Surging prices for spring 2025

New Zealand agribusiness monthly

RaboResearch Food and Agribusiness

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Rabobank

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This report is based on information available as at 4/9/2025

Commodity outlooks

Dairy

Milk production growth is clear in most exporting regions across the globe – just as New Zealand's milk production is set to accelerate.

Beef

High prices continue to hold in beef markets. Record saleyard prices, as well as export prices, highlight robust market conditions heading into the 2025/26 season.

Sheepmeat

Lamb prices hit record highs in August, driven by tight supply and strong global demand. Export values surged despite lower volumes, with EU markets continuing to drive value.

Farm inputs

Urea prices rose in early August, driven by strong Indian demand. However, news that China will increase its export allocations for both urea and phosphates helped ease markets later in the month.

Interest rate and FX

The Reserve Bank of New Zealand (RBNZ) cut the OCR by 25bps to 3.00% in August and signalled more cuts to come. RaboResearch expects the OCR to be cut once more, likely in November.

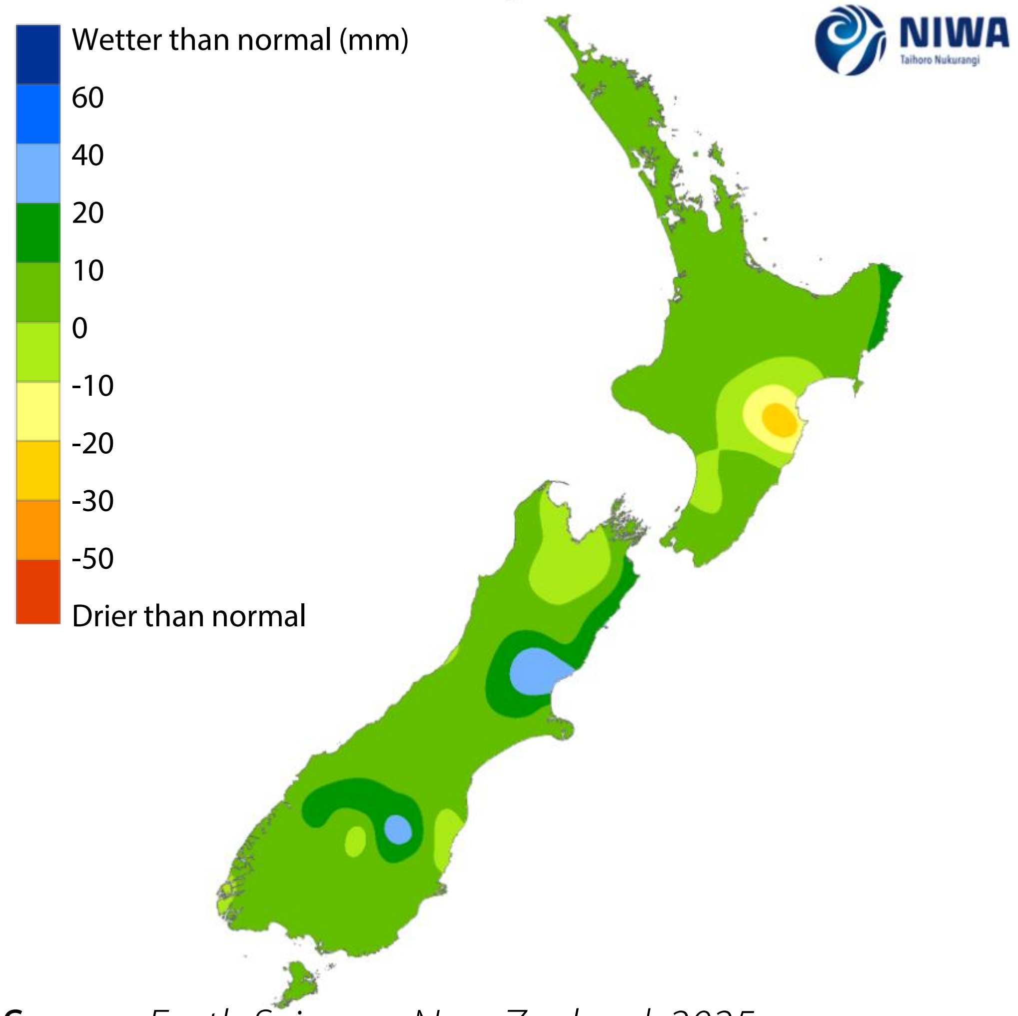
Oil and freight

Oil prices fell in August as markets retraced some of the sharp gains seen in late July after US President Donald Trump threatened to impose secondary sanctions on buyers of Russian crude.

Climate

Variable spring conditions ahead

Soil moisture anomaly (mm), 01 September 2025



Source: *Earth Sciences New Zealand, 2025*

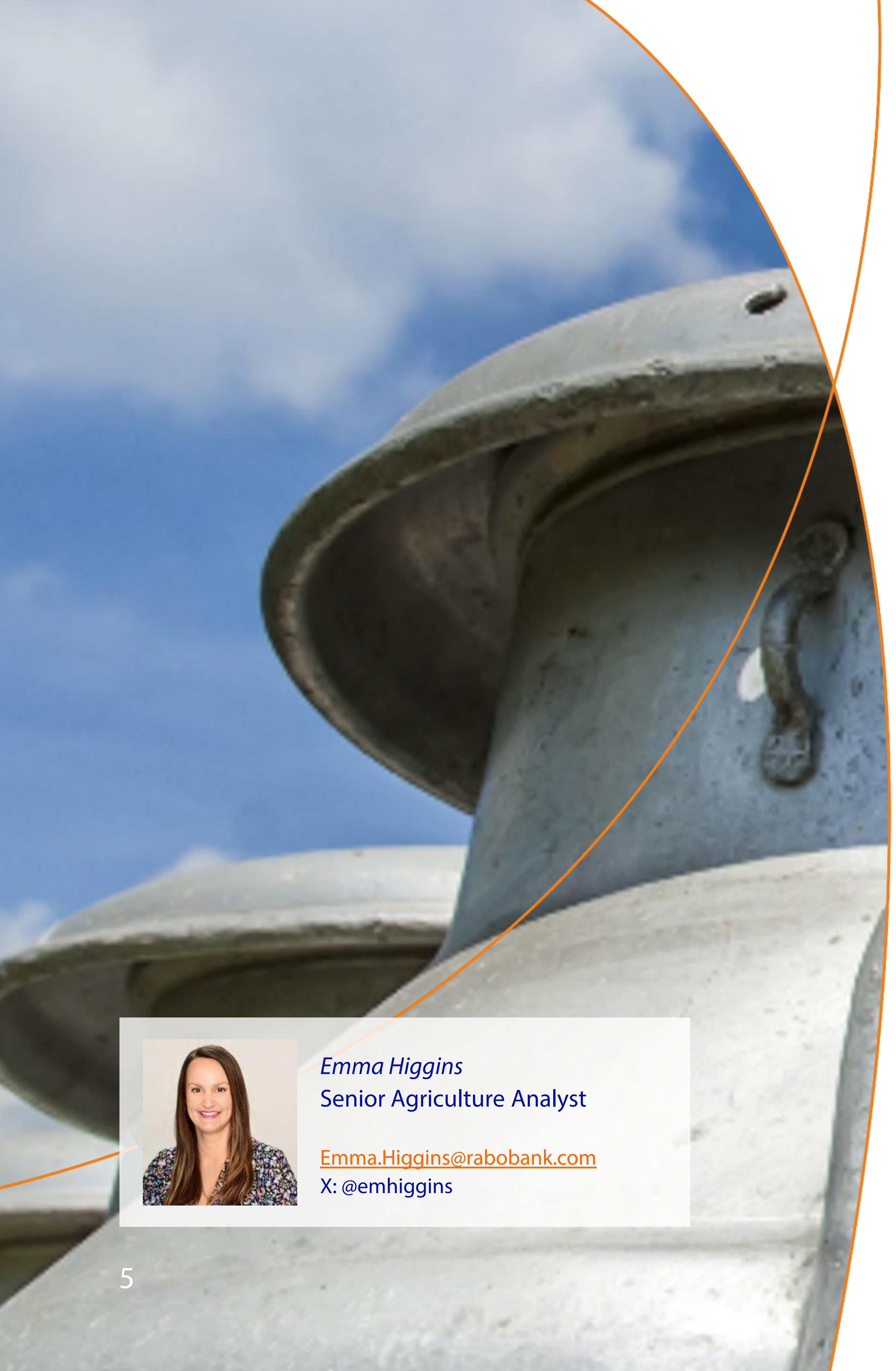
Conditions in the tropical Pacific remain ENSO-neutral, but signs of a shift toward La Niña became clearer in August. Sea temperatures in key regions cooled further, and subsurface waters are also trending cooler, which points to a likely La Niña pattern developing this spring. Forecasts suggest a 60% chance of La Niña forming between September and November, before easing back to neutral in early summer.

For New Zealand, September is expected to bring more westerly winds, followed by higher pressure systems to the south and east in October and November. This will lead to a mix of settled weather and northeasterly flows.

Temperatures are likely to be near or above average across most regions, especially in the South Island's west. Rainfall is expected to be near or above normal in the north and east of the North Island, and drier in parts of the South Island. Soil moisture and river flows may be lower than usual in some areas.

What to watch:

- **La Niña-like patterns have become more frequent and repetitive in recent years**, suggesting a possible shift in climate norms for New Zealand. This could mean wetter summers in the north, drier spells in the south, and greater volatility overall.
- New Zealand is seeing more frequent, intense weather swings, and it's starting to feel like this could be the new normal. As grass growers, we'll need to be ready to manage both drought and flood risk, sometimes within the same season. That means thinking ahead with flexible grazing plans, smart water use, and infrastructure that can handle the extremes. Maximising the value of homegrown feed in the future will require more agile systems and built-in resilience to adapt to changing conditions while making the most of seasonal growth.



Dairy

Critical weeks ahead for New Zealand dairy supply

Dairy commodity prices were mixed in August 2025. According to USDA data, most products weakened, with skim milk powder the only exception, rising a modest 2% for the month. Despite recent softness, all commodities except cheddar cheese remain above January levels. Butter and whole milk powder (WMP) prices are notably strong, currently sitting at double-digit levels above the five-year average.

Milk production is clearly expanding across major exporters. US milk collections rose 3.4% YOY – the strongest growth since May 2021 – driven by larger herds, better yields, solid margins, and a rebound from last year's avian influenza impact. In New Zealand, milk flows posted two consecutive months of strong growth, albeit from low volumes, with peak production still ahead. In contrast, European milk output fell 0.8% in the first half of 2025, largely due to reduced cow numbers, despite strong margins and improved yields.

Looking ahead, milk supply growth is expected to continue across most exporting regions. Supportive farmgate margins, recovery from last year's disease disruptions, and favourable weather conditions are key drivers. Farmgate milk prices in Europe and Oceania remain near record highs, while feed costs are expected to stay manageable through 2026 due to ample supply.

However, global dairy demand faces headwinds. Consumption remains sluggish, particularly among low- and middle-income consumers, with foodservice channels still under pressure. A lift in consumer confidence will be essential to revive discretionary spending. China continues to grapple with weak consumption, and recovery across Southeast Asia is uneven. In the US, concerns over the labour market and tariffs are weighing on consumer sentiment.

The key factor influencing New Zealand milk price forecasts is short-term demand strength as seasonal production ramps up. New Zealand dairy exports to China remain relatively expensive compared to locally produced alternatives.

What to watch:

- **On watch for La Niña conditions ahead –** The National Oceanic and Atmospheric Administration (NOAA) has declared a La Niña watch for the coming months, with close monitoring on how this will impact milk production regions in the Southern Hemisphere. In New Zealand, a La Niña event tends to bring more northeasterly winds. This has historically resulted in more rain in northeastern areas of the North Island, while the lower and western South Island typically has less rainfall.

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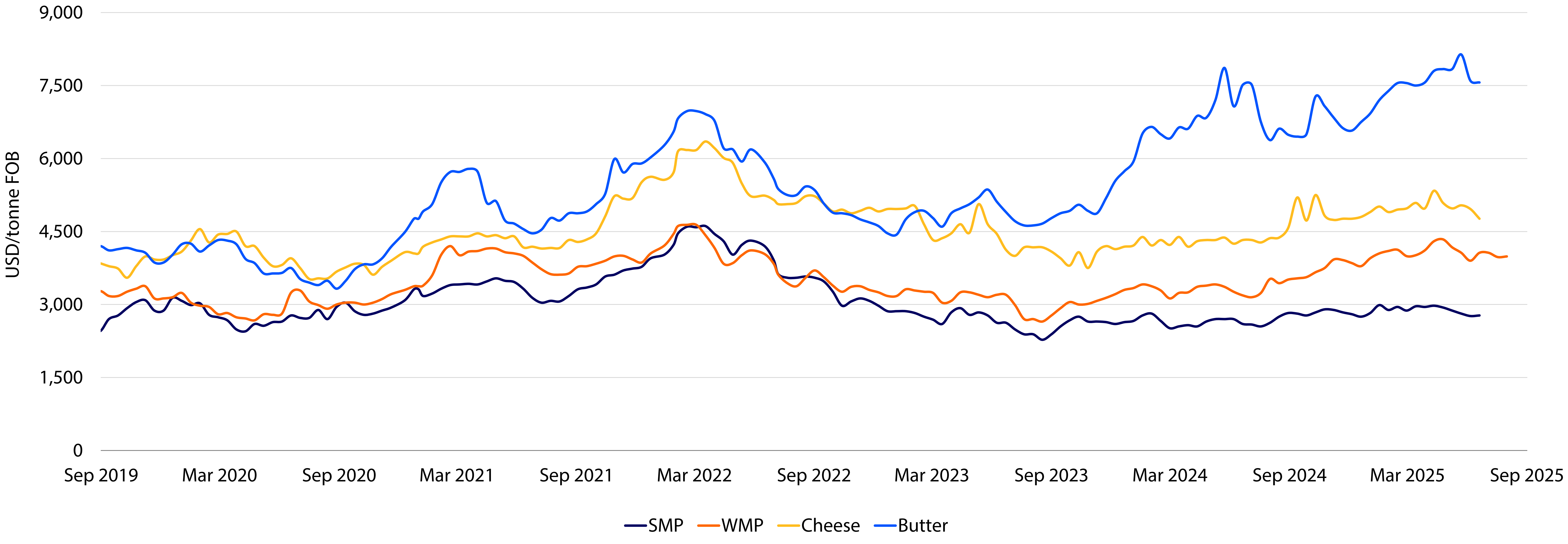
Dairy

Modest falls across the dairy complex in July

Oceania spot prices for dairy commodities



Source: *USDA, RaboResearch 2025*

Beef

Saleyard prices soar to new heights

Farmgate cattle prices continued to break records through August, traditionally the month with the lowest headcount for slaughter, and prices are still climbing. **Prime steer beef prices reached NZD 8.85/kg,** according to the AgriHQ average indicator.

New Zealand Meat Board statistics show national slaughter numbers are down 4.7% YOY, with 44 weeks of the 2024/25 export season now complete. Steer and cull cow volumes are down 9.5% and 5.6% respectively, while bobby veal is down 18%, representing 96,000 fewer calves processed.

A tight winter supply of cattle across New Zealand is driving very strong saleyard activity. AgriHQ's August saleyard price indicator shows prices averaging over 40% higher than the four-year average for the same weeks in August. This translates to roughly NZD 1 more per kg live weight for store cattle, making it costly for farmers to secure stock – a factor that could pressure margins heading into the season. However, the pricing outlook for 2025/26 remains strong.

July export volumes were the lowest for that month since 2017, at 35,850 tonnes, but this was offset by a record average export price of NZD 11.20/kg FOB, resulting in a total export value of NZD 401.5m.

Global demand for New Zealand beef remains strong, led by the US, which accounted for 41% of shipped volume and 43% of export value in the month of July. The average export price to the US was NZD 11.73/kg FOB, the highest ever for July, smashing the previous record (set in July 2022) by NZD 1.14/kg. While China's demand remains subdued, July export value rose 13.8% YOY to NZD 73.4m, with similar volumes shipped but at a stronger average price of NZD 7.85/kg FOB, up from NZD 6.83/kg last year, a potentially positive signal of the rumoured lower beef supply in China.

The continued strength in global demand is supporting store market activity and encouraging investment in cattle, even as domestic supply remains constrained.

What to watch:

- **Australian safeguard limits triggered:** China has now imposed a 12% tariff on Australian beef after its 2025 safeguard threshold of 208,300 tonnes was reached in late July. South Korea has also activated its safeguard (exceeding 192,206 tonnes), applying a 24% tariff for the remainder of the year. The US threshold (449,482 tonnes) for Australian beef is also close to being met. These tariffs are likely to raise the cost of Australian beef in key markets, potentially disrupting export flows and dampening processing demand. With limited alternative suppliers, New Zealand beef could benefit from short-term opportunities in these markets, particularly China, if Australian product volumes decline.

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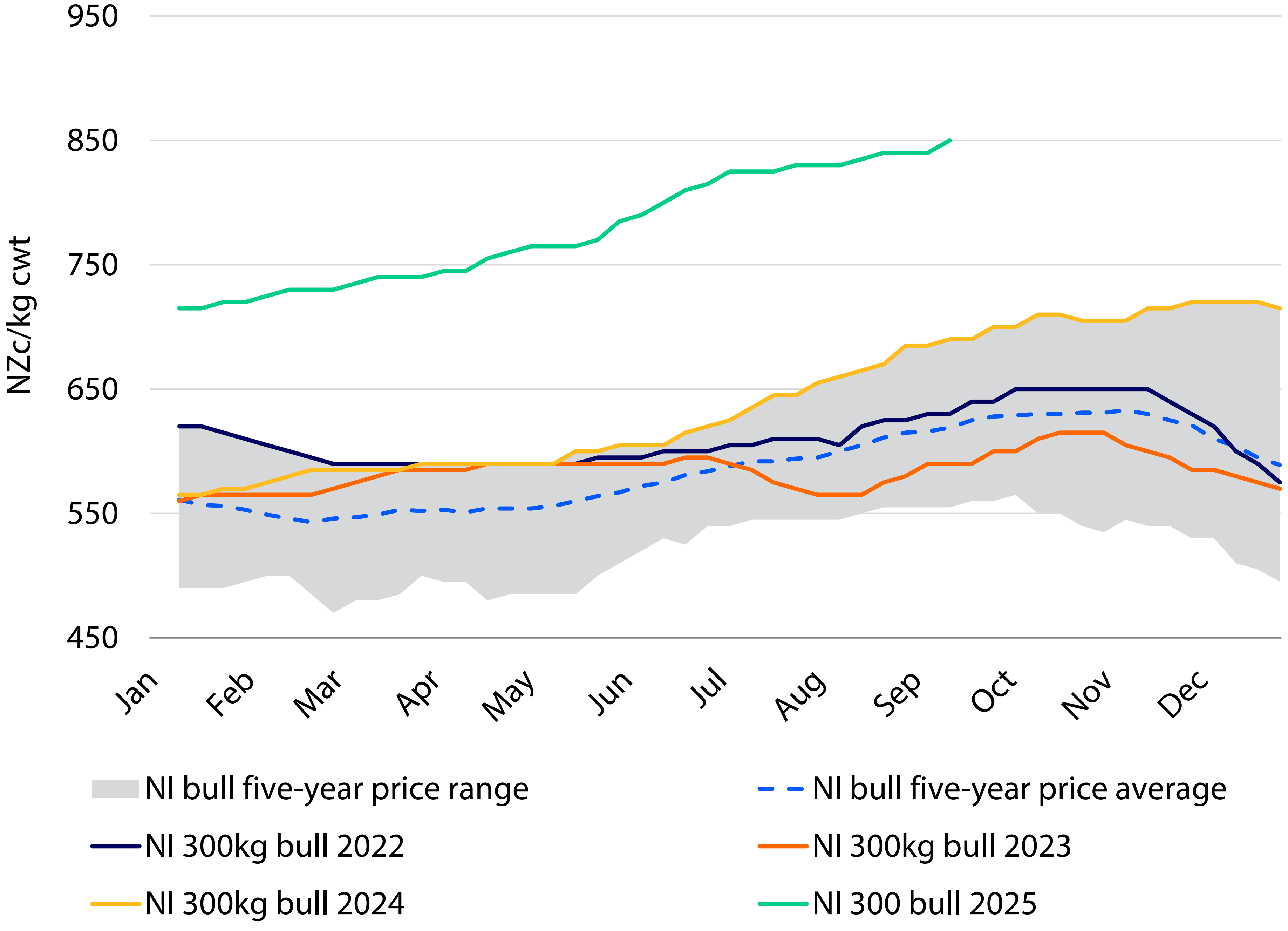
Beef

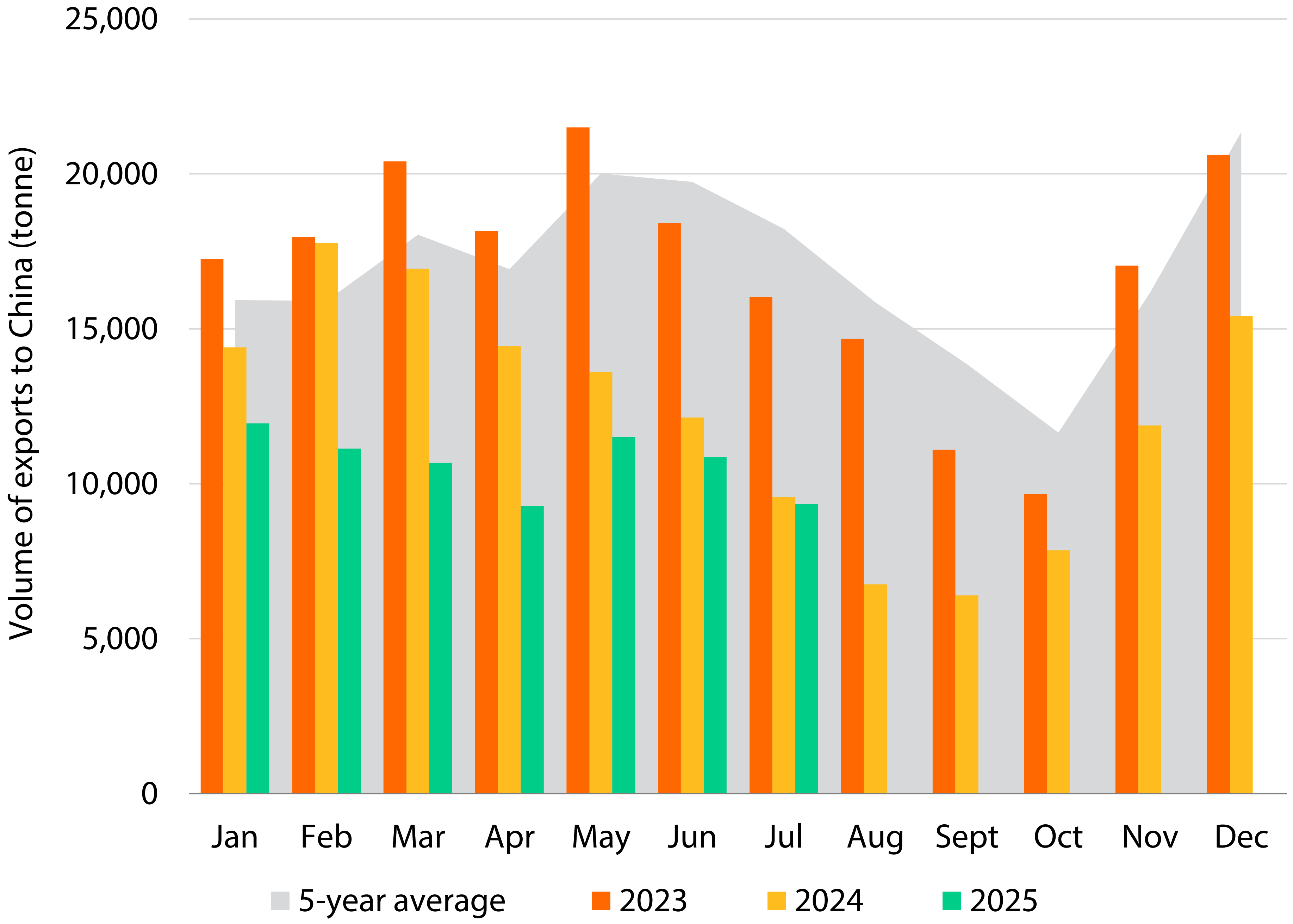
High prices continue whilst China market remains subdued

AgriHQ North Island bull price



Source: AgriHQ, RaboResearch 2025

China export volumes well below the five-year average



Source: StatsNZ , RaboResearch 2025

Sheepmeat

Record prices amid tight supply

Farmgate lamb prices have reached historic highs, with the AgriHQ indicator surpassing NZD 10.00/kg cwt for the first time in August. This marks a sharp turnaround from the same period last year, when prices had only just climbed above NZD 7.00/kg cwt. While the current price point was anticipated, the pace of the rise is notable. Early signals suggest strong pricing for new season lambs, supported by tight supply and robust offshore demand.

Winter typically sees lower slaughter volumes, but South Island lamb throughput in July was significantly higher than the same period last year – by up to 50%. This likely reflects more lambs being carried through winter, thanks to improved feed conditions and pricing incentives. Despite this regional lift, total lamb kill to week 44 of the export season sits at 15.2m head, down 1.22m YOY. Meanwhile, mutton slaughter is up 8.6% nationally (+256,000 head), possibly a catch-up from last year's lower kill. It remains a key metric to monitor.

Export markets are strong and more diverse than in previous years. The average export price for lamb hit another new record in July, at NZD 14.71/kg FOB. EU demand is a major driver, with record prices being paid. While export volumes did not break any records, July sheepmeat exports totalled 22,780 tonnes (18,828 tonne of lamb) – the lowest July volume since 2016. Despite this, elevated prices pushed total export value up 21% for the month (versus July 2024) at NZD 308m, second only to July 2022. From April to July, China paid around 25% more for lamb (average export price) than in 2024, hopefully an early sign of a slow recovery in this critical market.

Looking ahead, the combination of tight domestic supply and strong international demand is expected to support pricing through spring. Exporters will be closely watching China for signs of sustained recovery and a lift in demand, while Northern Hemisphere markets continue to provide a solid foundation for demand and pricing heading into Christmas.

What to watch:

- **Sheep inventory in New Zealand.** According to Beef + Lamb New Zealand's Stock Number Survey, the country's total sheep flock declined modestly by 1.0% to 23.36m head as of 30 June 2025. Breeding ewe numbers have reportedly dropped by 1.9%, signalling further pressure on future lamb production. The spring 2025 lamb crop is forecast at 19.29m head, down 0.6% YOY, following a significant decline in the current season.
- Despite improved prices and farmer sentiment, the sector faces challenges in maintaining critical mass and export capacity. Monitoring ewe numbers remains key to understanding production trajectory.

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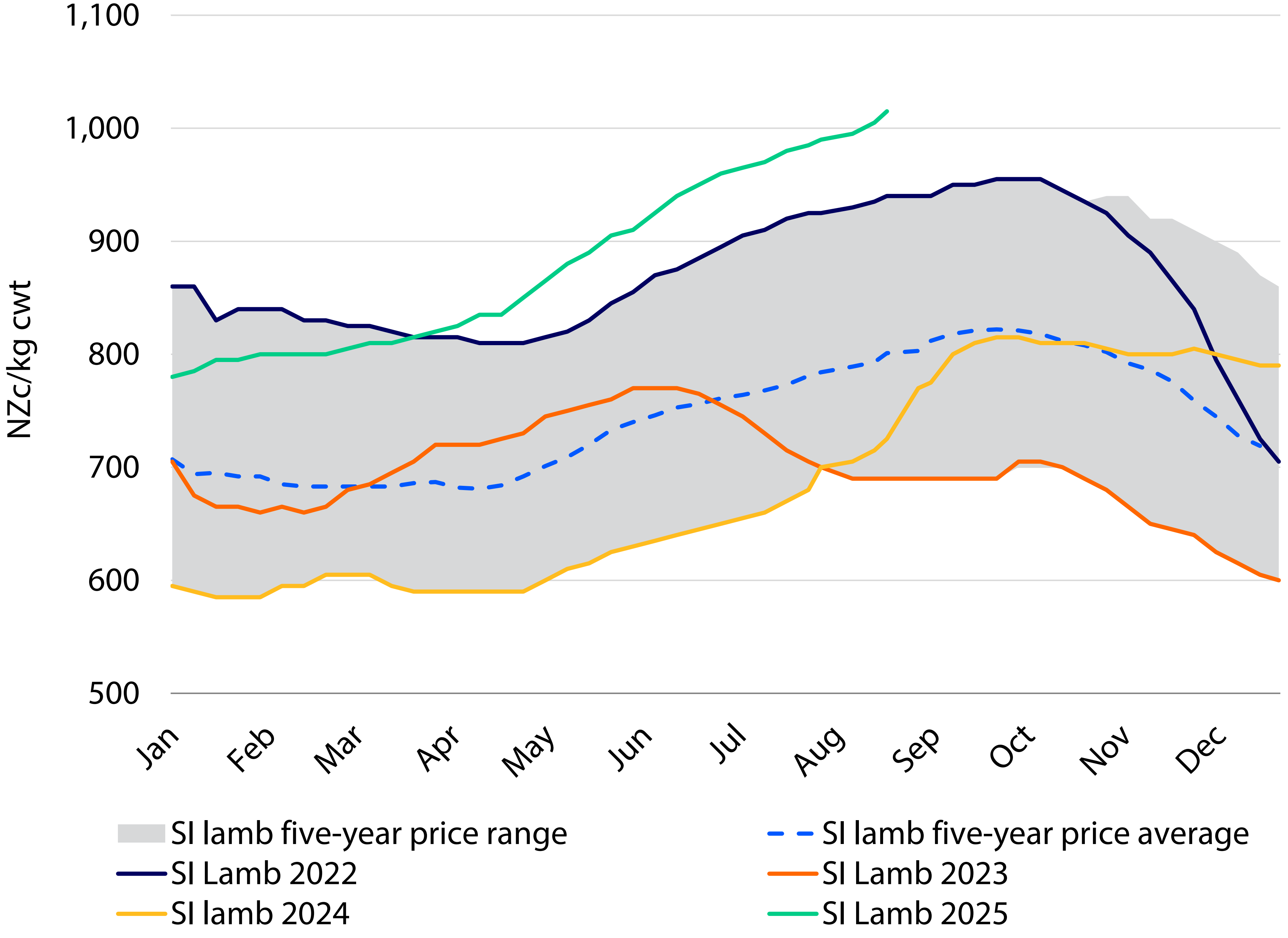
Sheepmeat

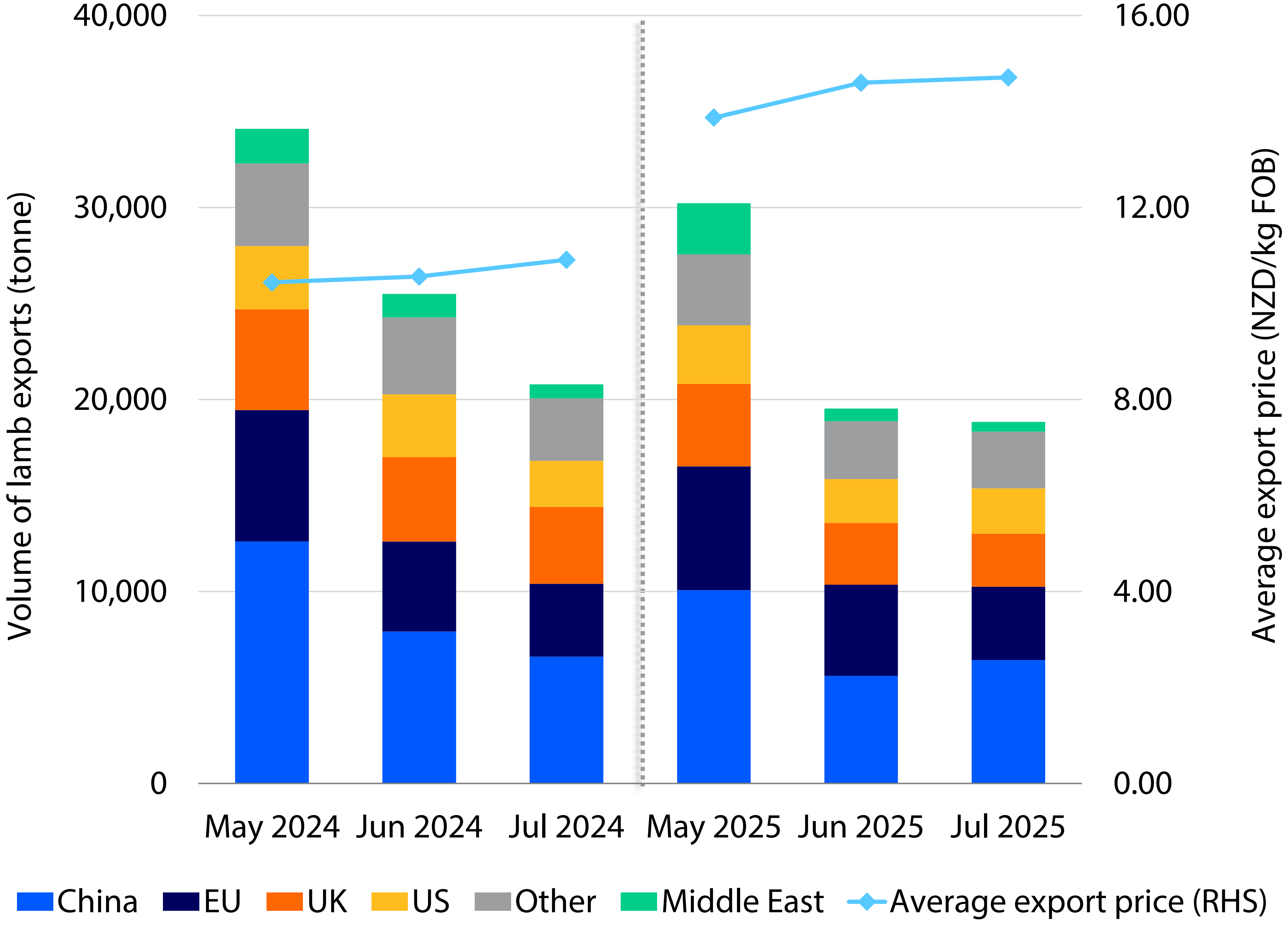
EU demand for lamb volumes fuelling the higher export value

AgriHQ SI lamb following usual seasonal trend



Source: AgriHQ, RaboResearch 2025

Export price gains help balance lower volumes for lamb



Source: StatsNZ, RaboResearch 2025

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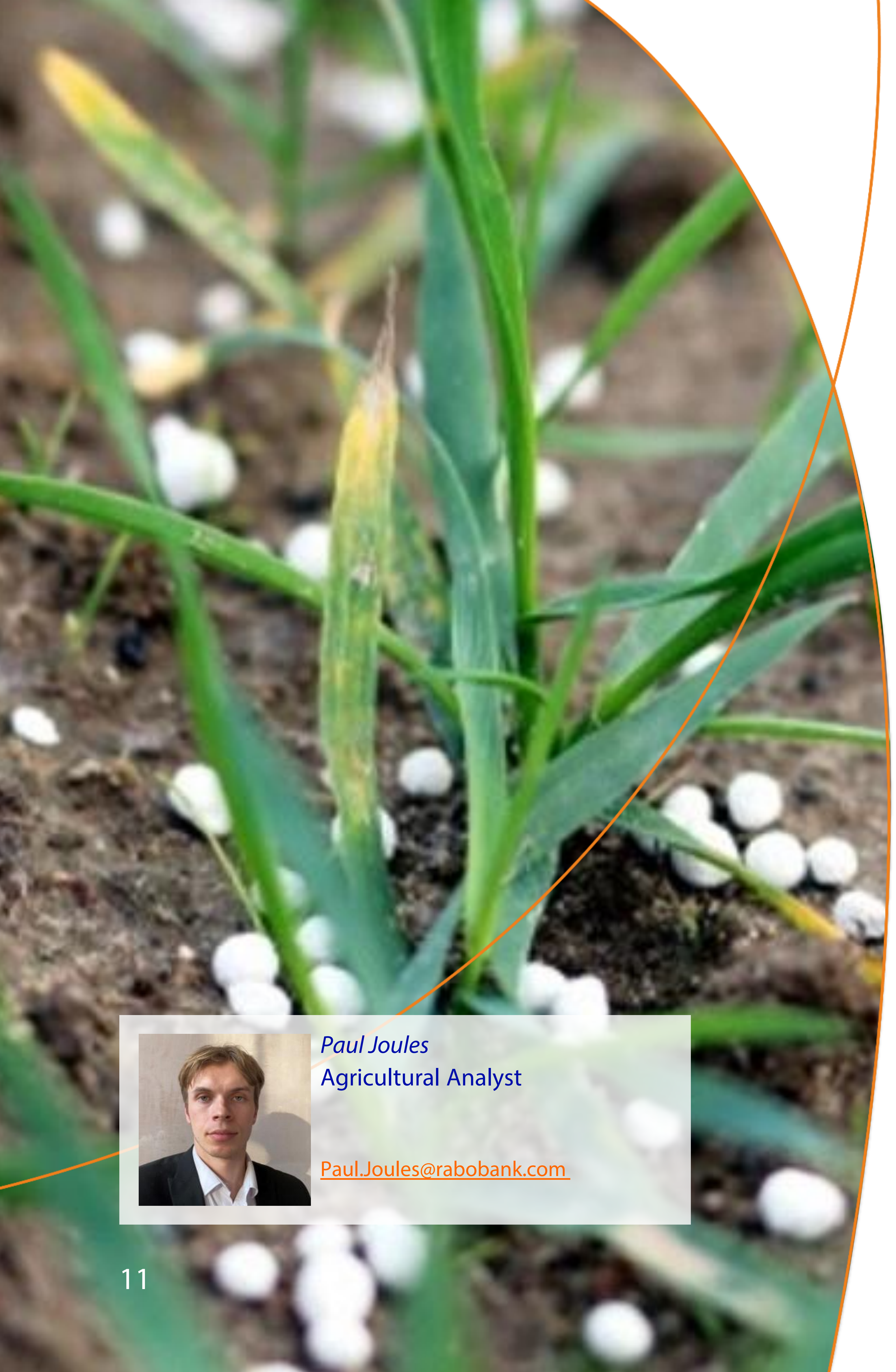

Farm inputs

Urea prices decline month-on-month

Urea prices were once again in focus last month, with FOB granular bulk prices declining by 7% in August in New Zealand dollar terms. Prices eased in recent weeks as news broke that China would be increasing its export allocations for both phosphate and urea.

DAP prices also responded to the move having eased last week. This helped to offset gains made earlier in the month with prices rising 2% MOM to reach NZD 1,380/tonne. Potash prices held steady at NZD 582/tonne.

Despite the de-escalation of the Israel-Iran war, urea continues to trade at elevated levels, with current prices 19% above the average levels for 2024. One of the key reasons for this is that very strong Indian demand has been absorbing a large proportion of already tight global supplies. Interestingly, China has now relaxed its prior export restrictions on India (which began last year), and urea volumes can flow to the world's largest urea importer. As both countries face trade tensions with the US, it appears that ties between the two BRICS member countries are strengthening. Although urea volumes will initially be fairly small, they have the potential to expand, and this could prove to be a catalyst for weaker urea prices in the long term. That said, in the short term, Indian demand will likely continue to be strong, with internal stocks still weaker than last year, and this could continue to prop up prices.

On the agrochemical side, we've recently seen a small uptick in some Chinese chemical prices, such as glyphosate. The move higher appears to be due to strong Brazilian demand, which has tightened stocks in China. Fortunately, the recent decline in containerised freight rates should prevent retail prices from rising substantially in New Zealand.

What to watch:

- **Despite this month's price action, urea prices remain elevated. This, alongside weakening corn prices, means that urea prices relative to corn are now around their highest level since April 2022.** With margins under pressure globally, growers may be inclined to reduce urea applications, and this could also have an influence on crop decisions – growers may prefer soybeans given their lower nitrogen requirements. Ultimately, this could translate to lower demand for urea globally, and this could prevent prices from moving substantially higher.

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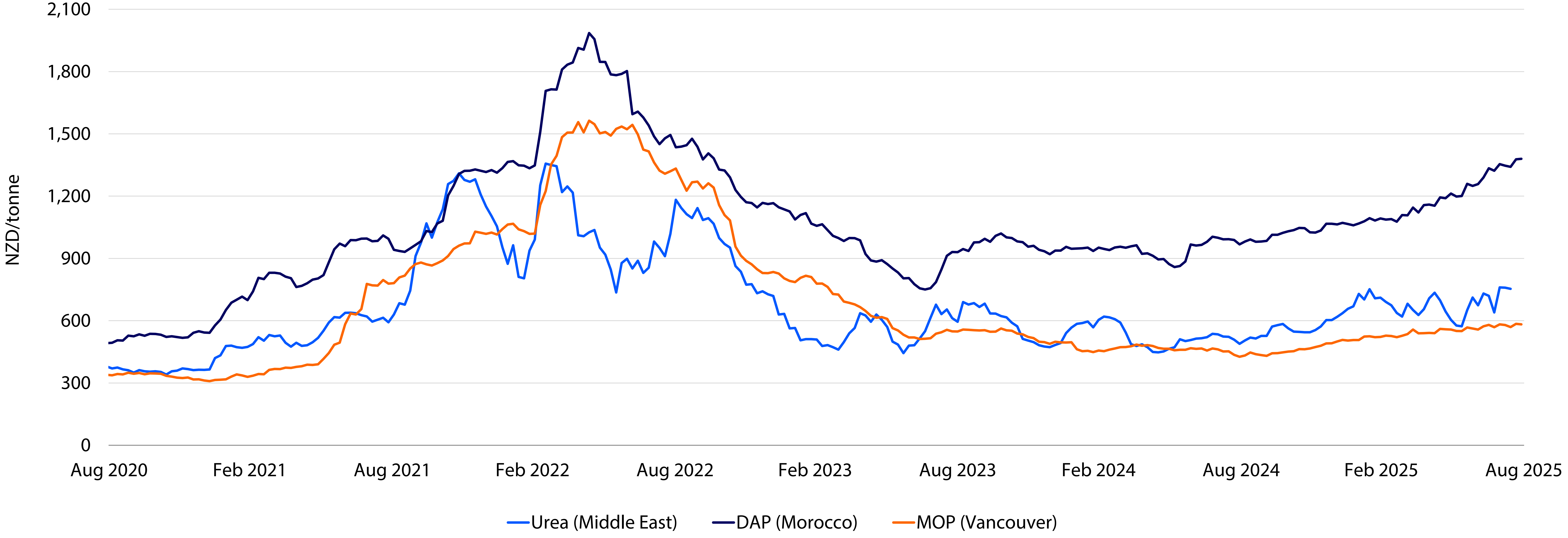
Farm inputs

Urea prices correct lower month-on-month, but remain elevated

News that China will be increasing its export allocations for both phosphate and urea helped ease markets



Source: *CRU, RaboResearch 2025*

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Interest rate and FX

The RBNZ takes a dovish tilt

The RBNZ delivered another cut to the official cash rate (OCR) in August, taking it down to 3.00%. While we had anticipated this would be the final cut of the easing cycle, the RBNZ suggested that a stall in the Q2 economic recovery was sufficiently concerning to make further cuts to the OCR likely, even going so far as to disclose that they considered cutting the OCR by a full half a percentage point in August.

Consequently, we have revised our OCR forecast to incorporate one more cut, which we now expect at the November meeting. This is still a little more conservative than market expectations, which now price in almost two 0.25ppt cuts priced in by May next year.

Part of the reason why we are predicting fewer cuts is because there is still a lot of stimulus to wash into the New Zealand economy from cuts already delivered. One third of New Zealand's total mortgage book will reset to lower rates in the six months from July, providing a handy cashflow boost to households that is likely to support consumption and overall growth.

The New Zealand dollar closed August at 0.5893 against the US dollar, virtually unchanged from where it began the month (0.5890). This contrasts with the Australian dollar, which closed the month 1.8% higher.

The two currencies usually move in tandem, but the hint of more interest rate cuts to come from the RBNZ, combined with a cautious tone from the Reserve Bank of Australia, saw the New Zealand dollar lose ground against the Australian dollar. That's great news to New Zealand's exporters, although it may put a little more upward pressure on input prices.

We expect the New Zealand dollar to remain close to its current value over the next six months, with a gradual rise toward 0.6100 against the US dollar on a 12-month view.

What to watch:

- **Q2 national accounts (GDP), 18 September** – The Q2 national accounts will provide a clearer picture on just how much the economic recovery stalled in the second quarter of the year. This data will be a key input for the RBNZ's future decisions on the OCR. If growth exceeds expectations, we anticipate fewer rate cuts (all else being equal), whereas a very weak (or negative) figure would raise the probability of the RBNZ providing more monetary support.

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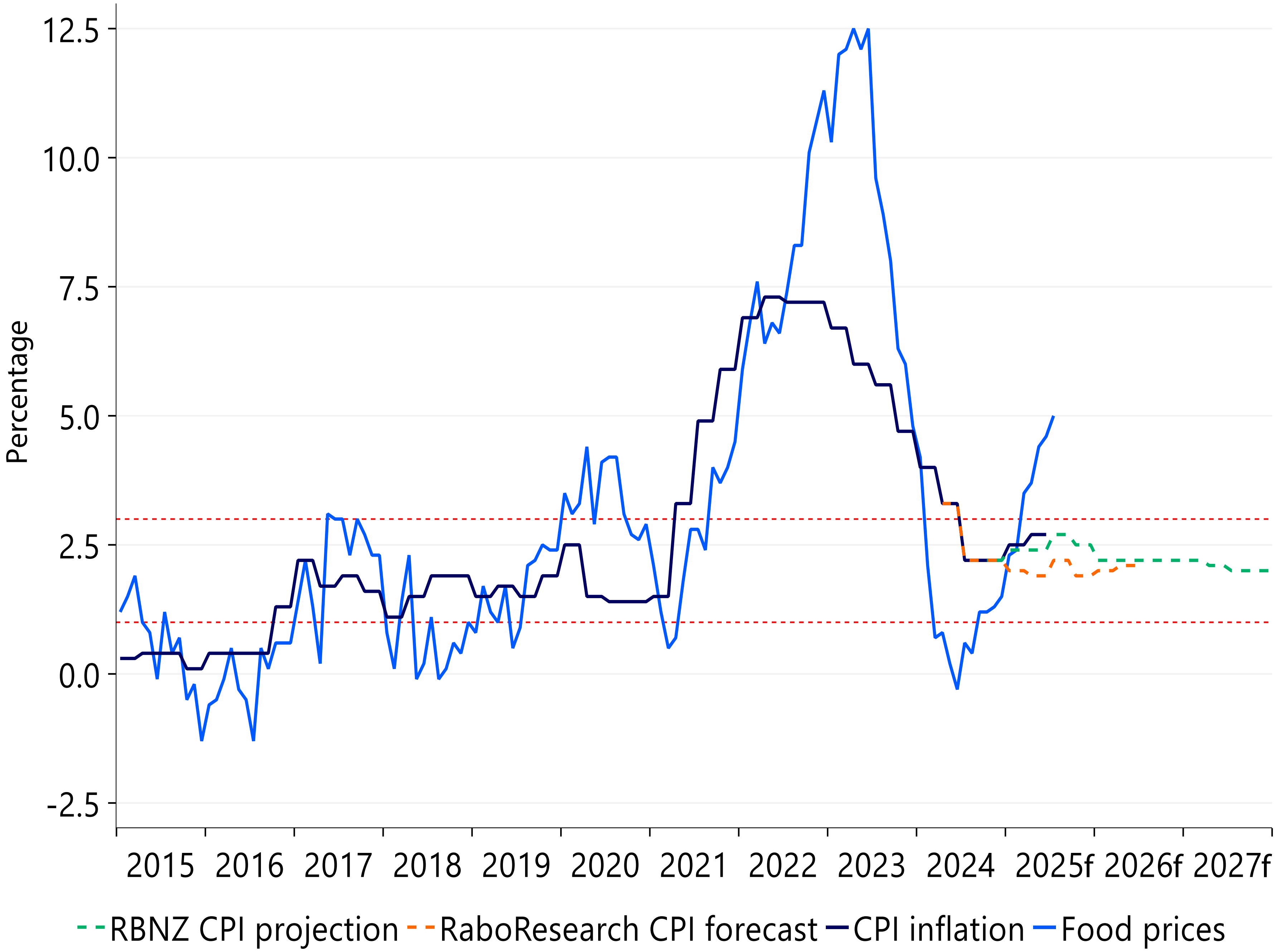
Interest rate and FX

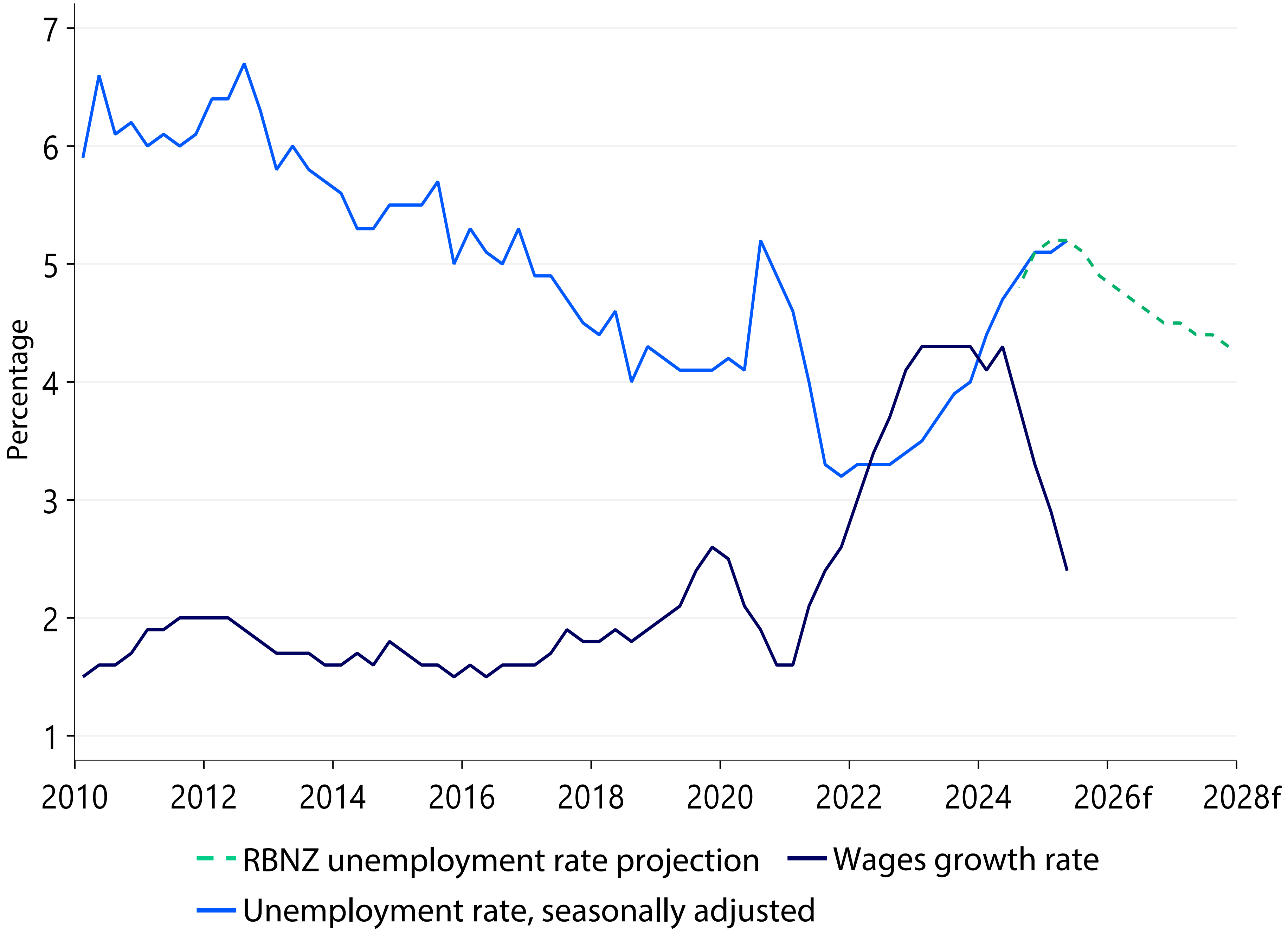
Can the RBNZ bend the unemployment curve?

New Zealand inflation indicators, 2015-2027f

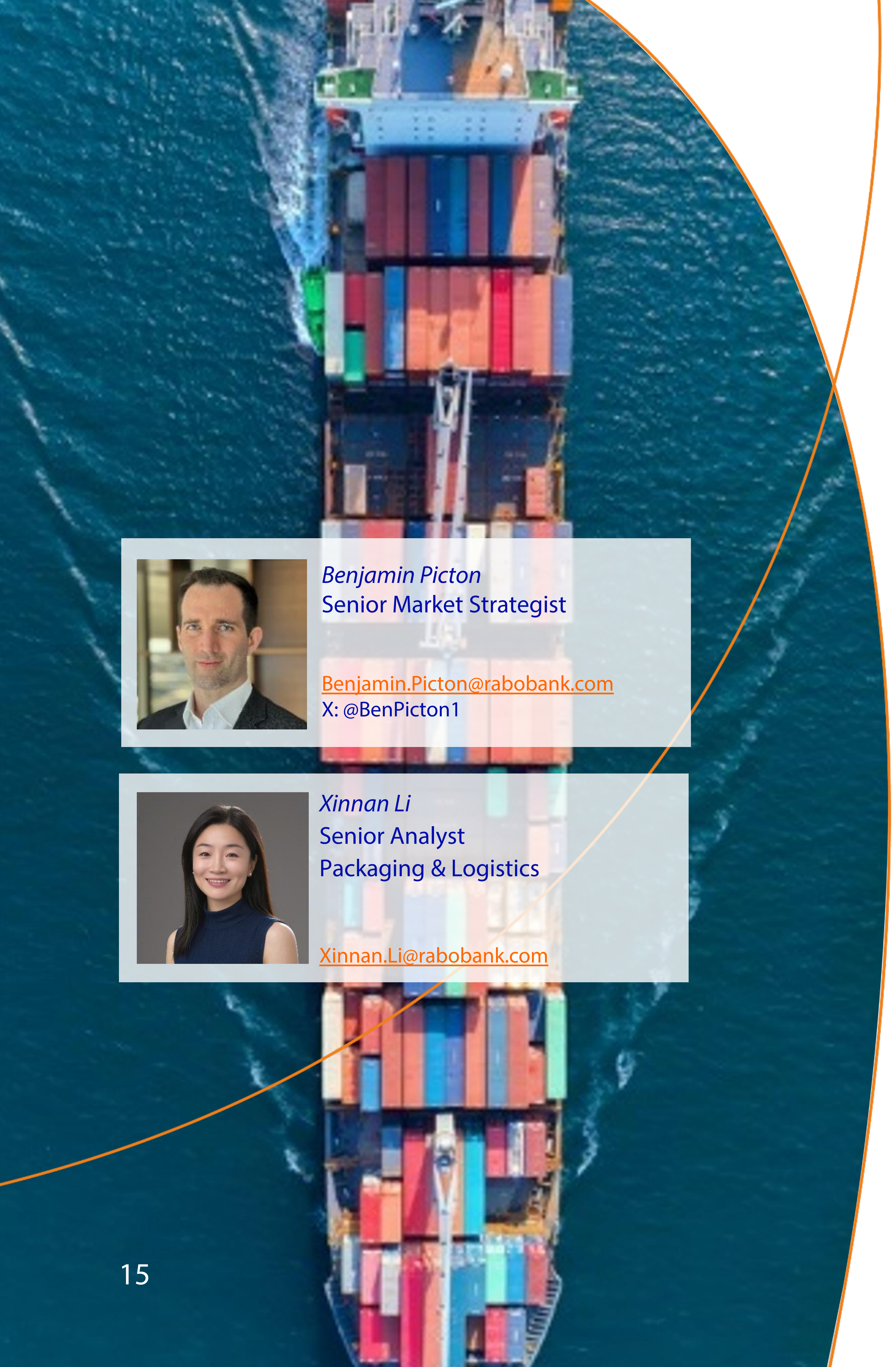


Source: *Macrobond, Stats NZ, RBNZ, RaboResearch 2025*

New Zealand labour market indicators, 2010-2028f



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



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Oil and freight

Finally, some relief

Benchmark Brent crude oil prices closed lower in August for the first time since April. The imposition of steep reciprocal tariffs by the US weighed on energy prices by dampening the outlook for global economic growth.

This downward pressure was partially offset by threats of secondary sanctions on buyers of Russian crude cargoes, although most of the effect on prices occurred in late July. If implemented successfully, such sanctions would effectively remove Russian supplies from the market, as buyers become reluctant risk penalties from the US.

India has already been affected by secondary sanctions, with an additional 25% tariff imposed on its goods exports to the US (on top of the 25% reciprocal tariffs).

Low inventories and scheduled refinery closures in the EU and the US later this year are expected to keep prices for distillates, such as diesel, elevated relative to crude oil.

Freight rates across major routes – including Asia–Europe, trans-Pacific, and trans-Atlantic – continued to decline. In response, carriers are implementing cost-control strategies, including slow steaming, returning chartered vessels, and switching to more fuel-efficient options like very low sulphur fuel oil (VLSFO). On the Asia–Europe route, carriers responded to softening spot rates and excess capacity by raising rates and blank sailings. Strategic shifts are also emerging amid ongoing tariff uncertainty between the US and China. Some shipping alliances have restructured services to avoid high US port fees on Chinese-built vessels. Meanwhile, the China-Mexico trade lane gained momentum, with carriers such as OOCL launching new express services to capitalise on shifting supply chains.

The Baltic Panamax index (a proxy for grain bulk freight) is trending upward despite of geopolitical uncertainty. It benefits from healthy fundamentals - resilient coal demand, grain flows from Brazil, and active period chartering.

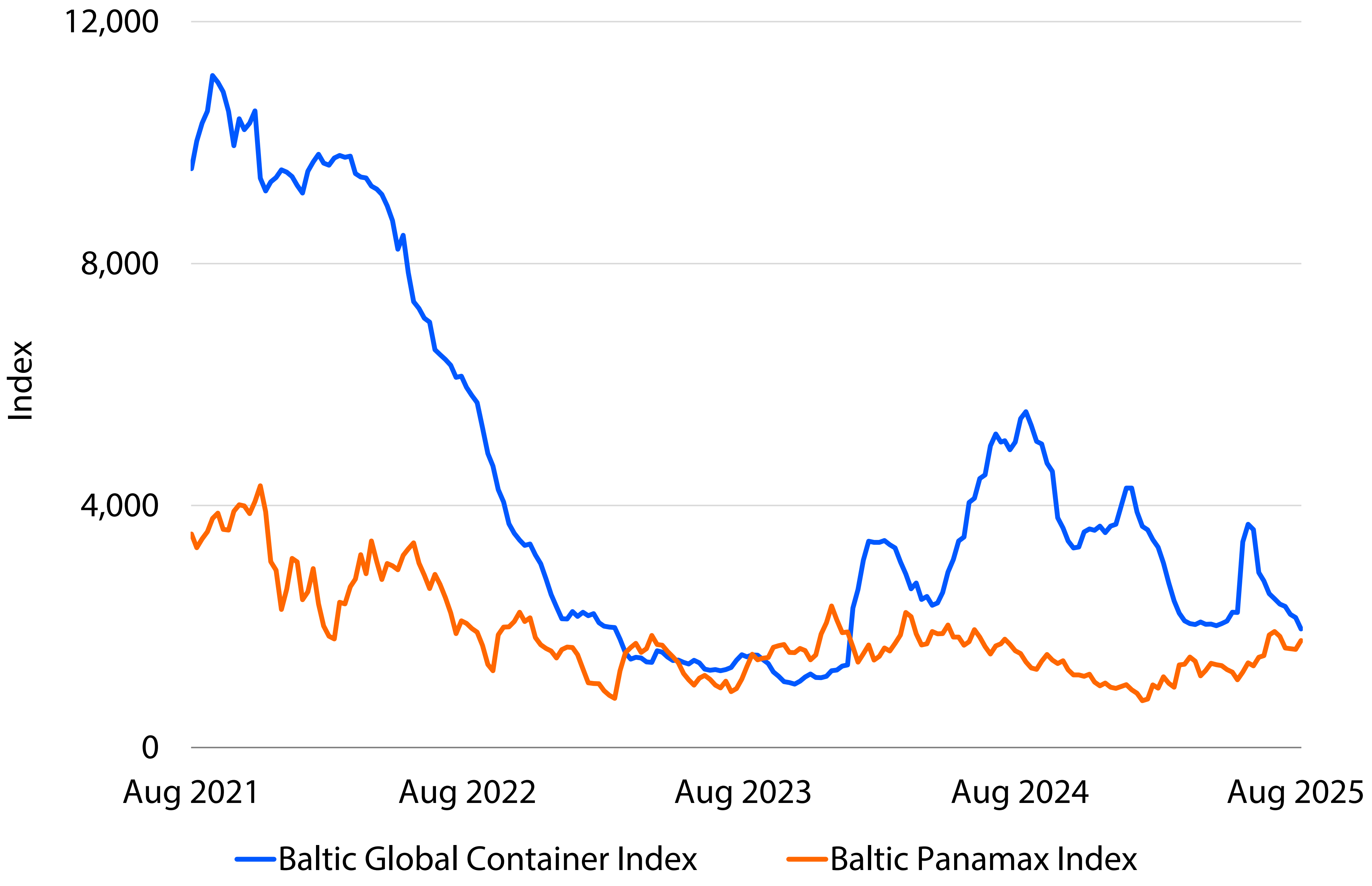
What to watch:

- **OPEC Oil Market Report, 11 September** – OPEC will release updated estimates of the global energy market's supply and demand balance.

Oil and freight

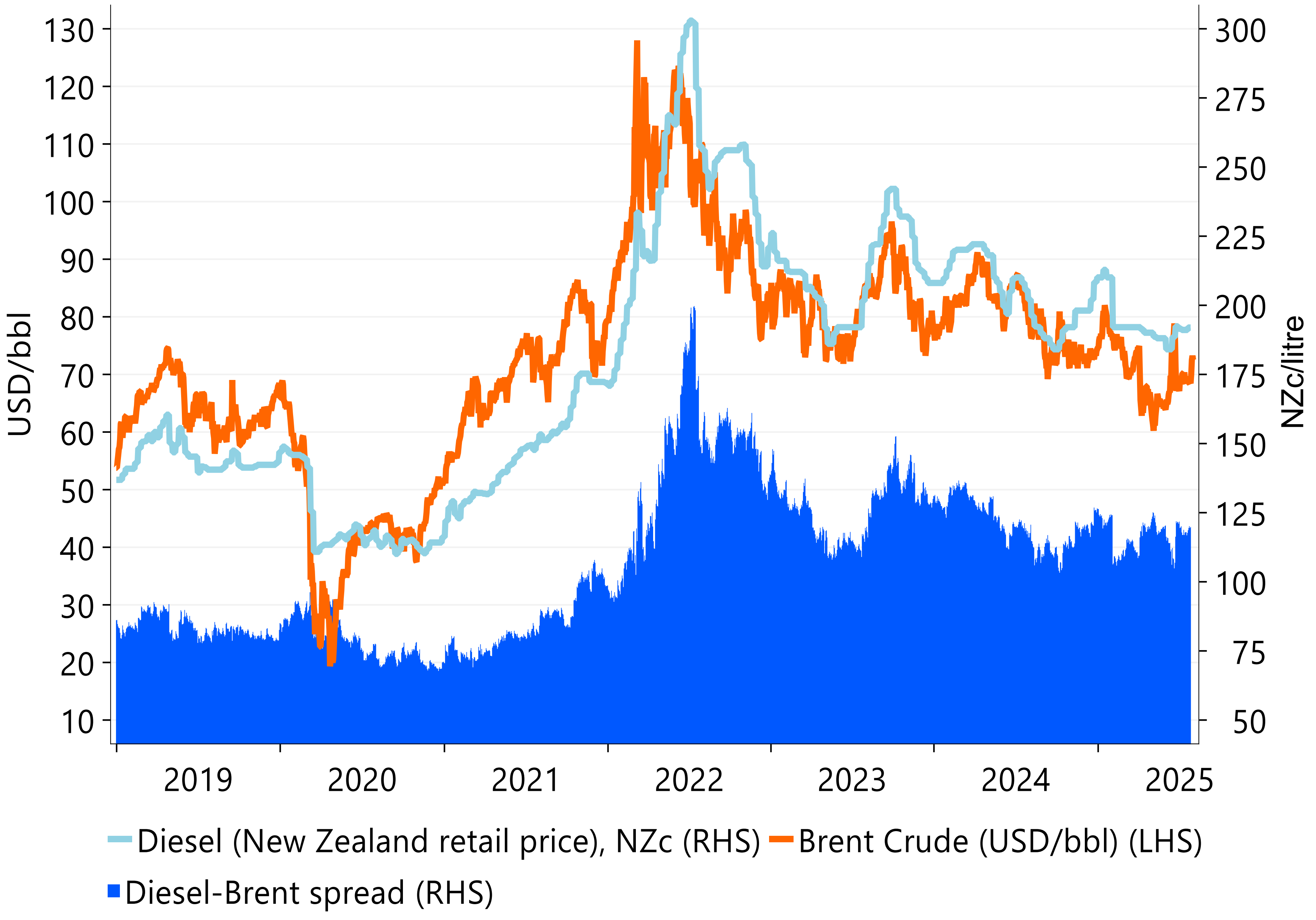
Crude falls, but diesel prices are proving more sticky

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



Source: *Baltic Exchange, Bloomberg, RaboResearch 2025*

Brent crude versus New Zealand diesel prices, 2019-2025



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

Agri price dashboard

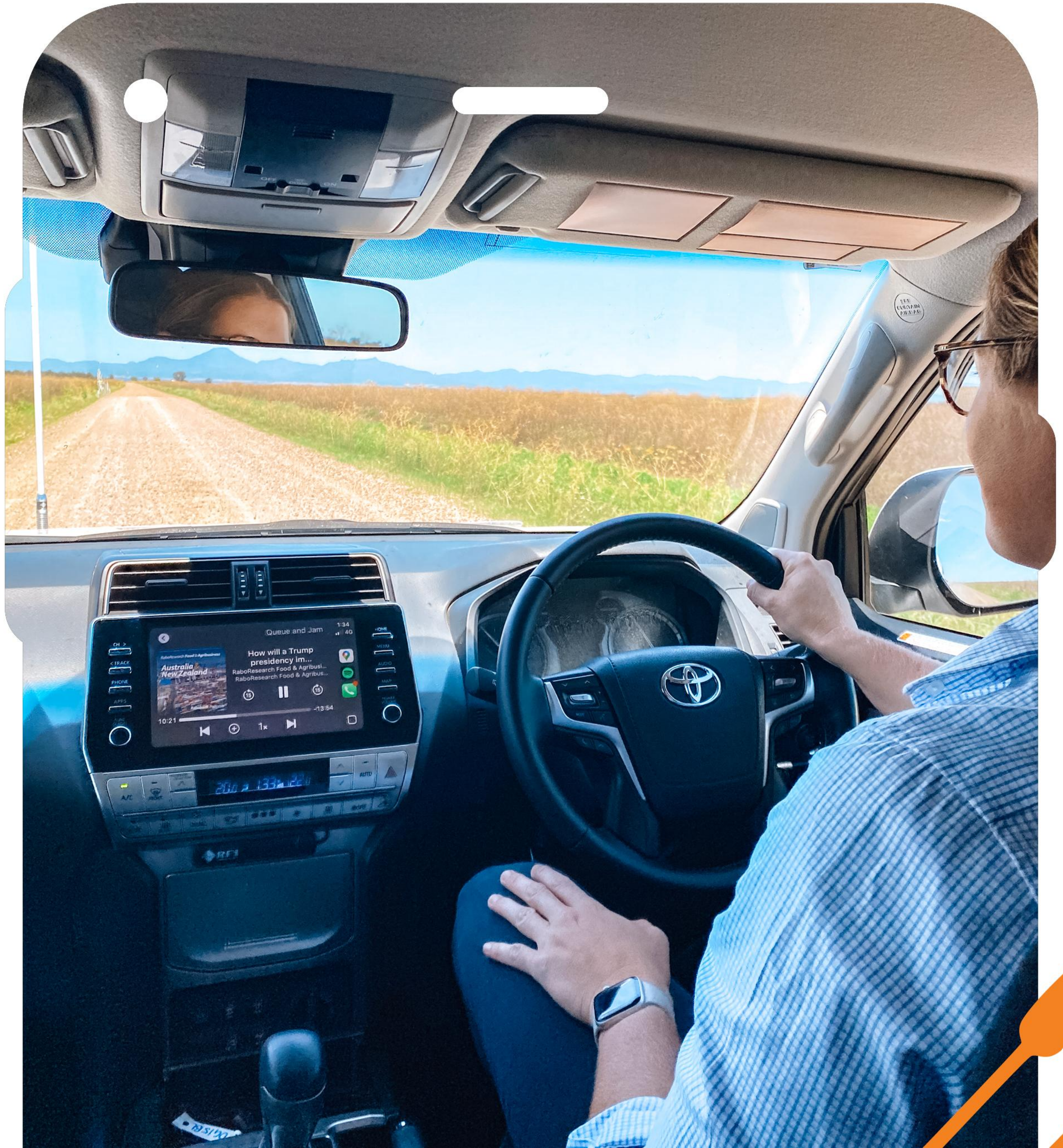
26/08/2025	Unit	MOM	Current	Last month	Last year
Grains & oilseeds					
CBOT wheat	USc/bushel	▼	505	539	508
CBOT soybean	USc/bushel	▲	1,024	989	508
CBOT corn	USc/bushel	▼	389	394	508
Australian ASX EC Wheat Track	AUD/tonne	▼	318	329	508
Non-GM Canola Newcastle Track	AUD/tonne	▼	755	758	508
Feed Barley F1 Geelong Track	AUD/tonne	▼	307	323	508
Beef markets					
Eastern Young Cattle Indicator	AUc/kg cwt	▲	879	854	685
Feeder Steer	AUc/kg lwt	▲	458	420	371
North Island Bull 300kg	NZc/kg cwt	▲	850	830	685
South Island Bull 300kg	NZc/kg cwt	▲	790	765	615
Sheepmeat markets					
Eastern States Trade Lamb Indicator	AUc/kg cwt	▼	1,148	1,190	807
North Island Lamb 17.5kg YX	NZc/kg cwt	▲	1005	975	730
South Island Lamb 17.5kg YX	NZc/kg cwt	▲	1015	980	725
Venison markets					
North Island Stag	NZc/kg cwt	▲	1010	970	965
South Island Stag	NZc/kg cwt	▲	1010	955	925
Oceanic Dairy Markets					
Butter	USD/tonne FOB	▼	7,338	7,563	6,750
Skim Milk Powder	USD/tonne FOB	▲	3,063	2,775	2,550
Whole Milk Powder	USD/tonne FOB	▼	3,975	4,063	3,238
Cheddar	USD/tonne FOB	▼	4,700	4,763	4,275

Source: Baltic Exchange, Bloomberg, RaboResearch 2025

Agri price dashboard

26/08/2025	Unit	MOM	Current	Last month	Last year
Cotton markets					
Cotlook A Index	USc/lb	▲	78.9	78.7	82
CE No.2 NY Futures (nearby contract)	USc/lb	▼	66.0	67.4	70
Sugar markets					
CE Sugar No.11	USc/lb	▼	16.4	16.4	19.6
CE Sugar No.11 (AUD)	AUD/tonne	▲	558	554	598
Wool markets					
Australian Eastern Market Indicator	AUc/kg	▲	1,247	1,221	1,095
Fertiliser					
Urea Granular (Middle East)	USD/tonne FOB	▲	517	493	343
DAP (US Gulf)	USD/tonne FOB	▲	760	750	550
Other					
Baltic Panamax Index	1000=1985	▼	1,770	1,798	1,381
Brent Crude Oil	USD/bbl	▼	68	70	80
Economics/currency					
AUD	vs. USD	▼	0.648	0.652	0.679
NZD	vs. USD	▼	0.585	0.597	0.625
RBA Official Cash Rate	%	▼	3.60	3.85	4.35
NZRB Official Cash Rate	%	▼	3.00	3.25	5.25

Source: Baltic Exchange, Bloomberg, RaboResearch 2025



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