Harvesting autumn opportunities

New Zealand agribusiness monthly

RaboResearch Food and Agribusiness

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This report is based on information available as at 6/3/25

Commodity outlooks

Dairy

Global milk supply is rising due to improved farmgate prices and affordable feed, except in China where milk production stalled in the second half of last year. New Zealand's production spiked, but growth may slow. Higher milk prices could impact consumer costs.

Beef

Beef farmgate prices in New Zealand have reached record highs, driven by strong demand and favourable market conditions. While demand from the US boosts export earnings, the market in China remains stagnant.

Sheepmeat

Strong demand and tight supply are sustaining high farmgate prices. New Zealand's lamb kill to date shows regional disparities, with North Island lamb slaughter up 9% and South Island down 21%.

Farm inputs

Urea and phosphate prices remain elevated as supply issues persist. According to our affordability index, nitrogen and phosphate prices have reached unaffordable levels in many countries, which should help curb global demand.

Interest rate and FX

The RBNZ delivered a third 50-basis-point cut in February to take the OCR down to 3.75%. We expect a slower pace of cuts from here and for the NZ dollar to converge on 0.5400 over the next six months.

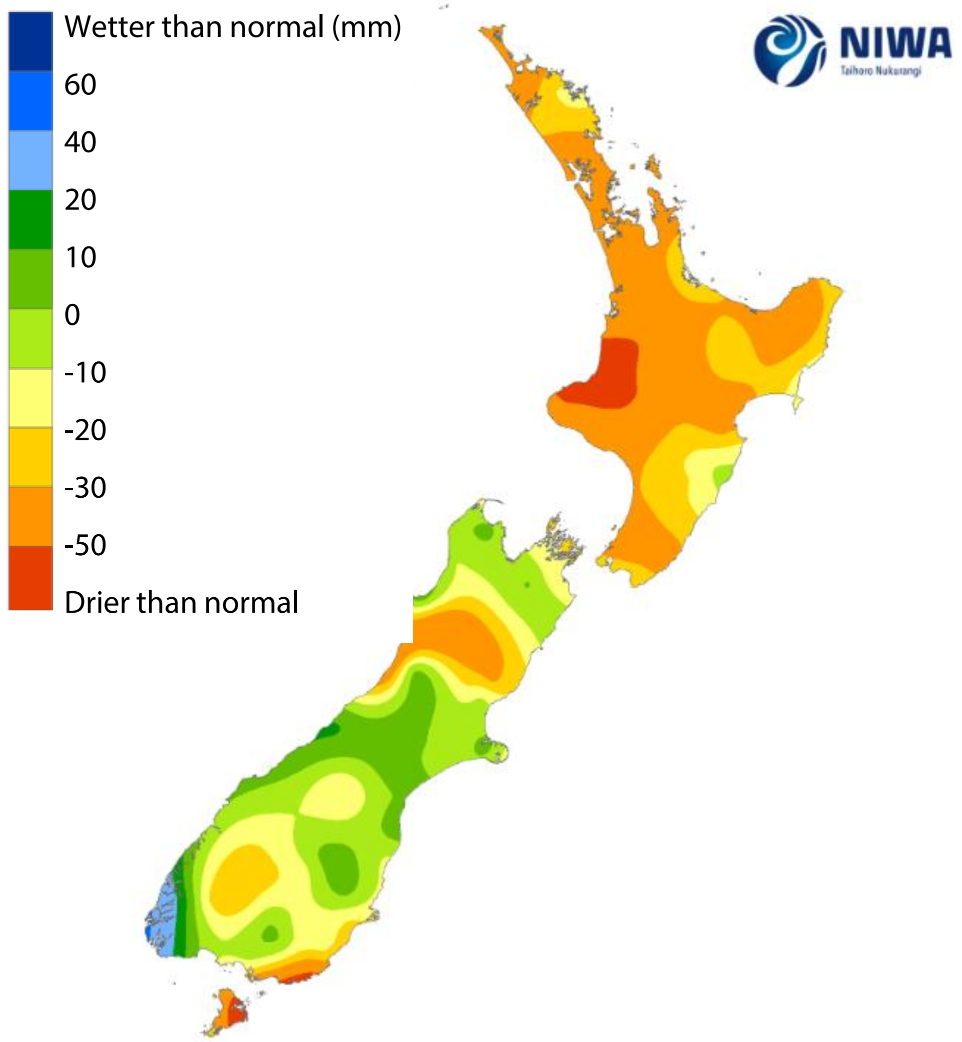
Oil and freight

Geopolitical risks are the only remaining upside risk for energy prices, and containerised freight rates are falling again. RaboResearch projects Brent crude oil will average USD 70/bbl in 2025.

Climate

North Island feeling the dry

Soil moisture anomaly (mm), 04 March 2025



Source: NIWA, RaboResearch 2024

Conditions in February 2025 indicated a weak La Niña, which has since weakened significantly. International guidance suggests a 65% chance of transitioning to ENSO-neutral conditions between March and May 2025.

For New Zealand, a mix of anticyclonic and easterly quarter flows is expected over autumn. Seasonal air temperatures are likely to be above average in the north and west of both islands, with near-average or above-average temperatures in the east. The threat of frosts will increase as the season progresses.

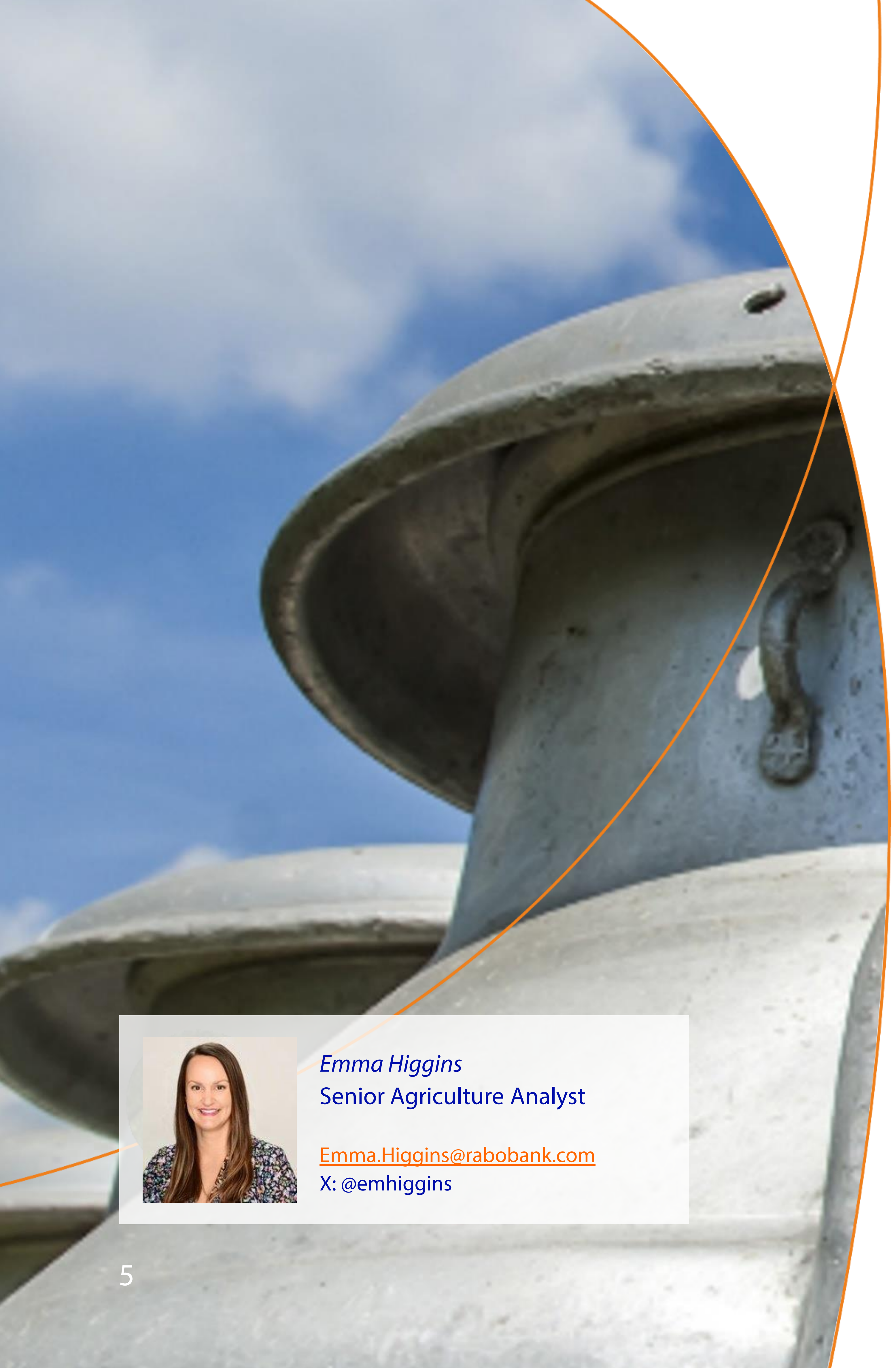
The North Island is currently experiencing drier-than-normal soil moisture, especially in the west. Rainfall totals are expected to be near normal or below normal in the west of both islands, near normal in the north, and near normal or above normal in the east.

The risk of an ex-tropical cyclone passing within 550km of New Zealand is normal to elevated through April. Ocean waters around the South Island remain much warmer than average.

Soil moisture levels and river flows are likely to be near normal or below normal across most regions, except for the east of the South Island, where near-normal conditions are expected.

What to watch:

- **The impact of drier North Island conditions on store markets and the final stretch of the dairy season.** With dry conditions now evident in the western and northern regions of the North Island, the rest of the island also faces the risk of an early autumn dry spell. These conditions may affect stocking rates across sheep and beef farming systems and dry-off timing on dairy farms as the end of their season approaches. This may also see potential implications for saleyard pricing for sheep and cattle. The South Island remains reasonably comfortable at this stage, but drier pockets are beginning to emerge.



Dairy

Rapid milk supply growth may start to slow

Global export milk supply is likely to increase in the months ahead due to improved farmgate prices in most key regions. Margins are healthy in New Zealand, as well as in other exporting regions like Australia, Brazil, the EU, and the US. Furthermore, affordable feed prices have continued into 2025, supporting producer profitability and likely leading to stronger milk flows compared to last year. RaboResearch expects milk production to expand by just under 1% YOY across 2025.

Conversely, milk production in China stalled in the second half of last year – another tentative signal that the rebalancing of the Chinese milk market could be close to nearing the bottom. RaboResearch anticipates 2025 will bring a second year of lower Chinese milk supply growth. The magnitude of further supply contractions from here will drive milk markets over the course of 2025, particularly a key watch for Q2 2025.

Rapid milk supply growth in New Zealand for the 2024/25 season continued into January 2025, with a 2.6% YOY increase (5% on a milk solids basis), keeping season-to-date flows above 3% YOY for the eight-month period to January 2025.

Looking ahead, supply growth rates are likely to slow as summer dryness affects grass growth and yields in some parts of the North Island. With the prospect of another healthy milk price for the new season beginning on 1 June 2025, some farmers may decide to "dry off " their cows earlier than usual to ensure the cows remain in good condition.

RaboResearch remains cautiously optimistic on dairy demand improvement. A careful balance is emerging for global consumers. Retail dairy prices saw deflation in nearly all regions during parts of 2024, which was welcomed by the public after the steep inflation in 2022 and 2023. However, higher farmgate milk prices will translate to higher prices for consumers at the grocery store in 2025, just as the world continues to test a soft landing following recent interest rate hikes. Any significant price hikes on retail shelves or restaurant menus will be met with resistance from cost-conscious spenders.

What to watch:

- **Consumer confidence in China.** In mid-February, President Xi Jinping met with tech business tycoons from the private sector, including Alibaba's Jack Ma. The meeting was prompted by the slowdown in economic growth, low consumer confidence, and US-China trade tensions. This gathering signals the Chinese government's support for the private sector to reinvigorate the economy. In addition to the tech leaders, representatives from other sectors, such as AI, electric vehicles, and dairy were also invited. This is likely to instil more confidence in the market and boost the persistently low consumption in the coming months.

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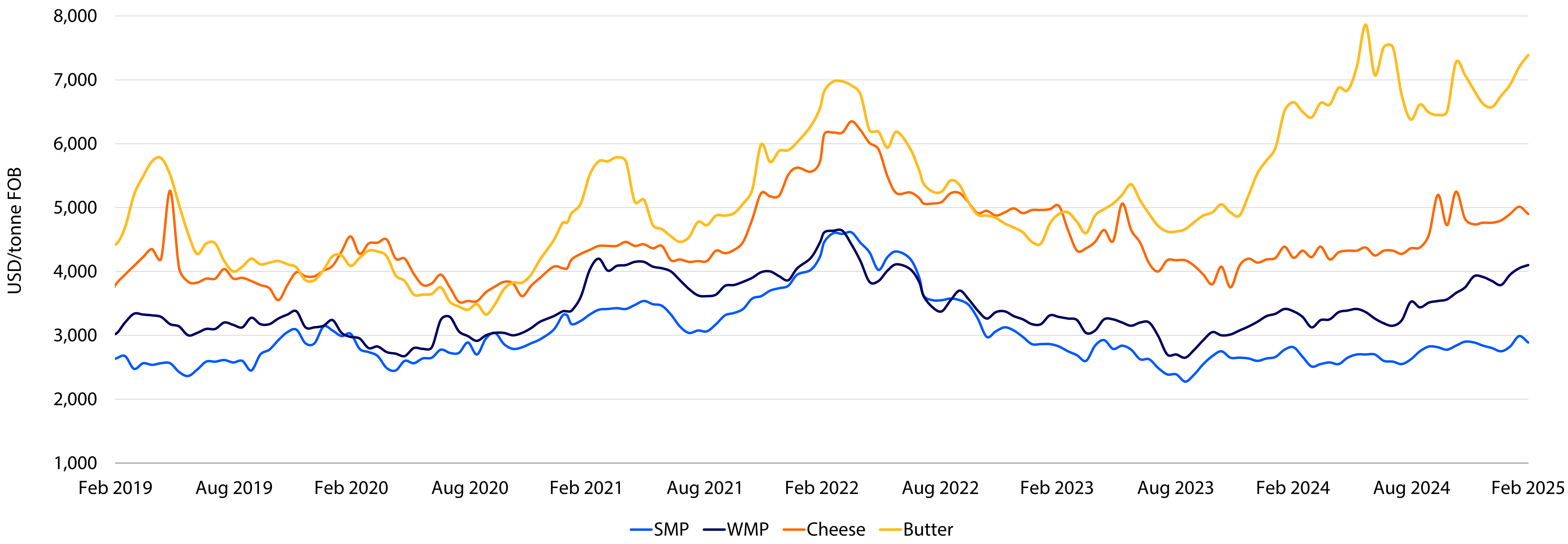
Dairy

Improved export demand is flowing through to New Zealand commodity prices

Oceania spot prices for dairy commodities



Source: *USDA, RaboResearch 2025*

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Beef

The good times continue, for now

Beef farmgate pricing continues to hold at record highs, with the North Island bull price reaching NZD 7.40/kg cwt at the end of February. This represents an increase of over NZD 1.50/kg cwt compared to the same period in 2024. The strong pricing reflects robust market demand and favourable conditions for producers.

Nationally, the bull kill is down 4%, and total beef slaughter is down 3%. However, the first few weeks of 2025 have seen the North Island kill increase by 9% compared to the same period in 2024. This may be partly due to drier conditions affecting western regions and concerns about dry conditions spreading to areas currently faring well. Cull cow slaughter numbers in the North Island are steady year-on-year, with the continued dry spell likely to lead to an increase in numbers through March and April. Cull cow slaughter in the South Island is down by 5% YOY to date, with good feed availability being common.

With farmgate prices for finished cattle remaining high and scarcity of cattle, **saleyard prices have risen up to NZD 0.90/kg lwt above year-ago levels.** In the North Island, competition may be easing slightly due to drier conditions, while the South Island has experienced no significant change since late December.

The US market's demand for lean trimmings continues to drive significant growth in New Zealand's export earnings, bolstered by the lower NZD exchange rate. The average export value of beef to the US in January was NZD 11.57/kg FOB, an increase of more than NZD 3.20/kg FOB compared to both January 2023 and 2024, and NZD 1.48/kg FOB was higher than January 2022. The value of beef exports rose by 36%, with volumes up 6% to 39,000 tonnes. Meanwhile, the Chinese market remains stagnant, with China increasing imports from Brazil.

The US beef herd is entering the anticipated rebuilding phase of the cattle cycle after five years of herd liquidation. The demand for lean trimmings beef from New Zealand is likely to remain throughout this rebuild, which may take a few years.

What to watch:

- **The effects of the Trump administration on global trade continue to be a focal point** in the global beef market. Current developments in the US warrant close monitoring. Discussions about universal and reciprocal tariffs on goods suggest a potential reshuffling of global trade dynamics. Given that the US is the largest market for New Zealand beef exports, this situation warrants close attention. New Zealand currently imposes no tariff on beef imported from the US, so a reciprocal situation wouldn't have much impact, and the current tariff on US beef exports is a minimal NZD 0.04/kg. However, risks persist, and the retaliatory effects on other markets could impact New Zealand.

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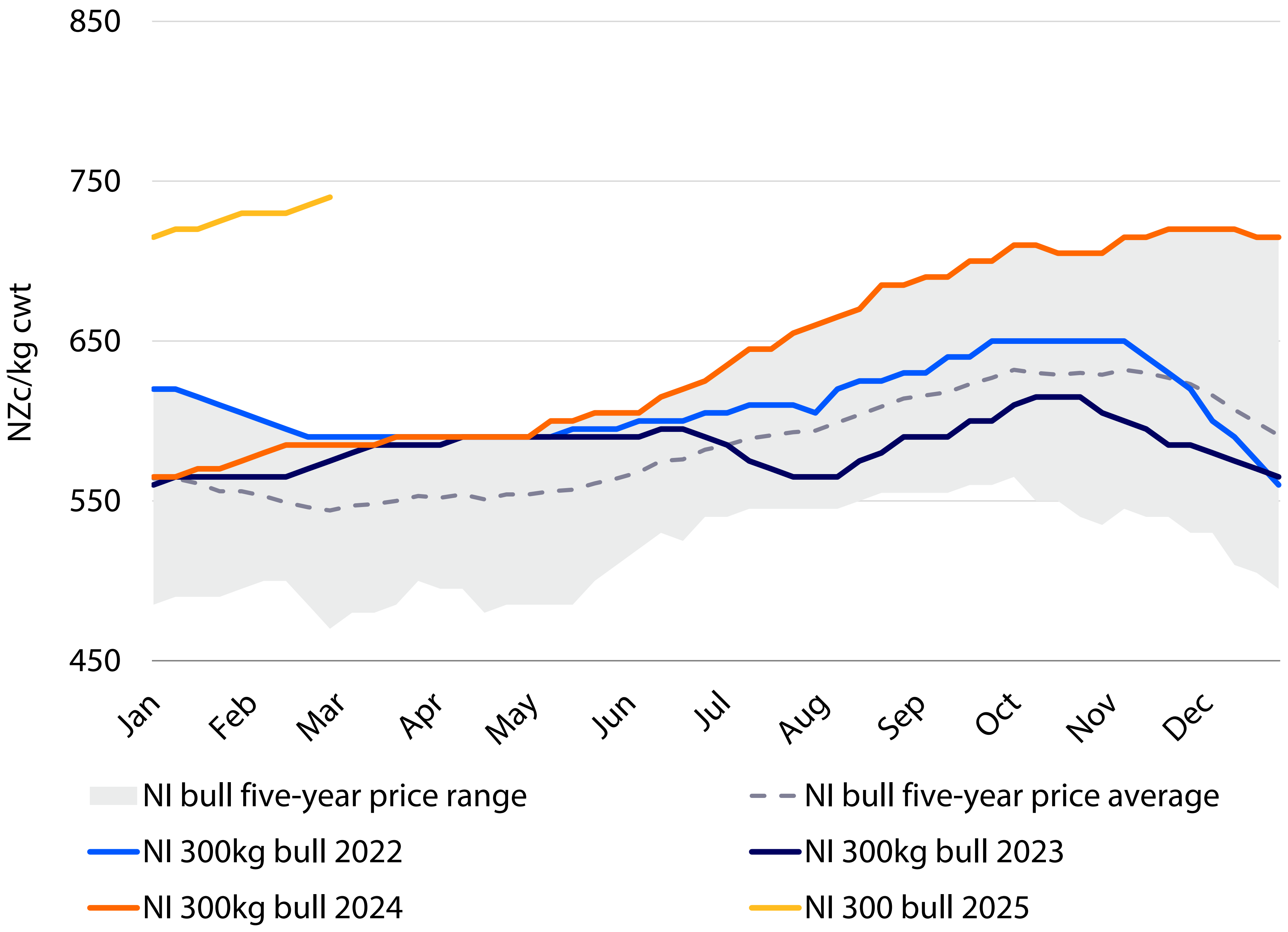
Beef

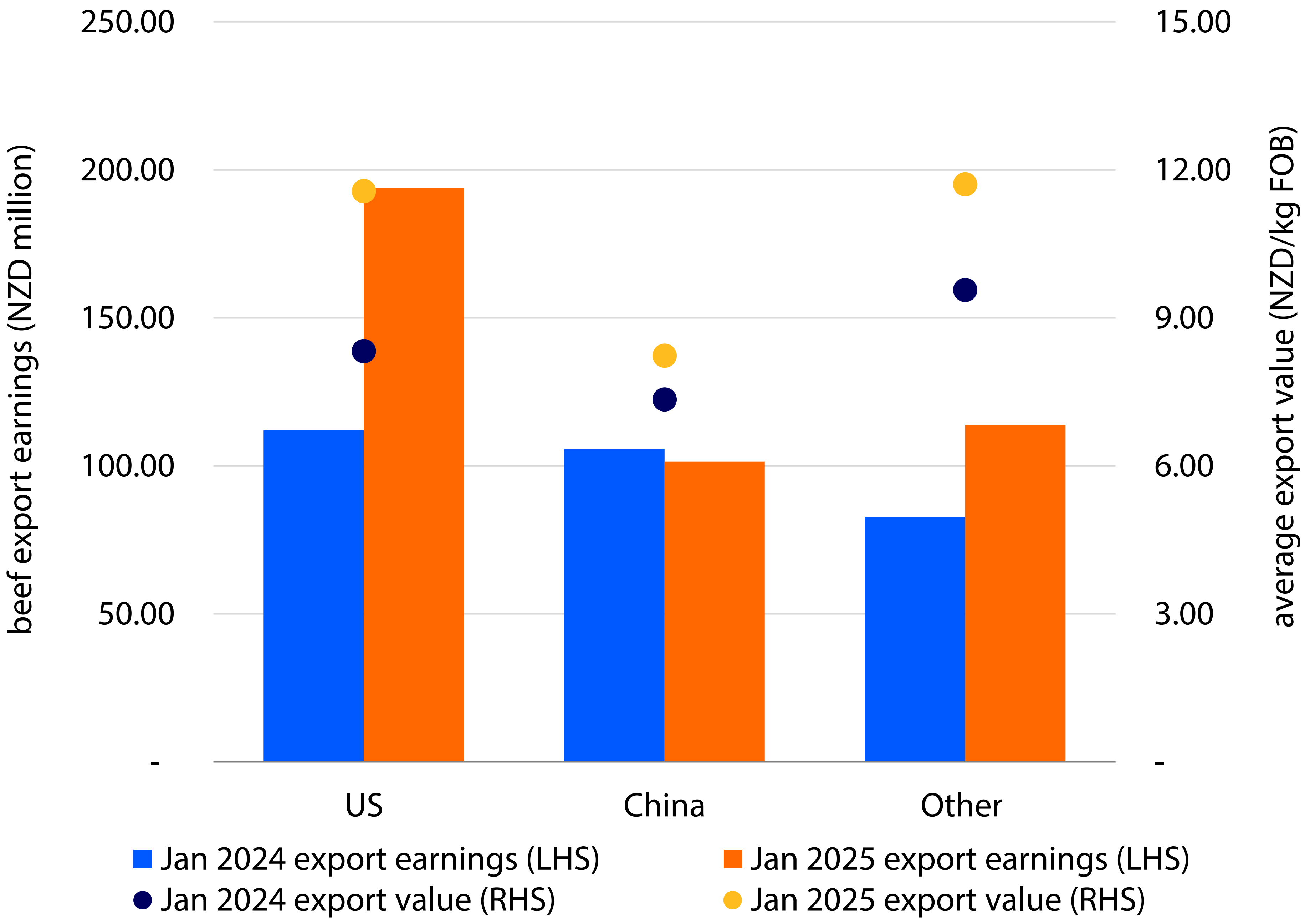
A seller's market for finished cattle in 2025

Record pricing continues to hold for NI bull



Source: *AgriHQ, RaboResearch 2025*

US beef export earnings surge in January YOY, China market remains stagnant



Source: *Stats NZ, RaboResearch 2025*

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Sheepmeat

Lamb price tracks steady around NZD 8.00/kg cwt

As the summer of 2025 drew to a close, the New Zealand sheepmeat market exhibited some significant regional disparities. The North and South Islands experienced contrasting conditions, influenced by varying weather patterns and market dynamics. These differences set the stage for a multifaceted market landscape as the industry navigates the challenges around supply, and weather, as well as the opportunities in export markets of the coming months.

The largest contrast between the islands was the substantial **difference in slaughter numbers for the first 18 weeks of the export season** (since 1 October). The North Island saw a 9% increase in lamb slaughter, reaching nearly 3.1m head. However, the South Island experienced a 21% YOY decrease, down to 2.9m head, resulting in a national decline of 8%. Meanwhile, Australian lamb slaughter as of mid-February tracked at similar highs to 2024, although a slight decline in weekly kill numbers is expected as the year progresses.

The second contrast pertains to weather and on-farm feed supply conditions. The South Island is largely seeing good feed supply, with little pressure to de-stock, allowing farmers to put extra weight on lambs. This has kept the store market robust, with prices commonly around NZD 4.00/kg lwt. In contrast, dry conditions in Taranaki, Waikato, and the King Country have led to the offloading of lambs. Although reasonable conditions persist in the eastern and mid-regions of the lower North Island, store markets have eased slightly due to concerns about an autumn dry spell.

In terms of farmgate pricing, strong market demand and tighter supplies have sustained historically high prices for this time of the year. **Current prices are NZD 2/kg higher than last year, with store lambs over NZD 1/kg higher**. Export volumes remained similar to January 2024, but the value of sheepmeat exports increased by 22% YOY to NZD 359m. Exports from New Zealand to China increased by 7% compared to last January, totalling 19,436 tonnes. Exports to the UK also rose by 9%, reaching 3,769 tonnes.

What to watch:

- **Geopolitical developments beyond the New Zealand farmgate suggest the onset of a potentially volatile year in global trade.** While current lamb prices are both favourable and profitable for New Zealand producers compared to 2023 and 2024, and farmgate prices across both islands are holding steady at or above NZD 8.00/kg cwt, the anticipated usual off-season price increase may not be guaranteed. However, maintaining a price of NZD 8.00kg/cwt on average would still be a favourable outcome.

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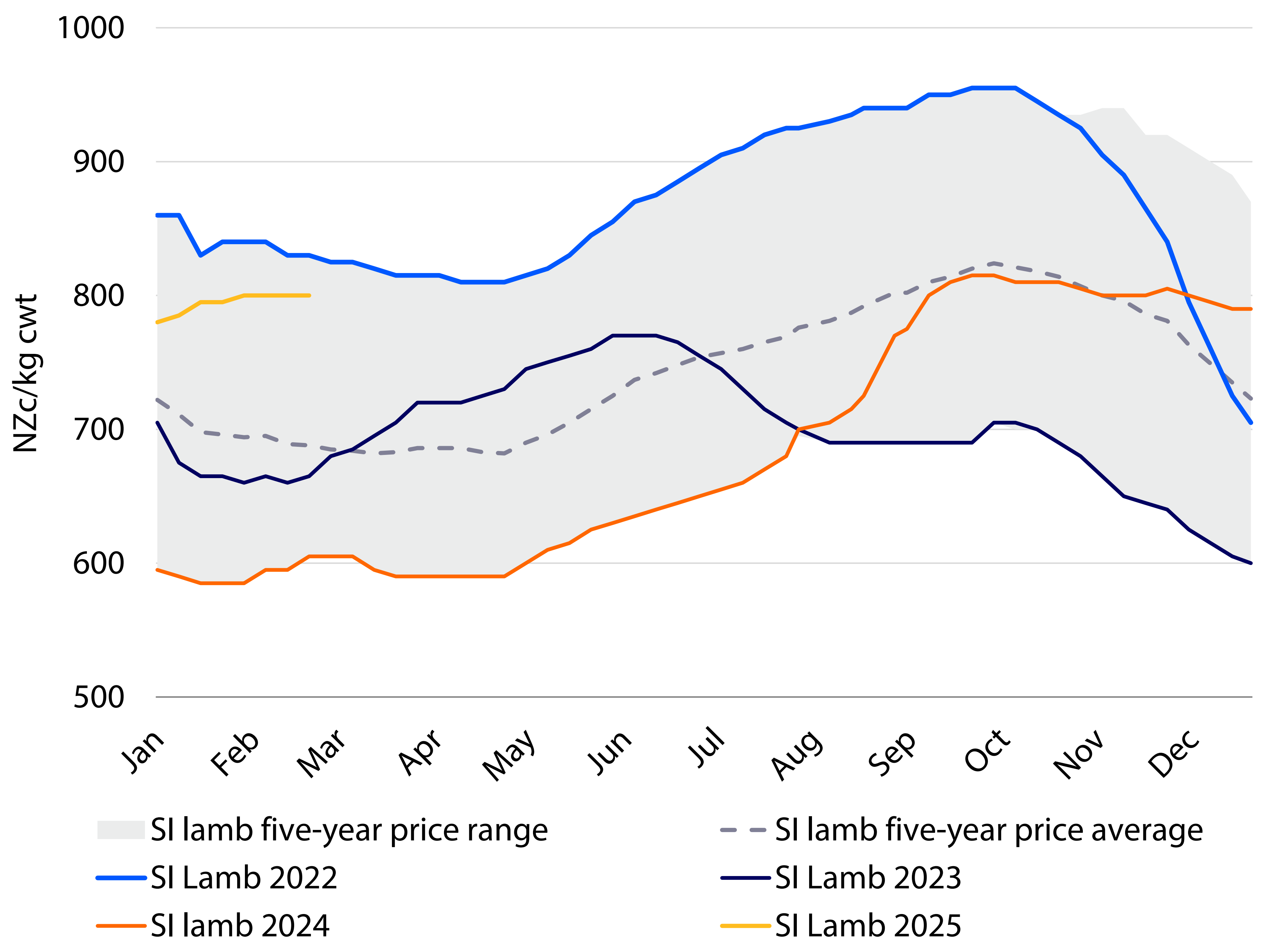
Sheepmeat

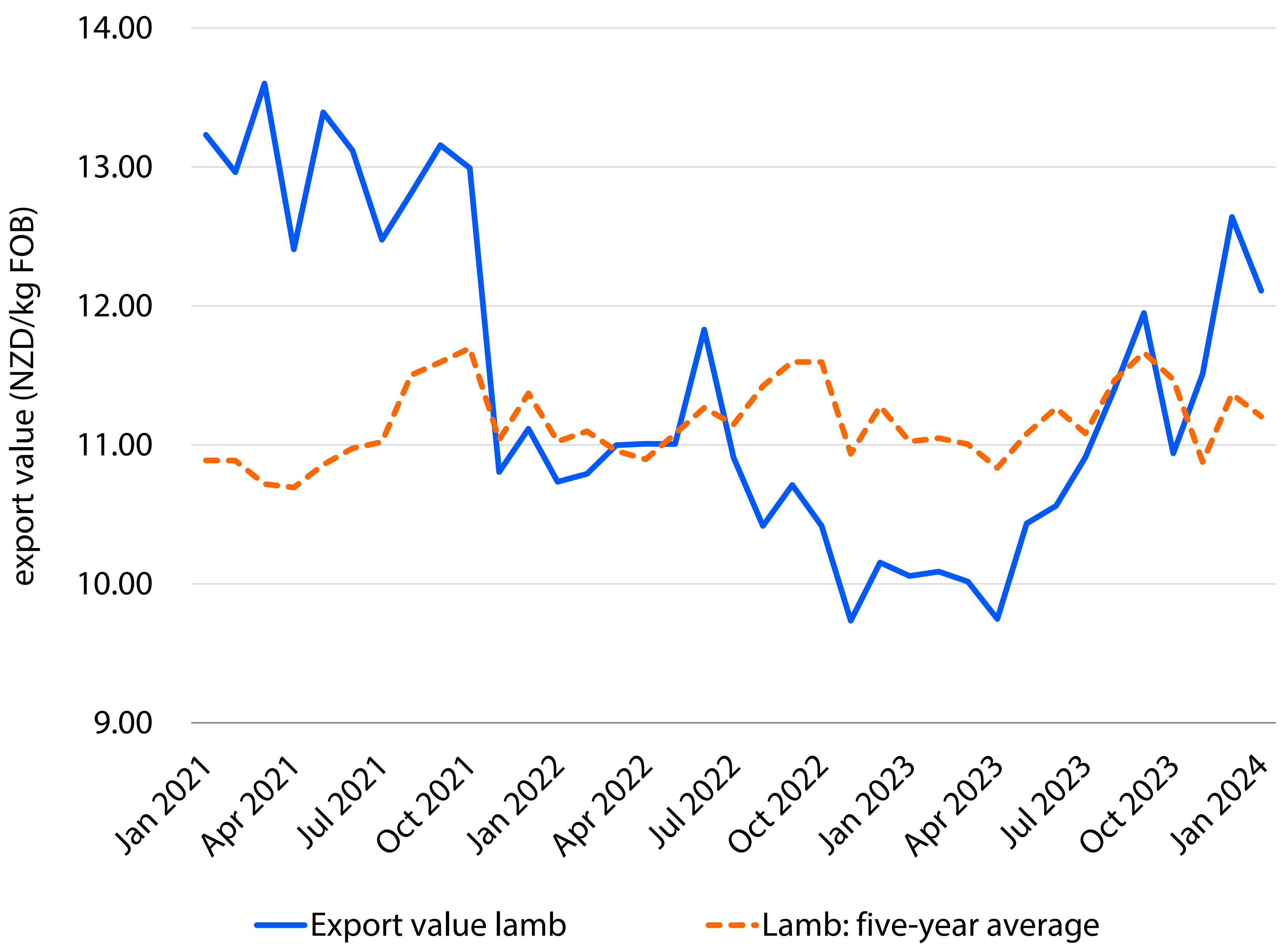
Lamb prices see a positive start to the year for producers

South Island lamb price tracking steady at NZD 8.00/kg cwt

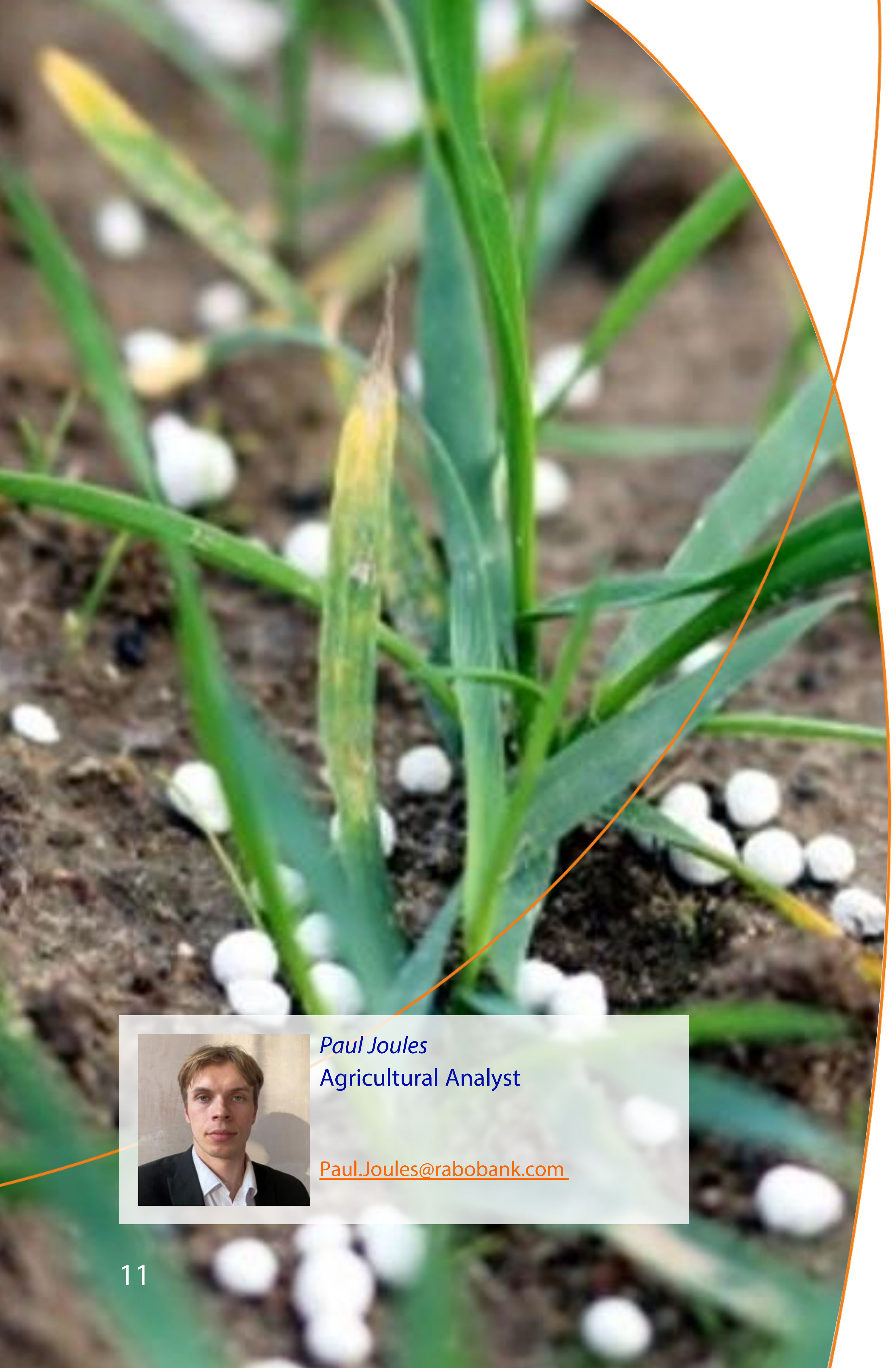


Source: *AgriHQ, RaboResearch 2025*

Average export value for lamb holding above five-year average



Source: *Stats NZ, RaboResearch 2025*



Farm inputs

Urea supply headwinds persist

Over the past six weeks, international prices for urea (+6.3%), phosphate (+3.1%), and potash (+2.9%) have risen in New Zealand dollar terms. Despite the New Zealand dollar gaining earlier in February (only to finish flat month-on-month) against the US dollar, New Zealand continues to face a currency headwind impacting fertilizer procurement. The New Zealand dollar has fallen by 9% YOY, and this has contributed to the price increases seen across fertilizers over the same period: urea (+18%), phosphates (+15%), and potash (+14%). RaboResearch anticipates the NZD/USD exchange rate to fall to around USD 0.55 over the next 12 months, suggesting continued challenges for importers, which likely limits major downside in the near term.

Supply-side issues continue to impact many fertilizer markets, with urea and phosphate markets experiencing the most supply issues. For urea, In regions such as Iran and Egypt, gas shortages have significantly disrupted urea production, as natural gas is a crucial feedstock for the process. The market is currently assessing the extent of the shortage. A return to normal production would help loosen a tight global supply picture, but prolonged weaker production would do the opposite, likely causing price volatility in the coming months.

In Iran, supplies may come back online in the coming weeks amid improving weather, which should lower domestic gas demand. Meanwhile, China remains virtually absent from the fertilizer export market, with no indication of when it will return. On the demand side, a delay to India's latest urea tender helped cap recent upside. However, given low domestic stocks and lower production levels in February compared to last year, further demand is likely in the near future.

For phosphates, prices appear to be stuck in a higher-for-longer range due to limited global availability, preventing downside. However, affordability within key agricultural regions remains low, preventing prices from rising further. Renewed demand from India due to low inventory is noted.

Potash prices rose modestly month-over-month amid Indonesian tenders and Chinese demand. However, major upside is not expected given the healthy global supply picture.

For agrochemicals, it remains unclear how much the increase in containerised shipping rates will offset retailers' efforts to work through high-priced inventory. The most likely outcome appears to be fairly limited price movement.

What to watch:

- **India's urea tendering activity.** The agricultural powerhouse stalled the latest tender. However, a return to the market in the coming months, could further tighten the global balance sheet.
- **The market will also be closely watching China** to see when and if urea exports will show signs of returning.

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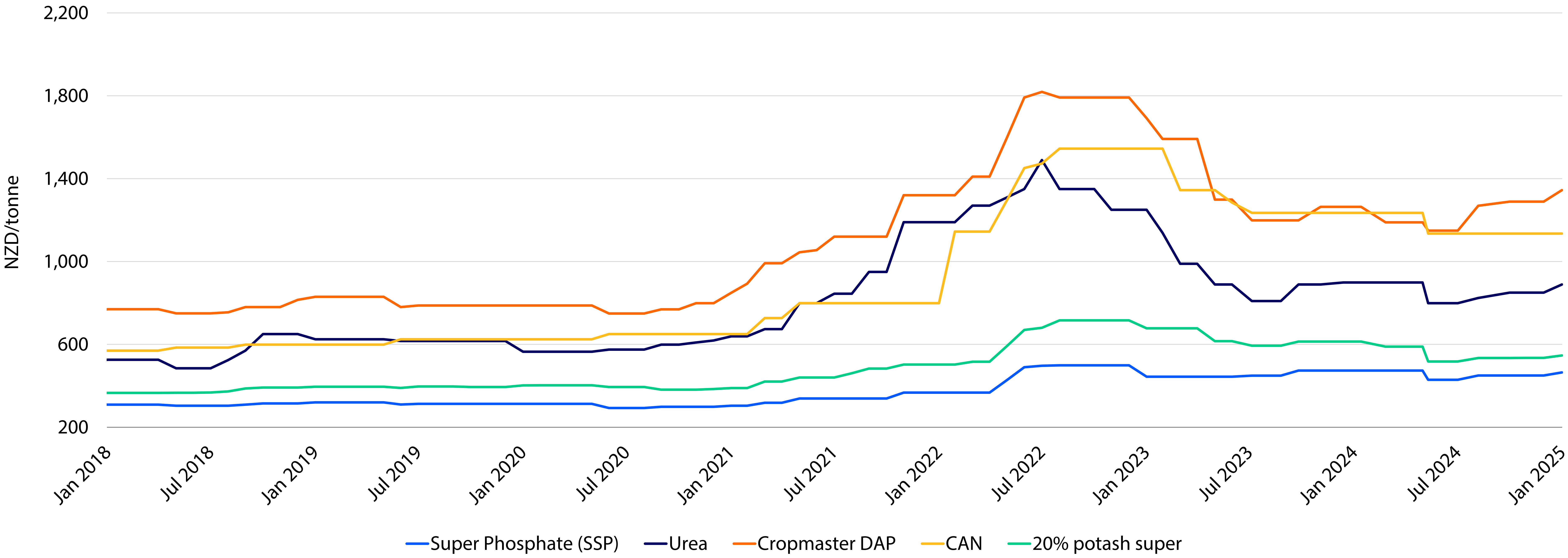
Farm inputs

Rising international prices for urea and phosphate are filtering through to retail prices

The tight global supply of both urea and phosphate markets, alongside a weak New Zealand dollar, is pushing prices higher



Source: *Ravensdown, RaboResearch 2025*

Interest rate and FX

Favourable outlook for New Zealand's economy

February brought further good news for the New Zealand domestic economy, but also some challenges from an international perspective.

Figures released in February showed that inflation-adjusted retail sales grew more quickly than expected in the final quarter of last year (+0.9% versus +0.5% analyst consensus), suggesting that falling interest rates and rising consumer confidence are starting to lift the pace of economic growth.

In addition to that, Q4 terms of trade figures released by Stats NZ in early March showed that New Zealand export prices grew by 3.2% in the quarter, while import prices grew by only 0.1%, meaning that New Zealand just got a pay rise from the rest of the world!

In more good news, as we previewed in last month's Agribusiness outlook, the RBNZ delivered a further 0.5ppt cut to the OCR in February, bringing the rate down to 3.75%. They also sent clear signals that they expect to continue cutting, but that the pace will slow to 0.25ppt increments.

We had expected the pace of cuts to slow and had forecast two more 0.25ppt cuts (April and July) to reach a terminal OCR of 3.25%.

In February the RBNZ signalled that future cuts are likely to come at consecutive meetings. **We therefore revise our OCR forecast to include 0.25ppt cuts at the April and May meetings** and note that we see some downside risk in our 3.25% terminal rate forecast. RaboResearch sees a 40% probability of an OCR of 3% by year end.

The New Zealand dollar fell slightly over the course of February, closing the month at 0.5598 against the US dollar. RaboResearch anticipates further weakness in the New Zealand dollar as the RBNZ continues to cut the OCR and US interest rates remain relatively stable.

RaboResearch forecasts the NZD/USD exchange rate to hit 0.5400 on a six-month view.

What to watch:

- **Stats NZ Q4 GDP report, 20 March –** With economic recovery now underway, attention will turn to how quickly growth is picking up. This will influence how low the RBNZ is likely to take the OCR. RaboResearch expects a strong growth figure of 1.3% QOQ for the final quarter of last year.

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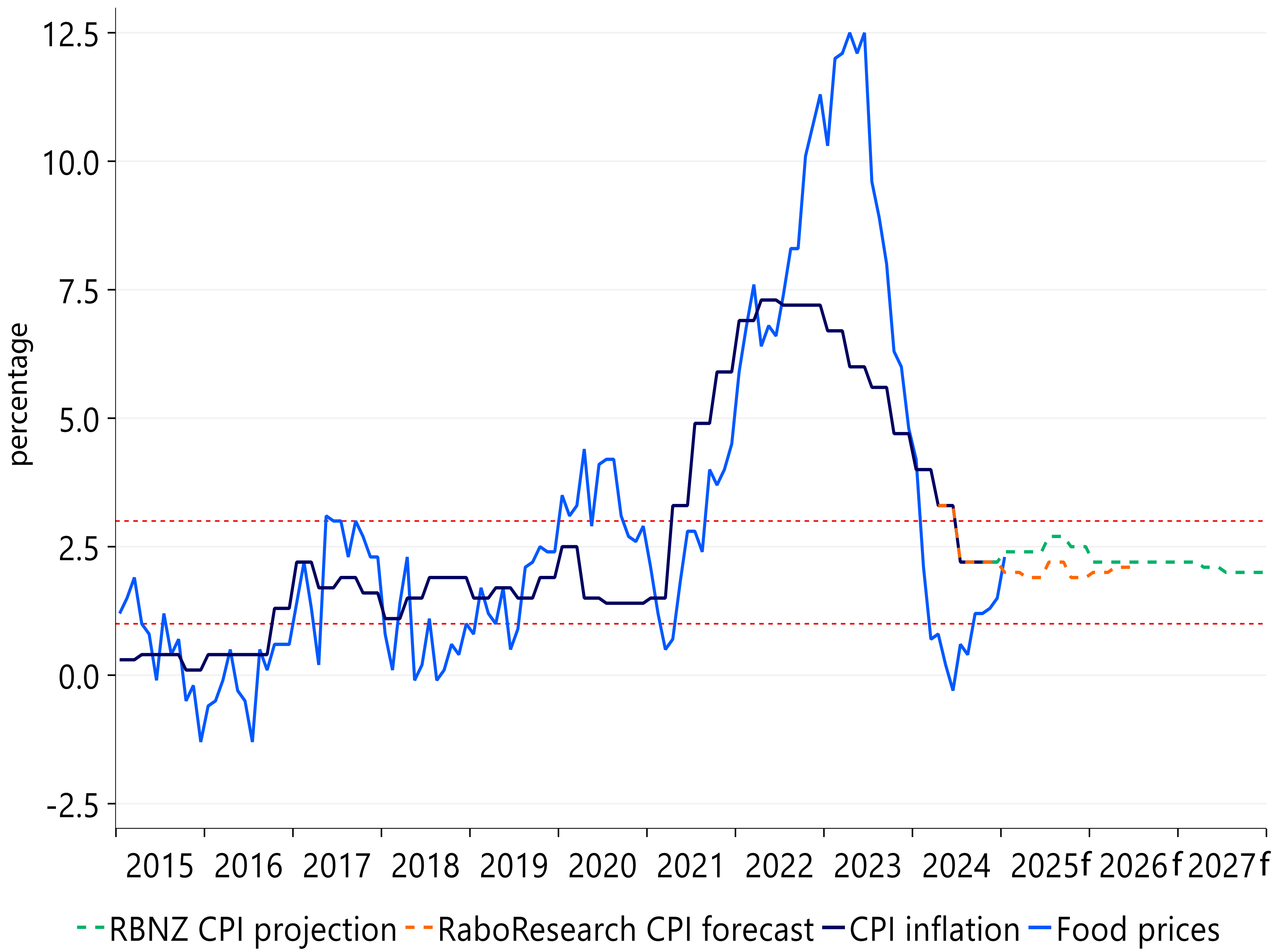
Interest rate and FX

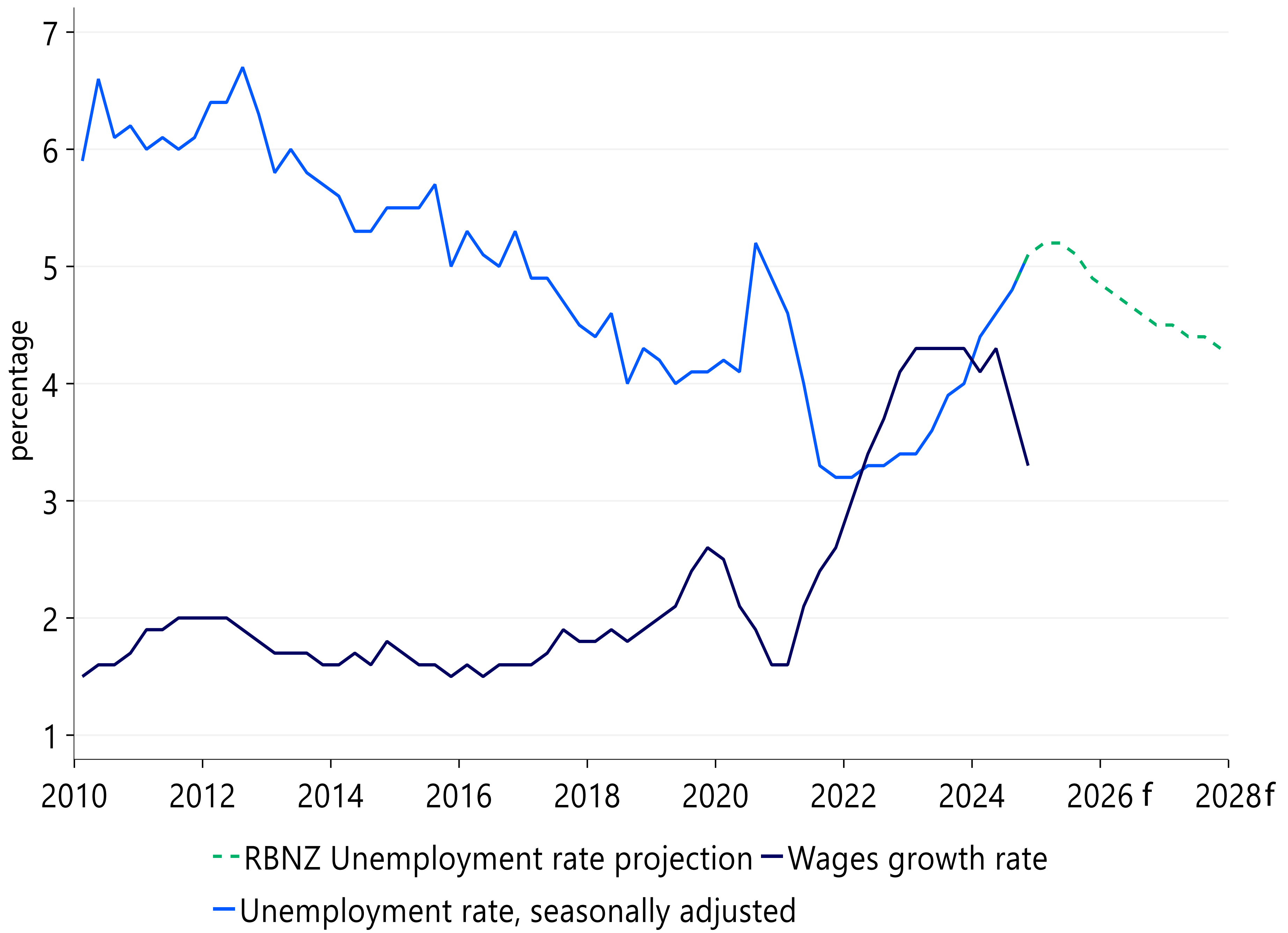
Settling at target?

New Zealand inflation indicators, 2015-2025f



Source: *Macrobond, Stats NZ, RBNZ, RaboResearch 2025*

New Zealand labour market indicators, 2010-2025f



Source: *Macrobond, Stats NZ, RBNZ, RaboResearch 2025*

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Oil and freight

Range-bound, at least for now

Brent crude oil prices have remained fairly range-bound since August of 2024, trading between USD 69/bbl and USD 81/bbl.

RaboResearch's energy analysts see geopolitical risks as the only factor that could push prices higher. However, the influence of these risks is waning for two main reasons. Firstly, there are growing hopes for a peace deal in Ukraine, which could lead to the lifting of sanctions on Russia. Secondly, the ceasefire between Israel and Hamas, although fragile, is holding.

Supply is abundant, and likely to become more abundant if President Trump is successful in providing incentives for US producers to "dill, baby, drill!" In the meantime, demand remains weak as global economic growth lags and China continues its rapid transition to electric vehicles.

OPEC+ has delayed the expiry of agreed production cuts, but eventually, those extra barrels will return to the world market, putting more downward pressure on prices.

RaboResearch forecasts Brent crude prices to average USD 70/bbl in 2025.

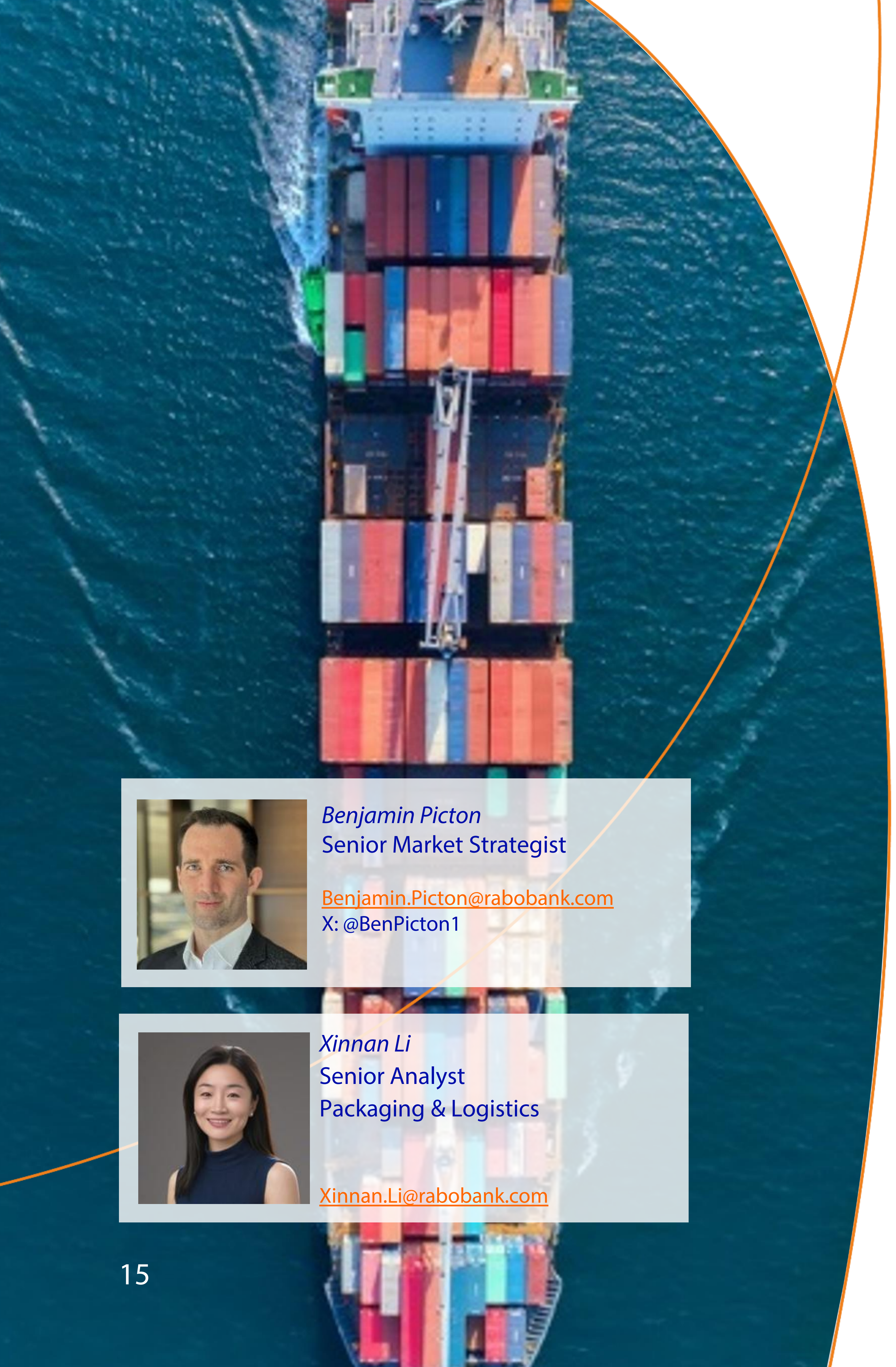
The US Trade Representative shared details about a proposal aimed at addressing China's dominance in the maritime and shipbuilding sectors. Key points include charging up to USD 1.5m for every US port call by a Chinese-built ship. Any ship operator with a single Chinese-built ship or a single order at a Chinese yard could face a new US port fee of USD 500,000 per call for all of its vessels. Carriers are considering splitting their fleet based on its relationship with China. The proposal is pending approval by President Trump. The administration is also scrutinizing control of the Panama Canal, not ruling out using military forces.

Capacity from Asia to the west coast of South America has doubled in three years. Carriers are rapidly adding capacity to meet demand.

The Baltic Panamax index (a proxy for grain bulk freight) is at its lowest in almost two years due to sluggish demand across all vessel sizes. Seasonal factors, such as slow movement ahead of Lunar New Year, contribute to this, but recovery is expected after February.

What to watch:

- **Ukraine ceasefire negotiations**– Negotiations for a ceasefire in the war between Russia and Ukraine remain ongoing and could pose further downside risk to energy prices if successful.



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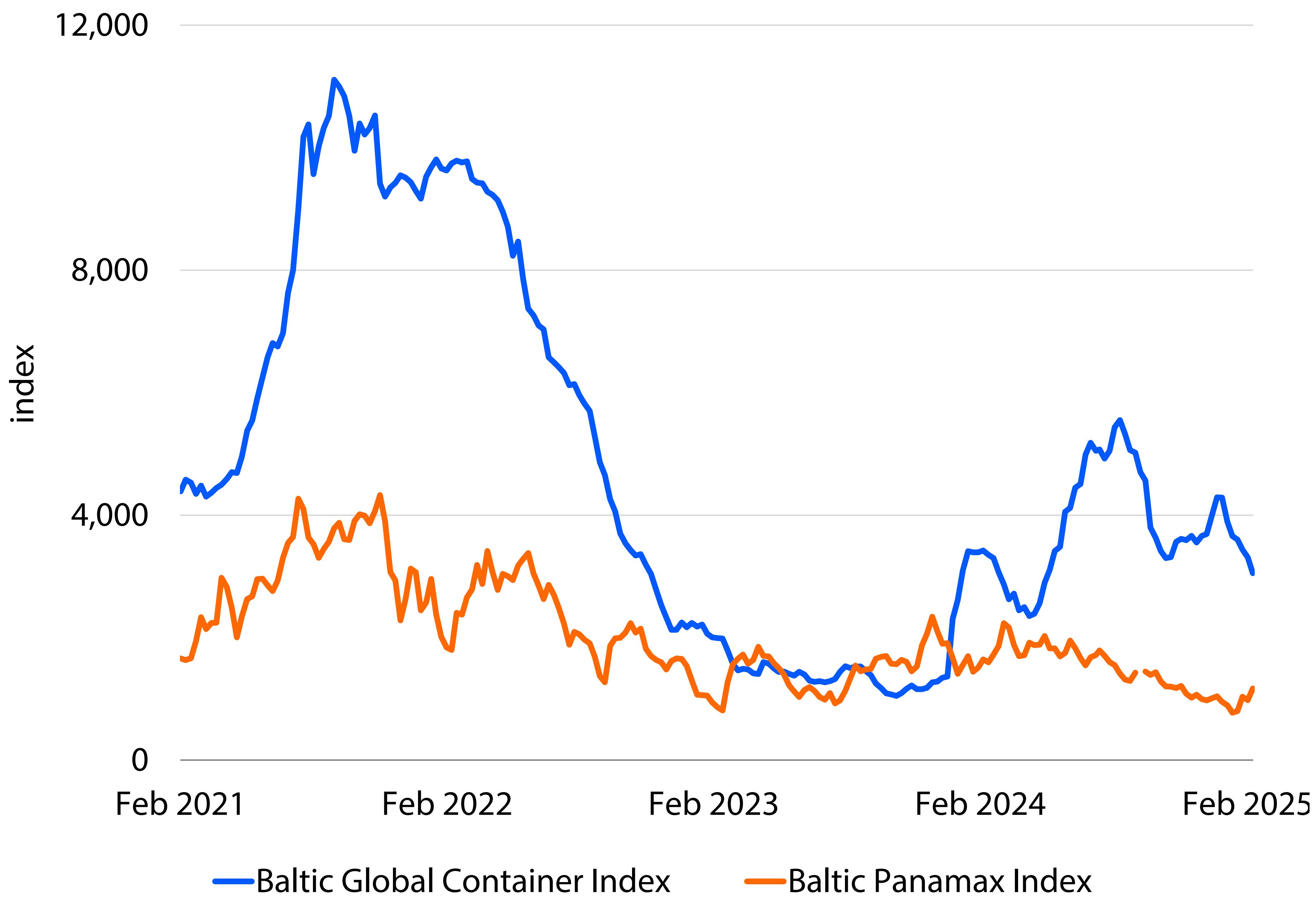
Oil and freight

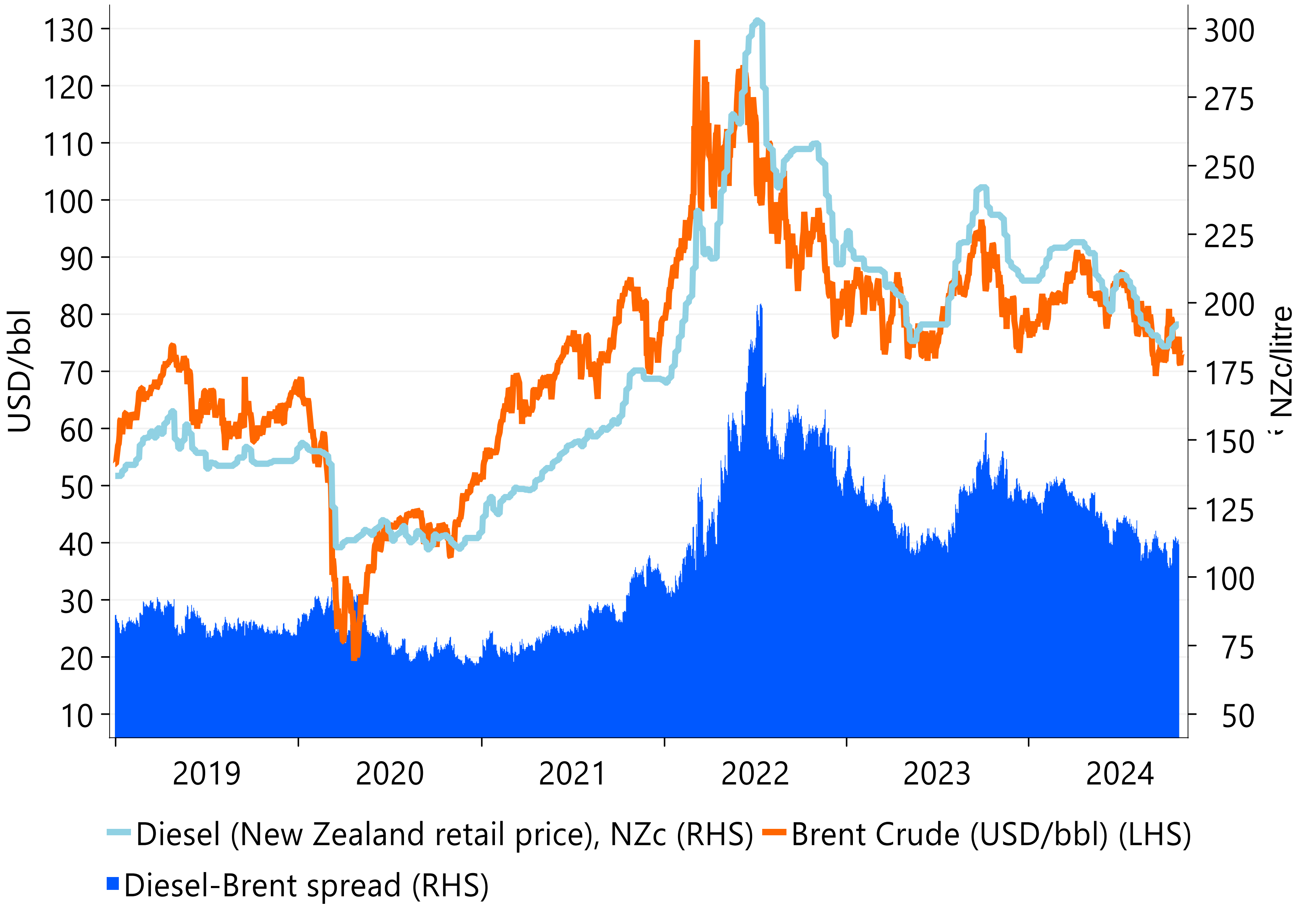
Containerised freight rates on their way back down

Baltic Panamax Index and Dry Container Index, Feb 2021-Feb 2025



Source: *Baltic Exchange, Bloomberg, RaboResearch 2025*

Brent crude versus New Zealand diesel prices, 2019-2024



Source: *Macrobond, NZ Ministry of Business, ICE, RaboResearch 2025*

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Agri price dashboard

21/02/2025	Unit	MOM	Current	Last month	Last year
Grains & oilseeds					
CBOT wheat	USc/bushel	▼	532	554	574
CBOT soybean	USc/bushel	▼	998	1,056	574
CBOT corn	USc/bushel	▼	440	484	574
Australian ASX EC Wheat Track	AUD/tonne	▲	340	330	574
Non-GM Canola Newcastle Track	AUD/tonne	▼	743	766	574
Feed Barley F1 Geelong Track	AUD/tonne	▲	319	305	574
Beef markets					
Eastern Young Cattle Indicator	AUc/kg cwt	▼	652	683	628
Feeder Steer	AUc/kg lwt	▼	349	385	355
North Island Bull 300kg	NZc/kg cwt	▲	735	720	585
South Island Bull 300kg	NZc/kg cwt	▲	700	690	540
Sheepmeat markets					
Eastern States Trade Lamb Indicator	AUc/kg cwt	▼	764	798	636
North Island Lamb 17.5kg YX	NZc/kg cwt	▲	820	800	610
South Island Lamb 17.5kg YX	NZc/kg cwt	▲	800	785	605
Venison markets					
North Island Stag	NZc/kg cwt	•	920	920	865
South Island Stag	NZc/kg cwt	▲	915	910	870
Oceanic Dairy Markets					
Butter	USD/tonne FOB	▲	7,200	6,750	6,513
Skim Milk Powder	USD/tonne FOB	▲	2,988	2,750	2,775
Whole Milk Powder	USD/tonne FOB	▲	4,050	3,788	3,413
Cheddar	USD/tonne FOB	▲	5,013	4,800	4,388

Source: *Baltic Exchange, Bloomberg, RaboResearch 2025*

Agri price dashboard

21/02/2025	Unit	MOM	Current	Last month	Last year
Cotton markets					
Cotlook A Index	USc/lb	▼	76.0	78.1	102
ICE No.2 NY Futures (nearby contract)	USc/lb	▼	64.1	67.1	95
Sugar markets					
ICE Sugar No.11	USc/lb	▲	18.2	18.2	22.6
ICE Sugar No.11 (AUD)	AUD/tonne	▲	645	600	710
Wool markets					
Australian Eastern Market Indicator	AUc/kg	▲	1,195	1,186	1,157
Fertiliser					
Urea Granular (Middle East)	USD/tonne FOB	▲	445	395	378
DAP (US Gulf)	USD/tonne FOB	•	615	615	570
Other					
Baltic Panamax Index	1000=1985	▲	1,045	843	1,595
Brent Crude Oil	USD/bbl	▼	72	79	82
Economics/currency					
AUD	vs. USD	▼	0.623	0.627	0.656
NZD	vs. USD	▼	0.562	0.567	0.620
RBA Official Cash Rate	%	▼	4.10	4.35	4.35
NZRB Official Cash Rate	%	▼	3.75	4.25	5.50

Source: Baltic Exchange, Bloomberg, RaboResearch 2025

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