New Zealand Agri Focus

A fluid situation

December 2025

This is not personal advice nor financial advice about any product or service. It does not take into account your financial situation or goals. Please refer to the Important Notice.

Inside

Economic overview	1
Special feature: Australian agriculture in 2025	3
Dairy	5
Sheep, beef, and deer	7
Grain	10
Forestry	11
Horticulture	13
Rural property market	15

Contributors

Matt Dilly
Agri Economist
Telephone: +64 21 221 6939
matthew.dilly@anz.com

Sharon Zollner
Chief Economist NZ
Telephone: +64 9 357 4094
sharon.zollner@anz.com

Publication date: 15 December 2025

Overview

Dairy prices have fallen sharply in the past month. Milk production has been very strong in New Zealand and every other key exporting market, but the immediate trigger for the recent downswing is EU production, up 4.8% y/y in the past three months, which has proved especially bearish for butter prices. ANZ's forecast for the 2025/26 farmgate milk price has been revised lower to $9.65/kgMS (from $10).

Meanwhile, the summer is shaping up nicely for both pastoral farmers and fruit growers, although conditions can change quickly, as the late-October storms showed.

Beef and kiwifruit have benefited from rollback of the 15% "reciprocal" US tariffs, although both sectors have been thriving with or without them.

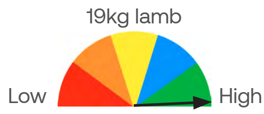
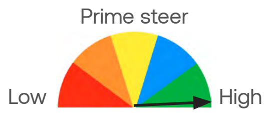
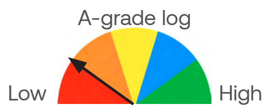
All systems are still go across the red meat sector, with record prices for beef and lamb. Demand is healthy while global supplies are limited, and the balance is unlikely to change soon.

The wider macroeconomic picture continues to support the rural economy. The RBNZ lowered the OCR another 25bp in November and signalled the end of the current easing cycle. Partially in response, the NZD/USD rate has strengthened to 0.58, but remains at the lower end of its 20-year range. The New Zealand economy is showing signs of recovery, and consumer spending is clearly picking up. No further OCR cuts are expected, and wholesale swap rates have risen recently as markets have reassessed the monetary policy outlook.

On the policy front, a replacement for the Resource Management Act (RMA) has been announced, along with an extension for existing consents until the new system is implemented. In other policy developments, New Zealand's carbon market has reacted negatively to recent changes to the NZ Emissions Trading Scheme.

Also in this report, we take a closer look at Australia's agricultural output and the drivers pushing farmers towards cereal and beef production and away from dairy and sheep.

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

Dairy	Dairy prices have dropped sharply over the past month, with the EU adding to an already-strong global milk production story. Our farmgate milk price forecast is $9.65 for 2025/25, although the futures market is currently much lower.	
Sheep	Lamb prices hit $11/kg last week, a remarkable 36% gain over last 12 months. The lamb crop is 1% larger too, with better lambing rates this season.	
Beef	Beef exports will get a boost from lower tariffs to the US, our main market, as the US administration tries to corral consumer prices.	
Forestry	Export log prices are flat around $126/JASm^3. New Zealand's residential construction sector is likely fare better in 2026, boosting domestic sawn timber demand.	

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

The wider picture

Let the recovery begin

New Zealand's economy is showing positive signs, and after dropping the OCR another 25bp the RBNZ has signalled the current easing cycle is likely at an end. The NZD is starting to rise, but at these levels still benefits exporters more than importers.

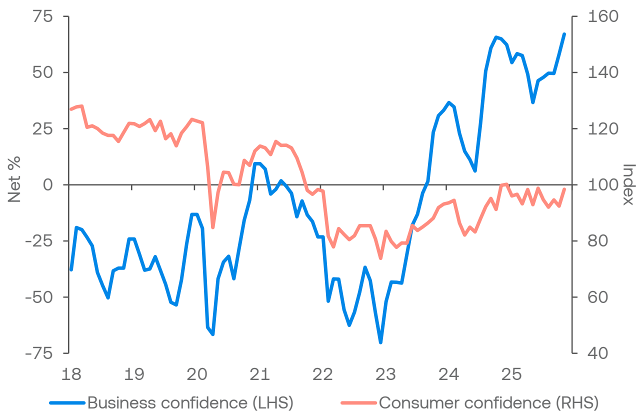
New Zealand economy: picking up

As noted in our GDP preview, we expect the economy grew 1.0% q/q in Q3. This is stronger than the RBNZ's November Monetary Policy Statement (MPS) forecast of 0.4% q/q growth. Sectoral data released over recent weeks has exceeded expectations, leading forecasters to revise up their picks.

As always, the GDP data is lagged, telling us about how the economy fared during the July to September period, now 3-5 months ago. Still, if the data is in the ballpark of our forecast, it provides a good base for a meaningful economic recovery over the summer. High-frequency activity indicators have strengthened further over October and November.

Firms in our Business Outlook survey are reporting high confidence (Figure 1), building consent numbers have increased (see page 11), and card spending is on the rise

Figure 1. ANZ business and consumer confidence



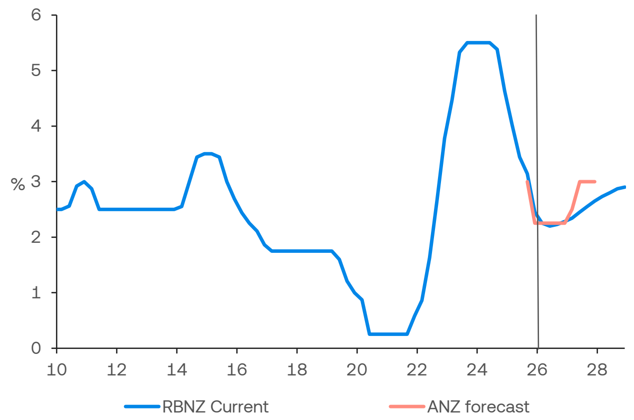
Source: Roy Morgan, ANZ Research

despite still-tepid consumer confidence. Even many of the weaker indicators, such as filled job numbers and house prices, have stopped deteriorating.

RBNZ signals end of easing cycle

The RBNZ cut the OCR 25bp to 2.25% in late November, signalling that unless the economy is weaker than they expect then there are no more cuts to come this cycle. Markets expected a bigger hat-tip to the possibility of future cuts, and the currency and wholesale interest rates jumped in response.

Figure 2. OCR



Source: RBNZ, ANZ Research

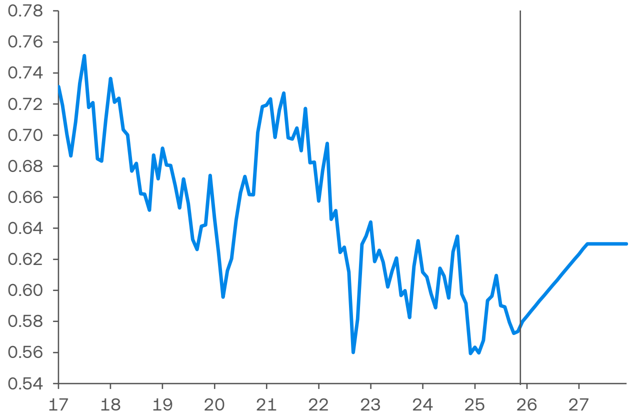
ANZ's forecasts for GDP, inflation, and employment are slightly higher than Reserve Bank's, so if those forecasts come to fruition, the next Monetary Policy Statement in February could land on the hawkish side of the RBNZ's current expectations, depending on what other data brings. Already, markets are pricing in a hike by December 2026. There's a lot of water to flow under the bridge by then though, and there are risks on both sides.

NZD showing signs of life

The NZD has appreciated 3% since the RBNZ's final OCR announcement of the year, with the NZD/USD at 0.58 at the time of writing.

Relative interest rates are the main driver. A December US Fed cut became a likelihood and then a fact at the same time as we've seen a sharp rise in NZ interest rate expectations. It's ironic that the rise in local short-term interest rates followed the RBNZ's 25bp OCR cut. That happened because markets went into the RBNZ November decision expecting the RBNZ to endorse the prospect of further cuts, but that wasn't forthcoming. The signals for Q3 GDP growth then lifted as well. So with interest rate expectations higher in New Zealand and lower in the US, demand for NZD is rising.

Figure 3. NZD/USD



Source: Bloomberg, ANZ Research

Summer weather update

Over the past two months, pasture conditions have tracked well overall. The Waikato is wetter than normal, while despite some recent rain, Hawke's Bay remains dry.

Windstorms in late October caused infrastructure damage and left many without power for some time. Southland was ground zero, but other regions were also impacted.

In the bigger picture, La Niña is emerging, which in summer usually brings warmth and moisture to the north and east of the country. According to NIWA, December and January will skew dry before more typical La Niña patterns kick in, and temperatures across most of New Zealand will be above average. As with other recent La Niña years, large rainfall events are likelier than usual.

RMA reforms announced

Earlier this week the government announced the replacement legislation for the Resource Management Act (RMA). On first reading, three aspects are likely to appeal to the agri sector:

- fewer farming activities will require consent under the new regime;
- councils would be required to compensate landowners for restrictions on the ability to use their land (such as controls for outstanding natural features); and
- the number of plans and policy statements will be reduced.

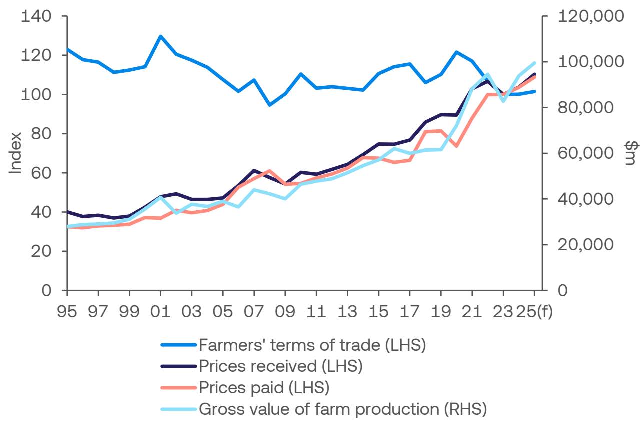
The plan from here is to pass legislation by the end of 2026 and aim for full implementation by 2029. Existing and recently expired consents will be rolled over until the new system is established. This allows current consent-holders to avoid the cost, time, and stress of going through a renewal process for an activity that might not require consent under the new regime.

Special feature: Australian agriculture in 2025

Guest chapter by Madeleine Swan, ANZ Associate Director, Australia Agribusiness Insights

The Australian agriculture industry has had a number of record, or near record, years as bumper harvests, climbing livestock prices and exports boom. Behind that boost in production, Australian agriculture has also seen considerable growth in farmland values, rural debt, and a continuing trend towards fewer, larger farms. With 2025-26 Australian farm production being tipped to fall just shy of the AUD100 billion milestone, how are farmers actually faring and what do farmer profits look like?

Figure 1. Farmers' terms of trade

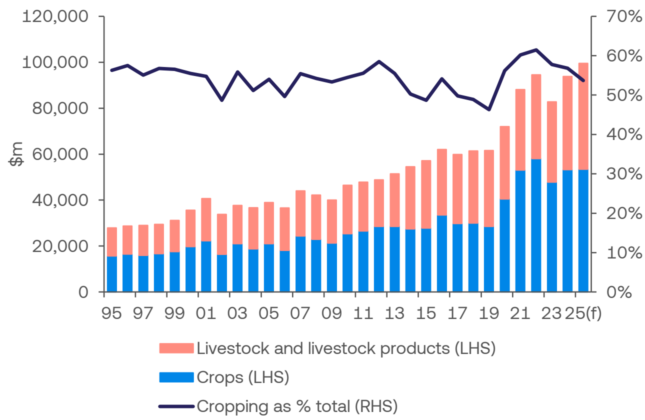


Source: ABARES, ANZ Research

The 2025-26 year in Australian agriculture is looking to be another bumper season with record production forecast by the Australian government agricultural statistics agency, ABARES. They are predicting gross farm production to reach AUD99.4 billion, up a huge 6.1% on the back of strong livestock prices and good seasonal conditions. While the cropping season is expected to deliver production growth of only 0.3% y/y compared with 13.7% for cattle, sheep, and dairy, the cropping sector has averaged 55% of total farm production over the past ten years after strong growth in 2020-23 (Figure 2).

The growth in the broadacre cropping sector has seen pressure put on some of the more traditional farm uses including both sheep production – both for meat and wool – and dairy, as alternative land uses improve in returns and attractiveness. With the Australian sheep flock now hovering at just over 70 million head, down from over 170 million head during the 1950s wool boom, the growth in mechanisation, fertiliser use, and irrigation has seen large tracts of land previously used exclusively for sheep being turned over to either pure cropping or mixed farming enterprises. The dairy industry has been less impacted by the growth in cropping and more by the growth in cattle prices and costs such as feed, electricity, and fertiliser. This has seen the domestic milk pool fall from a peak of 11 billion litres in 2000 to just over 8 billion this year.

Figure 2. Gross Australian farm production



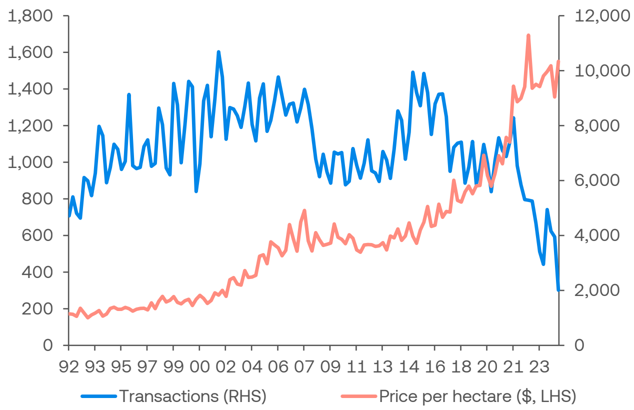
Source: ABARES, ANZ Research

The 2025-26 season is set to be a record production year for Australian agriculture, particularly in the livestock sector. A return of pasture growth in the sheep-producing areas of the south-east has seen producers looking to restock, while export demand for Australian beef is leading to high processor demand and very solid saleyard prices. Cropping yields have increased strongly, with estimates putting it as the second-largest winter crop harvest on record, although lower global prices are expected to keep total revenue stable. Dairy output continues to struggle as farmers either exit the industry to take advantage of high farm prices or wrestle with increasing costs.

While total farm production is expected to reach a record level, so too are costs, such that farmers' terms of trade (receipts minus costs) are sitting at the fifth-lowest level in 30 years. While this is up 1.4% on last year's terms of trade, it is clear that the headline figure of booming production does not necessarily translate into higher profits. That's a continuation of a trend over the past 30 years, with input prices increasing 240% over the past 30 years compared with farm-gate prices up 176% in the same period. This has resulted in significant cost-cutting – for instance, the price of farm insurance has increased 590% in the past 30 years, but expenditure on insurance has increased only 130% over the same time.

While the most significant cost increases have been in insurance, electricity and fertiliser costs, another major contributor to the cost base have been interest costs as the consolidation trend across Australian farms continue. For many years, rural land values tracked agricultural revenue closely. This relationship started to break down around the early 2020s as stellar agricultural prices and strong production were outstripped by growth in land values. While strong growth in production and profit remains the most significant factor driving the increase in land values, in the past five years changes in the supply of properties on the market has increased markedly in importance–indicating that prior to this, supply was plentiful enough to allow the productive capacity of the land alone to dictate its pricing.

Figure 3. Australian farmland values and transaction numbers



Source: ABARES, ANZ Research

In short, the headlines show Australian agriculture is booming on the back of livestock prices and the ongoing improvements in output across the cropping sector. Indeed, producers across the country are expected to have their second most profitable year in 2026 in the past 35 years. However, it is important to note that underlying this are very heavy cost pressures. These require significant cost control when making farm management decisions, while also seeking to grow and take advantage of the ever-present economies of scale in Australian agriculture.

Dairy

Trimming the fat

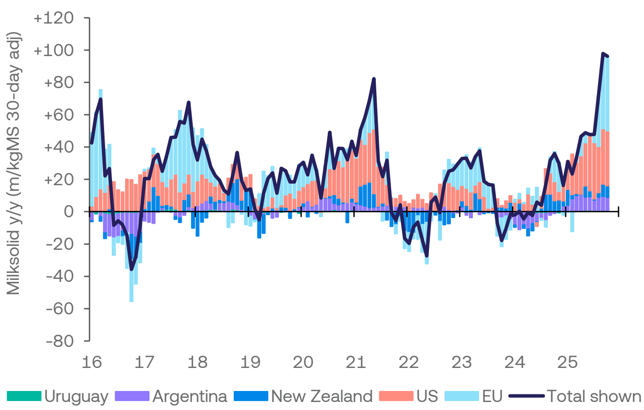
Falling butter prices, driven lower by impressive milk production in the EU, are the main factor behind a deteriorating dairy price outlook. The New Zealand production outlook remains positive, with peak production in October up 2.8% y/y.

Global milk production off the charts

Milk production is rising in all key dairy-exporting countries, thanks to high milk prices, reasonable feed costs, and finally some good luck with weather and animal disease. Dairy farmers in the EU, in particular, have seen a dramatic shift in fortunes over the past three months.

With two months to go, we forecast milksolid production for the full 2025 season to be up 4% in the US, 2% in the EU, and 11% in Argentina. It's not just more milk; it's better milk; these numbers would be 1%pt lower on average if the fat and protein percentages were the same as last year. To some extent the impressive growth numbers are a bounce-back from last year's disappointing results, but Figure 1 is bearish for prices any way you look at it. The most impactful development over the past three months has been in the EU. Through July, production was barely ahead of 2024's result, but from August to October, production is up 4.8% y/y.

Figure 1. Milk production growth in key countries

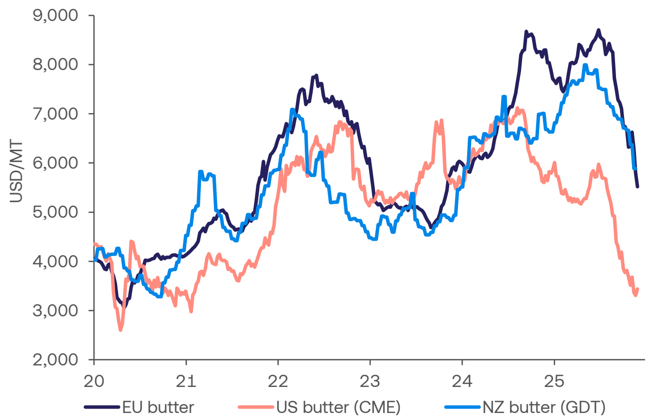


Source: NZX, DCANZ, Eurostat, US Department of Agriculture, Inale, Argentina MAGYP, ANZ Research

Global prices drifting lower

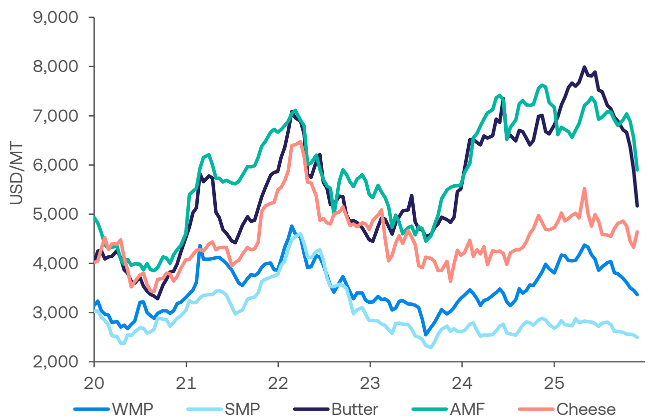
Butter prices were the main driver for the bull run in dairy prices last year, with demand far outstripping supply. This motivated dairy farmers in all key countries to make more milk for the butter churns, and butter prices are now leading the bearish trend. Of the three key butter markets (Figure 2), the US is the trendsetter, with EU and New Zealand prices falling in response. Concerningly, even after a 26% decline in GDT prices since May, US butter prices are still USD2,500 cheaper than Kiwi or European equivalents.

Figure 2. Global butter prices



Source: DG AGRI, CME Group, Global Dairy Trade, ANZ Research

Figure 3. Global dairy prices



Source: Global Dairy Trade, ANZ Research

Sharp decline in farmgate prices

The outlook for New Zealand's farmgate milk price has taken a sharp turn downwards in the past month. Milk price futures for the 2025/26 season fell from $9.77/kgMS in early November to $9.15 in early December, due to the factors outlined above.

Amid this move, Fonterra updated its milk price forecast to $9.50, and ANZ's milk price forecast was updated to $9.65 in late November. Relative to where the futures market is currently trading, both seem a bit optimistic. One key assumption when forecasting is how much milk has already been sold; if there's more unsold product than usual for this time of year, the downward price bias might be justified.

Even with a lower milk price, dairy farmers are doing very well for the second season running, with good prices, good weather, and low interest rates. For Fonterra shareholders, an additional $2.00/kgMS from the sale of the consumer business (approved in late October) will further boost cash reserves in early 2026.

Figure 4. Farmgate milk price forecast

Source: Fonterra, ANZ Research

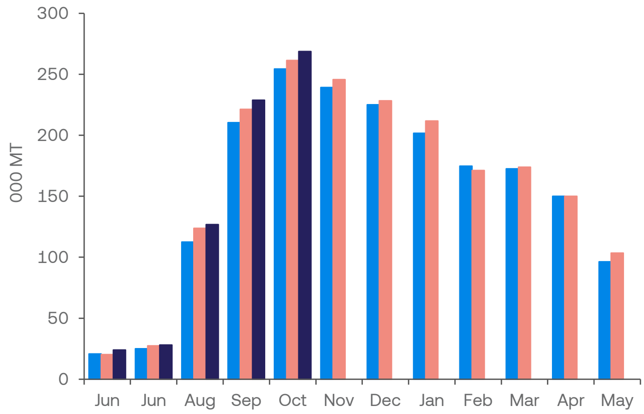
Milk production up

October milk production was up 2.8% y/y and production is now up 3.4% season-to-date. The weather has been above average overall, and importantly, Southland is doing very well after a dismal spring last year – and despite the storms in October. Improving genetics, good reproduction results, higher cow numbers, and plenty of supplemental feed are also lifting baseline production expectations across the country.

We remain on track for a 2.3% increase over the full season to 1,985 million kgMS with some upside potential from there.

One might assume that the falling milk price might cause New Zealand's production to tail off towards the end of the season. However, the milk price is likely to be even lower next year, with NZX milk price futures currently trading at $8.50/kgMS for 2026/27. This is $1.15 lower than ANZ's forecast for the current season and $0.75 lower than this year's futures contract. With that outlook in mind, farmers will be incentivised to use supplementary feed and dry off cows as late as possible, boosting late season production, if conditions allow.

Figure 5. Milksolid production



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

Beyond the current season

Once those cows are dried off, however, there will likely be a rush to send surplus cows to the works. More cows were kept on this season in anticipation of high prices. Those cows have done their job, and aren't needed next year. Stocking up on supplementary feed for next season won't be a priority either. If all these assumptions hold up, the 2026/27 season might be a 'gap year' while the industry reloads for the future.

Farmgate milk prices are falling overseas, just as they are in New Zealand. This is starting to squeeze margins in the US and the EU. Feed prices have been rising recently, (see page 5), and profit margins are likely to tighten further. At some point, margins will fall to a level where farmers start cutting production and reducing cow numbers. For New Zealand, May/June is the obvious time to revisit stocking rates. The US and EU are less beholden to seasonality, so the timing is less clear.

The US might be closer to the tipping point because milk prices in the US have been falling since August. In contrast, EU prices have only fallen since October – their surge in milk production is a relatively fresh development. For both markets, the spring flush would be unlikely timing, so perhaps the next Northern Hemisphere autumn would be the next opportunity to cut production.

Demand has been relatively steady throughout the current price cycle; low supply pushed prices up and is now pushing them down. It stands to reason that supply will once again have to adjust to rebalance the markets.

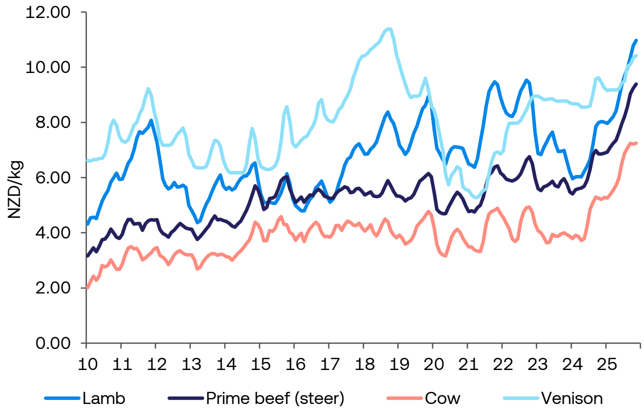
Tariffs rolled back

The sheep, beef, and deer sectors continue to benefit from very high prices, thanks to strong demand and tight global supplies. Tariffs reductions in the US for beef (but not lamb or venison) add further support.

Beef market keeps rolling

Beef prices continue to rise, with cow farmgate prices at $7.25/kg, bull at $9.00/kg and steer/heifer at $9.40/kg, all record highs. We can expect some seasonal weakness on the next few months, but overall, these high prices are a fair reflection of where the market sits.

Figure 1. Beef, lamb, and venison farmgate prices

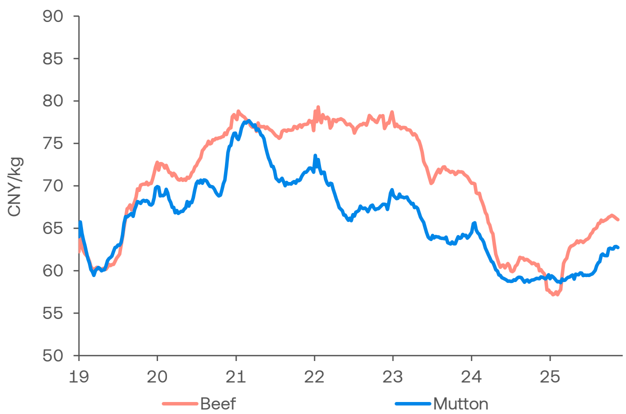


Source: AgriHQ, ANZ Research

Tariffs are a big storyline for the beef sector, but the supply and demand fundamentals have been so strong the difference has been hardly noticeable in terms of farmgate pricing. The US administration rolled back the 15% "reciprocal" tariff in mid-November as part of an effort to reduce consumer prices. At first Brazil was going to remain at a higher rate, but their tariffs were also reduced to 10% a few days later. Tariff rate quotas remain in effect, which might still limit Brazil's access to the US market.

Prior to this reversal, New Zealand's beef exports had shifted subtly from the US to China, so this might shift back in the coming months. Consumer demand is generally weak in China, but beef and mutton supplies are relatively tight so import demand is holding up. Good volumes being imported from Brazil, New Zealand, and elsewhere. Wholesale prices in-market have been rising over the past year but remain below the 5-year average.

Figure 2. China beef and mutton wholesale prices

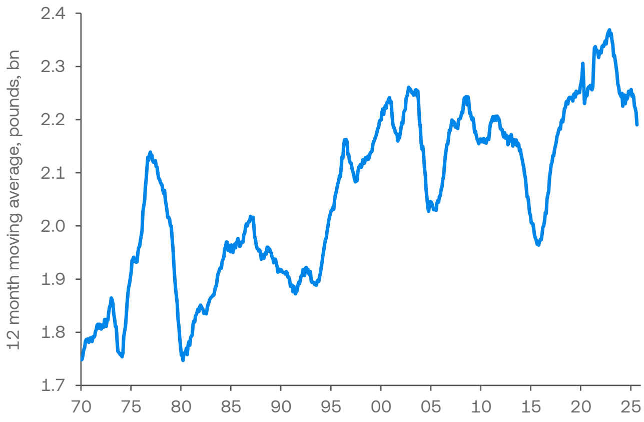


Source: MoA, ANZ Research

If dairy prices continue to fall, there could be a large increase in cow slaughter numbers this winter (typically April to June), given that dairy cow cull numbers were down 8% last winter due to high dairy prices. If this scenario plays out, there will be some downward pressure on farmgate prices and farmers might have difficulty booking space at the processing plants.

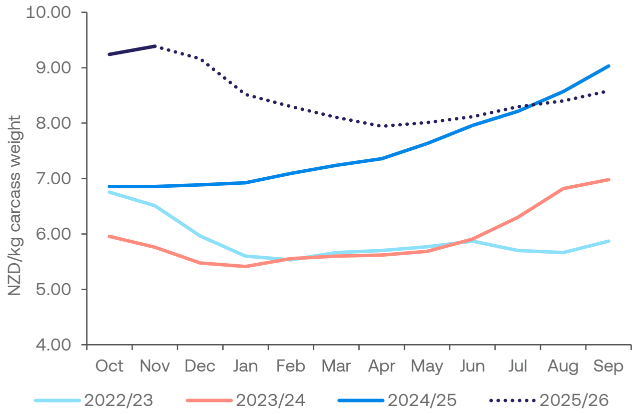
The US cattle cycle lasts 8-10 years on average, and the US beef production stats are on their way to finding a low for the decade (Figure 3). When US production volumes finally recover, prices will fall in both the US and New Zealand. Timing is key. It's not likely to be this year, but a similar dairy cow slaughter dynamic as described above for New Zealand could come into play. If US dairy farmers start cutting milk production and cow numbers, meat production will rise.

Figure 3. US meat production



Source: USDA, ANZ Research

Figure 4. Prime beef farmgate prices



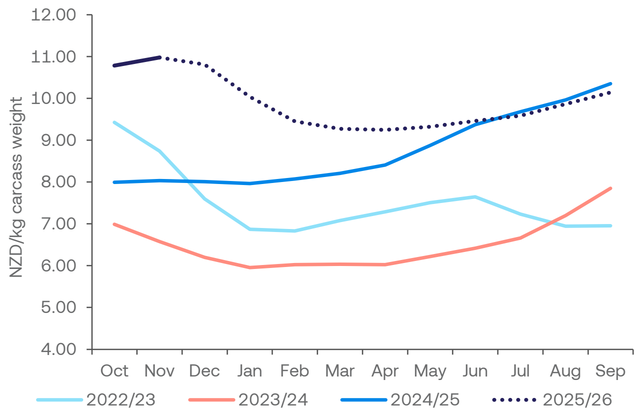
Source: AgriHQ, ANZ Research

Lamb market turned up to 11

Lamb prices continue to show strength on short supply and strong demand, with farmgate prices just a shade under $11/kg as December begins. Prices typically drop from December onwards as lambs reach target weights and pasture growth slows down in the drier parts of the country.

Last year was a notable exception, with export demand red-hot and lamb numbers down. Lamb numbers are up 1% this year, according to Beef + Lamb NZ, but supplies are still tight, both here and in Australia.

Figure 5. Lamb farmgate prices



Source: AgriHQ, ANZ Research

All up, we will probably see prices decline into autumn as usual, but for now, some timely rains in the driest parts of the country (Hawke's Bay, Marlborough) are helping farmers put some more weight on their animals before selling. We forecast lamb farmgate prices to average $9.90 across the season, factoring in some seasonal weakness in the coming months.

Demand remains strong, and farmgate prices remain high in Australia and Europe. As noted on page 3, southeast Australian farmers will be keen to restock if pasture conditions allow, which could further restrict production in the short run.

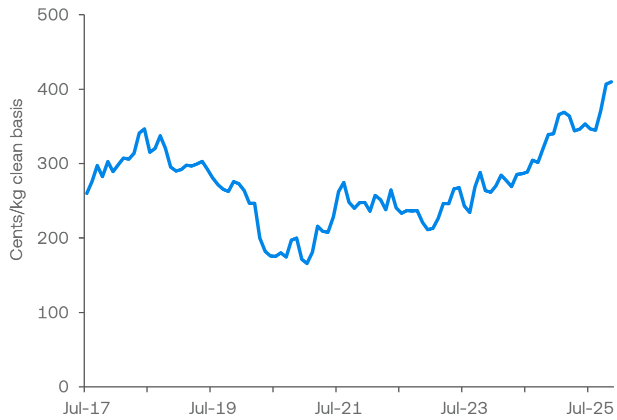
Mutton prices are moving in the same direction as lamb, and our full year farmgate price forecast for mutton has been revised up from $5.25/kg to $5.60/kg. Farmers will probably hold onto a few more breeding ewes and lamb/hogget replacements this year if the weather allows.

Wool

The wool market continues its strong run, with both merino and crossbred wool seeing a good rebound from prior years. The strong wool indicator remains above $4.00/kg clean. Merino prices have been volatile but are still well up from last year, with the harvest coming at the same time as a surge in buyer activity.

With fewer ewes in Australia and New Zealand, wool supply is tight across all specs. Demand has held up better than expected despite the uncertainty prevailing in global markets.

Figure 6. Strong wool prices



Source: NZWSI, ANZ Research

Venison up, velvet 'complicated'

Venison farmgate prices continue to rise, with the latest read being $10.43/kg. Steady demand from Europe, the US, and China has been a key factor. Although venison supply and demand fundamentals are supportive, venison prices are also being pushed higher by other red meat prices.

Aside from the difficult 2020-2022 period, venison normally enjoys a $1-2/kg premium over lamb. Notice how, in Figure 1, farmgate prices rarely cross each other. But this year, lamb prices overtook venison as we headed into summer. This trend should revert in the new year as lamb prices seasonally decline, but this illustrates how rising venison prices are supported by lamb and beef.

In contrast, the velvet season is shaping up to be as difficult as last season, if not more so. There was some hope that renewed market access to China would help velvet prices recover from a difficult 2024/25 season. Instead, the key factor this year has been a surplus of velvet stocks in-market, giving buyers leverage in negotiations.

The long-term outlook for velvet demand remains strong, so the current situation looks more like a reset than a rethink. It does mean additional culling of velvet stags now that the main velvet harvest has been completed, and a slight rebalancing from velvet to venison production. High venison prices provide further incentive for this reset. In the meantime, ideally the oversupply in the market will get resolved and the industry can resume the growth trajectory enjoyed prior to last season.

Grain

Crops in the ground

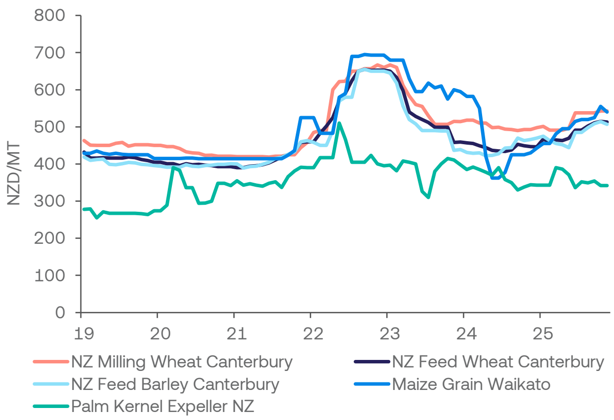
In New Zealand, harvested area is expected to be down 4% in the South Island and up slightly for maize in the North Island. Globally, the US-China relationship creates uncertainty, especially for the soybean market.

2026 crop is underway

South Island crop prices have risen by 9-15% in the past year, and Waikato maize grain is up 26% y/y. Given high milk prices, feed demand from the dairy sector has been supportive. However, with PKE an affordable and plentiful alternative, the benefit for local grains has been limited. As at 10 October, unsold stocks on hand were 50,500 MT higher than the same time last year, according to the Foundation for Arable Research.

Looking ahead to the 2026 harvest, the harvested area is expected to be down 4%, with malting barley the most impacted. Among the various challenges in the arable industry, many of the dairy conversions earmarked for South Canterbury are likely to be at the expense of the arable sector.

Figure 1. New Zealand grain prices



Source: AgriHQ, ANZ Research

In contrast to the South Island crops, the maize situation in the North Island is more positive. As at 31 October, unsold stocks are down 5,800 MT y/y, and prices are the most bullish among the domestic crops. Despite this, area estimates for the 2026 harvest are up only 200 hectares from last year, in line with the 10-year average.

US-China relationship keeps markets guessing

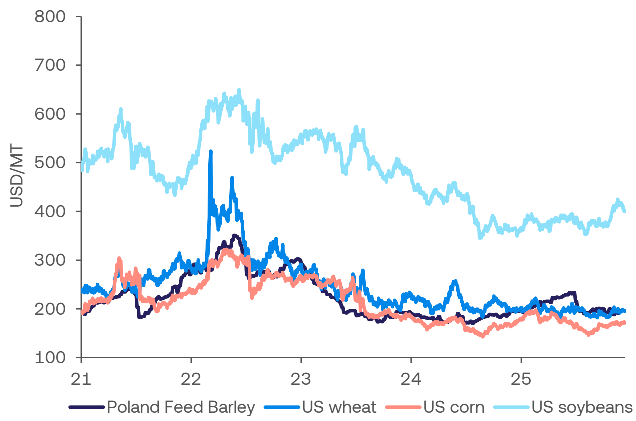
In late-October, China agreed to import 12 million MT of US soybeans by the end of 2025 and at least 25 million MT per year from 2026 to 2028 (although a 13% tariff remains in place). This announcement, timed just as the US harvest ended, caused soybean prices to surge.

However, shipments have been relatively slow to resume, creating doubt that significant volumes can be moved before Brazil's next harvest in February-March. A lack of a formal agreement between the US and China on the topic only adds to the sense of unease.

In other global grain markets, hints of rising prices have emerged, but they are trending sideways overall. Global stocks remain tighter than current pricing would suggest, while the positive outlook for upcoming harvests should add to those inventories.

The Australian wheat harvest has been slowed by rain, especially in the southern half of the country. This is lifting prices for those in need of prompt delivery, but this appears to be just a matter of timing. Overall, the harvest is expected to be well up on the 10-year average, with barley leading the way.

Figure 2. Global grain prices



Source: NZWSI, ANZ Research

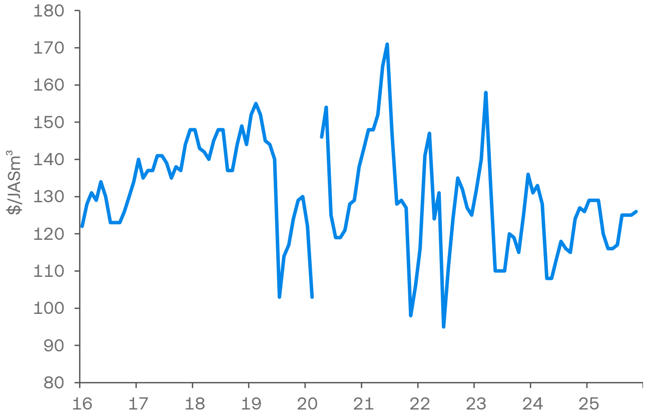
Carbon markets shaken

Domestic sawn timber demand is expected to pick up as the general economy recovers. Export log prices are steady but low due to weak demand from China's construction sector.

No change in log markets

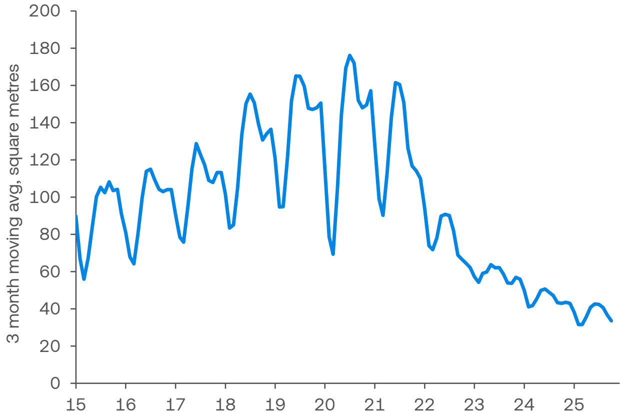
Export-grade log prices are virtually unchanged at $126/JASm^3 at the wharf gate. Prices have been remarkably consistent in recent months; price fluctuations reflect tweaks to shipping rates or exchange rates rather than any change in supply and demand fundamentals or in-market prices. China's construction activity remains subdued, so demand-led price increases are unlikely over the next year. Options outside China are limited, but there is some optimism around a potential agreement with India on tariff reductions and phytosanitary requirements.

Figure 1. NZ export log prices at wharfgate



Source: PF Olsen, ANZ Research

Figure 2. China residential construction new starts

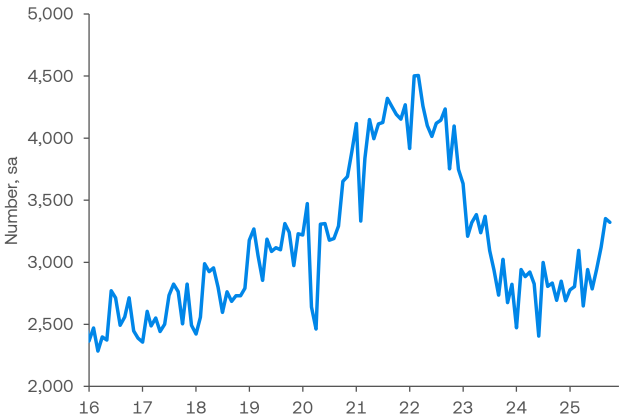


Source: NBS, ANZ Research

Domestic demand expected to pick up

Residential consent issuance jumped in September and October, offering concrete evidence that construction activity is picking up, now that interest rates are at the bottom of their cycle. An increase in sawn timber demand is set to be a direct consequence.

Figure 3. NZ residential construction consents issued



Source: Stats NZ, ANZ Research

70% of sawn timber production is for the domestic market, so increased residential construction demand would be helpful. Domestic-grade log prices have yet to respond, and if demand does pick up as indicated, the recent closure of some sawmills could contribute to uneven supply and pricing across the regions.

Carbon markets and climate policies

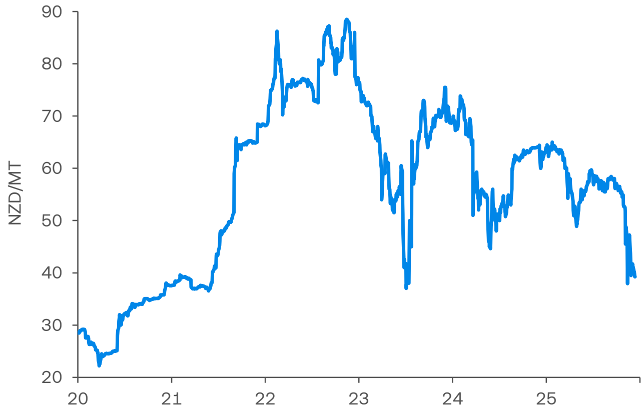
Carbon prices have fallen 30% in the past two months, recently trading at $40/unit on the secondary market. The sharpest drop was in early November and directly followed announced revisions to the NZ Emissions Trading Scheme (NZ ETS) that were perceived by market participants as weakening the scheme.

NZ ETS volume and price control settings will no longer be required to 'accord' with New Zealand's Nationally Determined Contributions (NDCs) under the Paris Agreement. NZ ETS settings must still 'accord' with New Zealand's domestic emissions budgets and 2050 target, but the market's reaction suggests the Paris Agreement obligations were seen as carrying more weight.

The final ETS auction of the year was held on 3 December, and with the $68/NZU floor price well above the spot price, no units were sold. The 6.0 million units that were offered and unsold in 2025 will now be removed from the market. This will help the oversupply situation marginally, but with forestry credits still being generated it will take some time to work through the existing stockpile.

In 2026, 5.2 million units will be offered across the quarterly auctions with a minimum price of $71/NZU. Spot prices on the secondary market would have to lift by 77% if any of those auctions are to be successful, which at this point is looking like a big ask.

Figure 4. Spot NZU prices



Source: Bloomberg, ANZ Research

Horticulture

Momentum into 2026

2025 has been very good overall, with good weather, good production, and – aside from wine – good prices. As the 2025 season winds down, the horticulture sector is looking forward to the 2026 harvests.

Zespri seeing red

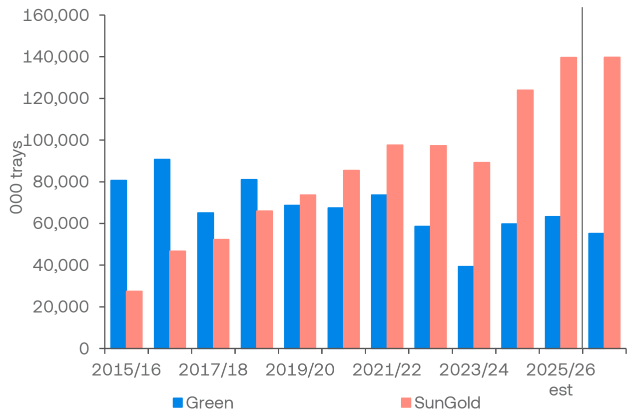
Zespri has approved a new RubyRed cultivar, Red80, for commercial release. Red80 is expected to work well alongside the current Red19 cultivar because it can be harvested later and stored for longer. Initially, Zespri will initially release licenses for 100ha in mid-2026. For 2027 onward, annual license releases of 100-125ha are pencilled in, depending on how the market evolves.

In November, Zespri revised their orchard gate return (OGR) forecast up for 2025/26 as the season draws to a close. Green increased from $9.10/tray to $9.65, and gold was revised from $11.30/tray to $11.70. A weak NZD helped, but strong demand and good fruit quality also helped maintain good in-market returns despite record volumes.

Kiwifruit was one of the beneficiaries of the tariff rollbacks announced by the US administration in mid-November. Import tariffs are now back to zero after being at 10-15% for most of the 2025/26 export season. Supplies are at a seasonal low, so the positive impact of this change will have to wait until the next harvest in March/April 2026. The US has been a growing market for gold kiwifruit in recent years, even with the higher tariffs this year, so this tariff rollback will add a further tailwind to US-bound sales.

Speaking of next year, initial supply estimates for the 2026 harvest have been released. So far the weather has been supportive overall, notwithstanding a few wind and hail events causing some isolated damage. There's still a long way to go until harvest, but gold production is expected to be roughly equal to last year's record volume, and green production is expected to be down 8 million trays (Figure 1).

Figure 1. Kiwifruit production by variety



Source: New Zealand Winegrowers, ANZ Research

Zespri orchard gate returns (OGRs) as at November 2025

Kiwifruit variety	OGR per tray		Million trays supplied	
	2024/25	2025/26	2024/25	2025/26
Green	8.36	9.65	59.8	63.3
Organic Green	11.97	13.03	3.6	3.6
SunGold	11.81	11.70	124.0	139.6
Organic SunGold	15.20	15.46	3.6	4.7
RubyRed	17.00	15.88	1.5	3.0

Source: Zespri

Apple export season winds down

The 2025 season is winding down, and it's been a good one. For Hawke's Bay at least, it's been the best year since 2019, with a range of setbacks in the years between. Good weather has led to good yields, despite a number of immature orchards dragging down the averages. But these immature orchards are a sign of reinvestment in the region post-cyclone.

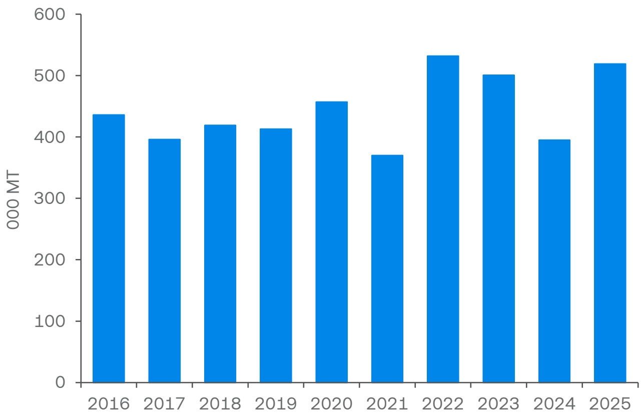
At the same time, Nelson growers are wrapping up a second straight year of declining yields with bad weather dampening output. For both regions, however, export prices have been rising steadily for almost all varieties, further boosting orchard gate returns.

The outlook for the 2026 harvest is positive so far. The weather has been generally good for apples in Hawke's Bay, with above-average temperatures and sunshine. The dry conditions are generally good for apples, but there is a risk of irrigation restrictions as the summer progresses.

Wine hits yield caps

New Zealand Winegrowers and MPI recently released the 2024/25 Vineyard Monitoring Report, which emphasised just how unusual the 2025 vintage was. Due to low demand and high stock levels, the price of Marlborough Sauvignon Blanc grapes fell 14% to $1,820/MT. For the same reason, wineries strictly enforced yield caps on growers to limit wine production. Participants in the monitoring programme reported 17% of planted area was left unharvested as a result. Despite this, yields were 16% higher than the 5-year average thanks to ideal weather conditions and would have easily set records if not for the yield caps.

Figure 2. NZ wine grape production



Source: New Zealand Winegrowers, ANZ Research

Given those factors, and stable working expenses, vineyard operating profit was $9,260/ha, 21% down on the 5-year average. Similarly, vineyard property values are trending lower. As a result, industry morale is understandably low. Unprofitable blocks are being removed, to be either replanted or temporarily left fallow. Growers expect more yield caps in 2026, and some may have difficulty in securing supply agreements going forward. There are still demand challenges, but hopefully a few normal-sized vintages will go some way to rebalancing supply and demand and stabilising prices.

Rural property market

Transactions up, prices steady

Property sales are rising across almost all farm types, driven by lower interest rates and strong commodity prices, but median prices are stable overall.

Lower interest rates and higher commodity prices are having an impact on the rural property market. Rural property transaction volumes are surging, up 38% y/y. However, median prices are only slightly higher than last year, despite anecdotal reports of some dairy transactions at very high prices.

Dairy transactions are up 63% from the prior year, while median prices are only up 1% at $38,000/ha. Dairy conversions are underway in Canterbury. Environment Canterbury reports that 32 dairy discharge consents have recently been issued, with another 15 applications in progress. While some of these consents might fall through, it seems likely most will result in conversions.

Sheep and beef properties are also changing hands much more than last year, but median price is down 5% despite record farmgate sheep and beef prices. Decreasing interest in forestry conversions could be a contributing factor here.

Horticultural land values are a mixed bag depending on the region. Kiwifruit orchards are climbing in price, buoyed by two strong seasons of orchard gate returns. Meanwhile, Marlborough vineyard prices continue to soften from their 2023 peak, reflecting weaker sentiment in the wine sector.

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	236	145	200	↑	↑
	Median price ($ per ha)	37,617	37,217	35,760	↑	↑
Livestock	Number of sales	642	492	835	↑	↓
	Median price ($ per ha)	19,725	20,800	19,984	↓	↓
Horticulture	Number of sales	113	77	166	↑	↓
	Median price ($ per ha)	217,845	221,313	272,971	↓	↓
Arable	Number of sales	48	57	79	↓	↓
	Median price ($ per ha)	41,217	44,567	40,385	↓	↑
Forestry	Number of sales	62	53	56	↑	↑
	Median price ($ per ha)	10,920	7,160	9,273	↑	↑
All farms	Number of sales	1,253	909	1,394	↑	↓
	Median price ($ per ha)	26,525	26,433	26,621	↑	↓

Source: REINZ

Important Notice

Last updated 18 June 2025

This document (in the form of text, image, video or audio) is intended for ANZ Group's Institutional, Markets and Private Banking clients. It should not be forwarded, copied or distributed. The opinions and research contained in this document are (a) not personal financial advice; (b) provided for information only; and (c) general in nature and do not take into account your financial situation or goals.

This document may be restricted by law in certain jurisdictions. Recipients must observe all relevant restrictions.

Disclaimer for all jurisdictions: This document is prepared by ANZ Bank New Zealand Limited (ANZ Centre, 23-29 Albert Street, Auckland 1010, New Zealand). This document is distributed in your country/region by Australia and New Zealand Banking Group Limited (ABN11 005 357 522) (**ANZ**), a company incorporated in Australia or (if otherwise stated), by its subsidiary or branch (herein collectively referred to as **ANZ Group**). The views expressed in it are those of ANZ Economics and Markets Research, an independent research team of ANZ Bank New Zealand Limited.

This document is distributed on the basis that it is only for the information of the specified recipient or permitted user of the relevant website (**recipients**).

This document is solely for informational purposes and nothing in it is intended to be an invitation, solicitation or offer by ANZ Group to sell, or buy, receive or provide any product or service, or to participate in a particular trading strategy.

Distribution of this document to you is only as may be permissible by the laws of your jurisdiction, and is not directed to or intended for distribution or use by recipients resident or located in jurisdictions where its use or distribution would be contrary to those laws or regulations, or in jurisdictions where ANZ Group would be subject to additional licensing or registration requirements. Further, any products and services mentioned in this document may not be available in all countries.

ANZ Group in no way provides any personal financial, legal, taxation or investment advice to you in connection with any product or service discussed in this document. Before making any investment decision, recipients should seek independent financial, legal, tax and other relevant advice having regard to their particular circumstances.

Whilst care has been taken in the preparation of this document and the information contained within is believed to be accurate and made on reasonable grounds on the date it was published, ANZ Group does not represent or warrant the accuracy or completeness of the information. Further, ANZ Group does not accept any responsibility to inform you of any matter that subsequently comes to its notice which may affect the accuracy of the information in this document.

This document may contain forward looking statements or opinions including statements regarding our intent, belief or current expectations regarding economic and market conditions, financial instruments and credit markets. Words such as 'forecast', 'anticipate', 'likely', 'unlikely', 'believe', 'expect', 'may', 'probability', 'risk', 'will', 'seek', 'would', 'could', 'should' and similar expressions, are intended to identify forward-looking statements or opinions. Such statements are usually predictive in character, subject to assumptions that may prove inaccurate or unknown risks and uncertainties, and should not be relied upon when making investment decisions. Past performance is not a reliable indicator of future performance. ANZ does not accept any responsibility to inform you of any revisions to these forward-looking statements to reflect events or circumstances occurring after the date of this document.

Preparation of this document and the opinions expressed in it may involve material elements of subjective judgement and analysis. Unless specifically stated otherwise: they are current on the date of this document and are subject to change without notice; and, all price information is indicative only. Any opinions expressed in this document are subject to change at any time without notice.

This document may contain climate-related statements, such as climate-related risks and opportunities, goals and ambitions, scenarios and projections. Where present, such content is subject to significant uncertainty and risk, and may ultimately prove to be incorrect, inaccurate or incomplete.

ANZ Group does not guarantee the performance of any product mentioned in this document. All investments entail a risk and may result in both profits and losses. Any products and services described in this document may not be suitable for all investors, and transacting in these products or services may be considered risky.

ANZ Group expressly disclaims any responsibility and shall not be liable for any loss, damage, claim, liability, proceedings, cost or expense (**Liability**) arising directly or indirectly and whether in tort (including negligence), contract, equity or otherwise (including infringement of any third party rights) out of or in connection with this document and your use of it to the extent permissible under relevant law. The contents of this document have not been reviewed by any regulatory body or authority in any jurisdiction.

ANZ Group may have an interest in the subject matter of this document. They may receive fees from customers for dealing in any products or services described in this document, and their staff and introducers of business may share in such fees or remuneration that may be influenced by total sales, at all times received and/or apportioned in accordance with local regulatory requirements. Further, they or their customers may have or have had interests or long or short positions in any products or services described in this document, and may at any time make purchases and/or sales in them as principal or agent, as well as act (or have acted) as a market maker in such products. This document is published in accordance with ANZ Group's policies on conflicts of interest and ANZ Group maintains appropriate information barriers to control the flow of information between businesses within the group.

Your ANZ Group point of contact can assist with any questions about this document including for further information on these disclosures of interest.

Australia. ANZ holds an Australian Financial Services licence no. 234527. For a copy of ANZ's Financial Services Guide please click here or request from your ANZ point of contact.

Brazil. This document is distributed on a cross border basis and only following request by the recipient. No securities are being offered or sold in Brazil under this document, and no securities have been and will not be registered with the Securities Commission - CVM.

Brunei, Japan, Kuwait, Malaysia, Switzerland, Taiwan. This document is distributed in each of these jurisdictions by ANZ on a cross-border basis.

Cambodia. The information contained in this document is confidential and is provided solely for your use upon your request. This does not constitute or form part of an offer or solicitation of any offer to engage services, nor should it or any part of it form the basis of, or be relied in any connection with, any contract or commitment whatsoever. ANZ does not have a licence to undertake banking operations or securities business or similar business, in Cambodia. By requesting financial services from ANZ, you agree, represent and warrant that you are engaging our services wholly outside of Cambodia and subject to the laws of the contract governing the terms of our engagement.

Canada. This document is provided for general information purposes only. It is intended solely for use by institutional or otherwise sophisticated clients and prospective clients, and is not intended for retail investors or the general public. It is not tailored to the needs and circumstances of any recipient, nor is it intended as an offer or solicitation to purchase or sell any security or financial instrument or to employ any specific investment strategy. If you are not an institutional client, prospective institutional client, or a permitted client (as defined under Canadian securities law), you should not rely on or act upon the information contained herein.

Chile. You understand and agree that ANZ is not regulated by Chilean Authorities and that the provision of this document is not subject to any Chilean supervision and is not guaranteed by any regulatory or governmental agency in Chile.

Fiji. For Fiji regulatory purposes, this document and any views and recommendations are not to be deemed as investment advice. Fiji investors must seek licensed professional advice should they wish to make any investment in relation to this document.

Hong Kong. This document is issued or distributed in Hong Kong by the Hong Kong branch of ANZ, which is registered at the Hong Kong Monetary Authority to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

India. If this document is received in India, only you (the specified recipient) may print it provided that before doing so, you specify on it your name and place of printing.

Israel. ANZ is not a holder of a licence granted in Israel pursuant to the Regulation of Investment Advising, Investment Marketing and Portfolio Management Law, 1995 ("Investment Advice Law") and does not hold the insurance coverage required of a licensee pursuant to the Investment Advice Law. This publication has been prepared exclusively for Qualified Clients as such term is defined in the First Schedule to the Investment Advice Law. As a prerequisite to the receipt of a copy of this publication a recipient will be required to provide confirmation and evidence that it is a Qualified Client. Nothing in this publication should be considered Investment Advice or Investment Marketing as defined in the Investment Advice Law. Recipients are encouraged to seek competent investment advice from a locally licensed investment adviser prior to making any investment.

Macau. Click here to read the disclaimer for all jurisdictions in Mandarin. 澳门. 点击此处阅读所有司法管辖区的免责声明的中文版

Myanmar. This document is intended to be general and part of ANZ's customer service and marketing activities when implementing its functions as a licensed bank. This document is not Securities Investment Advice (as that term is defined in the Myanmar Securities Transaction Law 2013).

New Zealand. This document is provided by ANZ Bank New Zealand Limited on the basis that you are a 'wholesale client' for the purpose of the Financial Markets Conduct Act 2013 (NZ). We recommend you seek advice about your financial situation and goals before acquiring or disposing of (or not acquiring or disposing of) a financial product.

Oman. ANZ neither has a registered business presence nor a representative office in Oman and does not undertake banking business or provide financial services in Oman. Consequently, ANZ is not regulated by either the Central Bank of Oman (CBO) or Oman's Capital Market Authority (**CMA**). The information contained in this document is for discussion purposes only and neither constitutes an offer of securities in Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98), nor does it constitute an offer to sell, or the solicitation of any offer to buy non-Omani securities in Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market Law (issued vide CMA Decision 1/2009). ANZ does not solicit business in Oman and the only circumstances in which ANZ sends information or material describing financial products or financial services to recipients in Oman, is where such information or material has been requested from ANZ and the recipient understands, acknowledges and agrees that this document has not been approved by the CBO, the CMA or any other regulatory body or authority in Oman. ANZ does not market, offer, sell or distribute any financial or investment products or services in Oman and no subscription to any securities, products or financial services may or will be consummated within Oman. Nothing contained in this document is intended to constitute Omani investment, legal, tax, accounting or other professional advice.

People's Republic of China (PRC). This document may be distributed by either ANZ or Australia and New Zealand Bank (China) Company Limited (**ANZ China**). Recipients must comply with all applicable laws and regulations of PRC, including any prohibitions on speculative transactions and CNY/CNH arbitrage trading. If this document is distributed by ANZ or an Affiliate (other than ANZ China), the following statement and the text below is applicable: No action has been taken by ANZ or any affiliate which would permit a public offering of any products or services of such an entity or distribution or re-distribution of this document in the PRC. So, the products and services of such entities are not being offered or sold within the PRC by means of this document or any other document. This document may not be distributed, re-distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations. If and when the material accompanying this document relates to the products and/or services of ANZ China, the following statement and the text below is applicable: This document is distributed by ANZ China in the Mainland of the PRC.

Peru. The information contained in this document has not been, and will not be, registered with or approved by the Peruvian Superintendency of the Securities Market (Superintendencia del Mercado de Valores, **SMV**) or the Lima Stock Exchange (Bolsa de Valores de Lima, **BVL**) or under the Peruvian Securities Market Law (Legislative Decree 6 861), and will not be subject to Peruvian laws applicable to public offerings in Peru. To the extent this information refers to any securities or interests, it should be noted the securities or interests may not be offered or sold in Peru, except if (i) such securities or interests were previously registered with the Peruvian Superintendency of the Securities Market, or (ii) such offering is considered a private offering in Peru under the securities laws and regulation of Peru.

Qatar. This document has not been, and will not be:

- lodged or registered with, or reviewed or approved by, the Qatar Central Bank (**QCB**), the Qatar Financial Centre (**QFC**) Authority, QFC Regulatory Authority or any other authority in the State of Qatar (**Qatar**); or
- authorised or licensed for distribution in Qatar, and the information contained in this document does not, and is not intended to, constitute a public offer or other invitation in respect of securities in Qatar or the QFC.

The financial products or services described in this document have not been, and will not be:

- registered with the QCB, QFC Authority, QFC Regulatory Authority or any other governmental authority in Qatar; or
- authorised or licensed for offering, marketing, issue or sale, directly or indirectly, in Qatar.

Accordingly, the financial products or services described in this document are not being, and will not be, offered, issued or sold in Qatar, and this document is not being, and will not be, distributed in Qatar. The offering, marketing, issue and sale of the financial products or services described in this document and distribution of this document is being made in, and is subject to the laws, regulations and rules of, jurisdictions outside of Qatar and the QFC. Recipients of this document must abide by this restriction and not distribute this document in breach of this restriction. This document is being sent/issued to a limited number of institutional and/or sophisticated investors (i) upon their request and confirmation that they understand the statements above; and (ii) on the condition that it will not be provided to any person other than the original recipient, and is not for general circulation and may not be reproduced or used for any other purpose.