



New Zealand Agri Focus

The bright side

June 2026



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Overview

Despite everything happening overseas, New Zealand’s agriculture sector is doing incredibly well. Farmgate prices are at or very near record levels for beef, lamb, mutton, and wool. Milk, venison, kiwifruit, and apples aren’t too far behind. It’s all systems go for these sectors.

Dairy prices have been strong for two seasons running, alongside great pasture conditions. The tail end of last season and the start of the new season look positive as well, despite robust milk production globally.




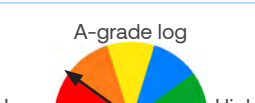
Wine, forestry, and grains are conspicuously missing from the above upbeat paragraphs. Those sectors are still struggling to varying degrees with oversupply, low prices, and higher production costs.

Other record or near-record prices unfortunately also include those for fertiliser and diesel, although global prices seem to have peaked. As things stand, the worst of the oil shock seems to be behind us, even though the Strait of Hormuz remains effectively closed. But even if a resolution was to be found soon there will still be slow-rolling shockwaves washing up on rural New Zealand’s shores for at least the next year. Higher fuel and fertiliser prices, higher interest rates, and logistics challenges are the most pressing issues, alongside the general state of the New Zealand economy.

Things remain volatile; if conflict reignites in the Middle East, all bets are off. And after taking a back seat for a few months as successful legal challenges forced a pause, US tariffs are back in the headlines. The US administration is pushing forward with its tariff agenda despite additional constraints imposed by February’s Supreme Court ruling.

Adding to the unpredictable picture, a ‘super’ El Niño is expected to develop in the second half of 2026. This would likely bring hot and dry weather to eastern parts of New Zealand, which is typically negative for pasture growth.

The New Zealand-India Free Trade Agreement was signed in late April and will hopefully enter into force in early 2027. Forestry, apples, and kiwifruit are the biggest winners from New Zealand’s agri sector.

Prices at farm/orchard level relative to 10yr average ¹		
Dairy	Dairy prices look solid, with 2025/26 likely to land around \$9.85/kgMS, forecast to fall to \$9.20 for 2026/27. Robust global supply should pressure prices despite strong demand.	Milk price 
Sheep	Farmgate prices for lamb and mutton are both at record highs, and wool is not far off. Tight global supplies and strong demand are helping, with next season’s input costs the biggest question mark.	19kg lamb 
Beef	Farmgate prices are within 20 cents/kg of record highs for all grades of beef. US beef imports remain red hot, and for the moment the tariff landscape works in New Zealand’s favour.	Prime steer 
Forestry	Export log prices are unchanged at \$125/JASm ³ . Higher production and transport costs will squeeze margins for the forestry sector until fuel prices fall further.	A-grade log 

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



The wider picture

The initial shock has passed

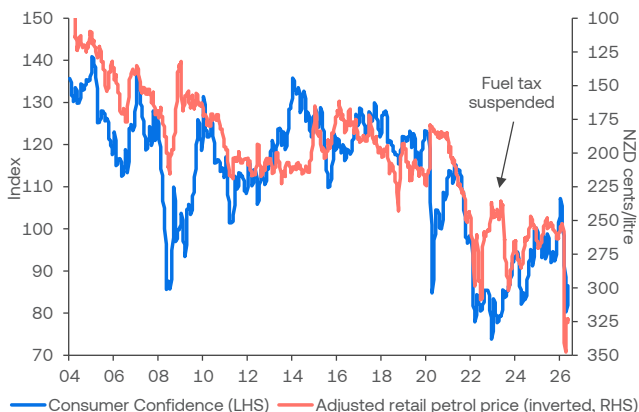
Fuel prices are starting to drop from their post-conflict peaks, providing some light at the end of the tunnel. The US administration has put tariffs back on the agenda, continuing the theme of geopolitical uncertainty.

New Zealand economy

The New Zealand economy is still dealing with a supply shock, but over the past month some of the initial shock seems to have worn off, with business and consumer confidence off their lows. Even so, it will take some time for the full effects to ripple through the economy.

[Business confidence](#) lifted 21 points in May but is still well down on levels prevailing before the Middle East conflict. [ANZ-Roy Morgan Consumer Confidence](#) also lifted 6 points in May, albeit from very low levels. Inflation indicators in both surveys were slightly lower, likely reflecting fuel prices drifting lower over the month. As shown in Figure 1, falling petrol prices are perhaps also the main driver for the small lift in overall confidence last month – there’s been a pretty strong negative correlation between petrol prices and consumer confidence in recent years.

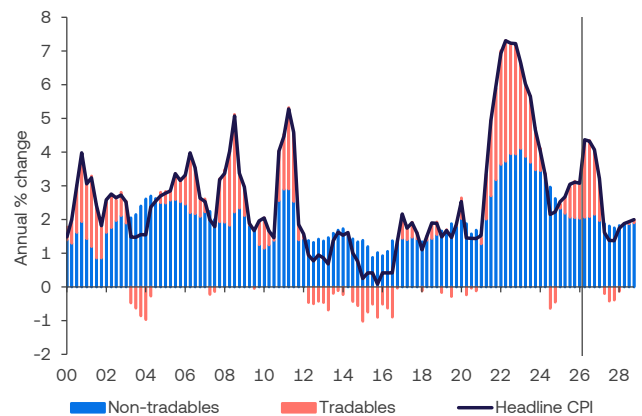
Figure 1. Consumer confidence and inverted petrol price



Source: Roy Morgan, MBIE, ANZ Research

We expect [annual inflation](#) to accelerate to 4.4% y/y in Q2 and slow only gradually in Q3 (to 4.3% y/y) before ending the year at 4.1%. Given our working assumption that the oil price has already peaked, we are forecasting tradable inflation pulling back into negative territory in 2027. That causes headline inflation to temporarily fall as low as 1.4% y/y in the second half of 2027, before drifting towards the target midpoint over the medium term. These forecasts are of course very sensitive to oil prices, which are a key source of uncertainty currently.

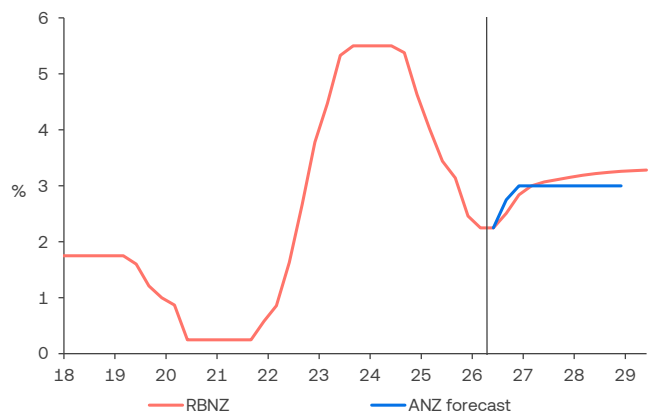
Figure 2. CPI inflation forecasts



Source: Stats NZ, ANZ Research

The RBNZ left the Official Cash Rate (OCR) [unchanged at 2.25%](#) in late May. However, the committee delivered a split vote with the Governor’s vote breaking the tie, with the three external members of the committee all preferring to get the hiking cycle underway. The RBNZ’s updated OCR track implies a very high chance of back-to-back-to-back hikes at the next three meetings, with a slower rise to a peak of 3.28% by June 2029 (versus 3.0% in the February MPS). Our unchanged forecast is for three hikes this year, in July, September, and October. We have open minds on where the OCR will need to go from there. A lot can happen between now and then, and the data will drive those decisions, not the RBNZ’s forecast today.

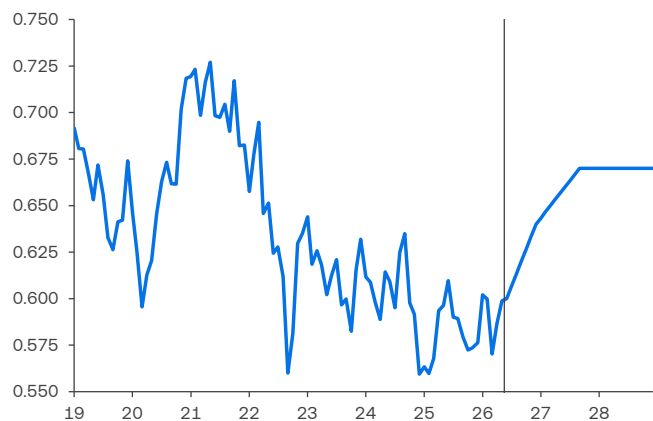
Figure 3 Official Cash Rate



Source: RBNZ, ANZ Research

The NZD/USD is likely to remain responsive to global risk sentiment as long as the Middle East conflict drags on. If tensions between the US and Iran clearly ease and the Strait of Hormuz reopens, the NZD would likely be one of the main beneficiaries, supported by firmer risk appetite and lower oil prices boosting New Zealand's terms of trade. But anything that causes the market to give up on its remarkably persistent belief that a resolution is near would have the opposite effect.

Figure 4. NZD/USD



Source: Bloomberg, ANZ Research

US tariffs back on the agenda

Tariffs have understandably taken a back seat to other global events over the past few months, but they could soon rise back to the top of the agenda, unfortunately.

After the Supreme Court ruled the US administration's reciprocal tariff regime unconstitutional in February, US President Trump has been obliged to find other tools to implement his tariff policy, with different strings attached. The US quickly imposed 10% global tariffs using a different statute (claiming a balance of payments crisis), but this tariff will expire on 24 July.

This is the context for the US administration's sudden concern about 'forced labour' in its trading partners, which they claim amounts to unfair trade practices. Pending the results of their investigation, the US will likely implement tariffs of 10% to 12.5% on 60 countries, including New Zealand.

So far, exemptions for specific products have been carried over from one tariff mechanism to the next, including beef and kiwifruit. The main takeaway from all this is that New Zealand's tariffs might go from 10% to 12.5% to the US, but that is not a game changer for our exporters, particularly if our competitors face the same hurdle.

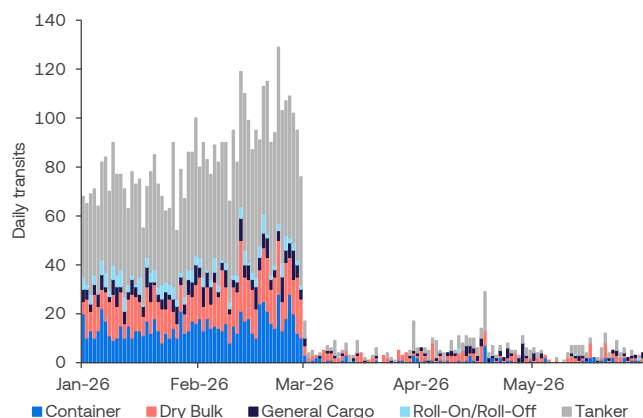
Speaking of exemptions, the US administration has also been pondering more ways to reduce the price of beef for US consumers. They briefly proposed to suspend the out-of-quota tariff of 26.4% in early May, before backing away from the idea. Had this gone through, it would have helped Brazil but not New Zealand, because while Brazil is close to filling its quota at the lower rate, New Zealand is not.

One last heads up: the United States–Mexico–Canada Agreement (USMCA) is currently under review. The three countries must decide by 1 July whether to extend the agreement by 16 years or force it to go year-to-year. The US administration may be inclined to extract trade concessions from its neighbours, and dairy proteins are one product that could attract extra attention.

Input costs in flux

Cargo ships are still unable to transit the Strait of Hormuz, with very few exceptions. However, markets are adjusting to the disruption by drawing down inventories, sourcing crude oil from alternative sources, and rationing demand. Prices for crude oil, urea, and other petrochemicals have fallen from their conflict-driven peaks. Even if a geopolitical compromise solution is soon found, it will take quite some time for markets to fully recover. Things will never go back to quite how they were, now the fragilities of such arrangements have been highlighted in dramatic fashion.

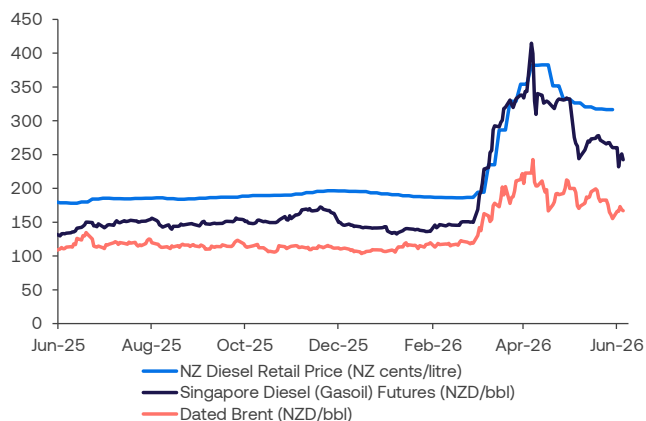
Figure 5. Strait of Hormuz transit volume



Source: IMF, ANZ Research

But for the moment, it appears that the adjustment process is keeping petrochemical prices in check. Naturally, this analysis can be made obsolete if the conflict escalates or if anything else shocks the global economy. And inventory drawdown is by definition a time-limited solution to shortages, though there is a surprisingly wide range of estimates of when that time might come.

Figure 6. Global and local diesel prices easing, but remain elevated



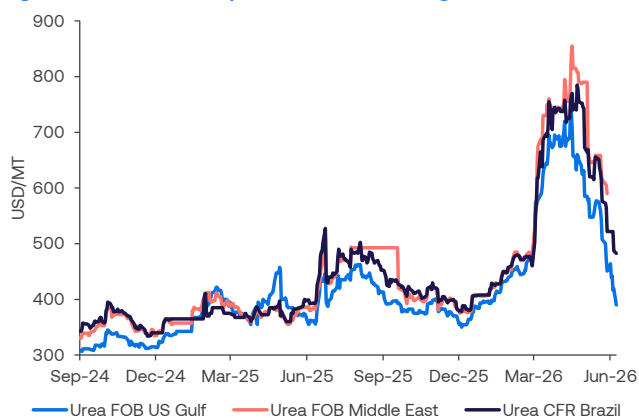
Source: MBIE, SGX, CME Group, EIA, ANZ Research

Crude oil prices have stepped back from the highs seen in March, April, and May, and are currently just under USD100/bbl. That is still over 50% higher than 2025 levels, so it's still a problem, but at least prices are currently heading in the right direction. Diesel prices are following suit, albeit at a slower pace. Here in New Zealand, retail diesel prices have fallen 17% from their peak but are still 70% higher than pre-conflict levels.

Urea prices are dropping too. Global urea prices nearly doubled earlier this year, but are now, remarkably, heading back towards pre-conflict levels. India's large-scale urea procurement programme has been completed, plus China is reopening exports on a limited basis. Sulphur supplies remain tight, however.

Here in New Zealand, urea prices are up 35-45%; less for other fertiliser products. Unlike local diesel prices, which rose immediately after the conflict broke out, the local fertiliser cooperatives have been reluctant to pass higher costs onto their customers. Of course, this also means that local urea prices aren't likely to fall as dramatically as they have on global markets.

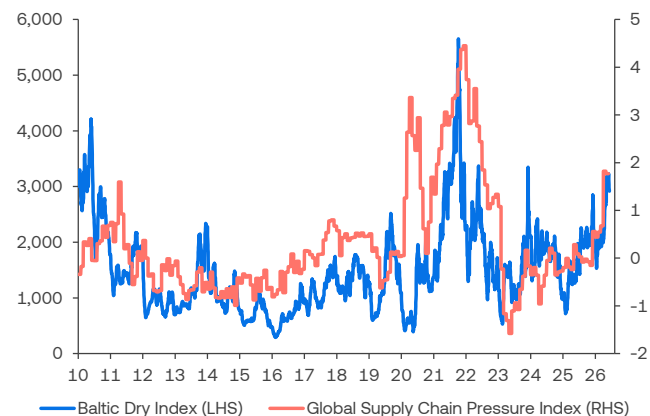
Figure 7. Global urea prices are retreating



Source: CME Group, ANZ Research

Surcharges for higher risk and higher fuel costs are adding pressure to global shipping. The benchmark Baltic Dry Index has increased 39% since the conflict began, and the Drury World Container Index is up 81%. Freight rates usually pick up towards the end of the year, so these increases are outside the normal seasonal patterns.

Figure 8. Global freight facing some disruption



Source: Baltic Exchange, New York Fed, ANZ Research

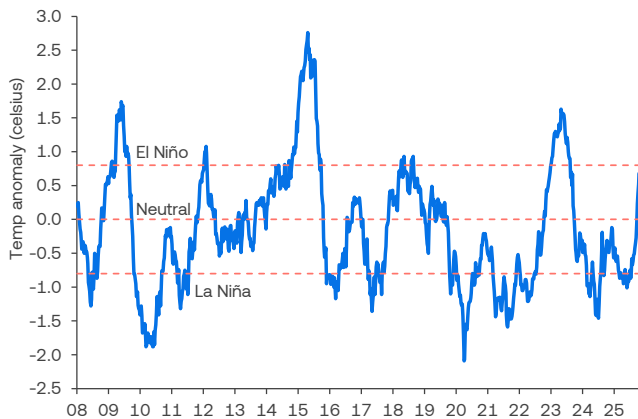


El Niño warning signals

NIWA’s Seasonal Climate Outlook through August points to a somewhat cooler and drier winter than average for most of the country. It’s already a bit dry on the east coast of the South Island.

The El Niño–Southern Oscillation (ENSO) index is still technically in neutral territory but is rapidly rising. El Niño often brings heat and drought to much of New Zealand and Australia, and abnormally wet conditions to North America and southern South America. In India, it is associated with a weak monsoon and poor agricultural production.

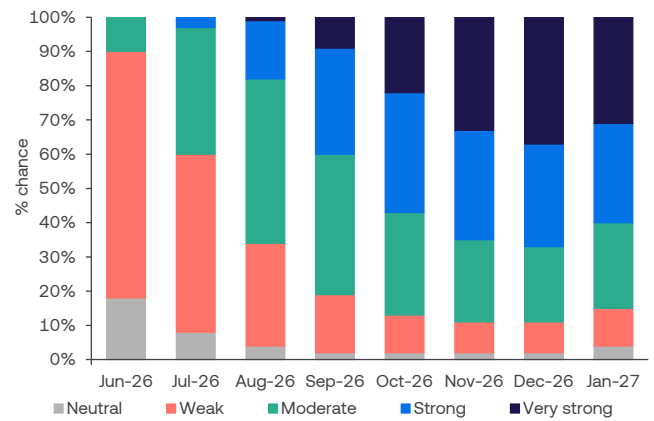
Figure 1. Relative Niño 3.4 Index



Source: Australia Bureau of Meterology, ANZ Research

An El Niño next season is virtually guaranteed; it’s just a matter of how strong it will be. Some forecasters suggest it could be one of the strongest El Niños on record and are using interesting adjectives to describe it, such as ‘super,’ ‘formidable,’ and ‘canonical.’ The US NOAA uses less-evocative terms but says by November there is a 67% chance it will be “strong” or ‘very strong.’ The last very strong El Niño was in 2015/16, which in New Zealand and Australia brought drought, weaker milk production, and destocking on sheep and beef farms. Other ‘very strong’ events in living memory include 1997/98 and 1982/83.

Figure 2. El Niño guaranteed, and likely a strong one



Source: NOAA, ANZ Research

Despite all the warnings, there are no guarantees about what the impacts will be. Sometimes El Niño climate events are, well, anticlimactic. For example, in 2018/19, New Zealand farmers were warned of a looming El Niño, and some destocked ahead of a drought that never came. Every climate event is different, but this is worth monitoring.



Dairy

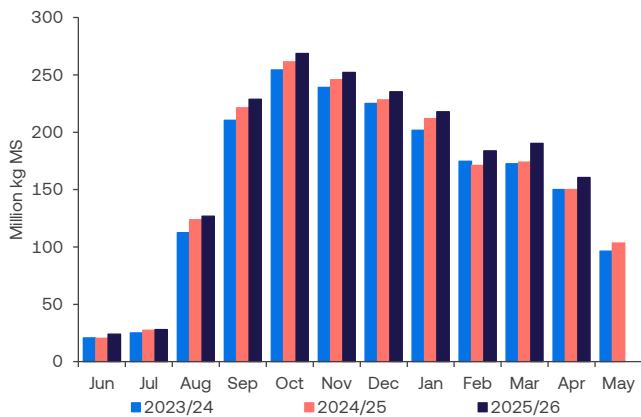
Standing firm

Dairy prices are starting the 2026/27 season on firm ground even though we forecast the milk price to drop to \$9.20/kgMS. Global milk production is strong but should start to soften by the end of the year.

NZ milk production impresses

Nine of the past 12 months have set milksolid production records. Production accelerated toward the end of the season thanks in part to timely and widespread rain in January. Production is likely to finish up 4.6% y/y, eclipsing 2 billion kgMS for the first time.

Figure 1. Milksolid production



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

The production outlook for next season is positive, with a few caveats. We forecast milksolid production to rise 0.7% in 2026/27, balancing higher cow numbers and continuing productivity improvement on one hand, with the downside risk of a ‘super’ El Niño leading to drought on the other.

Canterbury and Southland are currently a bit dry for this time of year, but otherwise the feed situation is positive heading into winter. Cow numbers are expected to

be marginally higher next season, due mostly to dairy conversions in Canterbury. Farmers have been carrying older stock over the past year, thanks to high milk prices and plentiful feed. At some point the national herd’s age structure will have to be rebalanced, but there’s no evidence to suggest that is happening this winter. Cow slaughter numbers are gaining momentum, especially in the North Island, but are still behind last year’s pace.

Global supply robust

Globally, milk production is still growing, but not quite at the rapid pace seen in the second half of 2025.

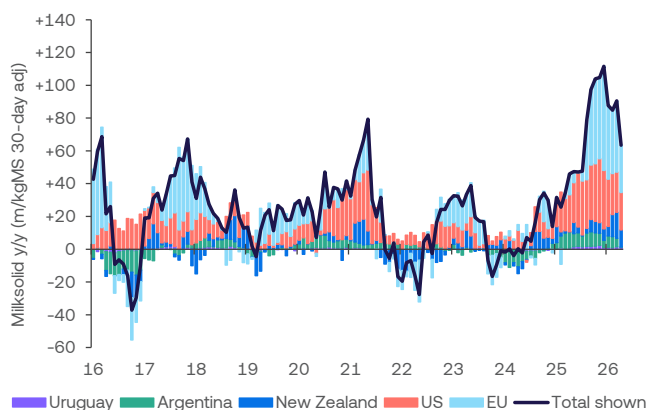
EU milksolid production increased 2.9% y/y in April, a very healthy result despite being the slowest growth since July 2025. Europe had unseasonably strong production last autumn in part because dairy farmers were obliged to do more autumn calving as they recovered from bluetongue disease. This summer, lower milk prices are weighing on production, especially in Ireland and France.

US milksolid production increased 2.7% y/y in April, continuing the streak of robust growth to 12 months. Argentina and Uruguay are slowing down a bit as well, but for context, milksolid production grew at an unsustainable 11.1% in 2025.

It will be difficult for most countries to match the milk production growth rates seen over the past year, with higher input prices and lower milk prices. And we can add to that the downside risk El Niño brings to Southern Hemisphere production.

Overall, this means global milk production picture might look more balanced towards the end of 2026, especially if the weather doesn’t cooperate, but it would take quite a bit less milk to tilt the market from oversupply to undersupply.

Figure 2. Milk production growth in key countries



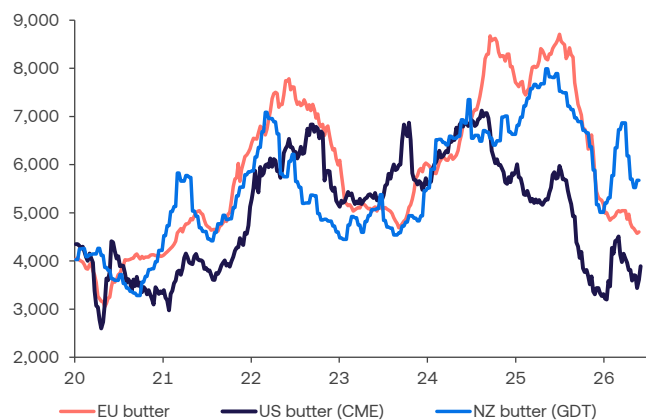
Source: NZX, DCANZ, Eurostat, US Department of Agriculture, Inale, Argentina MAGYP, ANZ Research

Butter down, skim up

Overall, global dairy prices are in good shape as New Zealand’s 2026/27 season begins. Despite all the commotion in the market, whole milk powder has oscillated in a relatively narrow range around USD3,750/MT since February. The Global Dairy Trade Price Index has been more volatile but is at the same level as it was in February.

That picture of stability starts to fade when looking under the surface. Skim milk powder (SMP) is up 42.7% year-to-date, while butter and AMF are down 22.5% and 23.5%, respectively. Butter’s latest rollercoaster (Figure 3) resembles crude oil’s chart of late. US butter is still by far the cheapest, indicating that market is at the epicentre of butter production growth over the past 18 months. Indeed, US butter has been turning up on New Zealand discount shelves! New Zealand butter is the most expensive. While the products are not quite the same, they are substitutes, and that should put downward pressure on New Zealand butter as those prices converge, perhaps as soon as this spring.

Figure 3. Global butter prices

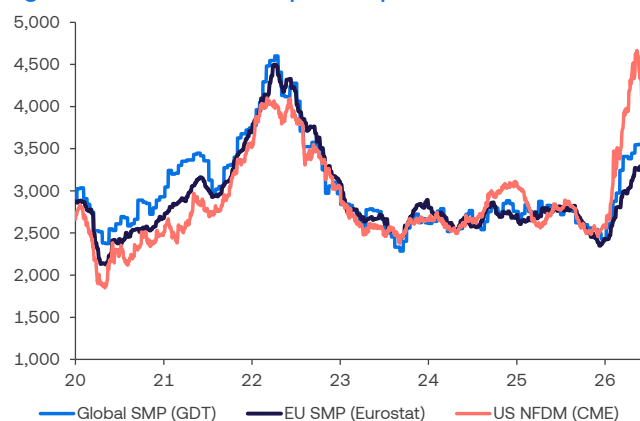


Source: DG AGRI, CME Group, Global Dairy Trade, ANZ Research

The opposite pattern is true for SMP, where US product is by far the most expensive. Some have attributed SMP’s strength to consumer trends favouring protein-dense natural foods. There is some substance to this

argument, but that trend has not emerged as suddenly as the price chart suggests. New Zealand and European SMP pricing might be closer to a more sustainable level. But it is interesting how much variation there is from one market to the other, both for butter and SMP. It could be an indication that the global market isn’t functioning as smoothly as it should be, and with the geopolitical backdrop of tariff uncertainty and conflict in the Middle East, perhaps it isn’t too surprising.

Figure 4. Global skim milk powder prices



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

Farmgate milk price lifts

Our forecast for 2025/26 is unchanged at \$9.85/kgMS. The season officially ended a few days ago, and while final prices and production stats aren’t yet finalised, it’s clearly been a very good season for the dairy industry. And a memorable season for other reasons too, with Lactalis’s acquisition of Mainland headlining a number of corporate transactions, a commodity price rollercoaster, and record milk production.

For 2026/27 our [farmgate milk price forecast](#) has recently been upgraded to \$9.20/kgMS, up from \$8.70. Our fundamental outlook hasn’t really changed, but the starting point for 2026/27 is much better than previously expected. Due in part to the Middle East conflict, dairy prices are higher and the NZD is weaker than expected as the new season begins.

Figure 5. Farmgate milk price forecast



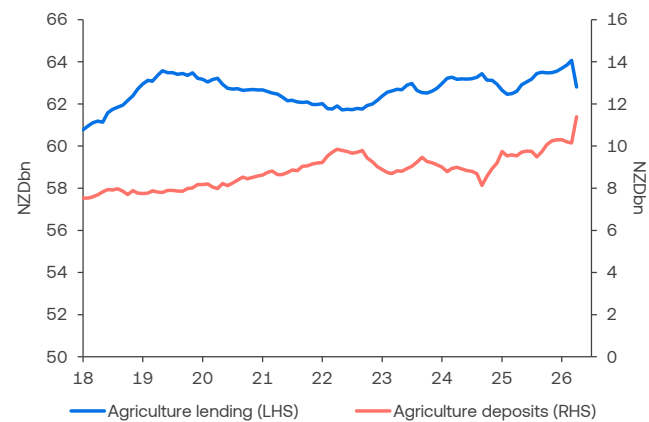
Source: Fonterra, ANZ Research

Milk price futures are closer to \$9.75/kgMS, which is a fair price considering where forward price curves are currently sitting. However, we expect downward pressure on dairy prices (page 5) and upward pressure on the NZD (page 2) as the season progresses.

DairyNZ recently revised up their [breakeven milk price](#) for 2026/27 from \$8.36/kgMS to \$8.79. This takes cost increases into account from the Strait of Hormuz's closure, in particular fertiliser, feed, interest rates, and fuel. As discussed on page 2, oil and fertiliser prices are currently falling even without the strait reopening, providing some optimism that the worst-case scenarios can be avoided. But even if that's the case, narrower margins will put cost management into focus this season.

The \$3.2 billion tax-free capital return from Fonterra's sale of Mainland Group went through in early April, and we can now see the result in the RBNZ's lending statistics. Agriculture deposits are up by \$1.55 billion, and agriculture loans are down by \$1.45 billion. Between those two figures, most of Fonterra's disbursement is present and accounted for. What happens next? Some farmers will be happy to pay off some debt or keep a buffer for working capital, especially with input costs set to rise next season. Others will see this as a prime opportunity to reinvest in their business, take a much-needed holiday, or invest those funds off farm.

Figure 6. Agriculture lending and deposits (sa)



Source: RBNZ, ANZ Research



Sheep, beef, and deer

Taking the next step up

Farmgate prices are at or near record highs across the sector, offsetting higher input costs caused by the Strait of Hormuz closure. The US market leads the way, but US trade policy is difficult to predict.

Beef prices unstoppable?

Beef prices are rising again at the farmgate, after the briefest of seasonal lulls. Prices should be seasonally weak right now as processing volumes peak, but they aren't. Cow prices are at record highs despite the peak processing season having only just passed. Bull and steer/heifer farmgate prices aren't far behind. Our farmgate price forecasts for 2025/26 have been revised up to \$9.35/kg for steer/heifer, \$9.20/kg for bull, and \$7.20/kg for cow.

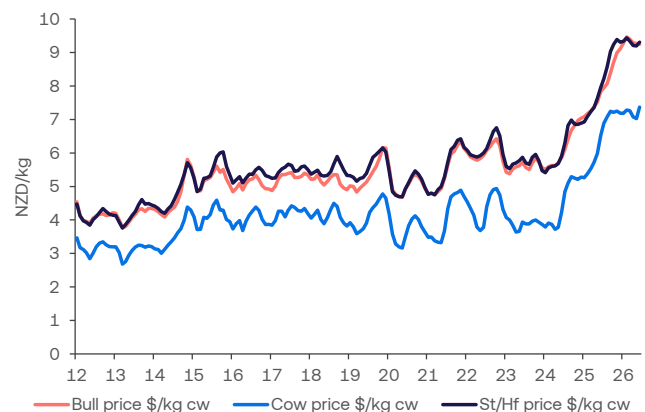
Eventually beef prices will fall from these record levels, but this is unlikely for the next year. The key watchpoint is US beef production. Despite high prices, US farmers have been unable to build livestock numbers over the past year, and there are no signs that a meaningful rebuild is underway as yet. One challenge is that the border with Mexico remains shut to live cattle transport, disrupting the trade in calves and weaners.

The border closure is a defensive measure against New World screwworm (NWS), a cattle parasite spreading into Northern Mexico. In early June, however, NWS was detected in South Texas, the first detection in the US since it was eradicated in 1960. If it becomes established in the US, it would be another setback for US herd rebuilding. This is an emerging development that could further upset the global beef market.

Beef continues to attract tariff-related attention, but so far New Zealand has not been adversely impacted. China's newly implemented tariff rate quotas are hurting Australia and Brazil, but not New Zealand. Australia and Brazil are already approaching their annual quota, but New Zealand isn't. This will give our products an advantage in the second half of the year.

As discussed on page 2, the US briefly floated the idea of temporarily removing their 26.4% out-of-quota tariff on beef. This would help countries that are up against their country specific quotas, notably Brazil. New Zealand's exports to the US are well below our tariff rate quota of 213,402 MT per year, so this policy would have no impact on our ability to access the US market, but would likely reduce export prices by increasing competition. The US administration ultimately chose not to pursue this option, but high US consumer prices remain a challenge that President Trump may address in other ways.

Figure 1. New Zealand farmgate prices pushing higher



Source: AgriHQ, ANZ Research

Lamb pushes higher

Just like beef, the seasonal lull in farmgate pricing was brief and barely noticeable. Farmgate prices dropped 50 cents/kg in April but are already back to record levels at \$11.00/kg, and there are isolated reports of contracts over \$12.00/kg.

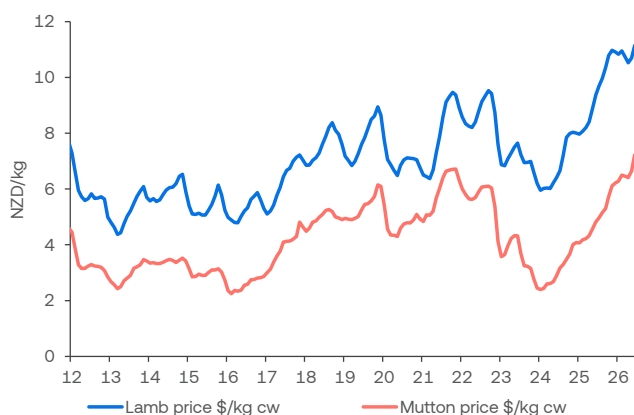
Similarly, mutton prices have transitioned from 'very good' to 'best ever' in the past month, eclipsing \$7.00/kg. Two seasons ago, the average farmgate price was \$2.66/kg. Lamb farmgate prices are now forecast to average \$11.00/kg over the full 2025/26 season, and mutton \$6.45/kg. Both would be records by some margin.

The conflict in the Middle East seems to have had little impact on the lamb market, and these high prices are taking some of the sting out of rising input costs. Supply remains tight, both in Australia and New Zealand. Demand is strong in Europe, China, and the US, and high beef prices support lamb prices too.

Two potential risks to the lamb market are the weather and the US government. The US administration is considering whether to increase lamb tariffs, and an investigation is expected to be launched soon. The US sheep industry requested an intervention to protect their interests. This request initially fell on deaf ears, but in the wake of some adverse court rulings, the US administration is more open to creative tariff justifications. The US is New Zealand's third-largest market for lamb, behind the EU and China and just ahead of the UK. A tariff would hurt the New Zealand lamb industry, but our products are in high demand in every market, so there are alternative destinations for our exports.

On the weather front, strong El Niños have historically led to a surge in lamb and mutton supply as farmers destock. With Australia and New Zealand accounting for 85% of global exports and both affected by El Niño, this is usually enough to move prices significantly lower. Recent El Niño events include 2009/10, 2015/16, and 2023/24. These led to very dry conditions on both sides of the Tasman and coincide with some of the lowest prices in recent memory as farmers were forced to destock. One mitigating factor is the Australian flock has not rebuilt since the last drought in 2023/24. This means there is less potential for Australian lamb and mutton production to spike in response to feed shortages like it did three years ago. Drought affects beef as well, but the global beef market is less dependent on Australia and New Zealand, so the price impact is usually more muted.

Figure 2. Lamb and mutton farmgate prices



Source: AgriHQ, ANZ Research

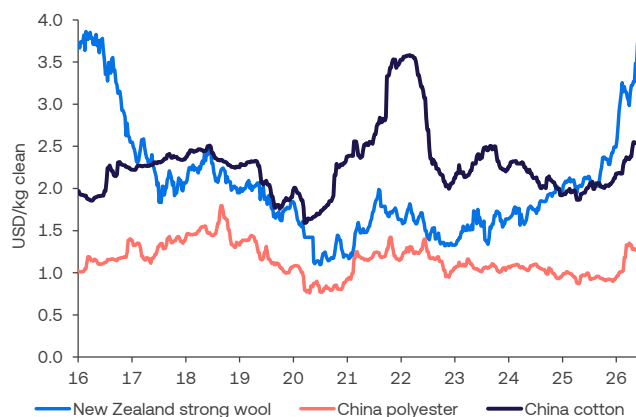
Wool prices surge

Wool prices have nearly doubled the past year, to the great relief for the wool industry, gaining 90 cents in the past two months alone to reach \$6.30/kg clean. It's close to the highs previously seen in 2011 and 2016. Competing fibres such as cotton and polyester are also appreciating, but wool's performance easily outpaces the others.

Tight wool supply is a main contributor, but demand has been strong too. Smaller flocks in New Zealand and Australia have tightened supply. In addition, a modest shift toward no-shear breeds has further decreased production in New Zealand.

In the wider context, wool will cover its shearing costs in 2025/26 this year for the first time since 2018/19 for the typical North Island hill country farm. Prices aren't yet at the point where wool revenue will influence stocking rate decisions, especially with lamb and beef prices so strong. Wool accounts for about 3% of sheep and beef revenue and hasn't been above 10% since 2015/16.

Figure 3. Strong wool, cotton, polyester prices



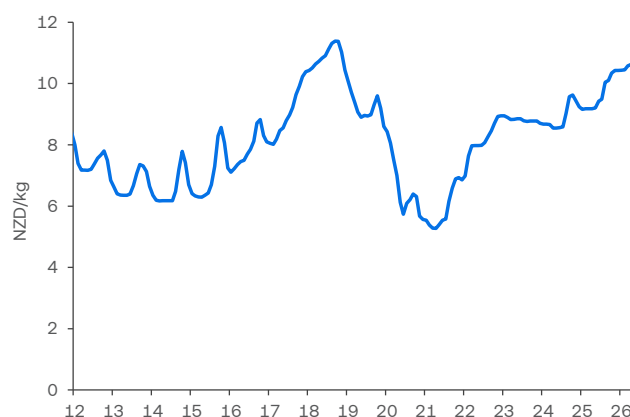
Source: Wool Impact, NBS, ANZ Research

Venison prices strengthen

Alongside the other red meat products, venison prices have also advanced in recent months, and were already very robust. Venison prices are at parity with lamb at \$11.00/kg. This isn't quite a record, with \$11.45/kg achieved in 2018, but its within reach later this year.

Historically, venison demand falters when exceptionally high prices are reached. This time may be different because of improved market diversification and the support provided by beef and lamb prices. At some point prices will retreat, but for now the market is strong.

Figure 4. Venison farmgate prices



Source: AgriHQ, ANZ Research



Grain

Local grain prices rising

Local grain prices have risen nearly \$30/MT in the past two months. Global grain prices had been supportive but have abruptly fallen since mid-May. Input costs remain a concern.

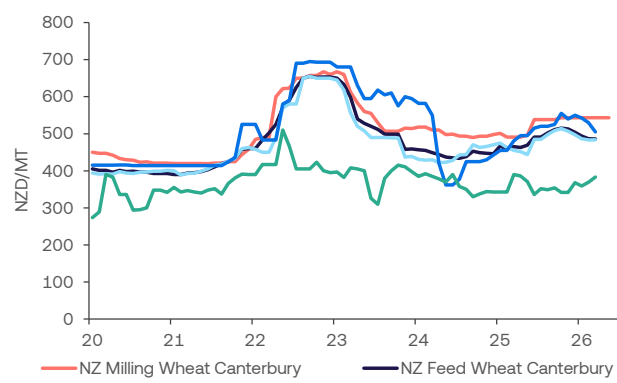
Local prices lifting

Feed wheat and barley have lifted \$29/MT in the last two months. Local conditions are supportive. Pricing is up for Australian wheat delivered to New Zealand, which makes local product more attractive. Palm kernel expeller (PKE) prices have risen nearly \$100/MT since January. Higher global grain prices had also been supporting local prices – until mid-May (see next section).

While El Niño is bad for New Zealand agriculture in general, it's usually okay for the arable sector unless there are irrigation restrictions. Dry weather is helpful, especially at harvest. It might also spur feed demand from the dairy industry. The past two crops were held back by wet La Niña conditions at harvest.

Rising grain prices aren't doing much to improve profitability just yet. It's reassuring that some input prices (diesel and urea) seem to have peaked, but those prices are still well up on pre-conflict levels. Plus, the sector still hasn't recovered profit margins from the previous input cost spike in 2021 and 2022.

Figure 1. New Zealand grain prices



Source: NZX, ANZ Research

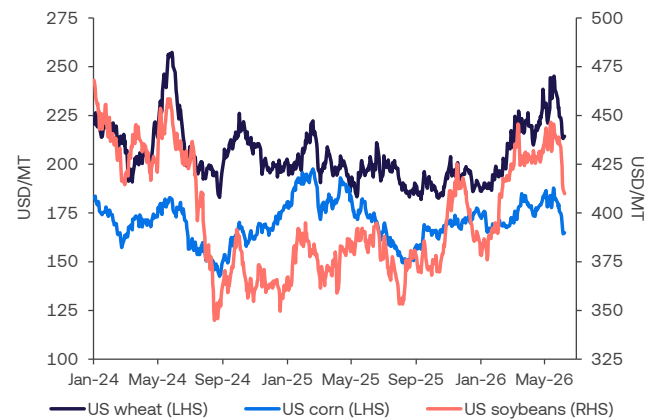
Global grain prices hit a bump

Global grain and oilseed prices had looked quite strong throughout 2026 – until mid-May. US wheat, corn, and soybeans have all fallen 8-13% since 13 May (Figure 2). Still, this doesn't entirely reverse the gains seen earlier in 2026. Wheat prices have increased 14% year-to-date, while soybeans are up 9% and corn is down 5%.

It's hard to pin the sudden reversal on one factor, not least because three different events happened around the same time. The US-China summit was underway at that time, and it didn't include any new Chinese commitments to purchase US soybeans. Second, there was a broad sell-off in commodities, including oil, metals, and agriculture, likely related to optimism about peace in the Middle East. And third, the US Department of Agriculture published its first world supply and demand forecast for the 2026/27 season. That report wasn't especially bearish, and even forecast global stocks to tighten modestly over the next season, but since then timely rains across the Midwest have improved the crop outlook.

Amongst that muddled message, the most convincing explanation for this sudden reversal is that grain and oilseed prices are falling alongside oil, urea, and other commodities, reflecting the perceived decreasing risk that the current conflict might spiral out of control.

Figure 2. US grain prices



Source: CME Group, ANZ Research



Forestry

Need fuel prices to fall

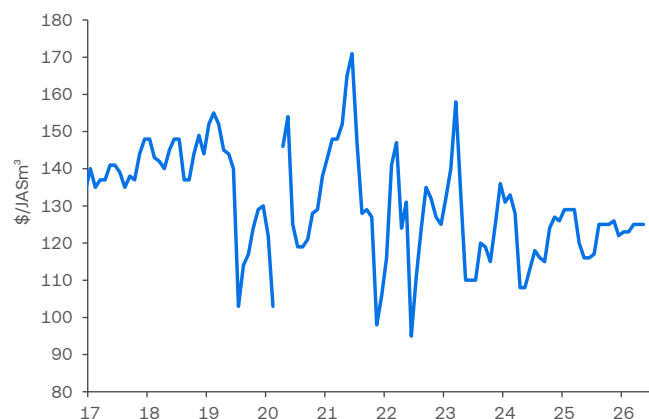
Margins are tight across the forestry sector due to higher fuel prices impacting cost of production and transport, matched with tepid demand in New Zealand and overseas.

Exports on thin ice

Logs landed in China have increased USD16/JASm³ since the Middle East conflict broke out, but these gains have been completely offset by higher shipping costs. Shipping rates from New Zealand to China have increased 50% since February, according to AgriHQ. As a result, wharf gate prices have been unchanged the past two months, with A grade logs quoted at \$125/JASm³.

That's the price New Zealand foresters have to work with while facing significantly higher operating costs. Anecdotally, harvest activity has been sharply reduced in response, but recent data from the Forest Growers Levy Trust is inconclusive. Harvest volumes were down just 3.7% y/y in April, but April is a tricky month due to the number of public holidays. The recovery of windthrown logs in the Nelson area further complicates the picture.

Figure 1. NZ export A grade log prices at wharf gate



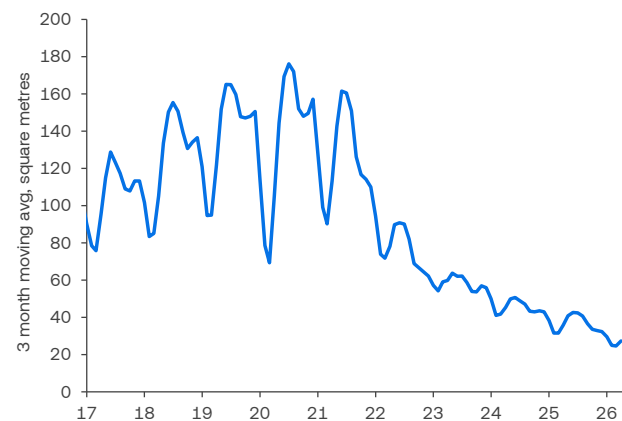
Source: PF Olsen, ANZ Research

That activity has been propping up harvest volumes but is starting to wind down. It will take a few more months to see just how much harvest volumes are being affected by higher production costs.

One silver lining is that diesel prices are starting to fall after peaking in early April. If this trend continues, it will make a big difference to harvest economics.

Prices are unlikely to rise further in China because demand simply isn't robust enough to support higher prices. Some in-market reports suggest softwood logs in Chinese port inventories are overpriced relative to their market value in-country. China's construction and property sector is still struggling, and there is little indication that a recovery is imminent.

Figure 2. China new residential construction starts



Source: NBS, ANZ Research

Export prices have been remarkably stable recently, trading within a narrow \$7/JASm³ range over the past 24 months. Log prices were much more volatile from 2019 to 2023 (Figure 1), so an abrupt price adjustment would not be unprecedented, with the risks weighted to the downside.

Wood processing sector faces higher costs

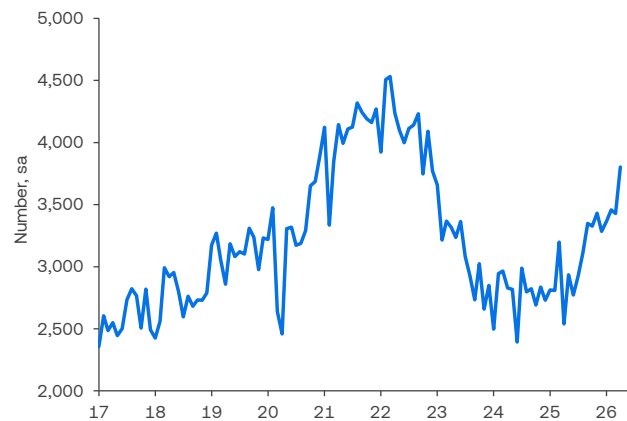
Domestic demand for forestry products is undoubtedly weaker, but it is holding up better than expected.

Residential consent issuance continues to increase. In the latest ANZ Business Outlook [link], construction intentions have fallen but the indicator remains in positive territory.

How this translates to the forestry sector is less certain. Fuel surcharges are being implemented for domestic sales, similar to the higher freight rates seen for export logs. Higher energy costs and other structural challenges are still pressuring wood-processing businesses. Since 2024, eight wood-processing plants have shut down, or have announced plans to do so.

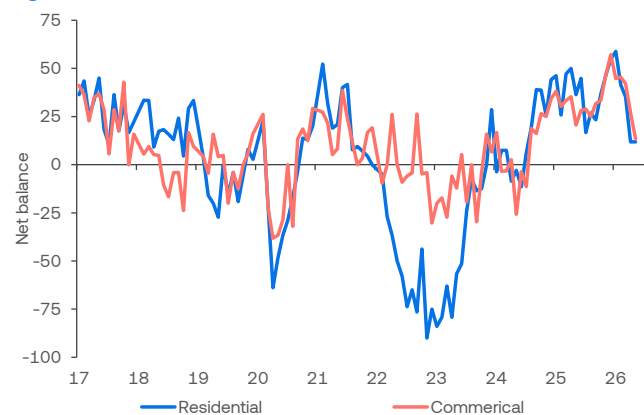
There is perhaps light at the end of the tunnel with oil prices having fallen from their conflict-driven peaks, though the outlook remains highly uncertain. If the downward trend continues, prices for diesel and other petrochemical derivatives should slowly follow.

Figure 3. NZ residential construction consents issued



Source: Stats NZ, ANZ Research

Figure 4. ANZ Business Outlook: Construction intentions



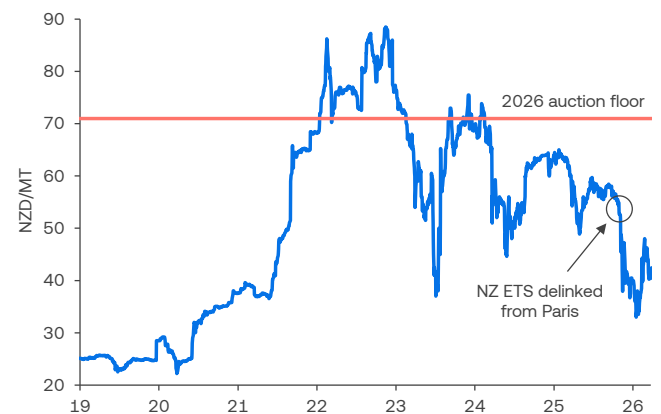
Source: ANZ Research

Carbon markets stay the course

New Zealand Units (NZUs) have edged up over the past two months, recently settling at \$52/NZU. With the quarterly auction floor price set at \$71/NZU, the 9 June auction failed to generate any interest.

The Government recently released its ETS settings out to 2031, largely maintaining the status quo. There are a few competing pressures on the market. On the bullish side, supply is decreasing due to a reduction in forestry plantings. In the short term, this means fewer forests are being registered in the current Mandatory Emission Return Period. Government auctions are assumed to continue failing, and any unsold units will again be voided at the end of 2026. This should allow the market to chip away at the sizeable inventory of units, tightening the supply and demand balance. On the bearish side, that stockpile is quite large, and it will take several years to work through it. The Middle East conflict and resulting oil price shock is reducing economic activity in New Zealand and reinvigorating the push toward decarbonisation. If decarbonisation gains momentum, demand for NZUs will weaken.

Figure 5. Spot NZU prices



Source: Bloomberg, ANZ Research



Horticulture

Quality and quantity

Harvest is complete for apples and grapes, and kiwifruit will wrap up soon. The kiwifruit and apple sectors are enjoying another excellent year. On the other hand, weak demand and oversupply is undermining the wine industry’s prospects.

Kiwifruit

The numbers for last season have been finalised: record high orchard gate returns per hectare were achieved for every Zespri variety in 2025, an excellent result.

The 2026 campaign promises to be at least as good. All red and gold kiwifruit has been packed, and green is 78% complete. Production is up by around 7.2% y/y based on the latest estimates, with SunGold accounting for most of those gains.

The initial price forecast offered by Zespri in March would see prices holding near last year’s very good prices. However, there is potential for prices to nudge closer to the high end of the range, based on early season results in most markets. Kiwifruit can get into the US tariff-free, unlike last year, which is resulting in higher export sales to that market.

Looking forward a few years, the industry looks poised to keep building on the successes of the past 10-15 years. A new red variety, Red80, was commercialised in

May, with the release of 100 hectares. The unrestricted license auction fetched \$457,000/ha, exceeding expectations for an unproven variety. Red80 promises to build on the existing success of Red19, widening the sales window through a later harvest window and increased shelf life. Around the same time, another 417 hectares of Gold3 were released, fetching \$684,000/ha.

Not content to rest there, Zespri is mulling the possible commercialisation of a new green kiwifruit, dubbed Green146. Compared to Hayward, the longstanding green cultivar, Green146 promises a similar consumer experience, but with higher yields and resilience to warmer climates.

The Government recently proposed enhancements to the Plant Variety Rights Act, which will incentivise the kiwifruit and other horticulture sectors to continue investing in new varieties such as Green 146. The proposal would extend the protection period for new varieties and strengthen other provisions.

Apples

Production volumes are expected to be well above last year’s good result. Favourable weather has helped, as has the ongoing maturation of newer, higher-yielding varieties. Quality is also reported to be good this year, supporting higher prices and a higher pack-out rate.

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

Kiwifruit variety	OGR per tray		Million trays supplied	
	2025/26	2026/27 (March)	2025/26	2026/27
Green	10.28	10.00	63.5	59.3
Organic Green	13.72	13.50	3.6	3.5
SunGold	11.90	11.75	139.6	156.5
Organic SunGold	16.14	15.50	4.7	5.4
RubyRed	16.01	15.50	3.0	5.1

Source: Zespri

Confidence in the sector is high, and growth is expected to continue as recent plantings continue to mature. All newer varieties are performing well in-market, with Rockit a notable exception.

Over in Europe, a harsh frost hit Poland and neighbouring countries in April, potentially causing a 50% drop in production. Poland accounts for a third of the EU's total apple production in a normal year. There are a lot of apples in cold storage from last season, which should buffer any impacts, but this still might increase prices in the EU. This is just New Zealand's eighth-largest market, but the EU is also the bellwether for the global apple market.

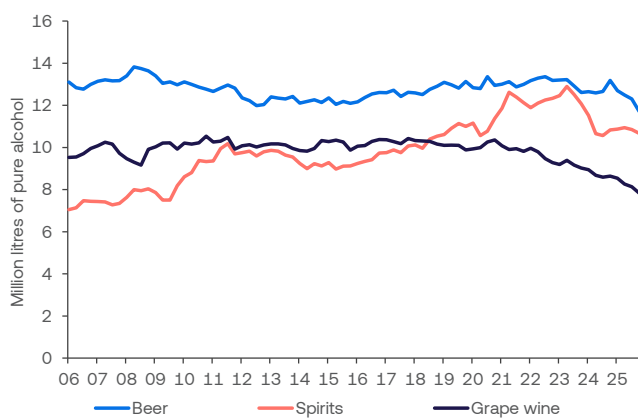
Wine harvest bittersweet

The 2026 harvest is complete. There are no volume estimates as yet, but this year production will have been driven more by management decisions rather than the weather. Very low grape prices and a non-existent market for uncontracted grapes meant that some grapes were left unharvested. In addition, a number of blocks have been mothballed, and others removed altogether. It is difficult to quantify at this point, but economic conditions are forcing difficult decisions. This did lead to more selective harvesting and higher quality, one silver lining in an otherwise difficult environment.

The global wine industry has been facing oversupply and weak demand for a few years now, so this issue is not unique to New Zealand. Consumers are trending away from wine consumption, and from alcohol consumption in general.

With large expansions in recent years, New Zealand is making more wine than the market can absorb at workable prices, and it will take several years to rebalance supply and demand. The result is a sharp drop in grape prices across most varieties, and wineries restricting supply through yield caps or revised procurement contracts.

Figure 1. Alcohol consumption falling in New Zealand



Source: Stats NZ, ANZ Research



Rural property market

Rising sales volume, lifting prices

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.

The rural property market remains strong, supported by high commodity prices over the past two years and the capital return following Mainland's sale to Lactalis. This is enough to help the property market overcome rising interest rates and on-farm costs in the wake of the oil price shock.

Rural property sales continue to pick up pace, based on data through April. Overall sales volumes are up 30% y/y. Dairy sales are particularly robust, up 43% y/y.

Prices are starting to lift now as well. Earlier in the year volumes were up but prices were flat. Dairy transaction prices (per hectare) are up 0.4% y/y, and sheep/beef property prices are up 9%. Overall transaction prices are up 12% y/y but the main driver there is an increase in high-value horticulture land.

Arable and forestry properties are the exception, with lower prices. This reflects the recent struggles in those sectors, with stagnant commodity prices unable to match higher input costs.

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	316	221	203	↑	↑
	Median price (\$ per ha)	37,833	37,700	35,874	↑	↑
Livestock	Number of sales	719	566	816	↑	↓
	Median price (\$ per ha)	21,825	19,950	20,070	↑	↑
Horticulture	Number of sales	130	94	160	↑	↓
	Median price (\$ per ha)	311,118	229,200	276,100	↑	↑
Arable	Number of sales	56	50	74	↑	↓
	Median price (\$ per ha)	33,557	39,800	40,073	↓	↓
Forestry	Number of sales	57	63	57	↓	↓
	Median price (\$ per ha)	9,120	10,546	9,333	↓	↓
All farms	Number of sales	1,457	1,117	1,375	↑	↑
	Median price (\$ per ha)	29,200	26,075	26,675	↑	↑

Source: REINZ

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