



New Zealand Agri Focus

Force Majeure

April 2026



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Overview

The Middle East conflict is fundamentally a shock to oil, gas, petrochemical, and fertiliser supply. But like an earthquake, shockwaves move at different speeds away from the epicentre, and aftershocks can happen in clusters. Even if the ceasefire holds (it's looking tenuous at the time of writing), months of disruption and flow-on effects lie ahead. So should we stop, drop and hold, or just get on with things as best we can?

It makes for a difficult and uncertain environment for New Zealand's rural sector to navigate. We must be responsive to what the seismographs are telling us, while also assessing potential scenarios that could play out – those slow-moving shockwaves.

The main impact of the Middle East conflict has been a stark shift from a stable input cost environment to a volatile one. Fuel prices have rapidly increased and are likely to remain elevated for some time. Fuel surcharges for land, air, and sea transport are already in place. The Middle East's oil is also a major feedstock for fertiliser and petrochemical manufacturing. So far, local fertiliser prices have only risen slightly, but that is likely to change come spring.

New Zealand exports destined for the Persian Gulf have been rerouted at additional cost, and fuel surcharges are higher. Container shipping disruptions are minor so far, but this cannot be taken for granted.

Commodity markets have been mostly positive for New Zealand's agri exports, especially given the tailwind of the weaker NZD. Since our last edition, dairy prices have continued to rise, beef and lamb prices have held steady at elevated levels, and optimism abounds for this year's apple and kiwifruit crops.

Unfortunately, almost all the other rural sectors are struggling a little – or a lot. Forestry, viticulture, arable, and avocados have had a run of difficult years. Several vegetable processing plants have announced closures so far this year, followed by another sawmill and a fish-processing facility.

Some of these challenges stem from cost-of-living challenges in New Zealand. Domestic-oriented sectors haven't been able to command higher prices like the export sectors have. Input costs are another issue, especially for energy- and labour-intensive operations.

Prices at farm/orchard level relative to 10yr average ¹		
Dairy	Dairy prices are volatile, but the upside of this volatility is that we now see the 2025/26 farmgate price back up at \$9.85/kgMS. Global supply is very strong, however, which should pressure prices over the next year.	Milk price
Sheep	Farmgate lamb prices have fallen off the \$11/kg highs with production volume ramping up, but remain strong. High mutton and wool prices add to the positive sheep income situation.	19kg lamb
Beef	Prices are drifting lower as processing volumes ramp up, but in-market prices remain supportive. Global supply remains tight and demand strong.	Prime steer
Forestry	Export log prices rose slightly to \$125/JASm ³ . Higher cartage and transport costs impact forestry more than other sectors, and domestic construction activity is likely to drop because of the Middle East conflict.	A-grade log

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



The wider picture

Everything has changed

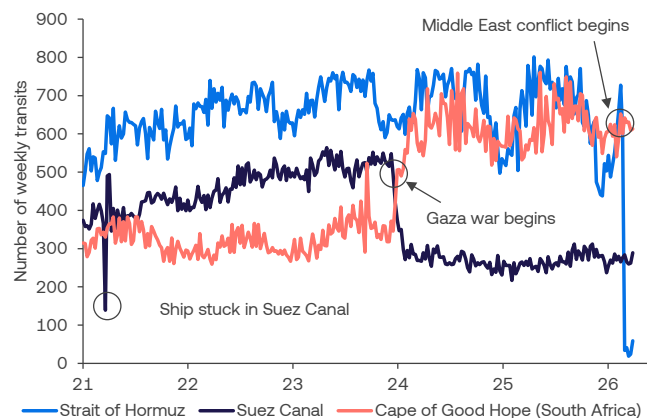
The conflict in the Middle East has fundamentally changed the outlook for 2026, with the ripple effects of supply chain disruption just beginning.

Middle East conflict

For New Zealand, the main and most obvious impact of the Middle East conflict is on fuel prices. But it isn't just energy infrastructure and transport that has been disrupted. Petrochemical and fertiliser operations have been too, which will take time to repair. The ceasefire in early April apparently did little to restore the movement of vessels through the Strait of Hormuz. Tankers are currently unable to enter or exit the Persian Gulf.

Even in the unlikely event that the Strait fully reopens next week, it will take months or years for supply chains and markets to fully return to normal. Supply chains are long and complex between the Middle East, refineries in Singapore, Malaysia, and South Korea, and refined fuel depots in New Zealand. Fuel rationing in New Zealand is possible; our central assumption is that this will not happen given Government efforts to assure supply, but fuel availability is likely to hang over the economy as a risk for some time.

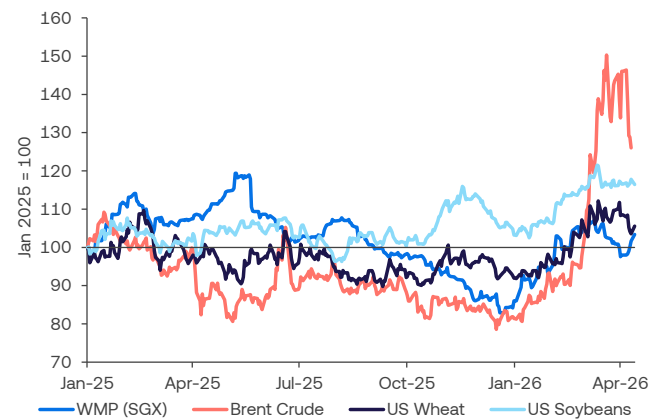
Figure 1. Shipping disruption in the Middle East



Source: IMF, ANZ Research

Crude oil futures prices have been very responsive to escalation/de-escalation sentiment driven by geopolitical headlines. Commodity prices are moving together this year more than they usually do. Oil, grains, oilseeds, and dairy have all moved up from the start of 2026. Commodity buyers are incentivised to secure supplies, and funds are flowing out of other asset classes into commodities. As we discuss further below, agriculture input costs are also heavily influenced by crude oil prices. Price movements for agriculture commodities aren't as extreme as oil, but to some extent they will respond to the ups and downs of the Middle East conflict.

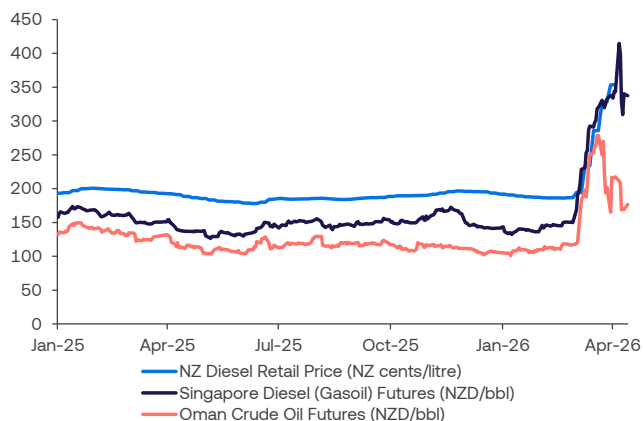
Figure 2. Dairy correlated with oil, grains, oilseeds



Source: SGX, CME Group, ICE, ANZ Research

Driven by higher crude oil prices, [diesel prices](#) have nearly doubled in Singapore (the regional benchmark) and New Zealand.

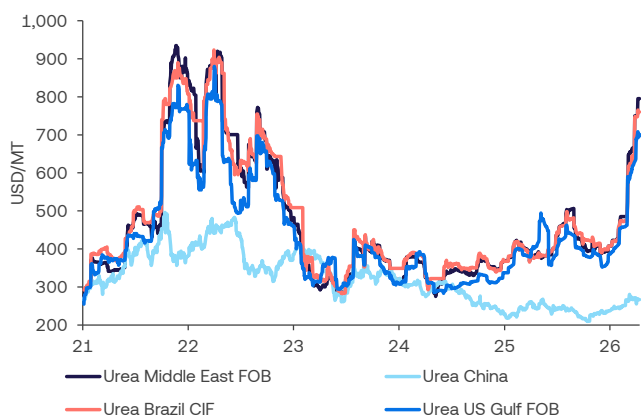
Figure 3. Global and local diesel prices have nearly doubled



Source: MBIE, SGX, CME Group, ANZ Research

The Middle East is also a major source of global fertiliser, especially urea, other nitrogen-based products, and sulphur. Even for these products manufactured outside the Middle East, the cost of oil and gas inputs has increased dramatically. Global urea prices have already roughly doubled (Figure 4). Most other fertiliser products will surely follow, as will glyphosate and a wide range of other petrochemicals. So far, local prices have only risen a small amount, and fertiliser companies are restricting purchases to the usual seasonal requirements. Further price hikes are certain.

Figure 4. Global urea prices have doubled



Source: CME Group, ZCE, NBS, ANZ Research

Turning to exports, cargoes destined for the Middle East have been rerouted, and fuel surcharges are common. Container shipping could eventually be impacted, but there is no hard evidence that this is currently an issue. Containers became very scarce in 2021 and 2022, especially refrigerated ones. Businesses haven't forgotten and are aware that these issues can re-emerge.

Impacts on farm

Confidence amongst New Zealand's rural sector has cooled. Some cashflow that would have been spent on farm improvements/expansions or off-farm investments will instead be set aside to buffer against higher working expenses and interest rates.

Fuel and fertiliser make up around 12% of overall farm expenditure. Higher fuel prices are a reality already; fertiliser is primarily a risk for next season. In addition, transport fuel surcharges and other price adjustments for a range of physical inputs are already coming through. This will impact farm profitability, though this will be offset to some degree by higher commodity prices and a weaker NZD.

Production is not likely to be significantly impacted unless fuel and fertiliser are rationed. That said, sheep and beef farmers tend to reduce fertiliser application when cash flow gets tight, which does have an indirect impact on productivity.

New Zealand economy

Unsurprisingly, business and consumer confidence fell abruptly in March as New Zealanders contemplated the impact of the Middle East conflict on their disposable incomes and businesses. In some areas (the Truckometer, the Performance of Manufacturing Index), activity increased in March, but some of this can likely be attributed to people stocking up in anticipation of further price hikes.

Figure 5. ANZ business and consumer confidence



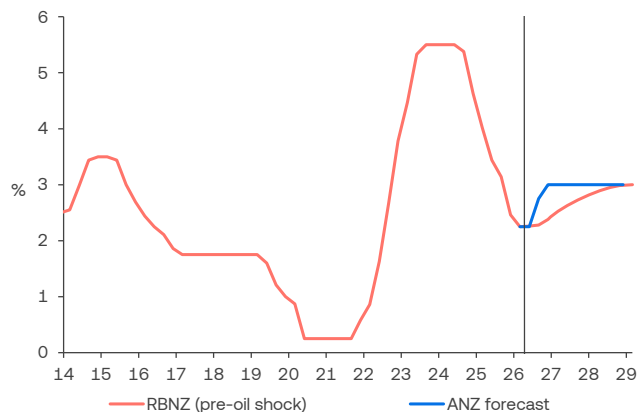
Source: Roy Morgan, ANZ Research

In Mid-March, we updated our [inflation forecast](#) and now have it peaking at 3.6% in Q3 2026. This is lower than the RBNZ's forecast, which peaks at 4.2% in Q2. As with many things in 2026, there is considerable uncertainty around these forecasts, but we see risks tilted to the upside of our forecast, with ANZ's commodity strategists having upgraded their oil price forecast since we made it.

The RBNZ left the Official Cash Rate (OCR) unchanged at 2.25% in early April. This was widely expected as the RBNZ signalled that they wanted to see more data before making a move. The initial inflation impacts of supply shocks such as this one can be looked past if they prove to be short-lived. However, the RBNZ firmly signalled that if medium-term inflation looks like it is going to stray out of the 1-3% target band, "decisive and timely increases in the OCR would be required."

We now see [three consecutive 25bp hikes](#) in July, September and October, taking the OCR to 3%. The upside risks to inflation are outweighing the downside risks to aggregate demand. However, there's a silver lining: our revised forecast track has a lower OCR peak – we no longer see the OCR having to rise as far as 3.5% as a stitch in time saves 50bp. There is more uncertainty than usual around this outlook, with a wide range of possible consequences of the Middle East conflict still in play.

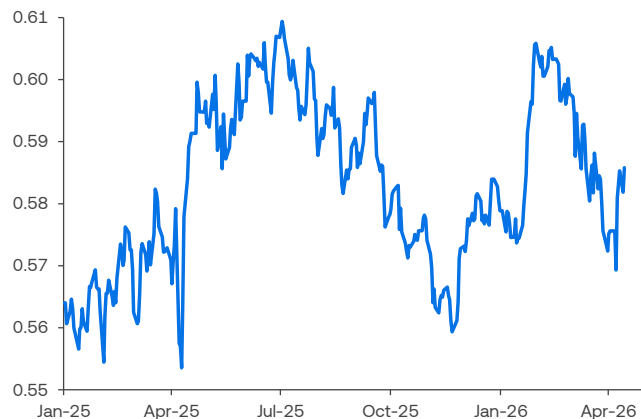
Figure 5. Official Cash Rate



Source: RBNZ, ANZ Research

The NZD has weakened as a result of the Middle East conflict. The conflict has brought a lift in market volatility, denting the appeal of traditional “risk currencies” like the NZD. The NZD has subsequently fluctuated in line with signals of conflict escalation and de-escalation (with the latter dominating on the day of writing, but we’ll see what tomorrow brings!). Domestic interest rates have moved higher, but that has done little to support the Kiwi as Australian and US interest rates have also been rising, and markets have been dancing to the beat of global headlines.

Figure 5. NZD/USD



Source: Bloomberg, ANZ Research

Cyclone season ends, El Niño looms

The weather has been good this autumn, up until Cyclone Vaianu’s visit in early April. Conditions have been sufficiently dry for horticulture harvesting, yet wet enough for great pasture growth. Only the arable sector would disagree, although the maize harvest looks positive in the North Island.

The cyclone’s path went through both the Bay of Plenty and Hawke’s Bay, two of New Zealand’s three main horticulture regions. The timing was not ideal, with only around 33% of the kiwifruit harvest completed. So far, however, we have not heard of any widespread crop damage in either region. Some dairy sheds lost power.

NIWA’s Seasonal Climate Outlook through June indicates average temperatures, a wetter than normal North Island, and a drier than normal South Island.

El Niño–Southern Oscillation (ENSO) indicators are currently neutral. Subsurface ocean temperature trends indicate a potentially significant El Niño event later this year, with an 80% chance of El Niño developing between June and August.

El Niño often – but not always – brings drought to much of New Zealand and Australia, and abnormally wet conditions to North America and southern South America. This could negatively impact dairy production and trigger destocking in Australia and New Zealand, pressuring beef and lamb prices in the process. But this would be quite some time away, and nothing is guaranteed with weather forecasts.



Dairy

Price volatility

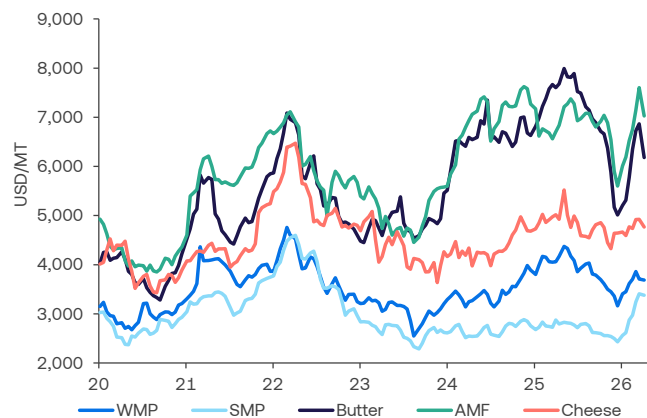
Dairy prices have been volatile in the past six months, and that is likely to continue. Milk production is very strong globally, which should eventually push prices lower.

Global prices volatile

The Global Dairy Trade (GDT) Index is up 22% since the start of the year despite falling 3.4% this week. It's possible importers have now rebuilt inventories sufficiently, meaning the bearish global supply-and-demand backdrop could come into sharper focus in the months ahead.

Skim milk powder (SMP) continues to be the star performer. The gap between WMP and SMP hasn't been this narrow since 2023. This makes Butter/SMP or AMF/SMP a more attractive production option at the tail end of the season.

Figure 1. Prices recover at recent GDT auctions



Source: Global Dairy Trade, ANZ Research

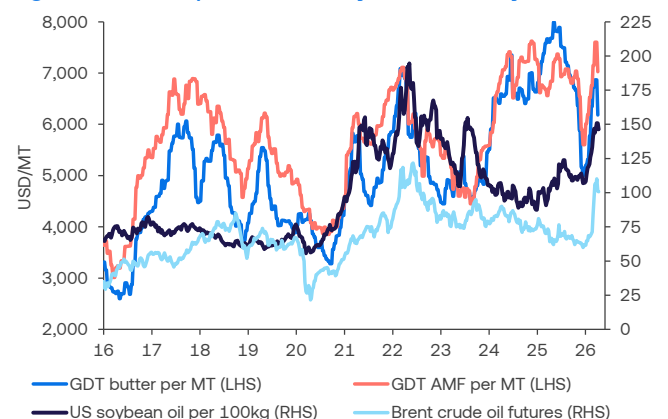
Dairy product prices surged to start the year, then accelerated in March as geopolitical tensions boiled over in the Middle East and buyer behaviour switched from patient to urgent amid heightened geopolitical risk. Even

though the supply and demand situation skews bearish, it seems buyers decided to get inventories up to more comfortable levels.

A secondary driver is the chain of commodity substitutes linking milk fats to crude oil. You'd be ill-advised to put diesel on your toast, but there is an indirect connection. Butter and anhydrous milkfat (AMF) are usually priced at a 4x to 8x multiple of soybean and palm oil, all of which have similar cooking uses. That is, milk fats are very indirect substitutes for vegetable oil, which is in turn linked to crude oil via biodiesel.

As shown in Figure 2 below, milkfats can go years without much regard for other oil prices, but in stressful times they do tend to move together. If crude oil prices remain elevated for the rest of 2026, it should support vegetable oils and milk fats despite a generally bearish view for dairy prices overall. AMF and butter were the star performers in 2024 and early 2025.

Figure 2. Milk fat prices indirectly influenced by oils

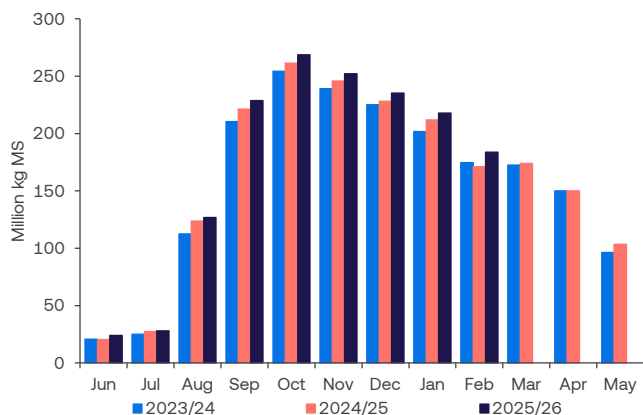


Source: Global Dairy Trade, CME Group, ICE, ANZ Research

NZ milk production accelerates

New Zealand's milksolid production grew an impressive 7.9% y/y in February. Grass growth has accelerated in the second half of the season, thanks to a wet January washing away any hint of dryness in the dairying regions. We expect production to post some fairly impressive numbers for the last three months of the season as well. It's pretty rare for all regions to be going at full speed, which must be appreciated. At the current rate, the full season's production will easily eclipse 2 billion kgMS for the first time, with our forecast revised up to +4.0% y/y.

Figure 3. Milksolid production

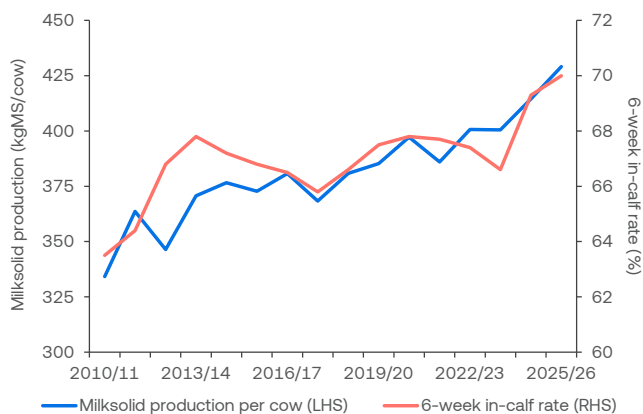


Source: DCANZ (Dairy Companies Association of New Zealand), NZX, ANZ Research

The production outlook for 2026/27 is mostly positive too. Cow numbers may be up slightly given a handful of dairy conversions underway in South Canterbury, and the resilience in farmgate milk prices will temper any temptation to cull surplus cows. Feed supplies are plentiful, both of locally grown crop and imported protein meal.

However, the weather – as always – will play a role in New Zealand's production, and we've had it good the past two seasons. Can we hope for a third? El Niño looms, which often (but not always) leads to drought in New Zealand.

Figure 4. 6-week in-calf rate a good leading indicator



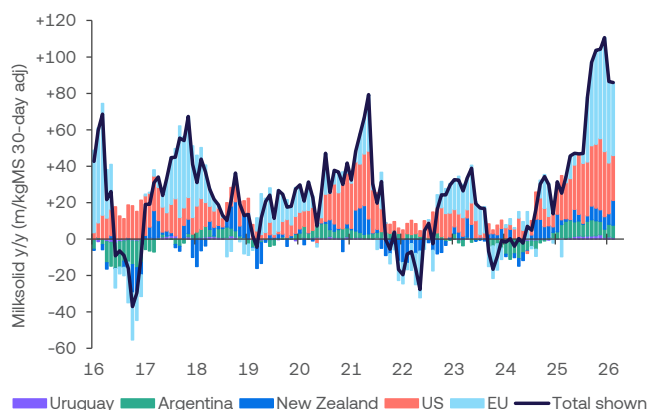
Source: Dairy NZ, LIC, DCANZ, ANZ Research

The 6-week in-calf rate is the main KPI for mating success. A higher number indicates more cows in calf, plus an early start for lactation and milk production. Early indications are that the rate is down in the North Island but up in the South Island. A sharply higher 6-week in-calf rate has played a large role in production growth over the past few years, especially the early spring results. While the national average should be close to last year's 70%, we might see the South Island outperform the North next year.

Global supply very robust

Global prices are higher, but it certainly isn't because of supply issues. Milk production is growing rapidly in all key producing/exporting countries: Europe, South America, the US, and New Zealand. This momentum has continued into 2026 with high growth rates persisting.

Figure 5. Milk production growth in key countries



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

It will take time for margins to be squeezed to the point that dairy farmers cut production, but a few metrics are starting to fall into place. Milk prices in the EU haven't rebounded like they have in New Zealand and the US. The EU may also have had a unique production bump in late 2025 with more autumn calving than usual. Higher global fertiliser and feed costs will be felt on the cost side of the ledger. It's not currently clear whether pasture-based systems will have an advantage over feedlot systems over the next year (given both fertiliser and grain prices are rising), but both will see costs rise.

If El Niño develops later this year, it could impact Southern Hemisphere production. El Niño tends to bring dryness to New Zealand and Australia, but very wet conditions to Argentina, Uruguay, and southern Brazil.

Farmgate milk price rebounds

In early April we updated our [milk price forecast](#) for 2025/26 to \$9.85/kgMS, up from \$9.50.

The surge in dairy product prices from January to March reversed the negative price movements seen at the end of 2025. Even though prices are currently drifting lower, the ink is all but dry on the current season. At most, the final price for 2025/26 can only move 10 cents in either direction.

Figure 6. Farmgate milk price forecast

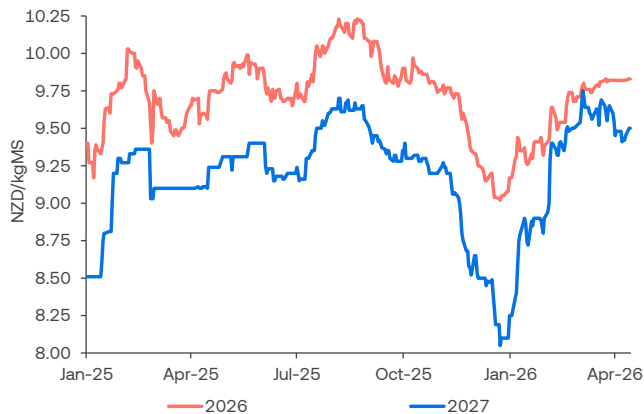


Source: Fonterra, ANZ Research

Next season’s farmgate milk price forecast is unchanged at \$8.70/kgMS. We are deferring making any changes for the next month or two to give these volatile markets a chance to show their hand.

There are both upside and downside risks to \$8.70/kgMS, even though the NZX futures market is currently well above our forecast, at \$9.45 (Figure 7). The NZD has been weaker over the past six weeks, giving exporters a chance to lock in a good exchange rate for a portion of next season’s production. If the exchange rate stays near current levels, 75 cents could be added to our forecast, all else equal.

Figure 7. NZX milk price futures



Source: SGX, ANZ Research

On the other hand, the global supply situation is bearish; as described above, it may take several months for gross margins to fall to the point global dairy farmers cut production. In addition, dairy demand, which has been consistently robust over the past two years, cannot be taken for granted next season. The economic outlook is looking challenged for a lot of dairy-importing markets, which could affect consumer spending, particularly in markets for which dairy products sit further towards the discretionary end of consumer choices.

Longer term, the outlook is positive. Both dairy fats and proteins are on-trend with recent shifts in consumer preferences toward natural products, “healthy fats,” and protein-dense foods.



Sheep, beef, and deer

Processing volumes ramp up

Farmgate prices are near record highs, backed by strong demand and tight global supply. Heavier animals are now headed toward the meat works.

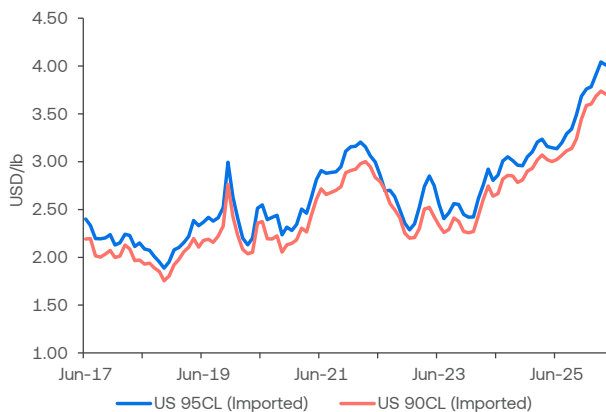
Beef prices hold

Good pasture growth encouraged farmers to hold stock for longer in early 2026, but this is starting to wear off as winter approaches. For that reason, there is a bit of seasonal pressure on New Zealand farmgate prices. Processors are recovering some margins now that farmgate prices are falling slightly.

US prices for imported bull and cow beef have fallen slightly but remain within a whisker of all-time highs. A seasonal increase in volumes from New Zealand and Australia may be pushing these prices slightly lower. There is no indication that demand has weakened in the US; nor has their supply recovered.

Beef processing volumes are down 11% season to date (October to February), even though total production is expected to rise 1% by the end of the season. This speaks to just how backloaded this season is expected to be, as a consequence of the plentiful feed this summer.

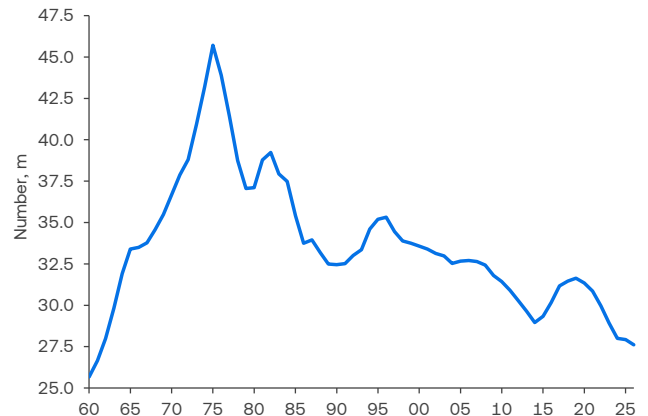
Figure 1. US imported beef prices down slightly from record levels



Source: AgriHQ, ANZ Research

Global beef supplies are tight, especially in the US. There is still little indication that the US herd is recovering, which would be a global signal that beef's bull run is complete. The latest US Department of Agriculture forecast is for US beef production to fall another 1% in 2026. Meanwhile the US beef cow herd is estimated at 27 million, the lowest since 1961.

Figure 2. US beef cow numbers at lowest levels since 1961

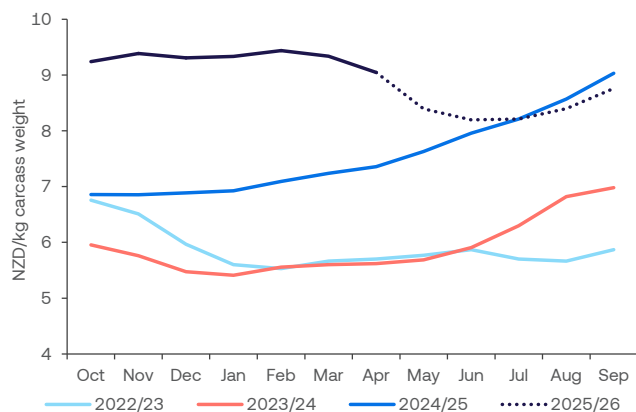


Source: USDA, ANZ Research

New Zealand beef continues to fare well in the environment of more global trade restrictions. Beef has had no additional tariffs into the US since November 2025. China's new import quota system benefits New Zealand at the expense of Australia and Brazil. Both of those countries will run out of quota by mid-year, so New Zealand will be able to gain market share later in 2026.

With all that in mind, our forecast for steer and heifer prices is \$9.00 for the full 2025/26 season. Further seasonal weakness is expected over the next few months, especially if cow processing numbers really pick up.

Figure 3. Steer and heifer prices forecast to drop seasonally



Source: AgriHQ, ANZ Research

Lamb remains lofty

Supply is tight, both in New Zealand and Australia. At the same time, demand is robust, underwritten by strong beef prices and tight supplies in Europe and China. So far, the conflict has not disrupted lamb and mutton markets, despite the Middle East being a large importer of (mostly Australian) product.

In New Zealand, lamb production is down 4.4% so far this season (October to February), although we expect production volumes to catch up later in the season. The grass market has helped farmers keep stock for longer, taking them to higher slaughter weights. Beef+Lamb NZ forecasts lamb production to rise 2% y/y despite the slow start.

Volumes are already picking up, which is starting to push farmgate prices down. This helps processors recover margins after struggling with low volumes earlier in the season. So far at least, this is typical seasonal price pressure; nothing out of the ordinary. Lamb prices are now forecast to average \$10.30/kg over the full 2025/26 season, \$1.50 higher than the previous record in 2021/22.

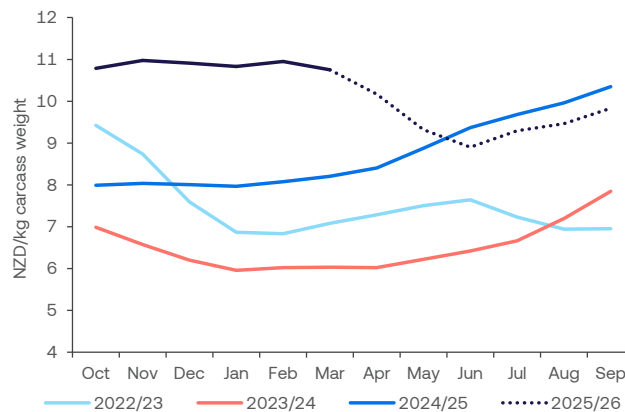
The outlook for lamb and mutton prices is supportive due to tight supplies, although it will be difficult for prices to rise further without hitting consumer resistance. Sheep numbers are decreasing in both New Zealand and Australia, which will constrict lamb and mutton supply over the next two years unless there is a significant drought.

New figures from Meat & Livestock Australia show that the Australian flock is expected to contract further in 2026-28. Lamb production is down because breeding ewe numbers are down, not because flocks are rebuilding. Despite high lamb and merino wool prices currently, a shortage of feed is the main constraint on expansion. The story for New Zealand is similar. There's little appetite for flock expansion despite high lamb, mutton, and wool prices.

Most signs point towards tight supplies and price support for lamb and mutton prices over the next year or two, but the positive forecast is not without risk. A potentially severe El Niño might emerge later this year.

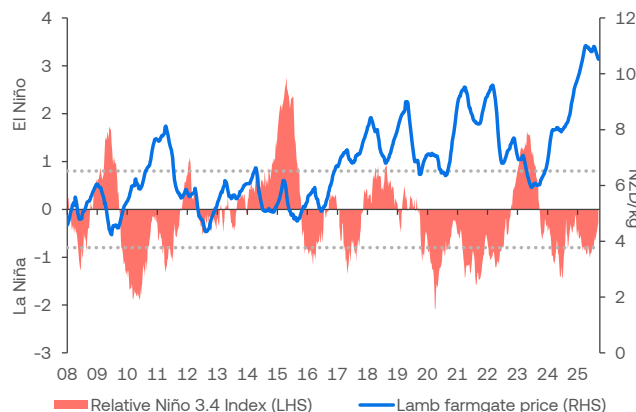
Recent El Niño seasons include 2009/10, 2015/16, and 2023/24. Each of those seasons saw multi-year lows for lamb and mutton prices. There's the usual caveat around weather forecasts to consider, but lamb prices are more vulnerable to a price drop than beef.

Figure 4. Lamb prices dropping seasonally, but forecast to remain high



Source: AgriHQ, ANZ Research

Figure 5. Lamb prices drop during El Niño



Source: AgriHQ, ANZ Research

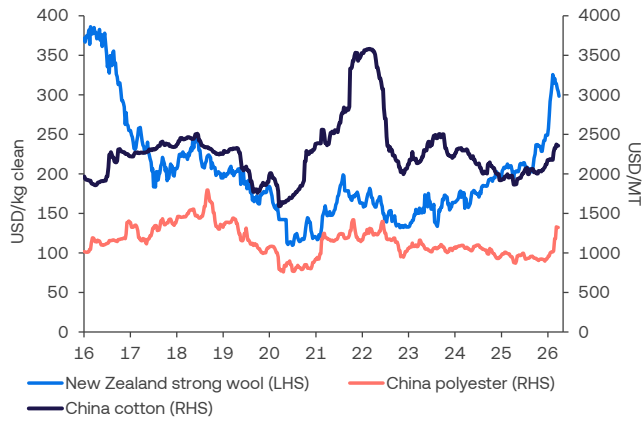
Wool in demand

Strong wool prices have held steady at decade highs over the past two months, so there has been no abrupt market response to the Middle East conflict. Over the medium term, a weaker global economy should be negative for wool demand. On the other side of the ledger, supply remains tight out of Australia and New Zealand.

The other factor to consider is the price of wool substitutes. Polyester, nylon, and other synthetic fibres are made from crude oil, and their prices are rising as rapidly as diesel or urea.

There's a decent correlation between polyester and wool prices (Figure 6). Cotton prices have been rising over the past year as well, but not nearly to the same extent as wool. This improved competitiveness should provide support to wool's current price levels, assuming consumer demand holds up.

Figure 6. Strong wool, cotton, polyester prices



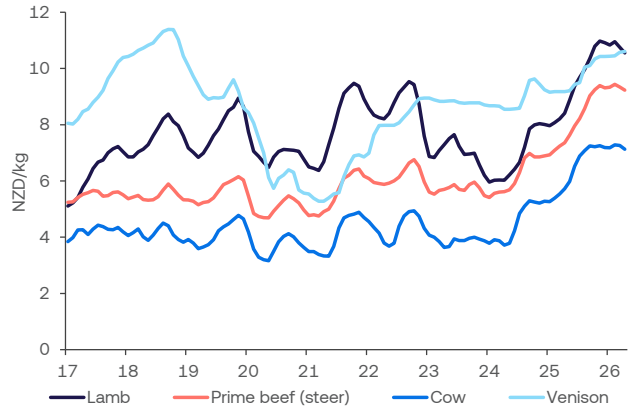
Source: Wool Impact, NBS, ANZ Research

Venison and velvet

Venison markets show no signs of change in the wake of the Middle East conflict. Prices have strengthened slightly thanks to NZD weakness.

Venison farmgate prices have overtaken lamb after trading at a discount for most of the past year. This is partially a result of the different seasonal price patterns in play for these two red meats, but it also signals a return to more normal price relativities. We expect venison to continue gaining ground.

Figure 7. Beef, lamb, and venison farmgate prices



Source: AgriHQ, ANZ Research



Grain

Difficult harvest, higher input costs

The South Island harvest is complete but has not been without its complications from poor weather and higher fuel prices. Global grain prices are rising in response to the Middle East conflict.

Local market frustrated

There's never a good time to face prices doubling on key inputs, but for New Zealand arable farmers it's come at a particularly difficult time. Several successive seasons of poor returns had already hit confidence, and now input costs are rising again. For some, this latest setback will be enough to force a rethink for next season. Cultivation and planting should be underway and now higher costs must be included in the budget.

South Island crop harvests were delayed and downgraded due to poor weather at the end of the season. Harvest delays meant that for some, higher diesel prices hit before the crop was in the silos.

The North Island maize harvest peaks in March and April, so the higher diesel cost at harvest was unavoidable. Weather-wise, the North Island fared much better with plenty of rain during the season and a dry harvest. Most, but not all, would have been harvested before Cyclone Vaianu came through.

Local prices are currently stable. Imported PKE prices are up in April, providing some price support for local grains. Other than that, neither higher overseas prices nor lower yields in New Zealand have yet had any impact. There's no clear read on new crop maize pricing yet, but it is likely to be lower due to plentiful supplies. Dairy demand might take some time to develop, given good feed availability.

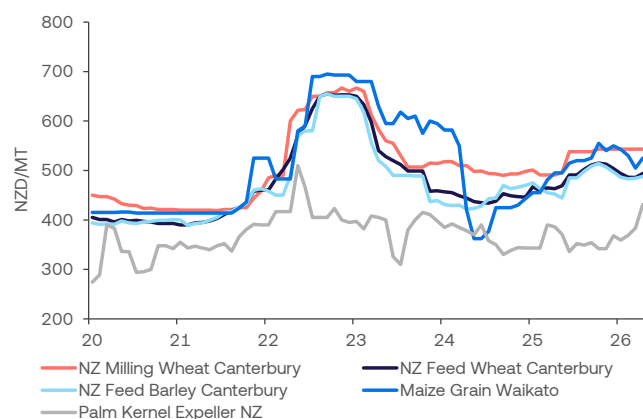
Global prices respond to conflict

Global grain and oilseed prices have risen in response to the Middle East conflict. Corn and soybean prices are indirectly connected to crude oil via their uses in biofuel production. However, like dairy, prices have trended down in the past week or two.

Conflict de-escalation has been one factor, but the global supply and demand balance has been another. US wheat-producing areas have been dry this season, and some of the upward price pressure has been due to concerns about a small crop this year. However, the latest global USDA report showed little concern about the US production outlook, and global inventory numbers were revised upward. Crop conditions in South America, the Black Sea, and India are all positive.

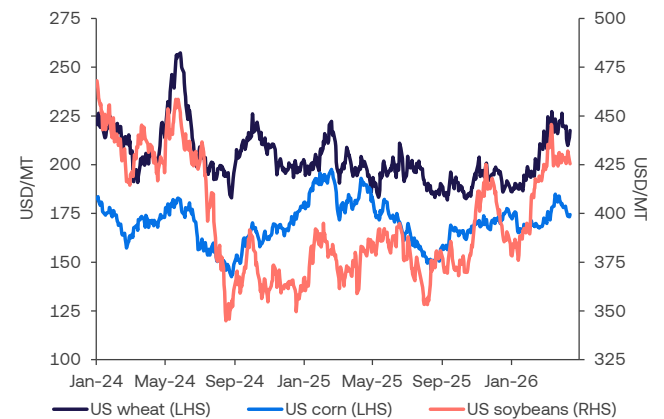
Similar to NZ growers, farmers overseas have had a few difficult years recently and now face higher diesel and fertiliser costs. This is squeezing margins further.

Figure 1. New Zealand grain prices



Source: AgriHQ, ANZ Research

Figure 2. Global grain prices



Source: CME Group, ANZ Research



Forestry

Fuel costs derail optimism

Log harvesting and transportation are fuel-intensive activities, and diesel costs have nearly doubled. The New Zealand construction industry's recovery is also now in doubt.

Exports face higher costs

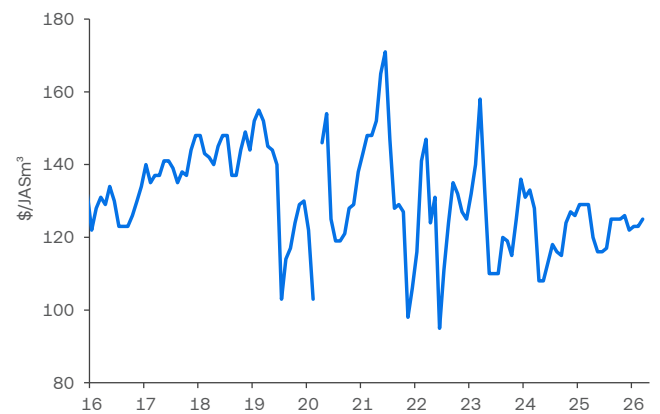
The cost of shipping logs to China has increased from USD 27.8/m³ to 36.3/m³ in the past month according to Agri HQ, an increase of 30.5% m/m. These rates are hardly unprecedented, but it's still an abrupt change. Further increases are likely. The unfortunate reality for logs is that they are heavy. An increase of \$8.50 per m³ (or per MT) is over 7% of a log's value but only 0.2% of whole milk powder's value, and only some of those costs can be passed on to customers.

In addition to shipping costs, harvesting and internal transport costs have risen, alongside the cost of diesel. Anecdotal reports suggest a decline in forestry activity is expected as long as fuel prices remain elevated. This will impact smaller woodlot operators particularly, as they can't spread higher costs across a broad base. The only exception is harvesting of windthrown logs, of which there are plenty. Windthrown trees must be harvested promptly before their value further degrades, so this activity is likely to continue.

New Zealand's log harvest was 32.5 million MT in 2025. Production was down 3.5% y/y in January and February. If high fuel prices persist, harvest activity is likely to decline further.

Export-grade log prices are up slightly to \$125/JASm³ at the wharf gate. There was some hope that business would pick up following Chinese New Year. The price of logs landed in China has increased USD4, partially offsetting the higher shipping costs, but prices will have to rise further to keep logs flowing from New Zealand to China. This will test the resilience of Chinese demand, which has not been robust in recent years.

Figure 1. NZ export log prices at wharfgate



Source: PF Olsen, ANZ Research

Domestic recovery in question

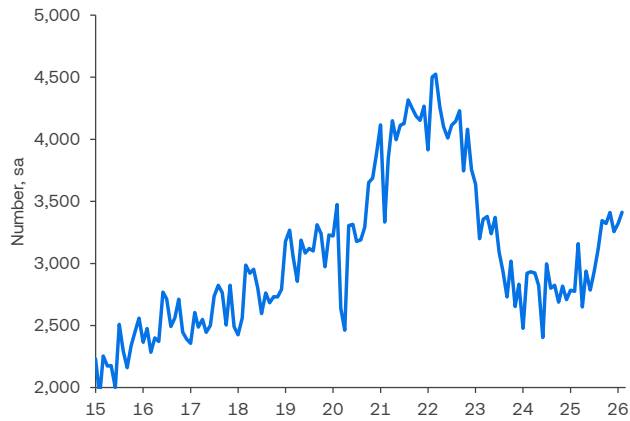
New Zealand construction activity was just picking up when the Middle East conflict flared up. Residential consent issuance held its ground in March, but this may not tell the whole story. Consents granted don't guarantee a construction project will be started – or completed.

If the conflict drags on, the [construction industry](#) is likely to be one of the most impacted sectors in the wake of higher fuel and petrochemical prices. Transport is a significant cost component for bulky construction materials. Many building materials are petrochemical derivatives such as paint and plastic or are energy-intensive to manufacture and distribute. Anecdotes abound of widespread price increases occurring already.

In addition, [consumer confidence](#) has reversed since the conflict broke out. This is likely to dampen enthusiasm for major purchases such as renovations or new builds, and higher interest rates will discourage borrowing.

Two more timber mills are likely to close soon, both in Kaitiāia. This follows several closures announced last year around the country.

Figure 3. NZ residential construction consents issued



Source: Stats NZ, ANZ Research

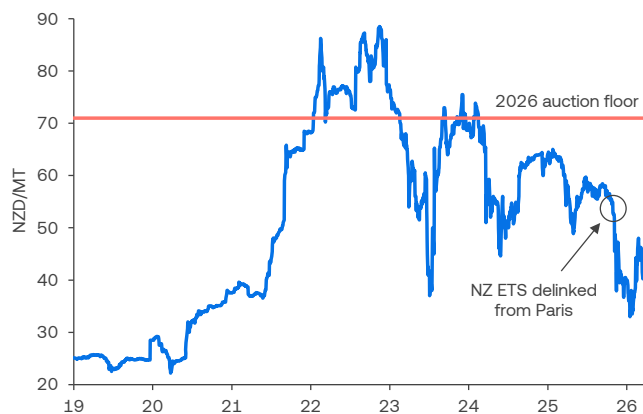
Carbon markets stabilise

New Zealand Units have been stuck in the \$40-45 range for the past few months and are currently at \$45/NZU. This is well below the \$71/NZU government auction floor price. The first auction of 2026 in early March predictably failed to clear. Bullish and bearish cases have been put forward, but for the moment the bearish case is being borne out.

On one hand, the New Zealand carbon market is taking little notice of the Middle East conflict. However, if the conflict significantly restricts New Zealand economic activity, especially in emissions-intensive sectors, demand for NZUs may decrease.

On the other hand, fewer NZUs have been generated than expected so far this year, suggesting the recent decrease in new plantings is starting to impact the carbon market. Having said that, a healthy 145 million units are currently held in inventory, enough to cover nearly four years' demand.

Figure 4. Spot NZU prices



Source: Bloomberg, ANZ Research



Horticulture

Optimistic harvest

Harvest is mostly complete for wine grapes and apples and is well underway for kiwifruit. Growers in Hawke’s Bay and the Bay of Plenty mostly dodged Cyclone Vaianu. The new season’s outlook is very positive for kiwifruit and apples, but the wine sector’s oversupply continues.

Kiwifruit harvest optimism

Heading into April, estimates pointed to another excellent kiwifruit harvest. The growing season was good overall, barring a few wind or hail events. Gold volumes are forecast to increase by 7% and red by 68%. This offsets green’s drop of 10%, which has been driven by the ongoing switch toward gold and red. Overall, production is forecast to be up around 2 million trays to 220 million trays.

On approach, Cyclone Vaianu’s strong winds were a concern for the almost-ripe fruit on the vine. Heading into last weekend (10 April), 33% of the season’s estimate crop had been harvested, with red completed, gold nearly half-harvested, and green just getting started. Luckily, no widespread damage has been reported, but there may be a few orchards impacted.

Zespri’s initial price forecasts have a business-as-usual feel to them, with most varieties within a stone’s throw of last year’s numbers. It is still early in the season, but

early indications are positive. Sales to the US should improve from last year now that import tariffs have been reduced from 15% to zero.

Zespri will auction new licenses in late April and early May. First, 100 hectares of Red80 license will be auctioned for the first time, with preference initially given to existing Red19 growers. After that, another 400 hectares of Gold3 will be released.

Even though the Red80 license release hasn’t even occurred yet, Zespri is already floating a new green variety for potential commercialisation in the next few years. The new cultivar is being developed with yields, consistency, quality, and climate resilience being the top priorities. This strategy is consistent with the success of IP-protected kiwifruit and apple varieties in recent years.

Larger apple harvest welcomed

The apple harvest is mostly complete in Hawke’s Bay and well underway in the Nelson/Tasman region. There was some concern that the wet January would continue through to the start of harvest, but the weather has been fine, making for good progress and good quality. Cyclone Vaianu went through Hawke’s Bay in early April but seemed to cause little damage. It helped that the bulk of the harvest had already been completed and the winds were not as strong as expected.

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

Kiwifruit variety	OGR per tray		Million trays supplied	
	2025/26	2026/27	2025/26	2026/27
Green	10.00	10.00	63.3	57.1
Organic Green	13.40	13.50	3.6	3.3
SunGold	11.70	11.75	139.6	148.8
Organic SunGold	15.84	15.50	4.7	5.5
RubyRed	15.86	15.50	3.0	5.1

Source: Zespri

Production is expected to be 2-5% higher than last year. Good weather is a big factor, but so too is the continuing maturation of newer varieties with higher yields. Quality is expected to be good alongside higher pack-out rates. As newer varieties continue to mature over the next few years, output is expected to keep increasing.

The weaker NZD in March and April has been helpful timing for apple exporters, providing something of an offset to higher fuel costs and uncertainty about container availability as the export season progresses. Overall, higher prices are expected this season.

Wine supply restraint needed

Harvest is well underway in New Zealand, about a week earlier than average in most areas. The weather has been good overall, with good growing conditions in spring, nearly too much rain in January, and crisp dry weather heading into harvest. The rains in January led to disease pressure, with unsprayed mothballed vineyards providing a reservoir for powdery mildew.

The 2026 vintage volume is more uncertain than usual, not because of the weather, but because of the various methods employed to resolve the sector's structural surplus. Demand for New Zealand wine has plateaued over the past few seasons while production has continued to grow. Last season's vintage was too large, and some was carried over into the current season. It will likely take several more years for supply and demand to rebalance.

Wineries have tightened yield caps further in 2026 to limit supply, and uncontracted volumes again have little chance of being sold this year. This has motivated growers to restrict production by increasing pruning/thinning, and mothballing and redeveloping vineyards. At the same time, producing area is increasing by 900 hectares in 2026, according to NZ Winegrowers data released in February. Most of this expansion is for Marlborough Sauvignon Blanc, the result of expansion decisions made a few years ago when the outlook was much more positive. The net result of all these changes is difficult to determine. At least the need for reducing supply is widely appreciated by the sector, even if the process is unpleasant.

Amid the local oversupply, the global situation is much the same, driven by falling demand. Wineries are competing for a share of a shrinking market as consumer tastes change, which is pushing prices lower and limiting the volume New Zealand can deliver to global markets.



Rural property market

Property sales volumes high, prices stable

Rural property transactions are up 38% y/y, back up to the 10-year average. The market is showing clear signs of recovery, but it is a measured one. Prices are up for sheep and beef, but down for the other rural sectors.

Through February, rural property transactions largely followed the same trends as recent months. Sales volumes are up 38% y/y. However, median sales prices per hectare are holding at year-ago levels outside of horticulture. This trend implies that, although this is a good time to buy a property, it's also a good time to sell one. Interest rates are low, and for most rural sectors, cash flow is up (particularly for dairy, given the Lactalis payout).

It remains to be seen whether the Middle East conflict eventually impacts the rural property market. The most immediate risk is through higher interest rates, particularly if the RBNZ is compelled to fight inflation with a higher OCR. Higher fertiliser, diesel, and other costs are also considerations, offset to some extent by higher agri commodity prices and a weaker NZD.

Dairy farm sales are up 46% y/y, but median sales prices are down 4% per hectare. This is a little surprising, especially with how well the dairy industry has performed over the past two years. This suggests that many farmers view current conditions as an opportunity to sell out, particularly if they are nearing retirement age.

Sheep and beef farm sales are also increasingly common, with transaction volumes up 39% y/y. Thanks to very high red meat (and wool) prices, the sector is enjoying a material improvement in gross margins. Median sales prices are up 3% y/y despite less competition from the forestry sector. Lower carbon credit prices and stagnant log prices have impacted forestry-related transactions, alongside new rules limiting full-farm conversions.

Horticultural transactions show a 28% increase in median sales prices, but this is likely due to a shift in transactions from Marlborough to Bay of Plenty or Hawke's Bay. There is a big divergence in sector performance across the big three horticulture sectors, and this is understandably flowing through to property values. Regardless, sales volumes are up 47% y/y.

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	292	200	201	↑	↑
	Median price (\$ per ha)	36,725	38,167	35,804	↓	↑
Livestock	Number of sales	707	510	821	↑	↓
	Median price (\$ per ha)	21,083	20,408	20,025	↑	↑
Horticulture	Number of sales	126	86	162	↑	↓
	Median price (\$ per ha)	278,118	217,778	274,549	↑	↑
Arable	Number of sales	59	51	76	↑	↓
	Median price (\$ per ha)	35,938	39,860	40,267	↓	↓
Forestry	Number of sales	59	59	57	↔	↑
	Median price (\$ per ha)	7,757	10,905	9,323	↓	↓
All farms	Number of sales	1,401	1,015	1,380	↑	↑
	Median price (\$ per ha)	28,217	26,425	26,638	↑	↑

Source: REINZ

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