Colder temps but hot prices

New Zealand agribusiness monthly

RaboResearch Food and Agribusiness

July 2025

Rabobank

Disclaimer

Please read the disclaimer below prior to reviewing this publication.

This publication has been prepared by Rabobank New Zealand Limited and Coöperatieve Rabobank U.A. (New Zealand Branch) (Incorporated in the Netherlands) (collectively referred to as **Rabobank New Zealand**). The information and opinions contained in this publication have been compiled or arrived at from sources believed to be reliable, but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness. This publication is for information purposes only and is not, and should not be construed as, an offer or a commitment by Rabobank New Zealand to enter into a transaction. This information is not professional advice and has not been prepared to be used as the basis for, and should not be used as the basis for, any financial or strategic decisions. This information is general in nature only and does not take into account an individual's personal circumstances. All opinions expressed in this publication are subject to change without notice. Rabobank New Zealand does not accept any liability whatsoever for any direct, indirect, consequential or other loss or damage howsoever arising from any use of this publication or its contents or otherwise arising in connection therewith.

This report is based on information available as at 3/7/25

Rabobank

Commodity outlooks

Dairy

New season milk production is kicking off this month and could possibly set a new record for milk flows out of this part of the world. With demand fragile in some markets and channels, it will be a test for Oceania commodity prices.

Farm inputs

Urea prices have been very volatile over the past month amid the Middle East conflict. Although a ceasefire is now in place, urea prices remain elevated. The market will be closely watching for any further developments.

Beef

Farmgate beef prices remain strong, supported by tight supply and record export values. Global demand is firm, with Canada emerging as a key growth market in May.

Interest rate and FX

Economic growth exceeded expectations in Q1, but the NZ economy faces risks as we approach the end of the 90-day pause on US reciprocal tariffs. RaboResearch forecasts one more cut to the OCR this year.

Sheepmeat

Strong export demand and tight lamb supply are driving prices higher. With Australian competition easing, New Zealand lamb is well-positioned, despite lower volumes, to benefit from record export values and firm market interest.

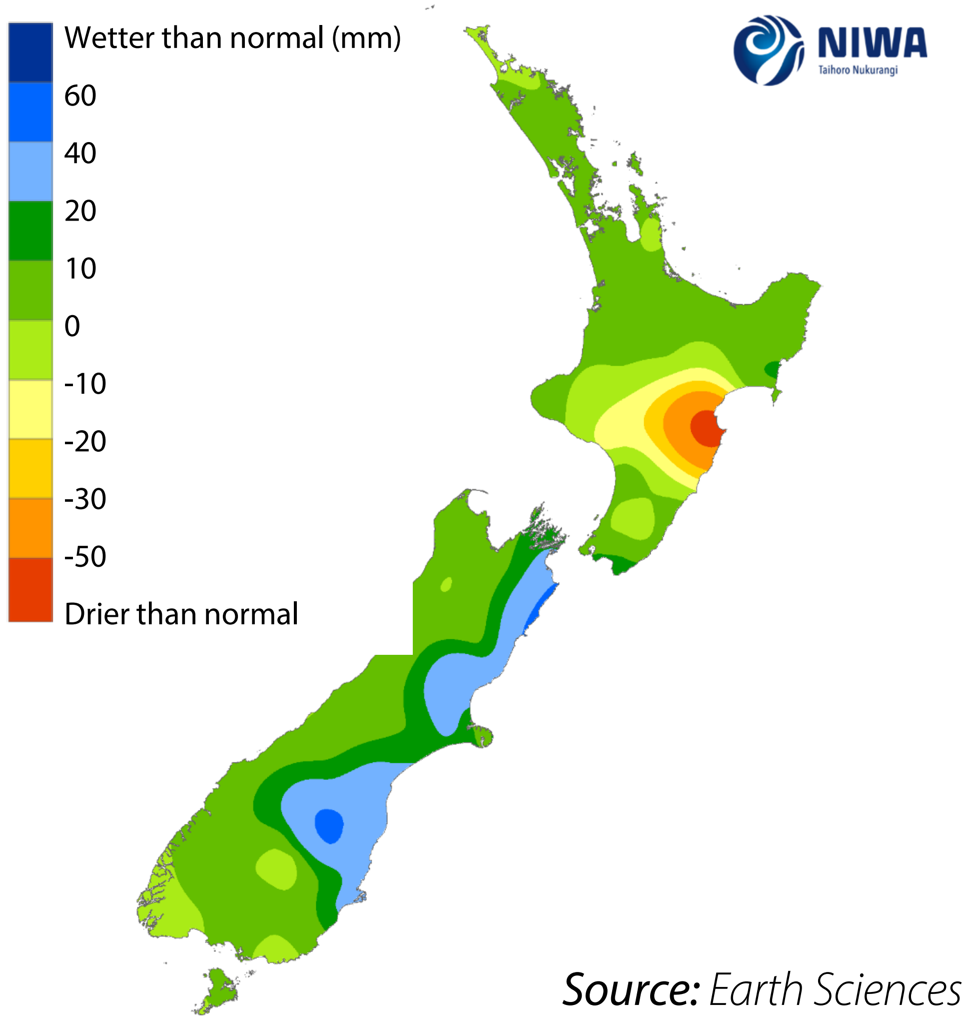
Oil and freight

The Israel-Iran war caused June to be the most volatile month for crude oil prices since October 2023, but prices closed the month slightly below where they started and the supply outlook remains very strong.

Climate

Mild temperatures with elevated rainfall risk

Soil moisture anomaly (mm), 1 July 2025



***Source:** Earth Sciences New Zealand, 2025*

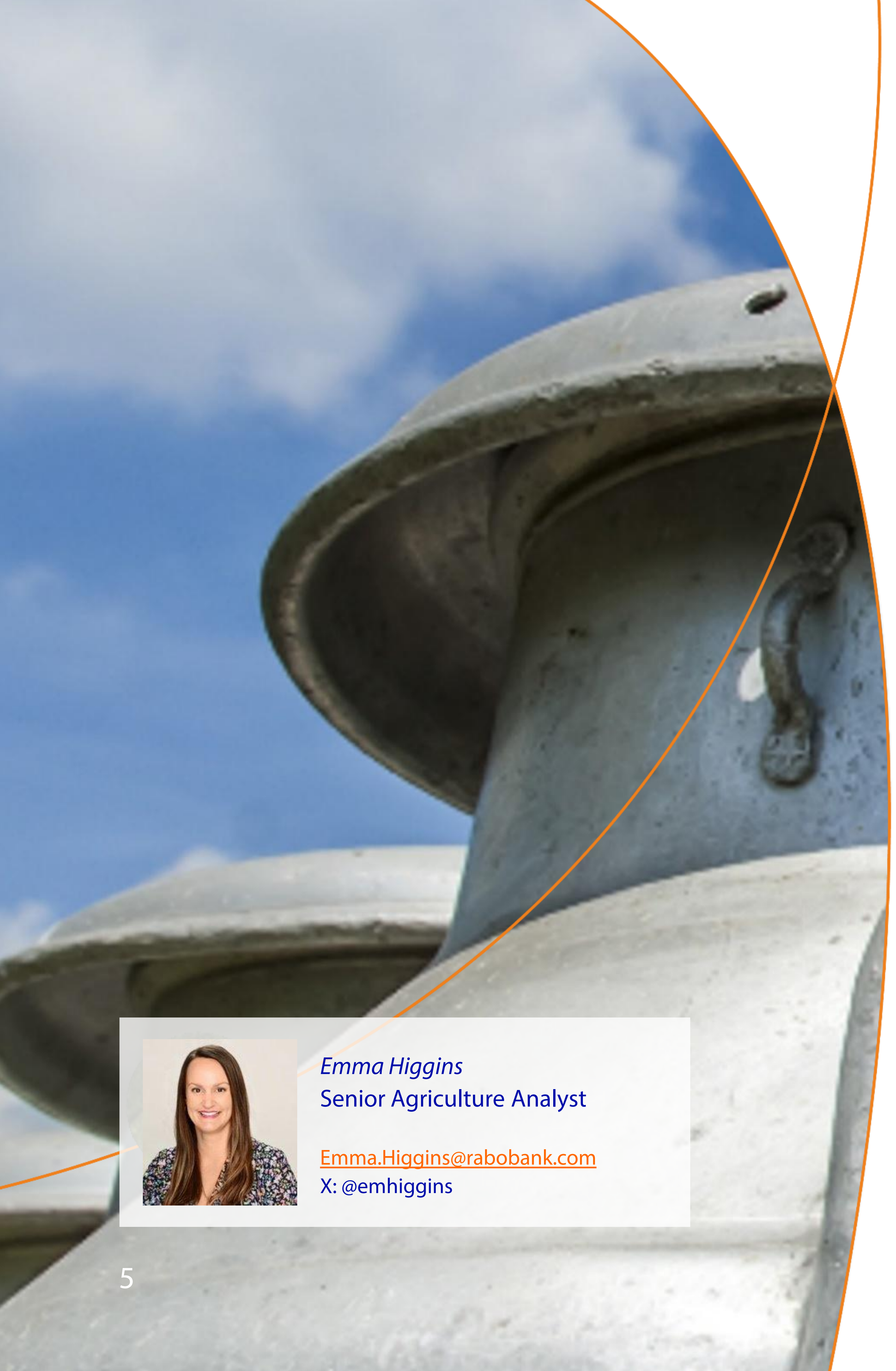
NIWA forecasts a 70% chance of ENSO-neutral conditions persisting through winter, with only limited influence from weak La Niña-like signals. For New Zealand, lower atmospheric pressure northwest of the country is likely to bring tropical and subtropical systems, increasing the risk of heavy rainfall and flooding events.

Temperatures are forecast to be above average nationwide, with fewer frosts and cold snaps than usual. Rainfall totals from July to September are expected to be above normal in the north of both islands, near or below normal in the west of the South Island, and near or above normal elsewhere.

Soil moisture levels are likely to remain near or above normal, with elevated river flows expected in the north of the South Island. Sea surface temperatures remain above average, particularly off western coasts, sustaining marine heatwave conditions, though anomalies may ease slightly.

What to watch:

- **Heavy rainfall risk:** Although above-average temperatures may be expected across all regions, tropical and subtropical systems have the potential to bring intense rainfall and flooding, especially in the north of both islands. This outlook may impact pasture growth, soils, and winter crop management.
- Over coming months there may be an increased requirement to monitor saturated soils, drains, and drainage capacity and to mange stock accordingly when warnings are in place.



Dairy

Rapid milk supply growth may start to slow

New Zealand milk supply growth made a surprisingly strong rebound for the final month of the 2024/25 production year. Production bounced 8.3% higher for the month of May YOY, albeit small volumes. The month of May usually delivers around 5% of total milk supply. Excellent autumnal weather saw the South Island drive home the solid finish to the production year. May results bring total 2024/25 milk supply collections 2.6% higher (tonnes) on the prior season and with 3.3% more milksolids compared to season prior (leap-year-adjusted).

The new 2025/26 season could see another significant bounce in supply. 2024/25 is the second-highest volume of milk behind the record-leading 2020/21 season. Should we see RaboResearch forecasts of milk production growth of around 2% for the new season ending 31 May 2026 (weather and milk price dependent), we could have a new record volume of milk production growth for the country.

Demand side challenges are evident in some markets.

Higher milk and dairy product prices beginning in the tail end of 2024 and continuing into 2025 and have translated to higher prices for consumers at retail and foodservice outlets. In the US,

restaurant traffic declined for the eighth consecutive quarter, with a 7%YOY drop in Q1 2025. At the retail level, budget-conscious consumers are sticking to essentials and lower-priced options. In the US, funding cuts to the SNAP program are being discussed as part of domestic food policy.

New Zealand consumers of dairy have had a case of serious sticker shock in the dairy chiller aisles of the grocery store. The retail price for butter has jumped over 50% higher compared to last year. Retail cheese prices are 30% more expensive in stores today compared to a year ago, and even the humble two-litre milk hasn't escaped this trend: Consumers are paying 15% more today than last year. More retail price hikes for butter are potentially on the horizon.

What to watch:

- **Animal health issues in the Northern Hemisphere –** Recent foot-and-mouth disease and blue tongue virus (BTW) outbreaks in the EU appear to be under control – albeit that BTV has ongoing impacts. Avian influenza remains a drag on Californian milk production volumes. Any outbreaks of new milk disease or ongoing lingering impacts of current animal health challenges could see a greater supply contraction than RaboResearch have forecast – and could be more positive for dairy commodity prices than we have factored in.

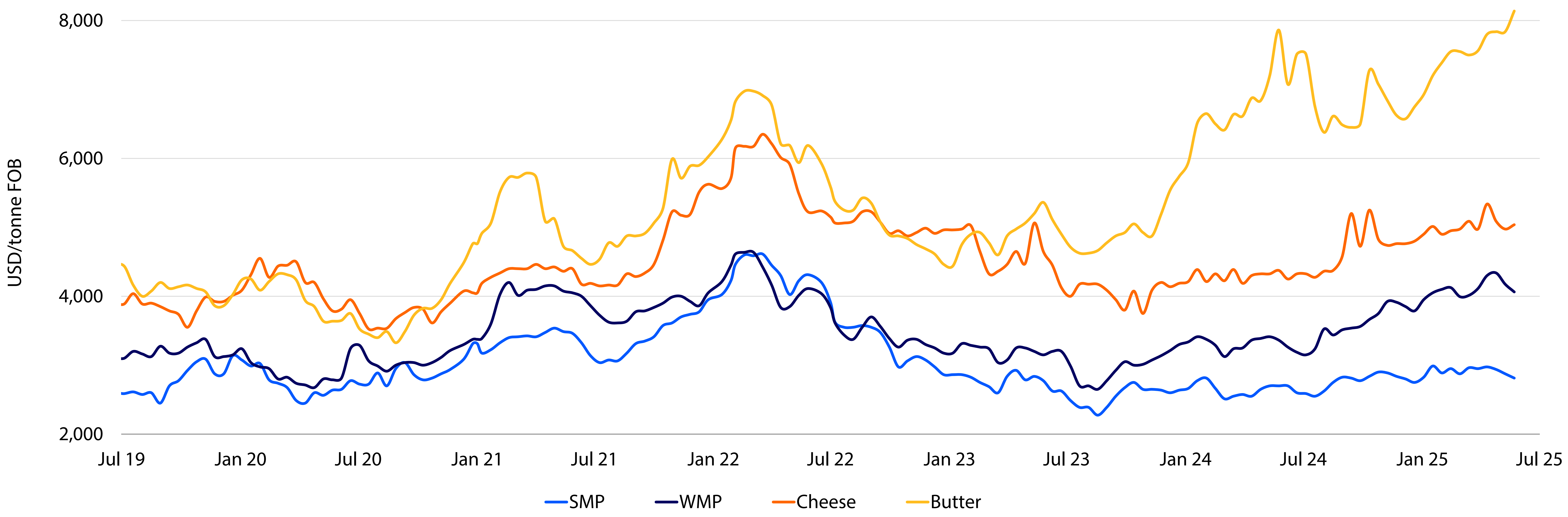
Emma Higgins
Senior Agriculture Analyst

Emma.Higgins@rabobank.com
X: @emhiggins

Dairy

Firm commodity prices underpinning high farmgate prices

Oceania spot prices for dairy commodities



Source: *USDA, RaboResearch 2025*

Rabobank

Beef

Supply is tight as prices edge higher

Optimism for beef remains firm as farmgate cattle prices continued their upward trajectory through June. Prices are currently sitting around NZD 2.00/kg cwt above year-ago levels, supported by strong export returns and constrained domestic supply.

Bull slaughter volumes over the five weeks to the end of May were down 14% year-on-year (YOY), reflecting seasonal trends and tighter supply. Mid-June through August typically marks a quieter period for bull processing, while prime cattle throughput has reportedly lifted slightly through late June as pasture growth slowed. NZ Meat Board data to 31 May shows national steer kill down 12% YOY, bull kill down 5.6%, and total cattle slaughter back 6.2%.

Confidence in the beef sector has, understandably, extended to store cattle markets, with saleyard prices reaching record levels in recent months. Limited cattle availability, and optimism around future pricing have underpinned buyer demand. Recent margins suggest producers are willing to invest.

Beef exports in May 2025 saw lower volumes but a new record in value. May is traditionally a strong export month for export volumes, but this year marked the lowest May volume in three years, with total shipments down 10% YOY to 47,789 tonnes. Despite this, export value surged past NZD 530 million, reflecting robust global demand and favourable pricing.

Canada emerged as a standout growth market, with May volumes up 170% YOY to 5,727 tonnes. In contrast, US export volumes fell 22% YOY to 18,400 tonnes, possibly due to market caution following April's Liberation Day announcements. Nonetheless, average export values remained strong across key destinations.

The bobby calf season is set to commence across New Zealand, providing processors with throughput to maintain efficiency through winter. Attention is now turning to the new export season beginning 1 October, **with fundamentals pointing to continued strength in pricing as global demand remains firm and domestic supply tight.**

What to watch:

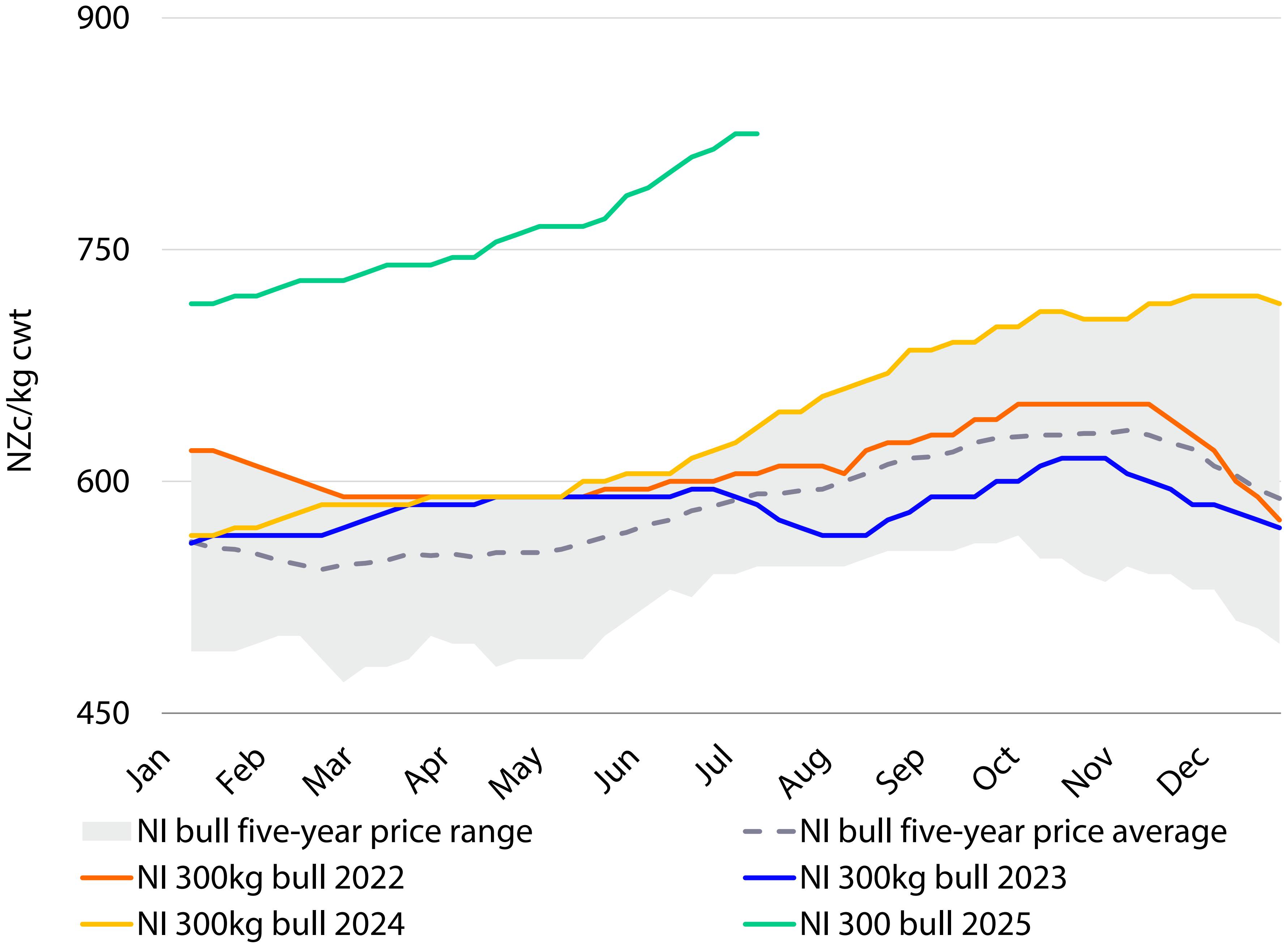
- **US grilling season:** The US grilling season is underway, and while local beef prices remain elevated due to ongoing supply constraints, economic signals are mixed. Last year, strong US demand supported robust retail prices and boosted beef imports throughout the US summer, including from New Zealand. This year, however, early indicators suggest a softening in consumer spending, with major quick-service restaurant chains reporting weaker Q1 sales. With consumer income a key driver of beef demand, any slowdown could impact US import volumes. New Zealand exporters should keep a close eye on US consumption trends over the coming months, as they may influence demand through the remainder of the season.

Jen Corkran
Senior Animal Protein Analyst
Jen.Corkran@rabobank.com

Beef

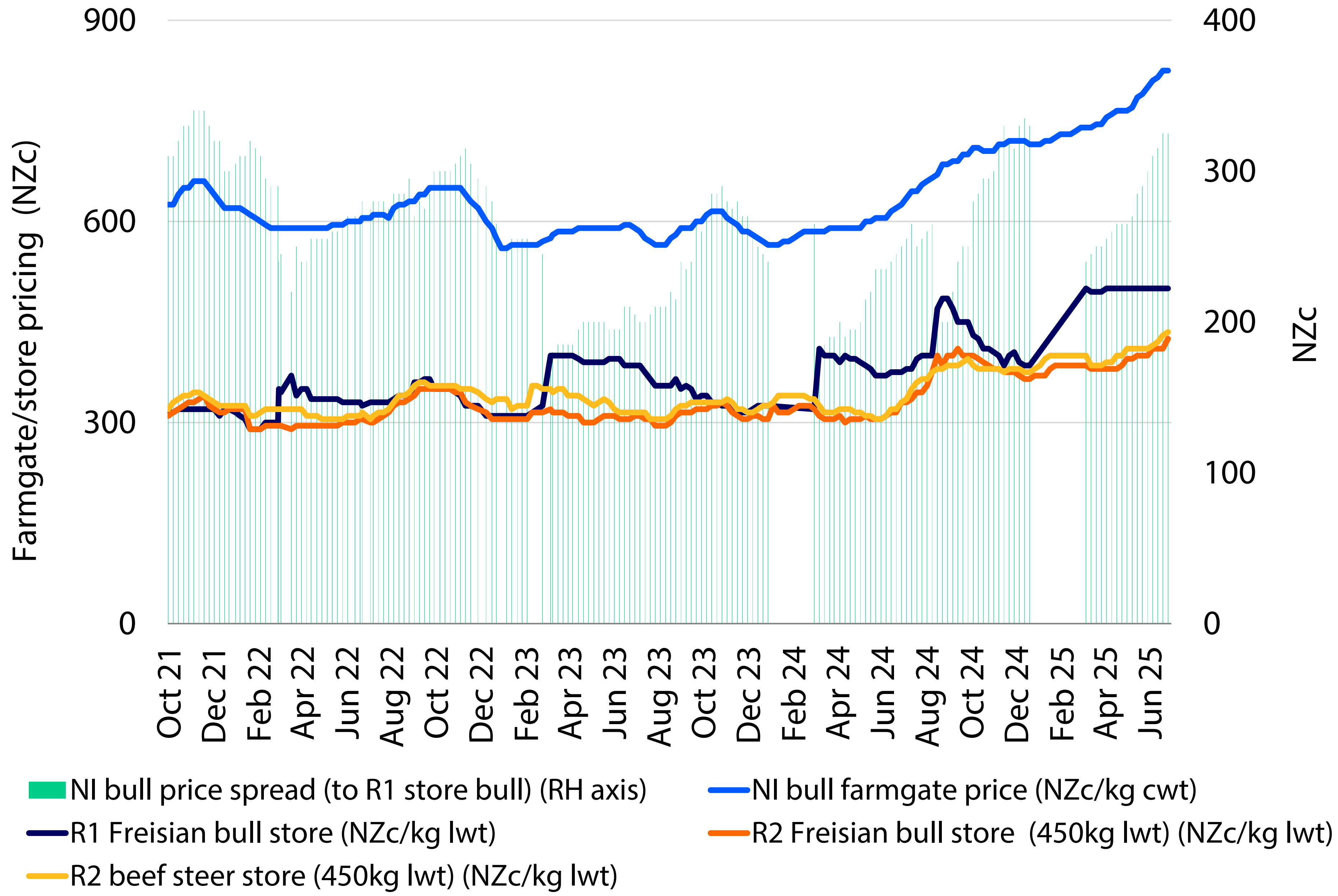
Saleyard pricing high and holding steady, as farmgate prices continue to climb

AgriHQ North Island bull price continues record-breaking run



Source: AgriHQ, RaboResearch 2025

Reflection on saleyard prices show strength of youngstock demand



Source: AgriHQ, RaboResearch 2025

Sheepmeat

The EU continues to be a valuable market for lamb exports

A key discussion point at present is around sheep inventory and what numbers are out there in New Zealand. Currently, lamb slaughter numbers are ~1.36 million head down on this time last year, with only 17 weeks left of the 2024/25 export season now remaining. National mutton kill is up by 11.7% YOY, an extra 300,000 head possibly also due to NI dry and weaker prices in 2023/24.

As demand continues to be strong in markets, the lamb price is marching towards NZD 10.00/kg cwt, with the AgriHQ indicator for SI lamb currently sitting at NZD 9.50/kg cwt. Procurement competition tells part of the story, however, **average export value for (total) lamb and mutton exports hit NZD 13.14/kg FOB, which is the highest ever average value.** The current record was broken from May 2022 when it was NZD 12.73.

Lamb exports in May saw 45% of value from the UK and EU markets (to a sum of NZD 194 million), this coming from 35% of the total lamb volumes.

Total export volumes were the lowest of the last five years, at 34,360 tonne down for the month of May, in line with the lower slaughter numbers. However, with such strong average value, the total value of sheepmeat exports came in as the second-highest for May in the past five years, at 451.4 million (vs. 453.7 million in May 2022).

In terms of happenings across the ditch, **Australian lamb prices hit record highs in June, with the National Trade Lamb Indicator reaching AUD 10.49/kg cwt on 12 June.** While the surge raised concerns of overheating, it appears processors were testing supply levels rather than responding to a shift in demand. With no major changes in fundamentals, prices are expected to ease over the coming months, back towards AUD 8.00/kg. Weekly lamb slaughter has already begun to decline, down 14% from early May, and early June export data suggests volumes are also softening in line with tighter domestic supply. This could be good news from a competition perspective for New Zealand, as long as demand holds.

What to watch:

- **Strong demand from the EU and UK is drawing in more Australian lamb,** with exports to these markets up 67% year-to-date. While the UK and EU account for just 9% of Australia's total exports, this shift could have implications for New Zealand. Due to recent seasonal conditions, some lighter Australian lambs may be heading towards these markets, competing directly with the NZ offering. Although demand is good, UK retail data shows a mixed picture: Lamb prices are up 5.1% while consumption is down 8.8%, and domestic production is up 3% year-to-date. It's a market worth watching closely, particularly as global supply dynamics evolve heading into the new season

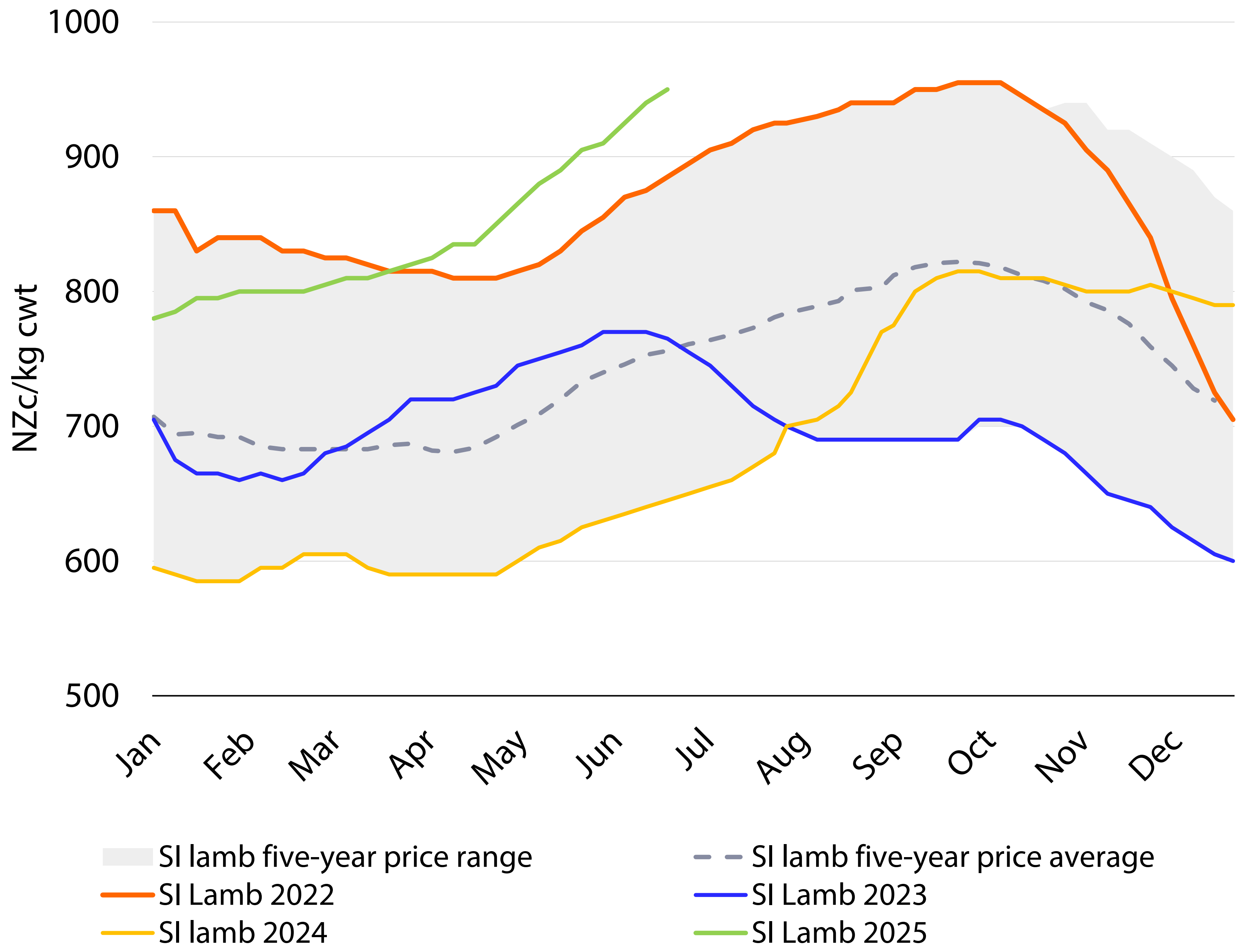
Jen Corkran
Senior Animal Protein Analyst

Jen.Corkran@rabobank.com

Sheepmeat

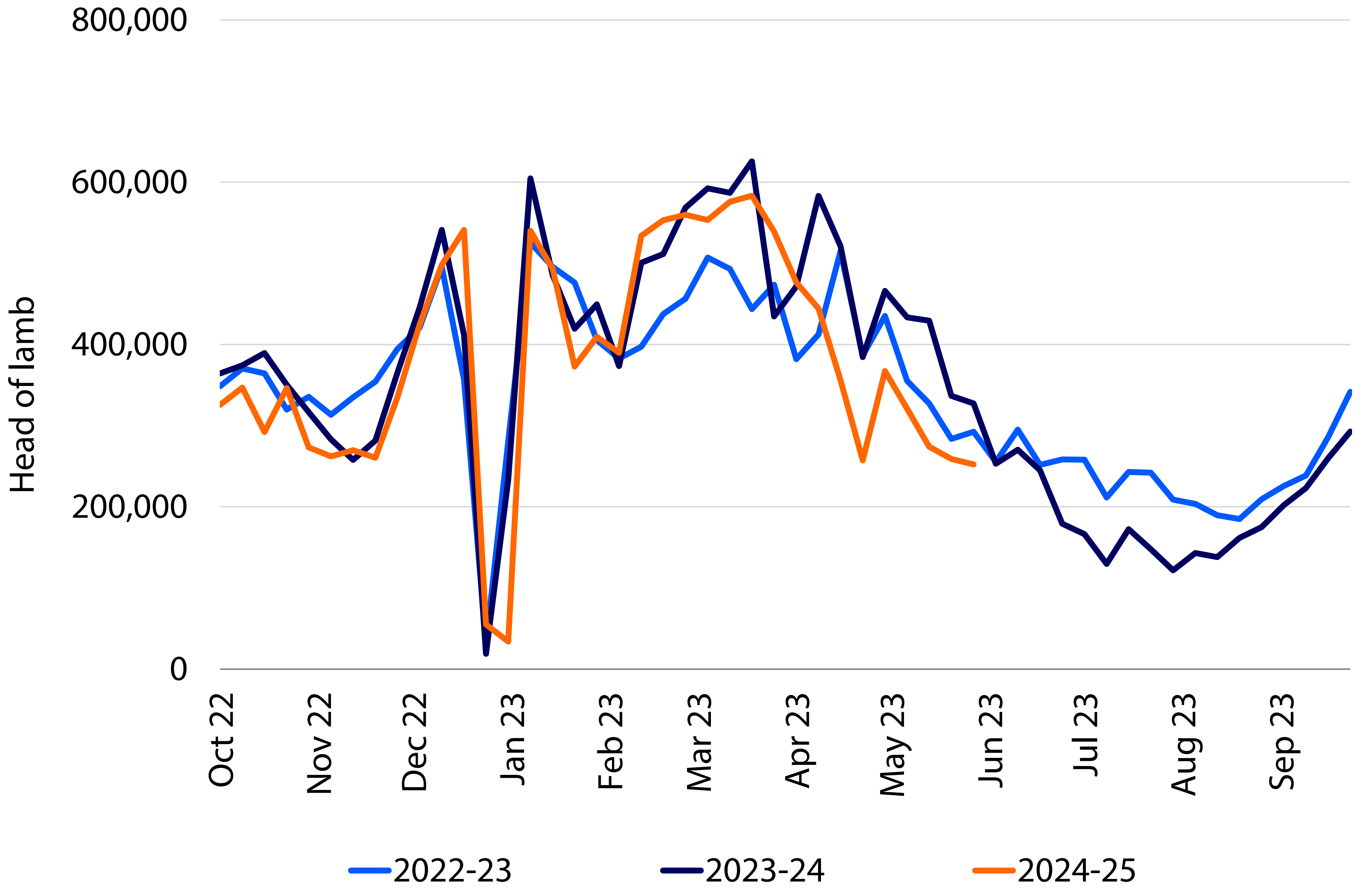
Total lamb kill for 2024/25 export season down ~1.36 million head YOY to 31 May

AgriHQ SI lamb farmgate pricing indicator continues to climb



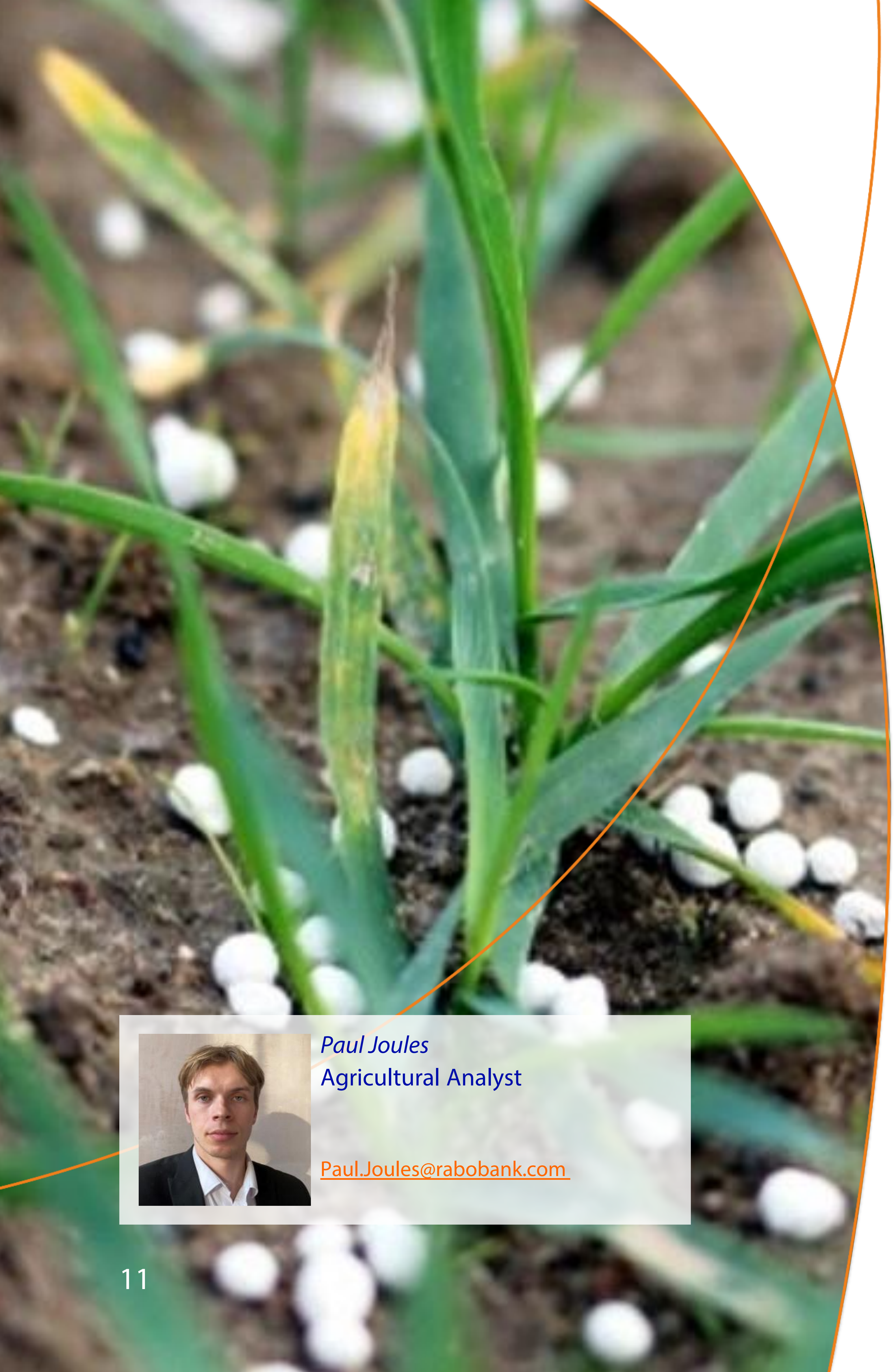
Source: AgriHQ, RaboResearch 2025

Since mid-April, weekly lamb slaughter numbers have dropped to below the average of the past few years



Source: NZ Meat Board, RaboResearch 2025

Rabobank



Paul Joules
Agricultural Analyst
Paul.Joules@rabobank.com

Farm inputs

Urea prices in focus following Middle East flare-up

The key development this month was the escalation of conflict in the Middle East, which had a notable impact on urea markets. The broader region, including Egypt, accounts for around 45% of global urea exports. Much of this trade depends on the Strait of Hormuz – a critical maritime chokepoint. Iran's parliamentary vote to close the Strait sparked market panic, but vessels have continued to pass through. Given Iran's own reliance on the Strait for oil exports, as well as that of neighbouring countries, a full closure remains unlikely.

A more positive turn came with the US-brokered ceasefire between Israel and Iran. This eased market tensions, and urea prices have since pulled back from the highs seen earlier in the month – although still remain higher than pre-war levels. If the ceasefire holds – still a big "if," given early violations – it's likely prices will return to pre-conflict levels, with market focus shifting back to global supply and demand fundamentals.

The war directly disrupted production in two major exporting countries: Iran (third-largest globally) and Egypt (fourth largest). Iran's output was halted due to damage to gas fields, while Egypt's supply was affected by Israel cutting off gas exports. If peace holds, both nations are expected to resume production soon, which would help stabilise global supply.

Before the conflict intensified, global urea supply was already showing signs of recovery. China recently announced its return to the export market after an 18-month hiatus. While export volumes will be capped, the additional supply is welcome amid ongoing uncertainty.

As far as New Zealand is concerned, the country is heavily reliant on urea imports, so any international supply shock directly translates into higher domestic prices. If the Israel/Iran ceasefire holds, prices could quickly retrace, but markets will remain sensitive to any news coming out of the region.

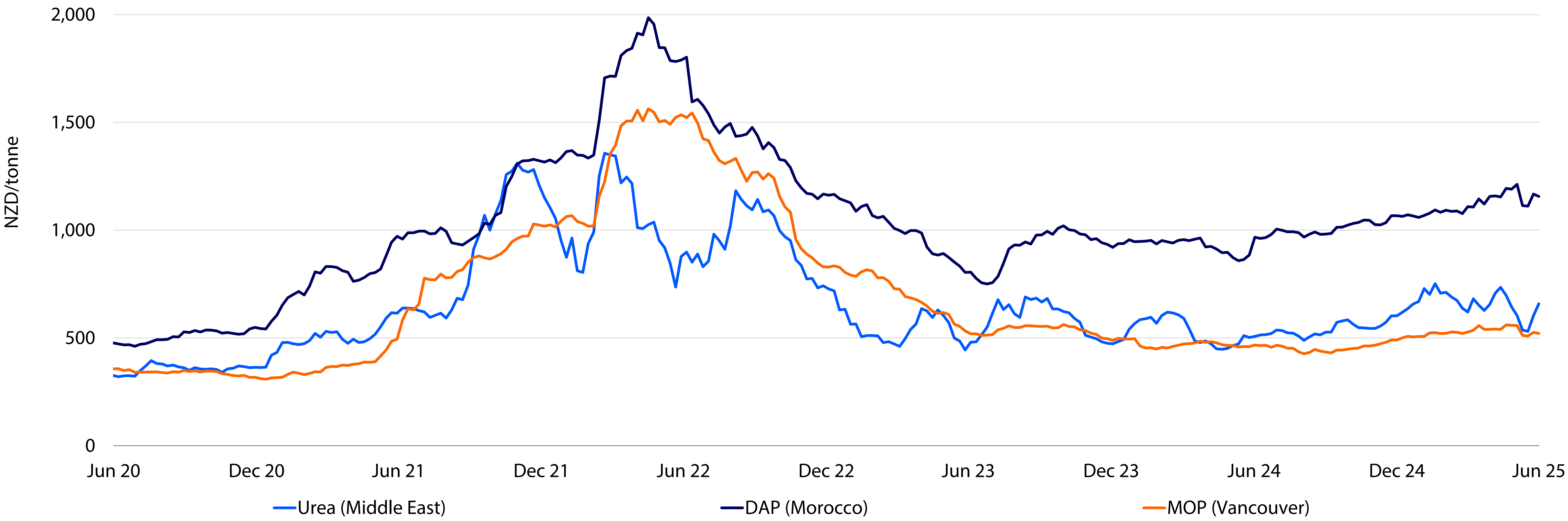
What to watch:

- **All eyes remain on the Middle East after a volatile fortnight.** Urea prices in NZD terms spiked sharply, with prices up 9% month-on-month. Markets will be watching closely for any signs of renewed hostilities.

Farm inputs

Phosphate and urea prices continue to track higher amid global supply uncertainty

Urea prices have been particularly volatile in recent weeks amid Middle East conflict escalation



Source: CRU, RaboResearch 2025

Rabobank

Interest rate and FX

Liberation Day 2.0

The Q1 GDP report released in June showed the New Zealand economy growing faster than most had expected. The economy expanded by 0.8% quarter-on-quarter, but in annual terms growth was still -0.7% due to the recessionary conditions experience in Q2 and Q3 last year.

While faster growth is obviously a good thing, it can also be a double-edged sword because it raises the prospect that the RBNZ may have been correct back in May to signal that they are likely approaching the end of the cutting cycle for the OCR.

RaboResearch continues to project just one more cut to the OCR – to arrive in August – taking the rate down to 3.00%. We still think there is a decent risk that the RBNZ might deliver one more cut beyond that, but recent improvements in growth, employment, business confidence, NZ's terms of trade and a lift in food price inflation (see overleaf) suggest to us that rates are not constraining economic activity and just one more cut is therefore the most likely outcome.

Part of our thinking for this is that changes to interest rates take time to be fully felt in the economy. That means that the 2.25ppts worth of cuts that the RBNZ has already delivered are likely not fully felt yet as borrowers remain on legacy fixed rates and asset prices take time to recover.

Of course, there are still risks ahead. The most obvious of these is the July 9th expiry of the 90-day pause on US "reciprocal" tariffs. Tariffs are likely to remain at the 10% rate announced on April 2nd but could go as high as 20% if the USA is unhappy with cooperation on trade and security.

Higher tariffs may negatively impact New Zealand's terms of trade and overall economic growth, but we think impact would be modest enough to prevent the RBNZ from stepping in to provide support.

What to watch:

- **Expiry of the 90-day pause on "reciprocal" tariffs, 9 July** – This is a major point of interest with substantial implications for global growth and inflation. Tariffs are likely to remain at 10% but could go as high as 20% if the US is unhappy with NZ's cooperation on trade and security..

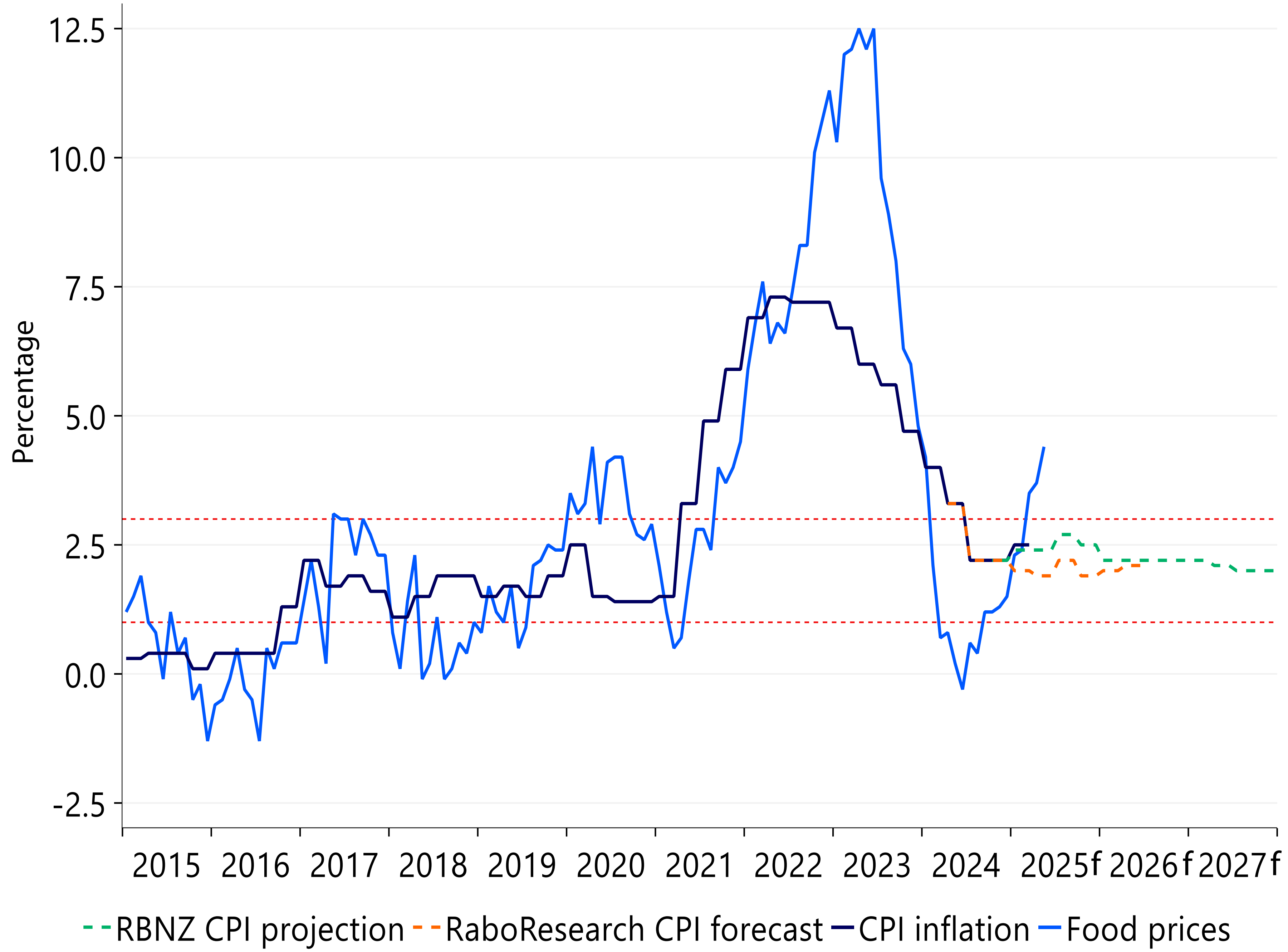
Benjamin Picton
Senior Strategist

Benjamin.Picton@rabobank.com
X: @BenPicton1

Interest rate and FX

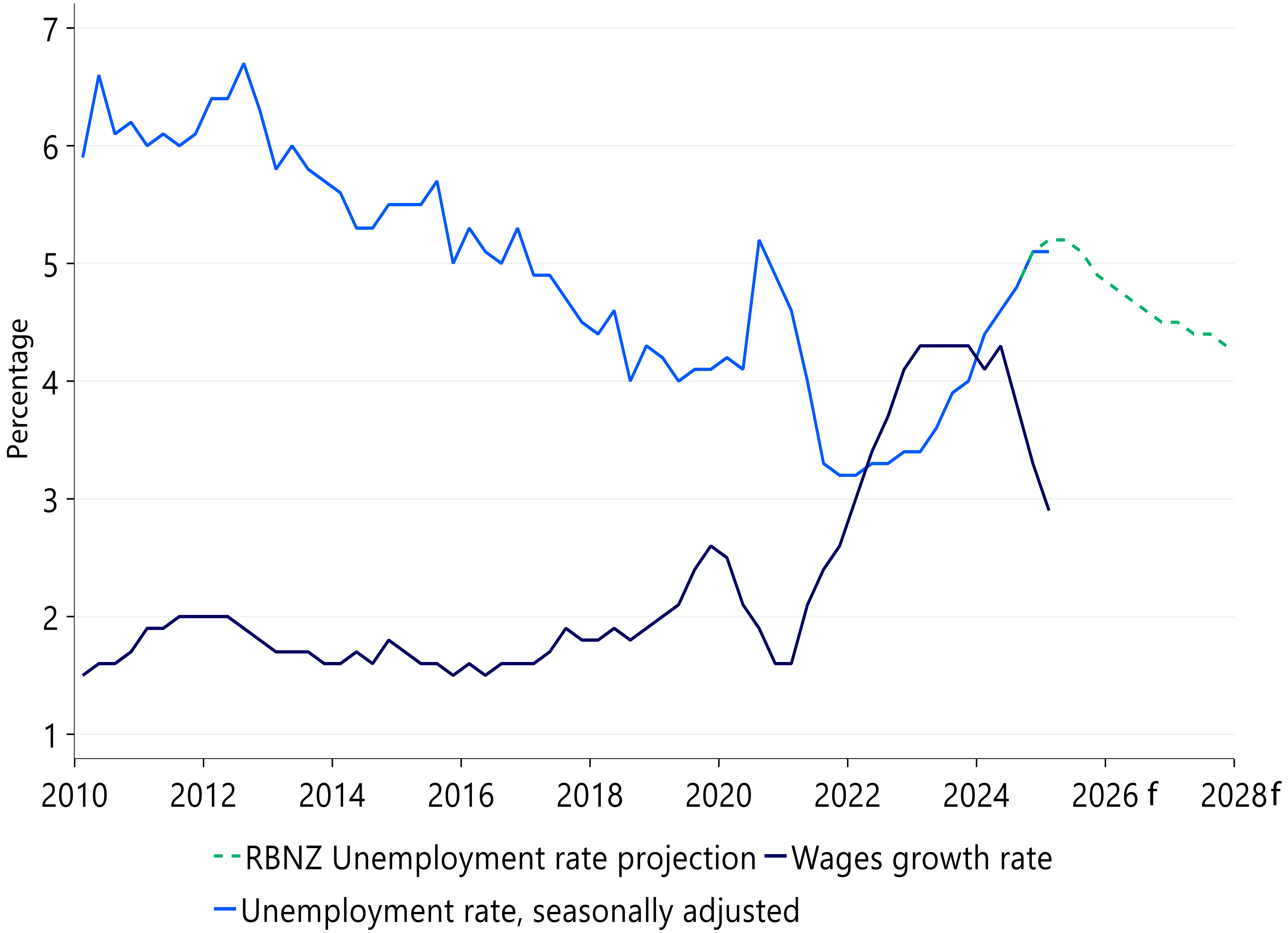
Food prices re-ignite inflation pulse

New Zealand inflation indicators, 2015-2027f

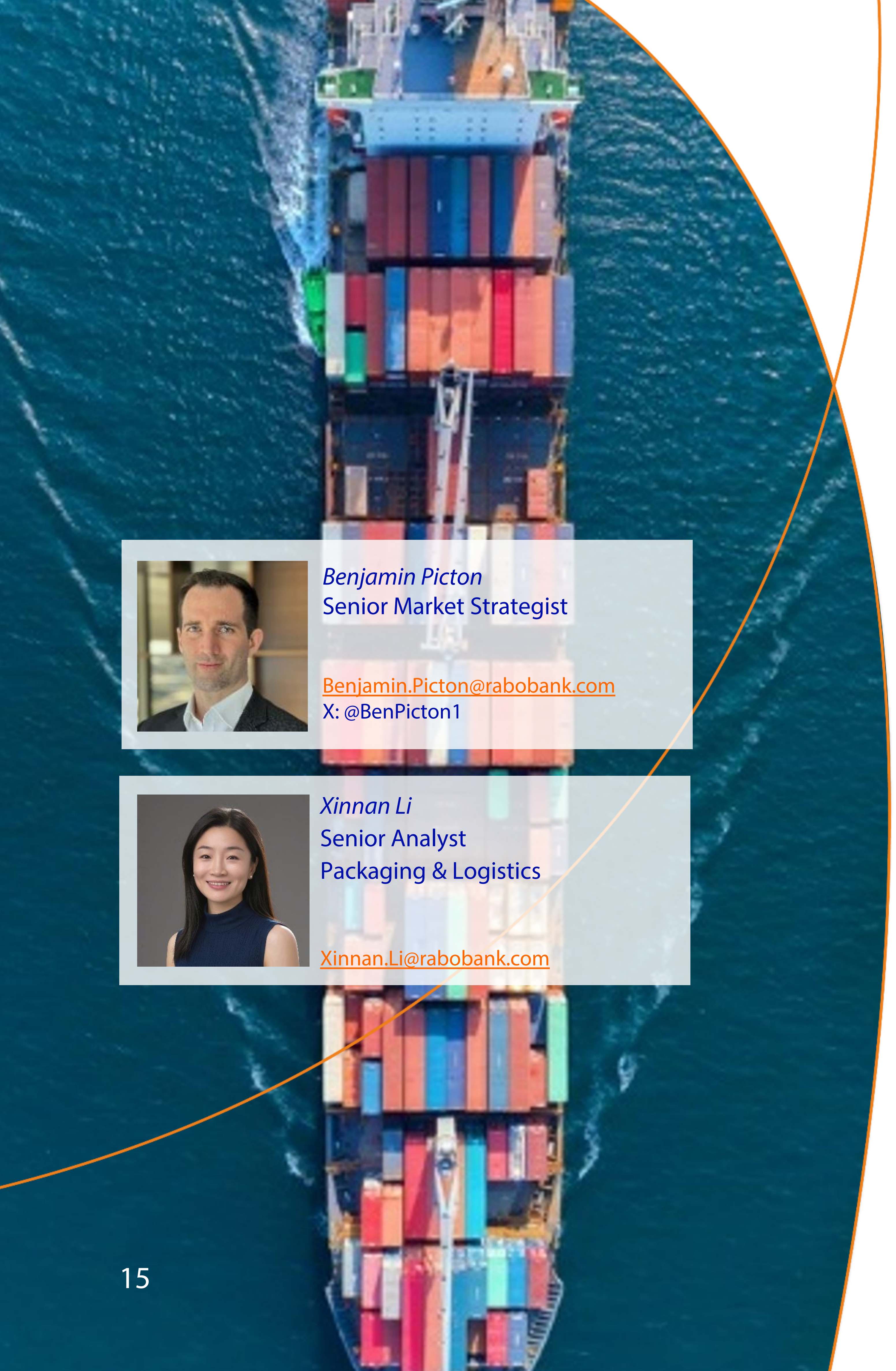


Source: *Macrobond, Stats NZ, RBNZ, RaboResearch 2025*

New Zealand labour market indicators, 2010-2028f



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



Oil and freight

King volatility

June was the most volatile month for oil prices since October 2023. The Israel-Iran war saw prices trade in a range of more than USD 18/bbl.

Ultimately, prices closed the month slightly lower than where they started as threats of disruption to Middle Eastern oil and gas supplies subside.

The world continues to grapple with a weak outlook for demand, perhaps even more so now that the US' "reciprocal" tariffs are set to take effect from July 9th. Meanwhile, the supply side of the equation continues to look very strong and OPEC+ producers are expected to add even more barrels to the market in the months ahead.

Container freight rates almost doubled from their more than one-year low once the hefty US-China tariffs were paused as confidence in rather strong global trade returned. Combined with the Israel-Iran war, this kept the Baltic container index volatile. RaboResearch expects continued volatility as geopolitical uncertainty remains high.

The Baltic Panamax index (a proxy for grain bulk freight) has continued its impressive recovery, doubling from its bottom in late January 2025. Limited updates on US tariffs, NATO's 5% defence expenditure commitment, and progress in the US-China trade negotiations, support confidence in US and global exports of bulk commodities.

Benjamin Picton
Senior Market Strategist

Benjamin.Picton@rabobank.com
X: @BenPicton1

Xinnan Li
Senior Analyst
Packaging & Logistics

Xinnan.Li@rabobank.com

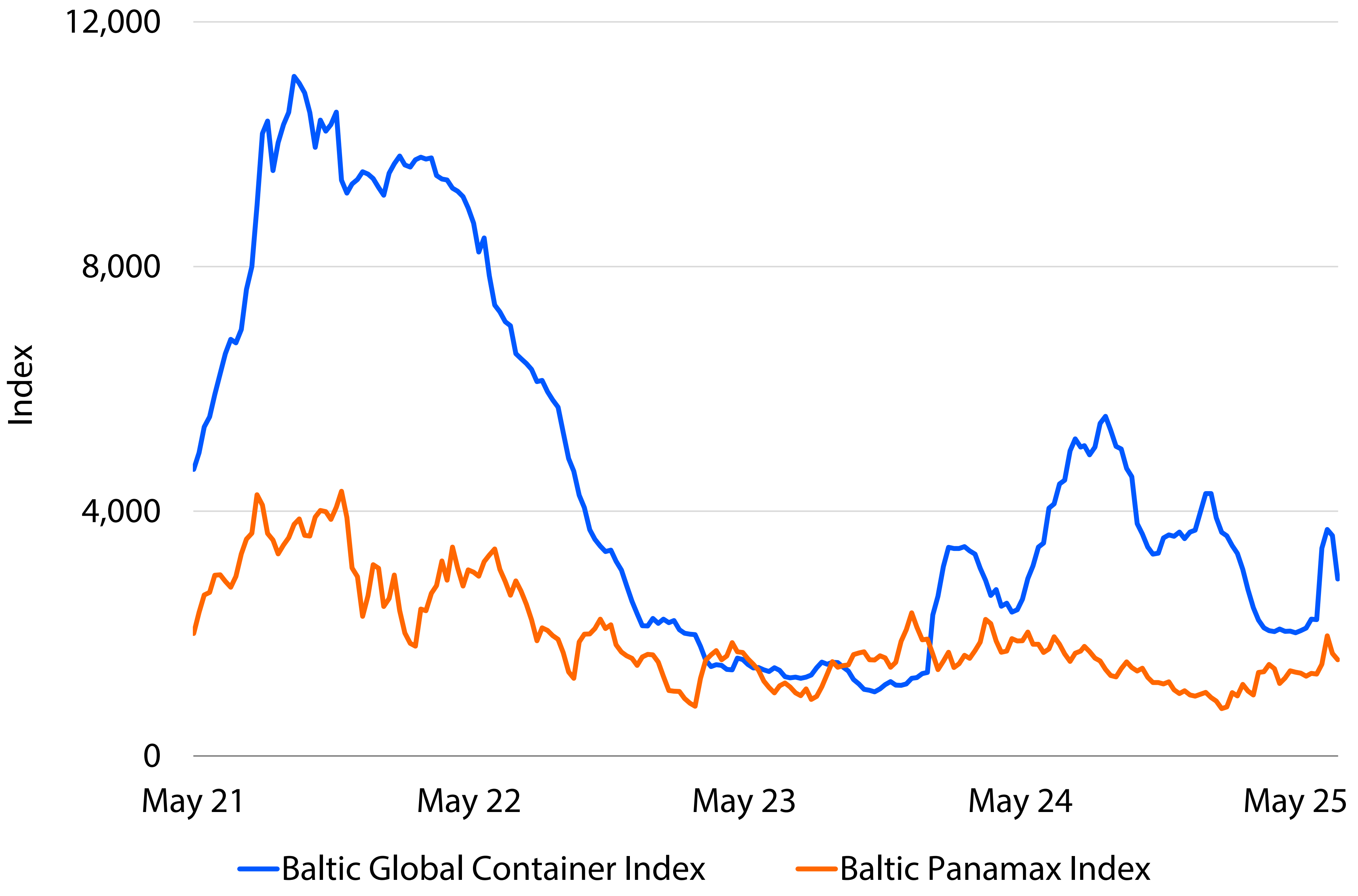
What to watch:

- **Expiry of the 90-day pause on "reciprocal" tariffs, 9 July** – The imposition of tariffs is likely to slow down global growth, thereby presenting another headwind to demand for transport fuels. Energy markets will likely be particularly attuned to details of any trade deals, or changes to tariff rates already announced.
- **US-China trade deal outcome** and if a return to exorbitantly high tariffs can be avoided

Oil and freight

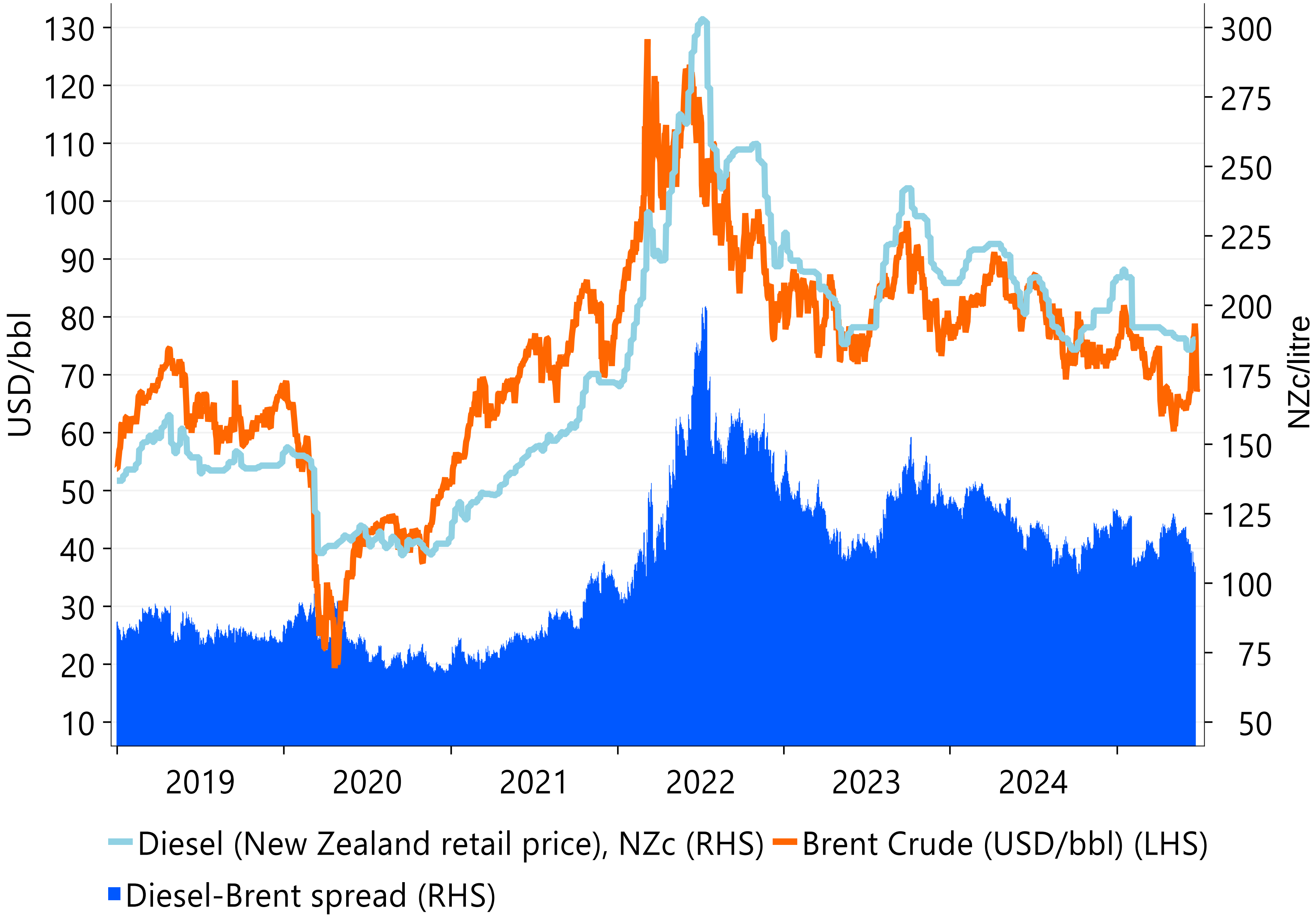
Price pressures subside with peace in the Middle East

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

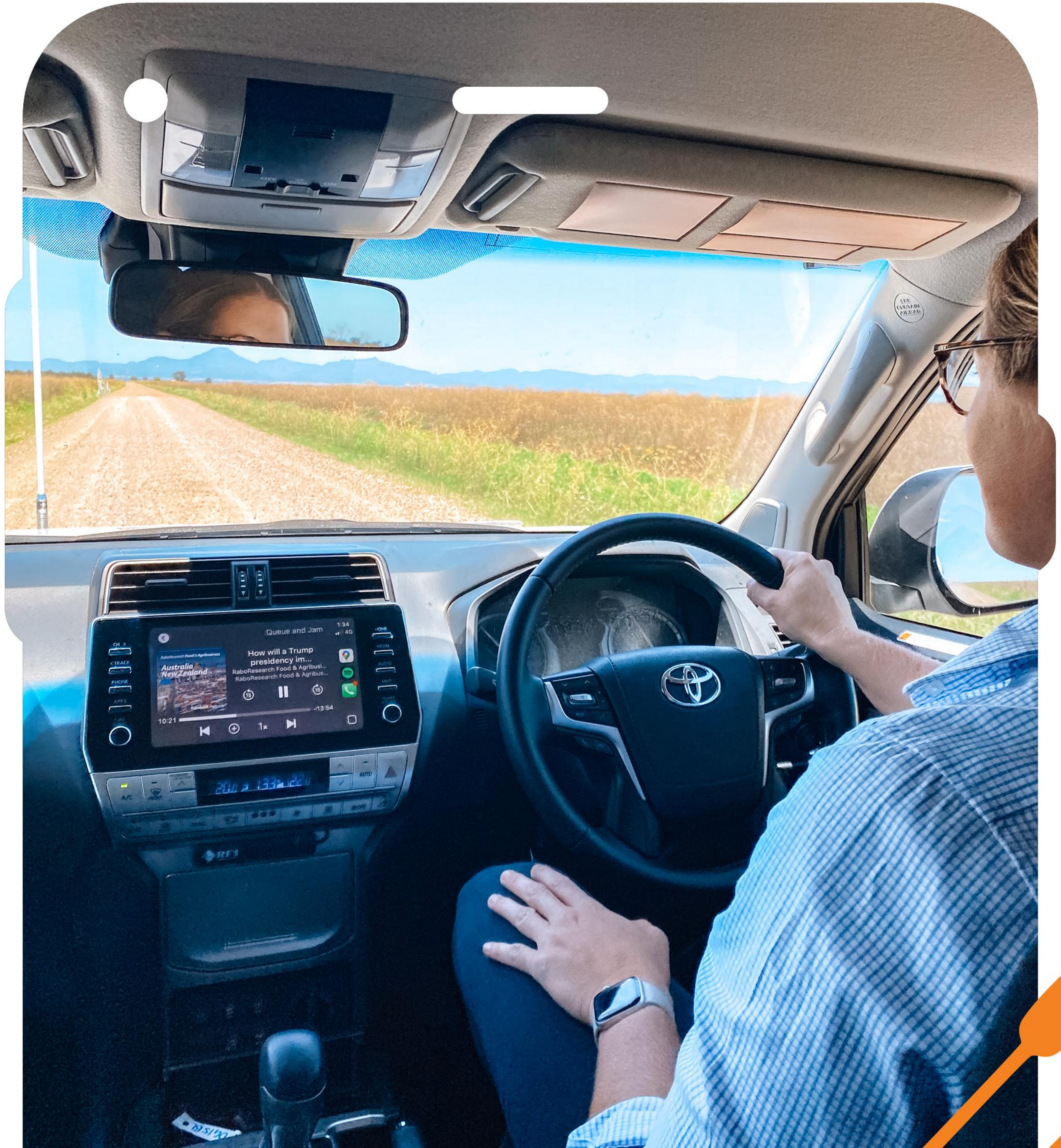
27/06/2025	Unit	MOM	Current	Last month	Last year
Grains & oilseeds					
CBOT wheat	USc/bushel	▼	525	530	554
CBOT soybean	USc/bushel	▼	1,028	1,049	554
CBOT corn	USc/bushel	▼	418	451	554
Australian ASX EC Wheat Track	AUD/tonne	▼	324	326	554
Non-GM Canola Newcastle Track	AUD/tonne	▼	764	791	554
Feed Barley F1 Geelong Track	AUD/tonne	▼	338	339	554
Beef markets					
Eastern Young Cattle Indicator	AUc/kg cwt	▼	704	734	581
Feeder Steer	AUc/kg lwt	•	390	390	329
North Island Bull 300kg	NZc/kg cwt	▲	825	790	625
South Island Bull 300kg	NZc/kg cwt	▲	755	725	560
Sheepmeat markets					
Eastern States Trade Lamb Indicator	AUc/kg cwt	•	837	837	713
North Island Lamb 17.5kg YX	NZc/kg cwt	▲	955	910	650
South Island Lamb 17.5kg YX	NZc/kg cwt	▲	950	890	650
Venison markets					
North Island Stag	NZc/kg cwt	▲	950	930	860
South Island Stag	NZc/kg cwt	▲	940	920	855
Oceanic dairy markets					
Butter	USD/tonne FOB	▲	8,138	7,838	7,863
Skim Milk Powder	USD/tonne FOB	▼	2,813	2,938	2,700
Whole Milk Powder	USD/tonne FOB	▼	4,063	4,338	3,363
Cheddar	USD/tonne FOB	▼	5,038	5,088	4,375

Source: Baltic Exchange, Bloomberg, RaboResearch 2025

Agri price dashboard

27/06/2025	Unit	MOM	Current	Last month	Last year
Cotton markets					
Cotlook A Index	USc/lb	▲	79.7	78.0	85
ICE No.2 NY Futures (nearby contract)	USc/lb	▲	67.5	65.3	70
Sugar markets					
ICE Sugar No.11	USc/lb	▼	15.8	16.9	20.3
ICE Sugar No.11 (AUD)	AUD/tonne	▼	564	587	617
Wool markets					
Australian Eastern Market Indicator	AUc/kg	▲	1,207	1,204	1,142
Fertiliser					
Urea Granular (Middle East)	USD/tonne FOB	▲	502	395	353
DAP (US Gulf)	USD/tonne FOB	▲	720	695	550
Other					
Baltic Panamax Index	1000=1985	▲	1,490	1,169	1,667
Brent Crude Oil	USD/bbl	▲	68	65	86
Economics/currency					
AUD	vs. USD	▲	0.653	0.643	0.667
NZD	vs. USD	▲	0.606	0.597	0.609
RBA Official Cash Rate	%	•	3.85	3.85	4.35
NZRB Official Cash Rate	%	•	3.25	3.25	5.50

Source: Baltic Exchange, Bloomberg, RaboResearch 2025



Keep up to date with the latest Food & Agribusiness insights

Tune into our RaboResearch podcast series and make our insights your advantage.

Rabobank

Meet our RaboResearch Food & Agribusiness Australia and New Zealand team

Stefan Vogel
General Manager, RaboResearch Australia and New Zealand
+61 419 782 452
Stefan.Vogel@rabobank.com

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

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

Emma Higgins
Senior Agriculture Analyst
+64 27 600 5549
Emma.Higgins@rabobank.com
@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
@MickHarvey77

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

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

Vítor Caçula Pistóia
Senior Grains & Oilseeds Analyst
+61 473 862 667
Vitor.Cacula.Pistoia@rabobank.com
@victor_agri

Paul Joules
Agriculture Analyst
Paul.Joules@rabobank.com