



New Zealand Agri Focus

Calm in the storm

October 2026



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Publication date: 16 October 2026

Calm in the storm

Amid all the unhelpful developments in global politics, climactic conditions, and financial markets in 2026, New Zealand's rural economy is in very good shape overall. The sector is in fine position to calmly weather (pun intended) whatever storms arise in the 2026/27 season.

High farmgate prices overshadow rising input costs

Agri-sector input costs are up around 5-10% as a result of the Middle East conflict. Diesel is the main pain-point currently, followed by urea, feed, and interest rates. However, high commodity prices over the past two years mean most sectors' balance sheets are in a strong position, and the outlook for 2026/27 is reasonably positive. There are exceptions to that story, especially in the wine, forestry, and arable sectors. There is a high probability of drought across much of the country this year due to El Niño, which would have a negative impact on pastoral production.

Tariffs drive beef market volatility, but demand still outstrips supply

Global beef markets are unsettled due to shifting import tariff and quota arrangements in China and the US. New Zealand's exports aren't directly impacted, but those of Australia and Brazil are. This is pressuring manufacturing beef prices, but supply remains tight and demand is still strong in both China and the US, which will support prices once these interventions stabilise.

NZ-India Free Trade Agreement takes effect

Having made relatively quick progress from signing in April to taking effect on 20 October, the NZ-India FTA holds promising new opportunities for the rural sector, especially for kiwifruit, forestry, and apples. The next key dates on the calendar are the US midterm elections on 3 November and New Zealand's general election on 7 November.

Around the sectors

Rising skim milk powder prices are by far the biggest contributor to an improving outlook for the 2026/27 season, offsetting weaker milkfat prices and defying strong global production. See our [Dairy](#) section.

Beef and lamb markets are dealing with changing trade policies, especially in the US and China. That shouldn't overshadow the sector's strong global fundamentals of tight supply and very strong demand. See our [Sheep, beef, and deer](#) section.

The kiwifruit and apple sectors wrap up a successful season, while the wine sector weighs how much structural adjustment is needed. See our [Horticulture](#) section.

New Zealand grain prices are lifting, and growing conditions are positive this season. See our [Arable](#) section.

Log prices are consistent, but input costs have risen sharply, putting the forestry industry under further pressure. See our [Forestry](#) section.

Global and macro

The world gets more complicated

Global interest rates are rising, which means higher interest rates and a weaker currency for New Zealand. US trade policy continues to impact, and the NZ-India FTA gets underway.

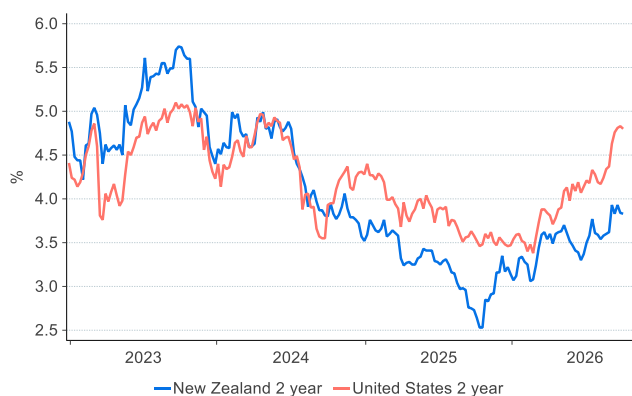
Rising inflation and global interest rates

Annual CPI inflation reached 4.1% in the June quarter, driven largely by higher fuel prices. We expect inflation eased in Q3 to 3.7% before rising to around 4.0% in Q4 as higher fuel costs flow through. The key risk the RBNZ is worried about is that elevated fuel costs and the weaker NZD could broaden into more persistent inflation.

With that in mind, further monetary tightening is expected. The RBNZ lifted the OCR to 2.75% in September, and we expect three further 25bp increases taking it to a peak of 3.50% – the top of the RBNZ's range of estimates for neutral – by March 2027.

Global bond yields have also risen sharply, driven by a combination of oil-driven inflation concerns, the AI investment boom providing more general competition for funding, and global concerns about the trajectory of government debt. This has been pushing New Zealand's interest rates higher as well.

Figure 1. Global interest rates rising faster than NZ



Source: Macrobond, RBNZ, U.S. Treasury, ANZ Research

New Zealand dollar falls

The NZD continues to weaken and the NZD/USD is now around 0.56, approaching the lowest levels since the Great Financial Crisis in 2009 and a global commodity price slump in 1998-2003.

The main driver here is the relative interest rates shown in Figure 1 above. Even though the RBNZ is amid a tightening cycle, central banks overseas are in the same boat. This means interest rates are more likely to remain higher overseas and leaves the NZ dollar struggling for attention relative to other currencies, especially the USD.

Figure 2. NZD/USD approaching the GFC low



Source: RBNZ, Macrobond, ANZ Research

This is good for our export competitiveness, but it does make imported farm inputs more expensive as well as tradeable goods for New Zealand consumers – including fuel! For rural New Zealand, this is net positive, but other segments of the economy would not share that opinion.

NZ-India FTA goes live

On 20 October, the New Zealand-India Free Trade Agreement enters into force. The FTA provides market-development opportunities across the agri sector, although dairy is largely excluded. Based on the potential of the market and the extent of tariff and quota reductions, the three most promising sectors are:

- **Apples.** Under the deal, tariffs will be reduced from 50% to 25% for exports up to 32,500 MT. This quota will rise to 45,000 MT by 2031. India was already our fourth-largest apple export destination despite a relatively high tariff prior to the FTA, so there is potential to quickly build on that existing platform.
- **Kiwifruit.** Tariffs will be reduced from 33% to zero for 15,000 MT (4.3 million trays) by 2031, and the out-of-quota tariff is a relatively manageable 16.5%. New Zealand shipped 2.1 million trays last year despite the 33% tariff, so there is good potential to increase exports beyond the quota limit.

- **Forestry.** Existing tariffs range from 5.5% to 11.0% depending on the product, and all will be eliminated by next week. This includes timber products as well as logs. Forestry products are currently New Zealand's largest merchandise export to India, so these reductions could be impactful in a very competitive and price-sensitive market.

US tariffs demand to be taken seriously

US trade policies remain very relevant for New Zealand's rural sector. The headline numbers are unchanged since July: a 12.5% tariff on most imports from New Zealand, with exemptions for beef and kiwifruit still in place. But there are three areas where the landscape is evolving.

Beef prices have been a pain point for US consumers for some time, and the US administration has sought ways to bring those prices down, at least until the midterm elections on 3 November. That's the context behind the US administration's decision to temporarily reduce out-of-quota tariffs from 26.4% to zero. Coincidentally, that suspension will expire at the end of November. That primarily benefits Brazil and other South American exporters. New Zealand export volumes haven't reached their tariff quota limit.

The US is also considering additional import tariffs on lamb. The US sheep industry claims that they are disadvantaged by imports from Australia and New Zealand. This move is in the opposite direction to the US's interventions in the beef market. Lamb doesn't have the same cultural resonance as beef, so the US administration feels it can appease sheep farmers without upsetting consumers/voters. An outcome of their investigation will conclude by 11 January 2027.

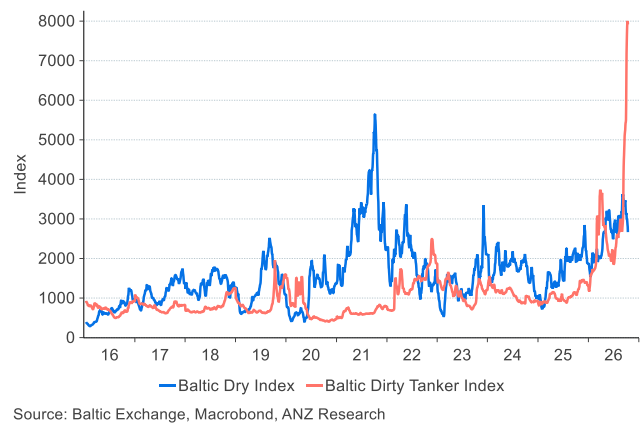
The US-Canada relationship has deteriorated significantly. Trade negotiations broke down in August, with tariff increases and import bans leading to further retaliations by each country. Of relevance to New Zealand, dairy products feature strongly in these actions, effectively cutting the US and Canadian dairy markets off from each other. This could provide some opportunities for New Zealand exporters to fill the gaps created.

Shipping congestion spilling over from oil to general cargo

Disruptions to global shipping are starting to accumulate, resulting in increasing port congestion, a decrease in shipping schedule reliability, and an increase in shipping rates. The main driver is the Middle East conflict, but the impacts have spread from an oil-specific problem to one that also affects container ships and bulk carriers.

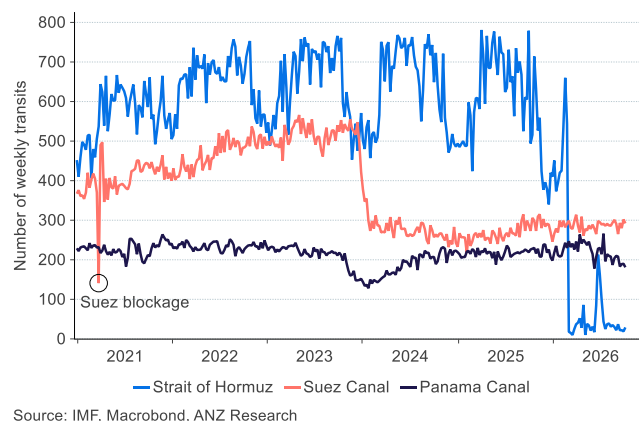
On top of all the other concerns with global shipping, the Panama Canal is starting to restrict traffic due to drought conditions. During the last El Niño in 2023/24 traffic volumes halved. This compounded the disruption to the Suez Canal route that began at around the same time due to the Israel-Hamas War.

Figure 3. Oil shipping rates sharply increase



Even though the Suez Canal route is facing new challenges in recent months due to renewed hostilities in Yemen and Saudi Arabia, the impacts are mostly limited to Saudi Arabia-specific traffic. Even though risks are no doubt greater for any ship passing through the Red Sea, higher fuel and freight costs mean that the shorter trip between Europe and Asia is worth the risk.

Figure 4. Key shipping lanes restricted*



* Transits through the Strait of Hormuz are significantly under-reported, since most ships now turn off their locator beacons as they pass through the area.



On the farm

Input inflation and drought risk

Input costs are rising and El Niño brings higher drought risk for the 2026/27 season. Farmgate prices are excellent for most products, however, so the overall outlook remains optimistic

Input costs rising

Oil and fuel costs are rising once again, and diesel is the most impacted product. Refining capacity has become just as much of a bottleneck as crude oil supply, if not more so. It is difficult and expensive to get crude oil out of the Persian Gulf, but not impossible. But there is also a lot of refining capacity in the region that can't be used. On top of that, Ukraine's success in attacking Russian refineries has temporarily turned Russia from a diesel exporter to an importer.

In addition, diesel demand is less responsive to higher prices than petrol is, due to its role in transport and agriculture. When you sell your livestock, they go on a diesel-powered truck; you can't buy them a bus ticket to save on fuel.

Figure 1. Diesel prices most impacted by disruption



Source: MBIE, Macrobond, ANZ Research

The fertiliser market has been less volatile in recent months, although it is not cheap. After doubling in April/May, global urea prices rapidly fell back to pre-conflict levels. The major fertiliser companies in New Zealand have both been able to reduce urea prices by around \$150/MT in the past four months despite a weaker NZD. Sulphur-based fertilisers remain a challenge because a large proportion of the world's elemental sulphur is a byproduct of the Persian Gulf's oil and gas industry.

All things considered, including higher feed and interest rate costs, farming expenses will be up around 5-10% in 2026/27 according to estimates by Beef + Lamb NZ and Dairy NZ. After two years of near-zero on-farm inflation and very high farmgate prices, most farms are in a reasonable position to deal with the resulting challenges.

Figure 2. Urea prices less chaotic in recent months

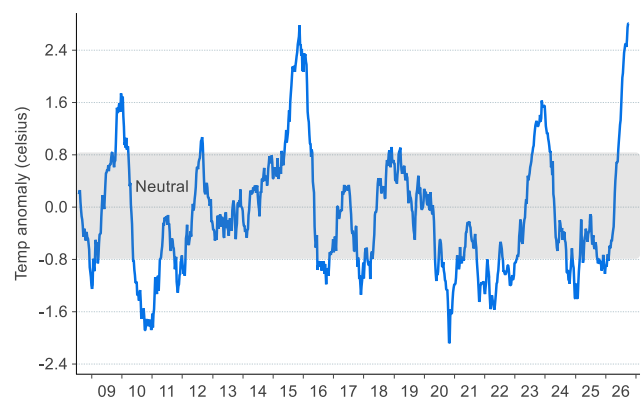


Source: CME Group, Macrobond, ANZ Research

El Niño has arrived

After much foreshadowing, the 2026/27 El Niño is here. As the below figure shows, it's already the strongest since 2008 and is likely to be the strongest since records began in 1950.

Figure 3. Relative Niño 3.4 Index

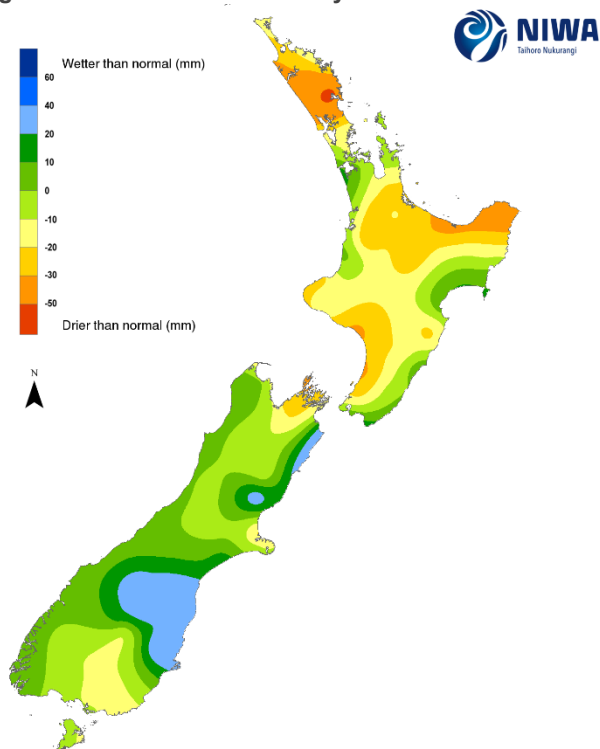


Source: Australia Bureau of Meteorology, Macrobond, ANZ Research

NIWA's forecasts for October-December present more or less 'typical' El Niño patterns, with strong westerly airflows across much of the country. This will likely lead to below-average rainfall and above-average temperatures are expected in all regions except for Westland and Southland.

The northern and eastern regions of the North Island are forecast to be the most at risk of drought conditions. The map below shows that parts of the North Island are already experiencing drier than normal soils.

Figure 4. Soil moisture anomaly as at 14 Oct



Fewer rural property listings

Sales volumes are up 21% y/y, with dairy property transactions leading the way, up 46% y/y. Only forestry transactions are lower than a year ago. Poor log prices, high production costs, and carbon market uncertainty are all weighing on sector confidence.

Looking ahead, listings are down 15-20% relative to this time last year, suggesting transaction volumes will likewise decrease over the next season. Perhaps the strong sales volumes over the past 1-2 years have cleared the backlog of landowners looking for an opportunity to sell.

Given healthy farmer balance sheets and high commodity prices, there might be a fair amount of interest in anything that does come to market.

At a national level, dairy prices have hardly moved over the past year and perhaps have even fallen slightly. This masks a fair amount of regional variability. South Island dairy land prices look much stronger. There is also increasing divergence in property values, even within the same land-use category. The best farms are fetching good prices.

Taking the regional and farm-specific factors to the extreme, there is a wide range of valuation across the horticultural sector. Gold kiwifruit properties are selling at roughly double the price of a comparable green kiwifruit property. As for viticulture, vineyards with sales contracts are one thing, but the ones without are effectively selling at bare land value.

Table 1. 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	330	226	208	↑	↑
	Median price (\$ per ha)	37,542	38,783	36,022	↓	↑
Livestock	Number of sales	727	613	804	↑	↓
	Median price (\$ per ha)	22,150	19,967	20,157	↑	↑
Horticulture	Number of sales	130	112	155	↑	↓
	Median price (\$ per ha)	287,455	207,391	278,549	↑	↑
Arable	Number of sales	60	48	71	↑	↓
	Median price (\$ per ha)	40,967	41,217	48,232	↓	↓
Forestry	Number of sales	57	62	57	↓	↓
	Median price (\$ per ha)	9,148	11,339	9,405	↓	↓
All farms	Number of sales	1,470	1,216	1,366	↑	↑
	Median price (\$ per ha)	30,175	26,600	26,769	↑	↑

Source: REINZ



Dairy

Worth a skim

Rising skim milk powder prices are by far the biggest contributor to an improving outlook for the 2026/27 season, offsetting weaker milkfat prices and defying strong global production. ANZ's farmgate milk price forecast was recently revised up to \$9.80/kgMS.

Skim prices not so slim

Dairy prices have lifted further in recent months, with skim milk powder (SMP) the star performer. At the latest Global Dairy Trade auction SMP reached USD3,847/MT and is now up an impressive 51.5% y/y. SMP's close correlation with oil prices is the clear driver.

Figure 1. Skim milk powder and crude oil prices



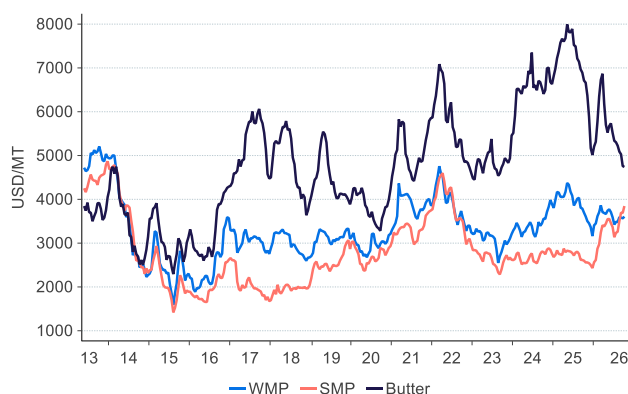
Source: Global Dairy Trade, CME Group, Macrobond, ANZ Research

Higher SMP prices have a direct impact on Fonterra's milk price model but also lift the value of whole milk powder (WMP) and other dairy products. WMP prices have strengthened in recent months alongside SMP, but not to nearly the same degree. At the moment, we are in the unusual position where SMP is more expensive than WMP. This only happens when oil prices are high, with recent examples being 2014 and 2022.

From 2023 to 2025, SMP was effectively a low-value byproduct of butter and anhydrous milkfat (AMF) manufacturing. In 2026, the story is quite different; current prices strongly incentivise the production of SMP-butter or SMP-AMF combinations at the expense of producing WMP or cheddar cheese.

That's true even though butter and AMF prices have fallen further in recent months. In contrast to the milk powders that are being influenced by oil prices, milk fat prices are currently responding to the strong milk flows coming out of every major dairy market (except China).

Figure 2. Dairy commodity prices



Source: Global Dairy Trade, Macrobond, ANZ Research

Global supply still expanding

Global milk production has been robust in recent months, even if the headline numbers look average. A bit of context is needed to interpret the recent numbers; 2025 was so good for every major dairy producer that 2026 and 2027 were always going to underwhelm in comparison.

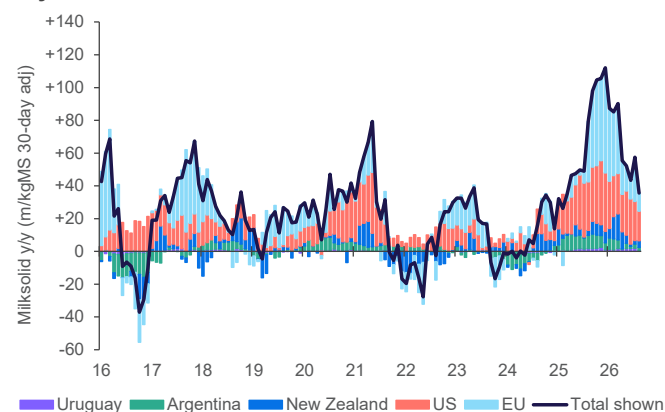
Production in the EU, for example, won't come close to matching 2025's milksolid production growth of 2.3%. Despite being challenged by heatwaves and a few minor biosecurity issues, milksolid production is on track to increase by 1.4% in 2026. That would be the second-strongest growth since country-specific production quotas were lifted in 2015.

Likewise for the US, milk production was up only 1.7% y/y in August. But that milk also contained 1.1% more milksolids than last year's milk due to ongoing efficiency gains. Adding it all up, US milksolid production is on track to rise by 3.2% y/y in 2026. That would be a good result in any year, but it doesn't look as impressive as last year's 4.3% growth. Production in key Southern Hemisphere markets show similar trends.

There are still risks to global production. Heatwaves in Europe reduced milk production only temporarily in most countries, but the impacts have been more persistent in the UK and Ireland. Input costs are up for both pasture-

based and feedlot systems. That could discourage production, especially in Europe where margins seem tighter. And El Niño could throw production off track, especially in the Southern Hemisphere. Until those risks materialise, however, there is plenty of milk in the world. Milk production growth is slowing from 2025's remarkable surge but is still growing enough to keep the global market well supplied.

Figure 3. Milk production growth (millions of kgMS) in key countries



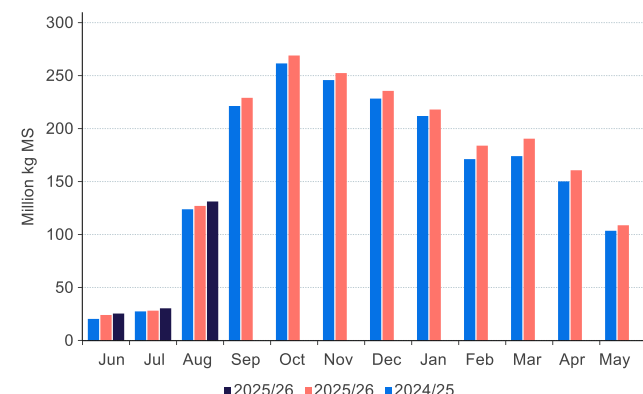
Source: NZX, DCANZ, Eurostat, US Department of Agriculture, Inale, Argentina MAGYP, ANZ Research

NZ milk production

Milk production gained momentum leading up to October, the peak month. As of August, season-to-date milk production was up 4.3% y/y. Cow numbers were up heading into the season, thanks to positive milk prices and new dairy farms in Canterbury.

Pastures might dry out as the season progresses, potentially impacting milk production from December onwards, but most regions are off to a good start in the meantime. Anecdotally, the South Island seems to be doing a little better than the North Island relative to last year, but very wet conditions in Southland could impact production in that region.

Figure 4. Milksolid production



Source: DCANZ, NZX, Macrobond, ANZ Research

Farmgate milk price lifts

We recently upgraded ANZ's [milk price forecast](#) from \$9.20/kgMS to \$9.80 for the 2026/27 season. The driving forces behind this revision is the weaker NZD and stronger skim milk powder prices.

The NZD continues to weaken, mainly driven by relative interest rates. As a result, our new farmgate milk price assumes the NZD/USD will average 0.59 across the season rather than 0.61. This is a key driver in the upward revision to our milk price forecast, along with a higher SMP price.

Higher oil prices are pushing SMP higher, while plentiful milk supply is otherwise pushing down prices on the other reference commodity products. Butter and AMF in particular are feeling the impacts of strong production out of North America and Europe.

Looking back to the 2025/26 season, Fonterra's farmgate milk price settled at \$9.69/kgMS, plus dividends of \$0.71/share and a \$2.00/share tax-free capital return. It was an eventful year, with the sale of Mainland Group, volatile dairy prices, and geopolitical shocks, but a very profitable one. Great milk production and (until the very end of the season) stable input costs complete the picture of a memorable season.

Figure 5. Farmgate milk price forecast



Source: Fonterra, ANZ Research



Sheep, beef, and deer

Political proteins

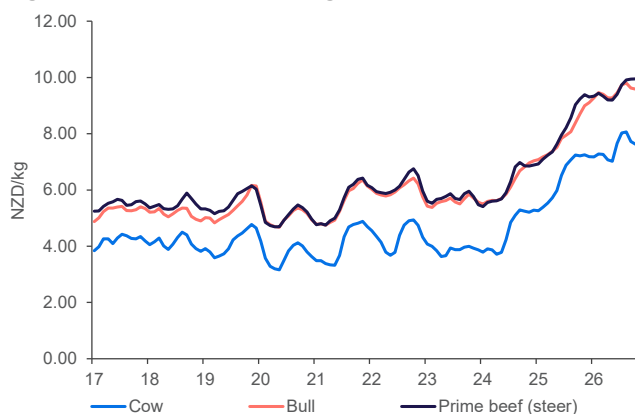
Beef and lamb markets are dealing with changing trade policies, especially in the US and China. That shouldn't overshadow the sector's strong global fundamentals of tight supply and very strong demand.

Beef markets unsettled until January

Farmgate beef prices have been drifting lower in recent months, at least for the manufacturing beef grades. Cow farmgate prices are down 5.4% in the past two months, and bull prices are down slightly as well. Prime steer and heifer prices are unaffected and are hovering at record levels.

In the broader context, a small correction in beef prices is not too concerning, even though input costs are rising at the same time. We are now more than two years into a sustained rise in prices. Bull prices are up 67% from 2023/24, for example, and cow prices are up 82%. In that context, a small price decline is something most farmers can work with.

Figure 1. New Zealand farmgate prices



Source: Agri HQ, ANZ Research

The other consideration is that the current price weakness looks temporary. In the US, President Trump's administration has taken steps to address high beef prices for consumers (who also happen to be voters at the upcoming midterm elections on 3 November). This includes removing out-of-quota tariffs on beef imports until the end of November. This mainly benefits South American exporters. At the same time, both Brazil and Australia have hit their import quotas in China, effectively locking them out of that market until January. Therefore, those two exporters are increasingly focussed on the US, and that's pushing prices down moderately.

On the other hand, that also means New Zealand is one of the only markets still able to export beef to China, so we've been uniquely able to take advantage of rising prices there.

Figure 2. China prices rise while US prices wobble

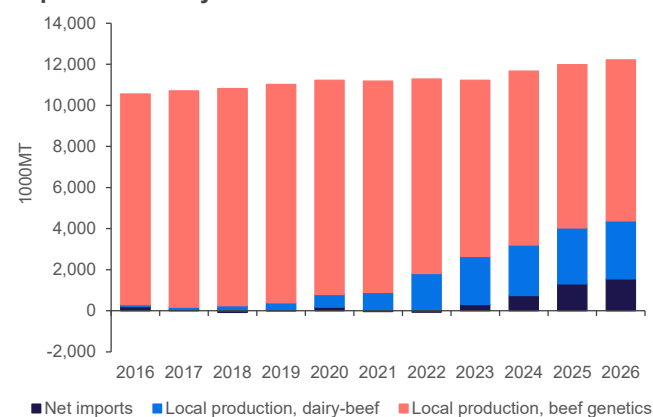


Source: MoA, USDA, Macrobond, ANZ Research

In the longer term, market fundamentals suggest high prices for at least the next year. Global supply is low and demand is strong, especially in the US. The US herd is not much closer to rebuilding than it was a year ago, and US consumers are increasingly reliant on imports and the US dairy sector for supply. This suggests that the current price weakness and uncertainty will fade with time, perhaps as soon as the US and China tariff quotas reset in January 2027.

Store markets in New Zealand seem to share that lack of concern. Even though manufacturing beef prices are down a bit, store prices are just as robust as they have been over the past year.

Figure 3. US beef consumption increasingly relies on imports and dairy-beef

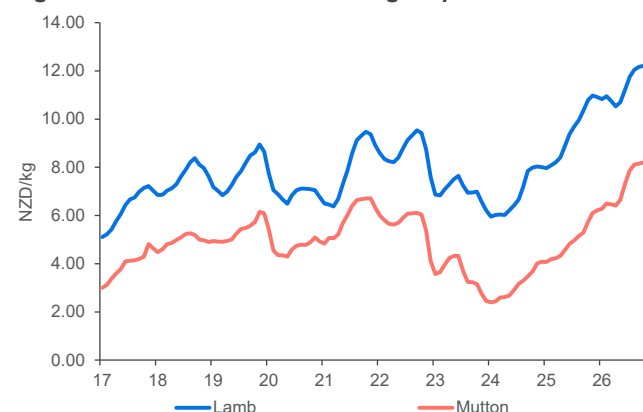


Source: US Department of Agriculture, American Farm Bureau, ANZ Research

Lamb and mutton markets watching the weather

Lamb and mutton farmgate prices have never been higher. Adding in wool's contribution, it's a good time to farm sheep. The spring has also been kind for lambing and for the most part, pasture conditions are good. Despite that positive setting, there are two concerns for the coming season: the weather and US trade policy.

Figure 4. Lamb and mutton farmgate prices



Source: Agri HQ, ANZ Research

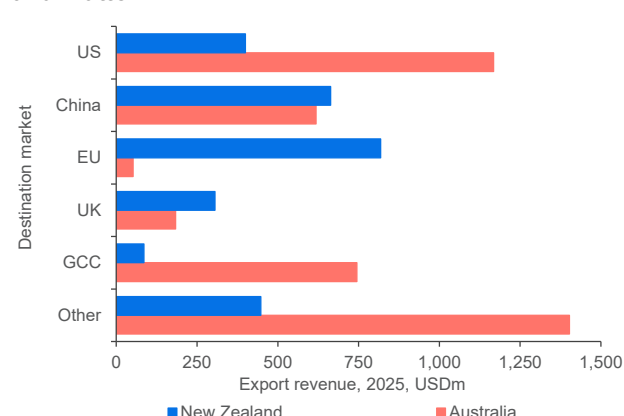
By this point El Niño should need no introduction, but it's worth reiterating that lamb and mutton are the most exposed for a few reasons. For one, the areas most likely to face a drought this summer are also key sheep-farming regions, such as the North Island's east coast. It's also not feasible to increase imported feed or irrigation on sheep and beef farms, unlike horticulture or dairy.

Somewhat counterintuitively for those not in the industry, less grass increases meat supply, as farmers send stock for processing earlier than otherwise. In that context, it's worth noting that Australia is also at risk of drought this season, due to El Niño. With Australia and New Zealand combining to account for around 85% of global exports, a drought-driven surge in supply would negatively impact prices, if it happens.

The US is investigating whether to protect US sheep producers with import tariffs. This could have a large impact on the global lamb and mutton trade since the US is the top import destination by value. Australia has a

higher market share than New Zealand, but both exporters would find it difficult to find alternative destinations if they were unable to access the US market.

Figure 5. The US is the top export destination for lamb and mutton



Source: UN Comtrade, ANZ Research

The final determination is due on 11 January, with interim reports expected in the coming months, so we'll soon know which way the winds are blowing.

Wool prices find stability

Looking through the unusual price movements in July and August, it's been an excellent year for wool. Wool prices seemed to be in freefall in August following a spike higher in July. However, since then, prices have stabilised at high levels. The strong wool indicator is near \$6/kg clean basis, up 45% y/y. Rising prices from competitor fibres such as cotton and polyester certainly help, but wool has been outperforming those alternatives for at least three years now. That offers some reassurance that current price levels might be sustained.

Merino wool is also having a fine start to the season. 18-micron wool is currently selling for over \$31/kg, about \$10/kg higher than last season.

Figure 6. Wool prices stabilising at elevated levels

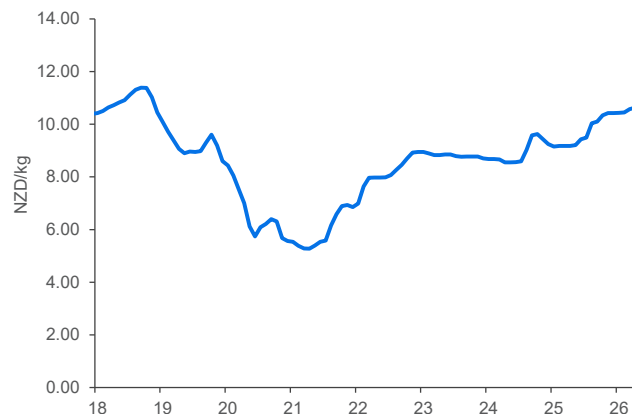


Source: Wool Impact, Macrobond, ANZ Research

Optimism for venison and velvet

Looking ahead to this summer's velvet season, there's reason for optimism after two difficult years. Last season saw some recalibration of velvet grading that market participants will now have had another season to get used to. Supply will be lower, with a number of older stags culled at the end of last season. This will not only help tighten supply relative to demand; it should also help reorient production toward the grades of velvet in demand by end users.

Figure 7. Venison farmgate prices



Source: AgriHQ, ANZ Research

Newly gained market access to Vietnam holds opportunity, even if it will take time to develop that market.

Venison prices continue to lift and farmgate prices are now at \$11.50/kg. The run of positive prices has been long and consistent: the last month that saw falling prices was January 2025. Consistent demand from the US, China and Europe has been a key factor in this, despite the surge in production last summer due to velvet stag culls. The weaker NZD also helps.

The outlook for the coming season is equally optimistic. It helps that venison has been largely overlooked when markets like China and the US impose import tariffs and quotas, unlike beef and sheep.



Horticulture

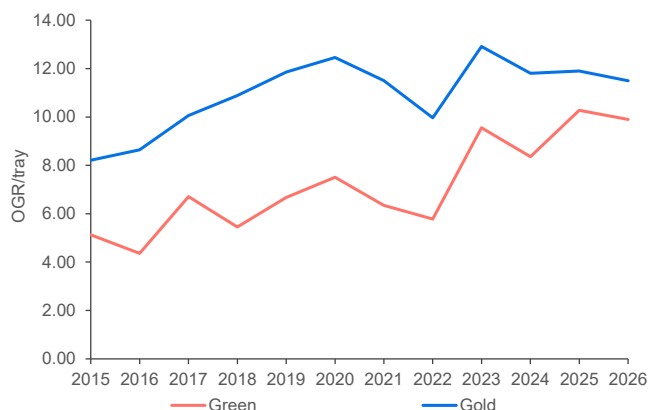
End of a good season

The kiwifruit and apple sectors wrap up a successful season, while the wine sector weighs how much structural adjustment is needed. The NZ-India FTA offers great opportunities across the horticulture sector.

Kiwifruit

As the 2026 export season draws to a close, it's apparent that it has been another great season. Production increased 3.8% overall, with gold and red varieties expanding and green reducing. This is consistent with recent trends and also reflects additional license releases that have boosted gold and red supply.

Figure 1. Kiwifruit prices lower, but still positive



Source: Zespri, ANZ Research

At the same time, orchard gate returns (OGRs) per tray are down 2.1% on average across all varieties, despite a weaker NZD helping boost returns. Some of that is due to stronger competition with other fruits for shelf space.

However, in the wider context, the OGRs this year are very good relative to both the long-term average and Zespri's long-term forecast. 2025 was exceptional, so slightly lower prices in 2026 is no cause for concern.

Looking ahead to the 2027 harvest, there are reasons for optimism. El Niño often brings good growing conditions for both kiwifruit and broader fruit and vegetable production in New Zealand, provided there are no irrigation restrictions.

China's domestic kiwifruit industry is developing quickly, especially for gold kiwifruit. China provides a counter-seasonal supply to New Zealand, much like the other Northern Hemisphere producers, but the shoulders of their season increasingly overlap with ours. In response, Zespri is considering adding China supply to its existing Global Supply arrangements in Europe and East Asia.

Apples

New Zealand's apple sector has wrapped up another positive season, with good fruit quality and higher export volumes. Hawke's Bay yields are nearing pre-cyclone levels as orchards recover and newer plantings mature, while continued investment in higher-value, IP-protected varieties is supporting returns. One of the newer varieties, Joli, launched in Vietnam this year with encouraging initial feedback. The final fruit is now moving through export markets, with prices generally holding up despite pressure in Europe and the UK.

Asian markets remain the main source of growth. Exports to India increased 31% this season, even before the NZ-India Free Trade Agreement takes effect. The agreement halves the tariff on an initial quota of 32,500 tonnes, rising to 45,000 tonnes over six years, providing a strong

Table 1. Zespri orchard gate returns (OGRs) and production

Kiwifruit variety	OGR per tray		Million trays supplied	
	2025/26	2026/27	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	154.3
Organic SunGold	16.14	15.67	4.7	5.3
RubyRed	16.01	17.02	3.0	5.1

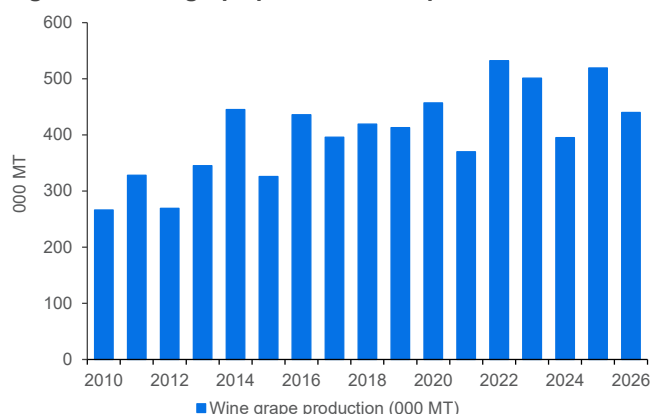
Source: Zespri

platform to build sales in one of the world's largest premium apple markets. Now the work begins on implementing the agreement at an operational level, including working with Indian apple growers to uplift the local industry in order to full obligations set out in the free trade agreement.

Wine production down in 2026

Recently released numbers for the 2026 vintage revealed a 15% drop in production from last season. There was a lot of uncertainty about where that number would land. Despite the weather being generally positive for production, price pressures meant that a large portion of the crop was left unharvested.

Figure 2. Wine grape production drops 15% in 2026

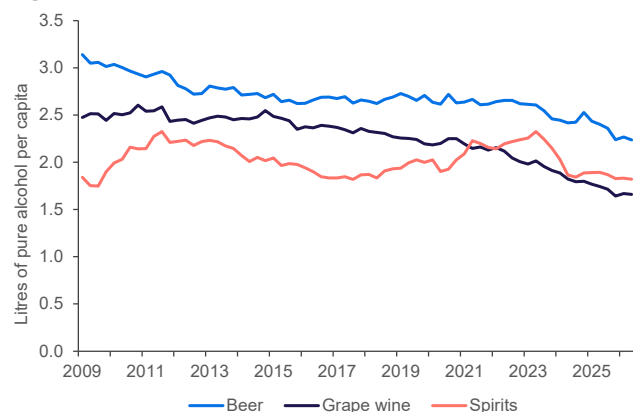


Source: Agri HQ, ANZ Research

Production is likely to drop further in 2027 with more vineyards being mothballed or removed. This is likely to affect most regions, including Marlborough, but it will be especially noticeable in smaller growing regions where a large proportion of vineyards are being removed. It is a difficult adjustment, but one that will hopefully result in supply and demand being brought back into balance.

Alcohol consumption per capita is falling in New Zealand, and global trends show a similar dynamic unfolding in many markets. Adding to the headwind is that wine is losing market share to beer and spirits (including RTDs). Consumption has ticked up slightly in the first half of 2026, perhaps due to an improvement in consumer confidence.

Figure 3. New Zealand alcohol consumption per capita



Source: Stats NZ, ANZ Research

Wine has not been exempted from the US administration's various tariff regimes over the past 18 months, including the current 12.5% rate. This hasn't been a sufficiently large trade barrier to cause any dramatic changes, but at the margins New Zealand exporters are shifting product to other markets, including Canada and China. The US now accounts for around 31% of New Zealand's wine exports by volume, down from 35% prior to Liberation Day.

The NZ-India FTA will see tariffs decrease from 150% to 25-50% over 10 years. While India is not currently a major destination for New Zealand wine, this does provide potential to develop the market over time.



Arable

Positive growing conditions

New Zealand grain prices are lifting, and growing conditions are positive this season. Overseas, the US crop outlook has improved, pushing global prices lower over the past two months.

Local

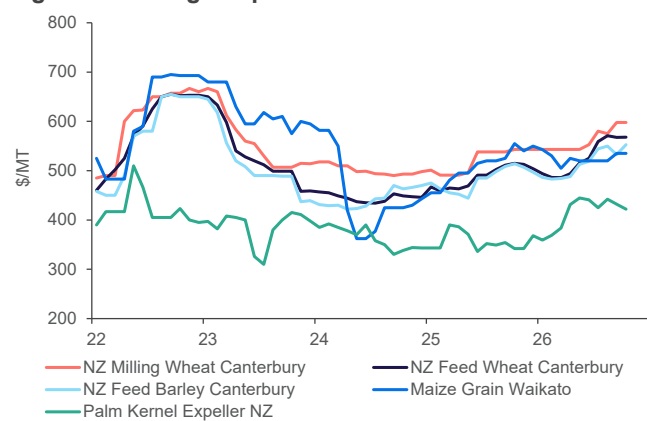
Growing conditions have been very good across most regions and crops the past few months. This raises expectations for good yields this season, much needed after a few difficult seasons and higher input costs this year.

On the demand side, feed demand should be stronger this year, with a wet start in Southland and potential for dry pastures across other parts of New Zealand.

Palm kernel prices are higher this year, and Australian wheat and barley prices are also rising. This should add a tailwind to local prices.

Food and industrial demand is weak, however. Malteurop left the market last month, with one malt facility in Marton closing and another in Ashburton changing hands. As shown in Figure 3 in the Horticulture section, alcohol consumption is down in New Zealand, including beer. This reduces demand for malting barley and removes another option for an arable farm's crop rotation. More options were taken off the table earlier this year with the closure of several frozen/processed vegetable plants and the resulting pullback in growing contracts.

Figure 1. Local grain prices



Source: NZX, ANZ Research

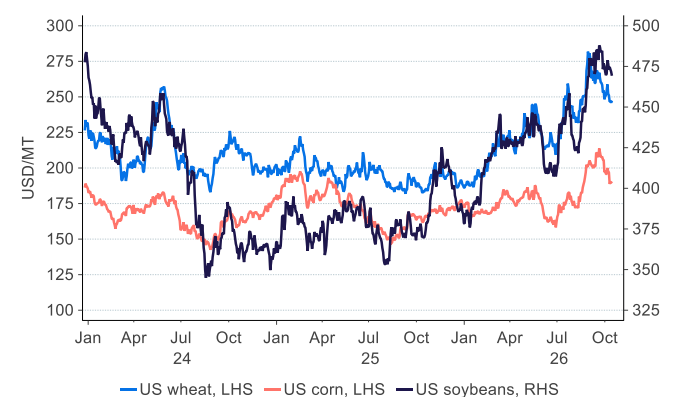
Global

Global grain prices have experienced a bit of whiplash in recent months. In August's [Agri Focus](#), we noted the US Department of Agriculture's assessment that crop conditions were deteriorating in North America and Europe. However, since then US prices have fallen back with a much-improved production outlook in the US.

That said, the global crop outlook is still weaker, due to poor growing conditions in Europe this summer. There is plenty of grain in Russia and Ukraine, but it will be difficult to get this product to market with increasing disruptions to shipping in the Black Sea.

Despite that whiplash, prices are higher this year in the US than last. Wheat prices are up 31% y/y, soybeans up 25% y/y, and corn up 14% y/y. This reflects tightening stocks resulting from lower global production.

Figure 2. US grain prices



Source: CME Group, Macrobond, ANZ Research



Forestry

Steady but unsatisfactory

Log prices are consistent, but input costs have risen sharply, putting the forestry industry under further pressure. The NZ carbon market will watch the election for guidance on future policy settings.

Export log prices unchanged

Export log prices are essentially unchanged over the past few months, with any upward bias due to the weak NZD offset by higher shipping costs. Export demand from China has been weak but consistent; hence the lack of volatility that the forestry sector often faces.

Between stable log prices and sharply higher harvest and transport costs, margins are very tight across the industry. This is reducing harvest activity, especially on smaller woodlots, but at the national level harvest volumes are still going strong, up 1.2% year to date through August.

The harvesting of wind-thrown logs continues in Nelson and the Central North Island, activity which cannot be delayed if any value is to be recovered. That activity, plus more consistent harvesting programmes in larger forests, is keeping the market well-supplied. There is potential for harvest volumes to fall in 2027 once those recovery programmes wind down, which could allow log prices to eventually strengthen.

Export demand will likely remain a challenge, however, with China's construction sector unlikely to recover soon. Focus will inevitably turn toward new opportunities afforded by the NZ-India Free Trade Agreement, but that is more of a medium-term opportunity rather than an immediate shot of adrenaline for the forestry sector.

Domestic market demand, on the other hand, is relatively positive, especially in the context of external price shocks impacting construction costs and business and consumer confidence. Despite higher costs and fuel adjustment factors, residential consent issuance and construction activity has been strong.

Carbon markets waiting for election results

New Zealand's carbon prices have drifted lower since July, with the latest pricing at \$50/NZU. Carbon markets seem to be in election-watching mode, with several parties proposing significant changes to the New Zealand Emissions Trading Scheme (NZ ETS). Some of these proposed changes echo the concerns raised by the Parliamentary Commissioner for the Environment (PCE) in a recently published [report](#). Among other key points, the PCE's report raised questions about the NZ ETS's current emphasis on net (rather than gross) emissions and the role of forestry as the scheme's main source of carbon credits.

Figure 1. Spot NZU prices



Source: Macrobond, ANZ Research

The last ETS auction of the year will be held on 1 December, and another failed auction is extremely likely. After that, all 5.2 million units that have been offered but unsold in 2026 will be cancelled. This will tighten the supply of units, but more tightening would be needed to rebalance supply and demand over the medium term.

For 2027, the Government will offer 4.3 million units across the four quarterly auctions, and the reserve price will rise from \$71/NZU to \$75/NZU. Under current market conditions and policy settings, the 2027 auctions are also unlikely to be successful.

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Last updated: 18 June 2025

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