealand, in step with the US Federal Reserve, will hold off official cash rate cuts until 2H 2024 – and only then, cuts are still likely to only be modest. Still, wholesale interest rates have eased back since Christmas and are flowing through to retail: some good news for those with loans and mortgages.

2. China will chart a challenging course for exporters. Our key export market is likely to continue to have a slow economy this year. Property price pressures, weak consumer confidence, dwindling demographics, and lethargic global consumer demand for Chinese exports will all play a role here. This doesn't bode well for strong commodity prices for New Zealand food and fibre export products heavily reliant on China.

3. Escalating geopolitical tensions and conflict could provide challenges all the way to New Zealand. The catch-all phrase "geopolitics" will permeate cross sectors and countries in 2024. While the war in Ukraine continues to drag on – with no quick end in sight – recent escalations in the Middle East, as well as continued concerning China-Taiwan relations, along with fresh worries for North Korea all add to the number of regions to keep abreast of. Markets, arguably, are still to price for this risk.

The latest shipping disruptions in the Red Sea place upward risk of another global supply chain shock and for potential implications one does not have to look further than the 2021 snarled supply chains and energy crisis. Input costs for New Zealand food producers, along with freight costs for getting our products to global markets are to be watched. Of course, limited fiscal stimulus and weak global consumer demand could possibly see NZ exporters sail right through this storm in a teacup. For now, our global crude oil price outlook remains rather modest and well below USD100 per barrel – at least while the conflicts in the Middle East don't spread wider.

At the same time, there are some tail winds and cross currents that could help with navigating the blue horizon this year.

The New Zealand dollar is anticipated to strengthen modestly against the US dollar heading to USc 64 towards late 2024. This sits in what could be close to the top end of the USc 58-65 range experienced last year.

The much talked about El Niño has delivered a mixed bag of weather so far. NIWA indicates that El Niño will be alive and kicking at least until Autumn 2024, but global institutions see chances for El Niño to fade. Variable weather has so far been generally supportive for food producers.

Sustainability and emissions reductions will remain a key theme for the year(s) ahead. Supply chains are working on greenhouse gas emissions solutions, emissions reduction trials – all the while testing consumers' willingness to pay. On farm, most of the transitions are still to come as many farmers seek to either continue their knowledge journey or consider which changes to put in place.

One wildcard for 2024 remains. The year ahead will bring intense democratic activity. New Zealand's new coalition government is settling in with priorities being decided. Yet elsewhere, this year will see almost half the global population queue at the polls. Superpower election results from the likes of the US, India, the European Union and Russia, will determine global stability for years to come. Pivotal trading countries like South Korea, Indonesia, and the UK are also among the list.

2024 promises to keep food producers on their toes. With many variables to pay attention to, setting sail for success this year will require a strategic mindset, agility and collaboration. Traits New Zealand farmers and growers have no shortage of.

Climate

2024 starts warm and humid, allowing for more feed(?)

According to NIWA, 2022 and 2023 were the two warmest years since records began in 1909. The outlook for 2024 is likely to be similar.

El Niño is alive and kicking at least into March 2024, according to NIWA's predictions. Rainfall is likely to be more variable than El Niños of years gone by, with some heavy and frequent rain in January. After this point, near-normal rainfall is likely in the north and east of the North Island and west of the South Island through to March 2024. Below-normal rainfall is equally likely elsewhere over the same period.

Although an early dry hasn't eventuated in many parts of the country, El Niño means more north-westerly wind patterns than normal may be expected over coming months, with air pressure above normal towards the north of the country and below normal to the south. This raises the potential to quickly dry things out when rains do not occur.

It is drier in the North Island than it was this time 12 months ago. And most of the country is likely to see above-average temperatures through to April.

Due to marine heatwaves north of New Zealand intensifying through summer, the warm and humid conditions will likely sporadically continue towards autumn. With feed supplies reasonable to date, pressure may come on. Animals and temperate forage plants are not always in their happy place in warmer and more humid sub-tropical conditions in terms of quality and growth for plants and performance for animals. Keeping a close eye on feed supply, quality and stocking rate/demand will be required heading towards winter.

What to watch:

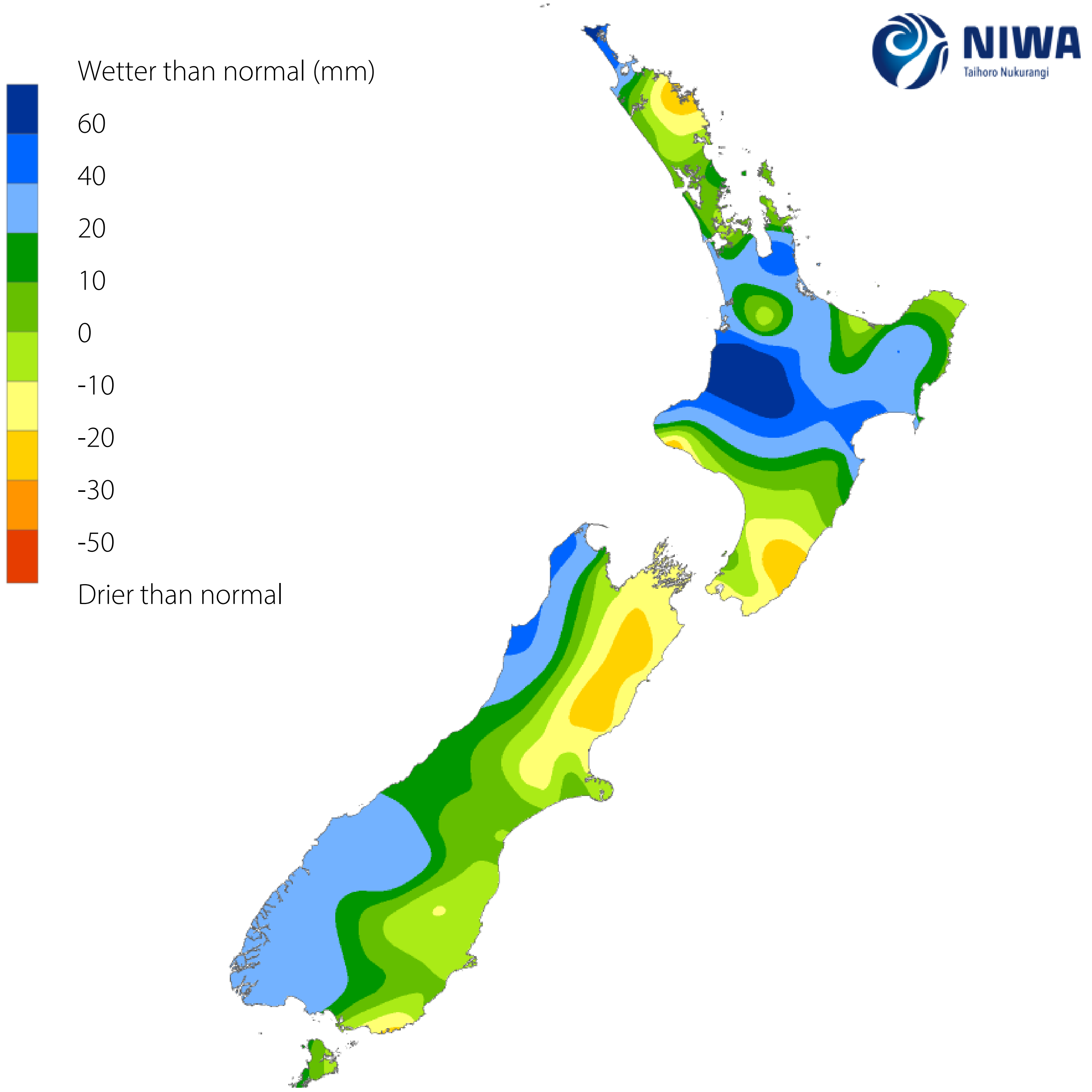
- **Warmer-than-normal evening temperatures to start the year:** With warmer-than-average ambient temperatures expected to start the year, there may be no rest for the wicked when it comes to cool evening air. Especially in more northern parts of New Zealand. Hot and windy conditions can dry things out quickly and can also increase the fire risk if rainfall slows up in coming months over late summer/autumn.

Rabobank

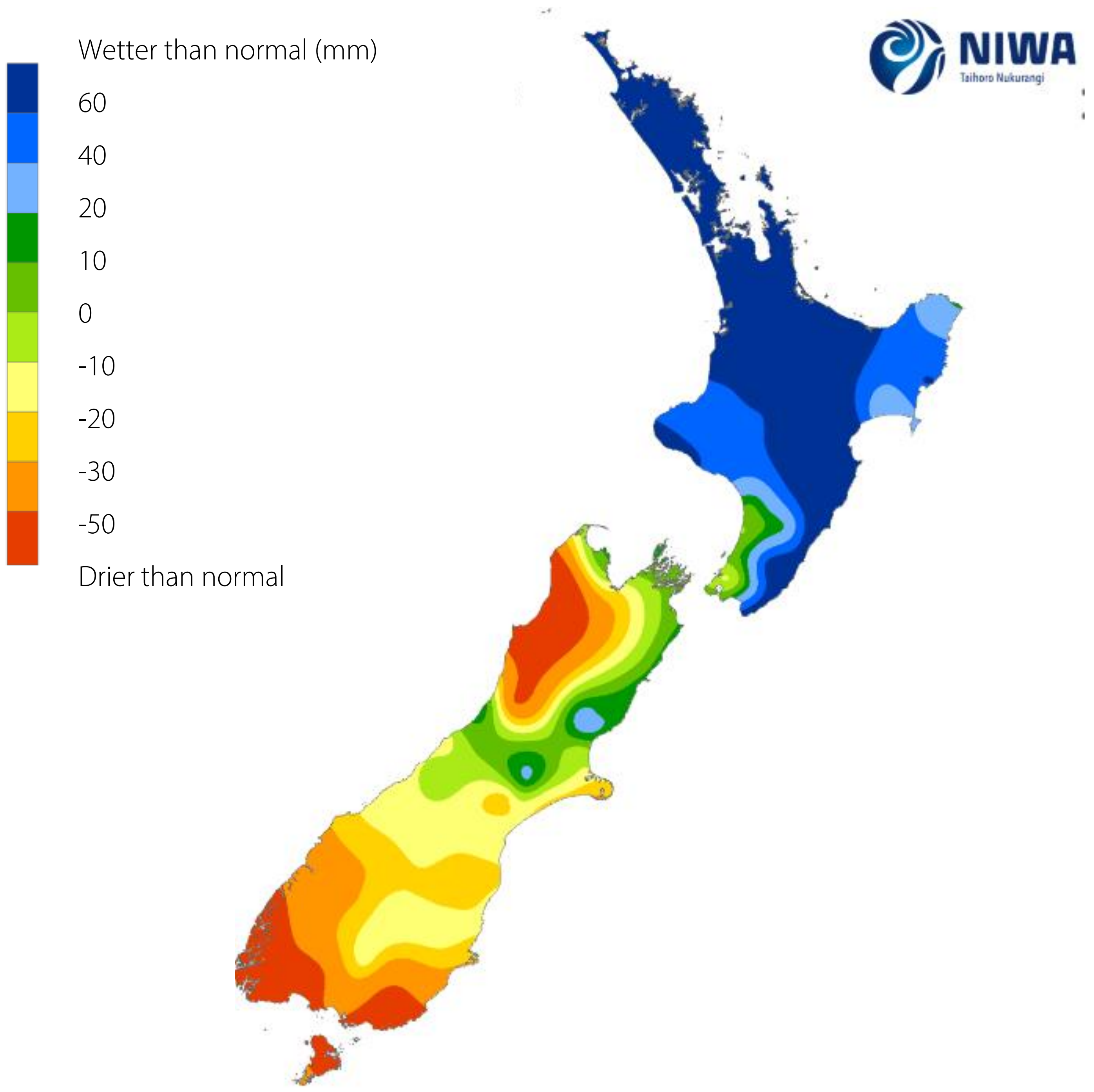
Climate

What a positive difference a year makes: drier in the north, wetter in the south one year on

Soil moisture anomaly (mm), 30 January 2024



Soil moisture anomaly (mm), 1 February 2023



Source: NIWA, Rabobank 2024

Emma Higgins
Senior Agriculture Analyst

Emma.Higgins@rabobank.com
X: @emhiggins

Dairy

Cost outlook to support farmgate margins

Dairy commodity markets have kicked off the new year on firmer ground. The last five Global Dairy Trade auctions have shot average WMP prices well above the USD 3,000 mark, with the latest GDT results delivering higher WMP prices since the end of 2022.

New Zealand milk supplies have started 2024 with an improved lease of life. December collections delivered the first positive result (on a tonnage basis) for the 2023/24 season so far. Production for the season to December is sitting at just -0.3% YOY: a reflection of a non-traditional El Niño preventing a significantly dry summer.

Looking to 2024 and the global market is transitioning to the next phase of the cycle. The general trend is for dairy commodity prices to maintain higher prices than 2023 – but supply and demand signals are not yet cut. Milk supply will likely be sluggish in 2024 across most global export regions: helpful for supporting commodity prices amid weak demand settings.

Critically, demand will be in the driver's seat for determining farmer fortunes. A complex story of high dairy inflation, broader cost of living pressures, and weak consumer confidence lingers across many economies. Rabobank expects China's import volume to flatline in 2024 which would be a positive result given the previous two years of withdrawal from the global markets.

While dairy commodity prices are back to long-term averages, current fundamentals provide the perfect ingredients for price volatility to be a key theme for 2024. A high degree of risk and uncertainty permeates all global markets, including dairy. Geopolitical instability risks, volatile energy markets, and weak macroeconomic conditions will be something to watch in 2024.

What to watch:

Upside – A China import revival

- Any deviation from China's forecast import volumes in 2024 will impact the commodity price direction. The Chinese rebalance is closer to complete and local milk supply will expand at its slowest rate in six years in 2024.

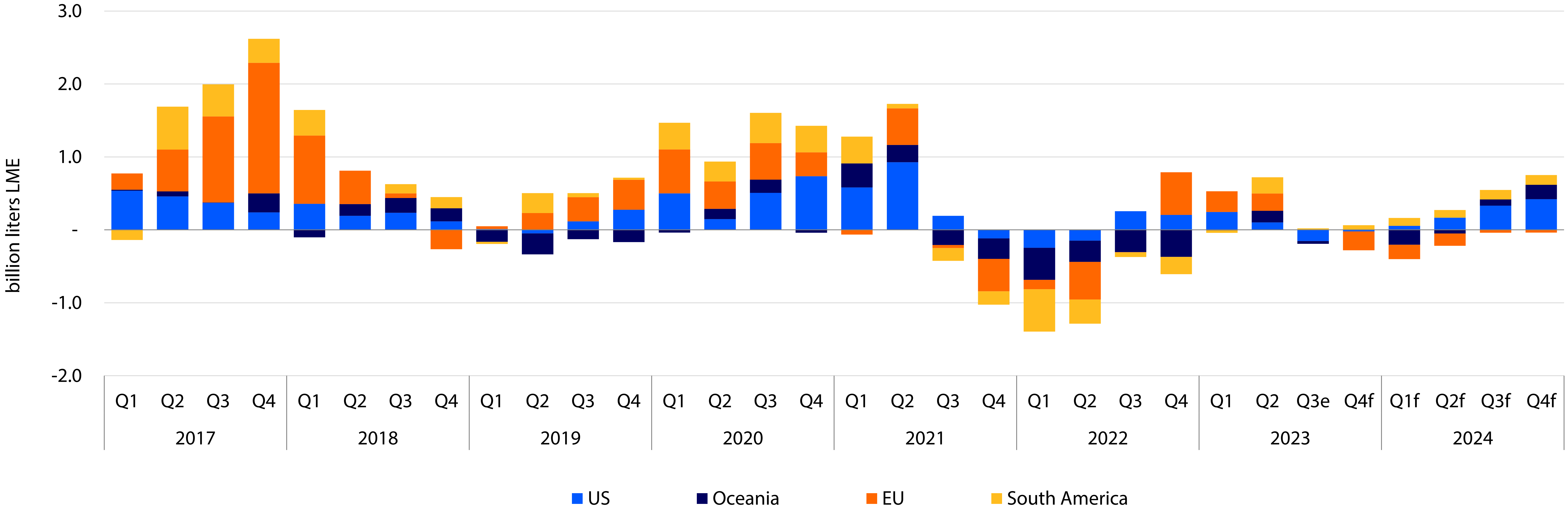
Downside – Dairy demand

- Discretionary spending is sluggish around the world. Dairy demand can be a staple but is also sluggish in most economies, leading to volume declines across various categories. The outlook is for improvement in demand but this hinges on a recovery in real incomes and reprieve in cost-of-living pressures.

Dairy

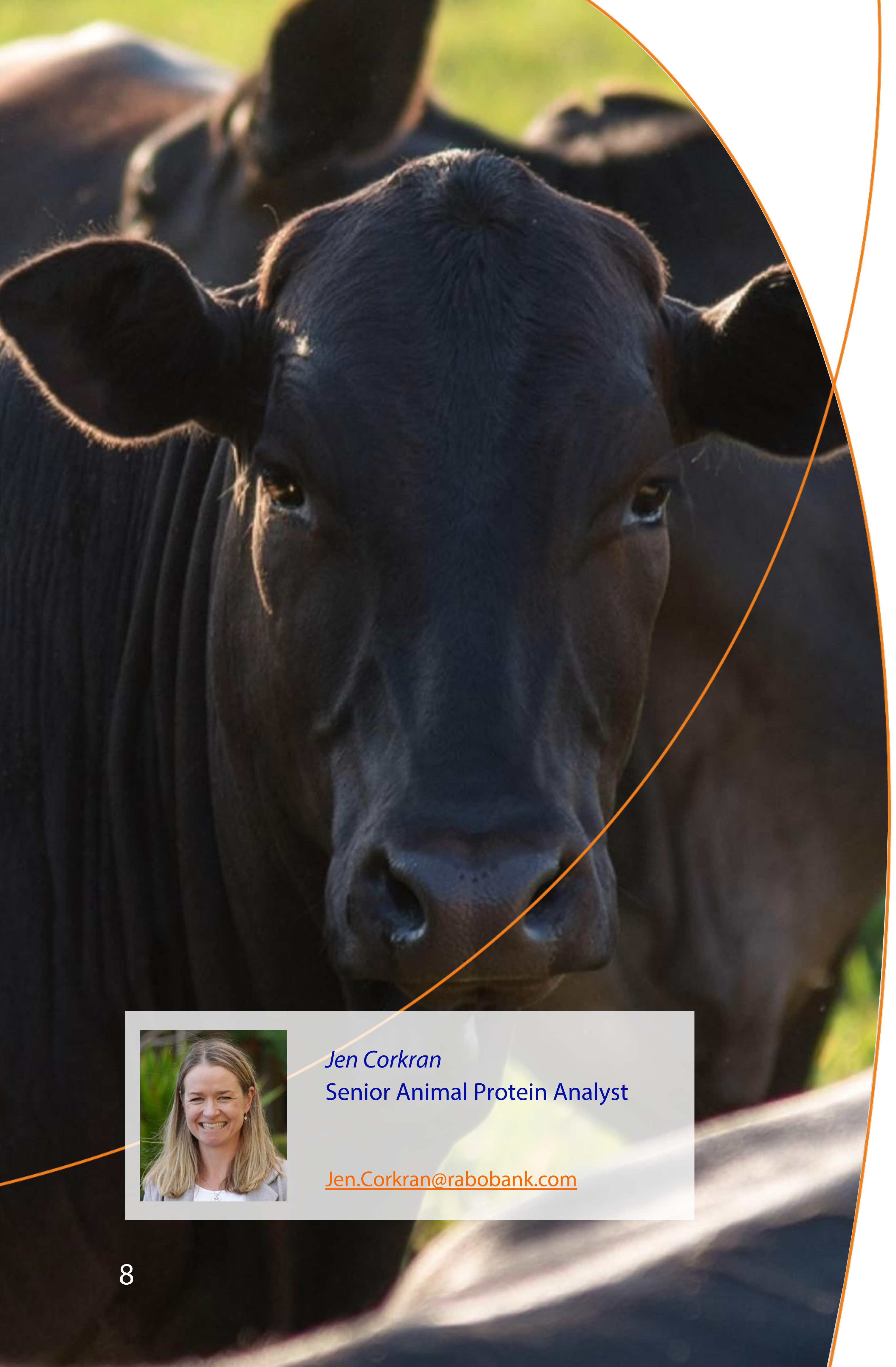
A margin squeeze from 2023 is expected to put the brakes on global production for the 2024 outlook

Milk production growth, Big 7 exporters (actual and Rabobank forecast), 2017-2024f



Source: Big 7 government industry agencies, Rabobank 2024

Rabobank



Beef

Potential for smooth sailing towards the US

Beef farmgate pricing will remain resilient for New Zealand farmers over 2024. RaboResearch anticipates the NI bull price for 2024 to track close to or slightly above the five-year average of NZc 550/kg cwt.

The global market for beef is a mixed bag heading into 2024. And, similar to 2023 there are both supply and demand pawns at play – in almost equal measure. US beef production has greatly declined and we forecast it to fall by another 4.5%. Beef cow herd liquidation is still prevalent in the US and Canada. This might bode well for us in increasing demand for New Zealand lean trimmings imports. Brazil, on the other hand is projected to increase production YOY by 1% to 2%, driven by the international market and local consumption. Brazil is a big player in beef production globally, supplying 42% of all beef that China purchases. This number to China is expected to increase by a further 6% in 2024. In Australia, we expect a lift in cattle slaughter of around 10% in 2024, with increases in cattle inventory and processing capacity behind the rise.

China made up 36% of our beef exports by value in 2023 and plays an important demand role. With China's economy remaining slow, animal protein is among the fallout. However, foodservice dominates the consumption of beef and consumers are looking to get out and be together more and more, albeit with cautious spending. There is hope that beef will remain resilient here in general and imports are expected to increase slightly in 2024 – most likely in the second half of the year.

Also coming in at 36% of our beef exports by value last year, the US is ever-important and US 2024 **demand is likely to stay strong.**

We expect resilient beef pricing in New Zealand over the next 12 months, but with good supply from Brazil and Australia it is unlikely to see the highs of 2022 (which saw an average price of NZc 615/kg cwt)

What to watch:

- **Will the US surpass China to become the biggest importer of New Zealand beef in 2024 by value?** With their own beef production very much in a pre-restocking phase, we are well poised to help meet some of the demand for our high-quality, grass-fed product. With the nutritional benefits of grass-fed beef ever present in many US consumers' minds, a bit of clever marketing may get us off the ground in this higher-value market.

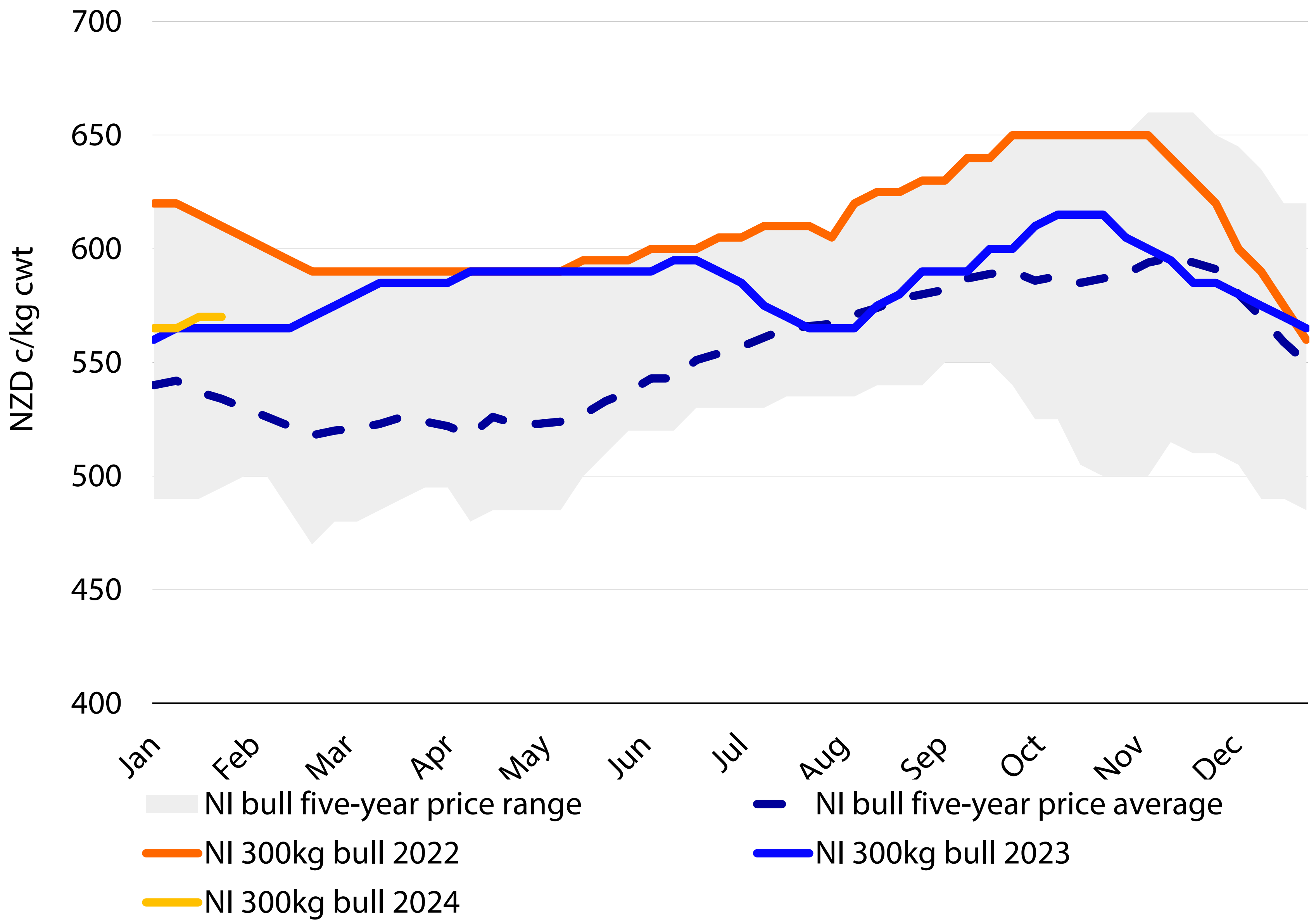
Jen Corkran
Senior Animal Protein Analyst

Jen.Corkran@rabobank.com

Beef

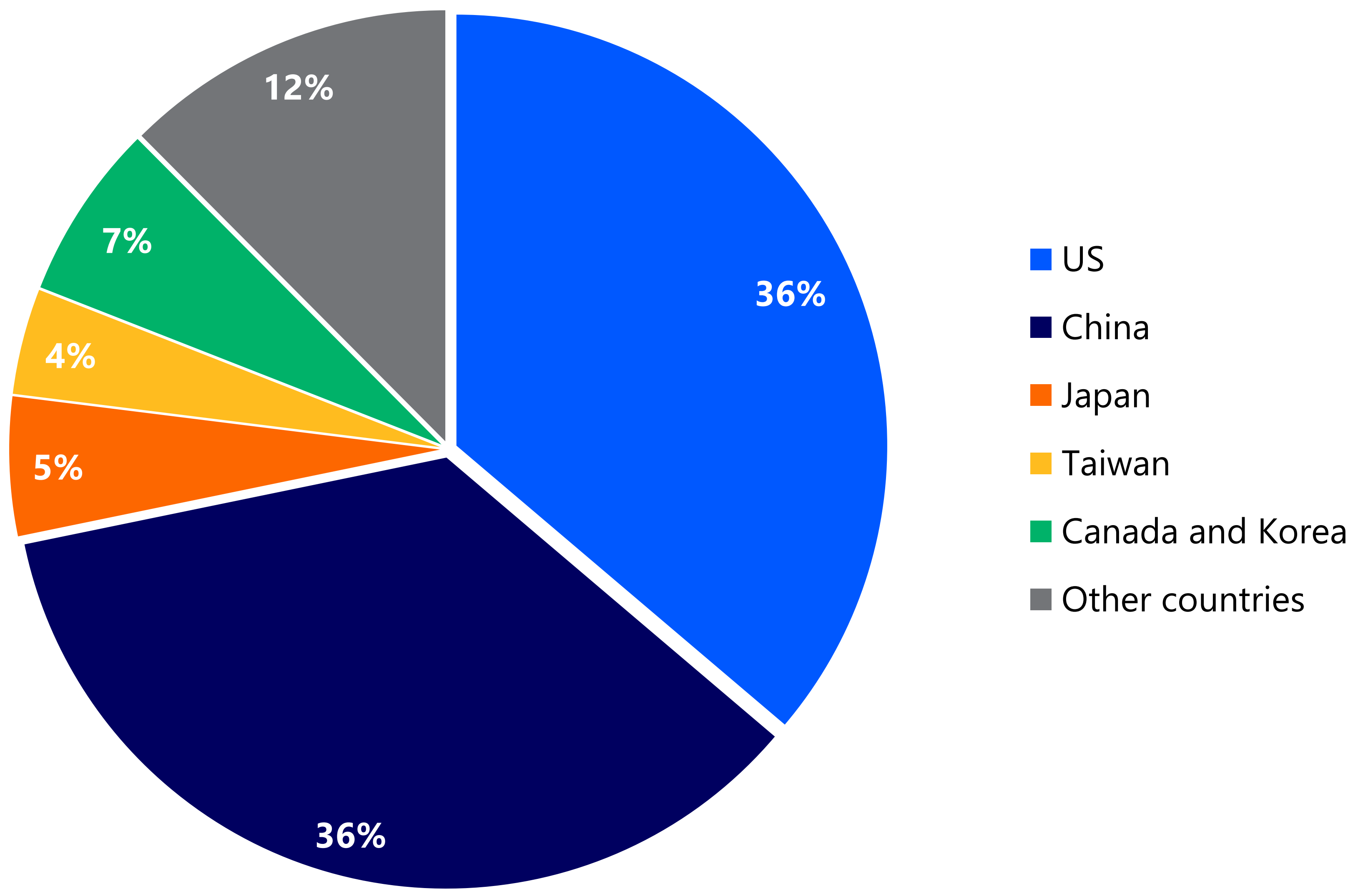
The US will be a critical watch for 2024 beef schedules

The AgriHQ North Island bull price kicks off 2024 in the middle of the five-year range



Source: AgriHQ, Rabobank 2024

*Top export destinations for New Zealand beef by value (FOB), 2023**



**Note: January to December 2023*
Source: StatsNZ, Rabobank 2024

Sheepmeat

A subdued waiting game continues in 2024

High Australian sheepmeat supply, coupled with soft global demand, has kept a real handbrake on New Zealand sheep meat prices to date. As it stands, the AgriHQ South Island lamb price remains well below the five-year pricing range. In Australia, a record 6.6m head of lamb was processed in Q3 2023. With high inventories of this meat and soft global demand we think the ship will be slow to turn around in 1H 2024.

Weekly slaughter numbers here on home soil for December were 5% down on the same period of 2022, so a greater peak is expected later in the current season. The slower supply may have held prices slightly to round out 2023 and downward pricing still likely to start 2024. With B+LNZ reporting that the lamb crop is up by an estimated 2.6% with a decreasing ewe flock, export lamb processing is expected to be similar compared to the 2022-23 season at 17.6m head.

Good news arrived with rains in Australia at the changing of the 2023-2024 guard, lifting lamb and sheep prices in Australia. Returns from the US are good and worth more to us per kg cwt, which holds hope in differentiating our smaller racks at a premium into 2024. Demand from China continues to be soft and looks set to remain this way at least in 1H 2024. High inventories of frozen product, coupled with weak consumer sentiment and an economic slow down, are reducing demand. UK chilled lamb has sold well over the Christmas period with the only worry that Australian lamb will be a cheaper alternative along with weaker UK imports in 1H of 2024.

RaboResearch sees a much-subdued start to 2024 in terms of our sheepmeat export prices. Mutton also remains flat. As Australian inventories slowly decline over the Chinese New Year period and UK and European Easter we think there is a glimmer of hope for pricing back above mid NZD 6.00/kg cwt in 2H 2024.

What to watch:

- **A late dry period may see processing challenges pre-winter –** with no doubt that temperatures are warm, there is still the risk of a late summer and autumn dry, which may see an increased supply heading off for processing in the next few months. Thinking about strategic quitting of lambs over the summer may help avoid the rush if things get tricky later on.

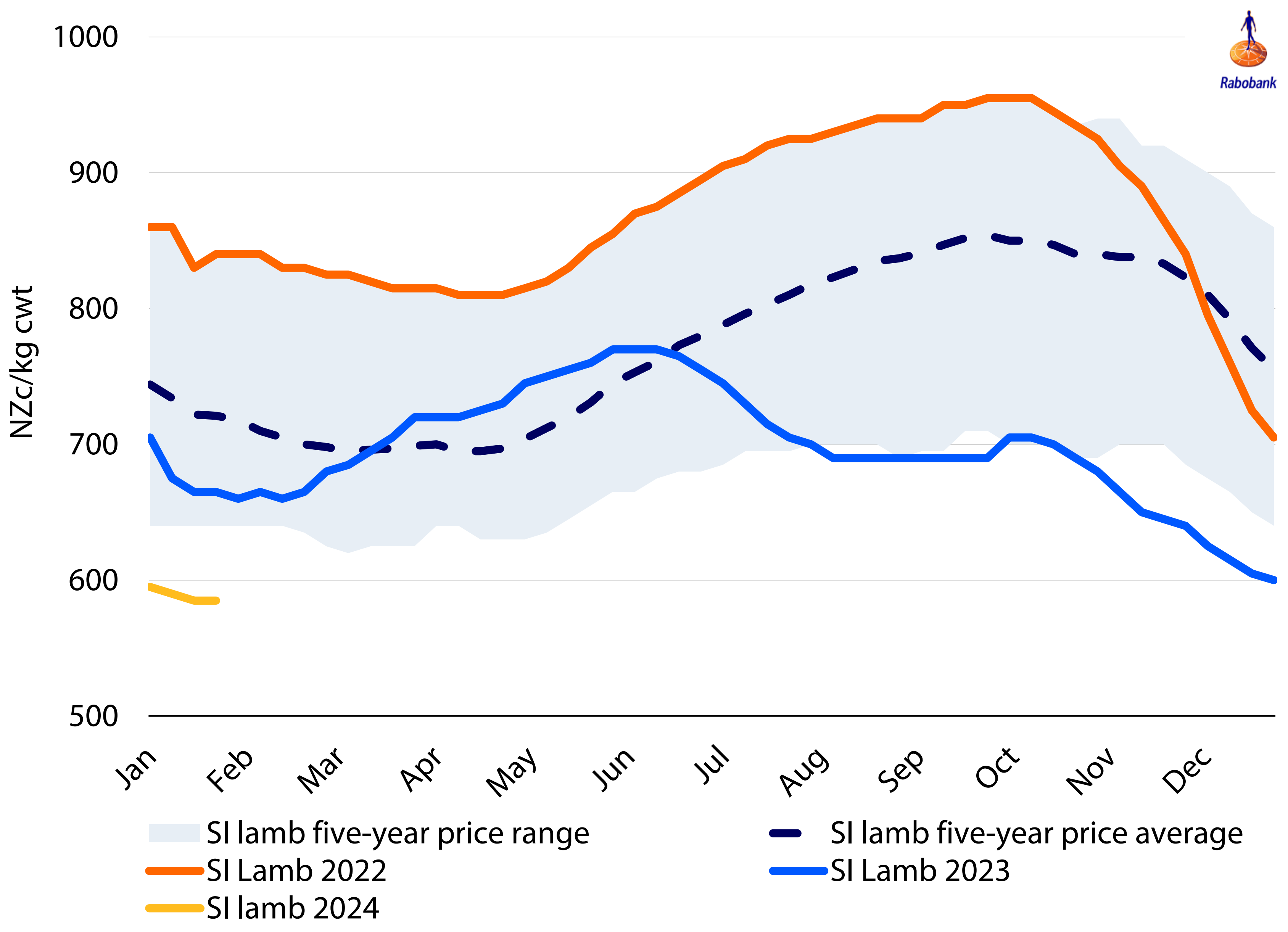
Jen Corkran
Senior Animal Protein Analyst

Jen.Corkran@rabobank.com

Sheepmeat

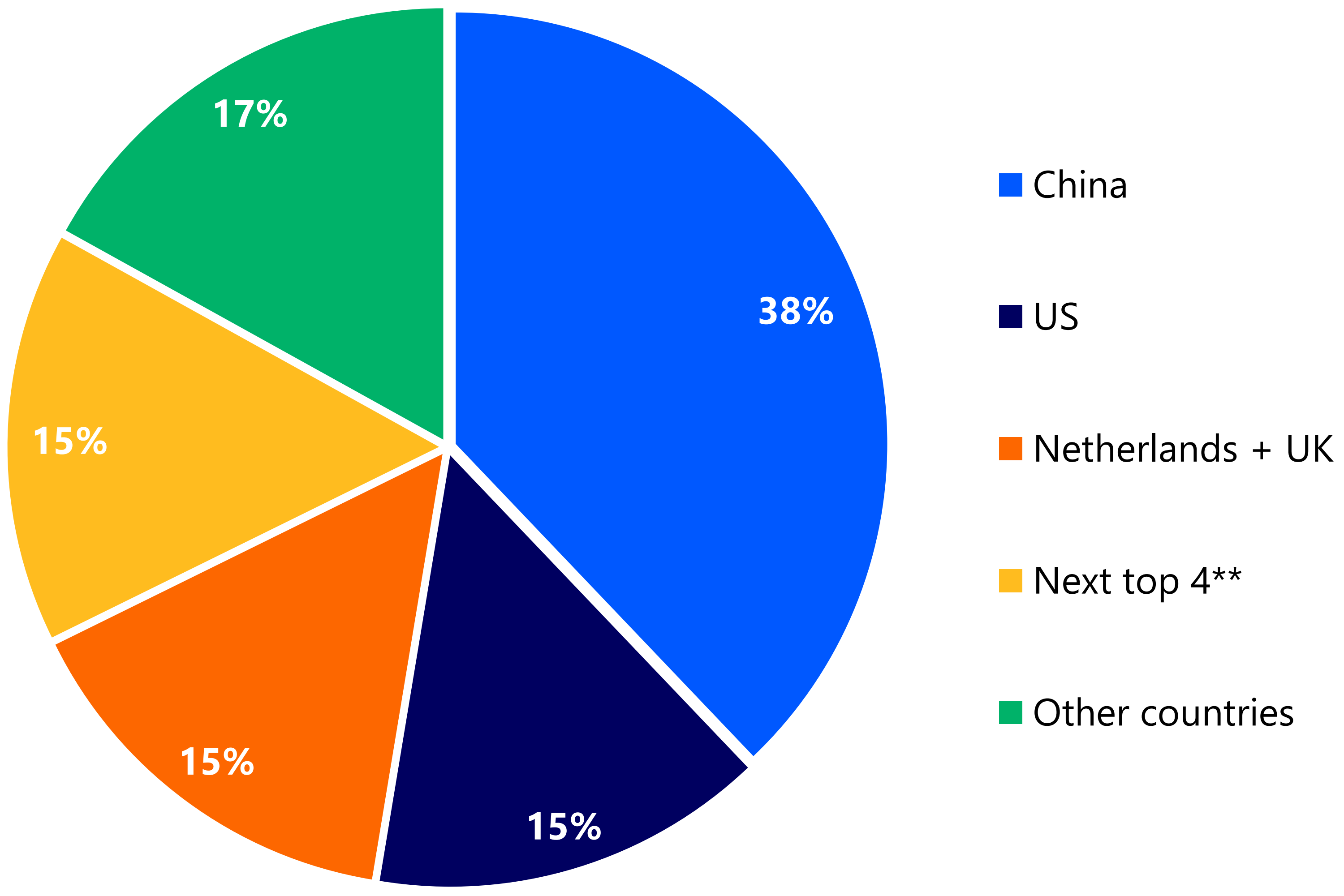
Below the five-year average range to start the year

AgriHQ South Island lamb price



Source: AgriHQ, Rabobank 2024

*Export nations for New Zealand sheepmeat by value (FOB), 2023**



** Note:* *Export data January – November 2023*
***Note:* *Next top 4: Germany, Belgium, Canada, and France*
Source: StatsNZ, Rabobank 2024

Horticulture

Improved kiwifruit quality expected to drive record returns

The kiwifruit industry is expecting a year of record returns as progress has been made to improve fruit quality over the past few years.

The 2023/24 crop was impacted by flooding, wet and windy weather at pollination time, as well as frosts, with export volumes down to 136m trays, from 171m in 2022. Roughly down 20%, this was far higher than initial indications of the crop being down by 10% YOY. Despite these challenges, tray prices have significantly lifted, up 24% for gold and 56% for green from the 2022/23 crop.

Fortunately, the 2024 harvest is shaping up to be much better, with volumes expected to experience a significant uplift from the previous two seasons, which fell below expectations.

Improved market access for kiwifruit to the European Union could see growth in exports to the region. The NZ EU free trade agreement is expected to enter into force in 2024, with the deal including the removal of an 8.8% tariff on New Zealand kiwifruit exports to the EU. Tariffs on Zespri sales have previously been around AUD 47m, so this removal should bring significant benefits and will support growth to the region.

In 2024, an additional 250 hectares of SunGold license area will be released (150ha green cut over pool, 100ha unrestricted). In 2025, 450ha is expected to be released, with between 1350-2400 in the following three years (2026-2028), subject to review. No hectares of red license will be released this year, down from 150 hectares in the 2023 release.

What to watch:

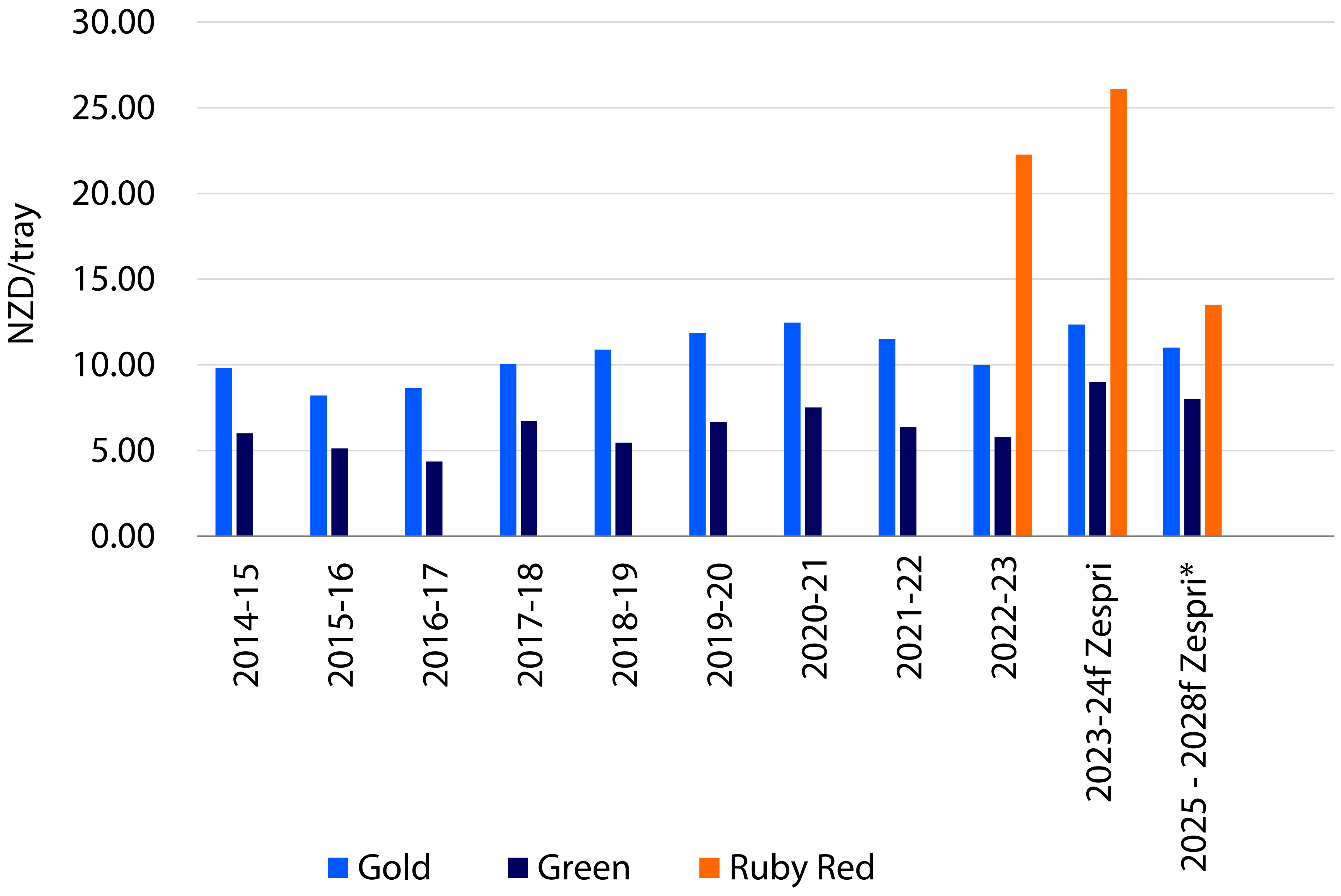
- **Red Sea conflict** – While New Zealand kiwifruit is primarily shipped to Europe through the Panama canal, the Red Sea crisis presents risks for the global shipping market. An escalation of military activities around the Red Sea is leading to soaring shipping prices of affected routes and a tightening of global shipping capacity.

Pia Piggott
Associate Analyst
Pia.Piggott@rabobank.com
X: @pia.piggott

Horticulture

Orchard-gate returns expected to improve to new records

Zespri orchard-gate returns (actual and forecast)



**Note: Median of the medium-term range provided by Zespri*
Source: Zespri, Rabobank 2024

*Zespri forecast orchard-gate returns 2023/24f**

Fruit varieties	2023/24f OGR (per tray)
Gold	NZD 12.35
Organic gold	NZD 14.15
Green	NZD 9.00
Organic green	NZD 12.00
Red	NZD 26.10

**Note: Forecasts were set in November 2023*
Source: Zespri, Rabobank 2024

Consumer foods

All eyes on the consumer in 2024

A dynamic and challenging consumer market lays ahead in 2024 across many economies, New Zealand included. Food purchasing decisions will continue to respond to the cost-of-living squeeze, likely leading to channel shifts and trading down in food purchases and consumption habits. There is positive news ahead for consumers in that most economies have passed peak inflation, the upswing in interest rates is likely over and wages are moving higher. However, reduced discretionary spending might be an ongoing feature in consumer markets which see negative volume impacts for some food and beverage categories. Rising unemployment is also a creeping issue for household spending.

The New Zealand economy is still struggling with concerns of a double-dip recession lurking in the background. Having experienced a technical recession in 2023, a weak economic outlook is still weighing on New Zealand households, with consumer confidence levels at very low levels to kickstart 2024. This is despite a change of government and plans for income tax cuts and other income relief on the horizon, which will be welcomed by New Zealand households.

There is cautious optimism for improving margins for food and beverage companies in 2024. Most raw material prices are expected to be less of a headwind in 2024 and this cost relief coupled with higher prices is flowing through into margin performance. Nonetheless, there are some agri-commodities that will likely continue to provide headaches for procurement teams.

There is a sharp focus from fast-moving consumer goods (FMCGs) on meaningful innovation to cater to consumers looking for value in food purchases in home and out-of-home.

Michael Harvey
Senior Analyst
Dairy and Consumer Foods

Michael.Harvey@rabobank.com
X: @MickHarvey77

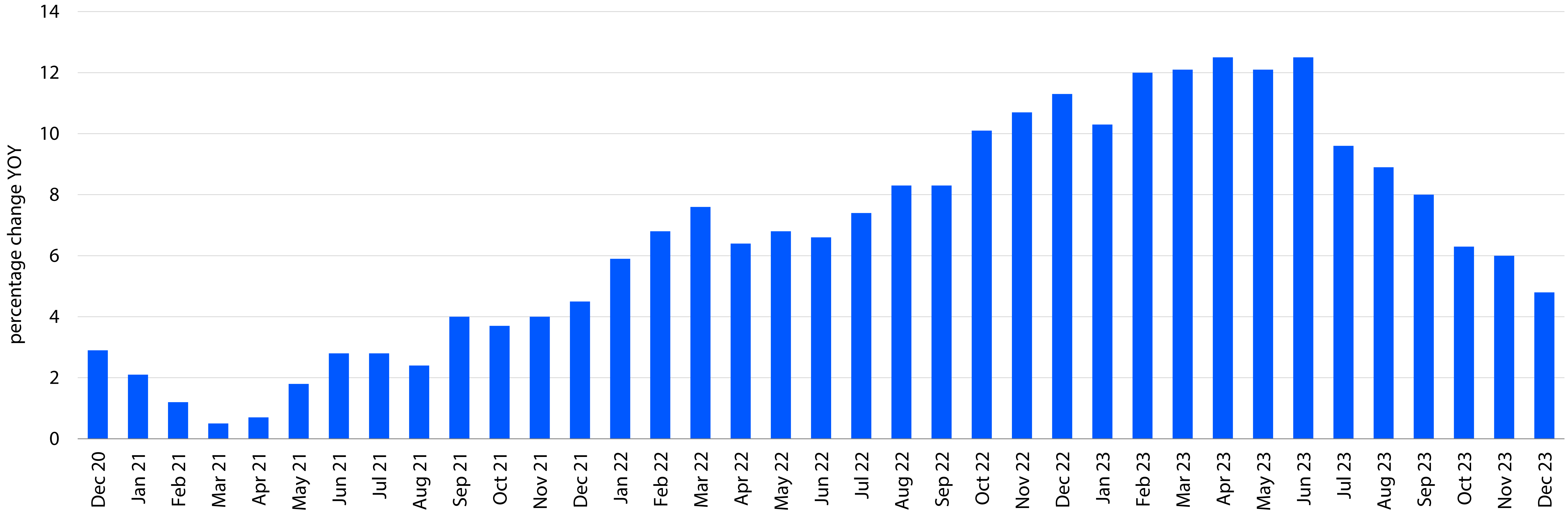
What to watch:

- **Chinese consumers** – The performance of the Chinese economy and consumer market remains a key watch for 2024. The Chinese economy is set to remain sluggish in 2024. It is very clear that the Chinese consumer market also remains sluggish. A commonly held view is that the overall performance of the Chinese consumer will remain choppy, and could potentially get worse in early 2024 before it normalises.

Consumer foods

Inflation in the New Zealand food basket trending in the right direction

Food Price Index for New Zealand



Source: ABS, Rabobank 2024

Rabobank

Farm inputs

2024 will be the year for softer farmgate prices, hopefully

If 2023 was a year of adjustments for global prices, 2024 is poised to be the one for corrections at the farmgate level. A good part of the farm inputs available for the last season was still carrying Covid and Black Sea war price shocks, and, as demand reduced following bad affordability, the price of new stocks followed suit. But now things are different. The main reason is a new supply and demand configuration, in which the energy price shocks are subdued, and many regions have seen smaller farming margins, thus, lower demand.

Compared to last year, the prices for the season about to start should show improvements in the order of 10%-20% for nitrogen sources and 10%-15% on the phosphate side. Potash has a much higher potential to ease farming budget, in the order of 30%. As any product deeply connected to global trade, currency and the Red Sea maritime situation are the current wildcards and may dump this price improvement.

On the agrochemicals front, the situation is similar but for different reasons. **The Chinese production capacity has increased massively in the last three years and 2024 is starting with a supply glut.** Hence, prices are moving in the opposite direction. Another difference of agrochemicals to other farm inputs is the lead time from the reactor chamber to the boom sprayer. Not only the production and export process is slow – through containers – but also the shelf life is long. Therefore, the **price signal from the origin takes a long time to reach the end user,** especially when intermediary stock exists, such as at local retailers and farmers sheds. **It is a question of using the old stocks with higher prices to procure new ones with better affordability.**

The general reduction in some soft commodities, such as corn, may help to sustain the poor global demand for agrochemicals. Some regions, such as Brazil's Cerrado and US Midwest, are under bad weather to make the farming budget work.

What to watch:

- **Food inflation at key markets** – Two pivotal farm input export and import regions have seen governmental intervention on farm inputs to hold their prices to slow food price inflation. China has set several export quotas and revised them up and down to cap fertiliser prices in the country, both for nitrogen and phosphate. In turn, India faced a significant drought last year and has decided to interfere in the market rules for specific grains, such as wheat and rice. Nonetheless, it also has reduced its subsidy towards fertiliser acquisition by farmers. The end game is that these two farming behemoths can alter their behaviour in global trade in the blink of an eye and with it influence prices.

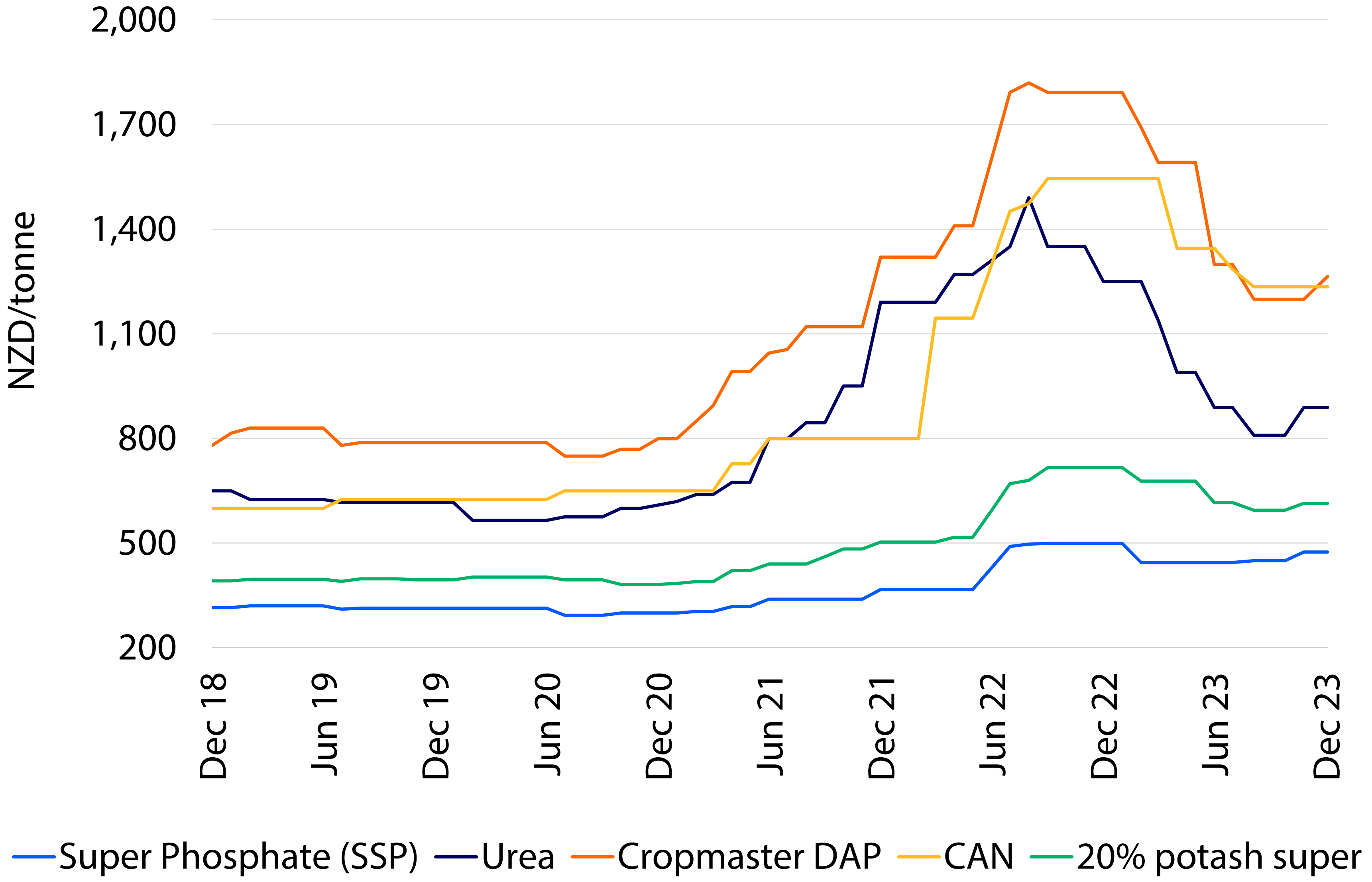
Vitor Pistoia
Agriculture Analyst
Farm Inputs

Vitor.Cacula.Pistoia@rabobank.com
X: @victor_agri

Farm inputs

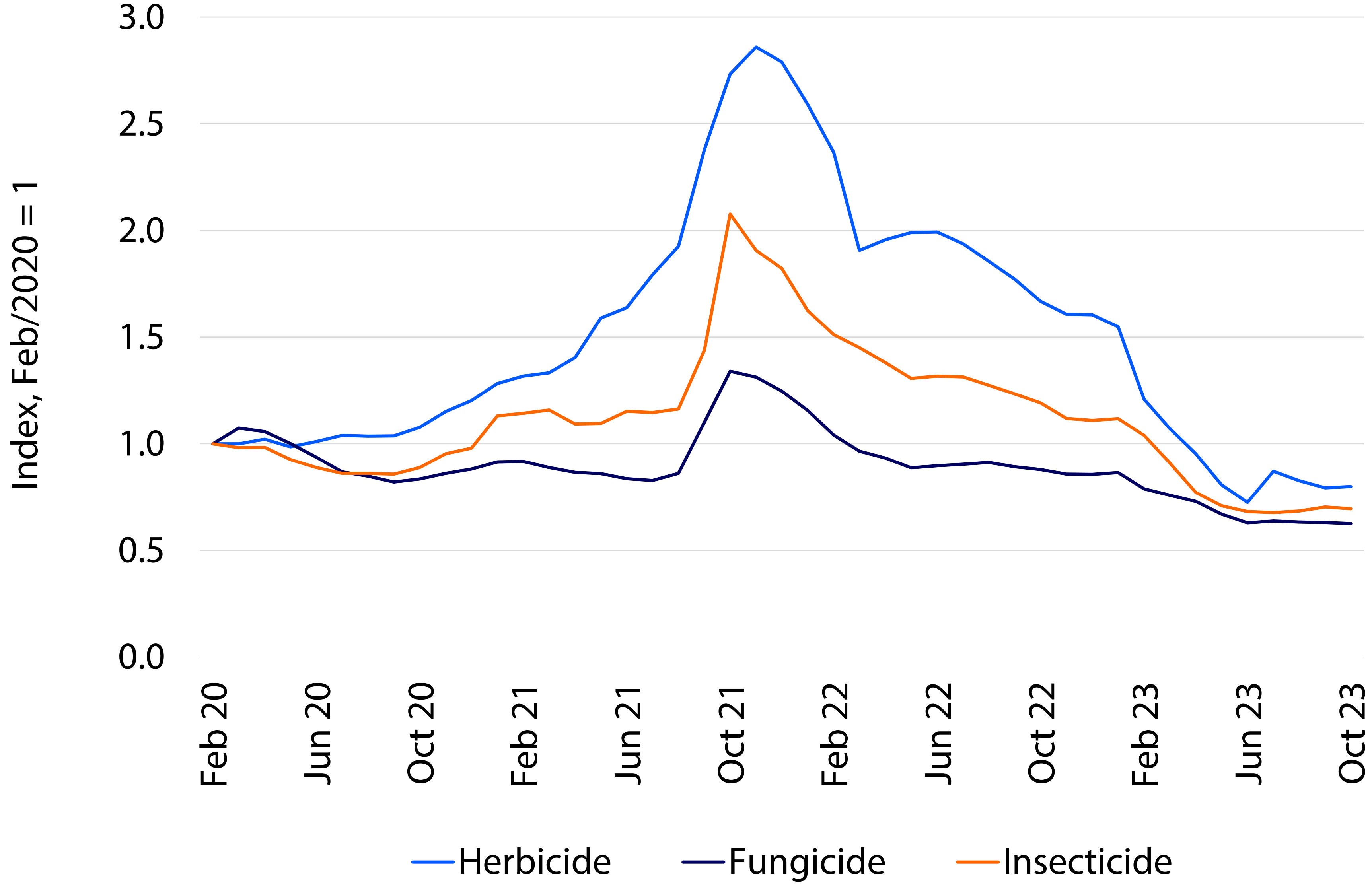
Tailwinds ahead for farming budgets

Fertiliser prices are following the trend at key exporters and should bring more good news



Source: Ravensdown, Rabobank 2024

The agrochemicals prices at Chinese factories are now under pre-Covid levels, though it will take time to reach the farmgate



Note: Index is for an averaged price of four active ingredients for each category

Source: AgribusinessGlobal, Rabobank 2024

Rabobank

Interest rate and FX

Up the escalator and out the window?

In welcome news, 2024 is shaping up as the year of the rate cut. Futures markets are currently pricing in more than 3x 0.25 percentage point cuts starting from July. We're a little more pessimistic and expect that there will only be two rate cuts this year, with the first one to arrive in August. The reasoning behind our call centers on the persistence of home-grown inflation effects, which was again confirmed in the recent Q4 inflation report for 2023. That report showed internationally-traded inflation unexpectedly declining by 0.2%, while domestic inflationary pressures proved more persistent than market expectations at +1.1% in the quarter.

The economy has been making good progress on bringing inflation down. Annual inflation now stands at 4.7%, and is expected to decline further in coming months. However, that is still more than double the midpoint of the RBNZ's 1-3% target range and most of the progress has come from internationally traded goods. The shipping disruptions in the Red Sea have seen a surge in freight costs that threatens to undermine the progress made so far in the inflation fight. If higher shipping costs re-ignite inflationary pressures in international supply chains, much of the good work on inflation will be undone. Consequently, we are taking a more cautious approach than many by suggesting fewer and later rate cuts this year.

The New Zealand dollar has moved substantially lower since late December as financial markets pare-back rate cut bets in the US. We think the NZD is close to fair value at 0.6090, but we think it will head higher as the US Federal Reserve begins to cut rates and the New Zealand economy continues to recover. We see NZD at 0.6400 on a 12-month view.

What to watch:

- **New Zealand trade data** – The trade balance was a weak point for the economy in 2022 and 2023. The trade deficit has begun to narrow, but continued progress will be an important indicator of the restoration of the economy's health.

Benjamin Picton
Senior Strategist

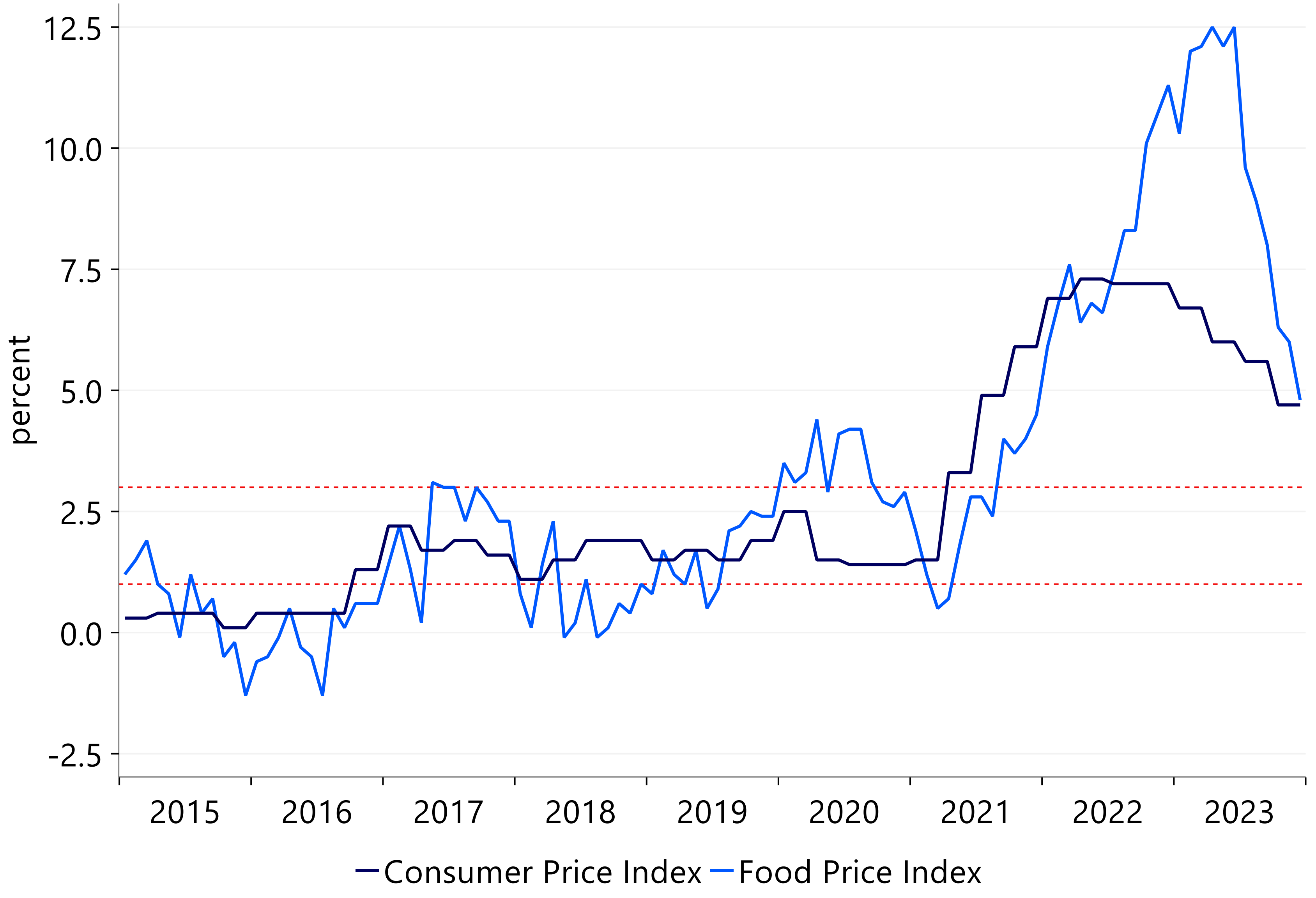
Benjamin.Picton@rabobank.com
X: @BenPicton1

Rabobank

Interest rate and FX

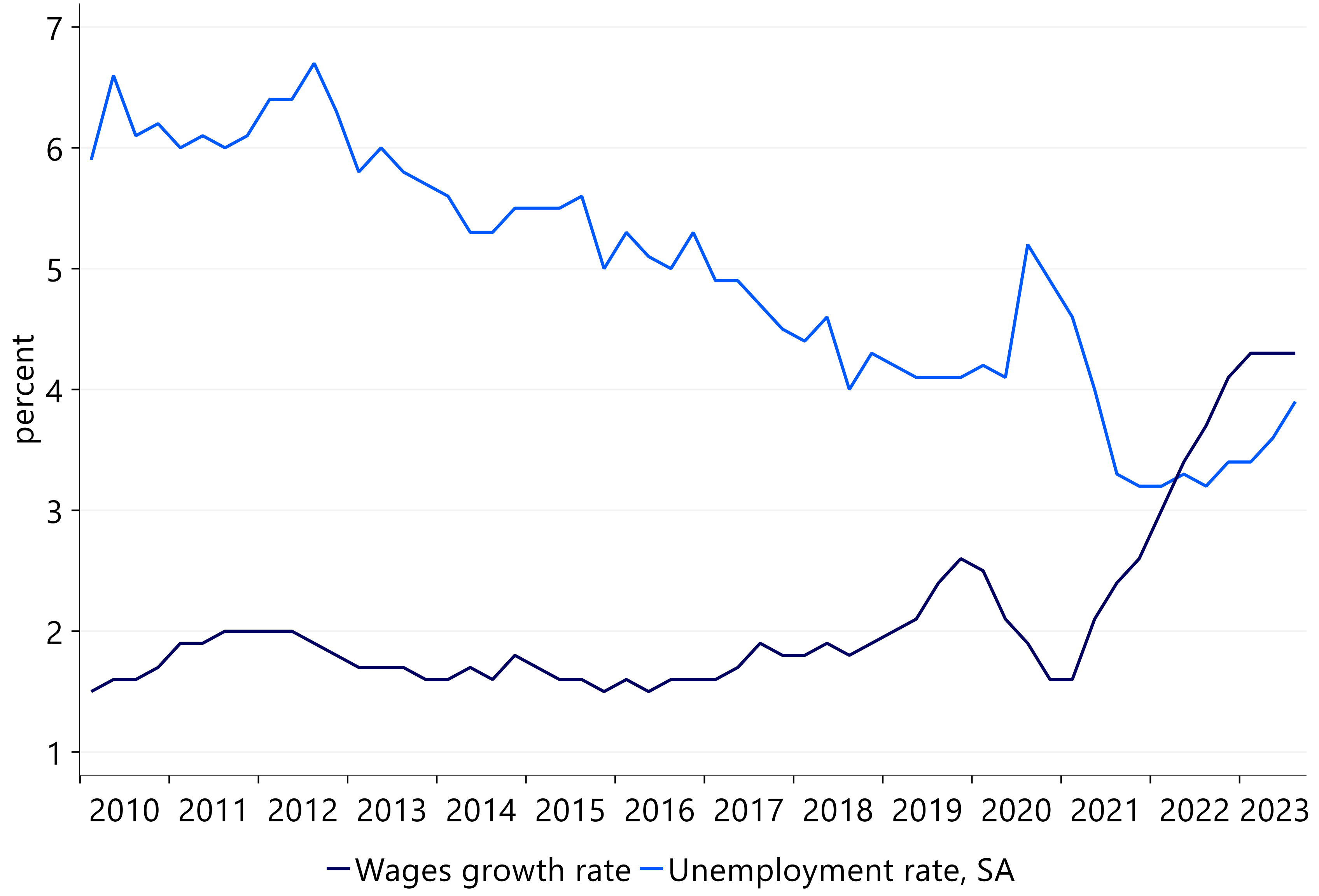
Progress made, but a long way to go

New Zealand inflation indicators

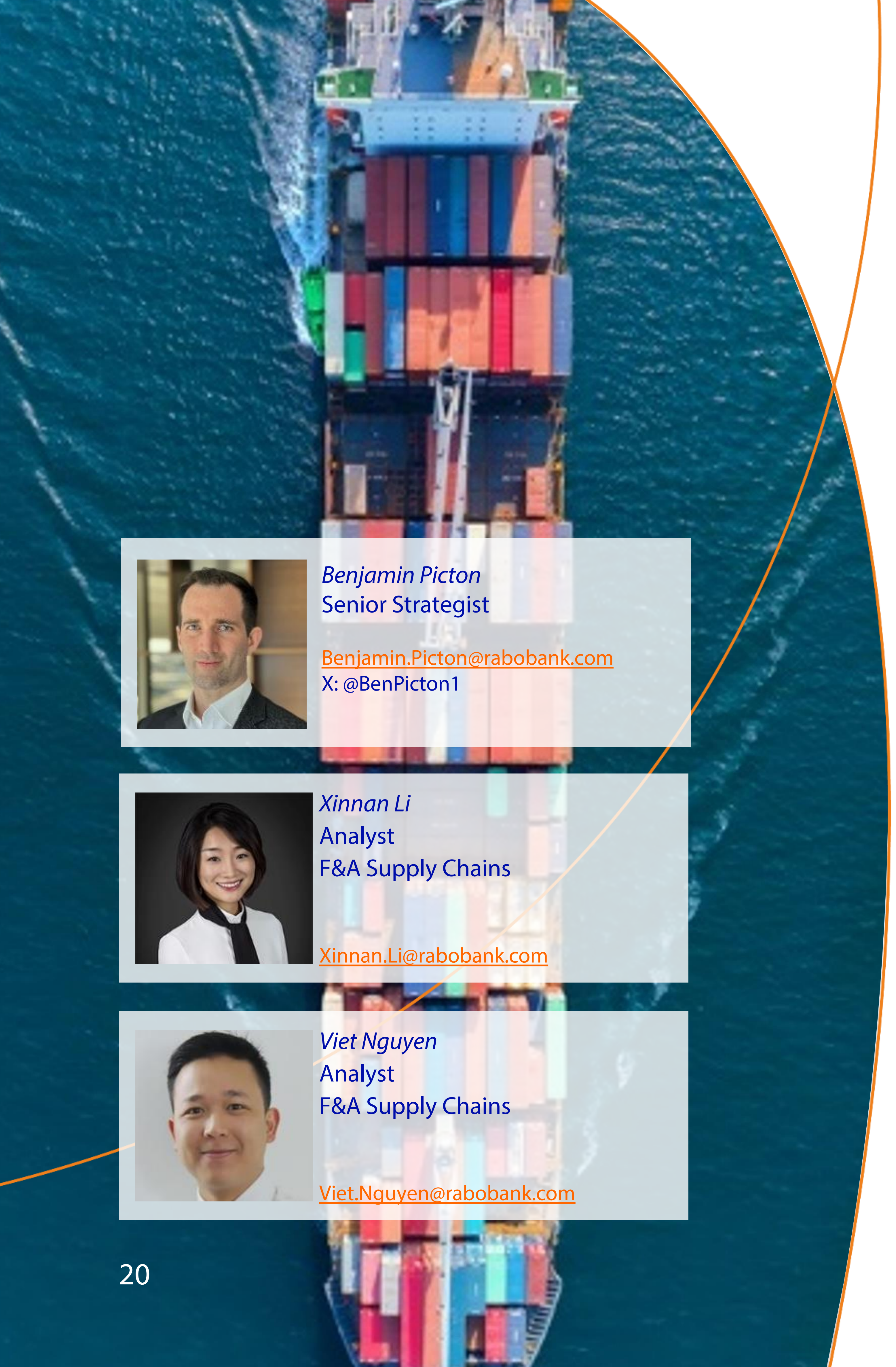


Source: Macrobond, Rabobank 2024

New Zealand labour market indicators



Source: Macrobond, Rabobank 2024



Benjamin Picton
Senior Strategist
Benjamin.Picton@rabobank.com
X: @BenPicton1

Xinnan Li
Analyst
F&A Supply Chains
Xinnan.Li@rabobank.com

Viet Nguyen
Analyst
F&A Supply Chains
Viet.Nguyen@rabobank.com

Oil and freight

Upheaval

Crude oil prices have remained surprisingly subdued, despite heightened Middle East tensions. Brent crude oil prices fell in October, November AND December, but have risen for three out of four weeks so far in January. Markets are now contending with competing influences of very strong supply out of the US, where recent data shows a large build in product inventories, and higher risk premia following instability near the Persian Gulf.

Perceptions of slow global economic growth in 2024 are also weighing on prices. Consequently, Brent crude continues to hug the USD 80/bbl level for now, but any expansion of the Red Sea disruptions into the Strait of Hormuz could see prices move sharply higher.

The escalation of military activities around the Red Sea is leading to soaring shipping prices of affected routes and tightening of global shipping capacity.

Several commercial ships have been targeted while passing through the Suez Canal and, as a result, carriers have started avoiding the region and adding emergency risk surcharges in addition to hiking rates. Rerouting around the Cape of Good Hope would take an additional 10 to 14 days, cost AUD 2,600 additional per FEU (forty-foot-equivalent unit) and tie up the global shipping capacity. Routes between China-Europe and China-Mediterranean are most impacted – up three to four times from one month ago. Prices of some other routes have also increased by 10% to 20% as a result. If the situation further escalates and the Suez Canal gets completely blocked, shipping prices could climb further.

The Baltic Panamax index (a proxy for grain and fertiliser bulk freight) was less impacted by the Red Sea situation and continued to fluctuate around the lower end of the spectrum due to soft demand.

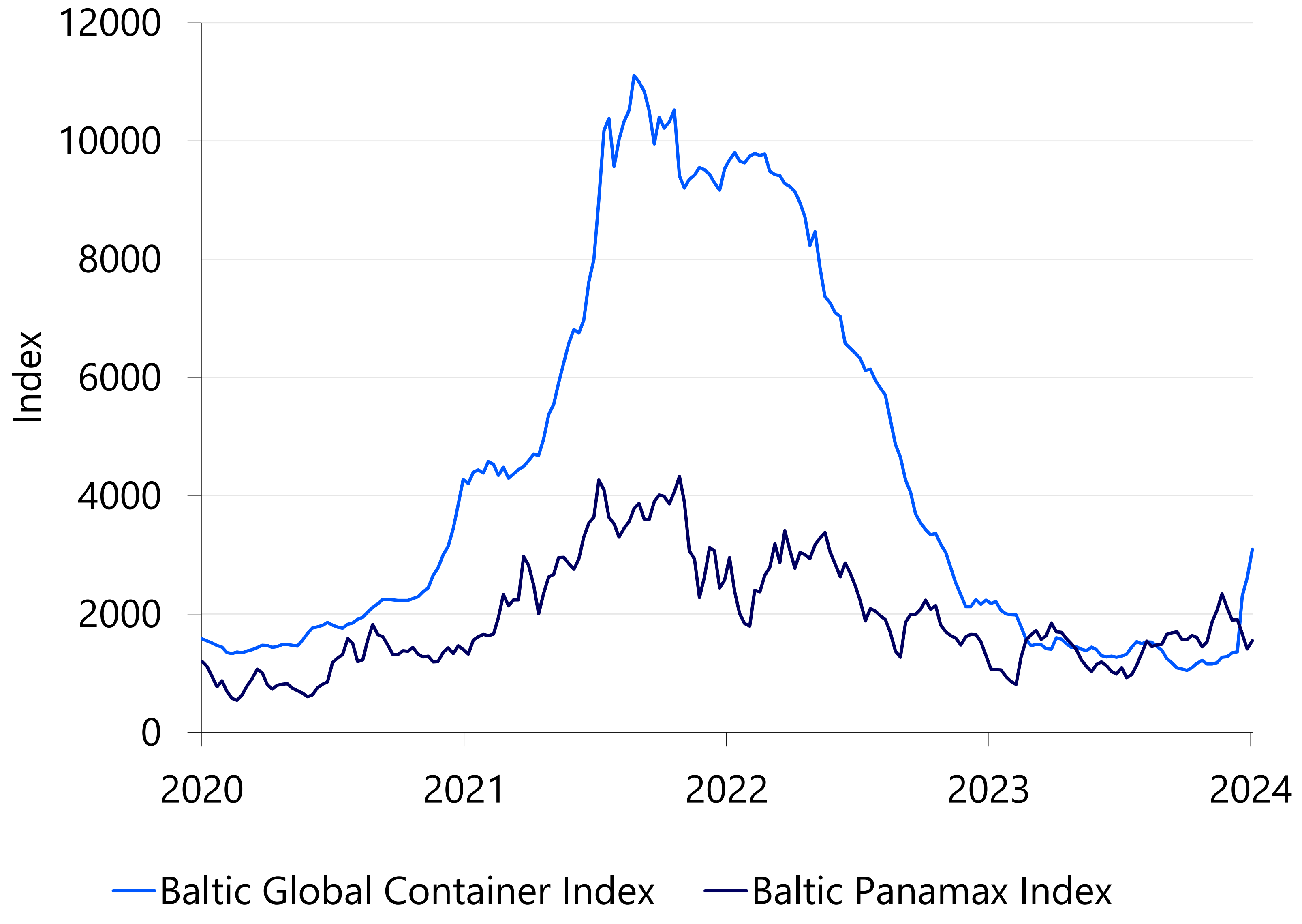
What to watch:

- Tensions in the Red Sea and the wider Middle East. This will likely drive price action in freight and energy for the foreseeable future

Oil and freight

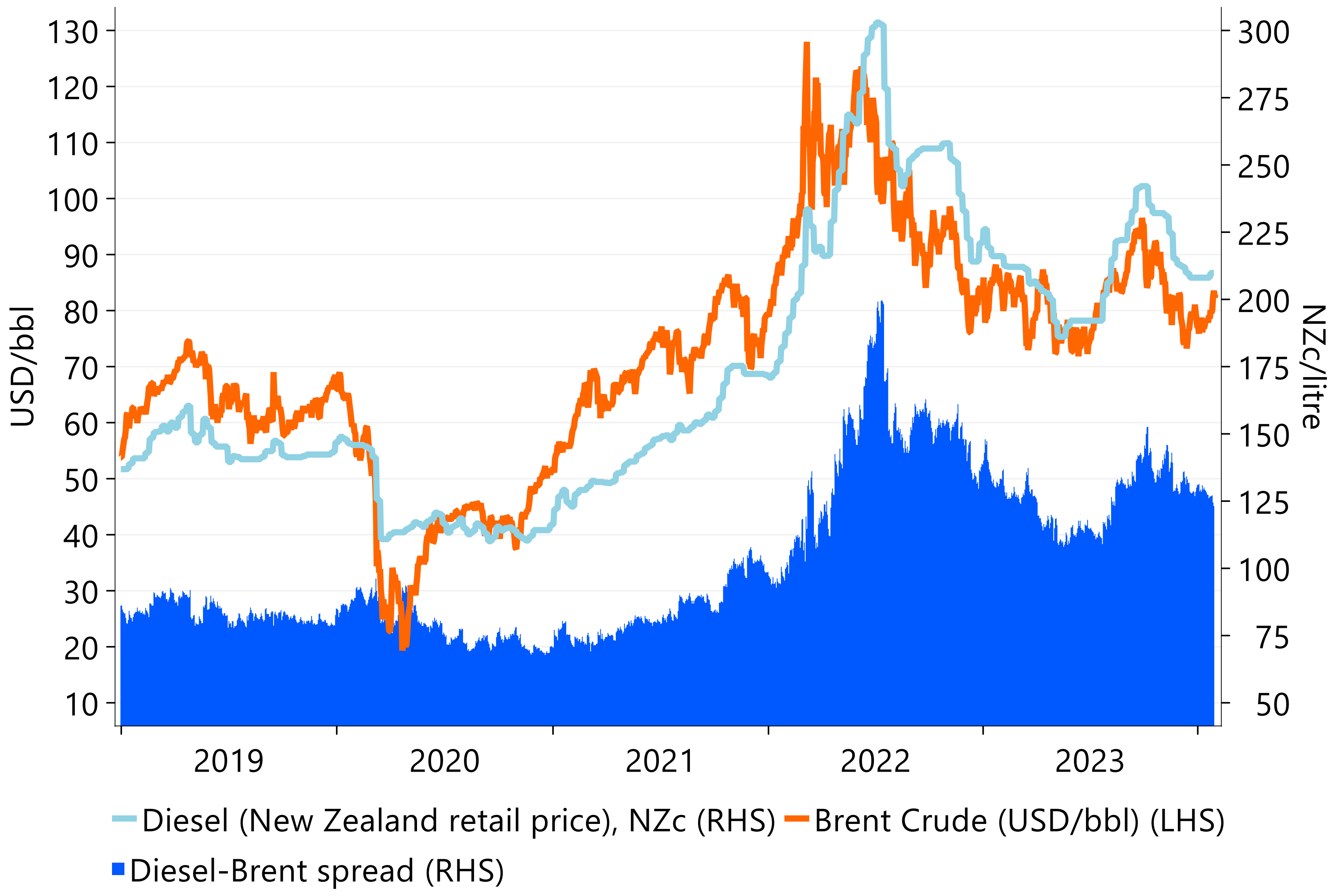
Freight prices tilting higher, but energy remains rangebound

Baltic Panamax Index and Dry Container Index, Jan 2020-Jan 2024



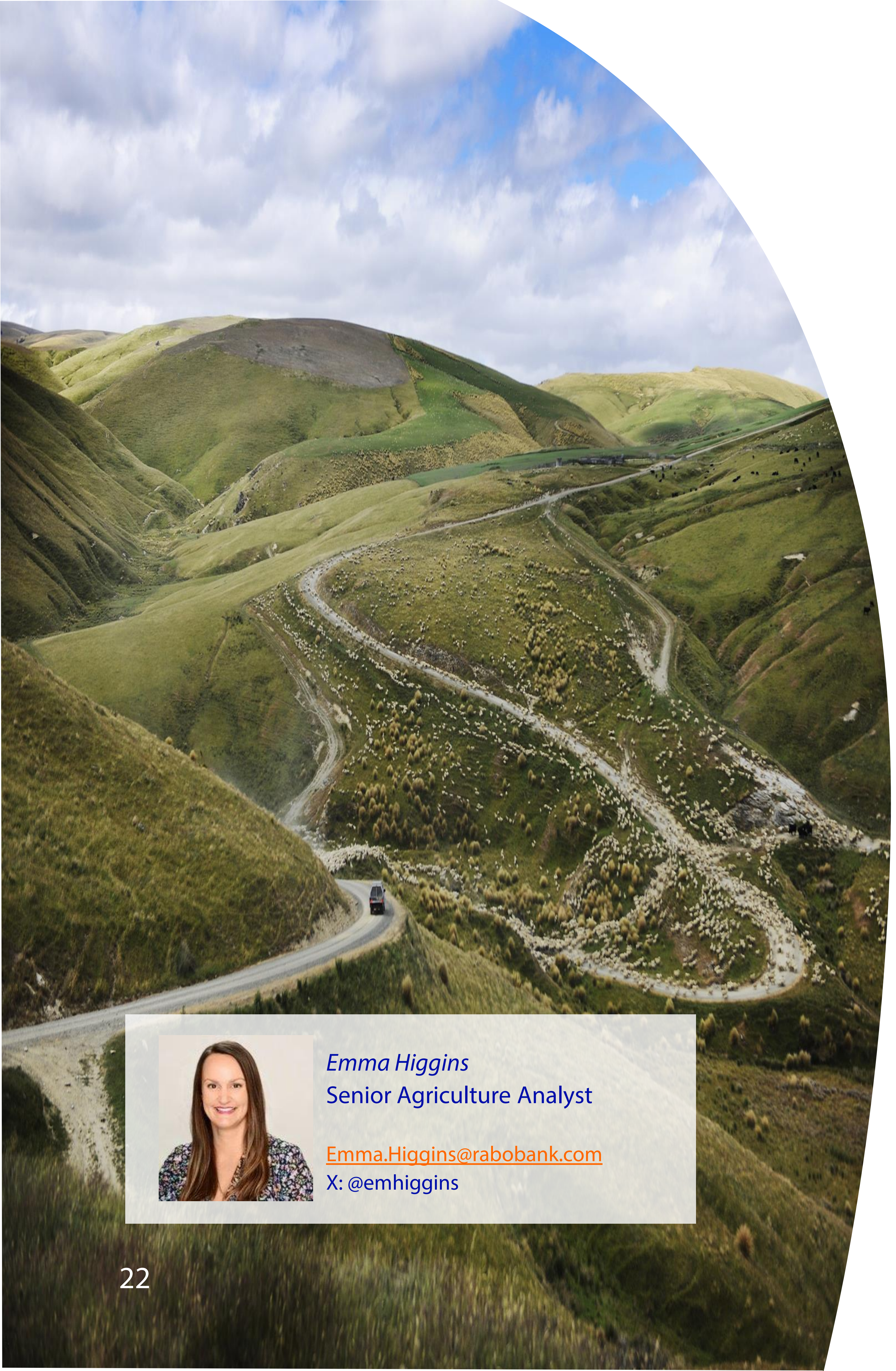
Source: Baltic Exchange, Bloomberg, Rabobank 2024

Brent Crude vs. NZ diesel prices, 2019-2023



Source: Macrobond, Rabobank 2024

Rabobank



Emma Higgins
Senior Agriculture Analyst

Emma.Higgins@rabobank.com
X: @emhiggins

Government regulation and policy

What will the winds of political change bring to farming?

New Zealand has voted in a new government – and with it comes the potential for changes to the farming regulatory landscape.

Rural confidence survey results over several years now have cited government regulation as one of the prime causes for pessimism amid the farmers surveyed. Despite a new colour theme at the helm, it's important to note that the general direction of travel for the broader regulatory environment is likely to remain the same.

The four significant areas to keep an eye on for 2024:

1. **Emissions Trading Scheme.** In mid-2023 the Ministry for the Environment was conducting a review of the Emissions Trading Scheme, primarily related to forestry/carbon credit settings. However, by the end of last year, this work was halted with the change in government. Arguably, this creates further uncertainty – a major feedback point over the past two governmental terms.
2. **A review of methane targets?** He Waka Eke Noa has had its challenges over 2023. Mandatory reporting was previously set to start around Q4 2024. Part of the coalition agreement was to maintain a split-gas approach to methane and carbon dioxide through to 2050. There will also likely be a review of the methane science and targets for consistency.
3. **Freshwater regulations** (and freshwater environmental plans) **could possibly be up for a review – or at least see a delay in implementation.** Previously, the bottom lines for contaminants like nitrogen, phosphorous, sediment and e-coli were to be revised by regional councils. **Additionally, Farm Environment Plans** are likely to continue to be rolled out. These are widely accepted by the sector as an effective tool for any future regulation changes.
4. **A revival of live exports by sea is possible.** August 2024 is touted to be the month that ships set sail with live exports once more, after being banned from 30 April 2023.

As always, the devil will be in the detail.

What to watch:

Appetite for change – Despite a new government, the fact remains that climate change, the need for high water quality, and other sustainability metrics likely do not change and will not be going away. Markets are driving change faster than governments in some cases. Sustainability metrics in the news feature regularly when it comes to some of NZ's key markets (US, Europe, etc). Collaboration, and positive, inspired action may be the theme for 2024.

Agri price dashboard

29/01/2024	Unit	MOM	Current	Last month	Last year
Grains & oilseeds					
CBOT wheat	USc/bushel	▼	600	628	753
CBOT soybean	USc/bushel	▼	1,209	1,294	1,535
CBOT corn	USc/bushel	▼	446	471	684
Australian ASX EC Wheat Track	AUD/tonne	▼	372	381	374
Non-GM Canola Newcastle Track	AUD/tonne	▲	615	608	686
Feed Barley F1 Geelong Track	AUD/tonne	▼	309	321	323
Beef markets					
Eastern Young Cattle Indicator	AUc/kg cwt	▲	645	457	792
Feeder Steer	AUc/kg lwt	▲	334	282	396
North Island Bull 300kg	NZc/kg cwt	▲	570	565	565
South Island Bull 300kg	NZc/kg cwt	▼	530	535	510
Sheepmeat markets					
Eastern States Trade Lamb Indicator	AUc/kg cwt	▲	707	638	794
Oceanic Dairy Markets					
Butter	USD/tonne FOB	▲	5,738	5,188	4,463
Skim Milk Powder	USD/tonne FOB	•	2,638	2,638	2,863
Whole Milk Powder	USD/tonne FOB	▲	3,300	3,138	3,175
Cheddar	USD/tonne FOB	▼	4,188	4,200	4,963

Source: Baltic Exchange, Bloomberg, Rabobank 2024

Agri price dashboard

29/01/2024	Unit	MOM	Current	Last month	Last year
Cotton markets					
Cotlook A Index	USc/lb	▲	94.9	91.4	102
ICE No.2 NY Futures (nearby contract)	USc/lb	▲	84.4	81.0	85
Sugar markets					
ICE Sugar No.11	USc/lb	▲	23.8	20.6	21.2
ICE Sugar No.11 (AUD)	AUD/tonne	▲	797	666	591
Wool markets					
Australian Eastern Market Indicator	AUc/kg	▼	1,186	1,212	1,338
Fertiliser					
Urea Granular (Middle East)	USD/tonne FOB	▲	358	323	433
DAP (US Gulf)	USD/tonne FOB	•	570	570	650
Other					
Baltic Panamax Index	1000=1985	▼	1,696	1,909	1,060
Brent Crude Oil	USD/bbl	▲	85	77	85
Economics/currency					
AUD	vs. USD	▼	0.657	0.681	0.706
NZD	vs. USD	▼	0.609	0.632	0.647
RBA Official Cash Rate	%	•	4.35	4.35	3.10
NZRB Official Cash Rate	%	•	5.50	5.50	4.25

Source: Baltic Exchange, Bloomberg, Rabobank 2024

Keep Up to Date With the Latest Food & Agribusiness Insights

Tune in to our RaboResearch Podcast series

Make our insights your advantage

Meet our RaboResearch Food & Agribusiness Australia and New Zealand team

Stefan Vogel
Head of Food & Agribusiness Research and Advisory, Australia and New Zealand
+61 460 734 578
Stefan.Vogel@rabobank.com

Angus Gidley-Baird
Senior Animal Protein Analyst
+ 61 424 266 909
Angus.Gidley-Baird@rabobank.com
X @angus_gb

Ben Picton
Senior Market Strategist
+61 408 571 012
Ben.Picton@rabobank.com
X @BenPicton1

Emma Higgins
Senior Agriculture Analyst
+64 27 600 5549
Emma.Higgins@rabobank.com
X @emhiggins

Jen Corkran
Senior Animal Protein Analyst
+64 21 2412 139
Jen.Corkran@rabobank.com

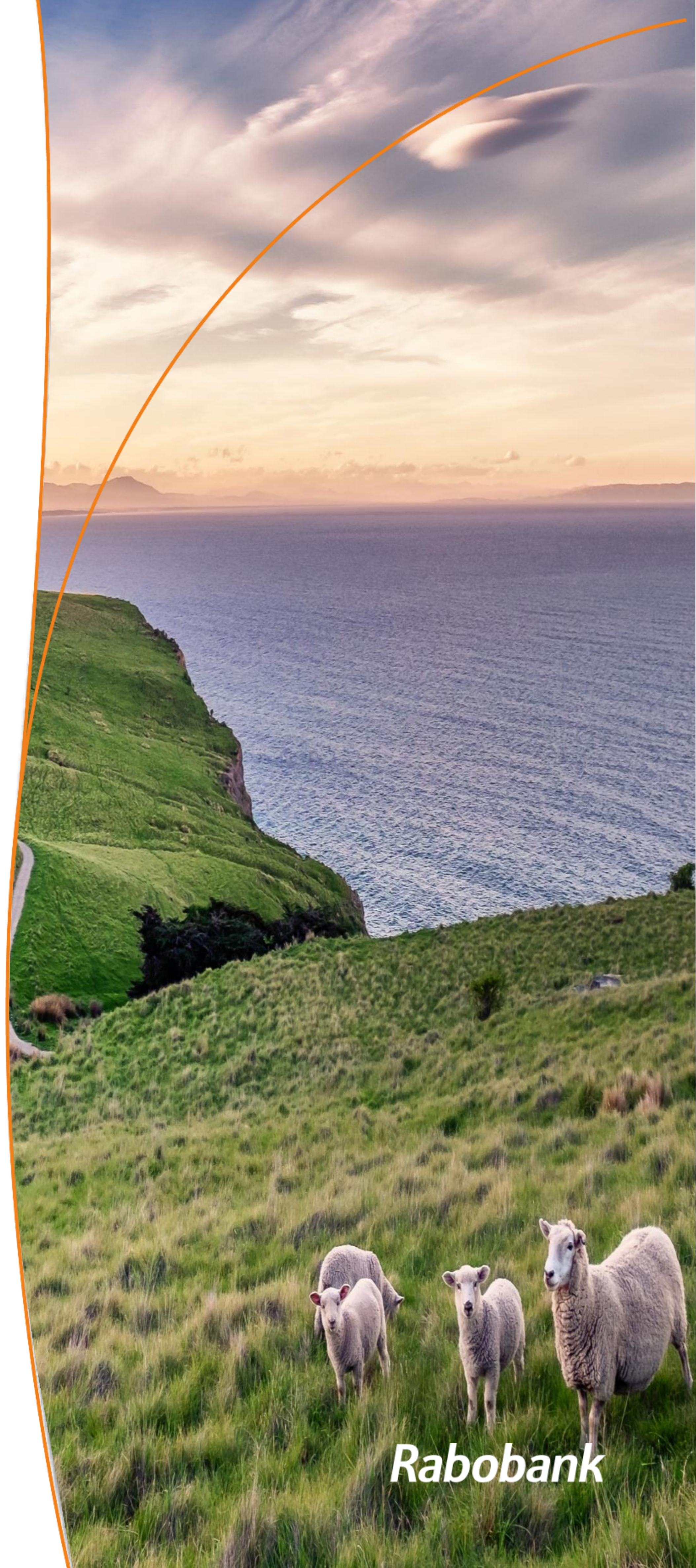
Michael Harvey
Senior Dairy & Consumer Foods Analyst
+61 409 488 485
Michael.Harvey@rabobank.com
X @MickHarvey77

Anna Drake
Sustainabillity Analyst
+61 437 772 949
Anna.Drake@rabobank.com

Edward McGeoch
Associate Analyst
+61 418 273 123
Edward.McGeoch@rabobank.com
X @mcgeochedward

Pia Piggott
Associate Analyst
+61 460 734 578
Pia.Piggott@rabobank.com
X@piapiggott

Vítor Caçula Pistóia
Agriculture Analyst
+61 473 862 667
Vitor.Cacula.Pistoia@rabobank.com
X @victor_agri



Rabobank