New Zealand Agri Focus

Hot and cold

August 2026

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

Inside

Contributors

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

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

Publication date: 21 August 2026

Overview

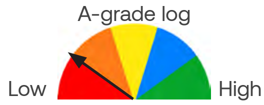
It's wintertime, but New Zealand's agriculture sector is still hot overall. Commodity prices are in positive territory, despite a few cold spots and risks building on the horizon. Dairy prices haven't fallen much this winter, defying a common seasonal pattern. Likewise, beef and lamb prices showed no trace of seasonal price weakness earlier this year. Even though risks to the downside are accumulating for sheep and beef, farmgate prices keep hitting new records. Prices can fall a bit and still be very good.

But about those cold spots. Overseas beef and lamb prices are falling in some markets. It hasn't impacted farmgate prices in New Zealand, but is that a matter of time? Wool prices tried to escape low Earth orbit in June but fell back to the stratosphere in July. Within the dairy complex, milk powder prices are rising, but AMF and butter are sliding. Arable, forestry, and wine have been running cold for some time.

The Middle East conflict between the US and Iran is hot and cold as well. A deal to open the Strait of Hormuz is either imminent or unimaginable, depending on who you ask (or when). Oil markets are less "shocked" than they were in March-April, but refined products such as diesel remain quite elevated.

US tariff actions present various opportunities and challenges. For New Zealand, a 10% tariff has risen to 12.5% for most products. That shouldn't be a deal-breaker for most products, and beef and kiwifruit remain exempt. The US is also investigating whether to impose tariffs on lamb imports. The US is the world's largest lamb and mutton importer by value, so this could chill prices. On the other hand, the US administration's threat to apply a 50% tariff on Canadian dairy products (negotiations ongoing) could provide opportunities for New Zealand to gain market share in the red-hot high-value protein space.

Despite all these cost pressures, warnings, and uncertainties, New Zealanders are just getting on with life and business, acknowledging that much is out of their control. Fair enough. If your plan is to wait for absolute certainty before acting, you might be waiting a long time.

Prices at farm/orchard level relative to 10yr average[1]		
Dairy	Dairy prices are proving resilient, with strong prices for milk powders offsetting weaker fats. ANZ's 2026/27 farmgate milk price forecast continues to be $9.20/kgMS, though margins will tighten.	
Sheep	Lamb and mutton prices are setting records, supported by tight supply. But a strong El Niño and possible US tariffs are clear downside risks as the season progresses.	
Beef	Beef farmgate prices are at record highs, but US import prices are easing as the border reopens to Mexican cattle and Australia and Brazil redirect supply from China to the US.	
Forestry	Export log prices remain stable around $125/JASm^3, but forestry margins are under pressure as higher harvesting, transport and fuel costs coincide with tepid demand.	

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

The wider picture

Navigating through the fog

The New Zealand economy is showing signs of recovery, though inflation remains too high. Higher input costs, the risk of drought this summer, and the evolving US tariff landscape provide notes of caution for the rural sector.

New Zealand recovery intact, but not assured

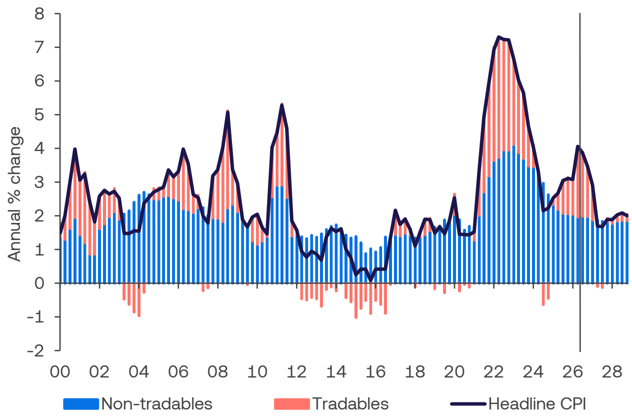
New Zealand's economic recovery remains intact but it is proving uneven and vulnerable to upside inflation risks. Confidence has improved from the lows reached during the early days of the oil price shock. However, with significant headwinds and tailwinds buffeting the economy simultaneously, the recovery is unlikely to be smooth or evenly felt across households and businesses.

Several important growth drivers remain intact. Export incomes remain strong, and the combination of favourable prices for many agricultural exports and a low NZD continues to provide a significant income boost to large parts of rural New Zealand. Tourism is also continuing to recover.

Going the other way, several powerful headwinds are containing growth. Risks arising from the Middle East conflict appear to be broadening from outright physical shortages of oil toward a prolonged period of elevated fuel supply-chain costs. While crude prices have eased from their peak, New Zealand remains exposed to renewed fuel price inflation and higher transportation costs.

Higher fuel prices are only part of the story. Administrative price inflation – including council rates – remains elevated, squeezing households and raising the risk that inflation proves sticky above 2%.

Figure 1. CPI inflation forecasts



Source: Stats NZ, ANZ Research

The risks described above mean there are wider-than-usual confidence bands around any forecast. With that health warning, our central view remains that the New Zealand economic recovery will continue, albeit at a relatively modest pace, that inflation will ease towards 2%, and that the OCR will peak at 3%.

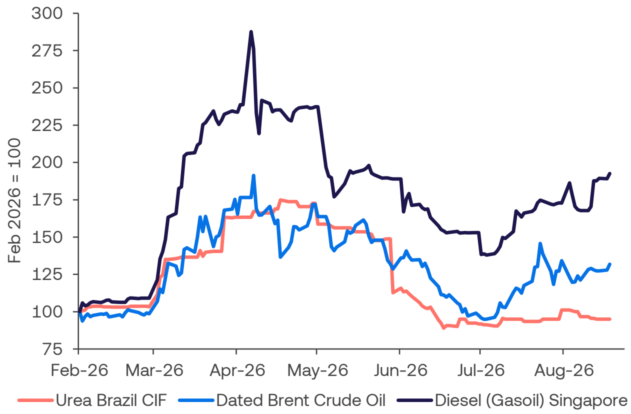
If inflation risks do not recede, the RBNZ may ultimately need to do more than is currently anticipated. Conversely, over time, the data may reveal that a 3% OCR is more restrictive than necessary. Ultimately, it is a matter of balancing the risk of doing too little now and having to compensate with an even higher OCR later, against the risk of doing too much and having to correct course with OCR cuts further down the track. The RBNZ is keeping its options open by sounding non-committal – sensible in this environment!

USD strength has persisted for longer than we expected, due in part to massive AI investment, market expectations of possible Fed hikes and the rise in US bond yields. We have downgraded our 2026 NZD/USD forecast from 0.64 to 0.60 but have left our 2027 forecast unchanged at 0.67. Given that the Kiwi ended 2025 at 0.58, that implies a small uplift for the rest of 2026 but maintains a stronger view for 2027.

Input costs troubling

Thanks to the US-Iran ceasefire breaking down in mid-July, it's been a dilly of a ride on the oil price rollercoaster. The only good thing to say is that this time the shock is less shocking. What's interesting about this second wave of higher oil prices is that diesel and urea prices are behaving differently this time. This will have implications for how on-farm costs evolve over the next few months.

Figure 2. Diesel prices defy gravity



Source: CME Group, EIA, SGX, ANZ Research

In particular, diesel prices have remained elevated since March relative to oil prices. Wholesale diesel prices ex Singapore are nearly double pre-conflict levels, whereas Brent crude oil is up only 25%. Refineries around the world are facing capacity constraints, and that's pushing up the prices of diesel and other refined products over and above the input cost of the crude oil.

The Middle East conflict has a lot to do with that. So does the Russia-Ukraine conflict. In recent months, Ukraine's long-range strike campaign has significantly damaged Russia's refining capacity. Russia is now obliged to export crude oil and import fuel. That's putting additional pressure on global fuel prices, whether that's fuel for tractors, taxis, boats, or jets.

Urea's price path has been quite different. Urea prices nearly doubled in April alongside crude oil. India's large-scale procurement programme, combined with China withholding exports, were key contributors to the sudden run-up in prices. Since then, global urea prices have even fallen below the pre-conflict baseline, despite further disruption in the Persian Gulf. India and China have completed their main planting seasons, so China has partially resumed exporting and India isn't bidding the market up this time.

This will have a slower impact on fertiliser prices ex-store in New Zealand, with current urea prices up 35-40% from pre-conflict levels. The main fertiliser companies were slow to pass higher costs on to their customers during the crisis, but they would have made some purchases throughout. A weaker NZD hasn't helped either. But prices should drift lower unless disruption hits global markets again.

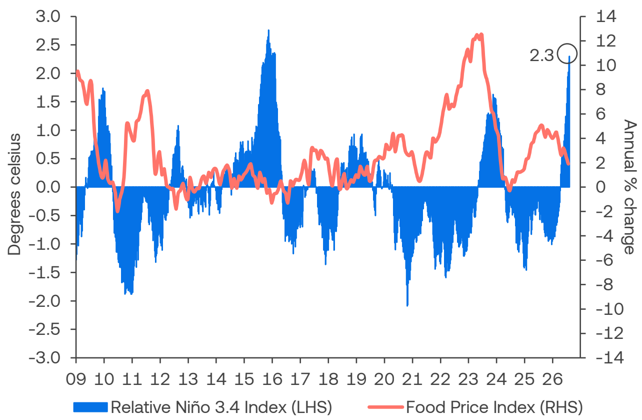
El Niño indicators already strong

Technically speaking, El Niño is already here, although for New Zealand its effects will become more noticeable as summer approaches. The El Niño–Southern Oscillation (ENSO) index usually peaks in November/December, so it's notable that the current event is already the sixth strongest on record. We are just getting warmed up, so to speak.

For New Zealand, El Niño favours westerly winds, bringing moisture to the western parts of the country but warm and dry winds to the rest of the country. Historically, Westland has been reliably wetter than normal. Taranaki and Southland have been wetter in some previous El Niño events, but not all. In contrast, the entire East Coast of both islands has been reliably hot and dry in prior events. The upper half of the North Island is likely to also skew warm and dry.

The clearest risk is for pasture production, with the impacts flowing into schedule and store prices. El Niño events typically force destocking in both New Zealand and Australia, and the resulting glut has a larger impact on lamb and mutton prices than beef. This is one of the reasons why El Niño events have a counterintuitive impact on food prices, both in New Zealand and globally. The chart below shows that New Zealand food prices often fall during an El Niño but rise the following year. That both indicates a delayed link between El Niño and higher prices, and hints at the many other factors driving food prices.

Figure 3. Relative Niño 3.4 Index and NZ food prices



Source: Stats NZ, Australia Bureau of Meteorology, ANZ Research

Amid all the dire warnings, Earth Sciences New Zealand reminds us that El Niño accounts for less than 25% of the year-to-year variance in seasonal rainfall and temperature in New Zealand. This is your regular reminder that every El Niño – and every farming season in New Zealand – is different. The main message is to be prepared and keep an eye on the sky.

US tariffs moult again

New Zealand has a new 12.5% tariff for exports to the US, but the net impact is expected to be relatively low. This replaces the 10% “balance of payments crisis” tariffs, which legally had a finite shelf life. This new 12.5% tariff applies to 60 of the US’s largest trading partners, although some received a lower 10% rate. This shouldn’t be much more disruptive than the previous situation, especially since many of our competitors (including Australia) also received the higher 12.5% rate. Beef and kiwifruit remain exempt.

The US is also investigating whether tariffs are needed to protect domestic lamb producers from Kiwi and Australian competition. This one is potentially quite serious for New Zealand’s interests. The US is the world’s largest lamb importer, so the global market would be significantly impacted if the US applied significant tariffs.

The US also declined to extend the United States-Mexico-Canada Agreement (USMCA) by the 1 July deadline. Instead of being renewed for another 16 years, it will now require annual joint reviews until it expires in 2036. This suits US President Donald Trump, who will appreciate the additional opportunities to apply leverage to the US’s trading partners. It’s less helpful for businesses making investment decisions across global supply chains.

Speaking of North America, the US administration also announced additional 50% tariffs on a wide range of Canadian products. These were due to take effect on 19 August but have been postponed for negotiations to continue. Of interest to New Zealand, dairy and forestry products are on that list. The dairy tariffs, targeting Canada’s milk powders and high-value protein products, could provide a significant opportunity to expand market share in that valuable market. For forestry, this could potentially increase demand for New Zealand’s panel and paper products, at the margins. Canadian sawn timber will likely be exempt.

Dairy

Powder power

Processors are making a dent into 2026/27 sales at good prices, especially for the milk powders. The longer high prices last, the better for the farmgate milk price. Global milk production remains strong despite heatwave headwinds in the Northern Hemisphere.

Dairy prices proving resilient

Dairy prices have been unexpectedly resilient this winter, which bodes well for the season to come. Heatwaves in Europe and North America are likely providing some upward impetus, as is the higher price of crude oil. The Middle East conflict is also having an impact through more difficult and costly logistics.

Interestingly, China's imports have not been a major driver in global dairy markets, at least not in the way they have been for most of the past two decades. Butter and cheese imports are up, but SMP and WMP import trends are fairly static. Growing domestic milk production and sluggish consumer demand are key factors here.

Milk powders are the main drivers of higher dairy prices in recent months, offsetting weakness in milk fats. The price spread between butter and skim milk powder (SMP) is a good way to look at this (Figure 1). In 2025, butter was USD5,000/MT more expensive than SMP. Today the price spread is a much more reasonable USD2,000/MT.

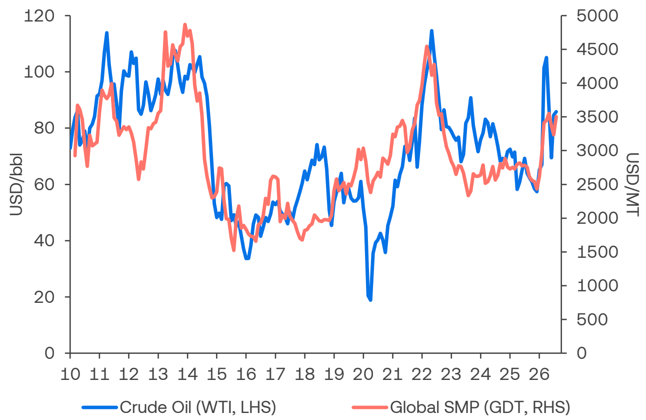
While butter demand is just as strong as ever, a concerted effort to increase production has helped turn the market back from its peaks in late 2024 and early 2025. Dairy farmers are increasingly focusing on the milkfat component of their milk production, leading to sustained gains in production. At the same time, investment in butter processing, especially in New Zealand, has brought more manufacturing capacity online.

Figure 1. Dairy commodity prices

Source: Global Dairy Trade, ANZ Research

SMP's price strength this year has almost nothing to do with dairy, but all the same it has lifted the floor for whole milk powder and the dairy complex as a whole. SMP has followed crude oil prices very closely for at least the past two decades (Figure 2). It's difficult to explain why, but the link is undeniable. This is especially true when there are good reasons for when the link breaks down (EU SMP intervention stocks in 2016-18, COVID-19 hurting fuel demand in 2020-21). Surprisingly, the oil link is far weaker for butter or whole milk powder.

Figure 2. Skim milk powder and crude oil prices



Source: Global Dairy Trade, CME Group, ANZ Research

Regardless of the reasons, processors are making a dent into 2026/27 sales at good prices. The longer it lasts, the better for the farmgate milk price.

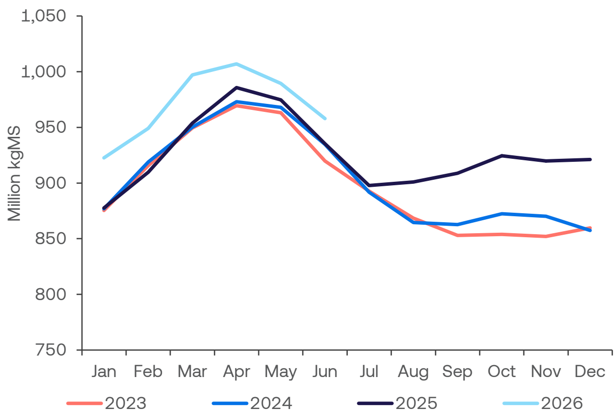
Global supply not wilting

Milk production growth is slowing from 2025's remarkable surge but is still growing enough to keep the global market well supplied.

Europe has dealt with an ongoing string of heatwaves since May. This has hurt milk production in France, Ireland, and the UK, although production has rebounded somewhat between each heatwave. Meanwhile milk production in Germany, Poland, and Central Europe is well ahead of year-ago levels, so the continent-wide impact of the heatwaves is less than the headlines would suggest.

Having said that, EU production is likely to seem weak through the end of 2026, but only because it will suffer by comparison to 2025's stunning performance. Figure 3 shows just how unusual the EU's seasonal milk production pattern was. There was a lot more autumn calving in 2025 as several countries recovered from 2024's bluetongue outbreak, a factor that's not likely to be repeated in 2026. In addition, EU milk prices have fallen 20% y/y, so there is less incentive to maximise production.

Figure 3. EU milk production

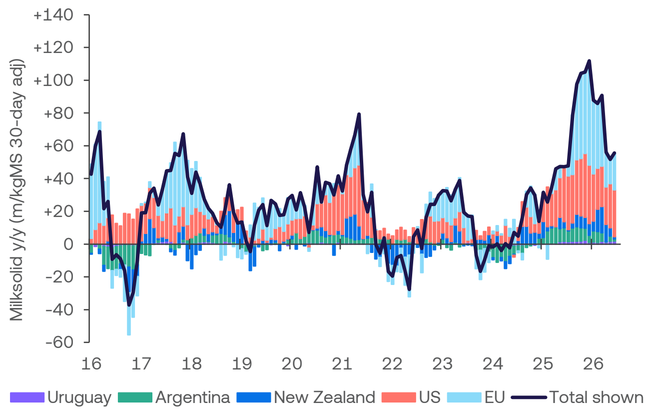


Source: Eurostat, ANZ Research

Meanwhile, US milk production is showing no signs of slowing down. Milksolid production has expanded by 2-3% y/y in recent months, and dairy cow numbers continue to set new record highs. Profit margins have held up thanks to affordable feed costs (for now) and dairy-beef calves providing a strong secondary revenue stream (up to 15% of dairy farm revenue). This has helped the US dairy industry remain in expansion mode despite falling milk prices.

Even though milk production is robust for now, there are some risks on the horizon. Europe's heatwaves could yet deliver lasting damage, the strong El Niño could hurt production in the Southern Hemisphere with droughts in Oceania and soggy weather in South America, and US production could lose momentum if beef prices drop and feed costs rise.

Figure 4. Milk production growth in key countries

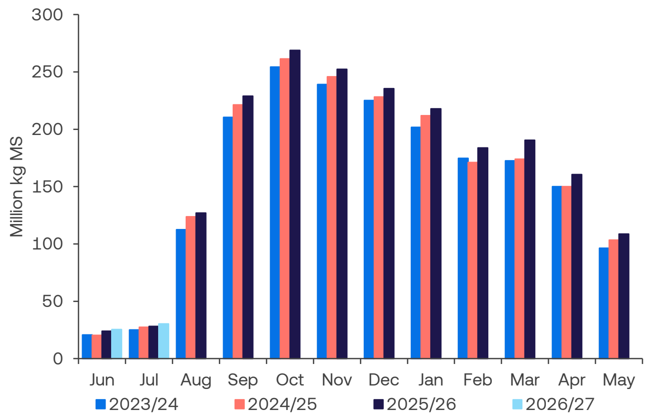


Source: NZX, DCANZ, Eurostat, US Department of Agriculture, Inale, Argentina MAGYP, ANZ Research

New Zealand milk production

Milk production for 2026/27 is off to a fine start so far. There are a few more cows in Canterbury this season thanks to new dairy conversions, with quite a few conversions still underway. While we don't have exact numbers, there are enough to incrementally boost milk production as they come online over the next few years.

Figure 5. Milksolid production



Source: DCANZ, NZX, ANZ Research

As always, the weather will play a role, especially with El Niño likely to hurt pasture growth in several regions. Imported feed can partially compensate. Interestingly, palm kernel expeller (PKE) imports have been weak in recent months. There is often a seasonal lull in imports this time of year. In addition, PKE prices have risen, alongside many other animal feeds, which is hurting demand. PKE prices were $350/MT this time last year, and now they're $442/MT. At the same time, farmers are budgeting for thinner margins, with a lower milk price and higher input prices making farmers more cost-conscious this year than they were over the past two years.

Farmgate milk price forecast unchanged

ANZ's current farmgate milk price forecast is $9.20/kgMS for the 2026/27 season. We expect a bit more price pressure over the next few months as New Zealand supply ramps up and global production maintains enough momentum to keep markets well supplied. Milk price futures are a bit higher, which could provide hedging opportunities.

Alongside higher input costs, profit margins this season will likely be tighter than they have been the past two years.

Figure 6. Farmgate milk price forecast

Source: Fonterra, ANZ Research

Sheep, beef, and deer

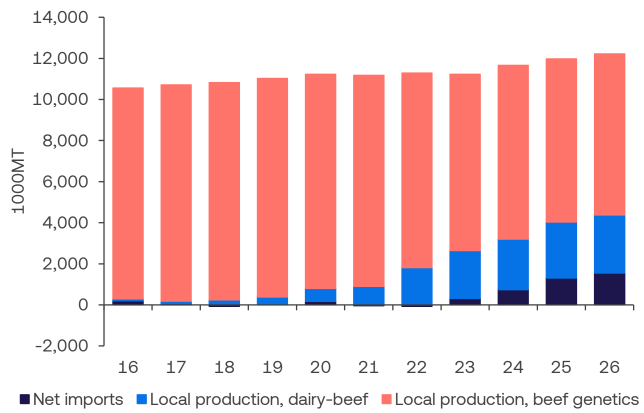
Prices nearing the top?

Farmgate prices are at or near record highs across the sector, but downside risks are starting to appear. US trade and biosecurity policy are the main concerns.

US shaking beef markets

Beef prices are falling in the US, our largest export market. A quick recap on dynamics in the US beef market might be helpful. US beef consumption has grown steadily over the past decade. At the same time, local production using pure beef genetics (as opposed to dairy-beef crosses) has fallen due to drought in 2022, compounded by the ban on live cattle imports from Mexico in 2024. As a result, 35% of US beef consumption now comes from the US dairy herd or from imports (net of exports), up from virtually nil a decade ago (Figure 1).

Figure 1. US beef market increasingly reliant on imports and dairy-beef



Source: US Department of Agriculture, American Farm Bureau, ANZ Research

The US administration would like to have tariffs on imports to support the domestic beef industry, but record high retail prices have instead prompted tariff exemptions over the past year. That situation left the US administration with few options to ease retail prices without undermining the domestic beef industry. With that context in mind, the US decided to partially reopen the Mexican border for live cattle imports, starting this month. The border has been closed since November 2024 in an effort to prevent New World screwworm (NWS) from spreading into the US.

NWS, a parasitic blowfly larva, is still present in northern Mexico, and has also recently spread into Texas and New Mexico. Despite the ongoing threat, some border crossings will be gradually reopened, supported by enhanced biosecurity measures. It's a risky move, but if managed well it could help the US administration succeed in softening retail beef prices.

Mexico has historically been a key source of young cattle for feedlots in the US border states, providing 1.2 million per year or 3-4% of US cattle supply. The border closure in late 2024 is a key reason US beef prices are as high as they are now, so the reopening is a significant event for the beef industry. Border crossing volumes are likely to take some time to ramp back up, and the reopening plan excludes Texas for now, but this is likely to take the heat out of imported beef prices.

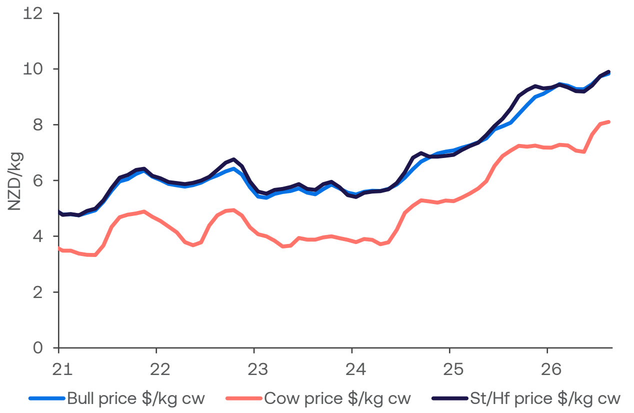
US beef herd numbers are stabilising but not yet growing, per US Department of Agriculture data. As at 1 July, beef cow numbers were down 0.7% y/y to reach another record low, but beef replacement heifers rose 2.7% y/y. This is the first sign of the US beef herd stabilising before eventually beginning a long-awaited rebuilding cycle.

Adding to short-term price pressure in the US, both Australia and Brazil have hit their quota limits for beef exports to China and have now turned their attention to the US market. US importers, realising they've finally got a bit of negotiating leverage, are pushing prices lower. Meanwhile, it creates an opening for New Zealand in China, where demand remains strong and most other major players are effectively shut out of the market until the import quotas reset in January 2027.

For New Zealand farmgate pricing, it is not quite enough to fully turn the market from deficit to surplus, but the market is showing some vulnerability for the first time in two years. Bull and cow prices are more at risk than prime steer and heifer prices. And if the outlook turns, the flow-on effect to calf and weaner prices will follow. In addition, the prospect of a dry summer should lead to a more cautious approach.

The reopening of the Mexican border to live cattle is a meaningful change to US beef supply, but prices had risen even before that border was closed. The US still needs imported beef to meet consumer demand, and it will take a few more years for domestic herds to rebuild. For now, let's enjoy the fact that farmgate prices are nearly $10/kg for bulls and steers/heifers, and over $8/kg for cows.

Figure 2. New Zealand farmgate prices vs US prices

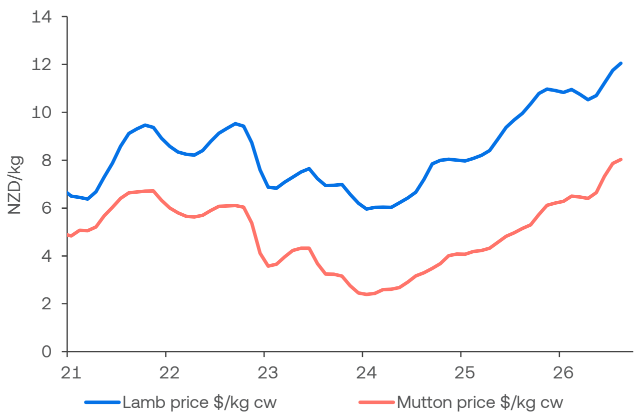


Source: AgriHQ, ANZ Research

Lamb prices set another record

Lamb and mutton prices continue to set new records, although risks are accumulating to the downside. Farmgate lamb prices are over $12.00/kg (up 21% y/y) and mutton prices have breached $8.00/kg (up 58% y/y). That's a lofty perch from which to ponder the potential impacts of a very strong El Niño and the US tariff investigation.

Figure 3. Lamb and mutton farmgate prices



Source: AgriHQ, ANZ Research

The ENSO index is already in strong territory. Each event is different, but every El Niño so far this century has coincided with falling lamb prices. Both Australia and New Zealand are exposed to the same drying conditions brought by an El Niño, leading to destocking in both of the world's major sheep meat exporters.

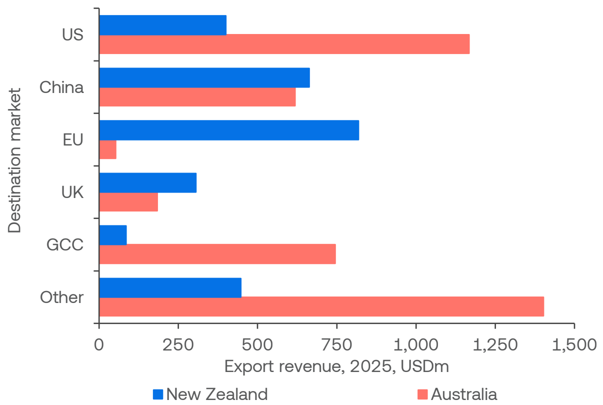
The US administration has officially opened an investigation into whether lamb imports have disadvantaged domestic producers. As the main exporters, Australia and New Zealand would be impacted if the investigation leads to additional tariffs targeting lamb above the 12.5% tariff currently in place.

The US isn't traditionally thought of as an important lamb market, but times have changed. By value, the US was the largest export destination for Australia and New Zealand in 2025, having overtaken China in 2024. For New Zealand, it accounts for 16% of lamb export revenue, behind only the EU and China. But for Australia, the US is by far the most important export destination at 28% of exports.

This means the US administration's investigation has high stakes for the lamb and mutton sector. Depending on how high the tariffs are (if any), it would create a significant ripple effect across the global sheep industry. The investigation will take several months and is due to report back in January 2027. This timing could be problematic if new tariffs are implemented at the same time as a summer drought in Australia and New Zealand forces a surge in supply.

Let's hope one or both of those things don't happen. All that doom and gloom is hypothetical, though, and here and now prices have never been higher. Supply remains tight, especially in New Zealand. This provides less scope for markets to be overwhelmed by a surge of production, as happened in 2023/24.

Figure 4. The US is the top export destination for lamb and mutton



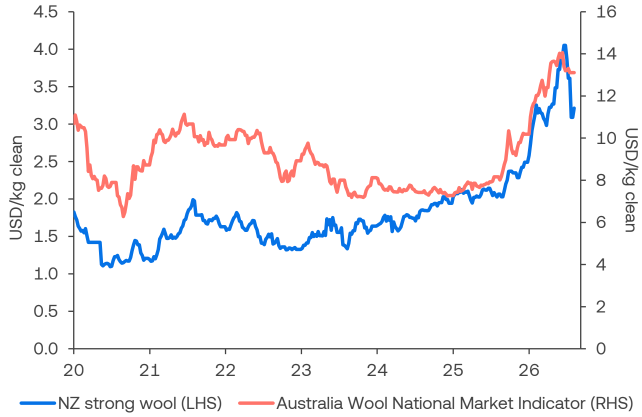
Source: UN Comtrade, ANZ Research

Wool prices clipped

Wool prices took a moon shot in May and June. The strong wool indicator hit $7.14/kg in late June before retracing to April levels. Buyers were falling over each other to secure supplies, but then seemed to abruptly decide they had overbought. There are no fundamental factors that could otherwise explain this price movement. Supply is tight on both sides of the Tasman; that hasn't changed. Demand is consistently strong.

Australia was affected by the same buying frenzy (Figure 5). Unhelpfully, no auctions have been held in Australia since 23 July, so we don't have the latest read in these fast-moving times.

Figure 5. Wool prices falling from lofty levels on both sides of the Tasman



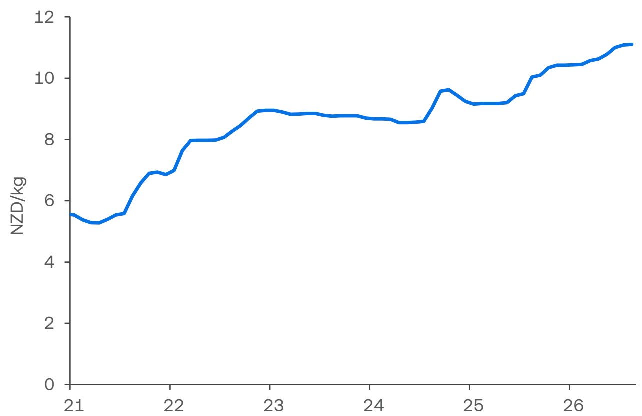
Source: AWEX, Wool Impact, ANZ Research

Ignoring the price spike and subsequent fall, strong wool prices are still over $5/kg clean, higher than at any other point in the past decade and up 55% y/y. For the 2026/27 season and beyond, it's hard to forecast where prices might settle, given the recent volatility. The market has likely moved to a permanently higher level compared with pre-2025 levels, so $3.50/kg might be a new floor price. That still leaves a wide range of possibilities for the current season and beyond.

Deer gains Vietnam market access

New Zealand gained market access to Vietnam for both venison and velvet. Initially, the main focus for exporters will be opportunities for velvet. There is already consumer awareness of velvet in the Vietnam market, and New Zealand exporters will be keen to open a new market. Currently most New Zealand velvet exports go to just two countries, China and South Korea, so it will be good to build a third market. Venison exports to Vietnam also have potential, but it might take more time to develop. China is our third-largest market (behind the EU and the US). The development of the US and Chinese markets for venison has been a key driver behind venison's strong and stable pricing, a pattern velvet will be keen to emulate. Venison farmgate prices are little changed at $11.10/kg. That's about $1.00 cheaper than lamb, but venison prices have been far more consistent across the season in recent years.

Figure 6. Venison farmgate prices



Source: AgriHQ, ANZ Research

Grain

Global production downgraded

Local grain prices have risen, supported by higher grain and PKE prices overseas. Dry weather in Europe, Australia, and the US have led to diminished output expectations.

Local prices lift

Local grain prices have lifted in recent months. Prices for imported grain and PKE are higher, and that's pushing some buyers to look to local alternatives. PKE in particular is $100/MT higher than each of the past two years, and dairy feed demand is likely to be strong again in 2026/27. Feed wheat and feed barley are the main beneficiaries of higher prices, while maize prices are flat.

Higher prices are welcome, but the NZ arable market is losing another large customer with the upcoming closure of a malting facility in Marton. This is in addition to the closure of several frozen/processed vegetable factories announced across the country. The arable sector relies on local demand and on being able to rotate crops. These closures are concerning on both accounts.

The impact of the malting facility's closure is evident in the sowing data. According to the Foundation of Arable Research, malting barley plantings will be under 1,000 hectares in 2026/27, down from 13,000 ha two seasons ago. Milling wheat sowing has also been cut in half, and overall grain plantings are down 17% over the past two years. Dairy conversions have contributed to this trend but so too has the drop in local demand and processing capacity.

On the bright side, the weather has been good for arable so far this year, and El Niño should lead to easier grain growing and harvesting conditions this season.

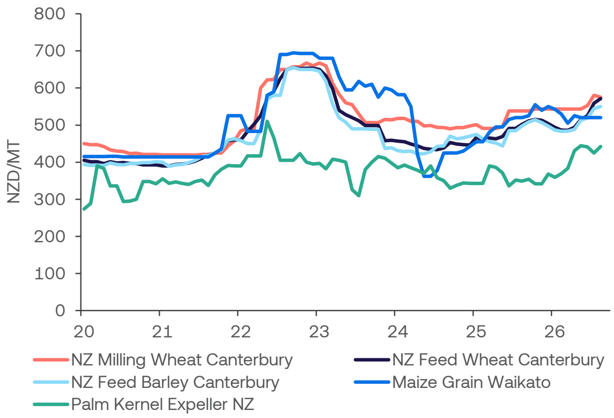
Global crop outlook downgraded

Global grain and oilseed prices are moving northward again. The price path over the past year has been volatile but still largely positive. US corn and soybean prices are up 20% y/y and wheat is up 40%.

Heatwaves in Europe and the US have forced downward revisions to grain yields in those regions, although the oilseed outlook is positive. Likewise, Australia's output is forecast to fall this season on account of dry weather. Last year's production was excellent, so a flip from great yields to below-average yields creates a stark contrast. On top of that, production costs are higher this year, so the mood in Australia has adjusted accordingly.

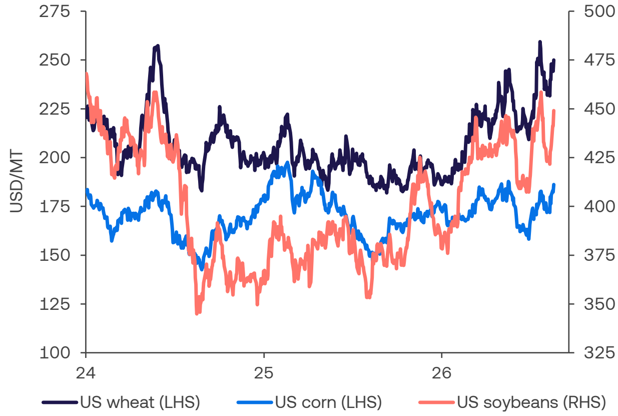
In contrast, the weather has been good in Russia and Ukraine, boosting yield forecasts. However, both countries have intensified airstrikes on each other's grain storage and export facilities in the Black Sea region. This potentially creates a situation comparable to that in the Black Sea in 2022, or to the current situation in the Persian Gulf, where the commodities exist but cannot make it to market.

Figure 1. New Zealand grain prices



Source: NZX, ANZ Research

Figure 2. US grain prices



Source: CME Group, ANZ Research

Forestry

Market stabilises

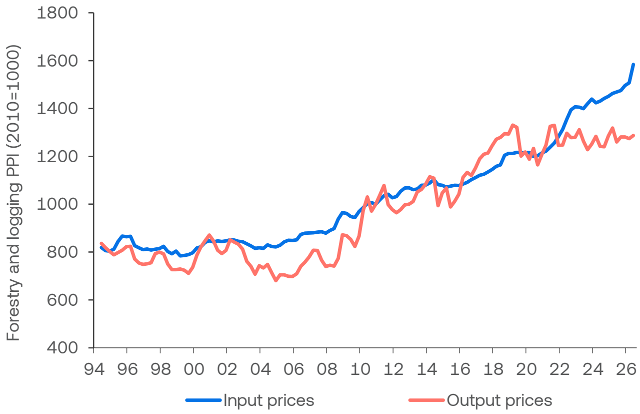
Log prices are holding up, and harvest volumes seem unaffected by tighter margins. The domestic demand outlook is optimistic, assuming the New Zealand economy continues to recover as per our forecasts.

Export prices stable

Log harvest volumes are up 1.7% year-to-date with reasonably strong numbers in May and June. In theory, harvest activity should have fallen on account of higher harvest and transport costs. Perhaps this happened in some regions, but the national picture doesn't show any evidence of that. The harvesting of windthrown logs in some regions and a slight uptick in domestic processing activity have made a positive contribution.

Still, harvest costs are much higher and margins are slimmer, a trend that has been developing since the end of 2021. On average, rising log prices kept pace with rising input prices from 2010 to 2021. But between 2021 and Q2 2026, input prices rose 27% while output prices were unchanged. It's clear from Figure 1 below that the Middle East conflict has made a difficult situation worse.

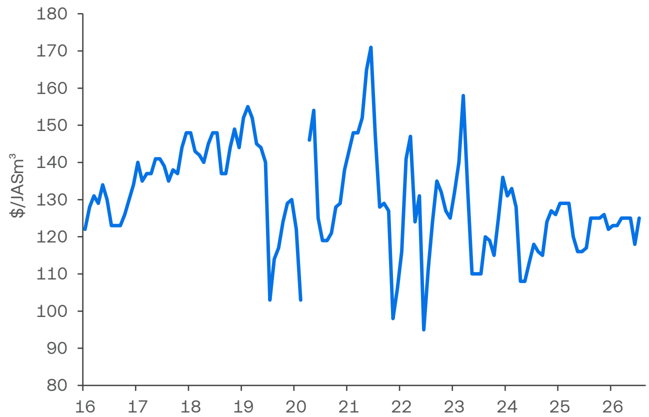
Figure 1. Forestry output prices not keeping up with input prices



Source: Stats NZ, ANZ Research

Export log prices have been remarkably consistent despite everything going on in the world. The latest wharf gate quotation for A grade logs was $125/JASm³. Over the past two years, this price has not drifted more than $10 in either direction from where it is currently.

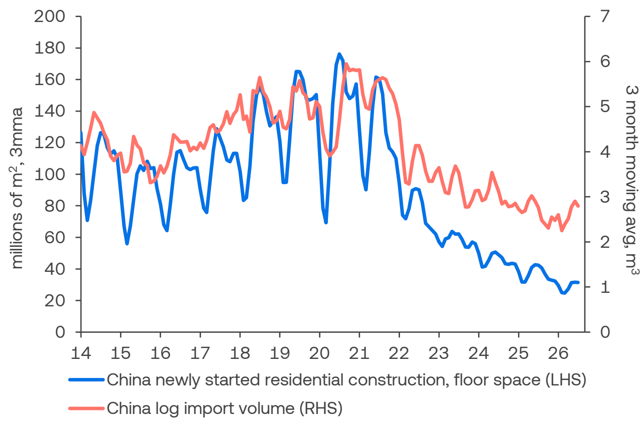
Figure 2. NZ export A grade log prices at wharf gate



Source: PF Olsen, ANZ Research

China's wood imports have declined since 2021, reflecting both cyclical and structural headwinds. The property downturn is the dominant driver, and the outlook remains challenging.

Figure 3. China new residential construction starts (m)



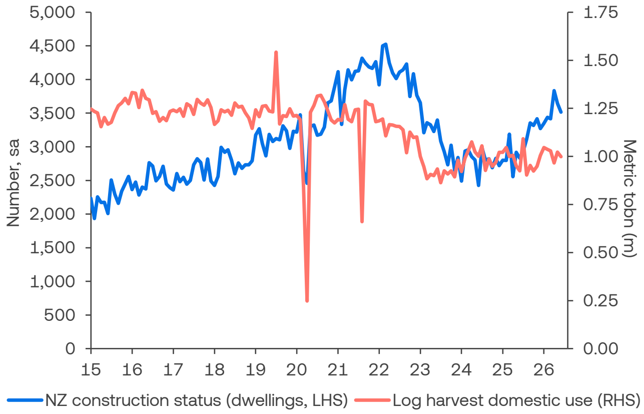
Source: NBS, ANZ Research

As of June, property investment contracted 18.0% year-to-date and residential property sales declined 13.7%. In Q2 2026, construction GDP contracted by 4.1% y/y, worsening from -3.8% in Q1 and -0.6% in Q2 2025.

Domestic demand looks to rebound

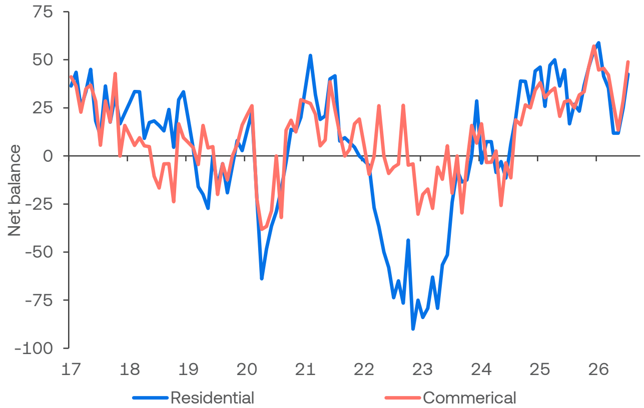
There are positive signs for domestic wood product demand with building consents trending up. Per the ANZ Business Outlook, construction intentions are still net positive, although the volatility in oil prices has fuelled swings in construction sector confidence in recent months. This should incrementally translate into increased business for sawmills and other wood processors.

Figure 4. Domestic demand trending up



Source: Stats NZ, Forest Growers Levy Trust, ANZ Research

Figure 5. ANZ Business Outlook: Construction intentions

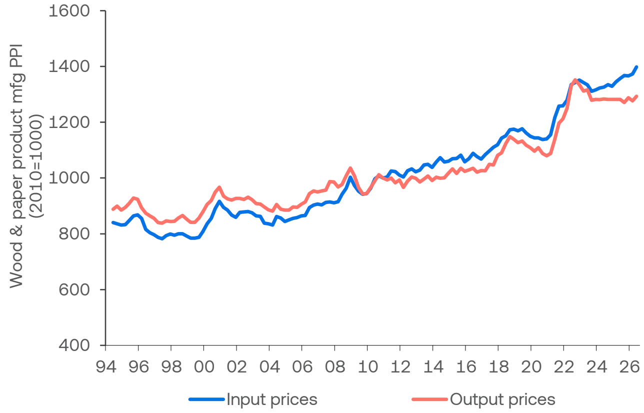


Source: ANZ Research

As demand recovers, processing capacity should tighten. Eight processing plants have closed in the past two years, taking some capacity out of the mix.

Higher costs remain an issue, especially for transport. New Zealand diesel prices have risen 45% since February, and fuel adjustment factors are still common. From a long-term perspective, wood products have become more expensive to produce. Output price growth has not kept pace with input prices for the past few decades, according to Stats NZ data (Figure 6). Since 2022, this has happened despite log prices holding steady. All the input price inflation has come from other inputs such as energy.

Figure 6. Wood processing output prices not keeping up with input prices



Source: Stats NZ, ANZ Research

Carbon market regains confidence

It's status quo for the carbon market. New Zealand Units (NZUs) have inched up to $56/NZU and have managed to stay over $50 since late April. That puts NZUs back in familiar territory – the carbon market spent most of 2024 and 2025 in the $50-65/NZU range. As time passes, it looks more like the price swoon in late 2025 and early 2026 was an outlier, though prices remain below the auction floor. There are currently 125.5 million units in circulation valued at just over $7 billion at current spot prices.

Figure 7. Spot NZU prices

Source: Bloomberg, ANZ Research

The Government also released updated settings for the New Zealand Emissions Trading Scheme (NZ ETS) which revealed no surprises. Auction floor prices will rise incrementally from $71/NZU in 2026 to $93/NZU in 2031, well above current market prices. At the same time, base auction volumes are forecast to reduce from 5.5 million MT in 2026 to just 1.1 million MT in 2031.

Assuming auctions continue to fail, unsold units will be cancelled at the end of each calendar year (as they have been in recent years). That will help supply tighten more quickly, although as offer volumes contract in later years, auction success/failure will have less of an impact on the market's overall supply/demand balance.

Hot and cold

The wine sector is grappling with structural adjustment this winter, much needed to rebalance supply with soft demand. For apples and kiwifruit, a very good season is progressing according to plan despite slightly weaker pricing in some markets.

Kiwifruit going gold

Zespri's local 2026 production is up 2% y/y, supported by great growing conditions and new plantings. Gold continues to incrementally replace green. Gold production rose by 14.1 million trays while green dropped 8.7 million trays.

Orchard gate returns per tray are expected to fall around 3.5% y/y for the two largest varieties. With a higher volume to sell and stiff competition from other fruits, kiwifruit sales were slower than expected in some markets. North America was an exception; the tariff exemption for kiwifruit was very good for sales to the US.

In the broader context, this year's pricing is still very good, especially for green. At $9.90 per tray, prices are 23% higher than the 5-year average.

Adding it all up, orchard gate revenue will increase again this year, with increased production and a shift to higher-priced gold offsetting lower prices.

Apple momentum continues

New Zealand's 2026 apple and pear season is going well, with good volumes and fruit quality. In-market prices are a little weak in the EU, due to a large harvest last year and stiff competition from other fruits.

Export volumes increased 12% in 2025 and are likely to rise another 7% in 2026. Yields are getting close to pre-cyclone levels in Hawke's Bay, reflecting continued recovery and maturation of newer plantings. Newer plantings are concentrated in intellectual property-protected varieties, most of which are performing well in orchards and in the market.

Developments in the Northern Hemisphere should support New Zealand's apple sector over the next year or so. The upcoming 2026/27 US crop is expected to be down 8% thanks in part to April frosts across several growing regions.

A hard frost also hit Europe in April, and as a result, 2026/27 output is expected to fall in every major apple-producing country. The EU's production is forecast to fall 15.6% y/y to the lowest levels since 2017, per the World Apple and Pear Association. Poland, the EU's largest producer, is facing a 29.9% decrease in production.

For now, the EU still has above-average cold storage levels following a good 2025/26 harvest. This has allowed EU markets to import fewer apples and export more so far this season, but this trend is likely to flip next season.

Table 1. Zespri orchard gate returns (OGRs) and production as at August 2026

	OGR per tray		Million trays supplied	
Kiwifruit variety	2025/26	2026/27 (March)	2025/26	2026/27
Green	10.28	9.90	63.5	54.9
Organic Green	13.72	13.77	3.6	2.9
SunGold	11.90	11.50	139.6	153.7
Organic SunGold	16.14	15.67	4.7	5.3
RubyRed	16.01	17.02	3.0	5.0

Source: Zespri

Wine adjustment underway

It has been an introspective winter for the wine industry, and perhaps an important one for determining the sector's path out of the current unprofitable situation. The wine market is oversupplied, both in New Zealand and globally, due to a fall in global wine consumption.

There are many vineyards without a supply contract for 2027 onwards, and they face tough decisions. Some growers have already pulled vines out. Others are mothballing vineyards in hope of better prospects in a year or two. None of this is easy, and the "correct" decision will be different for each business, based on vine age, contract prospects, and financial position.

Vines have a lifespan of roughly 25 years, so for some it makes sense to pull out older vines.

Grape growers then have to decide what to do with the land. Some will replant, though not necessarily right away. A year or two of grazing or annual cropping seems a reasonable option. Optimism in wine's long-term prospects is part of that choice; perhaps new grape vines will reach maturity as market conditions improve. Others are considering other perennial horticulture crops.

Mothballing makes sense for some, but there has to be positive intent to return to production within a year or two, and it has to be done right to maintain the plant's health. Without that, mothballing likely will not make financial sense.

Wineries similarly face tough decisions, leading to a round of consolidation around particular brands or growing regions. This is in response to falling consumer demand, an issue affecting the global wine industry, not just New Zealand. Several large multinationals have announced divestments or consolidations in recent months, impacting operations in New Zealand and overseas.

That ultimately is what's driving the pullback in supply contracts for growers, affecting most New Zealand regions. Gisborne is the most extreme example. Around half of the region's vines are expected to be removed after a large company withdrew from Gisborne.

The structural adjustment is underway, but it will be difficult to track progress. Normally it's fair to assume that planted area = harvested area. That's not true in the current environment, with some grapes left on the vine, vineyards mothballed, and land left fallow before redeveloping. This creates a statistical grey zone for decision-making going forward.

Rural property market

Increase in transaction volumes

Rural property transaction volumes are up 23% y/y, a good sign for the health of the agriculture sector. Interest rates are rising again, but overall the pastoral sectors are in good financial shape following two years of strong returns.

High commodity prices and low debt levels are fuelling increased transaction volumes in the rural property sector. Median sale prices have increased as well, according to Real Estate Institute of New Zealand data.

Rising interest rates and input costs are a slight headwind going forward, but those factors didn't seem to deter many transactions this winter. The positive momentum in the property market is likely to continue.

The sale of the Mainland Group to Lactalis has made a significant contribution to the sector's overall balance sheet, although some of those payments have gone towards property settlements over the winter period. Dairy transaction volumes are up 48% 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	325	219	205	↑	↑
	Median price ($ per ha)	37,508	38,217	35,953	↓	↑
Livestock	Number of sales	711	596	810	↑	↓
	Median price ($ per ha)	22,300	19,542	20,121	↑	↑
Horticulture	Number of sales	120	115	157	↑	↓
	Median price ($ per ha)	291,118	220,364	277,251	↑	↑
Arable	Number of sales	60	48	72	↑	↓
	Median price ($ per ha)	40,586	38,467	48,354	↑	↓
Forestry	Number of sales	63	60	57	↑	↑
	Median price ($ per ha)	9,783	10,546	9,377	↓	↑
All farms	Number of sales	1,451	1,183	1,370	↑	↑
	Median price ($ per ha)	29,433	26,542	26,738	↑	↑

Source: REINZ

Meet the team

We welcome your questions and feedback. Click here for more information about our team.

Sharon Zollner
Chief Economist, New Zealand

Telephone: +64 9 357 4094
Email: sharon.zollner@anz.com

General enquiries:
research@anz.com

Update your subscription
www.research.anz.com

David Croy
Senior Strategist

Market developments, interest rates, FX, unconventional monetary policy, liaison with market participants.

Telephone: +64 21 243 0945
Email: david.croy@anz.com

Matt Dilly
Agricultural Economist

Primary industry developments and outlook, structural change and regulation, liaison with industry.

Telephone: +64 21 221 6939
Email: matthew.dilly@anz.com

Miles Workman
Senior Economist

Macroeconomic forecast co-ordinator, economic developments, labour market dynamics, inflation, fiscal and monetary policy.

Telephone: +64 21 661 792
Email: miles.workman@anz.com

Matthew Galt
Senior Economist

Macroeconomic forecasting, economic developments, GDP, housing and credit dynamics.

Telephone: +64 21 633 469
Email: matthew.galt@anz.com

Natalie Denne
PA / Desktop Publisher

Business management, general enquiries, mailing lists, publications, chief economist's diary.

Telephone: +64 21 221 7438
Email: natalie.denne@anz.com

Important Notice

Last updated 18 June 2025

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

New Zealand. This document is distributed in New Zealand by ANZ Bank New Zealand Limited. The material is for information purposes only and is not financial advice about any product or service. We recommend you seek advice about your financial situation and goals before acquiring or disposing of (or not acquiring or disposing of) a financial product.

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

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

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

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

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

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

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

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