New Zealand Agri Focus

Glass half full

August 2025

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Inside

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Overview

Farmers with livestock in their paddocks or fresh fruit in their orchards are feeling optimistic in 2025. Farmgate milk prices might exceed $10/kgMS two years in a row, with Fonterra looking to top up their shareholders with a further $2 per share. Lamb and beef prices are at record levels. Zespri is forecasting record or near-record orchard gate returns for all varieties in 2025/26 for the second season in a row. These sectors are enjoying a rare trifecta: strong consumer demand, low exchange rates, and good weather.

While the outlook is incredibly bright for the largest export-earning sectors of the rural economy, there is a very different situation in forestry, wine, and grains. These sectors are facing the same higher input costs as the fresh fruit and livestock folks, but without the higher commodity prices needed to make a profit. Farms and forests impacted by the Tasman floods this winter are also facing a difficult situation.

It costs 27% more to farm now than it did in 2019 (per Stats NZ's farm expense price index). Inflation is trending lower, and interest rates are on the way back down, but most farm expenditures cannot fall back to pre-2020 levels. Wages, equipment, electricity, rates, and insurance prices are 'sticky.' Once these costs rise, they don't tend to go back down. Prices and/or productivity must rise to cover that gap. At the moment that is happening for some rural New Zealand businesses, but not others.

Prices at farm/orchard level relative to 10yr average[1]

Dairy

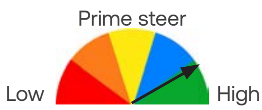
Farmgate milk prices might exceed $10/kgMS two years in a row, and good pasture growth means high prices and high volumes, a rare combination.

Sheep

Limited supply in New Zealand and Australia, combined with strong red meat prices generally, have led to surging lamb prices.

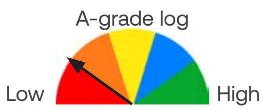
Beef

Record beef prices, thanks to tight supply and the insatiable American appetite for burgers, should help the sector absorb tariff impacts.



Forestry

Construction activity in both New Zealand and China has fallen, which has led to stagnant log prices for the past few years.



[1] All prices are in New Zealand dollars, except where otherwise indicated.

Macroeconomic scene

Delayed but not derailed

The US administration raised New Zealand's reciprocal tariff rate to 15% in August. The impact will vary by sector, but the overall impact should be manageable.

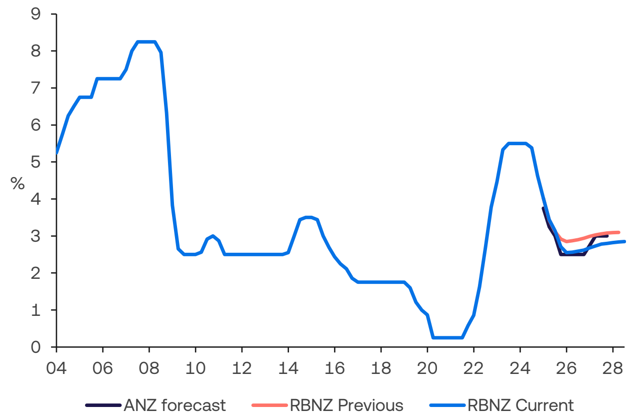
Meanwhile, New Zealand has shown few signs of economic recovery, and the weak NZD helps the export sector.

New Zealand's slow economic recovery

The New Zealand economy remains on a path to recovery, according to ANZ's recent Quarterly Economic Outlook.

It is a relatively gradual recovery from a low base (meaning it doesn't feel like much) but further monetary easing should make it happen. The economy is likely past peak pessimism, with some early data for Q3 picking up (albeit not strongly) and the RBNZ's signalling they are willing to provide a little more support via lower interest rates.

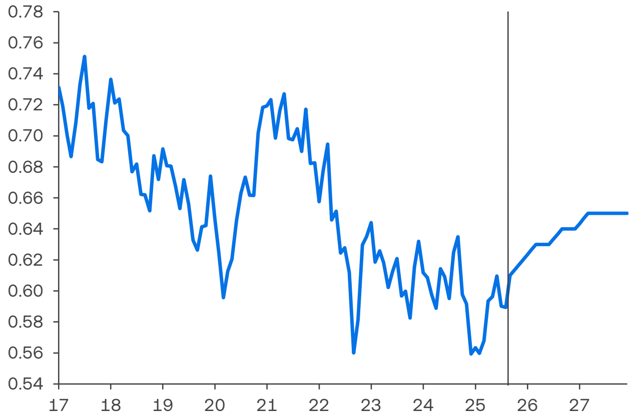
Figure 1. Official Cash Rate (OCR)



Source: RBNZ, ANZ Research

The NZD/USD has traded in a 0.56-0.63 range over the past 2½ years and has largely stayed below 0.60 for the past year. ANZ is forecasting appreciation from here. It's not common for the stars to align for our major primary industries, but the sector this past year or so has seen exactly that: a relatively low NZD alongside robust world prices and favourable growing conditions.

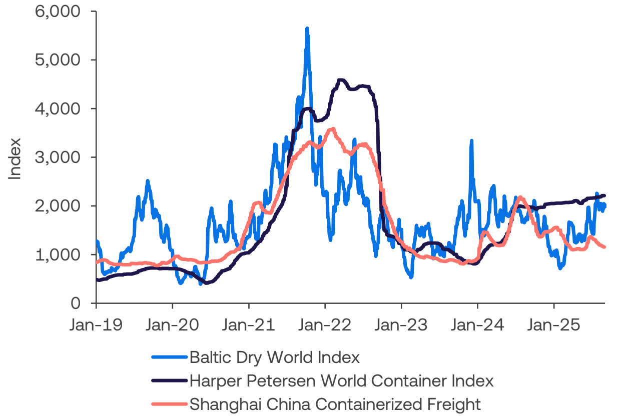
Figure 2. NZD/USD



Source: Bloomberg, ANZ Research

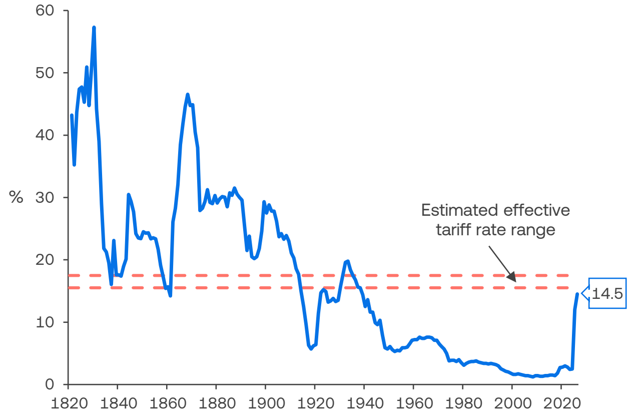
Shipping rates are at manageable levels, even as the world wrestles with geopolitical uncertainty. Shippers are still avoiding the Red Sea due to the Israel-Hamas War, opting instead for the longer and more costly route around the Cape of Good Hope. Throughput on the Panama Canal was limited in 2023 and 2024 due to drought, but in 2025 the situation has returned to normal.

Figure 3. Shipping rates



Source: Baltic Exchange, Harper Petersen & Co., Shanghai Shipping Exchange, ANZ Research

Figure 4. Average tariff rate in the US



Source: TF, ANZ Research

Tariff impact varies by sector

Tariffs are not great for anyone exporting to the US, but the impact depends partly on how each sector is doing. Agricultural markets are linked both to each other and to the wider economy, but they each also march to the beat of their own drum based on their own supply-demand balance. How manageable the tariffs prove therefore depends on the profitability starting point for each sector, how reliant they are on the US market, and whether there are viable alternative markets.

For New Zealand, the two extreme examples are beef and wine. Both are quite reliant on the US market. Beef prices have been very bullish over the past year, in part because of strong demand and a supply shortage in the US. In contrast, the US wine industry is struggling with low demand and oversupply; New Zealand's wine sector consequently is facing the same issue. Regardless of how the tariff is ultimately shared between the exporter and the importer, the beef industry is currently in a much better position to absorb the impact than the wine sector is.

There is some nuance to the beef story, however. New Zealand competes with Australia and to a lesser extent Brazil for exports to the US. While Australia has a better deal than New Zealand (10% vs 15%), Brazil has been effectively locked out of the US market with a 50% tariff rate.

China is Brazil's next best market, but Brazil already has a large market share of that growing market. There is sufficient Chinese demand to absorb additional supply, particularly since China has blocked US beef imports since March. (The US is both a major beef importer and exporter). We don't expect China's beef prices to collapse as a result of these trade shifts. There are a lot of moving parts, but overall, we expect a noticeable but relatively minor impact on New Zealand beef.

These tariffs are not set in stone, adding to the uncertainty faced by producers and traders. The legality of the country-specific tariffs is also being challenged, adding to the uncertainty.

In contrast, sector tariffs are on a firmer legal footing and might be more impactful in the long run. So far, sector tariffs have been implemented on aluminium, steel, automobiles, automotive parts, and copper, but many more sectors have been threatened.

Of particular interest to New Zealand, agricultural products and wood products have been floated as potential targets. The US International Trade Commission is investigating the competitiveness of the global non-fat milk solids market. While this investigation is apparently targeting Canada, the dairy sector might prefer not to attract the current US administration's attention.

The direct impacts of the tariffs are one thing; there could also be indirect spillovers. In particular, what are the risks for global economic growth and consumer spending? The jury is very much out on that one, and we don't have the space to go through it all here. Suffice it to say that it's an overall negative, but it's far too soon to judge the impact – not only of the tariffs themselves, but also of the extreme uncertainty that persists, which is not an environment conducive to investing, employing or taking other risks for the businesses affected. If one thing is certain, it is that the tariffs as they stand today are not the last word.

Dairy

More milk and high prices

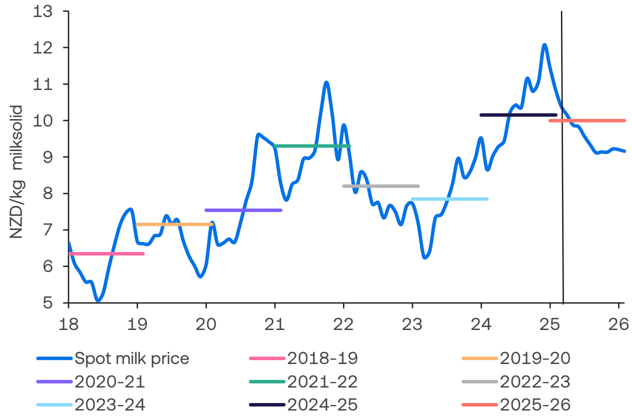
The 2024/25 season saw a record milk price and near-record production volumes, helping dairy farmers recover from a few challenging years. The 2025/26 season has only just gotten started, but it could be just as rewarding.

Farmgate milk prices

Milk price futures for the 2025/26 season are currently at $10.10/kgMS, 5 cents below the 2024/25 season's likely payout.

The ANZ forecast for 2025/26 is unchanged at $10.00/kgMS. While milk price futures are slightly higher at present, the risks are weighted toward the downside. Globally, dairy prices are high and the cost of feed is low – a very clear expansion signal. If New Zealand has another great production year at the same time as other major exporters do, especially those in the Western Hemisphere, supply could finally catch up to demand and push prices lower.

Figure 1. Farmgate milk price forecast



Source: Fonterra, ANZ Research

Regardless of where precisely the 2025/26 price lands, it will likely be well above DairyNZ's break-even milk price of $8.68/kgMS. On top of that, for Fonterra supplier/shareholders at least, is the prospect of further capital returns.

In August, Fonterra announced the sale of its consumer and associated businesses to Lactalis for $4.22 billion, pending shareholder and regulatory approval. The co-operative is targeting a tax-free capital return of $2.00 per share once the sale is completed in the first half of 2026. This would be on top of the usual annual dividend, which is expected to be healthy this season.

Global prices and dairy markets

End-user demand for dairy products seems robust despite high prices. There is some indication that buyers have been trying to be patient, buying just enough to cover short-term needs. They will be hoping that new supply will drive prices down before they are forced to refill inventories.

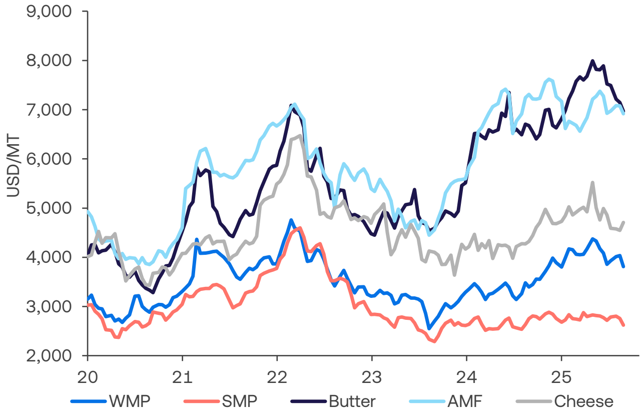
In 2024/25, major exporters other than New Zealand found it difficult to keep up with demand. Poor weather in South America, bird flu in the US, and blue tongue disease in the EU kept a lid on production.

For 2025/26, supply is starting to expand in most major exporting countries. Low grain and feed prices and high milk prices are incentivising output growth. While demand remains strong, the additional supply in the coming months could pressure prices.

WMP prices have held in a USD3,900-4,200/MT range for most of 2025 so far, with a bit of seasonal weakness coming through over the past two months. Demand has been surprisingly robust at these prices, even without top markets China and Algeria increasing their import volumes.

SMP is the only major dairy product that's missed out on strong pricing through 2024 and 2025. Supplies are relatively more plentiful and diverse than butter and WMP, with more countries exporting. In current market conditions, SMP feels more like a byproduct of lucrative butter production rather than a revenue driver itself.

Figure 2. Global Dairy Prices



Source: Global Dairy Trade, ANZ Research

Butter prices have been drifting lower since May but are still over USD7,000/MT. Better butter production in Europe over the summer (up 2% YTD) has been a key factor. Open Country Dairy's new butter plant will also increase New Zealand supply capacity in 2025/26.

AMF has traded at a discount to butter so far this year (Figure 4), but New Zealand processors will be motivated to maximise butter production. This should help AMF regain higher pricing relative to butter, but both of these products are likely to drift lower this season.

Cheese prices have weakened over the past few months relative to other dairy products. Expanding cheese production in the US is starting to weigh on the global supply/demand balance. Despite that, New Zealand processors will be motivated to make and sell a lot of cheese this year.

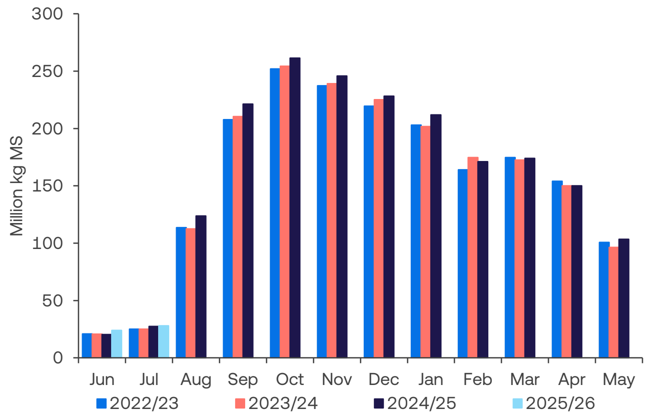
Milk production growing

The 2024/25 season saw the second highest production on record at 1,939 million kgMS, 3.0% above the previous season. Good reproduction stats and pasture conditions got the season off to a fast start, with great weather everywhere but Southland keeping vats full. In the second half of the season, dry conditions took hold in Waikato and Taranaki, but better conditions elsewhere offset these drought impacts. Production was also supported by high prices that encouraged farmers to dry off their herds as late as possible towards the end of the season.

The production outlook to start the 2025/26 season is positive, although unpredictable weather will be the main driver, as always. Our initial forecast sees a 2.1% increase to 1,980 kgMS. With high dairy prices to open the season, farmers are incentivised to increase production wherever possible. More cows will be carried over than usual (this winter's dairy cow cull numbers are roughly 8% lower than last year) and a surge in palm kernel expeller imports (up 50% y/y) should provide support in the shoulders of the season.

On top of that, great reproduction metrics for the second straight year, particularly the 6-week in-calf rate, mean more cows will be ready to be milked earlier in the season.

Figure 3. Milk production



Source: DCANZ (Dairy Companies Association of New Zealand), NZX, ANZ Research

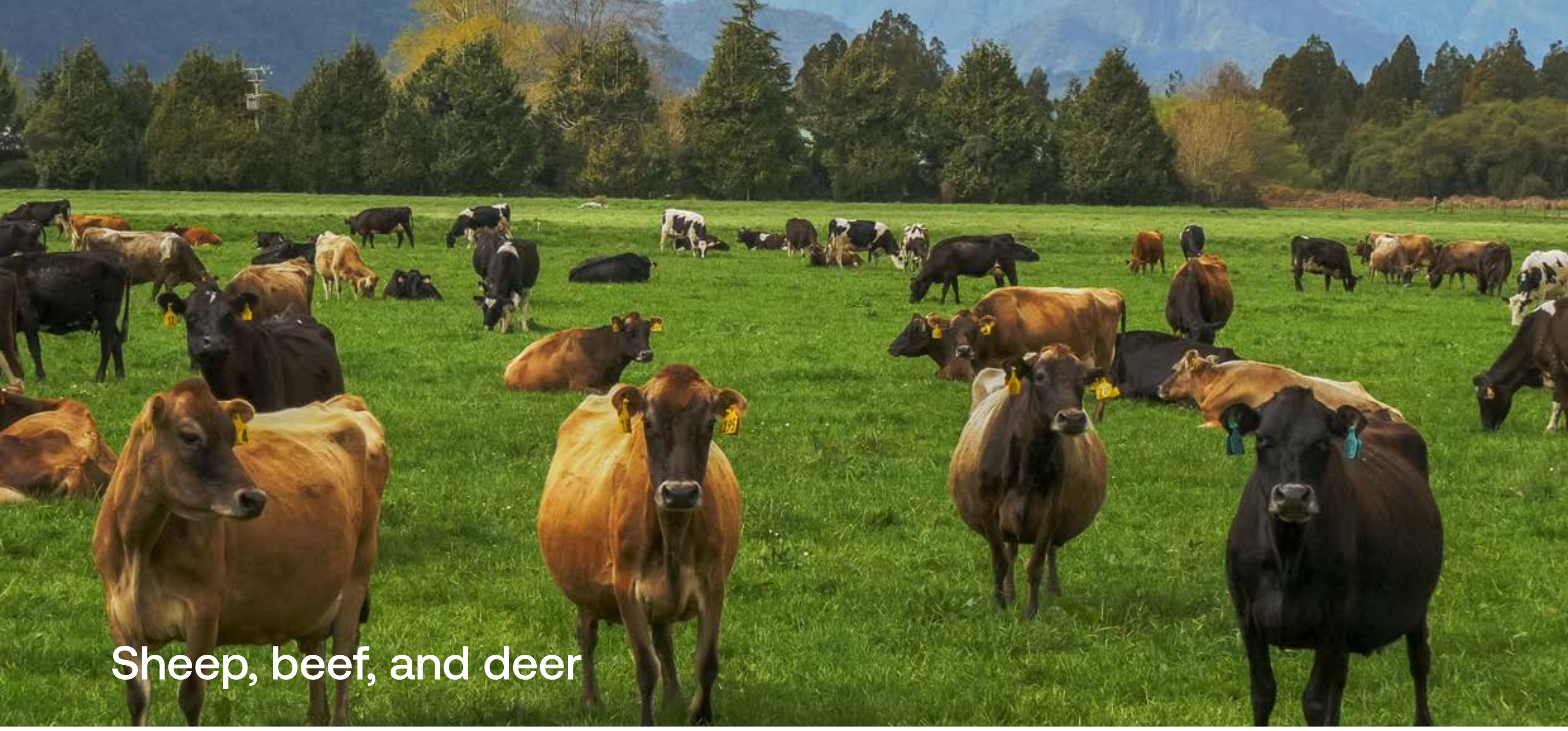
Farm profitability back on track

With how high farmgate prices are currently, it is easy to forget how quickly the situation has turned. At this time last year, Fonterra was finalising a 2023/24 payout of $7.83/kgMS, and the futures market indicated $8.50/kgMS for the coming 2024/25 season. For many dairy farmers this would have meant treading water, considering DairyNZ's breakeven milk price for that season was $8.41/kgMS.

The NZX milk price futures already account for nearly 5% of New Zealand's 2025/26 milk production. While there will be some speculators in the market, this nonetheless implies quite a few farmers have already locked in a milk price well above their cost of production before the season has even started.

Now that prices have broken the $10 barrier and interest rates are dropping, dairy farmers can think about how to build for the future, both physically and financially. For Fonterra supplier/shareholders, the pending special dividend of $2 adds to an already rosy picture. Debt repayment will be top of mind for many, as will new investments on- and off-farm. Some dairy conversions are reportedly occurring in the South Island, and the property market is also seeing an uptick in activity (see page 13), both signs of the good vibes being felt in the industry at present.

Not to be outdone, Open Country Dairy (OCD) has purchased Mataura Valley Milk in Southland and Miraka near Taupō. These acquisitions increase OCD's factory count from four to six and increases their reach into new regions.



Sheep, beef, and deer

Strong prices create competition for supply

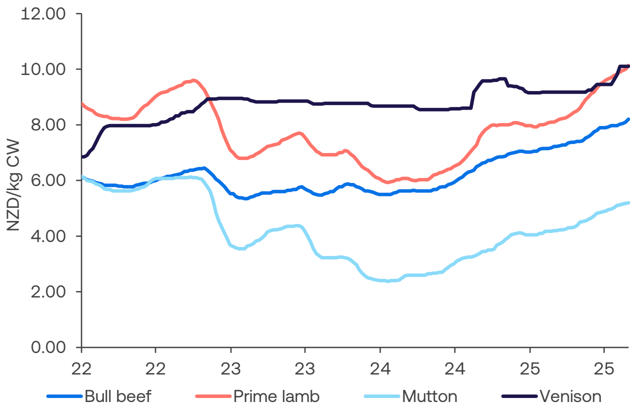
Beef and lamb prices are at record levels after a few difficult years. Overseas demand is strong, and buyers are competing for limited global supply. Wool, venison, and mutton prices are also on an upward path.

Brighter outlook

High prices and scarce supplies are intensifying competition throughout the sheep and beef industry. Importers are competing for product, processors are competing for finished livestock, and farmers are competing for store stock.

Consumer demand in the US, EU, and China has been strong over the past year, despite everything, and supply has been tight, especially in the US. Aided by the weak NZD, higher prices came about quite abruptly from May 2024 onwards.

Figure 1. Beef, lamb, and venison farmgate prices



Source: AgriHQ, ANZ Research

Feed availability is good in most regions, and there are relatively few animals around, especially sheep and lambs. With slaughter prices high and rising, the need to maximise pasture utilisation is driving livestock values strongly northward. Store stock prices are up 20-30% over the past year across most categories.

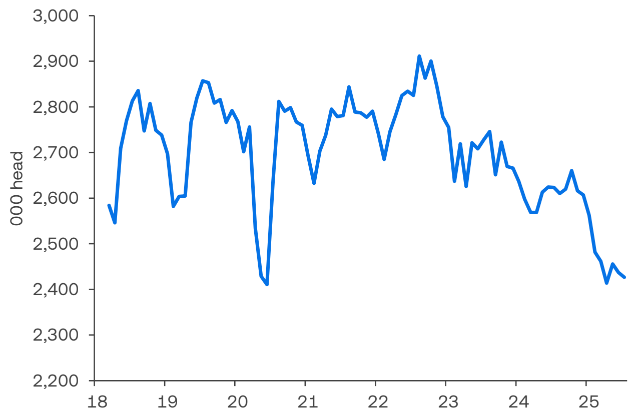
Ironically, with prices this high across the board, there is some risk that margins will be squeezed, whether you're running a finishing farm or a meat-processing plant.

Sheep and beef farm profitability rose in 2024/25 and is likely to rise further in 2025/26. However, input costs are rising as well. B+LNZ research shows total farm expenditures on a typical hill country farm have risen 4% in the past year and 30% in the past five years. The current situation presents an opportunity to repair balance sheets after a few tough years.

US supply shortage driving beef prices

In the US market, demand is strong and supplies are very tight. Just like in New Zealand, there is strong competition throughout the value chain, and between the beef and dairy industries for replacement cattle. US cattle slaughter numbers have fallen 8.6% in the past two years.

Figure 2. US cattle slaughter down

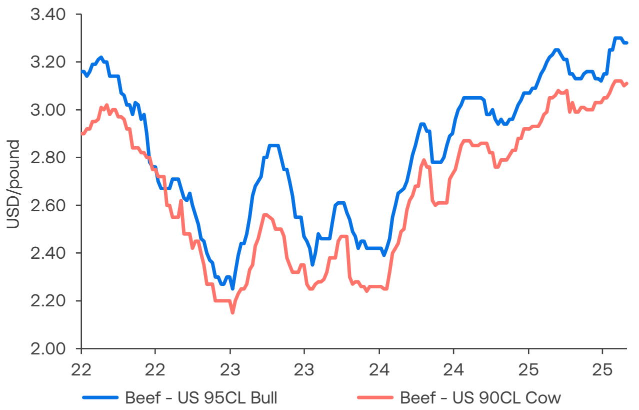


Source: USDA, ANZ Research

Underneath the headline number, US cow slaughter numbers are down 24.2%. This has created an especially acute shortfall at the lean end of the scale, a great opportunity for New Zealand (and Australian) beef. Perhaps that's why New Zealand farmgate prices are up 95% for cows over the past 15 months, but "only" 54% for steers and 44% for bulls.

It takes several years to rebuild livestock numbers, increasing the likelihood that high prices can be sustained at least for the next one to two years.

Figure 3. US imported beef prices



Source: AgriHQ, ANZ Research

Beef cattle numbers are up 4.4% to 3.84 million as at 30 June 2025, according to the latest Beef + Lamb New Zealand (B+LNZ) stock survey. Likewise, breeding cows are up 2.8% to 1.02 million. This is consistent with a general trend of slightly rising beef numbers as farmers have been incrementally shifting from sheep to beef.

Lamb prices following beef

Lamb prices are up 64% in the 15 months since May 2024. To some extent, lamb prices are following beef northward, but lamb's specific situation is also supportive. First, fewer lambs are available in New Zealand and Australia. Also, demand has been strong in Europe, China, and the US.

The 2024/25 lamb crop was reduced by drought during mating followed by wet conditions during lambing in the South Island. As the season draws to a close, lamb production is down 6.4% year-to-date. With Australian lamb prices surging in the past three months, there is upside yet for New Zealand lamb. The price outlook is positive for the next one to two years.

The 2025/26 lamb crop is 19.3 million, down just 0.6% from last year (B+LNZ). This is the result of fewer breeding ewes (down 1.9%) but better weather than last year, resulting in a higher lambing rate.

Over the past year, Australian sheep production has been very high, with drought conditions in Victoria and South Australia and high prices incentivising farmers to destock.

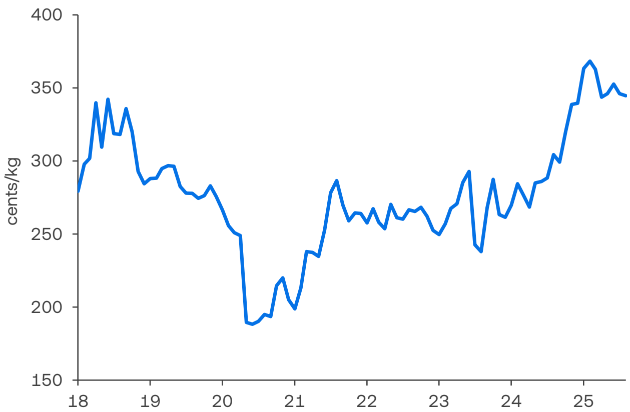
However, July was very wet in southern Australia, potentially breaking the drought. Lamb slaughter volumes fell abruptly, causing prices to rise still further. It remains to be seen whether better pasture conditions and higher prices will change farmers' minds about reducing stock numbers.

New Zealand mutton prices have nearly doubled in the past 15 months, up from $2.70 to $5.20/kgCW. Mutton prices were depressed last year by destocking in Australia – their mutton production was up 17% last year. Falling merino prices contributed to the destocking. Now that Australian mutton production has returned to normal levels this year, mutton prices are contributing to the current market exuberance alongside the other red meats.

Wool market strengthening

Crossbred wool prices have been climbing since 2023, supported by strong demand in China and constrained supply in both New Zealand and Australia. The latest auction prices are around 350 cents/kg clean basis, up 40% in the past two years.

Figure 4. Wool prices



Source: NZWSI, ANZ Research

The weak NZD has been helpful for wool prices, but good demand and tight supply have been supportive too. New Zealand sheep numbers are down 4.1% versus two years ago, continuing a long-term trend. Australian sheep numbers are falling, and a shift away from merino genetics is underway, reducing supply of finer wool. Sheep numbers in both New Zealand and Australia are projected to fall further in 2025/26, providing further support to wool prices.

While the recent run of rising crossbred wool prices is a very welcome development, current prices are still only just enough to cover shearing expenses. Prices will need to rise further for wool to make a positive contribution to sheep and beef farmers' bottom lines.

Venison is in demand

Much like beef and lamb, venison prices are in a very good place this season. Farmgate prices are over $10/kg for the first time since 2018/19. Prices should continue to rise as we enter the chilled export window that peaks in October/November.

Tariffs are a concern, with nearly 40% of venison exports going to the US. So far, farmgate prices have remained firm, and steady demand from EU and China should help the sector maintain its momentum.

Velvet market access restored

New Zealand regained market access for frozen velvet to China in late 2024. This was a welcome development, but it occurred too late for the 2024/25 peak velvet season last summer. Prices that season were down 20%, with strong production volumes exceeding the disrupted demand.

The general sentiment is that this is a short-term supply/demand imbalance, with the China market access disruption having an impact. There is optimism that underlying demand will continue to support good velvet returns in 2025/26 and over the medium term.

Over the past decade deer systems have shifted priorities from venison to velvet production. As a result, over the past decade velvet production has more than doubled, yet venison exports are around the same volume. This, in turn, is having an impact on deer numbers, breeding priorities, and herd composition.

Grain

Global oversupply

New Zealand grain prices have been pushed lower by global prices over the past two years. Local demand is picking up somewhat due to high dairy prices.

Local challenges

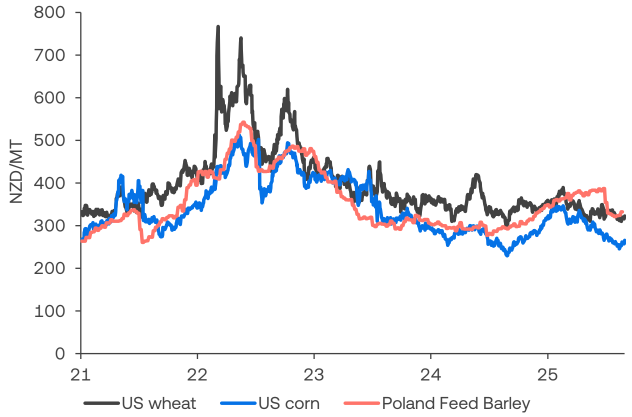
The 2024/25 grain crop was down 20k MT with less wheat and more barley harvested, according to the Foundation for Arable Research. For the 2025/26 season, a wet autumn in the South Island disrupted planting of winter wheat, with some of this area to be planted with barley or spring wheat instead.

Local grain prices are improving somewhat, but global prices remain low, keeping a lid on the local market. This is more of a factor for South Island wheat and barley growers.

Global prices sedate after several good harvests

Global grain prices have fallen steadily since spiking in 2022, supported by several good harvests in a row. Black Sea wheat has been able to be exported with minimal disruption since 2022 despite Russia's ongoing invasion of Ukraine.

Figure 1. Global grain prices



Source: NZWSI, ANZ Research

Soybeans and other oilseeds are faring relatively better, supported by high vegetable oil prices. Soybean meal, PKE, and other protein products are affordably priced at present, which is good for the livestock sectors but not helpful for arable farmers.

Australian grain is plentiful at the moment, and high rainfall in July has eased drought conditions for the pastoral sector, reducing local feed demand. This is putting downward pressure on Australian wheat prices. Australia is New Zealand's main source of imported wheat, for both food and feed end uses.

Forestry

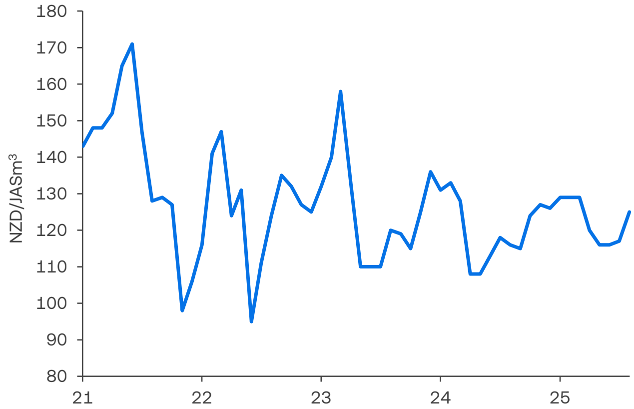
Under construction

The forestry sector is stuck in neutral, with slow construction activity in New Zealand and China limiting demand for logs and wood products. Despite that, harvest volumes have been strong so far this year.

China property slowdown drops log demand

Pricing for export grade logs is currently around $125/JASm3 at wharfgate. While this is on par with the 5-year average, the weak NZD and falling shipping rates over the past 2-3 years mask in-market weakness. Log prices landed in China are 13% below their 5-year average in USD terms.

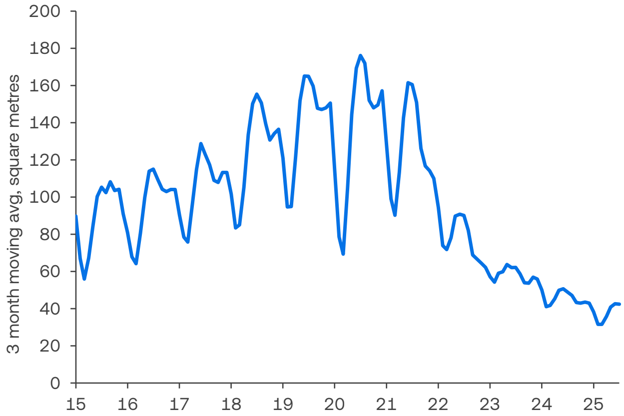
Figure 1. NZ export log prices at wharfgate



Source: PF Olsen, ANZ Research

Export pricing is directly tied to China's property market. Nearly 90% of New Zealand's logs are destined for China, where they are mostly used in the construction industry. China's property market has been struggling since 2021 when a speculative bubble burst. Bad debts, vacant properties, and incomplete builds are hanging over the residential construction sector, and there is no indication that it will recover anytime soon. The Government is not inclined to reinflate the bubble, and weakening underlying rates of population growth and urbanisation are structural barriers to construction sector growth.

Figure 2. China residential construction new starts



Source: NBS, ANZ Research

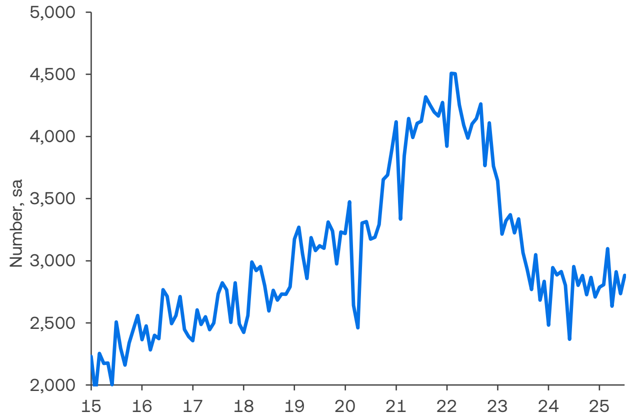
Harvest volumes exceeded 16 million MT in the first half of 2025, up 2.7% y/y, per the Forest Growers Levy Trust. With weak demand in the domestic processing sector, 64% of the harvest has been exported as logs so far this year.

Processing sector waiting for New Zealand construction rebound

The processing sector has been dealing with a difficult operating environment for the past few years, with lower construction activity, high energy costs, and uncertainty in the export market. Since 2024, at least five processing plants have closed, or are considering doing so.

With the RBNZ continuing its monetary easing cycle, we are forecasting that the wider economy will start to improve, and construction activity will start to recover in 2026.

Figure 3. NZ residential construction consents issued



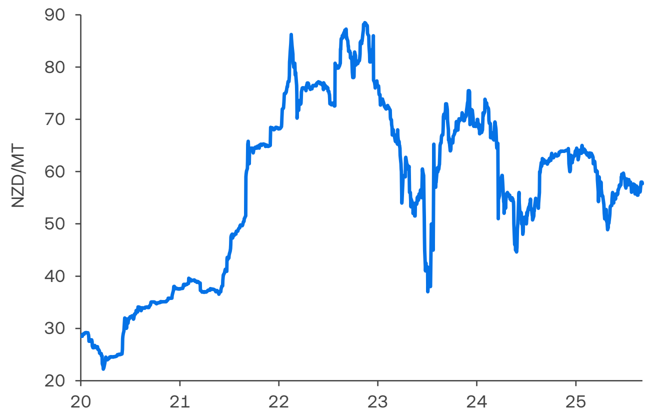
Source: Stats NZ, ANZ Research

The processing sector is also facing challenges in its export markets, with US tariffs rising to 15% in August. The US is New Zealand's largest export market for sawn timber, and the second largest for paper and panels.

Carbon markets and climate policies

New Zealand carbon spot prices have been drifting lower over the past two months, most recently trading at $58/NZU. With that pricing available for buyers, 8 of the past 10 quarterly NZU auctions have failed to clear the minimum auction price. The market is working through an elevated stockpile of units, which has placed downward pressure on pricing.

Figure 4. Spot NZU prices



Source: Bloomberg, ANZ Research

Fundamentals in the carbon market are turning less bearish. The NZU stockpile remains high, but has fallen to its lowest level since 2021. The Minister of Climate Change announced in August that they did not intend to reintroduce unsold auction volumes back onto the market, contrary to the Climate Change Commission's recommendations.

The New Zealand Government's proposal to restrict farm-to-forestry conversions is proceeding through Parliament. The proposal would limit ETS eligibility of existing farms based on its Land Use Capability (LUC) classification. Farms on LUC Class 1 to 5 land would only be able to register 25% in the ETS. Conversions on steeper LUC Class 6 land would be capped at 15,000 ha/year with access determined by a ballot system, and no limits would be placed on the steepest Class 7 and 8 land. This proposal would have some impact on afforestation and planting rates over the next few years if passed.

Horticulture

Strong production in 2025

The kiwifruit industry enjoyed an excellent 2024/25, and 2025/26 is on track to be even better for green, gold, and red. The apple sector is growing, with an increasing focus on IP-protected varieties.

Slowing global wine consumption and strong production volumes have led to oversupply in New Zealand, but the outlook for Marlborough Sauvignon Blanc is brighter than other varieties.

Kiwifruit firing on all cylinders

The 2025/26 season is well on track to exceed last year's impressive result, with progress on all fronts. Yields are up for almost all varieties, prices are holding their ground, and producing area continues to grow.

The orchard gate return (OGR) for gold is expected to fall from $11.81/tray to $11.30/tray, but higher yields will lead to higher returns per hectare.

Green prices and yields are both up this season, leading to Zespri's forecast for record OGR returns per hectare.

The red producing area continues to expand from the first commercial crop in 2022/23. With most of the 780 hectares licensed to RubyRed yet to reach maturity, yields and output are low but rising. Prices are lower again this year, but this is to be expected as volumes ramp up.

Over the past few months, Zespri has been discussing a new red cultivar that may be commercialised in the next year or two. This cultivar would complement the current RubyRed offering, with a similar taste but a different harvest window and better storability characteristics.

License releases are continuing, with strong interest in new developments and conversion from green to gold. 417 hectares of SunGold license were sold in May with strong interest. For the second year in a row, no further RubyRed licenses were released.

Apple investments driving growth

The apple industry is experiencing a reasonable resurgence, just two years on from Cyclone Gabrielle. Hopefully the orchards impacted by the recent Tasman floods can rebound similarly.

Planted area is estimated at 11,000 ha, down just 250ha from pre-cyclone levels. There are reasonable levels of reinvestment within existing orchards in Hawke's Bay. Growers are upgrading to new IP-protected varieties, typically targeting Asian markets, that have higher prices and yields. The intent is to accelerate the transition from older varieties such as Braeburn to more lucrative

Zespri orchard gate returns (OGRs)

Kiwifruit variety	OGR per tray		OGR per hectare	
	2024/25	2025/26	2024/25	2025/26
Green	8.36	9.10	89,783	105,410
Organic Green	11.97	12.38	92,306	92,280
SunGold	11.81	11.30	170,933	176,670
Organic SunGold	15.20	14.83	156,390	169,448
RubyRed	17.00	15.76	72,744	77,016

Source: Zespri

varieties. Industry sources suggest IP-protected varieties now make up over 50% of plantings. There are few expansions in Hawke's Bay to report, but there are some new orchards in Canterbury, an emerging region for apple production.

Apple exports are on track to exceed $1 billion for the first time in 2025. Further growth is expected in 2026 onward, as new plantings start to reach maturity and the pivot to newer varieties continues.

Asian markets are the main growth driver, and apple prices in China (our top export market) have been rising so far in 2025. While the overall outlook is positive, some newer varieties are coming under price pressure as volumes ramp up. The European market is more difficult, but the EU and UK now make up less than 10% of New Zealand exports.

Wine sector oversupplied

The New Zealand wine industry is currently struggling, with supply outstripping demand. This is part of a larger global trend, with wine consumption falling faster than supply can adjust. For several years, the uniqueness and globally strong brand of Marlborough Sauvignon Blanc was able to push against this global trend, but this is not currently the case.

The US market has experienced falling demand, which has diminished demand for New Zealand wine. Alcohol consumption is down overall, and younger demographics prefer spirits, RTDs, and beer. In the US, this is causing an oversupply problem for local production as well as imports. For New Zealand exports, this headwind is compounded by a 15% additional tariff rate. Over the past 12 months, export volume is down 3%.

In the UK, taxes on all alcoholic beverages have increased, driving down demand for wine. From mid-2023 to February 2025, the tax rate on a typical 13% ABV bottle of wine has risen 29%. Despite this, New Zealand exports to the UK are up 10% in the past year, but prices are down.

The 2025 vintage volume is likely to be near 520,000 tonnes. It could have been even higher, but harvesters were more selective this year considering the oversupply in in the market. Three of the past four vintages have eclipsed half a million tonnes, leading to plentiful supplies locally and in-market.

As a result, grape prices are down. Wineries have been tightening yield caps to adjust, and the spot market for grapes has dried up as a viable backup plan. Some growers have been able to cope if they have a good supply contract, but for others, it has been a struggle to market their product.

Wine consumption has also decreased in New Zealand. According to Stats NZ, wine consumption has fallen by 14% in the past three years, dented by a drop in tourism numbers, general economic conditions, and rising excise duty rates.

Vineyard profitability is being impacted by these lower prices, compounded by higher input costs. With the outlook less optimistic than a few years ago, investment is slowing, and there are anecdotal reports of some vineyards being mothballed or removed.

Rural property market

Lower interest rates, higher sales

Sales volume is up across all sectors. Falling interest rates and higher commodity prices are both contributing to a more dynamic rural property market. Transaction prices are more mixed, with dairy farms unsurprisingly appreciating the most over the past year.

Dairy property prices and transaction volumes are rising, with good commodity prices and a positive sector outlook driving confidence higher. There is increasing interest in dairy conversions after several years of dormancy. So far, this activity seems to be concentrated in Canterbury.

The possibility of dairy conversion is supporting land values on arable and intensive finishing farms, at least for those where conversion is a possibility.

The trend for hill country properties is less clear, with policy uncertainty a current feature. The pending policy change to limit farm-to-forestry conversions has cooled interest overall, but falling interest rates and strong livestock prices have shifted the balance back toward sheep and beef buyers.

The lower horticulture sales prices shown in the table below represent a mix of sectors with different outlooks. Kiwifruit orchard prices are rising once again, after a bubble burst in 2022. Two years of record orchard gate returns per hectare is rebuilding confidence in the sector.

In contrast, Marlborough vineyard prices have been drifting lower since their peak in 2023, coinciding with a bearish shift in sentiment in the wine market. Vineyard buyers are being more selective in this buyers' market, knowing that higher-performing blocks will fare better in current market conditions.

Farm sales by farm type

Annual average/total		Past 12 months	Previous 12 months	10-Year Avg.	Chg. Y/Y	Chg. P/10yr
Dairy	Number of sales	222	132	201	↑	↑
	Median price ($ per ha)	39,000	33,542	35,709	↑	↑
Livestock	Number of sales	608	494	848	↑	↓
	Median price ($ per ha)	20,433	22,267	19,922	↓	↑
Horticulture	Number of sales	108	68	171	↑	↓
	Median price ($ per ha)	212,391	223,750	272,808	↓	↓
Arable	Number of sales	51	45	81	↑	↓
	Median price ($ per ha)	38,443	49,120	40,527	↓	↓
Forestry	Number of sales	56	45	56	↑	↑
	Median price ($ per ha)	10,999	7,297	9,185	↑	↑
All farms	Number of sales	1,187	858	1,410	↑	↓
	Median price ($ per ha)	27,117	27,225	26,648	↓	↑

Source: REINZ

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