All aces in agriculture for 2025?

New Zealand agribusiness outlook 2025

RaboResearch Food and Agribusiness

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Rabobank

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This report is based on information available as at 30/01/25

2025 Commodity outlooks

Dairy
Global dairy fundamentals remain mostly balanced moving into 2025 and, assuming normalised trading conditions, the year ahead should bring a period of prosperity for New Zealand dairy farmers.

Beef
Global demand is likely to remain very strong over 2025, keeping farmgate prices above five-year averages. The positive outlook for cattle production continues into 2025.

Sheep
With upticks in global demand for sheepmeat and declining Australian sheep inventory, the outlook for sheepmeat in 2025 is vastly better than in 2023/24, with much improved optimism in the industry.

Venison
In 2024, reduced supply was met with strong market recovery and an upswing in volume and value toward the US. Deer Industry New Zealand has launched its North America retail accelerator project that aims to add more value and boost US exports into 2025.

Kiwifruit
SunGold production is expected to increase globally, with a similar trend likely for New Zealand's kiwifruit exports. The Ministry for Primary Industries forecasts that 2025 could deliver record export values.

Consumer foods
Food inflation has started the year under control. The outlook for commodities looks mostly favourable from a food price perspective, barring some notable outliers, which will cause more headaches for consumers in 2025.

Farm inputs
The rise seen for many farm inputs over the past 12 months can partially be attributed to a sharp weakening of the New Zealand dollar. RaboResearch anticipates the NZD/USD exchange rate to hover around current levels over the next 12 months, which should keep most inputs within a range.

FX & Interest Rates
Indications that inflation is now likely to be under control may give the Reserve Bank of New Zealand more room to cut the Official Cash Rate, and the New Zealand dollar will probably remain under pressure as the world enters a challenging new environment for global trade.

Oil and freight
Donald Trump's promise to "drill, baby, drill!" is aimed at lowering energy prices, but that could be limited by the high cost structure of US producers. RaboResearch now estimates that China has passed peak oil demand for transport fuels, and shipping rates could be pressured higher by tariff disputes.

Government and regulation
Change remains constant in this space, with potential movement ahead for live exports by sea, more Resource Management Act reforms, changes to the Emissions Trading Scheme, along with new Climate Change Commission members.

A strategic hand if we play our cards right

The last several years of market dynamics have dealt New Zealand food producers a mixed hand, seeing producers shuffling through some challenging times. From record highs achieved for many commodities in 2022, to significant lows in 2023 and 2024. **The 2025 deck will contain a motley mix of cards for New Zealand agricultural producers, providing a relatively strong hand for the year – with some aces and jokers for good measure.**

Stacking the deck for 2025 are several potential draws:

1. **The Trump card.** With President Trump reintroduced to the White House, this card promises to keep markets volatile this year. The threatened trade duties/tariffs, if imposed, will likely weigh on global trade and economic growth and possibly evoke retaliation, providing more uncertain export settings in an increasingly fragmented trading environment. For New Zealand, two main risks lie ahead: a stronger US dollar and its implications for related purchasing power; and market access consequences. Agri-commodities might not be immune to these risks, both positively and negatively, with the US being a key market for beef and the second-largest market overall for the primary sector, behind China.
2. **The joker: Geopolitical supply chain war.** The war in the Middle East, including the re-routing of ships away from the Red Sea piracy attacks, is currently on pause but might not fade. The war in Ukraine can still impact grain markets (and therefore feed prices) if Russia progresses further west and limits Ukraine's grain exports. Increased defence spending by governments is on the cards, and thus 2025 is likely to be characterised by increased trade tensions, protectionism, conflict, sanctions, and national security concerns. This is the year that economic policy and economic statecraft really entwine toward a Grand Macro Strategy, providing the setting for a geopolitical supply chain war where our usual export markets might not necessarily remain neutral playing fields. This will require New Zealand exporters, executive leadership teams, and governance boards to think even bigger-picture and more long-term, beginning with the new end in mind for our key markets.
3. **The wild card: Re-emerging input cost pressure.** Input cost pressure remains a concern in light of geopolitical tensions and global trade fragmentation. Global farm input prices, both for fertilisers and for plant protection products, are forecast to move sideways to slightly higher. Global urea and phosphate prices in New Zealand dollar terms have already inched upward from 2024 lows. With New Zealand importing most fertiliser, the weaker New Zealand dollar was a key driver in this move. While we don't expect very big price swings for 2025, we do see more upside than downside price risk this year. Furthermore, while our global crude oil price outlook calls for Brent to drop below USD 70/bbl due to an oversupply, the early 2025 price rally is heavily driven by fear of escalation in the Middle East. Coupled with a weaker New Zealand dollar, this also poses import cost pressure for refined products.
4. **The ace: Optimistic farmgate price settings.** Trump and wild cards aside, supply and demand fundamentals are expected to underpin more optimistic farmgate pricing for many of our key commodities in 2025. A global contraction in beef numbers alongside strong anticipated demand from the US is likely to build upon an already strong pricing base for this year and beyond. Dairy producers are looking at balanced market dynamics, supporting record nominal farmgate pricing for the 2024/25 season. Sheepmeat, the laggard of the bunch, has kicked off 2025 with lamb prices nearly NZD 2/kg higher than last year. Australian sheep numbers are finally dropping, and good demand from the UK, EU, and US has underpinned recent returns. If China picks up some demand for mutton, we could be looking at a full house for most farmgate prices.
5. **The queen of hearts: Interest rates.** Movements in the Reserve Bank of New Zealand (RBNZ) Official Cash Rate (OCR) will be crucial in determining the strength of the 2025 hand. As we have seen in recent years, interest rate movements have had far-reaching consequences for inflation and economic growth. Just as the queen of hearts can change the game in a heartbeat, a sudden interest rate hike can turn the financial deck upside down. RaboResearch forecasts that the RBNZ will have the comfort they need to cut the OCR by another 0.50 percentage points in February 2025 and to ultimately take the rate down to 3.25% by July this year.

All in all, a royal flush of opportunities ahead for 2025, if we play our cards right.

Climate

Welcome summer rain in some regions kicks off 2025

According to NIWA, 2024 was the tenth warmest year on record, while globally it was the warmest year since records began. On home soils, it was a warm year for most, with the driest conditions in the eastern regions of both islands. Rain in late December was a welcome relief for New Zealand, alleviating very dry conditions in some areas.

The NIWA outlook for early 2025 sees a La Niña Watch remaining in effect for New Zealand, with warmer than average sea surface temperatures in the far eastern tropical Pacific, contributing to atypical La Niña-like weather patterns. Using international guidance from January to March 2025, there is only a 40% chance of meeting typical La Niña thresholds, so this remains a point to watch. There is a 60% probability of ENSO-neutral conditions persisting.

Despite uncertainty about whether La Niña will develop this summer, NIWA suggests that weather patterns will be broadly consistent with La Niña-like conditions. This may be experienced as westerly quarter winds (from the southwest to northwest), interspersed with easterly quarter air flows (from the southeast to northeast). There is potential for tropical rain patterns through March 2025, with a risk of occasional heavy events. Most of New Zealand, except the west and east of the South Island, has equal chances for near normal or above normal rainfall over the next three months.

Ambient air temperatures are expected to be above average for the North Island, with near average or above average temperatures in the South Island. To caveat this, especially in the South, air flow patterns may increase the likelihood of cooler than usual summer temperatures at times.

Soil moisture levels and river flows are expected to be near normal or below normal across the North Island and east of the South Island, and near normal for the west and north or the South Island.

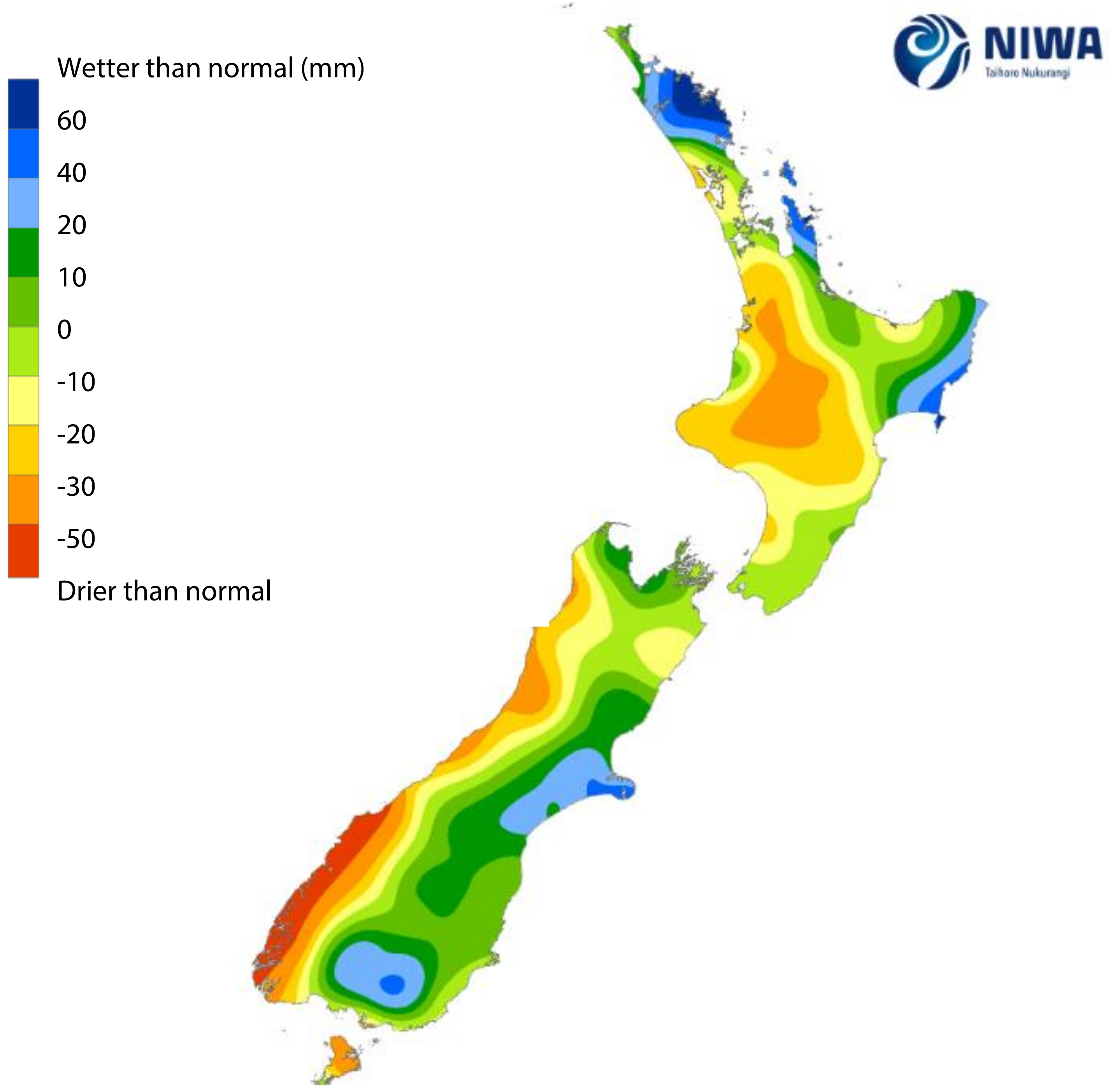
What to watch:

- **The temperate climate of New Zealand can see vast differences across regions at any time.** If recent years are anything to go by, the weather can be unpredictable and widely varied across the country. Conditions can change quickly. At the time of publishing, the Waikato region is experiencing reasonably dry conditions for the first time in many months. Meanwhile, some areas that were on the verge of drought now have at least a month of good feed ahead of them. Proper feed budgeting and planning will, as always in homegrown feed-focused farm systems, play a huge role in the year ahead.

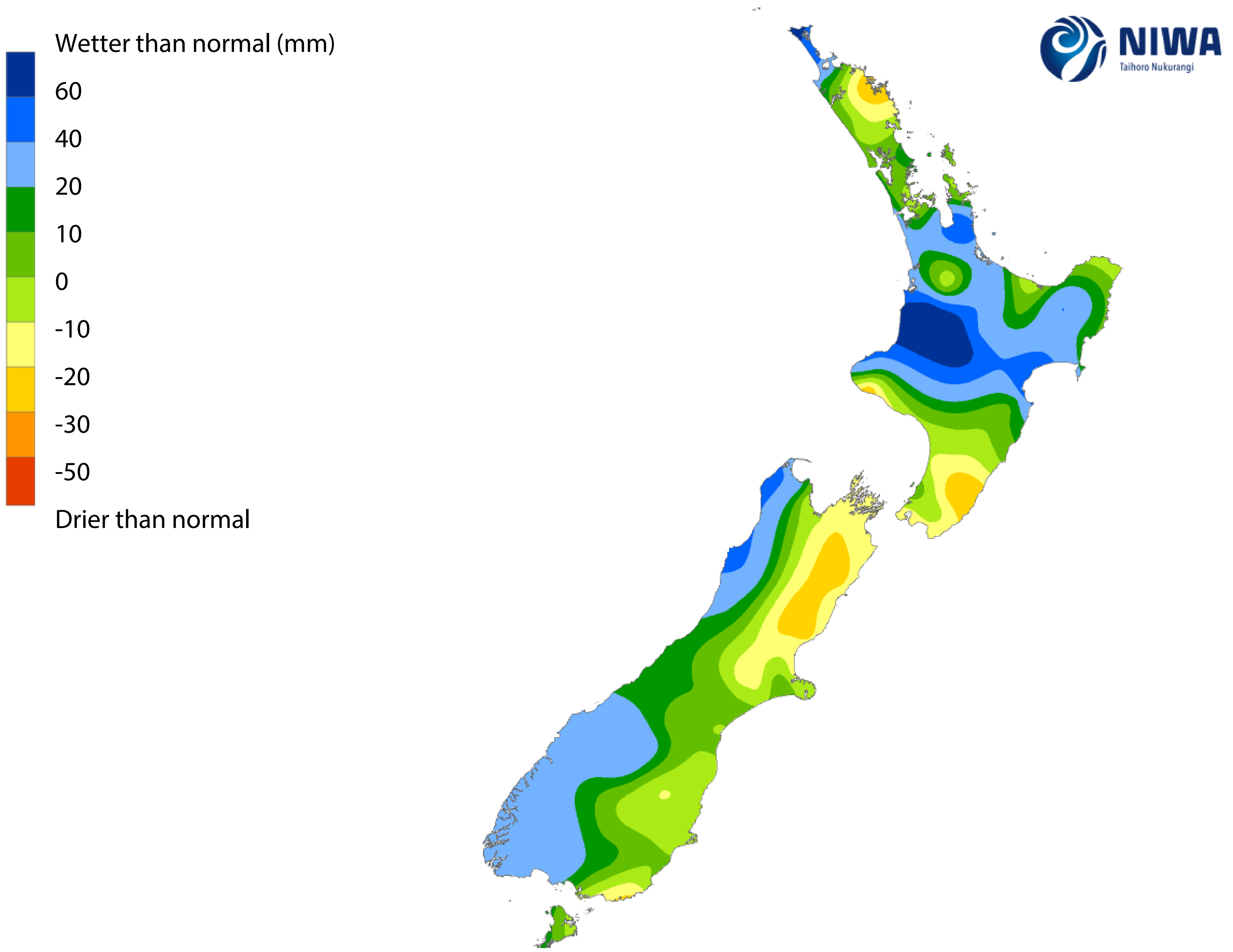
Climate

The east coast saw welcome rain to end out 2025, while the west is looking drier

Soil moisture anomaly (mm), 28 January 2025



Soil moisture anomaly (mm), 30 January 2024



Source: *NIWA, RaboResearch 2025*

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Dairy

A more prosperous year ahead for New Zealand farmers

The year 2025 is on track to be the year that milk supply growth is likely to eventuate from all major exporting regions. Since the end of last year, global milk supply growth from major exporting regions has been on the rise. We think 2025 volumes are likely to hit around 323m tonnes, on par with the prior year. Milk production momentum will continue through 2025, supported by improved profitability for farmers. RaboResearch forecasts 2025 production to be 0.8% YOY higher, a level not anticipated to overwhelm markets.

This year is also likely to be a year of improved margins for most producers in exporting regions. Farmgate milk prices are trending higher than year-ago levels. Furthermore, across the global feed complex, there are no significant issues for dairy producers due to mostly favourable prices and availability. Dairy farm margins are likely to benefit from these factors.

For New Zealand dairy farmers specifically, the year ahead is likely to be characterised by improved demand from China, following multiple years of declining import volumes.

Farmgate milk prices in China shifted lower once more in December 2024 marking a 15% YOY decline. However, this trend reversed in January 2025, with the Chinese milk price shifting upward – a tentative signal that the oversupply of local dairy in the Chinese market has hit the bottom. This follows herd reductions and farm exits, particularly among smaller operators, earlier in the year.

Locally, New Zealand milk supplies have continued to grow. December 2024 milk collections were 1.4% higher than the prior year, bringing season-to-date production to 3.1% on a tonnage basis. The weather over the summer period has supported excellent grass growth. However, strong growth rates last December resulted in weaker monthly growth rates compared to the earlier trends of the season so far. We will likely see stronger production figures compared to last year remain a theme over the beginning of 2025.

Global dairy fundamentals remain mostly balanced moving into 2025, and assuming normalised trading conditions, the year ahead should bring a period of improved prosperity for New Zealand dairy farmers.

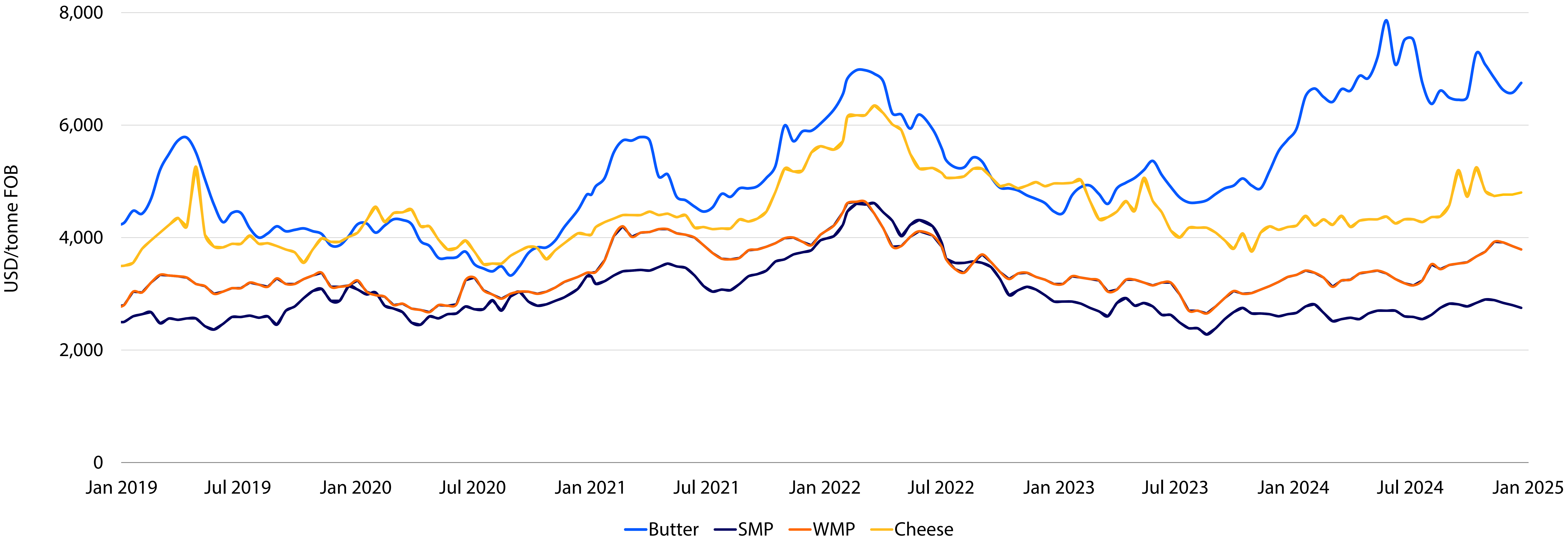
What to watch:

- **Elevated levels of dairy market and supply chain risk.** The year 2025 is likely to be characterised by global disruption and significant market volatility. Chinese inquiries into various countries' exports, including a recent investigation into beef exports from multiple countries such as New Zealand, are raising concerns. Additionally, a new US President potentially introducing tariffs and tax breaks in tandem, and the bifurcation of global supply chains contribute to an "unholy economic and political mess". In the best-case scenario, New Zealand dairy trade remains unscathed in what is set to be another tumultuous year. In the worst-case scenario, market access to important export regions could come under scrutiny, or the movement of our dairy products around the globe could be impacted by these issues.

Dairy

Improved export demand is flowing through to New Zealand commodity prices

Oceania spot prices for dairy commodities



Source: *USDA, RaboResearch 2025*

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Beef

A continued strong outlook for beef in 2025

Beef farmgate pricing is likely to remain above the five-year average throughout 2025. Currently, farmgate prices are up to NZD 1.50/kg cwt higher than the five-year average.

A combination of procurement competition and strong demand from key export markets has kept prices steady, with January schedules still close to the seasonal spring high. "Average" long-term data suggests pricing is likely to track sideways over the coming months. With market signals still strong, this will provide good returns in beef for 2025.

Beef livestock inventory presents a challenge for exporters keen to procure animals. Fewer calves were reared in the previous two seasons, and high milk prices have resulted in fewer cattle available compared to 2023 and 2024. Additionally, welcome summer rain across the east coast over the holiday season has relieved pressure to de-stock early.

New Zealand Meat Board slaughter data for the first three months of the export year (since October 1) sees total national head count down 3% YOY with prime steer beef experiencing the largest YOY reduction at 12%.

RaboResearch forecasts a 4% decrease in total beef slaughter numbers for the export year (ending September 2025), leading to reduced overall production. The Beef + Lamb NZ survey for June 2024 projected a 2.8% decrease in total beef cattle numbers, down to 3.55m head. Although pricing will be strong for farmers, the total volume of exports is likely to be down YOY.

Export pricing from the US started the year at record highs of NZD 12.18/kg cwt in January for 95 CL manufacturing beef. This is in part due to the NZD/USD exchange rate and the continued demand trend from 2024, as the US look to rebuild their own herd.

Overall, 2025 is set to be a strong and exciting year for beef farmers in New Zealand.

What to watch:

- **China's safeguard investigation of beef imports.** Despite New Zealand ranking as the fifth-largest supplier of beef to China in 2024, shipping 159,000 tonnes of beef valued at NZD 1.13bn in the 2023/24 export year, the country was included in the investigative list of countries. This list also includes Brazil, Argentina, Uruguay, Australia, and the US. The inclusion of New Zealand appears to serve somewhat as a warning shot. Geopolitical tension within global trade is likely to be a theme in 2025, and this early reminder that New Zealand is not necessarily immune to larger global tensions.

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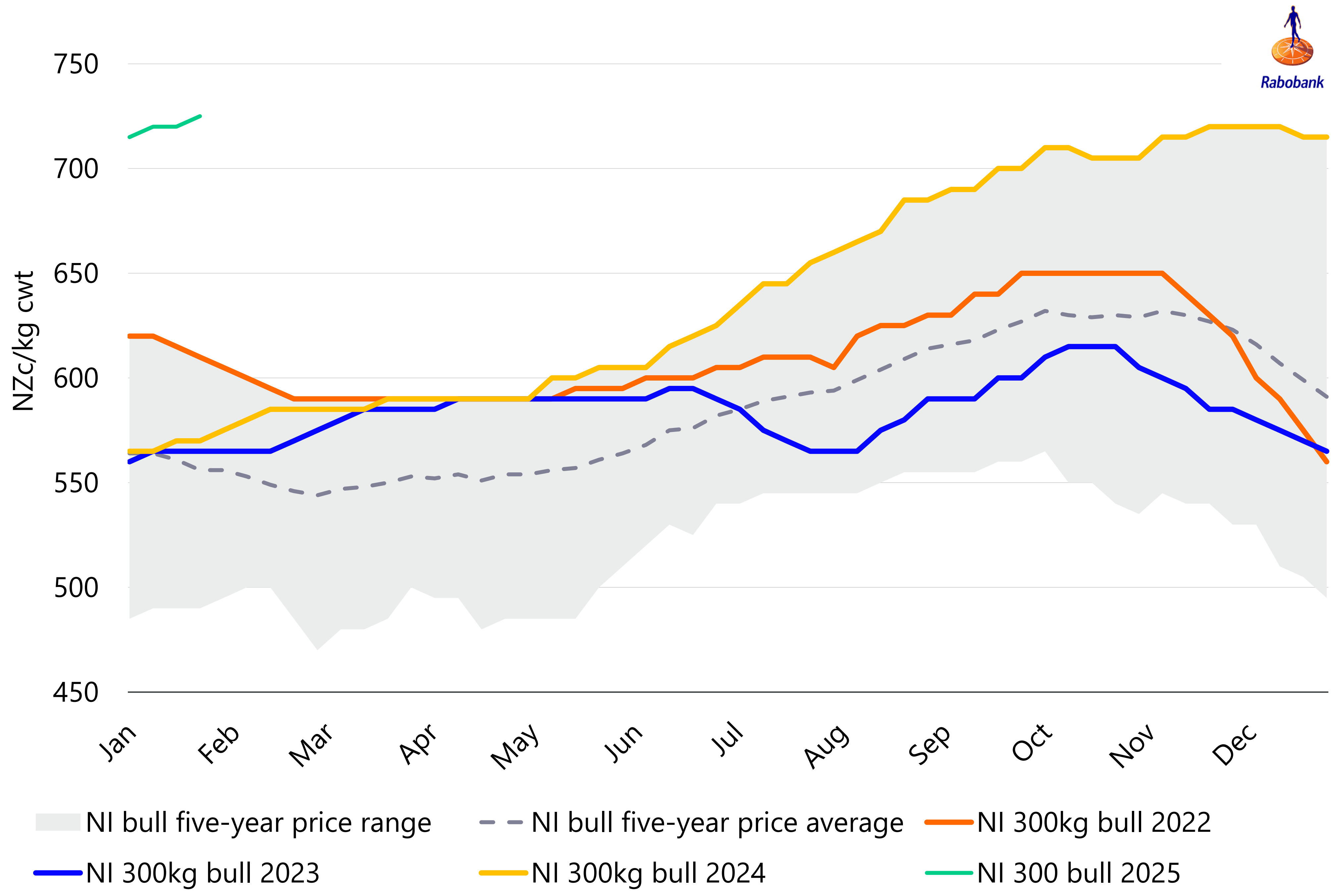
Beef

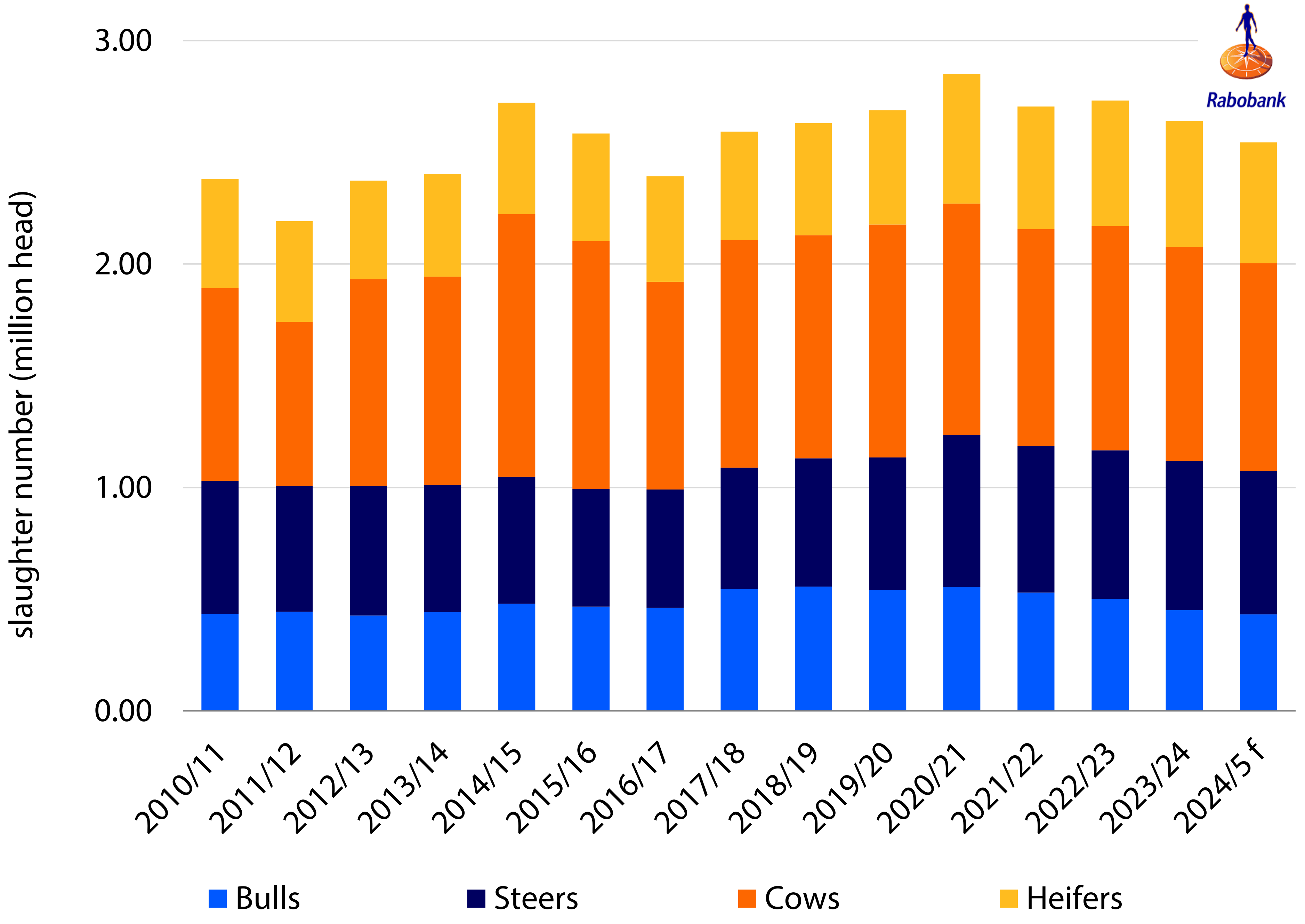
Cattle numbers down while farmgate prices track at a high

Farmgate pricing at record highs to kick off 2025



Source: *AgriHQ, RaboResearch 2025*

Due to national cattle inventory, beef production to decline in 2025



Source: *Stats NZ, RaboResearch 2025*

Sheepmeat

Pricing looking a lot healthier as the new year begins

The year 2025 begins with a pleasantly different story in sheepmeat compared to this time 12 months ago. Lamb farmgate pricing is now sitting close to NZc 50/kg cwt above the five-year average price – a difference not seen since May 2023. In November, average export prices for lamb reached NZD 11.53/kg cwt, the highest value since October 2022.

The main fundamentals shifting the needle in sheepmeat pricing both now and into 2025 are the **slowly declining Australian sheep inventory and improved demand and exports to markets outside of China, especially for lamb.** Although Australian sheep numbers remain high, they have decreased from the 2023 to 2024 highs.

The 2023/24 export year saw just over 18m head of lamb processed, according to New Zealand Meat Board numbers. We think lamb slaughter numbers in the 2024/25 export season may come in under 17m, with Beef + Lamb NZ estimating a 5% YOY decline in lamb crop (a reduction of 1.1m head, with a higher proportion of this decrease in the South Island lamb inventory).

The total volume of sheepmeat exports in the 2024 calendar year (up to the end of November) was down 2% YOY to 338,000 tonnes. During the same period, Europe became the top market for the value of sheepmeat exports at NZD 851m and just over 55,000 tonnes, up 13% YOY for volume. China remains ever important for volume with close to 150,000 tonnes shipped (down 29% YOY) at a value of NZD 826m (up to the end of November).

In 2025, eyes will be directed toward a potential growth in volumes to China, as well as continued reliable supply of lamb to Europe and the UK. These two markets are traditional destinations for NZ lamb and currently have increased demand due to fewer sheep locally.

China remains vital for mutton and lower-value cuts, with export demand possibly showing slight improvement as the Chinese New Year approaches. However, given the uncertain consumer confidence in the region, this situation warrants further observation.

What to watch:

- **Summer rain briefly boosted the store market in early January. Feed availability in Hawkes Bay, Wairarapa, and parts of Canterbury transformed from worryingly dry to growthy green in a matter of weeks.** Although it is early in the year, the welcome rain has significantly improved feed supply and summer crop health in these regions, making the store market more buoyant for lamb finishers. The weather for the remainder of 2025, nationally, will be a watching point when it comes to store lamb pricing and procurement before winter, especially with fewer lambs in the South Island.

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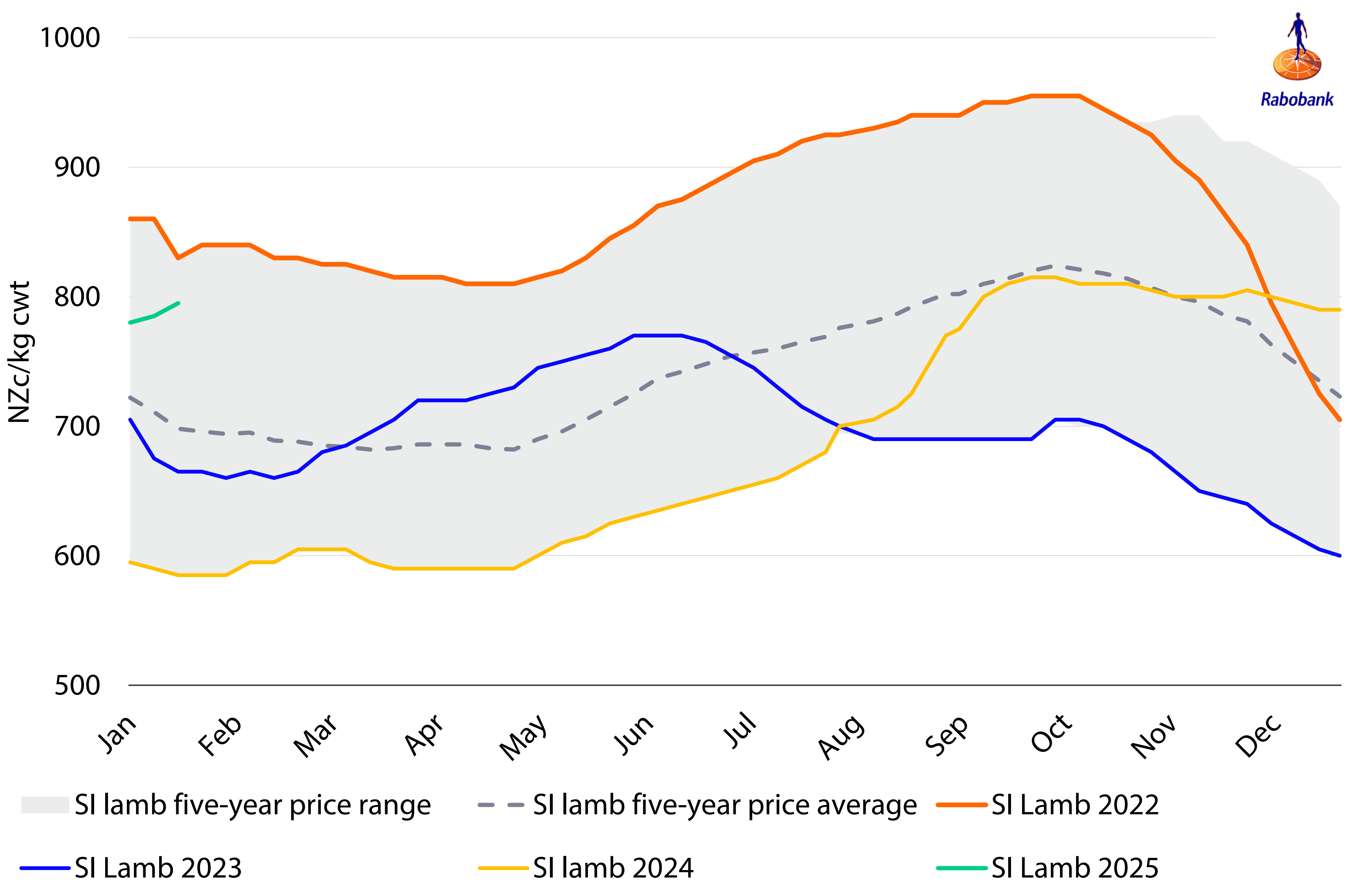
Sheepmeat

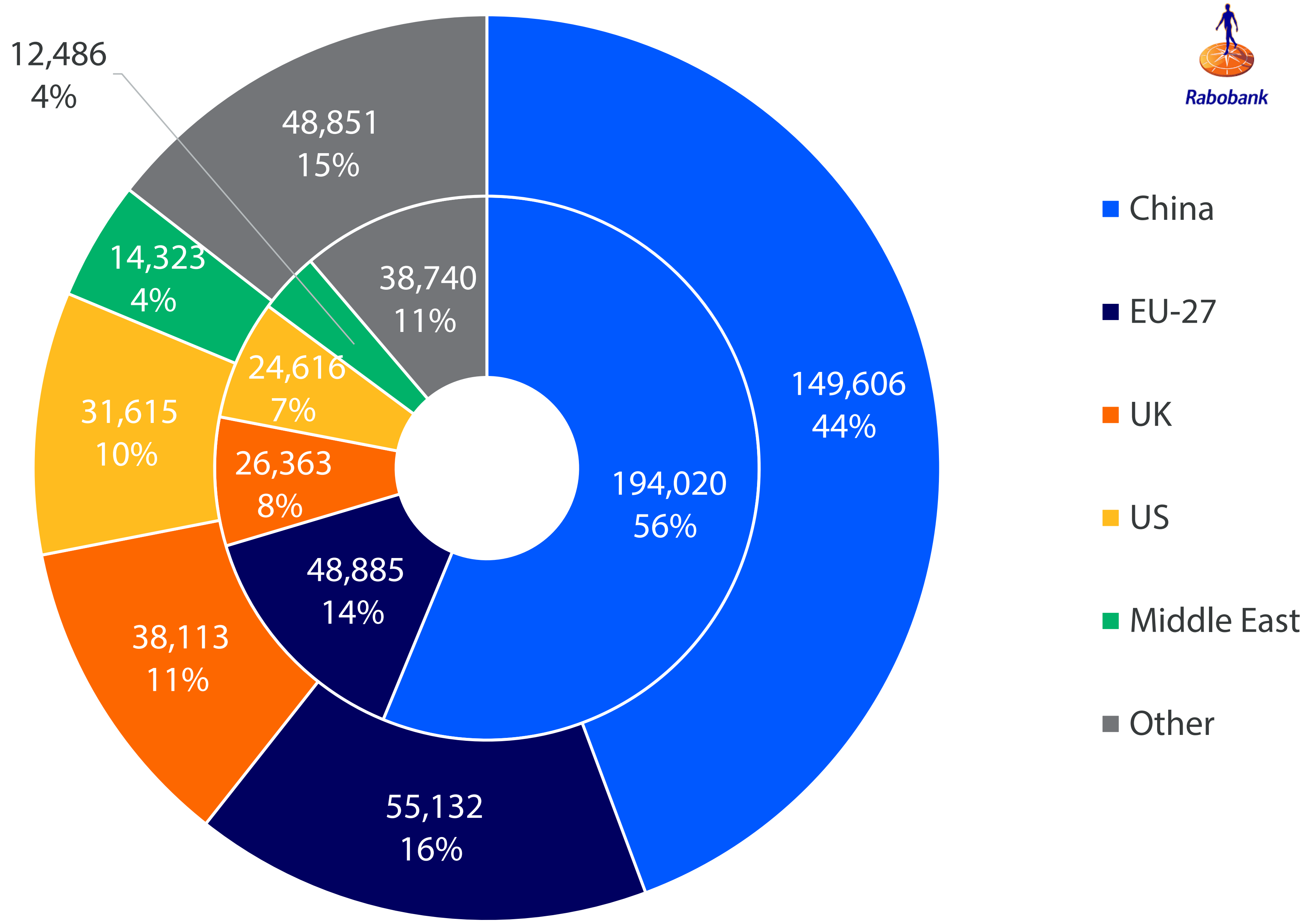
Summer schedules are yet to see a significant drop-off, despite fewer lambs available

South Island lamb price starts 2025 above the five-year average for first time since 2022



Source: *AgriHQ, RaboResearch 2025*

2025 sheepmeat export volumes show YOY increases to markets outside of China



**Note: Total export volumes from January to November, in tonnes. The outer figures represent 2024, while the inner figures represent 2023.*
Source: Stats NZ, RaboResearch 2025

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Venison

Venison farmgate pricing continues a strong run

In 2024, venison production was a story of reduced supply and a positive post-pandemic market recovery, resulting in stable farmgate pricing.

Prices are expected to remain strong for producers throughout 2025. At the start of the year, farmgate prices were 18% above the five-year average, at NZD 9.10/kg cwt. Although these prices are at five-year highs for this time of the year, an industry target of NZD 10.00+/kg cwt would help ensure strong margins with ever increasing on-farm costs.

On 1 July 2024, **Deer Industry New Zealand (DINZ), in collaboration with all five-venison exporters in New Zealand, launched its North America retail accelerator project. This initiative received funding support from the Ministry for Primary Industries (MPI) - Sustainable Food and Fibre Futures (SFF)**. The NZD 5m investment is forecast to deliver an initial return of NZD 20m through increased retail sales to the US, and keep balance with food service.

Early results of this programme appear positive, as exports to the US and Canada show significant year-on-year increases in volumes in 2024. Given the focus of the industry, this shift away from the traditional EU market is expected to continue for venison. The limiting factor for total volumes to offshore markets will most likely be supply limitations from New Zealand, rather than weak demand.

Slaughter numbers were down in 2024 compared to forecasts, possibly – in part – due to the retention of hinds as venison-velvet farming operations expand. **It is anticipated that supply may remain tight throughout 2025**, potentially driving higher farmgate prices for producers as export markets look to secure their share due to strong demand.

With New Zealand leading the charge globally in farmed deer, and with a positive story to tell around biosecurity and animal welfare, along with diversified export markets, **RaboResearch expects the deer industry in 2025 to focus on value, with solid returns likely to flow through to farmers this year.**

What to watch:

- **Velvet pricing volatility followed the 2024 closure of market access to China.** Since venison and velvet farm systems are intrinsically linked, the closure of the Chinese market for frozen velvet in 2024 caused overall hurt in the industry. Although DINZ have done a superb job at restoring access here, the long-term effects on pricing and sector confidence remain uncertain. A positive early sign is that aged stags haven't been sent to slaughter in high numbers as yet.

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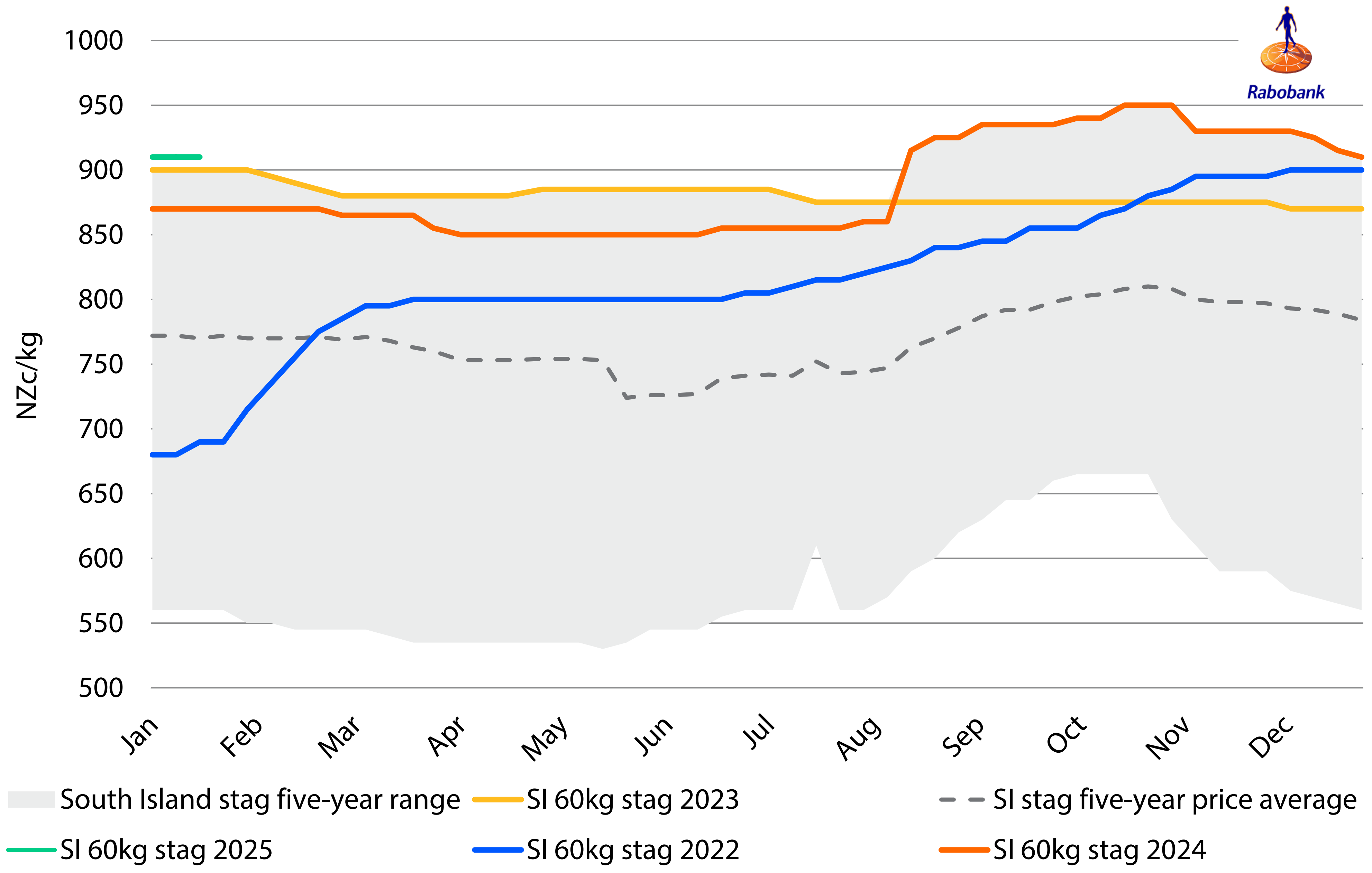
Venison

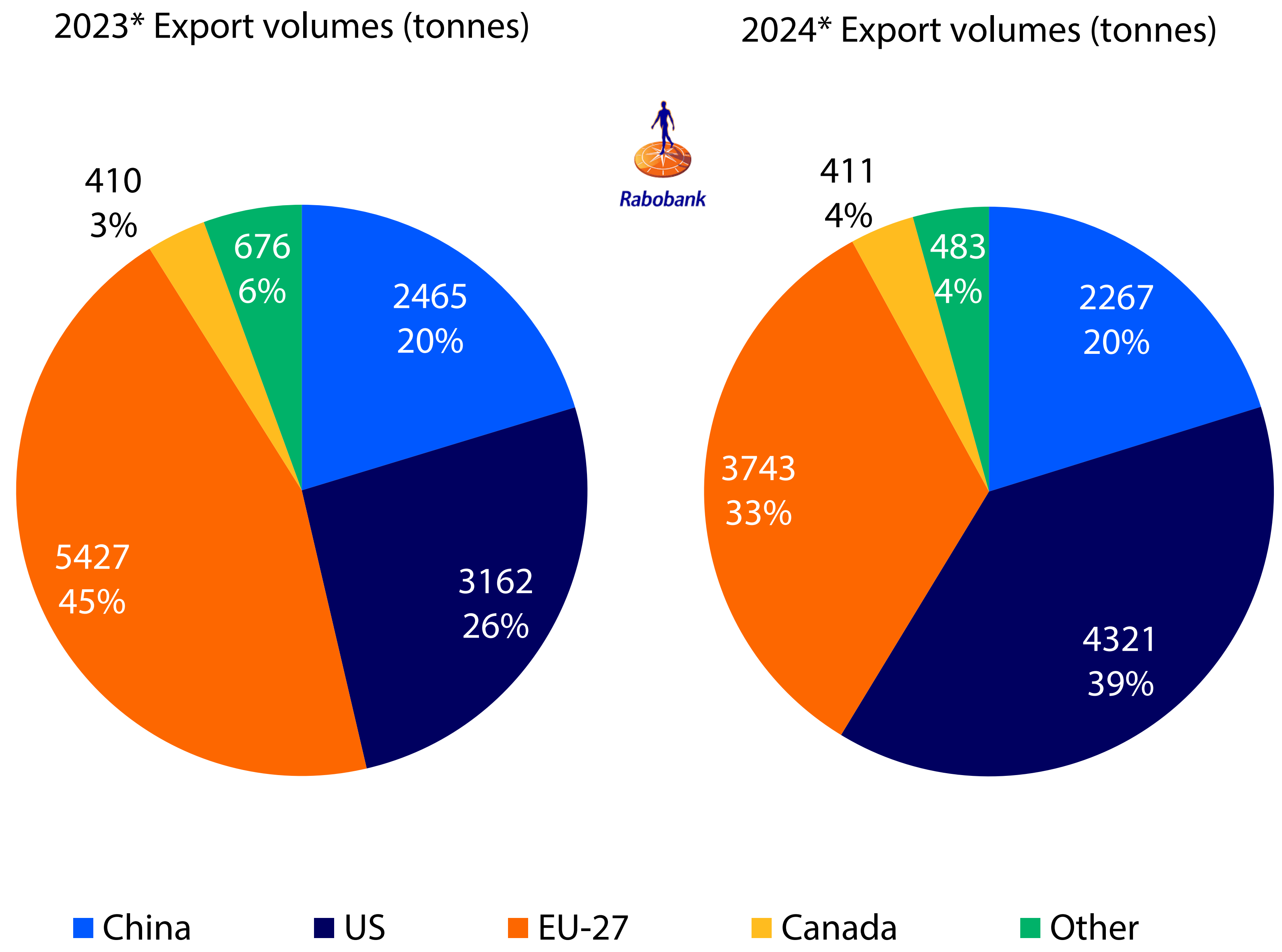
Falling supply brings some upside potential to pricing, alongside diversity in export markets

South Island stag price starts the year above the five-year average range



Source: AgriHQ, RaboResearch 2025

Hot demand and diverse key markets fuel 2024 venison exports



**Note: January to November*
Source: Stats NZ, RaboResearch 2025

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Kiwifruit

Demand growth supporting global area expansion

After a record-breaking 2024 crop, strong demand signals are supporting prices for 2025. The MPI anticipates that the value of kiwifruit exports will reach NZD 3.5bn for the first time in 2024/25, marking a billion-dollar increase in five years.

The 2024 crop saw the largest increase in export volumes on record, rising from 136m trays in 2023 to 196.7m trays. Europe, China, and Japan were New Zealand's largest markets for kiwifruit, accounting for 26%, 25%, and 17% of the total export value in 2023/24, respectively. The 2025 harvest is shaping up to be another good year, with a moderate increase in volumes expected from 2024.

In 2025, an additional 400 hectares of SunGold license area will be released locally (150 hectares for growers wanting to cut over their crop from Green to SunGold, and an additional 250 hectares for unrestricted SunGold plantings). To meet year-round demand, SunGold expansion is going global, with producers supporting the expansion of global supply. Over the next six years, 2,520 hectares of SunGold will be allocated for production in Italy, France, Greece, Japan, and South Korea.

Zespri are looking to strengthen the red kiwifruit category after seeing strong demand for the red variety due to characteristics like colour, taste, and nutrients. New cultivar development programmes for the red category continue, involving Plant and Food Research in pre-commercial trials. Challenges reported with the current Red19 cultivar (marketed as RubyRed) include smaller fruit size for some growers and a short shelf life. To expand RubyRed's market presence, alternative red varieties may help diversify this risk.

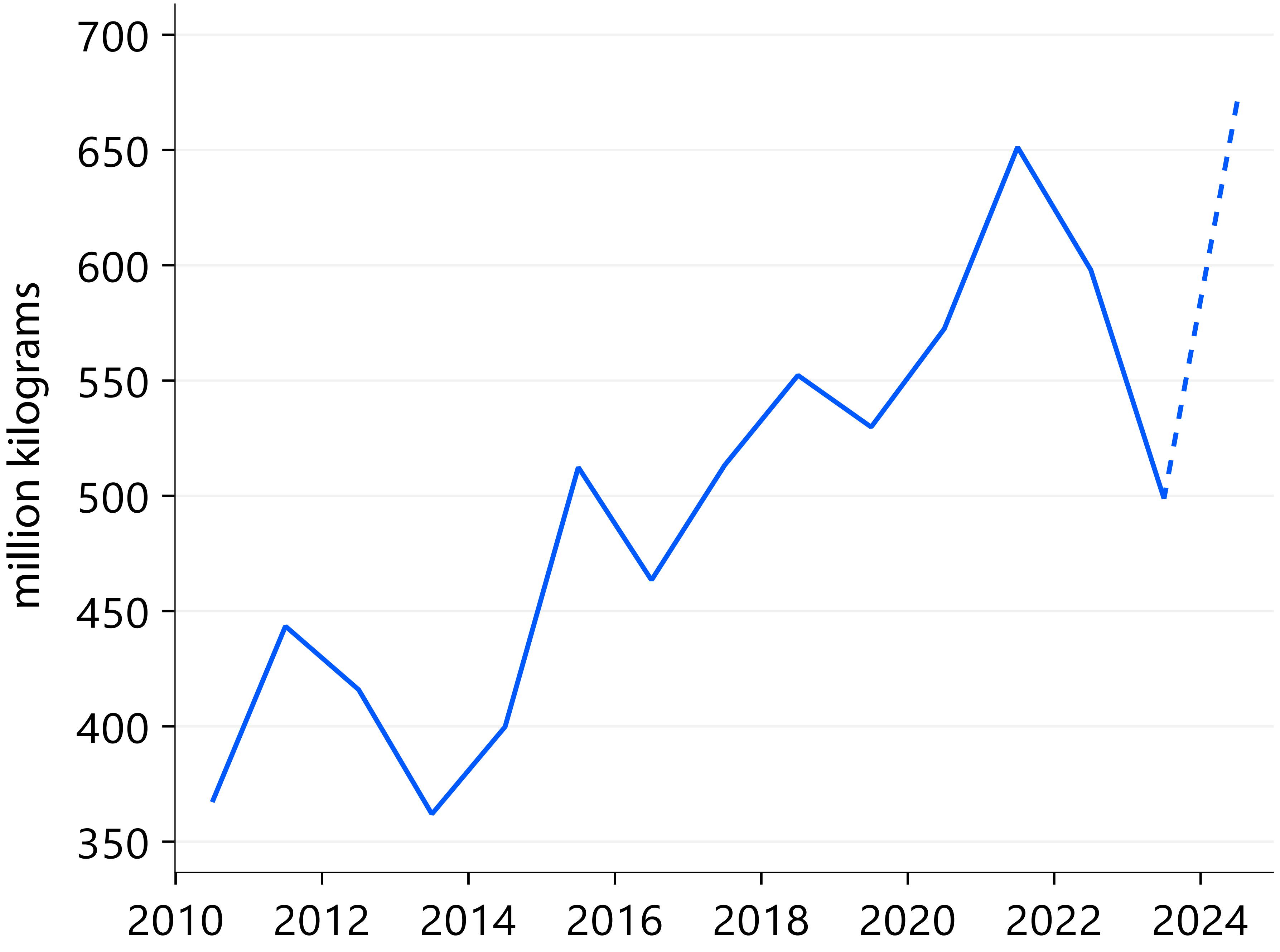
What to watch:

- **Zespri's continued legal case against Chinese Gold plantings.** Toward the end of 2024, the civil case, initially filed in July 2023, was transferred to the Wuhan Intermediate People's Court. This court specializes in intellectual property cases and has heard numerous cases related to plant variety rights (PVR) infringement. The initial judgement was anticipated within 12 months. An estimated 8,000 hectares (2023) of SunGold kiwifruit is thought to be illegally grown in China, highlighting the need to protect New Zealand producers of licensed varieties, and to future-proof for our consumers and customers globally.

Kiwifruit

Orchard-gate returns expected to improve to new records

New Zealand kiwifruit exports to world



Source: *Macrobond, UN Comtrade, RaboResearch 2025*

*Zespri forecast orchard-gate returns 2024/25f**

Fruit varieties	*2024/25f OGR (per tray)*
Gold	NZD 11.22
Organic gold	NZD 14.32
Green	NZD 8.10
Organic green	NZD 11.17
Red	NZD 16.60

***Note:** *Forecasts were set in November 2024*
Source: *Zespri, RaboResearch 2025*

Consumer foods

All eyes on the Chinese consumer

Food inflation in New Zealand starts 2025 under control, which will be welcome news for households after two years of steep inflation in the food basket. Weather-risks aside, the outlook for 2025 is for a more modest rate of food inflation.

New Zealand mortgage holders have already seen some aggressive rate cutting. These cuts have helped lift consumer (and business) confidence levels. New Zealand's annual rate of inflation has eased to its lowest levels since early 2021. Nonetheless, the economy remains weak, and the overall performance of the consumer retail sector has also been sluggish, needing time to gain some momentum.

The outlook for commodities looks mostly favourable from a food price perspective, barring some notable outliers, which may cause more headaches for consumers in 2025.

In 2024, coffee prices jumped on the back of production issues in key production regions in Brazil. Cocoa prices will likely be higher for longer due to consecutive global supply deficits and production issues in West Africa. Commodity prices for both commodities are expected to trend lower off these higher bases. However, for consumers, the impact of the spike in commodity prices is still being fed through to food and beverage products across a range of categories, potentially affecting consumer purchasing.

Palm oil prices (a widely used ingredient in many food products) are expected to trend higher in 2025, mostly in alignment with already firm vegetable oil prices, which consumers have been grappling with at the checkout.

There will be close attention on the financial health of the Chinese consumer in 2025. The average Chinese consumer starts the year with low consumer confidence against a weak economic backdrop. This has resulted in sluggish performance in some food retail and foodservice sectors in 2024.

However, there is some optimism for a rebound in 2025 following the recent policy shift from the Chinese government to boost domestic consumption. The impact of this policy change will be closely watched.

What to watch:

- **Further foodservice recovery**
  Globally, foodservice sectors faced significant challenges throughout 2024. Many operators struggled with financial pressures due to lower foot traffic, reduced consumer spending, and higher wages and input costs. However, there is optimism for better times ahead for foodservice channels in 2025 as some of the headwinds recede.

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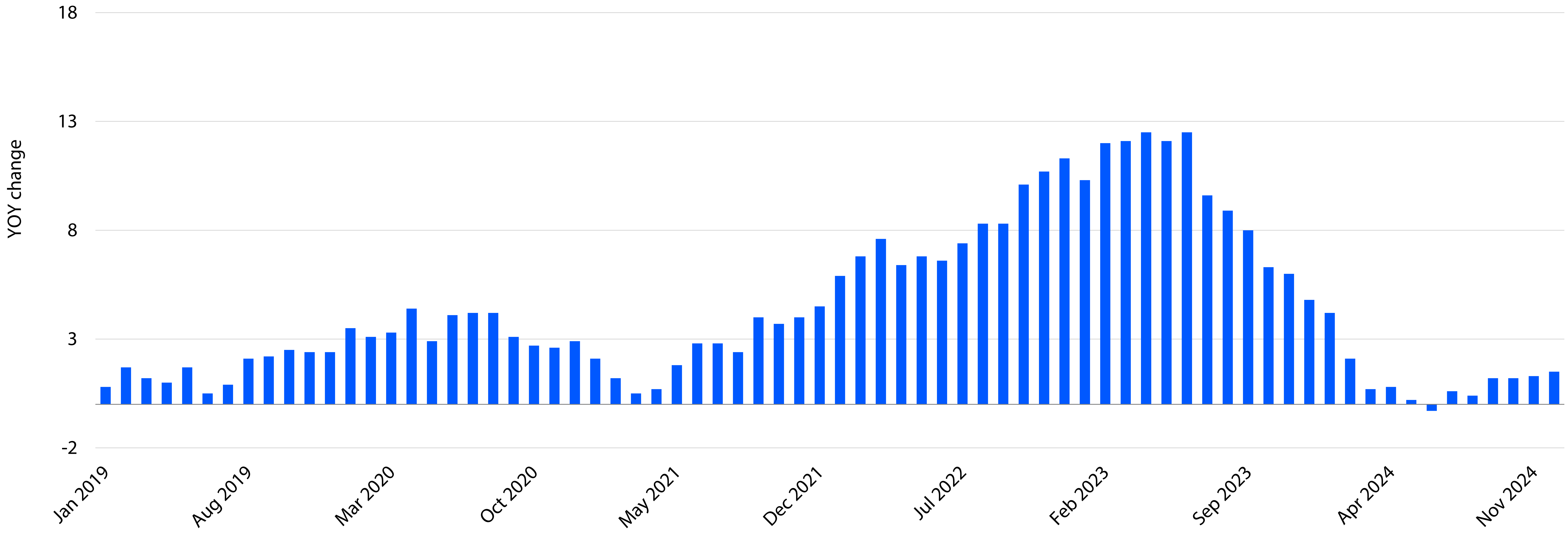
Consumer foods

After a wild two years, the outlook for food inflation is now mostly neutral

New Zealand monthly food price index, percentage change from same period previous year



Source: *Stats NZ, RaboResearch 2025*

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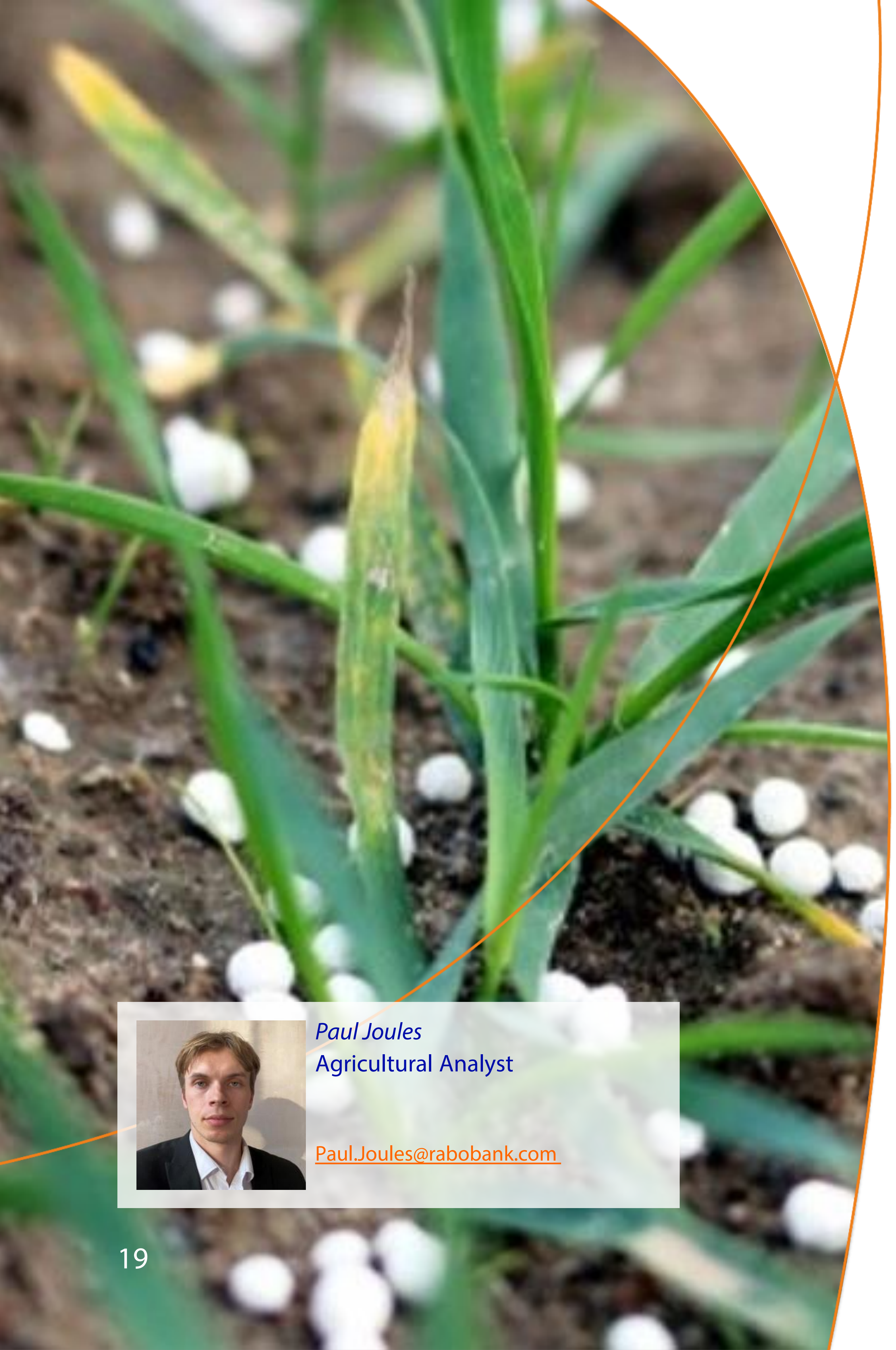

Farm inputs

Limited change anticipated for farm input pricing in 2025

In US dollar terms, farm input prices have been relatively stable over the past 12 months. However, when converted to New Zealand dollars, the gains recorded for both urea (+18% to NZD 669/tonne) and phosphates (+12% to NZD 1059/tonne) becomes much more notable. In fact, for phosphates the weakening New Zealand dollar explains a large part of the price movement. For urea, it can partially be attributed to supply and demand factors, but the depreciation of the New Zealand dollar is also significant. For 2025, RaboResearch expects to see most fertiliser prices stabilise at current levels. The rationale behind this is partially due to an expectation of lower FX volatility over the next 12 months, with the NZD/USD exchange rate expected to trade around its current level for most of the year.

The exception to this view is urea, which may experience volatility due to geopolitical tensions in the Middle East. Although a ceasefire between Israel and Hamas has been agreed, it certainly doesn't mean the Middle East conflict is fixed, and further disruptions to supply in 2025 are possible. As a result, urea will likely keep its risk premium. Meanwhile, China's absence from the export market creates further uncertainty regarding available supplies this year, not just for urea, but also for phosphates. In terms of phosphate pricing, we expect prices to remain at current levels. Prices are not high enough to cause demand destruction, nor low enough to attract more demand, while global supplies will likely remain tight.

Potash prices are currently one of the few fertilisers that represent good value, given prices are well below the five-year average. Although in the short term, markets look slightly bullish amid the expectation of robust global demand, a well-supplied market will likely cap upside and keep prices within a range in 2025.

For agrochemicals, companies in many parts of the world have been working through high-priced inventory for some time. However, RaboResearch expects these inventory issues to be largely resolved by mid-2025. We can see that many (not all) Chinese agrochemical prices have been in a state of decline in 2024, so theoretically, the cost of re-stocking should be cheaper. However, this will likely be offset by high shipping costs and a forecasted weak New Zealand dollar. This is particularly prevalent for agrochemicals, given containerized freight prices are elevated. **Because of these contrasting factors, we don't expect to see a significant change from current price levels in 2025.**

What to watch:

- **A forecast weak New Zealand dollar** will continue to keep New Zealand imports of fertilisers and chemicals expensive.
- **For fertilisers, urea is the market with the potential for surprises,** whether from supply shocks in the Middle East, emerging natural gas issues, or new changes in China's export policy.
- **The potash market will be one to keep a close eye on in 2025, especially with the Trump administration**'s potential tariffs on Canadian imports. If the US imposes these tariffs, we could see additional volumes of Canadian potash entering global markets.

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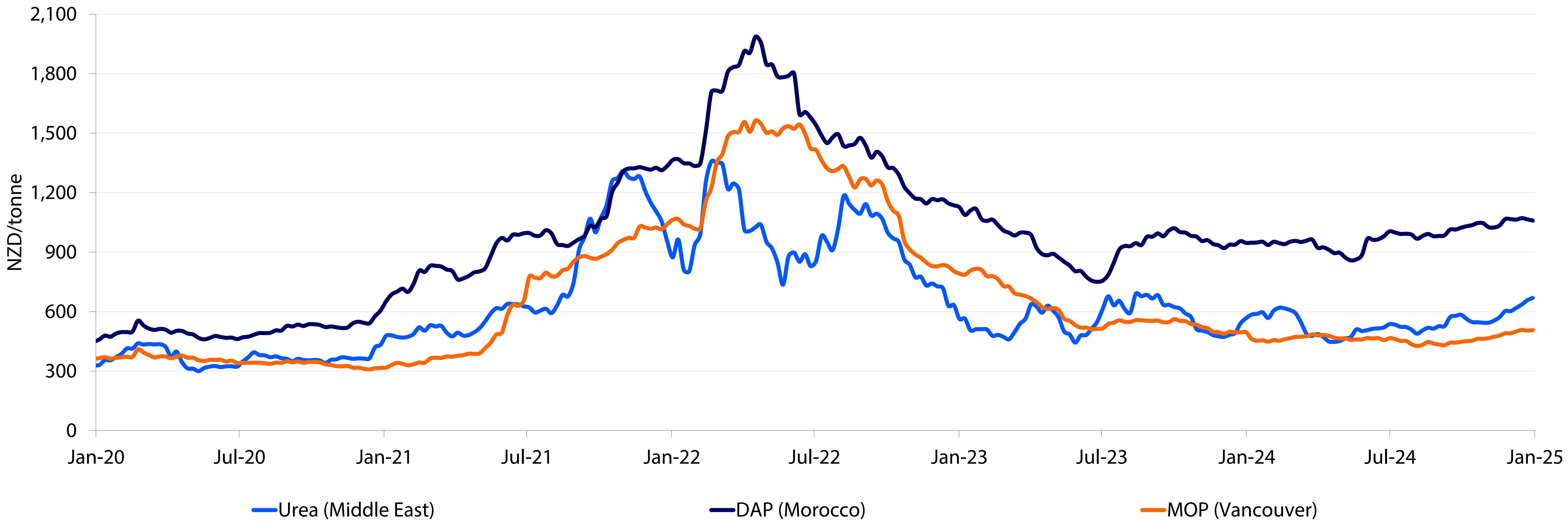
Farm inputs

The weakening of the New Zealand dollar means imported inputs have become more expensive

RaboResearch anticipates most fertiliser prices to remain around current levels, although urea may be volatile



Source: *CRU, RaboResearch 2025*

Interest rate and FX

Inflation appears defeated, but new challenges emerge

During 2024, the New Zealand economy faced significant challenges. The bitter medicine of high interest rates had the intended effect of slowing growth enough for the economy to contract by 1.1% and 1% in the second and third quarters, respectively.

The good news is that the hard yards are now done. Headline inflation is just a whisker above the midpoint of the target band, and non-tradeable inflation (a proxy for inflation pressures within New Zealand) is converging toward levels that were typical prior to the pandemic.

RaboResearch forecasts that this will give the RBNZ the comfort they need to cut the OCR by another 0.50 percentage points in February, ultimately reducing the rate to 3.25% by July.

While New Zealand has successfully tackled domestic inflation, new challenges are arising abroad. The return of Donald Trump to the White House promises to shake up the global system of trade and defence. This new environment may be tricky for a small, open trading economy like New Zealand to navigate, as approximately 60% of all economic activity here is linked to trade and the country spends very little on defence as a proportion of the overall GDP. Managing the new economic environment is likely to require some flexibility and the ability to re-prioritise, but these are traits that New Zealand has demonstrated well in the past.

The New Zealand dollar is likely to play the role of shock absorber for the economy in 2025. The currency fell by more than USc 6 in the final quarter of 2024 but has since recovered a little ground as New Zealand's trade performance improves and the imposition of US tariffs appears to be occurring more gradually than initially thought.

RaboResearch expects the currency to remain under pressure throughout 2025. **We forecast the NZD/USD exchange rate to hit 0.5400 around mid-year before lifting slightly to 0.5500 around year end.**

What to watch:

- **Stats NZ Q4 labour force report, 2 February –** With inflation now back within the target band, the state of the labour market will assume more importance for determining the appropriate level of interest rates for the economy. A sharper-than-expected rise in unemployment could prompt the RBNZ to cut the OCR faster and/or deeper.
- **RBNZ policy rate meeting, 19 February –** RaboResearch is forecasting a 0.5 percentage points cut to the OCR in February. This meeting will be important for providing guidance on the future path of the OCR in the months ahead.

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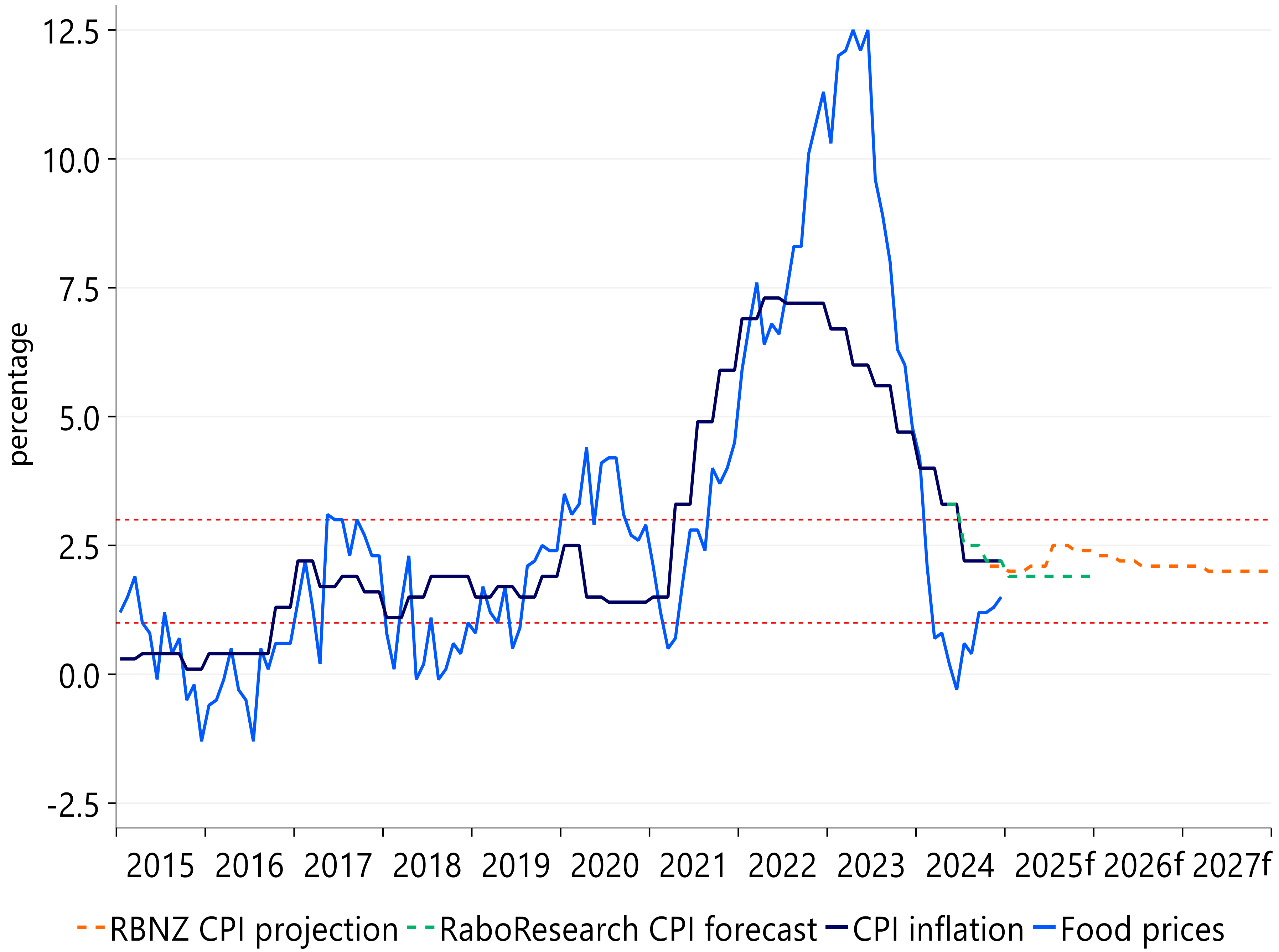
Interest rate and FX

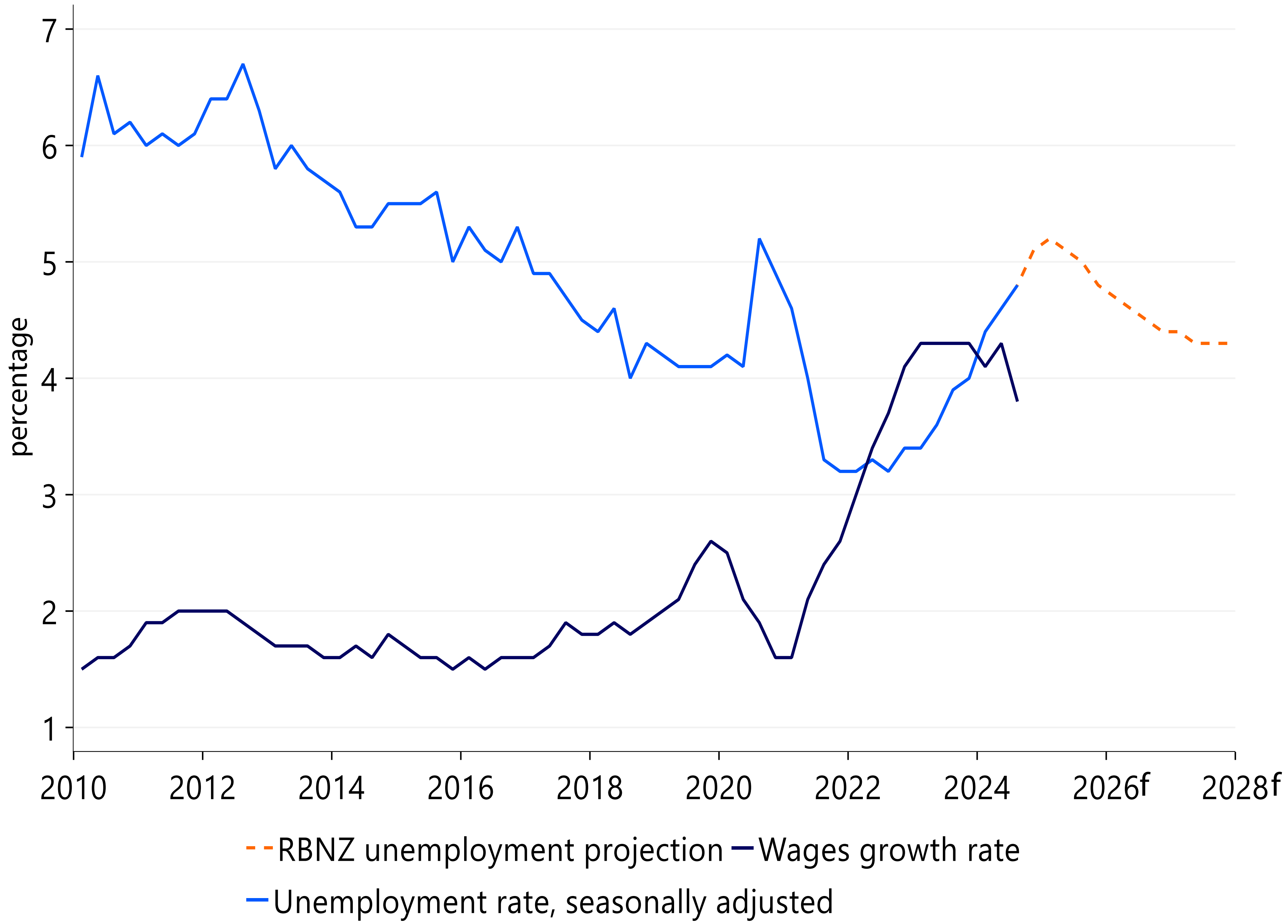
The focus turns to the unemployment rate

New Zealand inflation indicators, 2015-2025f

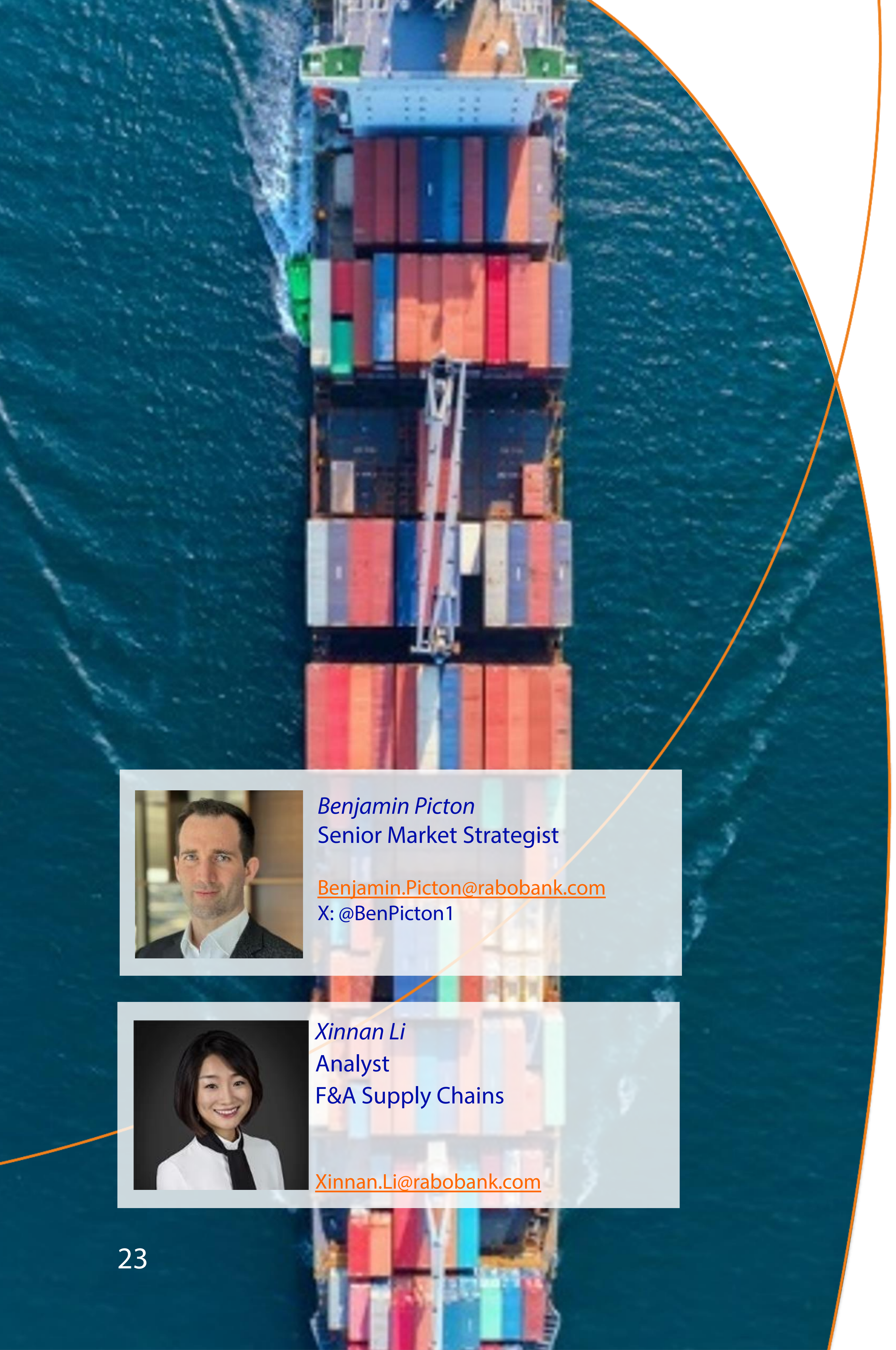


Source: *Macrobond, Stats NZ, RBNZ, RaboResearch 2025*

New Zealand labour market indicators, 2010-2025f



Source: *Macrobond, Stats NZ, RBNZ, RaboResearch 2025*



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Oil and freight

Drill, baby, drill!

Donald Trump's return to the White House comes with a pledge to "drill, baby, drill!" to unleash new supplies of oil and gas and drive down prices.

Trump is betting that by abandoning the Biden administration's focus on clean energy and prioritizing cheap energy, he can reduce prices for products and services throughout the economy, as energy is a key input to all production.

However, this strategy has its challenges. It is aimed at reducing prices, but US energy producers have some of the highest breakeven costs in the world. In the absence of government subsidies, increasing supply to lower prices would make some of those producers unprofitable.

Another factor at play is RaboResearch's estimate that China hit peak demand for transport fuels in 2024. The rapid take-up of electric vehicles and a shrinking Chinese population are causing a gradual decline in gasoline demand, while global demand for diesel continues to grow. Consequently, **we expect diesel prices to remain strong relative to crude oil prices.**

The Red Sea may become safer for commercial ships following an announcement from Yemen's Houthis on 19 January. The group stated that they would limit attacks in the Red Sea to Israeli ships following the start of a 42-day ceasefire in Gaza. While it's too early to determine the full impact, ocean carriers will closely monitor the situation and are likely to return to the key transit channel as soon as it is deemed safe.

With President Trump's inauguration, ocean shipping is back in the spotlight, especially due to China's dominance in building, operating, and routing ocean shipping. We anticipate the US will tighten strategies to limit China's power, potentially negatively impacting ocean shipping due to increasing tariffs.

The Baltic Panamax index (a proxy for grain bulk freight) is at its lowest in almost two years due to sluggish demand across all vessel sizes. Seasonal factors, such as slow movement ahead of Chinese New Year, contribute to this, and recovery is expected after February.

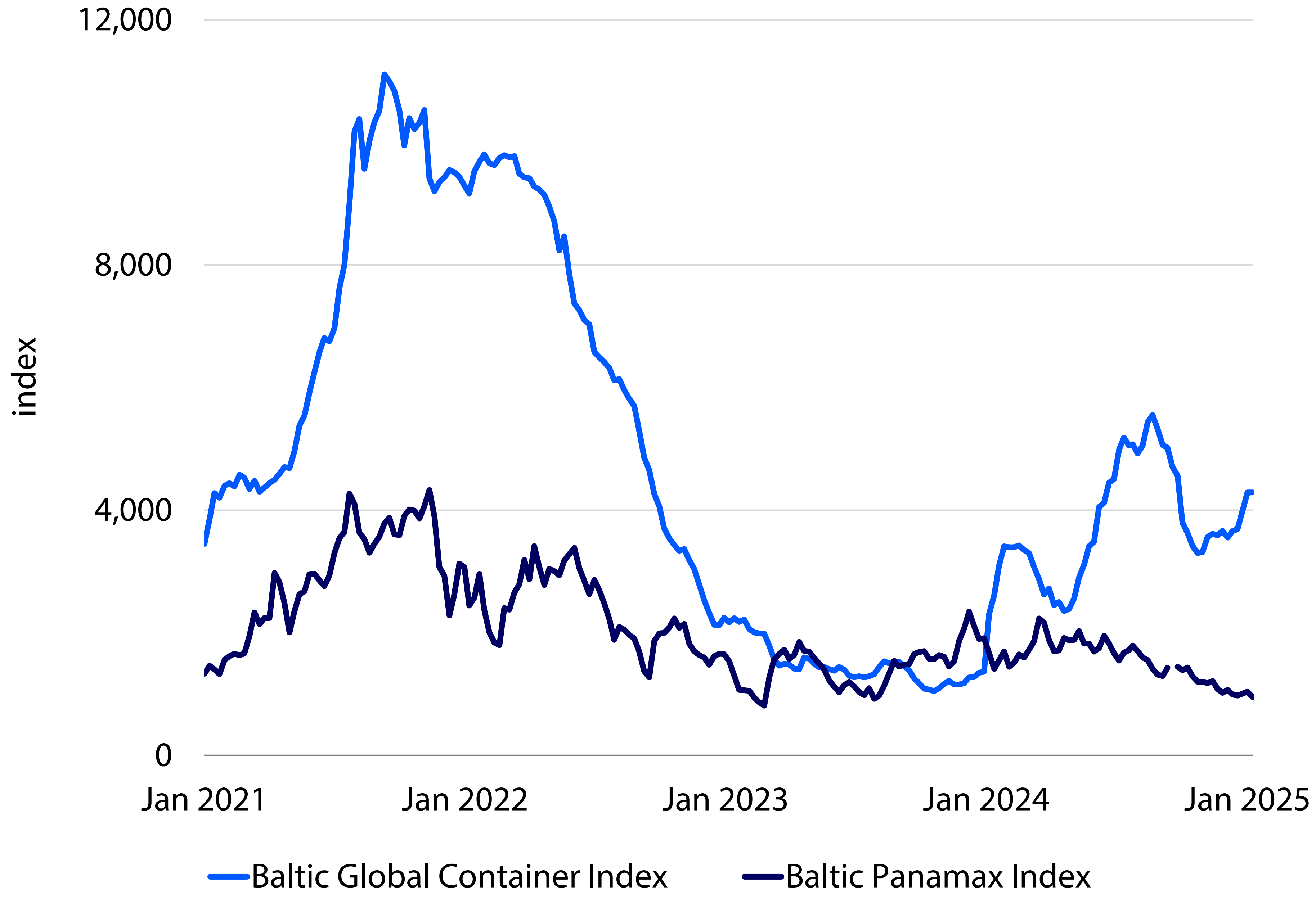
What to watch:

- **Trump administration announcements on new energy production:** Will production subsidies be forthcoming?
- **OPEC+ meeting, 28 May:** RaboResearch estimates that the global crude oil market is oversupplied by approximately 840,000 barrels a day. Will OPEC+ producers seek to cut production to bolster prices? And how might the US react?

Oil and freight

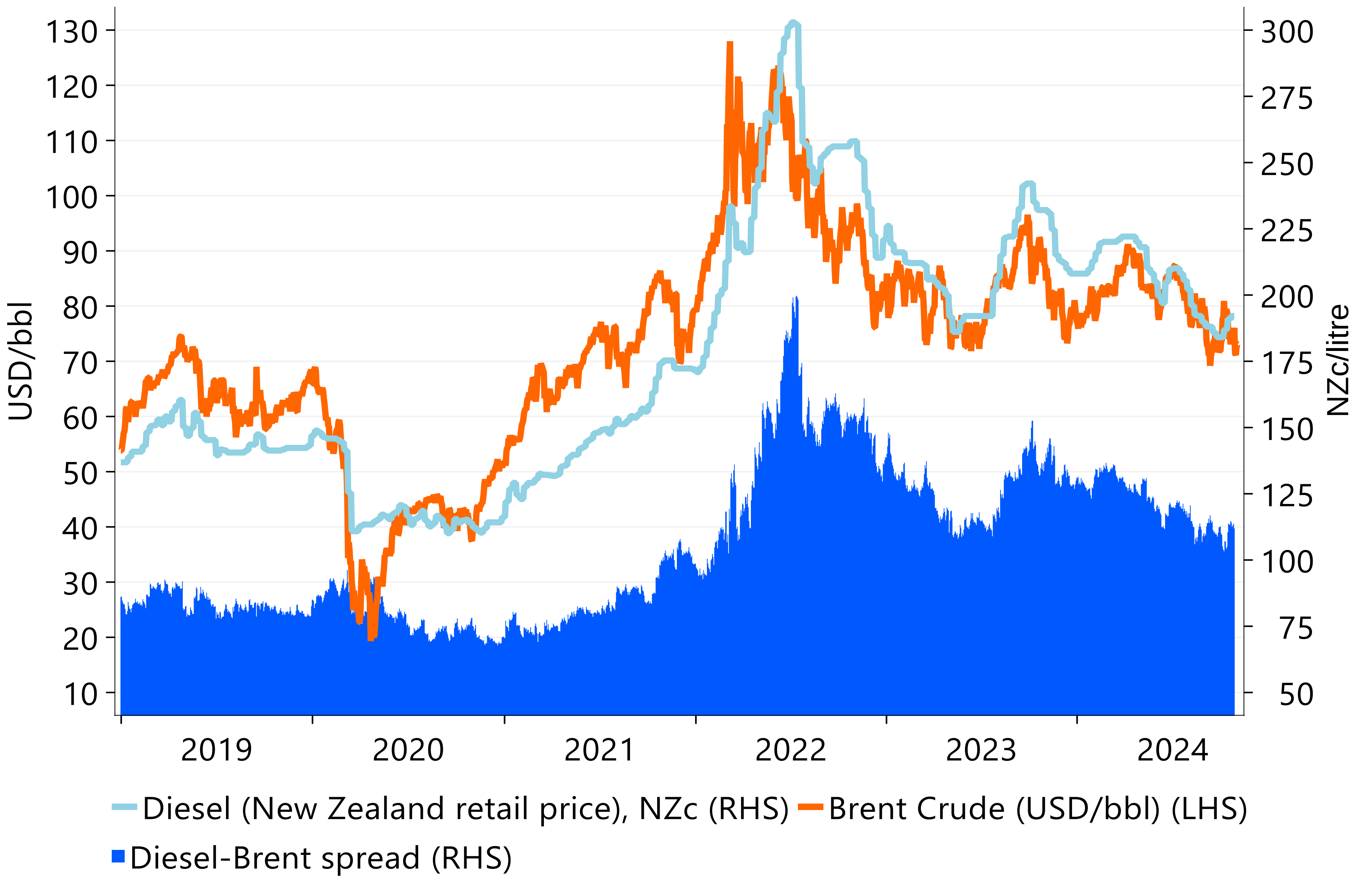
Containerised freight rates tilt higher

Baltic Panamax Index and Dry Container Index, Jan 2021-Jan 2025



Source: *Baltic Exchange, Bloomberg, RaboResearch 2025*

Brent crude versus New Zealand diesel prices, 2019-2024



Source: *Macrobond, NZ Ministry of Business, ICE, RaboResearch 2025*

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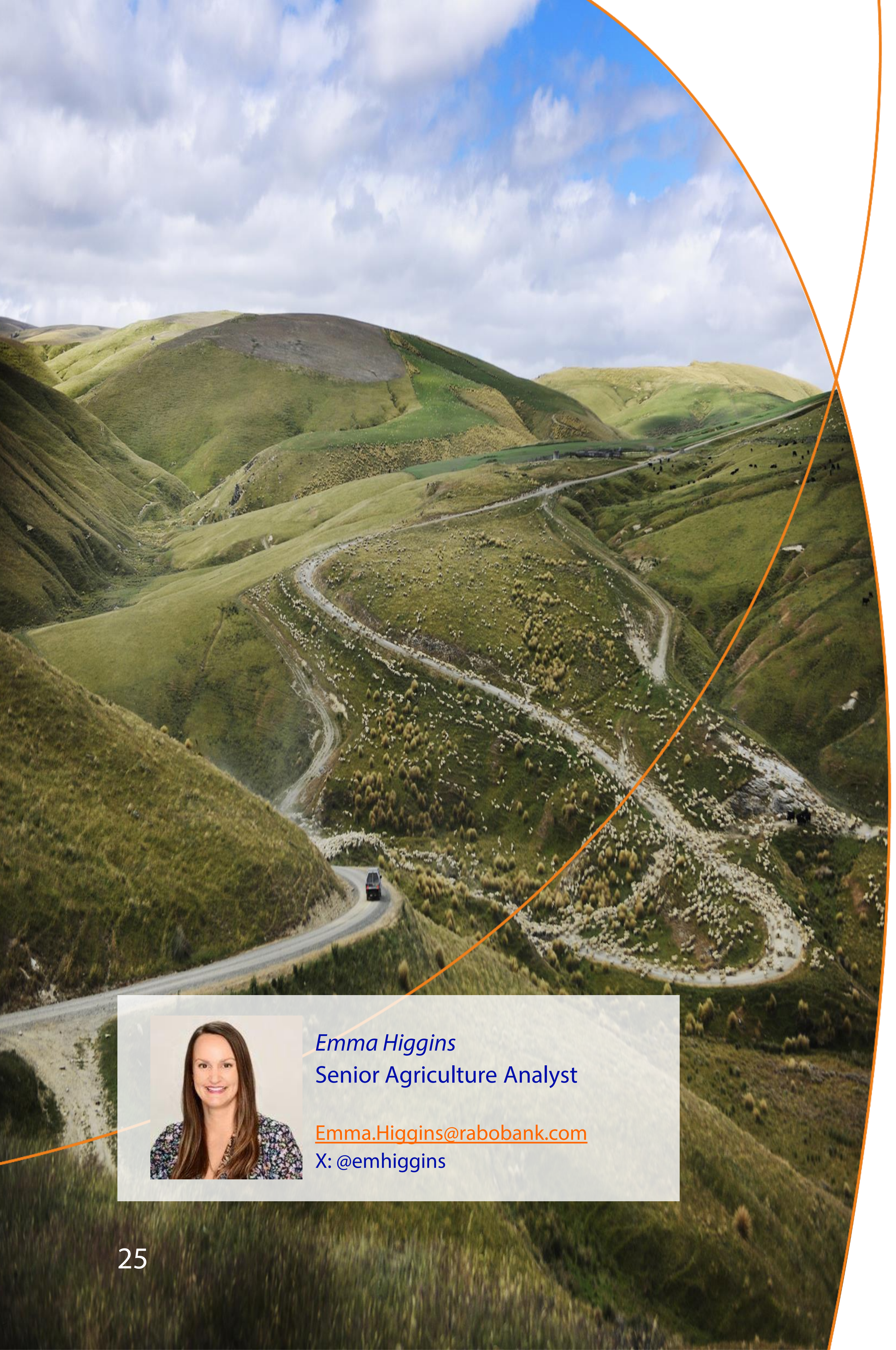

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Government regulation and policy

Several potential changes in the 2025 pipeline

Changes to the farming regulatory landscape are on the horizon once again for 2025, following a year of policy shifts aimed at reducing the administrative burden for primary producers.

There are several significant areas to keep an eye on for 2025:

1. **A new chair of the Climate Change Commission has been announced:** Rt Hon Dame Patsy Reddy, will take office in February 2025, bringing a background in law and governance to the role. Two new commission members have also been appointed: Felicity Underhill (energy industry background) and Devon McLean (with experience in forestry and conservation fields). The Climate Change Commission, established in 2019, provides advice and recommendations to government on emissions budgets, and monitors progress toward New Zealand's legislated climate targets.
2. **The Resource Management Act (RMA) reform issue has been a topic of debate in the past few years.** The first RMA amendment bill passed in October 2024, which had significant implications for the primary sector, including changes to intensive winter grazing, stock exclusion regulations, significant natural areas, freshwater farm plans and freshwater planning instruments. In 2025, a second RMA bill is likely, which may include further changes to the national direction instruments pertaining to primary industries under the RMA, which has the potential to further reduce administrative burden on farmers.
3. **This year may see potential changes to the trade of livestock exports by sea,** with public consultation being the first anticipated step in reinstating live exports by sea.
4. **Changes to the Emissions Trading Scheme (ETS) will likely come into force this year.** Of note are the proposed limits to converting farmland to exotic forestry registered in the ETS, including a temporary restriction on registering exotic forestry in the ETS for LUC classes 1-5 where the forest has been converted from farmland. This follows the exclusion of agriculture from New Zealand's ETS.
5. **Biosecurity remains a relevant theme, with more issues than usual this year.** Auckland has experienced fruit fly scares, and Otago has seen cases of (contained) high pathogenic avian influenza. With foot and mouth disease recently found in Germany, biosecurity policies will continue to be closely scrutinized

What to watch:

- **Net Zero Banking Alliance:** The six biggest American banks have withdrawn from the Net Zero Banking Alliance ahead of Trump's return to office. This move could signal the early stages of a broader trend among big American companies away from climate and environmental, social, and governance (ESG) initiatives, in an effort to avoid potential backlash. The impact on voluntary activities remains uncertain, as does the likelihood of corresponding regulation. However, changing political dynamics could prompt some companies to either slow down their efforts or alter their communication strategies.

Agri price dashboard

17/01/2025	Unit	MOM	Current	Last month	Last year
Grains & oilseeds					
CBOT wheat	USc/bushel	▼	539	541	593
CBOT soybean	USc/bushel	▲	1,034	952	1,213
CBOT corn	USc/bushel	▲	484	437	446
Australian ASX EC Wheat Track	AUD/tonne	▲	330	320	371
Non-GM Canola Newcastle Track	AUD/tonne	▲	774	757	613
Feed Barley F1 Geelong Track	AUD/tonne	▼	301	306	307
Beef markets					
Eastern Young Cattle Indicator	AUc/kg cwt	▲	707	674	616
Feeder Steer	AUc/kg lwt	•	347	347	303
North Island Bull 300kg	NZc/kg cwt	•	720	720	570
South Island Bull 300kg	NZc/kg cwt	•	690	690	530
Sheepmeat markets					
Eastern States Trade Lamb Indicator	AUc/kg cwt	•	817	817	776
North Island Lamb 17.5kg YX	NZc/kg cwt	▼	800	810	600
South Island Lamb 17.5kg YX	NZc/kg cwt	▼	785	795	585
Venison markets					
North Island Stag	NZc/kg cwt	▼	920	935	865
South Island Stag	NZc/kg cwt	▼	910	925	870
Oceanic Dairy Markets					
Butter	USD/tonne FOB	▼	6,750	6,838	5,738
Skim Milk Powder	USD/tonne FOB	▼	2,750	2,888	2,638
Whole Milk Powder	USD/tonne FOB	▼	3,788	3,925	3,300
Cheddar	USD/tonne FOB	▲	4,800	4,738	4,188

Source: Baltic Exchange, Bloomberg, RaboResearch 2025

Agri price dashboard

17/01/2025	Unit	MOM	Current	Last month	Last year
Cotton markets					
Cotlook A Index	USc/lb	▼	77.3	78.9	92
ICE No.2 NY Futures (nearby contract)	USc/lb	▼	67.6	68.1	84
Sugar markets					
ICE Sugar No.11	USc/lb	▼	18.2	19.7	23.6
ICE Sugar No.11 (AUD)	AUD/tonne	▼	649	697	737
Wool markets					
Australian Eastern Market Indicator	AUc/kg	▲	1,190	1,154	1,196
Fertiliser					
Urea Granular (Middle East)	USD/tonne FOB	▲	395	348	355
DAP (US Gulf)	USD/tonne FOB	▲	615	610	570
Other					
Baltic Panamax Index	1000=1985	▼	897	957	1,550
Brent Crude Oil	USD/bbl	▲	81	73	79
Economics/currency					
AUD	vs. USD	▼	0.619	0.622	0.660
NZD	vs. USD	▼	0.559	0.562	0.611
RBA Official Cash Rate	%	•	4.35	4.35	4.35
NZRB Official Cash Rate	%	•	4.25	4.25	5.50

Source: Baltic Exchange, Bloomberg, RaboResearch 2025

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