

# *Strong end to autumn*

*New Zealand agribusiness monthly*



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This report is based on information available as at 1/5/25

# Commodity outlooks



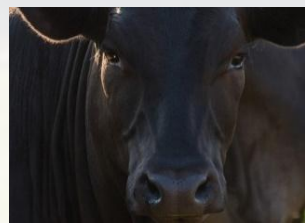
## Dairy

The North Island heat has resulted in the lowest milk production growth rate this season so far, excluding June 2024.



## Farm inputs

Urea, phosphate, and potash prices rose across the board on a month-on-month basis. For urea, India's recent tender pushed prices higher. Meanwhile, for phosphate prices, higher production costs and rising global demand continue to keep prices trading above historical averages.



## Beef

In March 2025, New Zealand beef exports hit a record value of NZD 534m, despite lower slaughter numbers. Strong demand and a weak New Zealand dollar contributed. Average export values hold strong, and demand from Asian markets may increase in the coming months due to US-China relations.



## Interest rate and FX

RaboResearch expects another 0.25 percentage point cut from the RBNZ in May. However, future policy decisions will be largely contingent on the outcomes of trade negotiations between now and 8 July.



## Sheepmeat

Lamb prices remain strong despite a slight dip in average export value in March. Lamb export volumes for March hit a six-year high at 36,000 tonnes, with EU export volumes up 34% YOY over February and March.



## Oil and freight

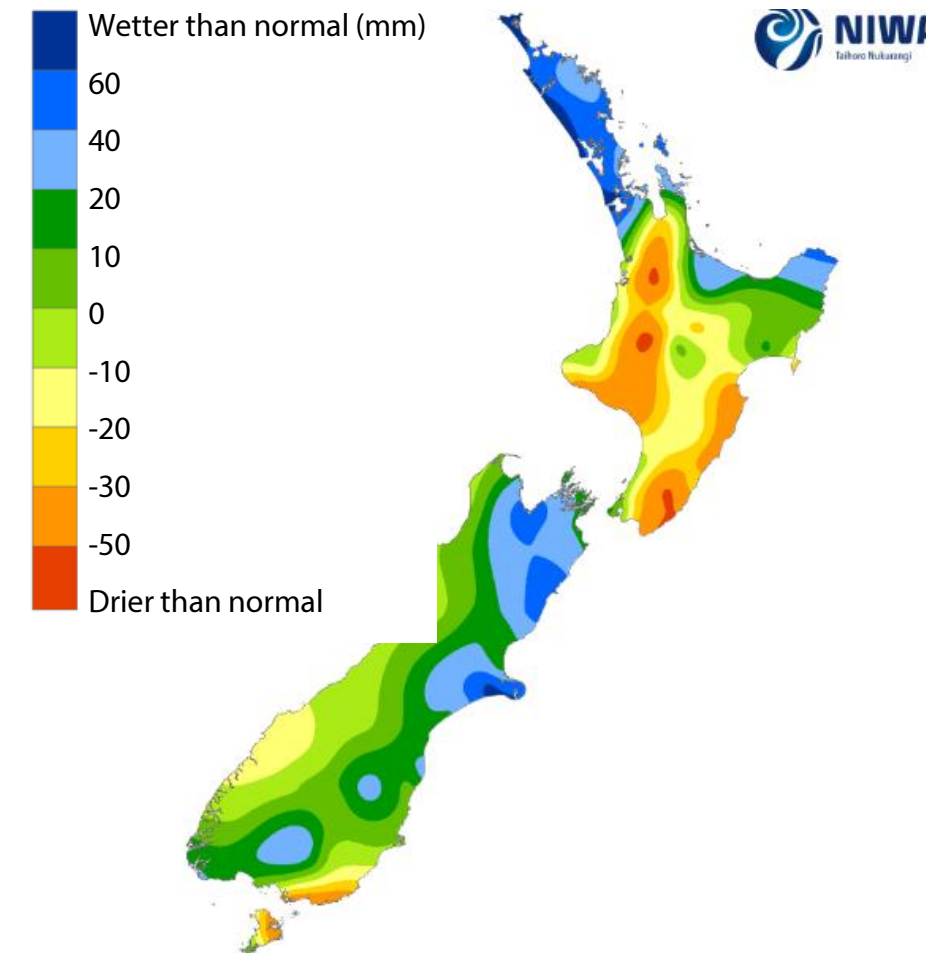
Oil prices hit a four-year low in April due to increased supply from OPEC+ and expectations of lower global growth driven by US tariffs. Freight rates have fallen as attempts by US importers to front-run the imposition of tariffs subside.



# Climate

## Welcome rain to boost North Island pasture supply

### Soil moisture anomaly (mm), 27 April 2025



The National Institute of Atmospheric Research (NIWA) expects temperatures to be average or above average for most of New Zealand through to June 2025. Cold snaps are likely to pop up as we move towards winter, with Hawkes Bay having already experienced a good frost over Easter.

Rainfall is likely to be near-normal for much of New Zealand through to June 2025, while the east coasts of both islands and the top of the South Island have a chance of higher-than-usual rainfall levels over the same period.

Soil moisture levels are likely to be near-normal in the east of the South Island through to winter. The remainder of the country has a chance of below-normal soil moisture levels for the remainder of the country through to June 2025.

Source: NIWA, RaboResearch 2025

### What to watch:

- **An improvement for pasture growth in the final month of autumn.** Heavy rain across Northland and western parts of the country in the second half of April was well received – especially for Taranaki, Northland, and Waikato, which were experiencing very dry conditions. This rainfall will help improve pasture supply in the final days of autumn before soil temperatures become too cool for growth.

# Dairy

## Rapid milk supply growth may start to slow

**New Zealand milk supply growth further slowed in March 2025.** Many parts of the North Island were in search of rain over the month, with Bay of Plenty and Northland being particularly dry for the month of March 2025. However, feed availability is better further south, and milk production (on a milk solids basis) was up 0.8% YOY in March. On a tonnage basis, the season-to-March is tracking 2.6% ahead (adjusted for the leap year in 2024). April brought much-needed rain to Waikato, but an early end to the 2024/25 season is likely to have occurred already in parts of the North, which will impact milk deliveries in April and May.

**In Australia, milk production was flat year-on-year in March, which follows four months of year-on-year declines.** Season-to-date, national production is down 0.1%. In Victoria, the largest milk-producing state, production is marginally higher (0.2%) so far this season.

**Markets are heading into the critical milk supply seasonal peak in the Northern Hemisphere.** In the US, milk production returned to growth in March, increasing by 0.9% YOY. Milk supply in California is still hampered by avian influenza, leading to a decline for six consecutive months. This decline is offset by growth in Texas, Wisconsin, and Idaho.

In Europe, milk supply is heading toward the peak on a softer footing. Milk supply was down 2% YOY in February. There have been declines in Germany, France, and the Netherlands. Markets are closely watching the potential for a spike in bluetongue virus.

Global dairy fundamentals remain mostly balanced, leading to commodity prices remaining mostly range-bound at current levels through April 2025 and into May 2025.

All eyes will be on 2025/26 season opening milk price forecasts, with Fonterra's April 2025 Fixed Milk Price fully allocated at NZD 9.70/kgMS.

### What to watch:

- **Upside: Disease watch** – Milk supply is growing in most export regions, and farm margins are being supported by high farmgate prices. However, there are limits to milk supply growth, and disease risks linger, which could further slow growth and support commodity markets.
- **Downside: Weakening consumer sentiment** – Dairy demand has been recovering from a softer period in 2023/24. An uncertain, and weakening global economic outlook could weigh on consumer sentiment and slow the recovery.



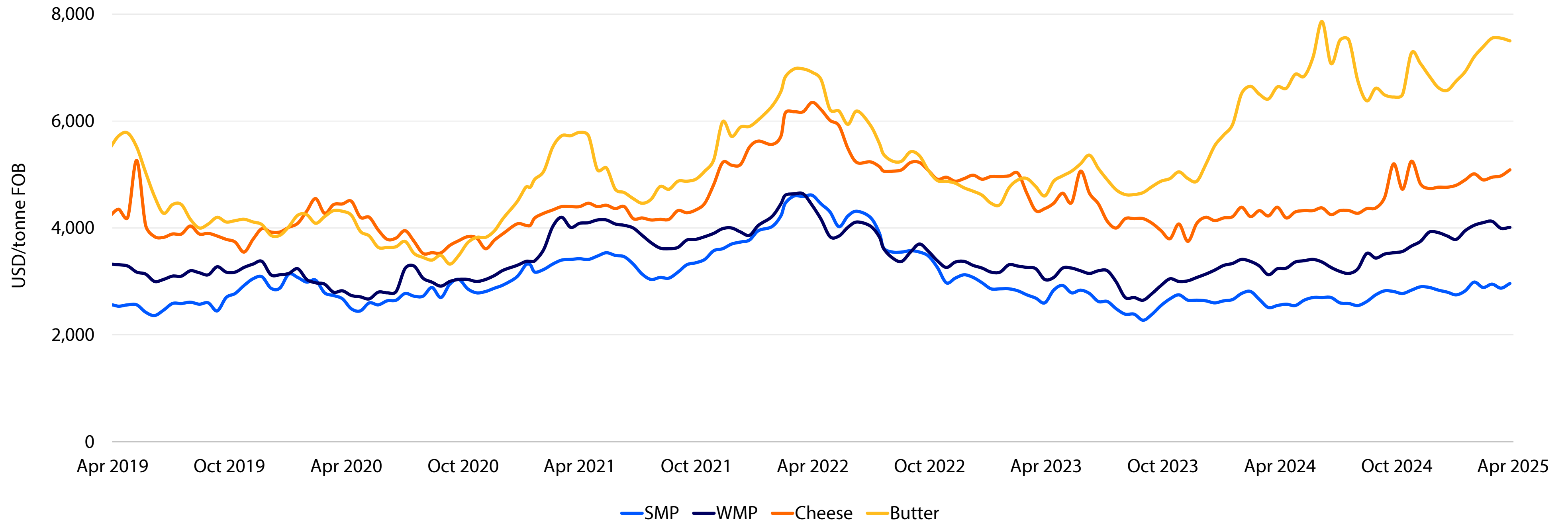
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# Dairy

Improved export demand is flowing through to New Zealand commodity prices

## Oceania spot prices for dairy commodities



Source: USDA, RaboResearch 2025

# Beef

## Local supply pressure meets strong global demand

**With strong demand and a weak New Zealand dollar, the total value of New Zealand beef exports in March 2025 reached a new record high of NZD 534m**, surpassing the previous record of NZD 502m set in May 2024. With 49,250 tonnes shipped, this achievement is even more notable as it represents only the 11th highest monthly volume shipped. Average export values in March, remained strong and steady at NZD 10.85/kg FOB.

In the first 26 weeks of the 2024/25 export season (up to 29 March), **data from the New Zealand Meat Board shows that bull beef slaughter numbers have decreased by 11,695 head, or 3.4% YOY**. National steer slaughter is down by 27,200 head, or 7.3% YOY. The South Island has experienced larger shortages due to favourable growing conditions for most of the season.

With only May remaining in the 2024/25 dairy season, cull cow numbers are gradually catching up. The South Island cow kill is now only 5,700 head behind the 2023/24 season, a decrease of 4.5%. In contrast, the North Island cow kill is up

by 7.3% YOY, as most beef and dairy culls have likely already left the farm following the late summer dry conditions.

In recent weeks, **US beef import prices have experienced a slight decline following Trump's sweeping tariffs announcement on 2 April**. Prices for 90 CL and 95 CL beef are approximately USD 0.08/lb (≈NZD 0.29/kg) lower compared to four weeks prior. This decrease, attributed to caution among US importers regarding tariffs, was somewhat offset by the strength of the New Zealand dollar and still remains more than 15% above five-year average pricing.

While it is still too early to see these changes reflected in the StatsNZ export data (to March), **beef exports to Asian markets in April will be closely monitored as an uptick in demand may be seen due to US relations**. The average export value for beef to China from January to March increased by 7.4% YOY to NZD 7.86/kg FOB, indicating improving demand. If US relations continue to deteriorate, New Zealand beef demand in Asian markets may see further growth.

### What to watch:

- **Pricing fluctuations in the US market, as well as the dynamics in the Asian market** – Due to the ongoing trade war, these will be a watching point as 2025 progresses. All major beef-supplying regions have been subjected to a 10% tariff, which is positive as creates a level playing field. However, Canada and Mexico are currently exempt from these tariffs due to protections under the USMCA free trade agreement.



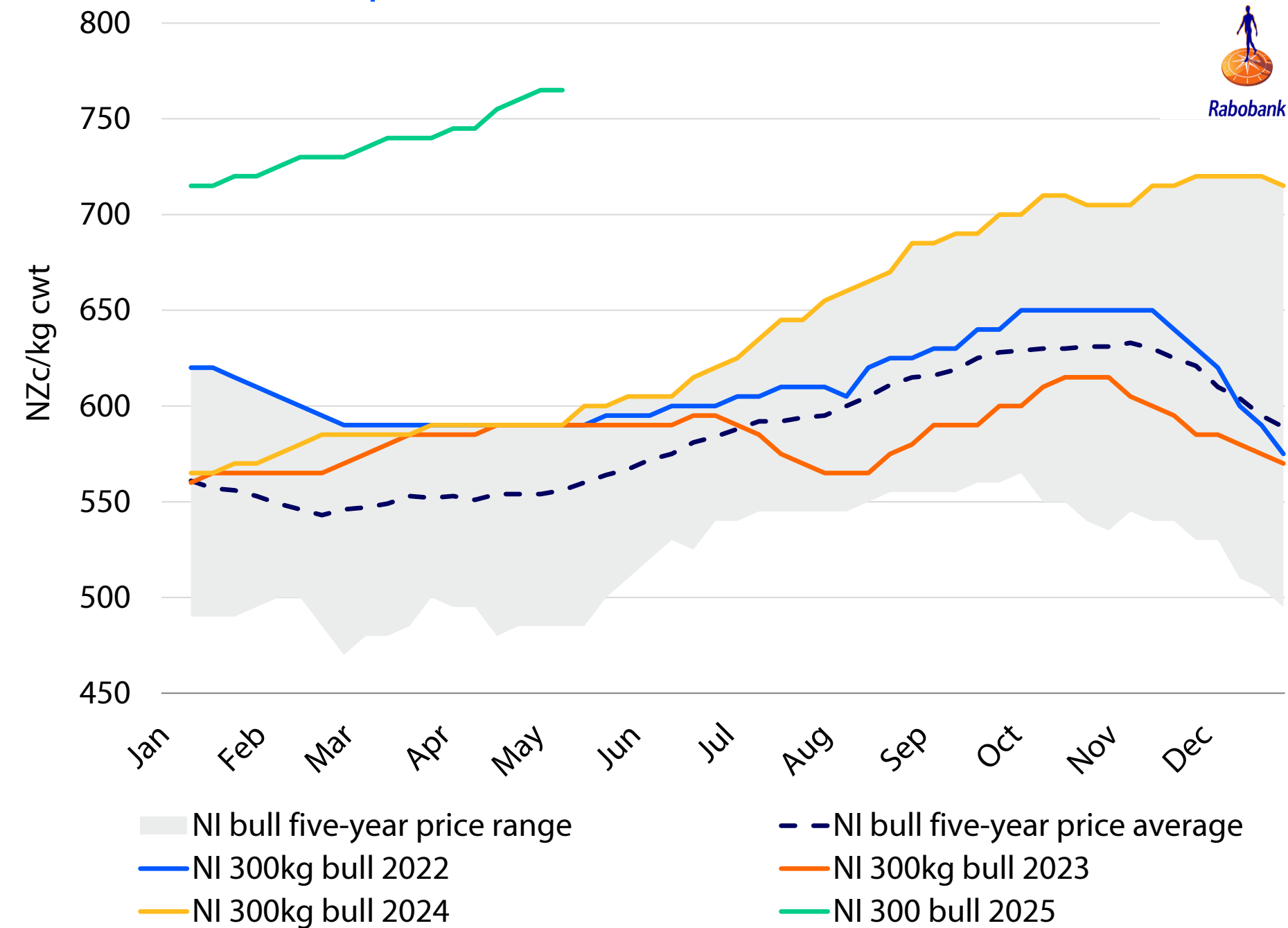
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# Beef

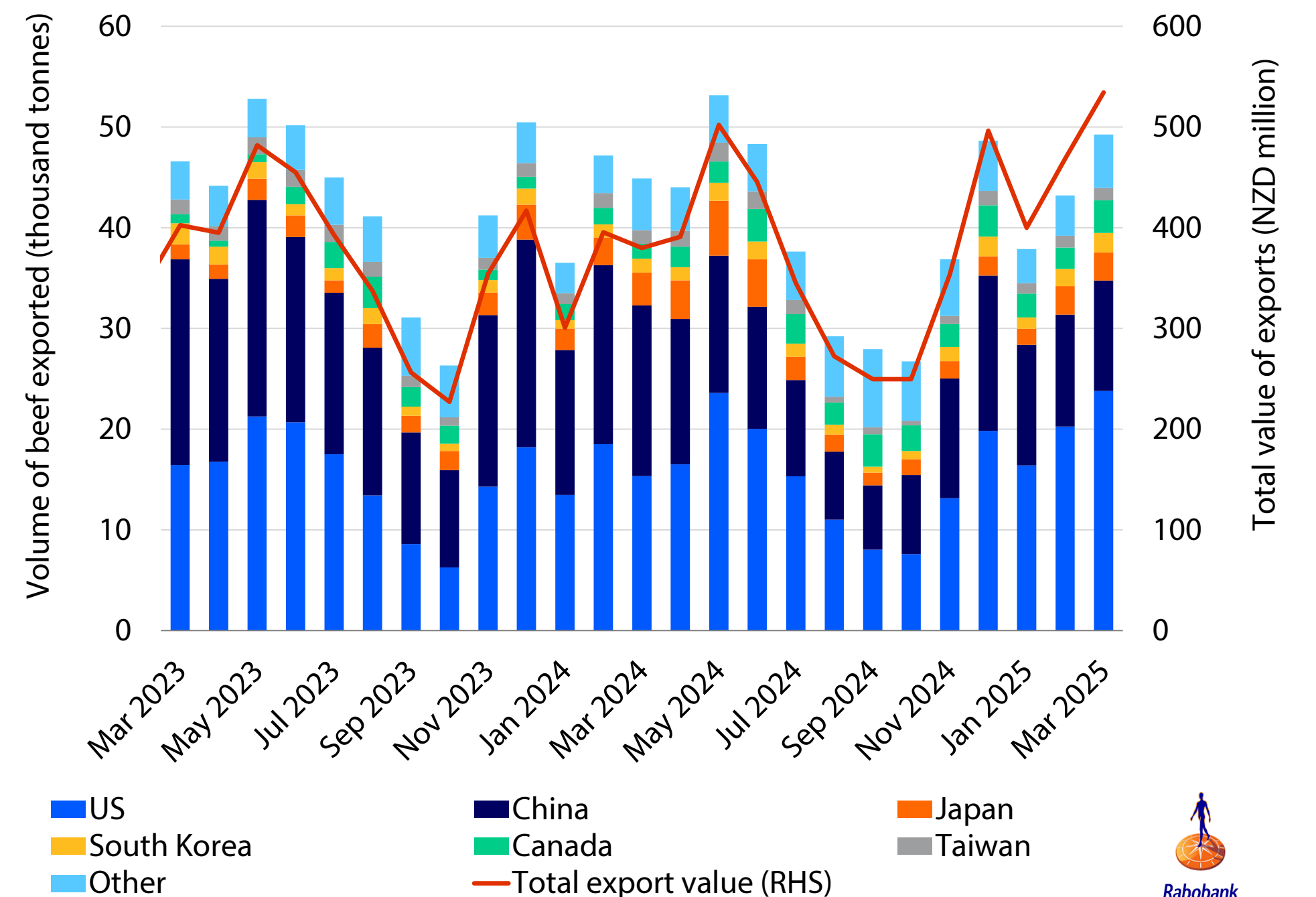
## Value of New Zealand beef exports hit a record high in March 2025

North Island bull price continues to climb



Source: AgriHQ, RaboResearch 2025

March total export value hits a new high, US value still significant



Source: StatsNZ, RaboResearch 2025



# Sheepmeat

## Strength in markets despite strong Australian competition

**With welcome rain finally arriving in the North Island, and South Island farmers continuing to enjoy favourable conditions, stronger-than-expected lamb pricing is helping keep optimism up.**

The average export value for lamb in March was NZD 12.43/kg FOB, down from NZD 13.49/kg FOB in February. This slight decrease likely reflects the higher volumes of chilled lamb shipped for the Easter trade in February compared to March. In February, nearly 6,100 tonnes of chilled lamb were exported, whereas only 3,980 tonnes were shipped in March. Chilled lamb typically fetches between NZD 7.00-10.00/kg FOB more than frozen lamb on average.

**The strength of global markets for sheep meat compared to the 2023/24 season becomes more apparent when examining the Australian lamb kill for the calendar year to date.** As of early April 2025, slaughter numbers on the east coast of Australia are just under 4% YOY higher totalling 212,000 head. It is expected that this

high supply will start to decline in the coming weeks and months, reducing overall competition in global export markets.

**In March, the total volume of New Zealand lamb exports reached 36,000 tonnes, the highest monthly volume since February 2017.** Export volumes to the EU showed significant strength, with combined February-March volumes up 34% YOY to 16,400 tonnes, totalling NZD 289.6m over these two months. China volumes remain flat but, but pleasingly for exporters, total export value for February-March was up 15% to NZD 151m.

NZ Meat Board numbers show the mutton kill is up by 16.9% YOY (+25.6% in the South Island). The lamb kill is down by 4% season-to-date, with the North Island up 423,000 head and the South Island back 841,000 head. Additionally, the provisional average hot carcass weight for the 2024/25 season (first 26 weeks) is 19.08 kg, slightly higher than the 18.99 kg recorded in the 2023/24 season.

### What to watch:

- **Global consumer confidence and economic health** – The global landscape is marked by an intriguing dynamic of limited red meat supply, particularly in the US, coupled with a trade war that could potentially dampen consumer confidence. Historically, during tougher economic times, when spending tends to slow, consumers may favour cheaper alternative proteins over niche products like sheep meat. Monitoring the impact of these economic shifts on protein preferences will be crucial in the coming months.



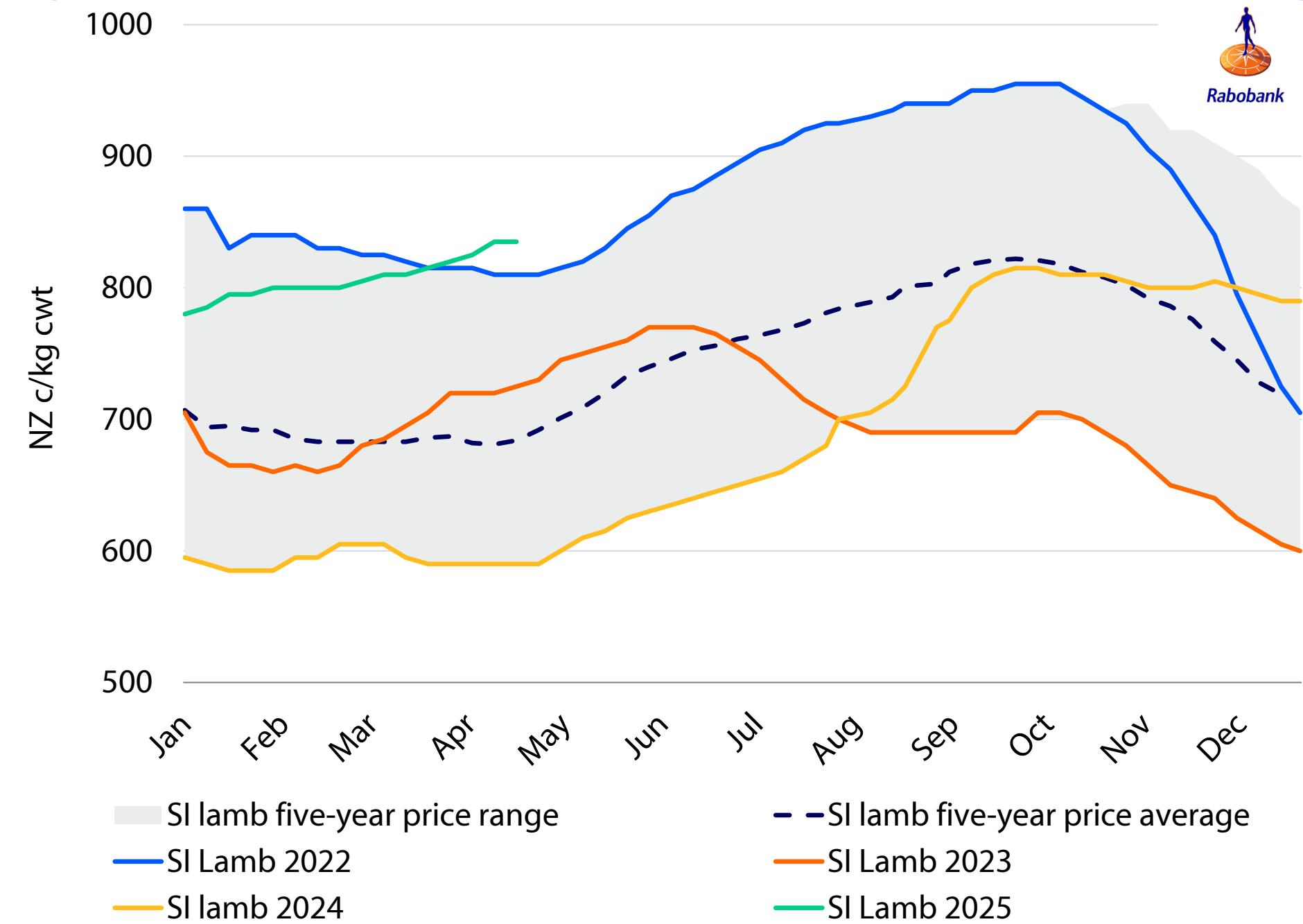
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# Sheepmeat

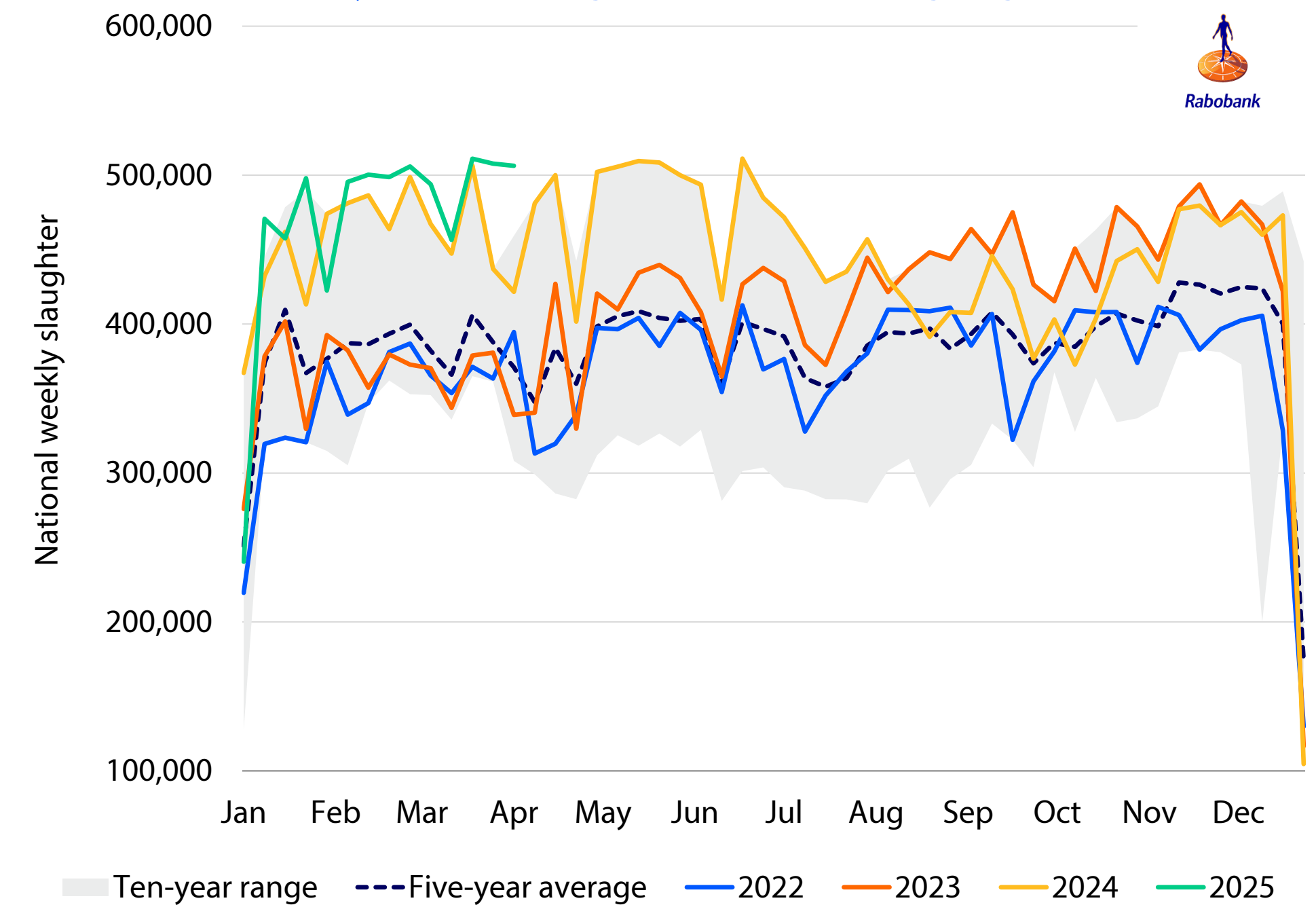
Competition from Australia remains strong in 2025, but is expected to decrease 2H 2025

AgriHQ South Island lamb price sneaks above April 2022 pricing



Source: AgriHQ, RaboResearch 2025

Australian weekly lamb slaughter still tracking high in 2025



Source: MLA, RaboResearch 2025

# Farm inputs

## Urea and phosphate prices remain elevated

**For urea prices, China's absence from the international market is a key factor preventing prices from easing from current levels. RaboResearch maintains the view that Chinese exports could return in the second half of the year.** If these volumes return, it could help to relieve the tight market situation. Another key factor influencing urea futures is natural gas prices. European natural gas prices have fallen to their lowest since July 2024. This decline is due to markets adjusting to an assumed reduction in Chinese demand off the back of a China-US trade war. As a result, RaboResearch has recently revised its TTF natural gas forecast lower. This could be another supportive factor for lower pricing going forward.

**However, RaboResearch forecast that the New Zealand dollar will move marginally lower from current levels over the next 12 months. This limits downside potential, despite some signs of improving supply dynamics later in 2025.**

**Phosphate prices are currently trading 4% MOM higher in New Zealand dollar terms, and are now 15% above the five-year average.** China's export restrictions are playing a key role in supporting prices around current levels. The other key factors that are contributing to the tight supply and demand picture include an increase in global demand, and rising production costs for the primary sources of phosphorus pentoxide, which are driving up production costs sharply. The global supply and demand picture is tight, leading to elevated prices across a number of key regions. Due to this, RaboResearch sees the possibility of global demand falling, which should prevent prices from moving higher.

**For potash, prices continue to look relatively affordable, despite the recent uptick.** That said, we could see some upside in 2025, as attractive price levels could entice key importers, such as Brazil.

### What to watch:

- **Chinese trade policy** – Chinese trade policy remains a key factor to watch. A return to more “normal” levels of urea and phosphate exports could support lower prices for these fertilizers in 2025. However, there is much debate within the industry regarding when this will happen.
- **Potash market dynamics** – One consideration for potash is the trade frictions between the US and Canada. At present, Canadian potash appears exempt from tariffs, but the Trump administration supports a proposed internal potash mine. If the US can reduce its dependence on Canadian potash through more internal production, we could see trade barriers. Ultimately, that could mean Canadian potash would need to find new markets, potentially leading to cheaper potash in regions such as New Zealand.



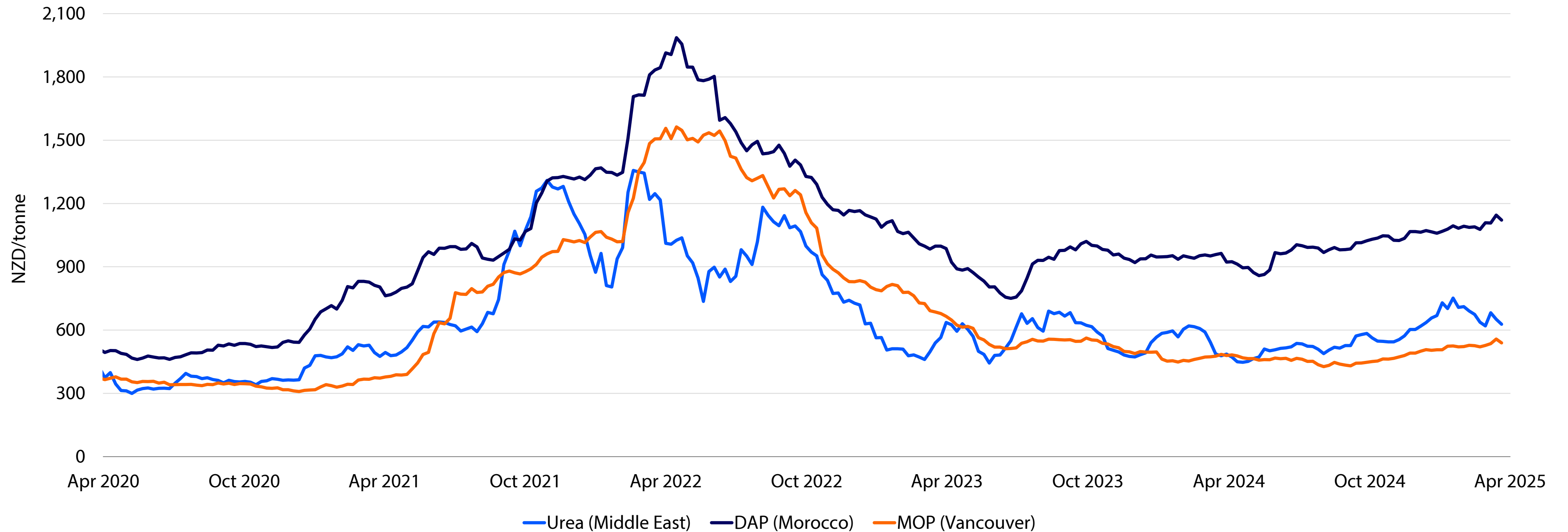
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# Farm inputs

Urea and phosphate prices continue to trade above their historical averages

*Urea prices decline modestly MOM, but potash and phosphate prices rise*



Source: CRU, RaboResearch 2025

# Interest rate and FX

## Tariff-driven

**In April, the New Zealand dollar briefly fell to its lowest level since the financial crisis of 2008.** The drop followed US President Trump's announcement of "reciprocal" tariffs on 2 April, but the currency had more than recovered lost ground by the end of the following week and is trading just below USc 60 as April comes to a close.

**The US has imposed tariffs of 10% on New Zealand's exports while countries that had been set to face higher rates have had a reprieve until 8 July (except for China).** The delay is intended to provide time to negotiate deals with US trading partners, and those countries will also face a 10% tariff in the meantime. New Zealand does not have a free trade agreement in place with the US but still provides almost tariff-free market access to US exporters.

The US Trade Representative has previously been critical of New Zealand's biosecurity restrictions on imports of US pork, and President Trump has criticised allies for "free riding" under the US defence guarantee by cutting investment in their own security. New Zealand is unlikely to

compromise on biosecurity restrictions, but the government's recent announcement that they intend to double defence spending from 1% of GDP to 2.1% of GDP over the next eight years was likely made with at least some consideration over how this would be received in Washington.

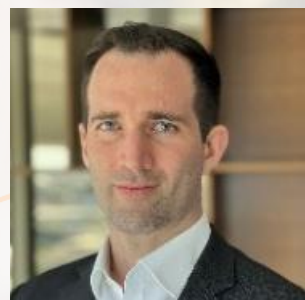
New Zealand's economy is highly trade exposed. The direct impact of tariffs will reduce growth slightly, but the second-order effects from slower economic growth in China are likely to be more substantial.

**The fortunes of the New Zealand economy in 2025 and 2026 will largely depend on whether China and the US can come to an agreement on trade or not.** Domestic measures taken by China will also be an important consideration, because efforts to boost local consumption as a response to US tariffs could end up *increasing* demand for New Zealand's exports.

**We continue to forecast 0.25ppt cuts from the RBNZ in May and July to take the OCR down to 3%.**

### What to watch:

- **RBNZ OCR decision, 28 May** – We expect the RBNZ to deliver another 0.25 percentage point rate cut in May to take the OCR to 3.25%.
- **Tariff negotiations** – Negotiations over reciprocal tariffs, potential retaliation, and potential economic stimulus are likely to be major market drivers in the weeks ahead. This continues to be a major "known unknown" in forecasting RBNZ policy rates.



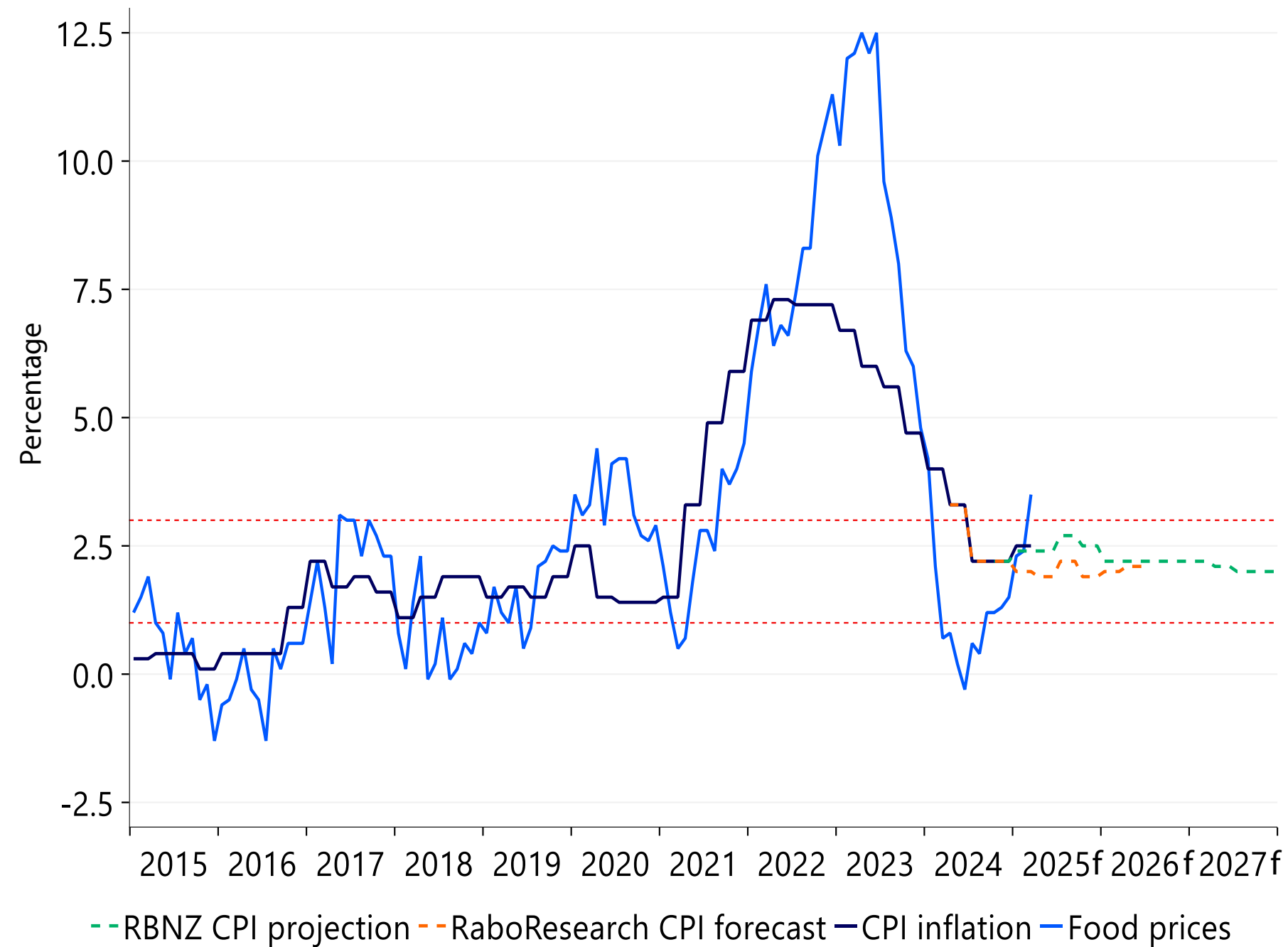
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# Interest rate and FX

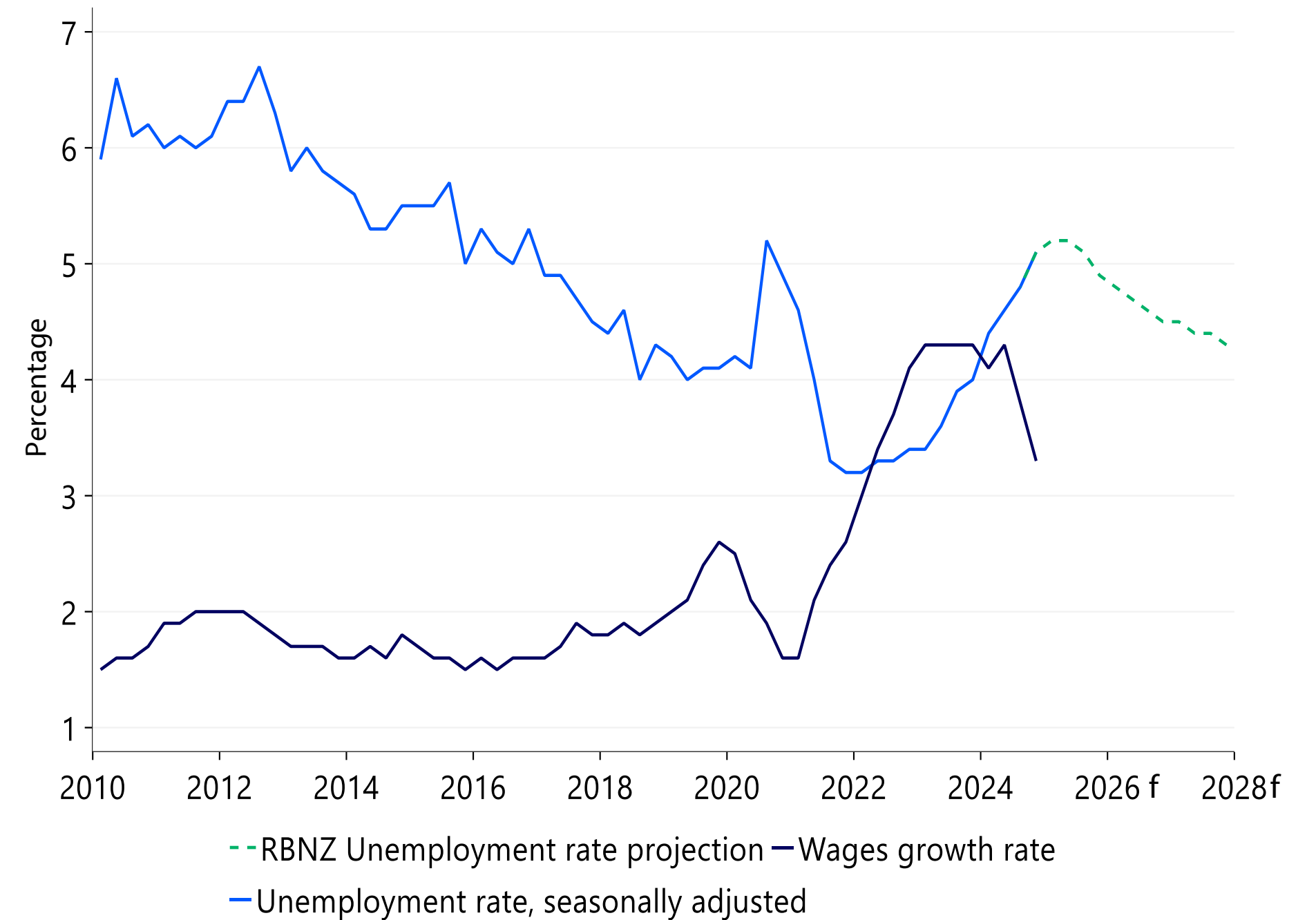
A rear-view mirror look at the economy

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

# Oil and freight

## The rally in freight rates hits a tariff wall

**In April, benchmark Brent crude oil prices fell to a four-year low due to increased supply from OPEC+ producers and weaker demand caused by US tariffs.**

The International Monetary Fund (IMF) recently revised down its forecasts for global economic growth from 3.3% to 2.8%, and its global trade forecast by 1.7%. This suggests that demand for transport fuels is likely to remain weak in the months ahead as global commerce faces tariff-related headwinds.

Simultaneously, OPEC+ oil producing nations increased their daily output by 411,000 barrels in April. This significant rise in supply has further saturated an already oversupplied market, contributing to the decline in oil prices.

**Given the geopolitical volatility and rapidly changing tariff policies, the landscape of global trade may be fundamentally altered.** Front-loading of goods temporarily drove up global ocean shipping prices, before they receded to 2,000 USD/FEU. Tariffs have significantly reduced

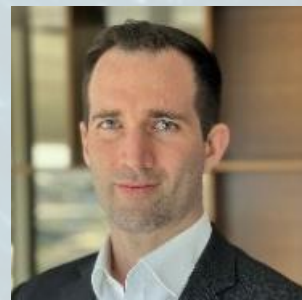
demand, especially on China-US routes as shippers seek alternative routes through nearby countries. We expect lower global trade volumes, directly impacted by tariffs and worsening economic conditions.

**US pressure on the Houthis has driven container freight rates to levels not seen since late 2024. In addition, the US has introduced a phased approach to port fees for Chinese ships, scaling back its port fee plan.** Key changes include 1) Fees assessed per voyage instead of per port, reducing congestion at larger ports; 2) Exemptions for smaller or empty ships, easing the financial burden on small operators and US agricultural exporters; 3) A three-year exemption for carriers that order US-built ships, despite these ships being three to five times more expensive.

**The Baltic Panamax index (a proxy for grain bulk freight) has shown an impressive recovery since its low in March.** However, US tariffs may negatively impact demand, potentially weakening the index.

### What to watch:

- **Tariff negotiations** – Tariff negotiations will be a key focus for energy markets due to their potential impact on global growth rates. If the Trump administration successfully negotiates deals with major trading partners that reduce trade frictions, oil prices may find some support in May.
- **US-Iran nuclear negotiations** – Officials from the US and Iran have recently held meetings to reach an agreement on the Iranian nuclear program. If these talks fail to produce an agreement, there is a chance that Israel and/or the US could launch military strikes against Iran, which might add additional risk premiums to oil prices.



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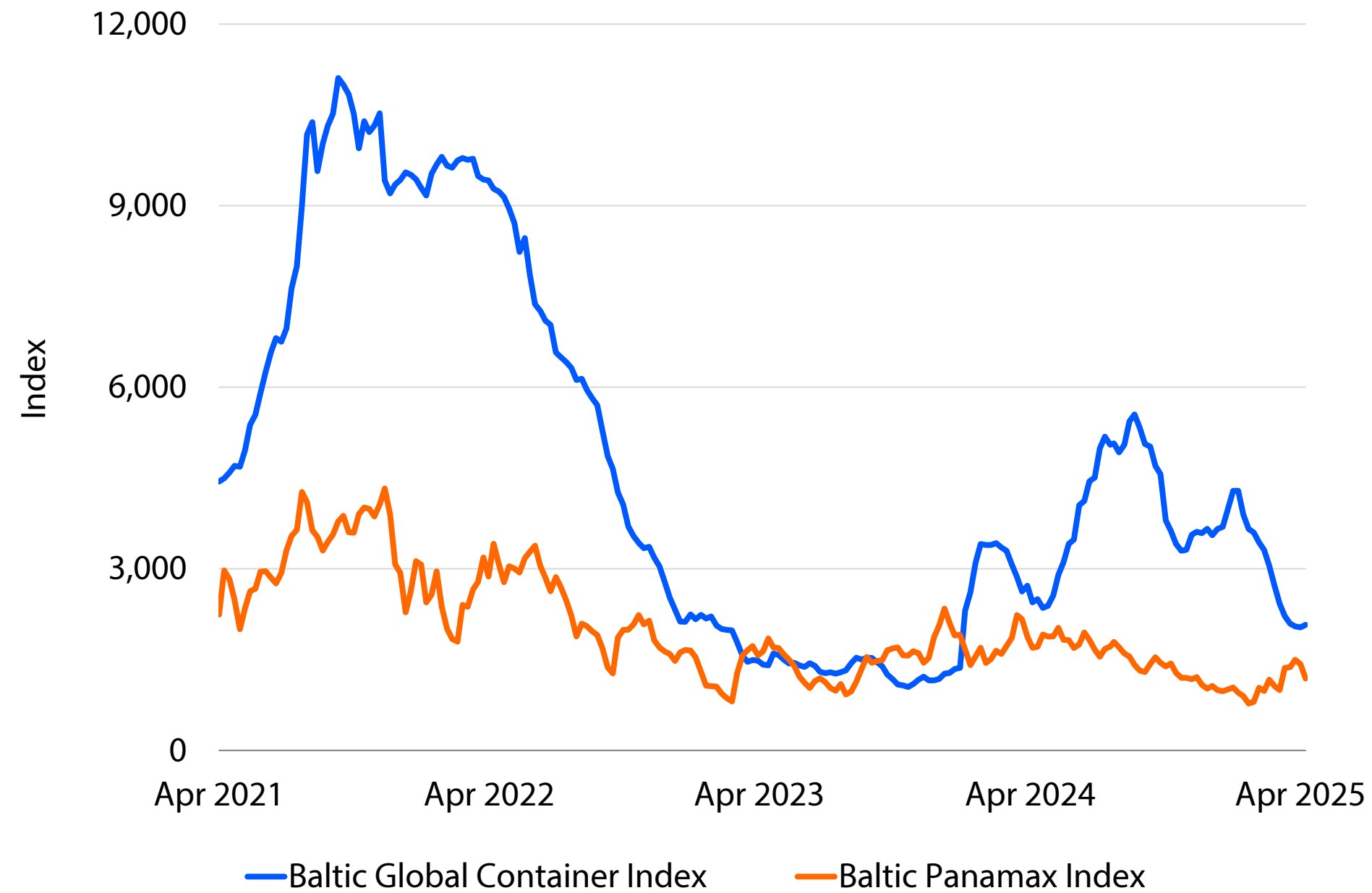
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# Oil and freight

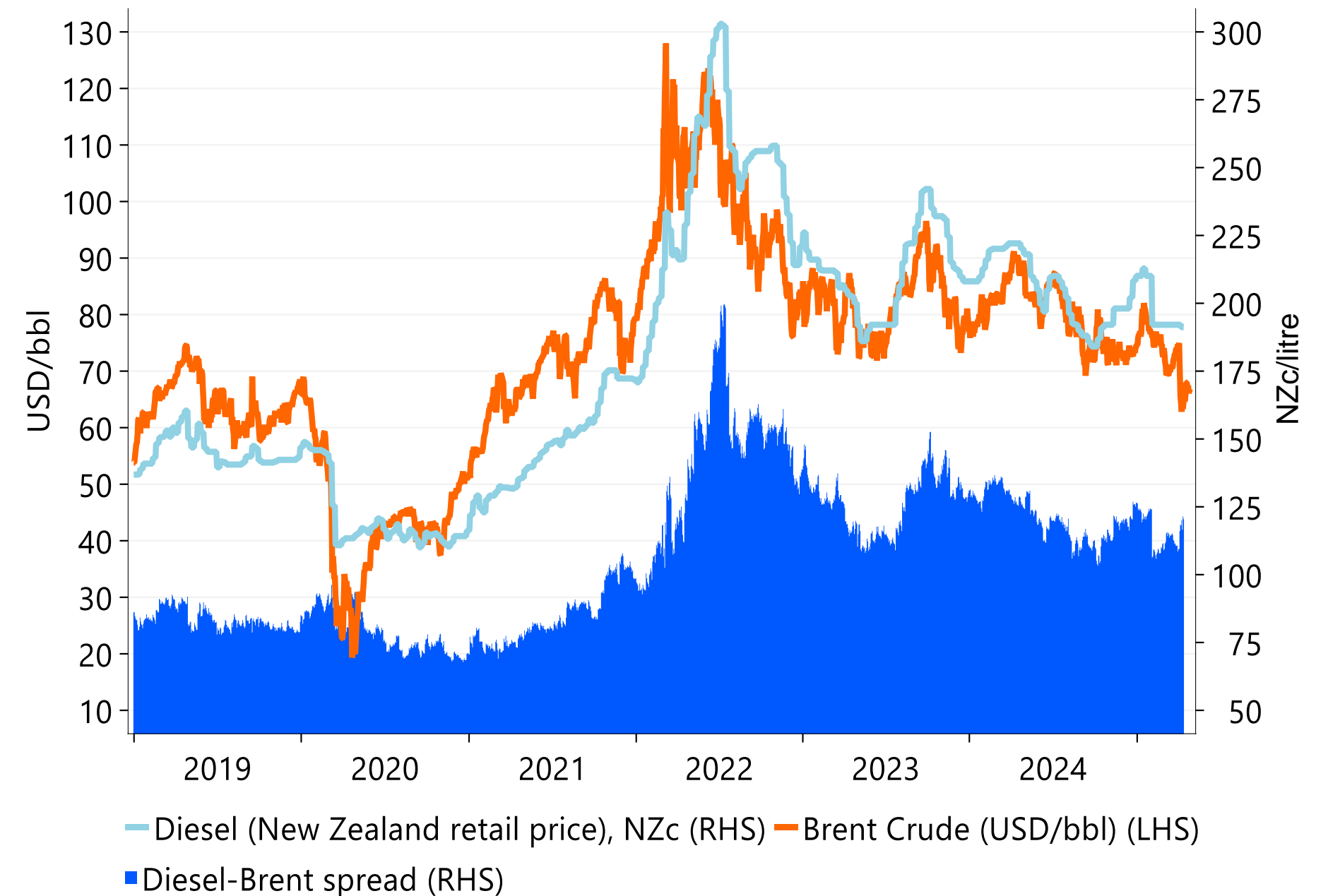
## Containerised freight rates dip as tariff front-running loses steam

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



# Agri price dashboard

25/04/2025	Unit	MOM	Current	Last month	Last year
<b>Grains &amp; oilseeds</b>					
CBOT wheat	USc/bushel	▼	530	535	603
CBOT soybean	USc/bushel	▲	1,050	1,001	603
CBOT corn	USc/bushel	▲	479	451	603
Australian ASX EC Wheat Track	AUD/tonne	▼	327	337	603
Non-GM Canola Newcastle Track	AUD/tonne	▼	717	737	603
Feed Barley F1 Geelong Track	AUD/tonne	▲	330	325	603
<b>Beef markets</b>					
Eastern Young Cattle Indicator	AUc/kg cwt	▲	700	654	584
Feeder Steer	AUc/kg lwt	▲	380	362	322
North Island Bull 300kg	NZc/kg cwt	▲	765	745	590
South Island Bull 300kg	NZc/kg cwt	•	710	710	535
<b>Sheepmeat markets</b>					
Eastern States Trade Lamb Indicator	AUc/kg cwt	▲	809	780	637
North Island Lamb 17.5kg YX	NZc/kg cwt	▲	870	835	615
South Island Lamb 17.5kg YX	NZc/kg cwt	▲	835	810	590
<b>Venison markets</b>					
North Island Stag	NZc/kg cwt	•	920	920	860
South Island Stag	NZc/kg cwt	•	915	915	850
<b>Oceanic Dairy Markets</b>					
Butter	USD/tonne FOB	▲	7,563	7,550	6,613
Skim Milk Powder	USD/tonne FOB	•	2,950	2,950	2,575
Whole Milk Powder	USD/tonne FOB	▼	4,113	4,125	3,250
Cheddar	USD/tonne FOB	▲	4,975	4,950	4,188

Source: Baltic Exchange, Bloomberg, RaboResearch 2025

# Agri price dashboard

25/04/2025	Unit	MOM	Current	Last month	Last year
<b>Cotton markets</b>					
Cotlook A Index	USc/lb	▲	80.6	77.4	88
ICE No.2 NY Futures (nearby contract)	USc/lb	▲	66.9	65.7	79
<b>Sugar markets</b>					
ICE Sugar No.11	USc/lb	▼	18.2	19.4	19.4
ICE Sugar No.11 (AUD)	AUD/tonne	▼	627	667	630
<b>Wool markets</b>					
Australian Eastern Market Indicator	AUc/kg	▼	1,232	1,245	1,172
<b>Fertiliser</b>					
Urea Granular (Middle East)	USD/tonne FOB	▲	395	382	293
DAP (US Gulf)	USD/tonne FOB	▲	660	623	570
<b>Other</b>					
Baltic Panamax Index	1000=1985	▼	1,392	1,456	1,878
Brent Crude Oil	USD/bbl	▼	67	74	90
<b>Economics/currency</b>					
AUD	vs. USD	▲	0.640	0.630	0.653
NZD	vs. USD	▲	0.596	0.573	0.594
RBA Official Cash Rate	%	•	4.10	4.10	4.35
NZRB Official Cash Rate	%	▼	3.50	3.75	5.50

Source: Baltic Exchange, Bloomberg, RaboResearch 2025

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