

A strong price setting to start off winter

New Zealand agribusiness monthly



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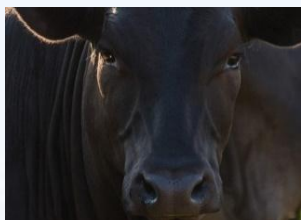
This report is based on information available as at 5/6/25

Commodity outlooks



Dairy

New season milk prices have been announced and, at this stage, suggest another profitable season ahead. Firmer commodity markets and a weaker New Zealand dollar versus last year have supported rising farmgate milk prices.



Beef

Beef prices remain strong for New Zealand producers, driven by tight domestic supply and robust US demand, while Chinese demand lags. Cow prices have surged, reflecting processor demand and delayed culling.



Sheepmeat

Lamb prices surge on the back of tight supply, mainly in the South Island. Average export values are strong year-on-year, driven by robust UK and EU demand, while Chinese demand is starting to improve.



Farm inputs

Urea prices declined sharply month-on-month in May. News of China's return to the export market, following 18 months of limited exports, helped to somewhat ease market concerns of tightening global supplies.



Interest rate and FX

The RBNZ cut rates in May, as expected, but signalled that the end of the cutting cycle could be approaching. RaboResearch is forecasting one more 0.25-percentage-point cut to arrive in August.



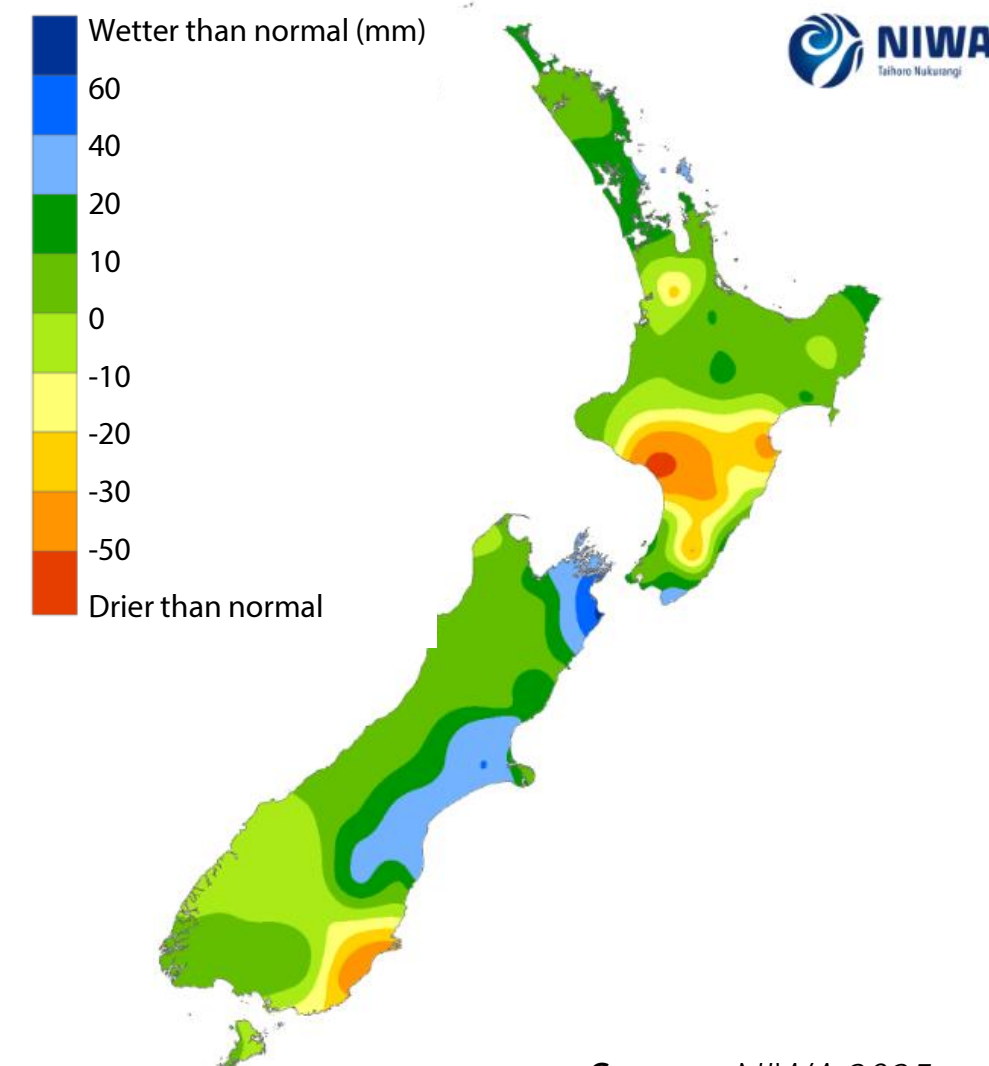
Oil and freight

Crude oil prices rose in May, but OPEC+ has announced another big round of production increases that could cap further rallies in prices. A 90-day tariff reduction between the US and China could pressure container rates higher in the short term.

Climate

Winter solstice approaching

Soil moisture anomaly (mm), 29 May 2025



Source: NIWA 2025

According to NIWA, neutral ENSO conditions continue in the tropical Pacific, with a 70% likelihood of remaining stable through winter. While weak La Niña-like patterns may still appear, their influence is expected to be limited.

High pressure to the east is forecast to drive persistent north-easterly winds, gradually shifting to northwesterly winds later in the season. This may support the development of low-pressure systems to the north, increasing the risk of heavy rainfall events.

Temperatures are expected to trend above average nationwide, with fewer frosts and cold snaps than usual. Sea surface temperatures remain elevated around much of the country, with marine heat wave conditions persisting offshore, though anomalies may ease slightly.

Rainfall is forecast to be above normal in the northern North Island and near normal in the east of the South Island. Elsewhere, totals are likely to be near or above average. Soil moisture and river flows are expected to remain near normal across the North Island, with near- to above-normal levels in the South Island.

What to watch:

- **Soil moisture levels on farm** – While many regions across New Zealand are in a favourable position for soil moisture, some pockets remain drier than normal for this time of year. This may limit pasture growth in pastoral systems. This is particularly true where moisture levels were already low heading into the cooler winter months. With shorter daylight/sunshine hours approaching the winter solstice, effective feed budgeting will be essential, especially in areas where dry conditions have constrained autumn pasture recovery.

Dairy

Rapid milk supply growth may start to slow

New Zealand milk supply growth further slowed in April, the penultimate month of the 2024/25 season, dropping 0.5% YOY. Dry weather in the central North Island was a culprit, while stunning weather for growing grass in Southland and Otago over autumn was unable to offset a slower start to spring. This brings milk production for the season through to April to 2.4% above last season. Once the final tallies are in, milk flows are likely to notch just slightly above the 2% YOY growth mark – a great result given some fickle seasonal conditions in both islands at the beginning and end of the season.

Fonterra's opening milk price forecast of NZD 10.00/kgMS for the 2025/26 season is the highest on record. This positions farmers for a likely second consecutive season of double-digit payouts and sustained profitability. However, other companies have provided a range of opening forecasts between NZD 9.75 and NZD 10.10/kgMS (excluding Tatua).

Across the ditch, milk production in Australia is under pressure in several key production regions due to challenging seasonal conditions. National milk output for the 2024/25 season is slightly down, with production from July 2024 to April 2025 totalling 7.129bn litres, a 0.1% decline YOY. Dry conditions have seen significant volume declines in western Victoria, South Australia, and Tasmania, where combined production has fallen by 4%, equating to over 70m litres. There was also some severe flooding in northern New South Wales, which impacted a small number of farms.

Firm commodity prices are holding despite the return to growth in global milk production. In 2024, milk output from the Big 7 exporting regions totalled 323.2m tonnes, consistent with the previous year. Looking ahead, RaboResearch estimates that milk production from the Big 7 will reach 325.8m tonnes in 2025, an increase of 0.8% YOY. A steeper 0.9% YOY gain in the second half of the year is expected to drive this growth.

What to watch:

- **Milk supply contraction in China** – Milk prices in China are weak and imported feed costs are at risk of rising. This is driving small-scale farm exits and increased culling. A larger-than-expected milk supply contraction will potentially mean more import volumes down the track.
- **Downside: Fragile demand recovery in certain markets** – Weak consumer sentiment against the volatile and uncertain macroeconomic backdrop may disrupt a dairy demand recovery.



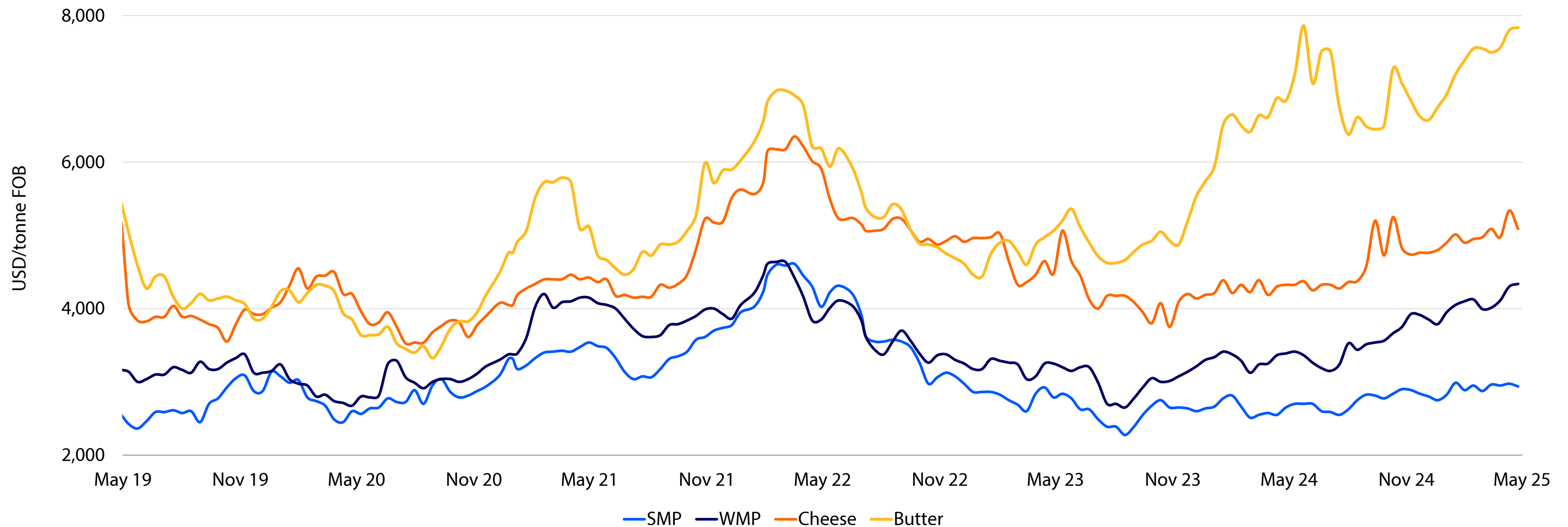
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Dairy

Firm commodity prices underpinning high farmgate prices

Oceania spot prices for dairy commodities



Source: USDA, RaboResearch 2025



Beef

Average export values at all-time high in April

Beef cattle markets continue to tell a positive pricing story for New Zealand producers when it comes to finished cattle, while local undersupply adds stress for exporters. Export values have reached record highs at NZD 11.14/kg FOB due to ongoing strong global demand.

While total export volumes for the calendar year (to the end of April) remain steady year-on-year at approximately 172,000 tonnes, there are notable volume shifts in markets. In 2024, January to April export volumes showed volumes to China and the US were nearly identical, around 63,500 tonnes. However, 2025 continues to see strength in US demand with weak Chinese demand. Exports to the US have risen by 22%, while volumes to China have dropped 32%. The Chinese market continues to favour lower-value cuts and has yet to demonstrate a willingness to compete on price, contributing to the decline in volume.

Domestically, the cattle market is responding to tight supply conditions. Head counts appear low. Cow prices have surged, with manufacturing cow prices now close to NZD 6.50/kg cwt and up to 65% above the five-year average.

This sharp rise reflects both the scarcity of cattle and strong processor demand for lean trimmings. The pace of price increases for cows aligns with the later cull, especially in the South Island, driven by good conditions for pasture and a strong dairy payout. New Zealand Meat Board data shows the national cow kill is down 6.8% from 1 October to early May (-10.8% in the South Island).

New Zealand Meat Board numbers show total cattle slaughter down nationally by 5% YOY for the export season to early May 2025. Steer and bull beef continue to be hard to source as farmgate prices continue to rise. The AgriHQ North Island bull price is around NZD 7.90/kg lwt, and the P2 steer price is creeping above bulls to NZD 8.00/kg cwt.

As winter sets in and winter carrying capacity stabilises, store cattle market conditions have started to stabilise. This is leading, somewhat, to a more balanced and steady trade environment. This seasonal settling is expected to continue in the short term, with limited volatility anticipated unless weather or feed conditions shift significantly.

What to watch:

- **The reemergence of the New World screwworm in Mexico**, and its potential to cross into the US, is raising serious biosecurity concerns. This flesh-eating larvae (laid by flies), once eradicated from North America, has been steadily moving north through Mexico. As of May, it has prompted a halt in US cattle imports from Mexico, disrupting a major live trade route. While the screwworm isn't fatal to cattle, it can significantly impact livestock production and restrict animal movement. With US beef supplies already tight, this disruption could lead to a slight increase in US demand for imported beef.



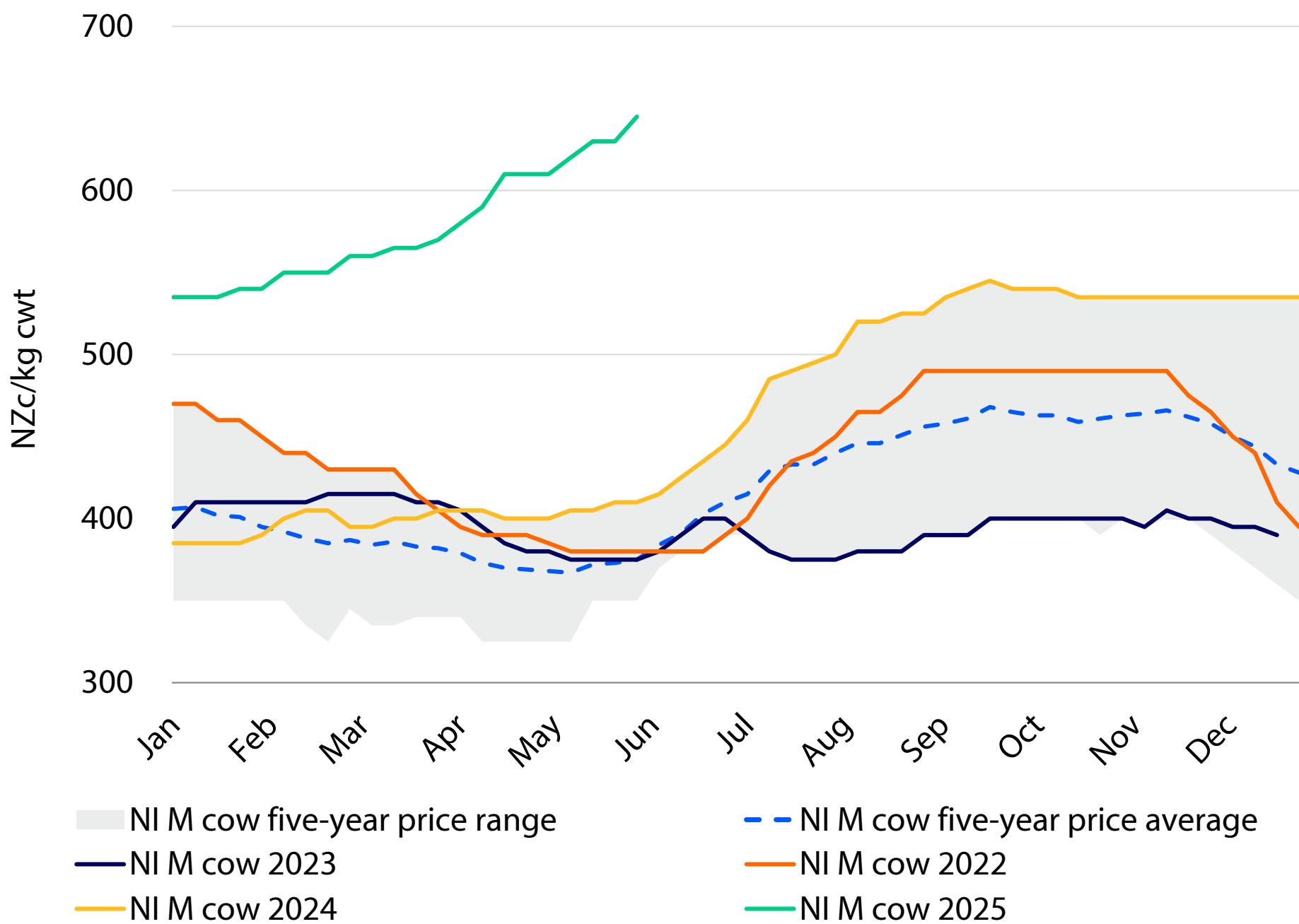
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Beef

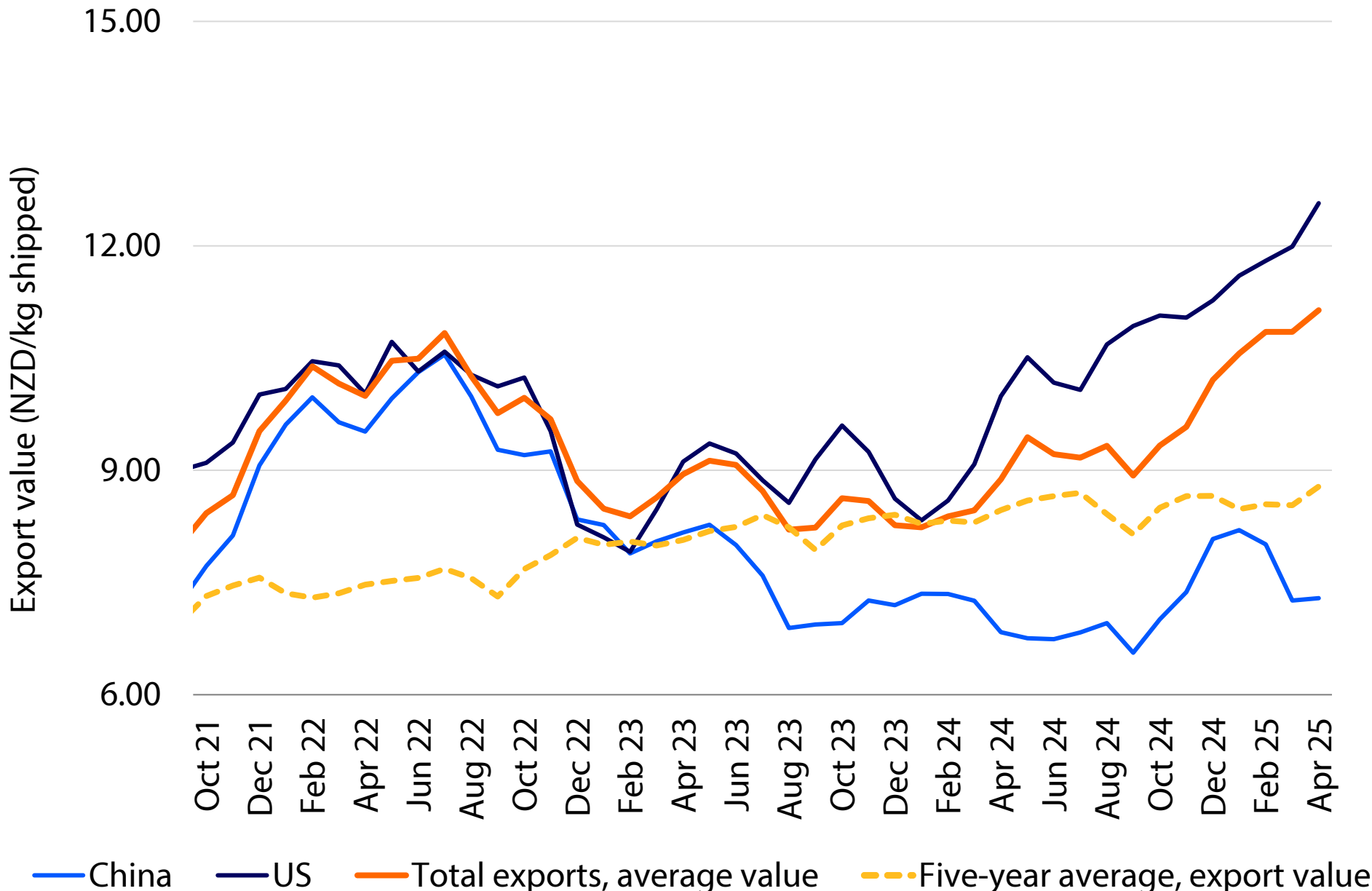
Record farmgate prices for bull, prime, and manufacturing cows in 2025

North Island M cow farmgate prices soar to record levels



Source: AgriHQ, RaboResearch 2025

As US export values continue to climb, the April New Zealand average beef export value hit NZD 11.14/kg FOB, an all-time high



Source: Stats NZ, RaboResearch 2025

Sheepmeat

Strength in markets but not many lambs around

Lamb schedules have surged through May, with prices now around NZD 9.00/kg cwt. A slowdown in lamb throughput is becoming more pronounced, with South Island numbers especially light. The pace of price increases through May suggests procurement pressure is a key driver, especially in the South Island, where processors are competing for limited supply.

While the fundamentals support a firm market, the rapid rise in prices suggests short-term supply stress, which is further increasing farmgate prices. New Zealand Meat Board figures have national lamb slaughter down 943,000 head (-7% YOY) as of the start of May, with the South Island recording a decline of over 13%. The slowdown in lamb throughput has become very apparent. A year-on-year drop exceeding 1m head now appears highly likely.

While procurement pressure is creating challenges for exporters, underlying market demand remains strong. Average export values are holding firm, with April lamb exports reaching NZD 13.36/kg FOB. This is a significant lift

from NZD 9.75/kg FOB in April 2024.

Mutton markets are also holding firm, supported by low seasonal supply and what seems to be renewed interest from Chinese importers. Demand and pricing both lifted through the April to May window, reinforcing China's role as a key stabiliser in the mutton trade. Average export values for mutton have also moved upwards to an average of NZD 7.06/kg FOB in April compared to NZD 5.09/kg FOB in April 2024. Mutton kill to early May is up 13.6% (around 336,000 head), likely reflecting deferred culling after subdued ewe slaughter in 2024 due to weak pricing.

The total volume of lamb exports over April was up slightly year-on-year. **The EU grilling season seems to be providing a demand boost heading into New Zealand's cooler months.** The UK market remains firm, underpinned by a shrinking domestic flock and steady retail demand. These offshore dynamics may help support pricing through winter, particularly if local procurement pressure continues.

What to watch:

- **Demand out of China** – Chinese demand for lamb and mutton may improve in the coming months, with local inventories reportedly lower than mid-2024 levels and signs of a modest recovery in consumption. While New Zealand export data has yet to reflect a significant lift, the market is trending upward compared to the subdued conditions of 2023 and early 2024. China's seasonal slowdown over summer may temper short-term gains, but any sustained demand recovery would support new season lamb pricing heading into the new season and spring.



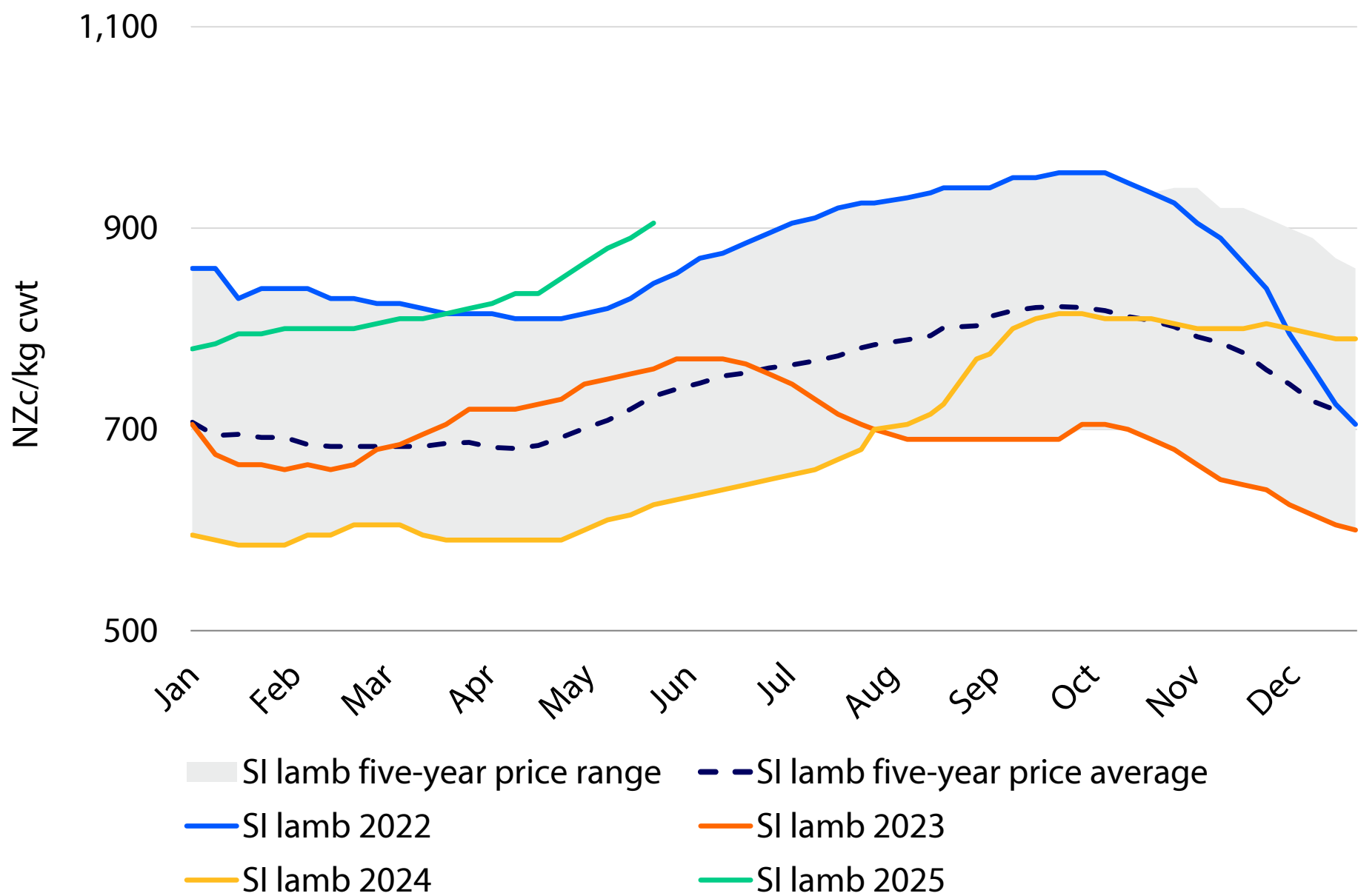
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Sheepmeat

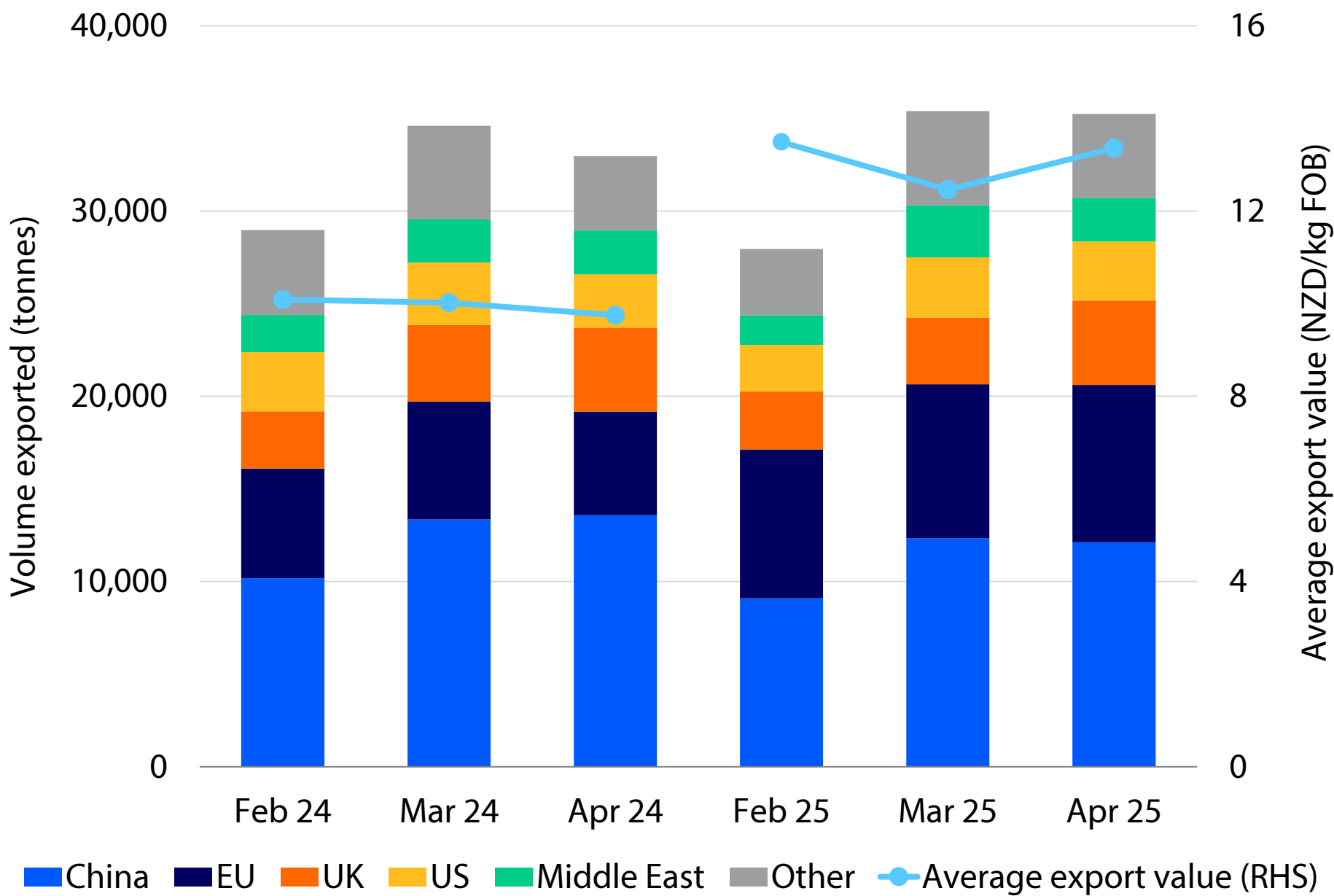
Lamb exports reached peak volumes in March and April, led by an uptick from the EU and UK

AgriHQ lamb farmgate pricing hit NZD 9.00 across parts of New Zealand in May



Source: AgriHQ, RaboResearch 2025

Lamb export volumes peaked in March and April as average export values leaped upward, year-on-year



Source: Stats NZ, RaboResearch 2025

Farm inputs

Urea prices finally show signs of easing

This month, urea prices declined by 15% to NZD 604/tonne, phosphate prices rose by 5% to NZD 1,212/tonne, and potash prices increased by 3% to AUD 557/tonne.

The big news in fertiliser markets this month is that Chinese urea exports appear set to resume from July, with export inspection certificates now being accepted. This follows an almost 1.5-year period of extremely limited Chinese export supply. For months, RaboResearch has been flagging that a resumption in exports in the second half of 2025 is likely, and this now appears to be the case. What remains unclear is whether exports will return to normal levels or remain reduced. Nevertheless, the volumes expected to come online will certainly help relieve some of the global supply pressures seen over the past year. This could be a catalyst for urea and phosphate prices trending lower later in the year.

That said, the demand outlook remains uncertain – particularly for urea – with market attention once again

focused on India's tendering process and whether the key importer will seek to secure more volumes in the coming months. RaboResearch holds the view that India may issue tenders for urea in the near term, given that internal stocks are relatively low, while farmer demand appears to be holding up reasonably well.

If Indian import volumes are strong, this could lead to some short-term price upside. However, increased Chinese urea exports may offer some price relief later in the year.

In other news, the European Parliament recently announced that it will apply tariffs to fertiliser imports from both Belarus and Russia. The tariffs will rise to around 100% over the next three years. This could mean higher fertiliser prices in the EU and potentially cheaper fertiliser for other regions as volume are diverted elsewhere.

What to watch:

- **Indian demand** – India recently announced another tender for urea, which will be closed in mid-June. Given inventory levels are lower than normal, India coming back into the market is not a surprise. However, should we continue to see strong Indian demand in the coming months, global prices could find support.



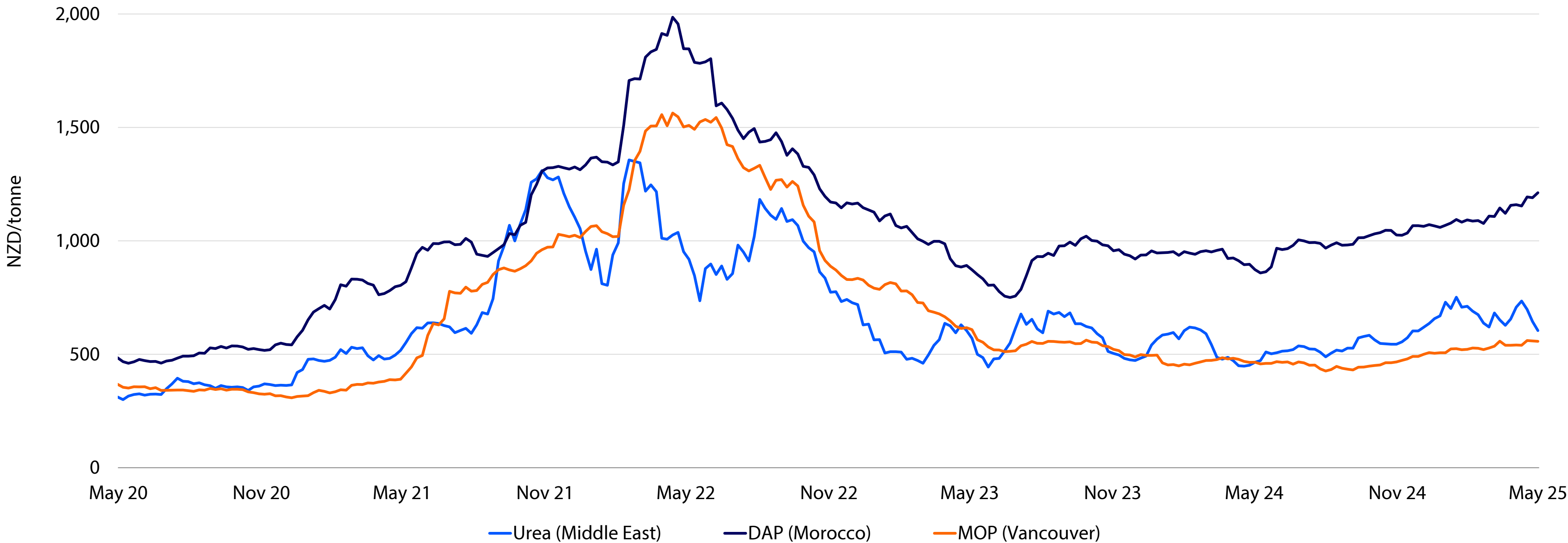
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Farm inputs

Phosphate and potash prices push higher month-on-month, but urea prices ease

Urea prices decline amid news China may be returning to the export market



Source: CRU, RaboResearch 2025

Interest rate and FX

Shifting into neutral

The RBNZ cut the Official Cash Rate to 3.25% in May, in line with our house forecast and broader market expectations. However, they *did* deliver something of a surprise to the market by hinting that the end of the cutting cycle may be approaching earlier than some had thought.

The signal came from an unusual decision by the RBNZ Monetary Policy Committee to take a vote on what to do with the OCR in May. Five members of the committee voted to cut the rate, while one member voted to leave it unchanged. The fact that a vote occurred is significant, because decisions are usually taken by unanimous consent. So, it appears that at least one member of the committee wasn't convinced that a cut was the right thing to do.

RaboResearch has maintained a forecast since March that the OCR would bottom out at 3.00%. We still see this as the most likely scenario but have pushed back our projected timing of the final cut from July to August.

In the RBNZ's Monetary Policy Statement, they flagged that they believe US tariffs will likely lead to lower growth and lower inflation in New Zealand than would otherwise be the case.

This is a view that we agree with, but in our most recent quarterly forecasting round we have made a slight *upward* revision to our growth projections, because we think we were previously too cautious on New Zealand's trade performance.

The New Zealand dollar rose for the third month in a row in May and is trading around the USc 60 level at time of writing.

We expect the rally to run out of steam and see the New Zealand dollar fall to 0.58 on a three-month view, before rising again to 0.60 on a 12-month horizon as New Zealand's strong terms of trade and lower interest rates help to drive economic recovery.

What to watch:

- **Stats NZ Q1 GDP report, 19 June** – The first quarter national accounts will be an important update on how the economy is responding to lower interest rates and higher commodity prices.



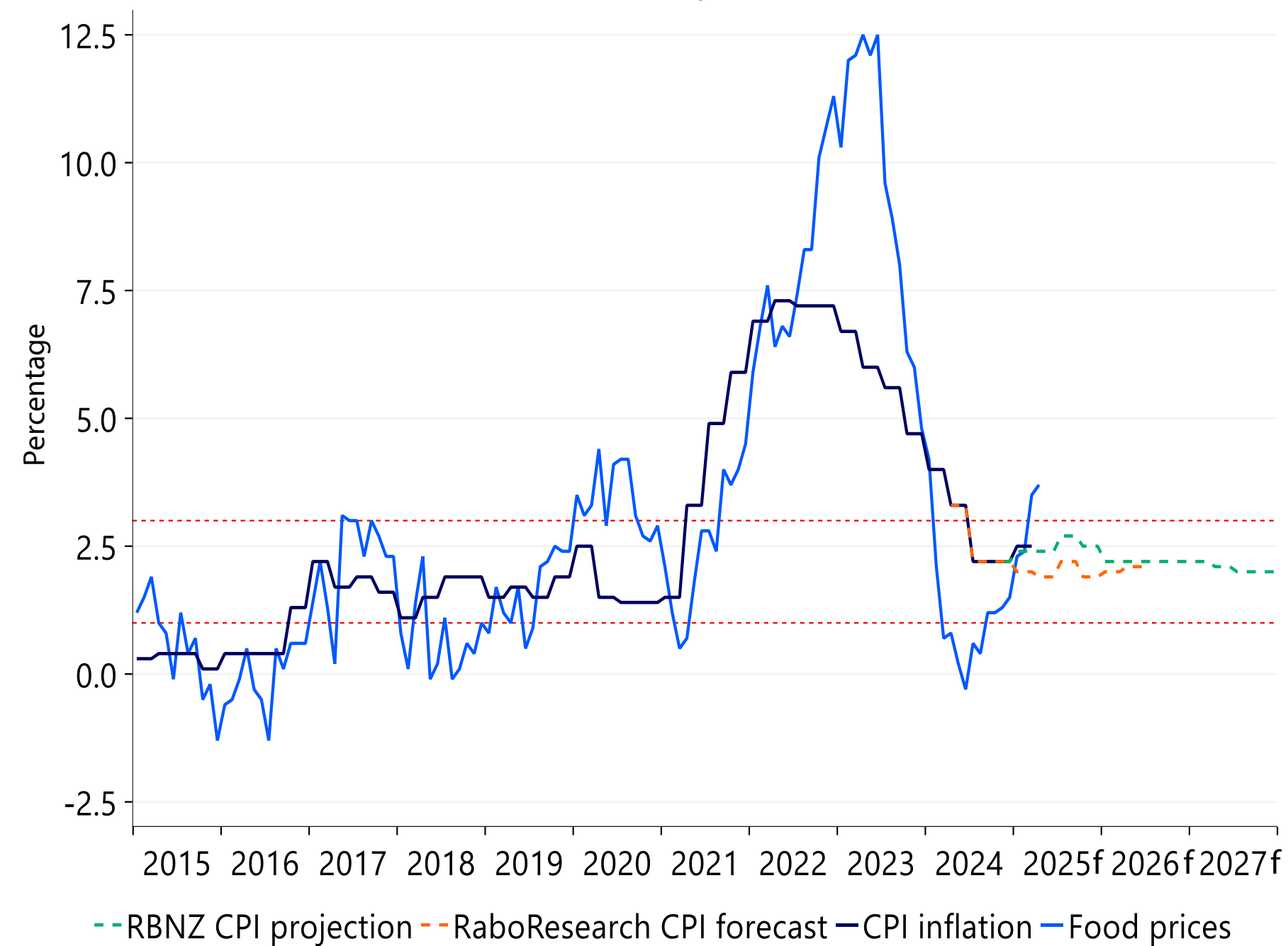
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Interest rate and FX

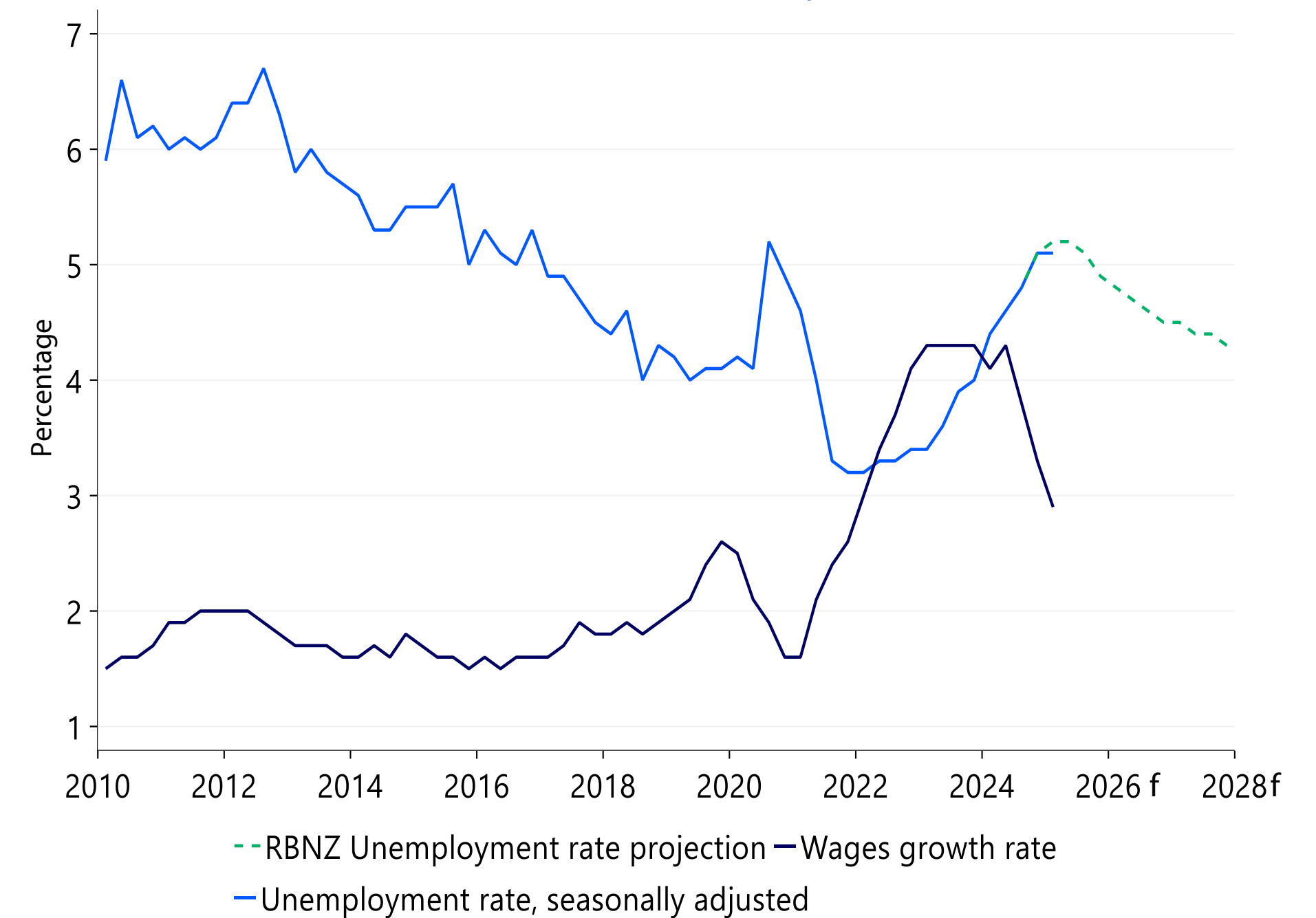
Can the RBNZ stick the landing?

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

Oil and freight

Tariff reprieve and sanctions speculation lead oil higher

Brent crude prices rose by almost 3.5% in May to USD 62.78/bbl at month-end. Prices were helped higher by speculation over potential US sanctions on energy cargoes out of Russian and Iran, along with an agreement between the US and China to reduce tariffs on each other for 90 days.

On the supply side of the equation, OPEC+ announced a further 411,000 bbl/day increase to production from July onwards. Those extra barrels are entering a market that is already oversupplied and facing demand pressures from a rapid EV transition in China and a murky growth outlook internationally.

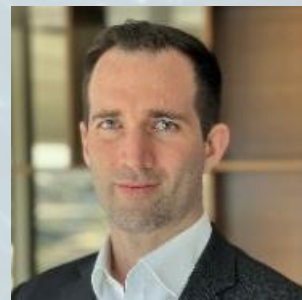
RaboResearch forecasts Brent crude prices of USD 57.50/bbl in Q4 2025.

Demand on global shipping, where China-US trade accounts for a significant portion of the volume, has tanked due to the trade war between the US and

China. Container prices slid to USD 2,000 levels across various routes. The US and China reached a temporary deal to slash most tariffs for 90 days.

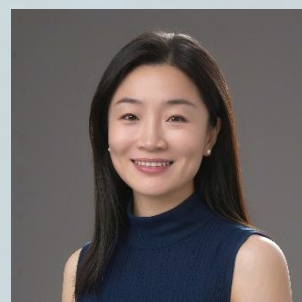
RaboResearch expects the trade war pause is likely to give the two countries time to restock and prepare for round 2. This means temporary resumption of ocean shipping, driving up prices, before movement freezes again.

The Baltic Panamax index (a proxy for grain bulk freight) has had an impressive recovery from its bottom in March. However, US tariffs may negatively impact demand, thus weakening the index.



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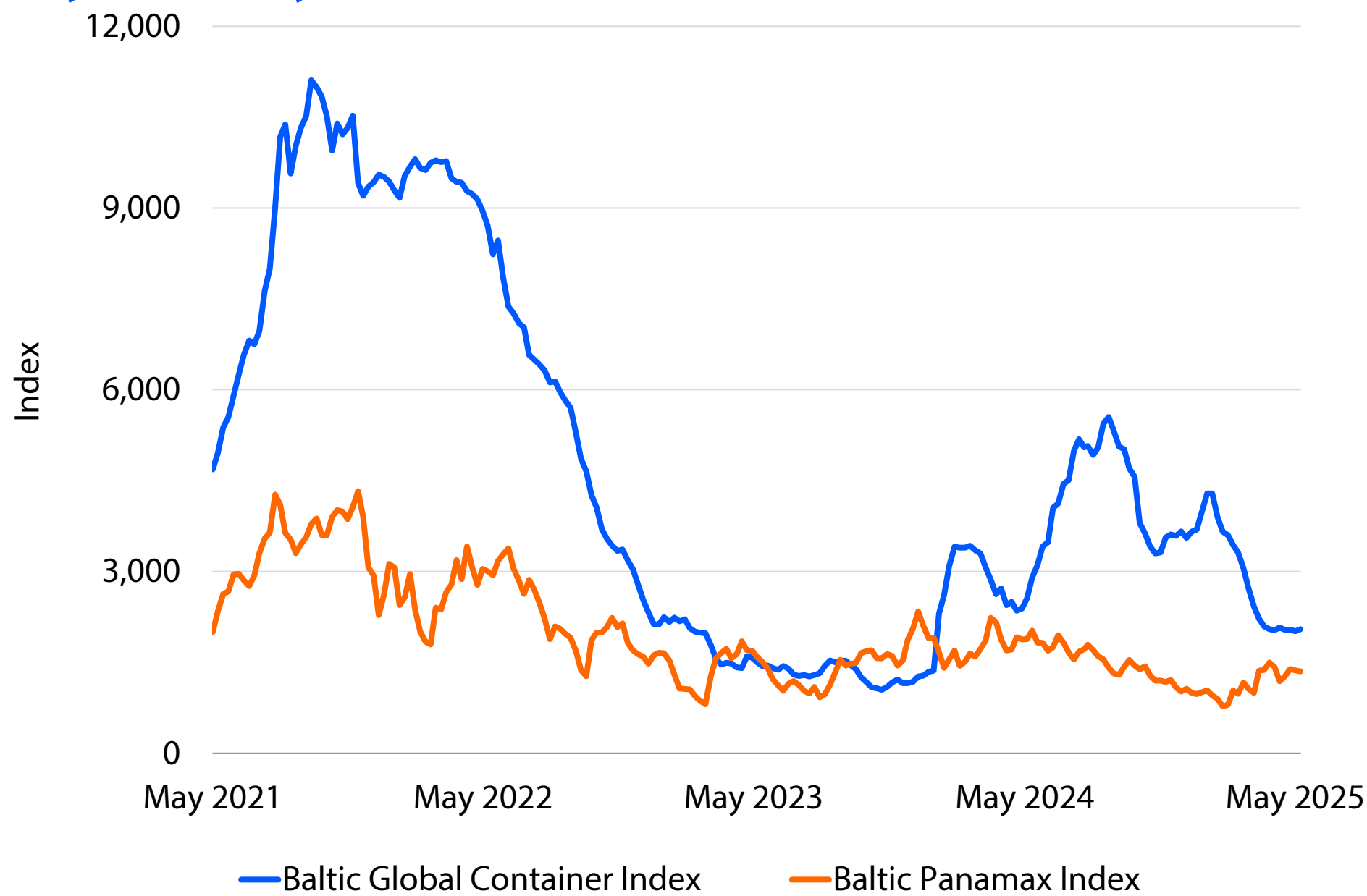
What to watch:

- **US nuclear negotiations with Iran** – The US has been attempting to reach an agreement with Iran regarding the latter's nuclear program. If a deal cannot be agreed, US sanctions on Iranian energy products are possible, and Israel may be emboldened to target Iranian oil infrastructure.

Oil and freight

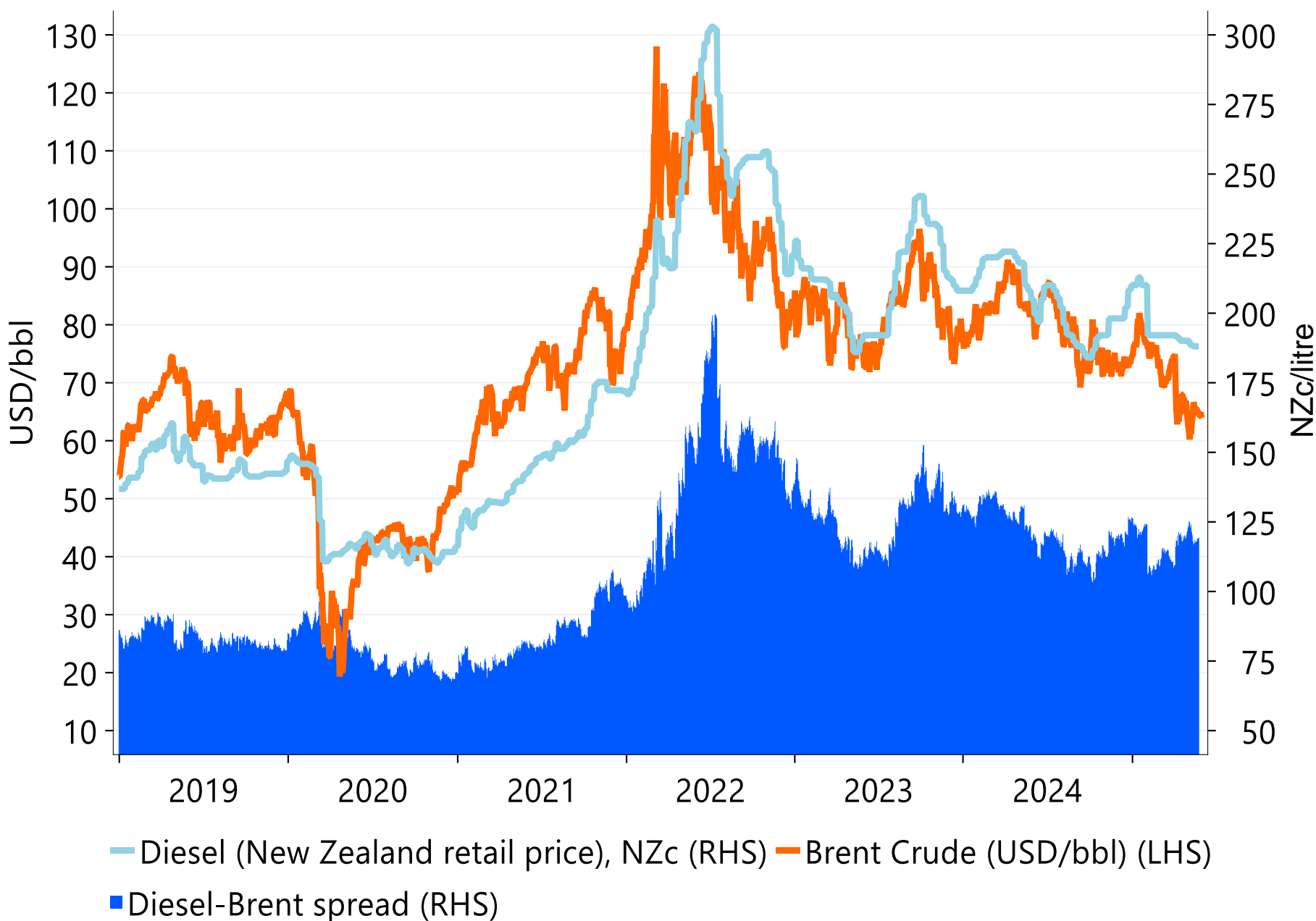
The calm before the storm for container rates?

Baltic Panamax Index and Dry Container Index,
May 2021-May 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

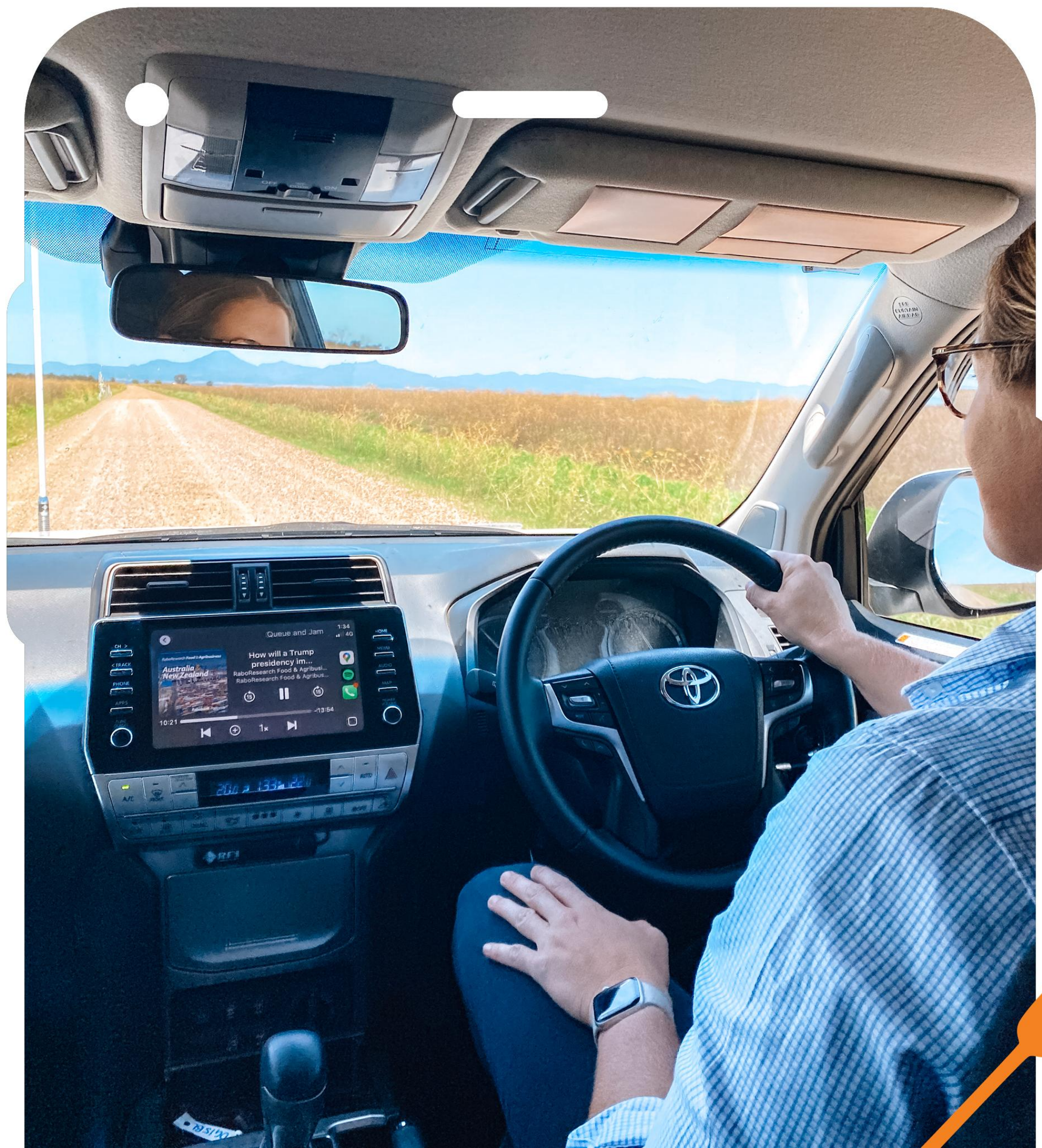
23/05/2025	Unit	MOM	Current	Last month	Last year
Grains & oilseeds					
CBOT wheat	USc/bushel	▲	543	528	697
CBOT soybean	USc/bushel	▲	1,060	1,040	697
CBOT corn	USc/bushel	▼	460	472	697
Australian ASX EC Wheat Track	AUD/tonne	▲	330	326	697
Non-GM Canola Newcastle Track	AUD/tonne	▲	781	717	697
Feed Barley F1 Geelong Track	AUD/tonne	▲	344	331	697
Beef markets					
Eastern Young Cattle Indicator	AUc/kg cwt	▲	734	699	620
Feeder Steer	AUc/kg lwt	▲	390	380	322
North Island Bull 300kg	NZc/kg cwt	▲	790	765	605
South Island Bull 300kg	NZc/kg cwt	▲	725	715	545
Sheepmeat markets					
Eastern States Trade Lamb Indicator	AUc/kg cwt	▲	837	809	647
North Island Lamb 17.5kg YX	NZc/kg cwt	▲	910	865	630
South Island Lamb 17.5kg YX	NZc/kg cwt	▲	890	835	625
Venison markets					
North Island Stag	NZc/kg cwt	▲	930	920	860
South Island Stag	NZc/kg cwt	▲	920	915	850
Oceanic Dairy Markets					
Butter	USD/tonne FOB	▲	7,838	7,500	6,838
Skim Milk Powder	USD/tonne FOB	▼	2,938	2,963	2,650
Whole Milk Powder	USD/tonne FOB	▲	4,338	4,013	3,388
Cheddar	USD/tonne FOB	•	5,088	5,088	4,325

Source: Baltic Exchange, Bloomberg, RaboResearch 2025

Agri price dashboard

23/05/2025	Unit	MOM	Current	Last month	Last year
Cotton markets					
Cotlook A Index	USc/lb	▼	77.8	78.6	91
ICE No.2 NY Futures (nearby contract)	USc/lb	▼	66.1	68.8	81
Sugar markets					
ICE Sugar No.11	USc/lb	▼	17.3	17.9	18.4
ICE Sugar No.11 (AUD)	AUD/tonne	▼	583	620	604
Wool markets					
Australian Eastern Market Indicator	AUc/kg	▼	1,204	1,232	1,130
Fertiliser					
Urea Granular (Middle East)	USD/tonne FOB	•	395	395	303
DAP (US Gulf)	USD/tonne FOB	▲	695	660	570
Other					
Baltic Panamax Index	1000=1985	▼	1,246	1,333	1,824
Brent Crude Oil	USD/bbl	▼	65	66	82
Economics/currency					
AUD	vs. USD	▲	0.649	0.636	0.663
NZD	vs. USD	▲	0.599	0.595	0.612
RBA Official Cash Rate	%	▼	3.85	4.10	4.35
NZRB Official Cash Rate	%	•	3.50	3.50	5.50

Source: Baltic Exchange, Bloomberg, RaboResearch 2025



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