Shaping the future of New Zealand farming - Part one

Building a profitable farming business

March 2026

Foreword

New Zealand's dairy, red meat, kiwifruit, arable, and pipfruit sectors represent a powerful force in our economy. Together, they generate over $40bn in export revenue each year – nearly one third of New Zealand's total exports – and represent a significant share of our productive asset base. Maximising the performance of these five land classes is critical to growing our national wealth.

Farming and orcharding are capital-intensive. Adapting land use, building resilience, and transitioning ownership all require substantial equity and debt. But New Zealand farmers have a strong track record of optimising land-use performance; the opportunity now is to build on this competitive edge.

In a three-part series, we explore the priorities that will keep capital flowing and investment strong for the farmers shaping New Zealand's future.

- Part one: Building a profitable farming business – financial insights from New Zealand's leading agri sectors.
- Part two: Optimising farm systems – how agri-tech is driving efficiency and environmental performance.
- Part three: Future-proofing the farm business – practical insights for succession and attracting capital.

Read on for part one. Your ANZ Relationship Manager will be in touch when parts two and three are available.

Building a profitable farming business – financial insights from New Zealand's leading agri sectors

Introduction

Farming is about more than producing food – it's about creating wealth, sustaining a way of life, and maximising financial and environmental returns over the long-term. In the pursuit of these goals, is there a formula that can help the average farming business to catch up to the best? And for those already at the top, how do they compare to other land uses?

To that end, we set out to benchmark financial performance across five sectors to understand what top performers do differently. Top performers in this exercise are defined as those operating in the top 25% measured by EBITR (Earnings Before Interest, Tax and Rent[1]) for their chosen sector.

No single playbook fits every farm or orchard. To determine the financial drivers behind performance, we've used simple financial benchmarks to build a picture of how each sector performs and to highlight where the strongest opportunities for growth can be found.

Our approach

Customer financial analysis

We analysed the financial performance of more than 4,000[2] ANZ customers across dairy, kiwifruit, red meat, arable, and pipfruit sectors.

Recognising that each season brings its own challenges, we took a long-term perspective. Looking at the period 2020-2024, we compared this to the preceding five years, 2015-2019.

This approach smooths out cyclical fluctuations and provides a more accurate, long-term view of overall performance. It also gives us some insight into how each sector has performed in a pre and post-COVID global economy.

Key themes

The exercise provided us with three clear themes:

1. Revenue: Long-run revenue growth is only one part of the performance equation.
2. Costs: Cost control is important but requires more than spend reduction to drive performance.
3. Profit: Bringing revenue growth and cost control together drives long-term performance.

Before we dive into these central themes, let's begin by benchmarking sector performance over the past ten years.

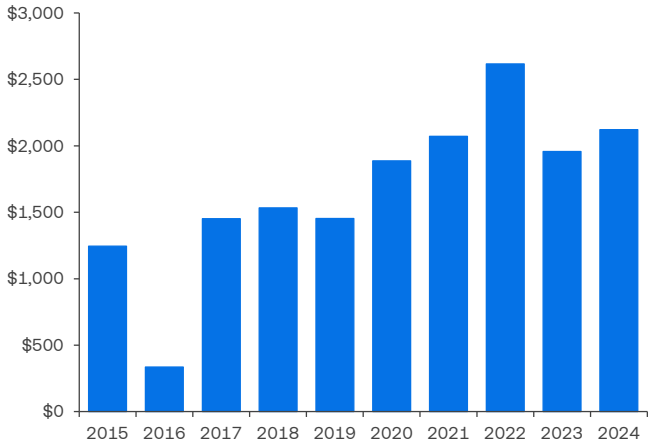
[1] EBITR = Gross farm revenue, less farm expenditure, depreciation and drawings.

[2] While the aggregate sample includes 4,000 customers, some sub-sectors range from 100 up to 2,000 customers.

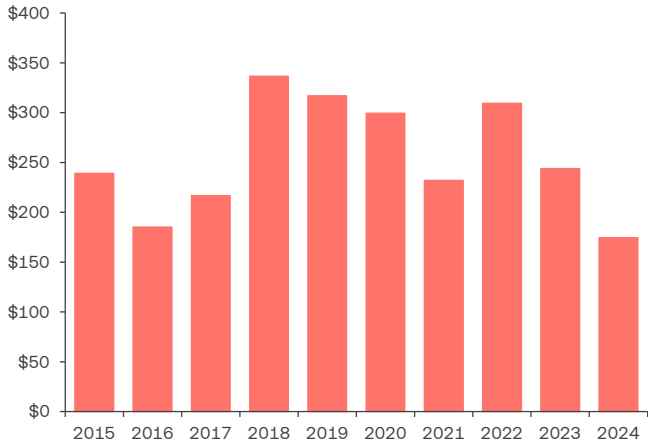
Sector performance at a glance

Earnings before interest and taxes (EBITR) per effective hectare

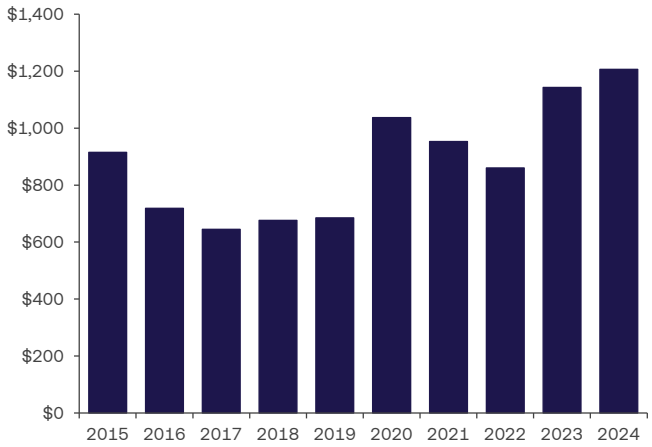
Dairy



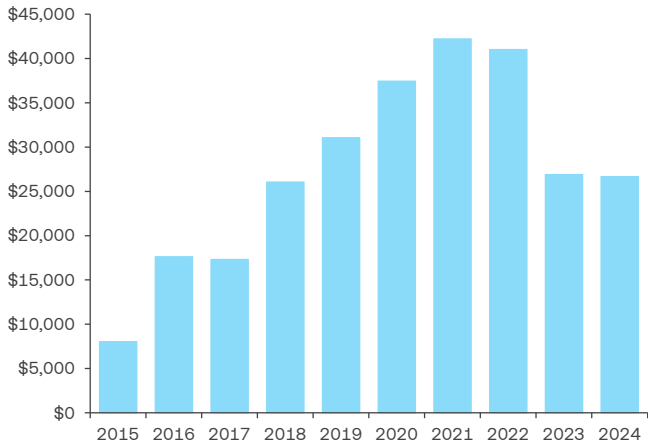
Red meat



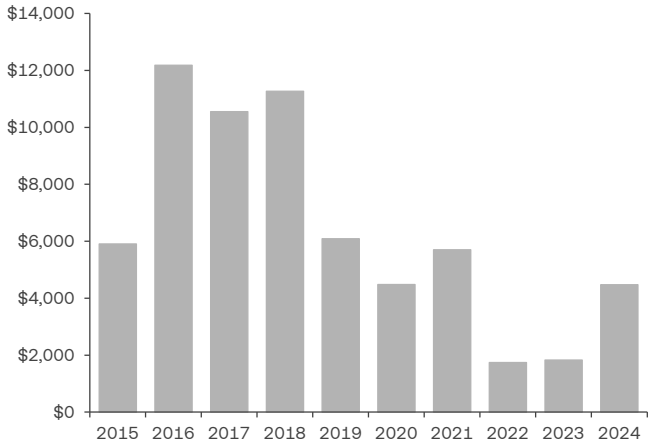
Arable



Kiwifruit



Pipfruit

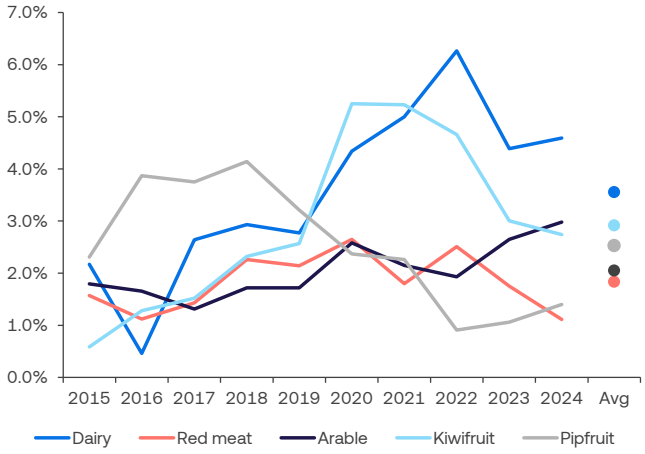


- Across our dataset, kiwifruit and pipfruit consistently stand out for their high median EBITR per hectare, founded on the volumes of product derived per hectare.
- Kiwifruit reached earnings of over $42,000/ha at its peak, while pipfruit reached a peak of $12,185/ha.
- By contrast, dairy, arable and red meat show much lower median EBITR/ha, with peaks of $2,617/ha for dairy, $1,207/ha for arable and $337/ha for red meat.

Return on Assets (ROA)

Not all farms are created equal. Some will have more advantageous physical attributes than others and in theory, support higher earnings. However, this is not always the case. History tells us that the influence of management tends to have a greater bearing on returns than the quality of the asset alone. The chart below provides a look at efficiency trends (earnings over asset value).

Median ROA



- The capital-intensive nature of primary production relative to earnings potential results in yield (financial returns) well below what might be expected in other, non-farming industries.
- The best performing sectors (kiwifruit and dairy) were the only systems that saw an average return on asset that was close to the 'risk-free' 10-year government bond rate (approximately 3%) over the comparative period.

Given the risk and effort involved in running a farming business, a purely financially minded investor might struggle to get excited about agriculture if the returns were only average as shown here.

But creating farming wealth isn't measured in a single metric. Nor are we focused on the average. Across every sector, there are farmers and growers achieving results that rival other investment classes – even before accounting for non-financial returns.

So, what can we learn from diving into this performance gap? Three key insights emerged that support on-farm benchmarking and decision-making.

1. Long-run revenue growth is just one part of the performance equation

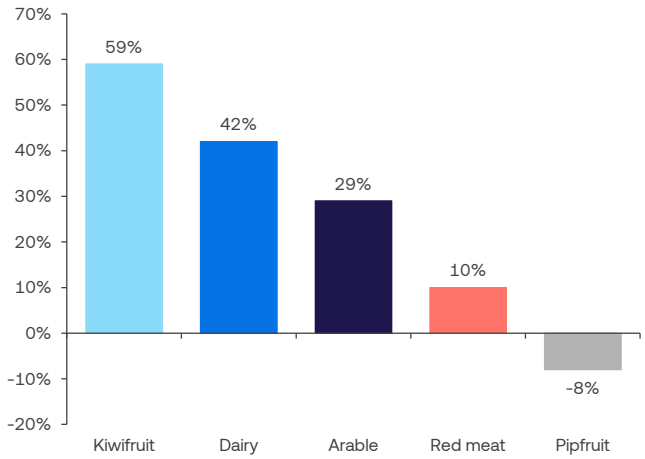
Over the period we looked at, we've seen a wide range of food and fibre prices for kiwifruit, dairy, apples, produce, seed and cereals, beef, lamb, and wool.

Some of these prices have swung as much as -15% year-on-year – but we've also seen upside swings up to 23% (think both dairy and lamb FY21 to FY22). Volatile swings like these can have a handbrake-effect on investment and systems changes, which in turn restrict revenue growth over time.

But pricing factors are mostly outside farmers' control. What we know is the remaining sum of the parts will drive revenue growth more than a single-minded focus on product pricing. Areas such as production volumes, timing of buying/selling and crop or animal efficiency are all critical to driving revenue. This is one area that sets top-performing farms apart.

To help demonstrate this, let's look at year-on-year increases in total farm income (TFI) across the two five-year periods, 2015–2019 and 2020–2024. This gives us a decade-long perspective while also revealing how income swings vary by sector.

Growth in total farm income (TFI)*



* Growth is measured using the average of annual median income within each five-year period.

Kiwifruit saw the strongest revenue growth

- It's no surprise that kiwifruit saw the strongest growth, with TFI increasing 59%. This can partly be attributed to the production gains made through the maturity of new varietals following the redevelopment phase of the sector after the 2010 PSA outbreak.

Dairy experienced solid growth

- The pre-COVID period included what we widely refer to as 'The Dairy Downturn', with a below-average milk price in 2015 and 2016.
- But even noting the subsequent rebound in milk prices, there have been impressive production gains on a per head basis that drive these growth numbers. This was achieved alongside new environmental regulations limiting production and expansion, which came into effect around the turn of the decade. In simple terms, the dairy sector focused on per animal performance to drive performance overall.

Red meat had a marginal increase

- At the other end of the spectrum, red meat hasn't seen product prices grow at the same rate. While there have been production gains, these have not been at the pace of dairy and kiwifruit, with the sector seeing a marginal increase of 10% revenue growth over the period.
- While there have been mixed trends in product prices, sheep production has continued to improve, offsetting a struggling wool segment (albeit the national ewe flock has been decreasing, influencing on-farm sheep/cattle ratios). Meanwhile, the beef sector is only just beginning to embed the benefit of dairy-beef integration, compounding the gains made in some areas of traditional beef genetics.

Arable saw some improvement

- Given the diverse nature of the arable sector – cereals, small seeds, lamb finishing, grazing – it can be difficult to pinpoint common traits explaining the solid lift in arable income.
- Known factors include the increased influence of irrigation in some locations (such as Central Canterbury), a lift in the prices received by those growing grass seed and cereals, and a sustained lift in revenue earned from the livestock component integrated within the cropping enterprise (lamb finishing, dairy grazing).

Pipfruit bucked the trend, for the wrong reasons

- The pipfruit sector saw reduced income (-7.6%) over the 2020-2024 period. This can mostly be attributed to flat export pricing alongside COVID-era labour shortages, and multiple weather events in both Nelson and Hawke's Bay impacting production and fruit quality.
- Adding to this, the evolution of new 'brand' varieties and planting structures (future-proofing advancements like mechanical harvesting) and the full benefit from capital investment is yet to be seen.

It's important to remember that revenue only tells part of the performance story. While revenue growth is important, the ability to manage costs effectively has a significant impact on profit margins and is typically a hallmark of high performance.

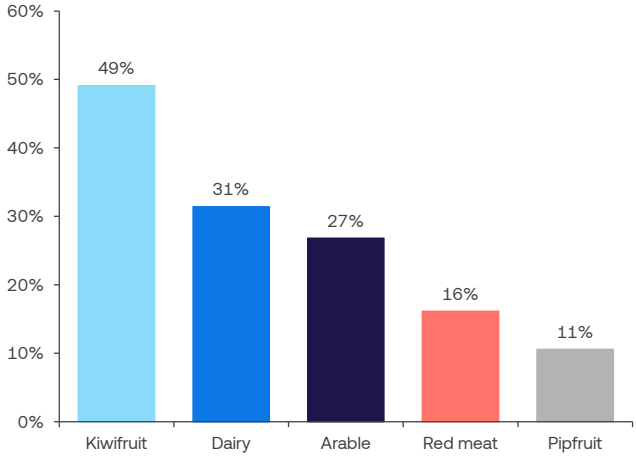
2. Cost control is important, but it requires more than spend reduction to drive performance

The post-COVID period has seen real upward pressure on farm costs. General inflation on farming expenses means it costs 27% more to farm now than it did in 2019. But has that been consistently felt across each sector – and what have the top performers done to absorb this?

Experience tells us that when times get tough, farmers are generally pretty good at tightening spending by deferring non-essential costs. We also know that some sectors are better placed to do this than others.

Here's what the median increase in farm working expenses looks like over our two five-year periods.

Change in average median FWE



Kiwifruit and dairy saw the largest increase in costs per hectare

- One reason is that both sectors have higher labour inputs. The COVID period saw an inability to access migrant labour and while this abated once the economy reopened, wage inflation has been persistent.
- While the same could be said for pipfruit, our sample is heavily weighted to orchards impacted by climatic events such as Cyclone Gabrielle, which reduced tree and crop volumes, impacting labour demand in two of the five seasons due to severe damage.
- While kiwifruit and dairy faced the steepest cost increases, solid revenue growth has afforded them greater capacity to absorb rising costs without impacting profitability.

Red meat was the most resilient

- When prime lamb prices dropped from over $160 a head in late 2022, to $100 a head in early 2024, many red meat farmers pulled back on expenditure out of necessity.
- This disciplined approach to cost management shows up in the data, with red meat farmers taking a very active approach to managing their operational and discretionary spend in low-income years.

The picture is less rosy for arable

- Arable farmers have seen cost inflation like that of their dairy counterparts, but without the consistently higher returns.
- The intensive arable operating model common in the sample leaves few options to substitute or suspend expenditure to match lower product prices.
- And while the 2022 fertiliser spike also impacted dairy and red meat sectors, markedly higher costs for key inputs - like weed and pest control, and water charges for new irrigators - were an additional weight on performance.

Pipfruit – expense excellence or more than meets the eye?

- Inflation between the two periods alone should have seen pipfruit expenses track somewhere close to kiwifruit (high labour cost). However, costs increased only 10% - lower than the rate of inflation during that period.
- While this is a good news story, it masks the challenges the sector has faced driven by the impact of reduced fruit production following significant climatic events. Fruit production fell over 17% between 2020 and 2023, before recovering back to pre-2020 levels in 2024.
- Despite these challenges, the data also shows that targeted cost spend has been a key foundation of the sector's improved viability, as growers have rationalised their production models to support recovery.

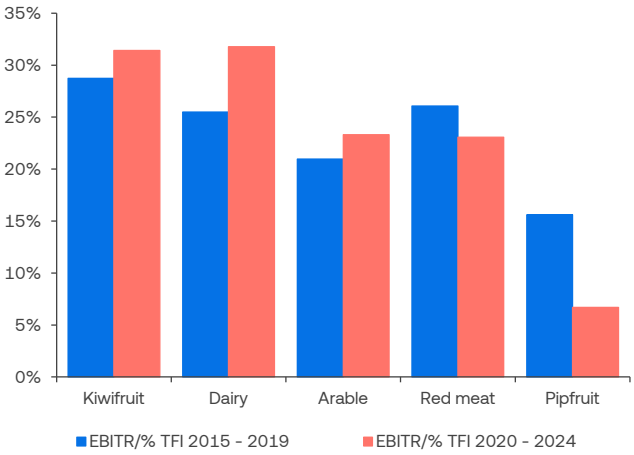
3. Bringing it together – how revenue growth and cost control combined drive performance

While revenue growth and cost control are both critical, the secret sauce to consistent high performance is bringing both these factors together in a way that delivers sustained profit.

To get a clearer picture across sectors, we examined earnings before interest, taxes and rent (EBITR) as a percentage of total farm income (TFI) across the five main sectors, comparing the five years leading up to COVID (2015–2019) with the most recent five-year period (2020–2024).

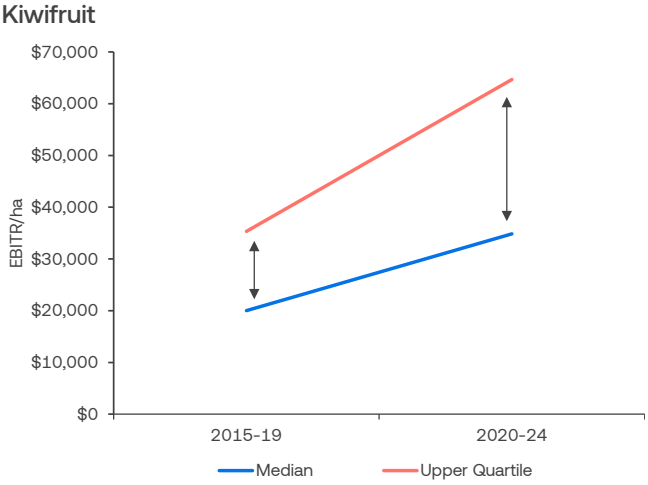
Income efficiency

For each dollar earned, how much drops to the EBITR line



Kiwifruit

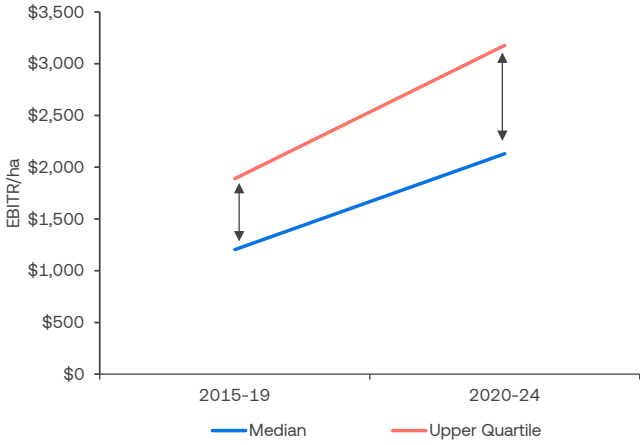
- The average kiwifruit business improved its earnings by $15,000/ha (+74%).
- On the other hand, top performers continued to add to their strong performance, increasing EBITR by $29,000/ha. (83%).
- Is the success of Sungold and its adoption by some farmers the driver here? Not entirely. While over 75% of our data set would class Sungold as the dominate income source, only 59% of orchards exclusively grow the variety. This indicates that evolution and innovation are core to crop and food performance. While Sungold has demonstrated excellent export and growing yields, the ability of owner-operators to develop their systems over the medium-term is a key driver of performance.



Ultimately, the data suggests that the highest levels of profitability were driven by crop and canopy management. While input management is important (think fertiliser and quantity of labour), attention to detail of the crop – particularly timing of key decisions and being hands-on at key growing moments – separates the top performers from the rest.

- Like kiwifruit, dairy has not only advanced its revenue trend, but it has also improved EBITR with a rise in earnings of $927/ha (+77%) for the average operator. Like kiwifruit, the top performers continue to deliver the real gains, beating the average with an increase in EBITR/ha of $1,289 – not quite the percentage gain seen by the average (+68%), but larger in absolute dollar terms.
- Whilst dairy top performers are subject to similar principles as all farms – the law of diminishing returns and challenges of a nature-based model – alongside regulatory and cost pressures, they continue to drive improvements in various areas. Gains in the sector include a 5% increase in milk per cow, 5% decrease in average Somatic Cell Count, and a 2% increase in six-week in-calf rate, with even more impressive gains in production for the top 25%.

Dairy

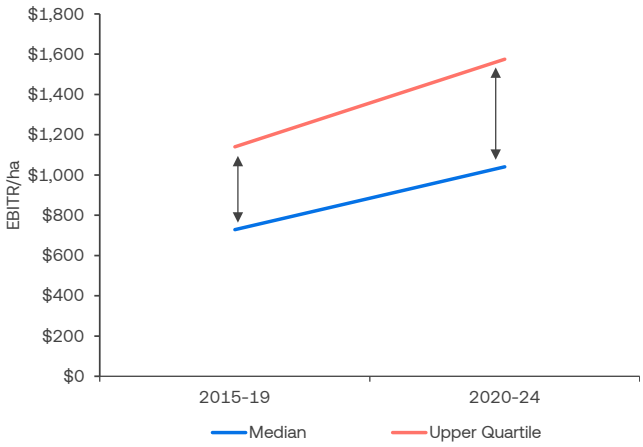


One area that stands out among the top performers is their ability to optimise natural resources to maximise milk production. These predominantly grass-based systems were able to achieve high pasture growth rates and convert efficiently to milk production – a function of investment in genetics, soil, and in some cases water, together with quality decision-making and timing. The data supports the theme of industry: that focusing on maximising home-grown feed can drive better business outcomes.

Arable

- Distilling simple insights across this sector is difficult due to the diverse nature in farming systems and products sold.
- Arable farms have shown a notable improvement in EBITR over the second half of the reviewed period, rising $312/ha (+43%) compared to pre-COVID. The top performers follow a similar trend to kiwifruit and dairy, with a higher absolute increase in earnings, lifting by $435/ha (+38%).
- What the headline numbers don't always reveal is the increased capital investment required to achieve these results. Many arable businesses have had to deploy more capital – whether in land, machinery, irrigation shares, or tech – to support more intensive crop varieties within their rotation.
- A key focus for the industry is how efficient the replacement policy is for plant and equipment with the price of machinery lifting significantly over the same period.

Arable

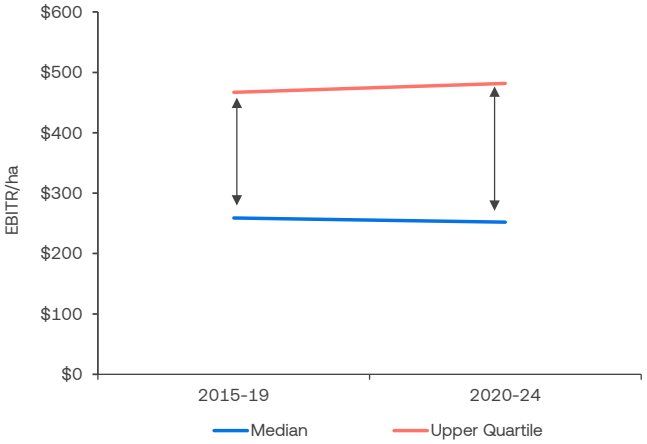


Critically, these top performing farms demonstrate above-average execution of day-to-day management and risk mitigation. They utilise expert agronomic advice, have a balanced crop rotation that works around some livestock and proactively invest in improvements even in challenging seasons.

Red meat

- The red meat sector has shown some revenue growth yet struggled to translate this into higher profit margins. Cost increases have cancelled out any lift in revenue over time. The median farmer might be forgiven if they feel they are running faster just to stand still.
- While the average operator has gone backwards – seeing earnings reduce by $7/ha (-2.7%) – a consistent feature of the sector is the significant gap between its top performers and the average, with the top performing at an impressive 80% premium EBITR/ha over the average.
- At $15/ha (+3%), the gains over this period by the top performers aren't record setting – but there have been several system changes employed to incrementally lift performance. Genetic and breeding gains (including dairy beef genetics), as well as cost-out initiatives (such as shedding sheep) or land optimisation through the sale of carbon credits from existing or newly planted forests feature in the earnings profile.

Red meat



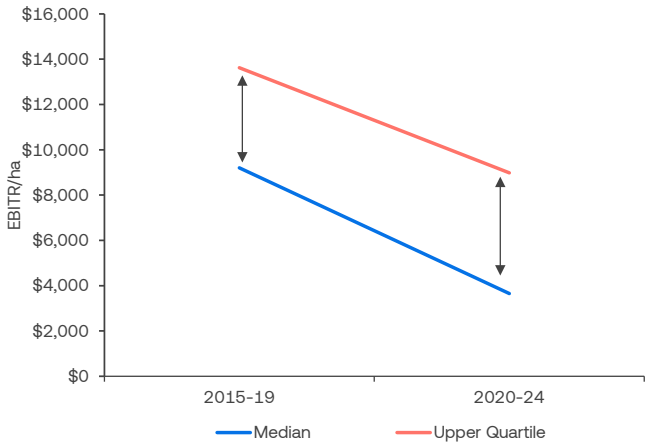
While top performers will generally have well established systems, they continuously test and tweak their policy, rather than shifting whole enterprises. We also see the very efficient utilisation of pasture through detailed grazing management (in some cases as much as 20% on similar land classes), drawing similar comparisons with dairy performers.

It's worth noting that while absolute red meat returns have been sub-optimal in recent times, we only need to cast our minds back to the pre-COVID period, where the red meat sector was leading all sectors in EBITR margin at 29% of income. So, what sets our top performers apart? What we see is a consistent approach to their farming policies. This is not unique to the red meat sector, but more of a feature given the diverse nature of farm systems.

Pipfruit

- Pipfruit growers have faced a dual challenge: falling revenues and rising costs. As a result, EBITR margins have contracted over the past five years, highlighting the vulnerability of the sector to both market and environmental shocks.
- As highlighted earlier, the impact from consecutive weather events (67% of apples are grown on the East Coast of the North Island), alongside a spike in labour costs, has squeezed profit margins significantly.

Pipfruit



However, we are seeing a reverse trend for those growers that have invested in varieties exposed to the Asian markets, as well as downstream integration (cool storage or packing infrastructure). While not explicitly land based, this demonstrates the advanced thinking of a mature sector seeking ways to protect margin and prolong supply through an extending selling season.

The opportunity

At the beginning of this paper, we asked a question: what can we learn from our top performers? Examining the data, we've identified some insights and considerations between (and within) farm systems to help guide decision-making – or at least get you thinking.

Three key takeaways

1. Revenue drivers: Consistent and efficient production gains beat pricing gains

- Farmers and growers have limited control over product prices. With cost pressures continuing to rise, even the best operators cannot depend on price movements alone.
- It's clear that productivity improvements and efficiencies, alongside smart operational decision-making, are top of mind for each sector. That makes sense, because these are the factors that can ultimately drive profit and most are within farmers' control.
- An example to illustrate. Between our two five-year sample periods, Sungold pricing averaged a 24% increase in price. However, income grew by 54%, demonstrating the value in efficient production gains through precise decision-making at crucial crop times.

2. Cost drivers: Managing costs is about timing and measuring efficiency

- More intensive land uses come with higher variable costs. But as we've discussed, a singular focus on costs does not materialise into better returns. Higher performing businesses often demonstrate an ability to sequence their input costs with production (stock and crop yields) and price.
- This isn't simply about lifting input spend on a rising milk solid or grain price. Our data shows it's just as effective on the downside. We see this well represented across the red meat sector, where annual input costs can be spread across an 18-month time frame to maximise profit margins. Fertiliser is a core variable cost, but areas such as operating and capital maintenance spending can be used strategically without compromising long term viability.
- Put simply, high performers typically spend where it improves production and have a long-run history of cost management that supports difficult periods like climatic events or sectorial change.
- It is also worth noting that while our EBITR analysis accounts for both drawings and depreciation, we saw little change in spend when excluding drawings from the analysis. What this tells us is that high performing farmers can demonstrate an ability of matching discretionary spending with earnings.

3. Earnings and profit drivers: Cash remains king – combining revenue growth with cost control to drive performance

- From an operational efficiency standpoint, one of the strongest sectors was dairy, where the top performers were able to maximise earnings (EBITR improved by 68% between periods).
- Top performers in this sector understand the need for a close focus on matching the units of inputs (feed and animal health) with units of output (milksolids), and the required management to convert one to the other as efficiently as possible. But every one of the sectors measured have improved EBITR/ha in nominal cash terms ahead of the median.
- So why is cash king? It brings a higher degree of confidence to invest in new capital, technology or system change, which in turn underpins income growth. In most sectors, the average performer closed the performance gap (EBITR/Income), while the top performers continued to deliver higher earnings in nominal terms – in turn, providing options to invest to grow income or reduce cost. You can see the performance cycle.

Across all sectors, we see a consistent pattern: a clear gap between the average and top performers, representing a significant opportunity for sustainable growth in the years ahead.

While each sector has its own unique characteristics, the underlying common denominator is they all derive a living from the land – which makes them reliant on New Zealand's natural resources. That's both a global point of difference and a source of localised risk.

While these natural resources are key ingredients in the recipe for performance, the relationship between revenue growth, cost control and delivery of profit are critical to closing the performance gap. Most farms and orchards have a sound use case for investing within their existing boundary, as incremental returns show the potential for material payback. But for those already operating in the top quartile, benchmarking against other land uses can provide a simple insight into where the next growth initiative may lead.

Conclusion

There's enormous potential

Farming is a difficult game. But our data – from real customers – shows that New Zealand's primary sector has enormous potential.

The financial insights in this paper can help with decision-making, but they alone do not distinguish the highest performers from the median. The secret sauce of farming high performance lies as much in the attributes of the operator as it does in the financial combinations of the business. Top performers share common traits: clear goals, strong teams and advice, disciplined farm management, and confidence to invest even as cycles shift. These attributes aren't unique to agriculture but are essential for its growth.

As technologies and farming practices evolve, we see new land uses pioneered in new geographies. This is New Zealand's competitive edge. But our number one priority starts by looking at how we can drive improved returns within our existing systems.

In our next paper, we'll explore some established and emerging initiatives that are changing farming systems to drive profit – creating new pathways for growth. These initiatives and model changes will help bridge the gap between the average and top performers.

Every farm is different. Your ANZ Relationship Manager can provide tailored benchmarking to help you understand where you currently sit within your sector to support informed decision-making.

For more agri insights and resources, including ANZ Agri Focus, visit anz.co.nz/agribusiness.

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