



# New Zealand Agri Focus

Seeing green

February 2026



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## Overview

This summer has been eventful so far for New Zealand’s rural sector. Several storms have rolled through, leaving chaos in their wakes, but also strong pasture growth. Dairy prices have been volatile while other markets continue on prior trends. And the recently announced NZ-India Free Trade Agreement provides a reassuring counterpoint for the rural sector to otherwise unsettling geopolitical trends.

The wet weather in January and February caused a fair amount of damage across the country, adding to the impact of other storms earlier in the season. For those farms that avoided direct damage, pasture conditions are excellent across the country. Unusually for this time of year, there’s not a single region currently at risk of tipping into drought.

There are downsides to the wet weather for some sectors. Warm wet conditions play havoc with crop harvesting and add to disease pressure. South Island grain growers have struggled over the past month, and the horticulture sector will also be keen for a dry run as harvest approaches. In general, grain and horticulture crops look good in the field, vineyard, or orchard, but they need to look good in the bins and packhouses too.

Dairy prices have rebounded emphatically since Christmas with the Global Dairy Trade Index rising 19.3% so far in 2026. It’s been a pleasant surprise to see market sentiment turn so abruptly, and accordingly we recently revised our 2025/26 forecast up to \$9.50/kgMS. This will be the second straight year of favourable weather enabling farmers to capitalise on the high prices on offer.

A ‘grass market’ has developed in the buoyant sheep and beef sector. Farmers are motivated to retain stock for as long as possible, adding upward pressure to farmgate prices. This is pressuring processors despite excellent in-market prices overseas due to a general red meat shortage globally.

The US Supreme Court ruled the US administration’s reciprocal tariffs unconstitutional, but President Trump has quickly reinstated global tariffs at 15% under a different law. The net result for New Zealand is unchanged: our agri exports face the same 15% tariff, except wood products at 10%. Beef, kiwifruit, and a few other products remain exempt as they have been since November.

| Prices at farm/orchard level relative to 10yr average <sup>1</sup> |   |                 |
|--|---|-----------------|
| Dairy  | Dairy prices have recovered since 2026 began, and our forecast for this season’s milk price has been lifted to \$9.50/kgMS. Our forecast for 2026/27 opens at \$8.70 as global supply is rising faster than demand. | Milk price<br>  |
| Sheep  | Farmgate lamb prices hit an all-time high in November and have stayed there since. Mutton prices are approaching record highs too, but aren’t quite there yet.  | 19kg lamb<br>   |
| Beef   | All beef grades are at record farmgate prices – it can’t get any better than that. New Zealand beef has caught a few breaks on tariffs to the US and quotas in China, and global supply remains tight.              | Prime steer<br> |
| Forestry   | Export log prices are little changed at \$123/JASm <sup>3</sup> . Domestic construction activity is starting to recover, boosting sawn timber demand, but prices have yet to respond.                               | A-grade log<br> |

<sup>1</sup> All prices are in New Zealand dollars, except where otherwise indicated.



## The wider picture

### A strong start, but a long way to go

New Zealand's economic recovery is underway but remains uneven. Monetary policy is now on hold, the NZD is firming, and global growth has proven resilient despite geopolitical risk.

#### New Zealand economy: a marathon, not a sprint

In our latest [Quarterly Economic Outlook](#), we note that New Zealand's economic recovery has begun but has started off unevenly. It's certainly not the case that all the usual drivers of momentum are blowing in the same direction: there are headwinds and tailwinds.

GDP in Q3 2025 was stronger than expected, and more recently inflation has popped just above the top of the Reserve Bank's 1-3% target band. That prompted financial markets to tighten monetary conditions: the NZD has appreciated, and short-end interest rates moved higher in anticipation of OCR hikes later this year. The latter has fed through into rising fixed mortgage rates.

There's a risk that firms are chomping at the bit to raise prices as soon as they think household demand is robust enough to get away with that, as the margin squeeze during the recession has been very difficult for many businesses. However, in February's Monetary Policy Statement, the Reserve Bank of New Zealand (RBNZ) noted that households remain cautious in their spending and expressed confidence that inflation will fall to the 2% midpoint over the next 12 months due to spare capacity in the economy and modest wage growth.

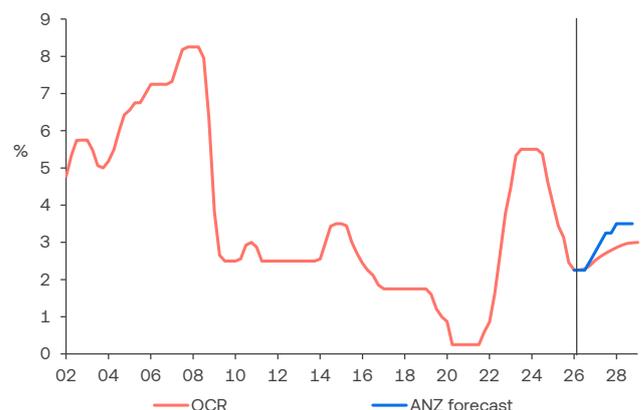
House price momentum is travelling sideways, as higher listings meet only modest demand, and the labour market remains soft (but does appear to be turning). The unemployment rate lifted 0.1ppt to 5.4% in Q4, despite employment growing more than expected, as more workers started actively looking for jobs.

Looking further afield, the global economy was more resilient than expected in 2025, despite geopolitical uncertainty. However, the risks of economic disruption have not gone away in 2026, and new surprises can't be ruled out.

The RBNZ [left the Official Cash Rate unchanged](#) at 2.25% at its February Monetary Policy Statement, describing risks around the inflation outlook as "balanced" and conveying a sense of patience, noting that "if the economy evolves as expected, monetary policy is likely to remain accommodative for some time." Wholesale interest rates and the NZD fell in response.

With the OCR now firmly in stimulatory territory and the long-awaited recovery finally underway, the next move in the OCR is expected to be up. Earlier in February, we brought forward our call for the timing of the first OCR hike to December 2026 (Figure 1).

Figure 1. Official Cash Rate



Source: RBNZ, Bloomberg, ANZ Research

## NZD strengthening

The NZD has spent a bit of time above 0.60 over the past month, and is currently just under that threshold. We are forecasting the NZD to continue its upward trend throughout the year. Recent high-frequency data have turned more positive over several months; and notably, both consumer and business confidence are much improved. This improvement in sentiment is crucial for currency movements and rate hike expectations. In addition, the US is likely to cut rates in 2026, giving the NZD a relative interest rate advantage. Given the slower pace of New Zealand's economic momentum and the NZD's weakness in recent years, the bar is low: any positive developments in the domestic economy are likely to support the NZD.

Figure 2. NZD/USD

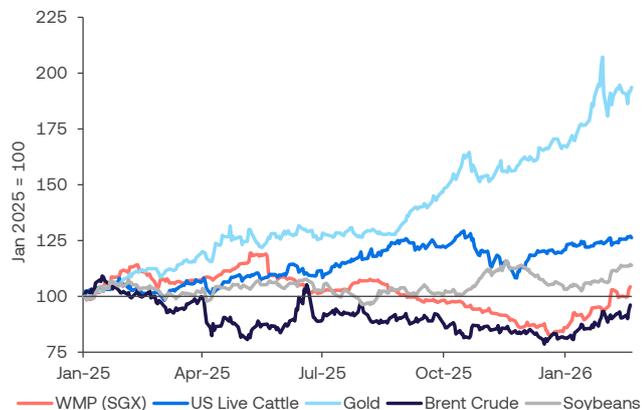


Source: Bloomberg, ANZ Research

## Commodity volatility

Volatility has hit most commodity markets, not just dairy, since the current US administration took over in January 2025. Gold and silver notably had a cardiac episode in late January. Geopolitical uncertainty is definitely one of the drivers, especially for precious metals, and this has perhaps attracted a wider range of investors to commodities.

Figure 3. Commodity price volatility since January 2025



Source: RBNZ, ANZ Research

The US intervention in Venezuela and threats to escalate in Greenland and Iran created uncertainty for commodity markets, although so far the crude oil market has been relatively calm. It also raises questions about whether dairy's recent price gains might have been driven by broad commodity trends rather than anything unique to dairy's supply and demand fundamentals.

## US tariff volatility

The US Supreme Court ruled the US administration's reciprocal tariff regime to be unconstitutional, in a setback for one of US President Trump's frequently used negotiating tools.

The US administration quickly reimposed a global 15% import tariff under a different law. The catch is that this new Section 122 tariff is only valid for 150 days; any extension would require congressional approval.

Beef, kiwifruit, and other products exempted in November 2025 will remain tariff-free due to food affordability concerns in the US. The 10% timber and lumber tariffs that were announced in September 2025 were invoked under a different statute (Section 232) and so will remain in place.

President Trump has signalled that tariffs will remain a key policy tool, and his administration will make use of other ways (Sections 232 and 301) to achieve his objectives. The downside, from the US administration's point of view, is that these alternatives are more complex and limited in their implementation, which means they can't be so easily leveraged in bilateral negotiations.

## New Zealand-India FTA

The NZ-India Free Trade Agreement (FTA) was announced in late December. New Zealand's agriculture sector will see [improved access](#) across a number of products. Based on the size of the market and the scale of tariff reductions available, apples and forestry products are the two largest winners in New Zealand's rural sector. The forestry sector will benefit from the elimination of tariffs on almost all products, down from the current 5.5-11.0% tariff rates. Apple tariffs will drop from 50% to 25%, and the tariff rate quota will gradually expand over six years. While that's not as good as some other products in the FTA, it is impactful because India is currently the fourth largest market for New Zealand apples despite the current tariff.

Other winners include kiwifruit, wine, and wool. Kiwifruit tariffs will be eliminated, but the volume of product eligible for the 0% tariff rate will face an annual cap. However, the out-of-tariff quota rate of 16.5% will be much lower than the current 33% rate, so India has the potential to become a growing market for Zespri. Wine will benefit from a large tariff reduction, but the tariff rate will still be 25-50% after 10 years. Wool import tariffs will fall to zero immediately, but the current 2.75% is a relatively small barrier to trade.

There isn't much in the deal for our dairy sector, but India's dairy industry has been the proverbial sacred cow for India in negotiations with all countries, not just New Zealand. Bulk infant formula tariffs will drop from 33% to zero over seven years, plus modest access for albumins (i.e. whey protein concentrates).

While the NZ-India deal is good for New Zealand agriculture overall, we won't have an overwhelming advantage. Australia has had a similar FTA in place since 2022, and in the past nine months India has also signed trade agreements with the UK, EU, and US. While the details vary from deal to deal, it shows that India is building resilience by creating multiple options for importers and exporters, and it means that New Zealand exporters will have plenty of competition in India.

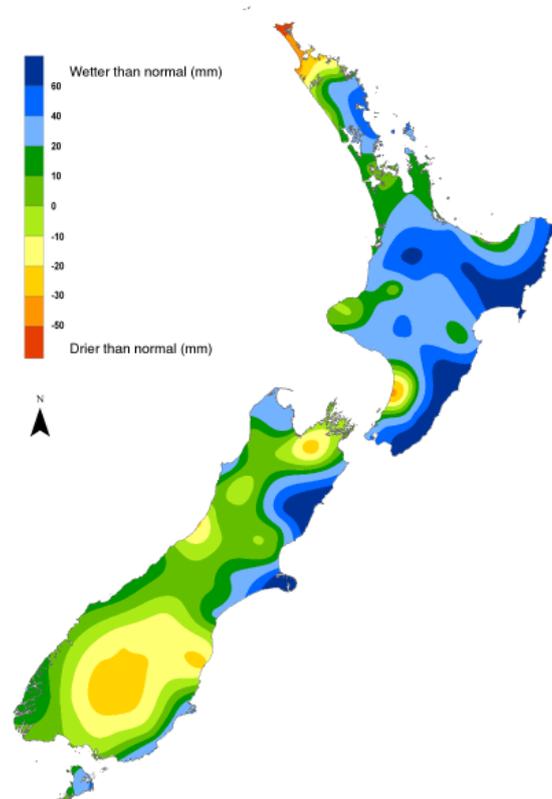
### Weather: wet and stormy

New Zealand decided to skip 'dry January' this year, and February is just as wet. For the pastoral sector, this is good news, but there are a number of farms with damage from various storms that have swept through since October. Even if the grass is growing and farmgate prices are high, there's still a lot of work to do.

Meanwhile, the arable and horticulture sectors need settled weather to let crops ripen and get an orderly harvest underway. NIWA's three-month seasonal outlook suggests a bit of luck might be needed, however. NIWA forecasts relatively warm and wet weather from February to April, especially in the North Island, along with above-average soil moisture and river flows.

The El Niño – Southern Oscillation, which began to show weak La Niña conditions towards the end of 2025, is now trending back towards neutral. Even though this trend is expected to continue, NIWA warns that the risk of large rainfall events approaching New Zealand from the tropics remains heightened – not too different to what we've experienced so far this year.

Figure 4. Soil moisture anomaly as at 22 February 2026



Source: NIWA



# Dairy

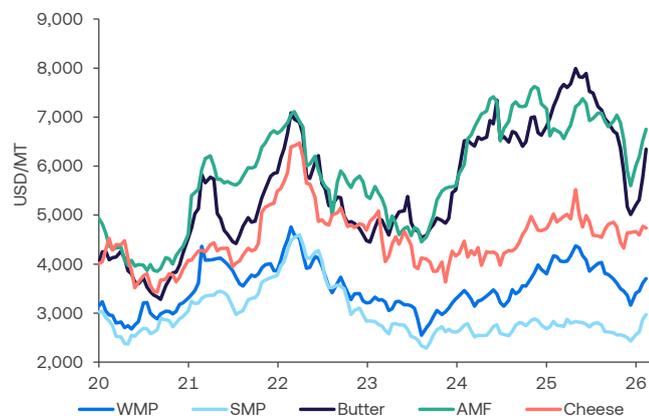
## Back on solid ground

Dairy prices took the scenic route from October to February and are now in a reasonable place in the context of very strong global supply and steady demand. The grass is growing across New Zealand, lifting expectations for this season's milk production.

## Global prices rebound

Global dairy prices have been on an impressive and somewhat unexpected run since mid-December. The Global Dairy Trade (GDT) Price Index is up 19.3% despite the global supply and demand picture not really improving over that time. Buyers might have been pushed into action after spending months waiting patiently for prices to bottom out. Geopolitical tensions and an infant formula recall affecting a few major suppliers may also be contributing factors, as well as a seasonal decline in New Zealand milk production. There may also have been a spillover from price volatility in other commodities (see page 2).

Figure 1. Global dairy prices



Source: Global Dairy Trade, ANZ Research

The most correct answer may well be the simplest: prices fell too far in late 2025, and now they are back on the right track. Despite this surge over the past four

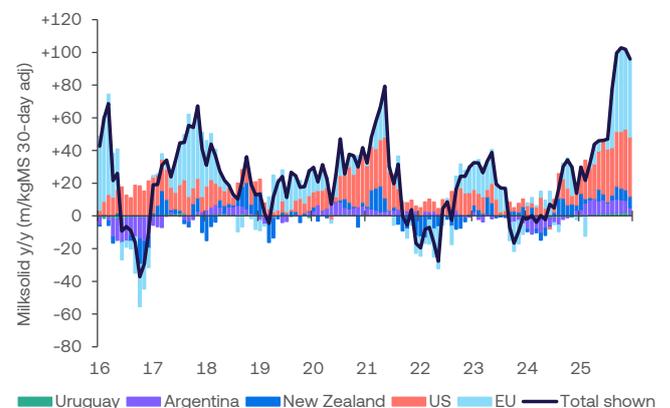
auctions, the GDT Price Index remains 10.5% below the peak in May 2025. Prices should be lower than 2024/25, given the surge in global milk production, but not as low as December's pricing. The market just decided to take the scenic route to get to where it is today, which looks like a sensible place.

Skim milk powder (SMP) stands out in Figure 1 below. SMP was completely indifferent to the bull market in 2024/25, but so far in 2026 is a key contributor. Perhaps the infant formula recall led to a surge in demand in order to restock shelves.

## Global supply very robust

Looking ahead, the global supply and demand situation looks likely to push prices lower over the next several months. But some important context: demand remains steady, and dairying remains a profitable business everywhere in the world thanks to reasonably strong milk prices and very low input costs.

Figure 2. Milk production growth in key countries



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

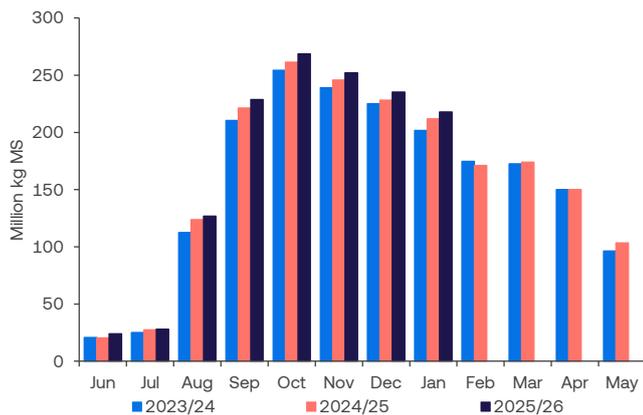
In 2025, the five markets shown in Figure 2 saw milk solid production grow by a combined 3.5% year-on-year. At present, there is no indication that dairy farmers

overseas are looking to reduce production in the first half of 2026. Feed costs are still under control, and the recent lift in dairy prices should take pressure off profit margins. Still, some dairy farmers are lobbying the European Commission to fund a voluntary production reduction scheme similar to one implemented in 2016. They're unlikely to succeed, but it illustrates that some pressures are mounting. The next key opportunity for destocking in the Northern Hemisphere would be in August/September after the spring flush.

### NZ milk production

New Zealand milksolid production rose 2.9% y/y in January and is up 3.1% season-to-date. Pasture conditions have been very good, and the wet weather in January sets up the tail end of the season nicely. There is also plenty of supplementary feed available, and the recovering farmgate price outlook adds an incentive to milk as long as possible. We now forecast milk production to hit 2bn kgMS, a milestone that would have seemed implausible just two years ago. This would be an increase of 3.2% y/y, up from the previous forecast of 2.3%.

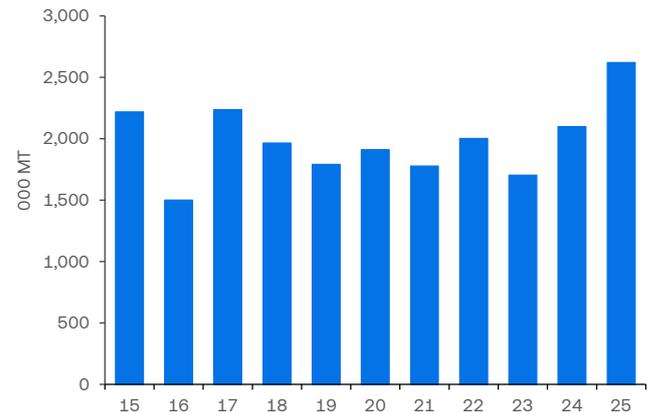
Figure 3. Milksolid production



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

The outlook for next season is positive as well. Previously we had warned that lower prices would increase cow culling rates heading into New Zealand's winter and reset the national herd's age structure, but with prices rebounding so strongly over the past two months this is now less of a factor. There are also around 30 dairy conversions planned or underway in South Canterbury. Some of them will be ready to hit the ground running in 2026/27, further boosting the milk production forecast. Feed supplies are likely to be good heading into winter, and the gains seen in recent years in mating and genetics are sustainable. Despite all that, our forecast for next season is 'just' 1.2% higher than this year. The sector is capable of higher growth, but it might be too much to expect great dairy weather for a third year in a row.

Figure 4. PKE import volume



Source: Stats NZ, ANZ Research

### Farmgate milk price rebounds

Alongside the jump in dairy commodity prices, the farmgate milk price outlook is much improved. We have revised our 2025/26 forecast from \$8.90/kgMS to \$9.50. We do think prices will drift lower across 2026 once the current trend runs out of steam, but they will be drifting lower from a much higher starting point. In the meantime, New Zealand's dairy processors have been able to lock in sales at these higher prices. This takes the worst-case scenarios off the table and narrows the range of plausible outcomes as the end of the season approaches.

Figure 5. Farmgate milk price forecast



Source: Fonterra, ANZ Research

Fonterra's shareholders recently approved the \$2.00/share tax-free capital return resulting from the sale of Mainland Group to Lactalis. Fonterra now expects to complete the deal in Q1, so farmer-shareholders should expect to receive this significant boost to their finances by 31 March. Fonterra also announced an additional \$0.14-0.18/share special dividend covering the Mainland Group's earnings from the start of the fiscal year through to the completion of the sale.

## Next season's price outlook

We recently issued our opening forecast for 2026/27 at \$8.70/kgMS.

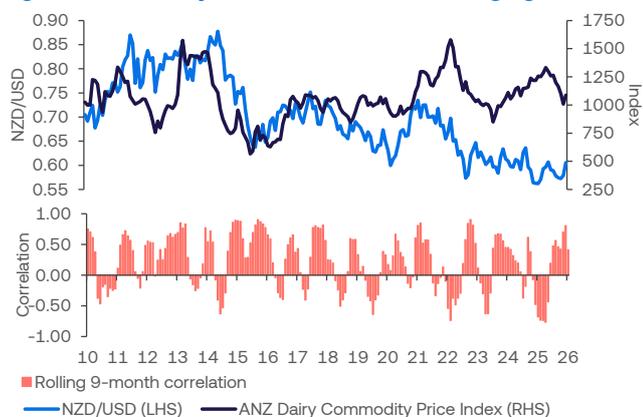
At this point the two key variables are dairy commodity prices and exchange rate assumptions. As mentioned above, we expect dairy commodity prices to drift lower as next spring approaches and strong global milk production weighs on the supply/demand balance.

As for the exchange rate, ANZ's baseline forecast for the NZD/USD is for it to rise steadily to 0.66 by the end of 2026/27 (see Figure 2 on page 2). Once Fonterra's hedging strategy is accounted for, this forecast translates to an effective rate of 0.62 for the 2026/27 milk season.

More often than not, the correlation between dairy prices and the NZD is positive, which moderates price swings in NZD terms. Over the past two seasons, however, New Zealand farmers have benefited from strong commodity prices alongside a weak NZD.

There are some early indications that the correlation is returning (Figure 6). If this continues over the next year, it could lessen the impact of lower USD-denominated dairy prices over the next year and support farmgate prices at a higher level – assuming symmetry in responses. See Table 1 for alternative scenarios.

**Figure 6. The dairy/NZD correlation re-emerging**



Source: Global Dairy Trade, ANZ Research

**Table 1. Exchange rate scenarios for 2026/27 season\***

| Scenario                           | Hedged NZD/USD | Milk price |
|------------------------------------|----------------|------------|
| Low scenario                       | 0.5500         | 10.15      |
| Unchanged from 2025/26 (estimated) | 0.5900         | 9.28       |
| Flat at current rates              | 0.6000         | 9.08       |
| ANZ spot forecast (base scenario)  | 0.6200         | 8.70       |
| High scenario                      | 0.6500         | 8.18       |

\*Commodity prices constant in each scenario with WMP at USD3,450



## Sheep, beef, and deer

### Grass market dominates

Farmgate prices are still near record levels across the sector with strong demand, tight global supplies, and abundant grass. The tariff situation remains complex but largely positive for New Zealand.

### Navigating the grass market

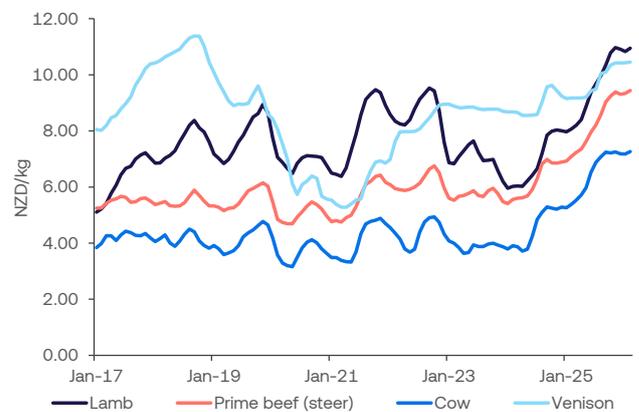
Sky-high red meat prices continue to strengthen in overseas markets, and grass is abundant in New Zealand. It would be hard to ask for a better set-up for the sheep and beef sector. However, the process of turning pasture into export sales is perhaps more complex in 2026 than ever before.

Ever-changing trade policies are constantly reshaping the red meat landscape. For beef, US tariffs were on, then off; China implemented import quotas for beef; and nobody can decide whether they want Brazil's beef. It is reassuring that the global red meat shortage isn't going away any time soon, so within all this uncertainty, underlying demand is very strong.

Meat processors are getting squeezed despite high in-market prices. Low livestock numbers and plenty of feed means they are having to pay more than they'd like to fulfil orders and keep the production lines operating. Plus, they are the ones having to navigate the unstable trade policies described above.

Sheep and beef farmers have decisions to make. When prices are this high, selling is a good way to say 'thank you' to the market. But with so much grass on hand, adding weight to existing stock is also the right decision. However, pasture utilisation is an issue and buying in store stock is expensive. Anyone buying weaners for top dollar this year will need prices to be high two years from now too. Even though demand is expected to outstrip supply for at least the next year, there is still risk. Prices can fall despite bullish fundamentals.

Figure 1. Beef, lamb, and venison farmgate prices



Source: AgriHQ, ANZ Research

Still, these are good problems to have for sheep and beef farmers. Balance sheets are improving, interest rates are low, and now farmers can catch up on fertiliser, repairs, and maintenance.

### No beef with tariffs

Beef prices continue to rise both at the farmgate and in-market. With strong demand overseas and great pasture conditions, prices should easily hold through the end of 2025/26 and likely longer.

In January, China implemented country-specific tariff rate quotas (TRQs) on beef, meaning imports up to that level would be tariffed at the normal rate (0% for NZ) and imports above that level would get hit with a prohibitive 55% tariff. These measures were put in place to limit a recent surge in imports, particularly from Brazil.

New Zealand came out of this process better than any other country. New Zealand's TRQ was set at 206,000 tonnes for 2026. While we've exceeded that level a few times in past years, China's import volumes have fallen well short of this level for the past two years (112,000 MT in 2025). Due to the very strong US market, more NZ beef has been heading there since 2023.

In contrast, Australia and Brazil are facing very restrictive TRQs relative to their recent export trends, which will force them to find alternative markets for their beef. The US would be the logical first choice, especially since the US removed beef tariffs in November 2025 in response to food affordability concerns. For Brazil, tariff rate quotas remain in effect, which might still limit their access to the US market.

The EU has also signed a free trade agreement with the Mercosur trade bloc (Argentina, Brazil, Paraguay, and Uruguay). It has yet to be ratified by EU member states and approved by the European Parliament, which could take some time. Several member states are concerned about the impacts of competition on local farmers. For beef, Mercosur's tariff-rate quota would rise to 99,000 MT over six years. That is roughly proportional to New Zealand's deal, which rises to 10,000 MT by 2031 at the same 7.5% tariff rate.

### Lamb prices hover near record

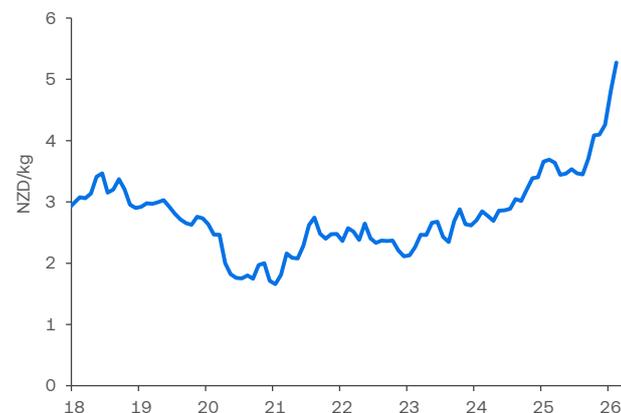
Farmgate lamb prices are still within a stone's throw of \$11/kg. Plentiful grass has kept stock on farm for longer than usual, adding to procurement pressure to processors. Looking ahead, there should still be seasonal price pressure later, perhaps after Easter.

Unlike beef, lamb and mutton exports have not been impacted by trade policy volatility in the past month. Lamb is still facing a 15% tariff to the US, and China's quota imposition was focused only on beef.

### Wool prices accelerate

Wool markets have continued to strengthen. Supply is tight, both in New Zealand and Australia, and demand has strengthened in recent months despite geopolitical uncertainty.

Figure 2. Strong wool prices



Source: Wool Impact ANZ Research

Strong wool is now auctioning at \$5.30/kg clean, 43% higher than last February and 85% higher than two years ago. This is easily the most optimistic wool market in over a decade, and interestingly, cotton prices are near 6-year lows. Tight supplies are the main factor driving prices up, but also demand has been far more resilient than expected given uncertainty around tariffs and consumer spending.

### Venison and velvet

Venison prices have hardly moved in the past five months, but remain at very high levels. Lamb farmgate prices are currently 50 cents/kg higher than venison, an unusual price spread. We had previously expected this to revert in 2026, but thus far lamb prices are remaining elevated for longer. Venison prices are far less seasonal than they were 5-10 years ago, so are less impacted by the grass market.

Velvet prices are lower than last year as the sector adjusts to changing demand patterns and grading criteria. Product is generally moving, outside of a current pause due to Chinese New Year celebrations. Velvet stags are being culled this year, incentivised by high venison prices. Industry sources think this could reduce velvet production by around 20% next summer, which will hopefully rebalance supply and demand.



# Grain

## Wet harvest in the South Island

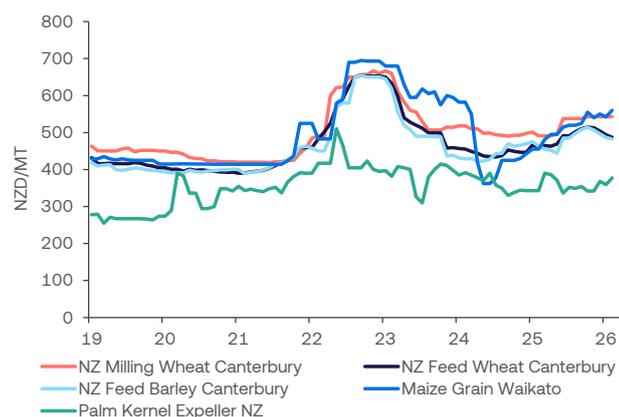
In contrast to the livestock sector, New Zealand grain growers are frustrated with poor weather and unsatisfactory prices.

### Wet harvest, low prices

Harvest is well underway in the South Island despite wet weather slowing things down. After an encouraging growing season, crops looked good in the field until January. Wet weather has contributed to quality downgrades and harvest delays. On top of that, a severe hailstorm in late January damaged a number of crops in South Canterbury not long before harvest. The wheat crops are insured under an industry-wide scheme, but other seeds and grains are not.

Prices are stable for wheat and barley, but if the wet harvest impacts yields significantly, prices may lift in the next few months. Whether that happens or not, arable farmers face very tight margins as prices have not kept up with rising costs in recent years. The outlook for maize is positive, with later harvest timing for the predominantly North Island crop. For maize, the rain has been helpful and there is time for fields to dry before harvest. Maize prices are doing much better at the moment than wheat and barley, but that could change when this autumn's maize crop hits the market.

Figure 1. New Zealand grain prices



Source: AgriHQ, ANZ Research

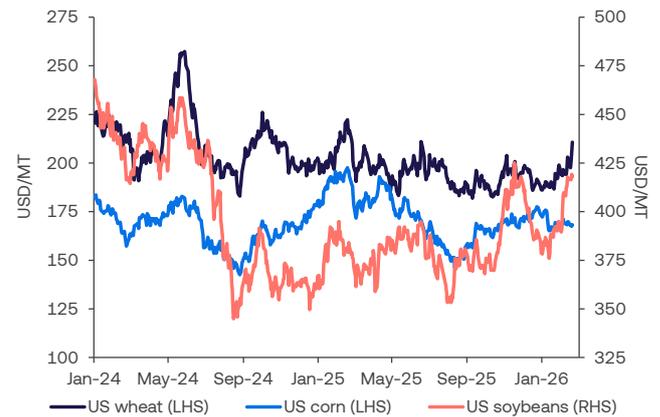
## Global prices starting to rise

Wheat and soybean prices are up in the US while corn prices are little changed. Cold weather in the US has potentially impacted yields, especially for wheat. As with dairy and other commodity classes, however, a word of caution is that commodities are moving together so far in 2026. The increases in grain prices might have nothing to do with the grains themselves, potentially bringing sustainability into question. Supply is still stronger than demand for most grains and oilseeds, which is why prices have muddled around for the past two years, and inventory levels are high but not overwhelming.

Still, if this momentum is sustained, it should have a positive spillover into domestic grain prices. The local market is semi-detached from global markets in some ways, but global prices do matter. They also matter for the beef and dairy industries as a key input cost into overseas feedlot-style systems. Cheap grain prices underpin strong profit margins for dairy and beef and incentivise expansion, but these rising prices could start to constrict margins.

Australia had a very good grain season, with harvest about wrapped up. Good growing conditions have resulted in production estimates 4% higher than last year – the third largest on record.

Figure 2. Global grain prices



Source: CME Group, ANZ Research



# Forestry

## Domestic demand awakens

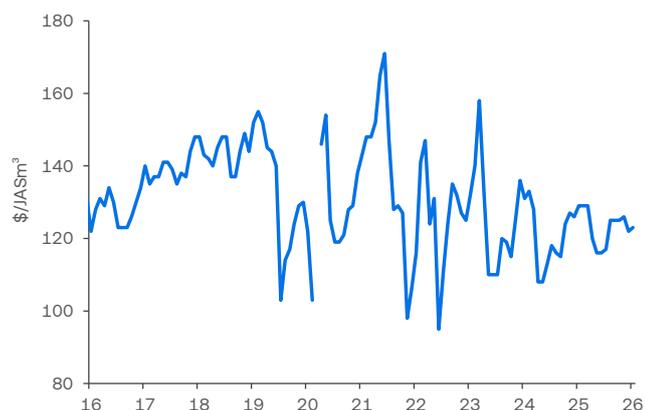
Domestic sawn timber demand is starting to pick up as the economy recovers. Log export activity has slowed for Chinese New Year, and demand is likely to remain sluggish when the holiday concludes.

## Log markets flat

Export-grade log prices are virtually unchanged at \$123/JASm<sup>3</sup> at the wharf gate. Prices have been very steady, trading within \$10 of current prices for most of the past 30 months. Exports are typically quiet this time of year due to Chinese New Year, and during this time inventories in China tend to pile up with a lack of construction activity. This year it will be interesting to see how the supply/demand balance evolves once the country gets back to business in early March.

The NZ-India FTA should create some promising opportunities for the forestry sector, and not just logs. Tariffs (currently 5.5-11.0% depending on the product) will be reduced to zero once the agreement is entered into force. Indirectly, India's FTA with the EU might also help New Zealand. Indian furniture manufacturers will have better access into the EU, potentially increasing demand for our logs.

Figure 1. NZ export log prices at wharfgate

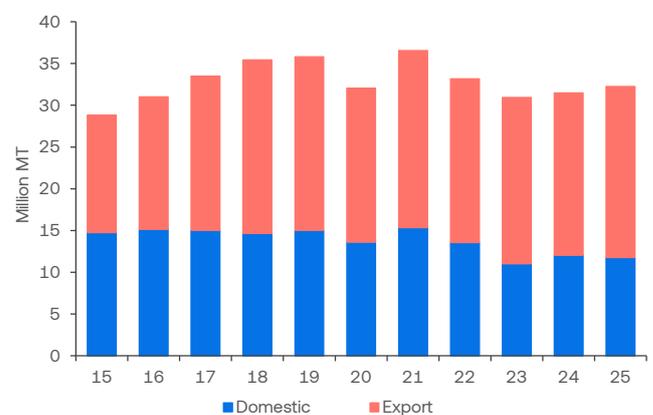


Source: PF Olsen, ANZ Research

New Zealand's log harvest was 32.5 million MT in 2025. This is 2.5% higher than last year despite difficult market conditions both domestically and overseas. Several large storms, especially in the top of the South Island in July, contributed to this increase in volume. Windthrown trees need to be harvested regardless of market conditions before they rot where they lie, and harvest volumes in Nelson/Marlborough were 20% higher in 2025. Despite this increase, harvest volumes are still well down on the peak harvests of 2018, 2019, and 2021 (Figure 2).

A recent report on afforestation and deforestation intentions showed only 17,200 hectares would be planted in 2026, and just 11,000-14,000 annually through the end of the decade. For comparison, 60,000-70,000 hectares were planted annually from 2022 to 2025. This is at least partially a result of the government's limitations on farm-to-forestry conversions, which took effect last October. Lower carbon prices and a weak log export outlook are also contributing to a dip in investment confidence. For the carbon market, this will eventually have an impact via reduced supply of NZUs, but this won't have a material impact for several years. Recently harvested production forests are unaffected by this trend; all will be replanted.

Figure 2. New Zealand log harvest

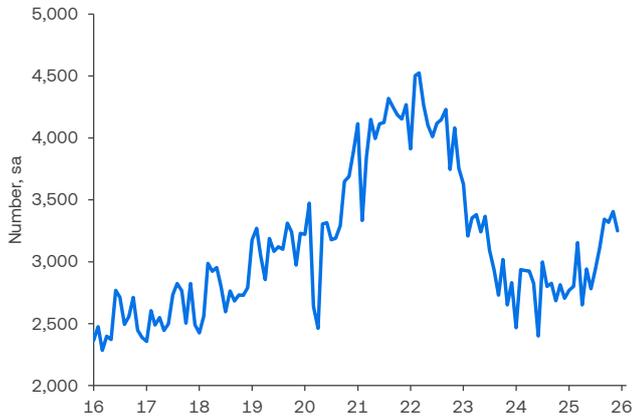


Source: Forest Growers Levy Trust, ANZ Research

### Domestic processing begins to lift

Residential consent numbers continue to rise, providing support for the wood-processing sector. Structural timber demand is rising, although prices have risen only slightly, if at all. There are some positive signs that construction activity will expand in 2026, but we are still relatively early in the recovery.

Figure 3. NZ residential construction consents issued

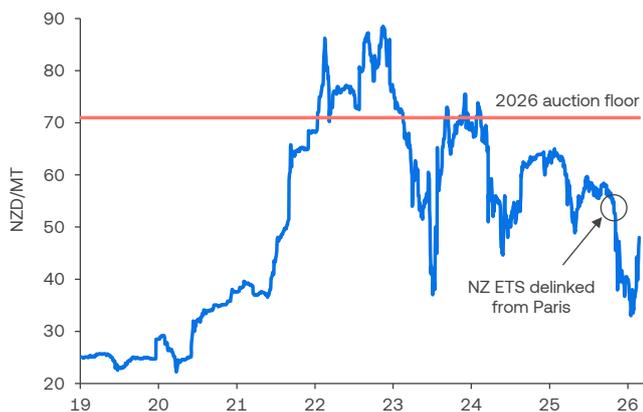


Source: Stats NZ, ANZ Research

### Carbon markets

The New Zealand carbon market dropped markedly following a significant government policy change in November 2025, but prices have undertaken a partial recovery so far in 2026. NZUs are currently trading around \$44 after having fallen into the \$30-35 range in early January.

Figure 4. Spot NZU prices



Source: Bloomberg, ANZ Research

Long-term supply and demand dynamics should in theory push prices higher eventually, though high inventory levels will take several years to deplete.

- First, the constraints on farm-to-forestry conversions since October 2025 will reduce the supply of NZUs in future years.
- Second, current auction floor settings are likely to further reduce the creation of new units for as long as market prices are well below the floor price. The first NZU auction of the year will be on 3 March, and it is all but certain to be a non-result. The floor price has risen to \$71/NZU for 2026. If all four auctions fail as expected in 2026, 5.2 million NZUs will be permanently removed from supply.

On a shorter time horizon, however, high inventory levels (136 million units as at 31 December 2025) continue to overhang the market and dampen buyer enthusiasm.



## Horticulture

### Positive harvest outlook

Harvests are just getting started for kiwifruit, apples, and wine grapes, and the outlook is positive. Market conditions are very positive for apples and kiwifruit, but wine's structural surplus continues.

### Kiwifruit harvest outlook improves

Zespri recently released the near-final prices for last season, and they will deliver record orchard gate returns per hectare for all varieties. Price estimates for most varieties increased as the season progressed, helped in part by a weaker NZD.

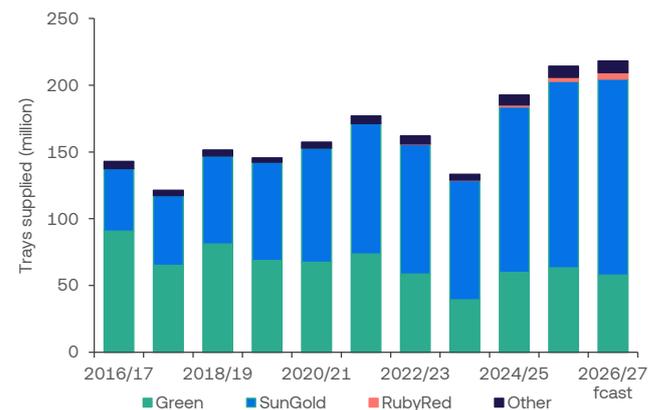
The latest production estimates from Zespri show an improved outlook for the 2026 crop, which is now slightly larger than last year's record output.

Pricing guidance for the 2026 campaign is not yet available, but Zespri's long-run price forecasts released last year indicate that last year's good pricing was not an outlier.

For kiwifruit, the NZ-India FTA will see tariffs reduced from 33% to zero for 15,000 MT (4.3 million trays) by year 6, and the out-of-quota tariff is a relatively manageable 16.5%. Considering that Zespri shipped 2.1 million trays last year despite the 33% tariff, there is good potential to further develop this market once the FTA is activated. Alongside the news in late 2025

that the US would roll back tariffs, the kiwifruit sector has notched a few good wins despite geopolitical uncertainty.

Figure 1. Kiwifruit production by variety



Source: Zespri, ANZ Research

### Apple harvest gets underway

The 2026 harvest is just getting underway. Following last season's good result, volumes in 2026 should be at least 2% higher. Quality is expected to be good as well, with higher export pack-out rates. The weather was good throughout the season, with good winter chill followed by a warm and sunny spring. Like the rest of the country,

Table 1. Zespri orchard gate returns (OGRs) as at February 2026

| Kiwifruit variety | OGR per tray |         | Million trays supplied |         |
|-------------------|--------------|---------|------------------------|---------|
|                   | 2024/25      | 2025/26 | 2024/25                | 2025/26 |
| Green             | 8.36         | 10.00   | 59.8                   | 63.3    |
| Organic Green     | 11.97        | 13.40   | 3.6                    | 3.6     |
| SunGold           | 11.81        | 11.70   | 124.0                  | 139.6   |
| Organic SunGold   | 15.20        | 15.84   | 3.6                    | 4.7     |
| RubyRed           | 17.00        | 15.86   | 1.5                    | 3.0     |

Source: Zespri

it's been wet in Hawke's Bay and Nelson over the past month, and it would be good to see dry weather as harvest gets into full swing.

In addition to good seasonal conditions, new plantings of IP-protected varieties are coming online, especially Envy and Dazzle. As Hawke's Bay continues to recover from 2023, this is expected to continue.

The EU will be a less attractive market for New Zealand exports this year. Production and stocks are up, and prices are down. This will put additional focus on Asia and North America, where the outlook is more positive.

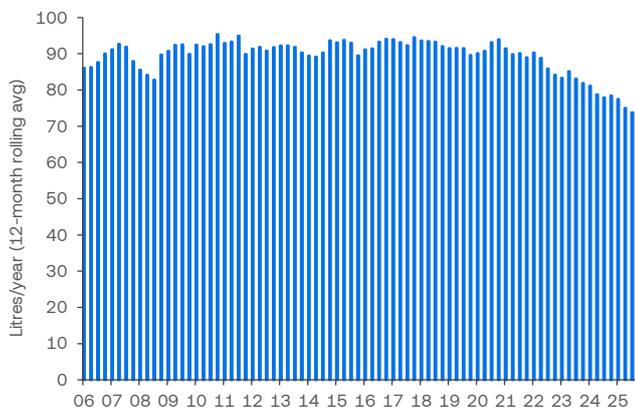
The apple industry is perhaps the biggest winner in the NZ-India FTA. India was already our fourth largest apple export destination, despite a 50% tariff. Under the deal, tariffs will be reduced to 25% immediately. There are a few guardrails, including a tariff rate quota of 32,500 MT rising to 45,000 MT over six years and a minimum export price. Given that India is already an established market for apples, further market development is likely with this improved access.

### Wine oversupplied

The New Zealand wine industry is in structural oversupply as the 2026 harvest gets underway. Vineyards need to dry out in order to have an orderly harvest. The past few months have been warm and rainy, which ordinarily would indicate a large vintage. However, this year there are strong incentives to cut production, including yield caps, cancelled contracts by some wineries, and low grape prices generally. In response, growers are mothballing some blocks or taking the opportunity to redevelop ageing vines, pruning and thinning aggressively to prioritise quality over quantity. Like last year, some grapes will be left unharvested.

Ideally, these measures to reduce production will be effective. The 2025 harvest was officially a massive 519,000 MT despite thousands of tonnes being left unharvested due to insufficient demand. Some of that wine from last harvest will be carried over to this year.

Figure 2. NZ wine consumption



Source: Stats NZ, ANZ Research

A smaller vintage in 2026 would help rebalance supply with demand. Even then, it will likely take a few more years until supply shrinks sufficiently. A comparable situation unfolded in 2009-2015 when it took some time for grape prices to recover from a large increase in production at the same time as the Great Financial Crisis dampened demand.

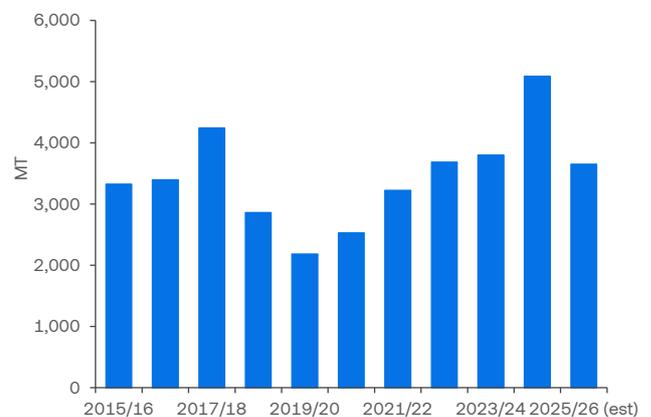
There is still room for exports to grow incrementally, but domestic demand has fallen by 18.1% in the last four years as consumer behaviour and tastes change.

The NZ-India FTA brings some potential to expand wine exports in the coming years. Tariffs will decrease from 150% to 25-50% over 10 years. While the final tariff will still be relatively high, it is a large reduction from current levels, so there will be opportunities to make incremental gains in India over the next decade.

### Cherry season starts slow but finishes strong

The cherry harvest and export season got off to a difficult start in December with wet weather hindering harvest activity and decreasing the percentage of export-quality fruit. However, Central Otago has benefited from dry weather since then, improving the situation. As a result, export volumes should approach 3,500-4,000 MT. This is down on last year's record 5,100 MT but on par with the two prior years (Figure 3). Starting on 17 February, Chinese New Year is later than usual, which has been helpful for the later maturing fruit and should support prices.

Figure 3. Cherry export volume



Source: Stats NZ, ANZ Research



## Rural property market

### Property sales gathering momentum

The rural property market is showing clear signs of recovery, but it is a measured one. Rising volumes point to improving confidence, and prices are up 6% across all farm types.

Rural property market activity has lifted sharply over the past year, supported by lower interest rates and a strong income backdrop across most primary sectors. Transaction volumes are up markedly across almost all farm types, but price outcomes (up 6% in the past 12 months) have been more subdued. Dairy property prices are notably down 3% over the past year in Table 1 below, despite some well-publicised outliers. Still, there is a good chance the REINZ data isn't revealing the full picture. There can be a bit of volatility in the numbers due to sample-size constraints. A few extra transactions in a particular region or of a particular type can shape this data and its interpretation.

Dairy properties are leading the recovery in sales activity, with transaction volume up 60%. Improved farmgate milk prices and easier financing conditions have restored

confidence, particularly in Canterbury where dairy conversions are again underway. However, median dairy land prices have actually fallen slightly. This might change after the tax-free capital return lands in Fonterra shareholders' bank accounts.

Sheep and beef properties are also turning over more frequently, and median prices are up 3% from last year's levels. Red meat prices have increased relatively suddenly over the past 18 months, so the property market might be taking some time to adjust. A sharp reduction in forestry conversions has reduced a key source of demand, particularly for larger hill-country blocks.

Horticultural land markets are more mixed. Kiwifruit orchards continue to attract strong interest, underpinned by two consecutive seasons of excellent orchard-gate returns and a positive medium-term outlook. In contrast, vineyard values in Marlborough remain under pressure as the wine sector works through structural oversupply and weaker profitability.

### 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          | 293            | 183                | 201          | ↑        | ↑           |
|                      | Median price (\$ per ha) | 36,808         | 37,783             | 35,775       | ↓        | ↑           |
| Livestock            | Number of sales          | 712            | 512                | 825          | ↑        | ↓           |
|                      | Median price (\$ per ha) | 20,975         | 20,450             | 20,027       | ↑        | ↑           |
| Horticulture         | Number of sales          | 118            | 86                 | 163          | ↑        | ↓           |
|                      | Median price (\$ per ha) | 248,300        | 231,444            | 273,873      | ↑        | ↓           |
| Arable               | Number of sales          | 55             | 49                 | 76           | ↑        | ↓           |
|                      | Median price (\$ per ha) | 36,829         | 39,780             | 40,371       | ↓        | ↓           |
| Forestry             | Number of sales          | 59             | 58                 | 57           | ↑        | ↑           |
|                      | Median price (\$ per ha) | 9,403          | 9,197              | 9,322        | ↑        | ↑           |
| All farms            | Number of sales          | 1,392          | 991                | 1,384        | ↑        | ↑           |
|                      | Median price (\$ per ha) | 27,783         | 26,192             | 26,638       | ↑        | ↑           |

Source: REINZ

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