Autumn is beefing up

New Zealand agribusiness monthly

RaboResearch Food and Agribusiness

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Rabobank

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This report is based on information available as at 6/3/25

Commodity outlooks

Dairy

Global milk supply is rising in most export regions, with New Zealand's production 2.8% higher YOY for the season-to-date. North Island heat may slow growth rates in the final quarter of the season.

Beef

Farmgate prices for bull beef, prime, and manufacturing cow are 35% to 45% above the five-year average. The strong beef outlook boosts the store market, a challenge for traders.

Sheepmeat

Lamb prices hold above NZD 8.00/kg cwt, with average export values strong. Mutton exports values to China have improved while UK and EU demand is boosting lamb exports.

Farm inputs

Urea prices declined an eye watering 12.8% in New Zealand dollar terms month-over-month, as Indian demand failed to meet market expectations. The question is, where next for markets given uncertainty regarding Chinese export policy and global demand?

Interest rate and FX

RaboResearch expects the RBNZ to cut the OCR by a further 0.25ppts in April. We expect the New Zealand dollar to remain little changed over the next six months before rising towards 0.5900 against the US dollar in 12 months' time.

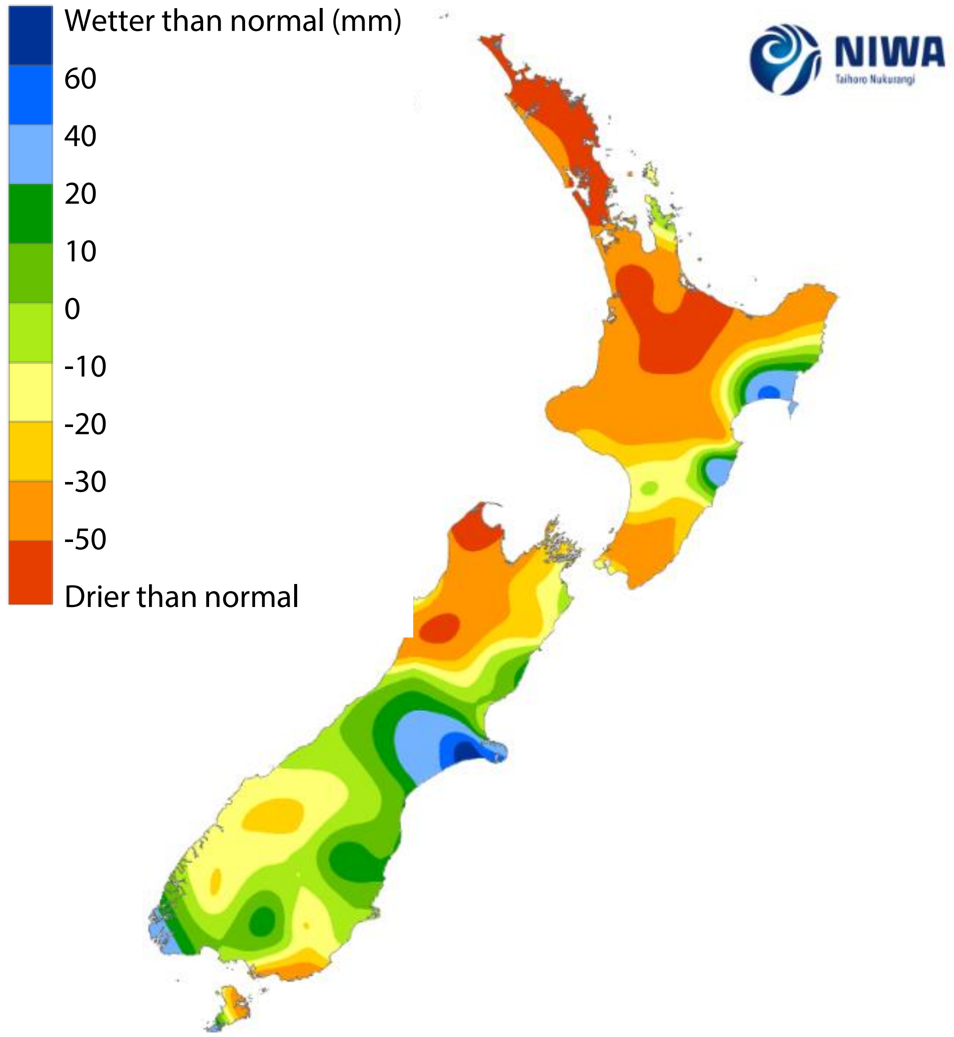
Oil and freight

Oil prices are set to face pressure from increased OPEC+ supply in April. The futures curve points to sub-USD 70/bbl prices by year-end, and RaboResearch sees prices averaging USD 71/bbl in Q2.

Climate

Is rain on the way for the regions that need it?

Soil moisture anomaly (mm), 01 April 2025



Source: NIWA 2025

In March 2025, NIWA reported that La Niña's oceanic markers weakened significantly, transitioning to ENSO-neutral conditions, though conditions still reflect La Niña. Soil moisture at the start of April is well below normal in the centre, west, and north of the North Island, with little significant rain in March.

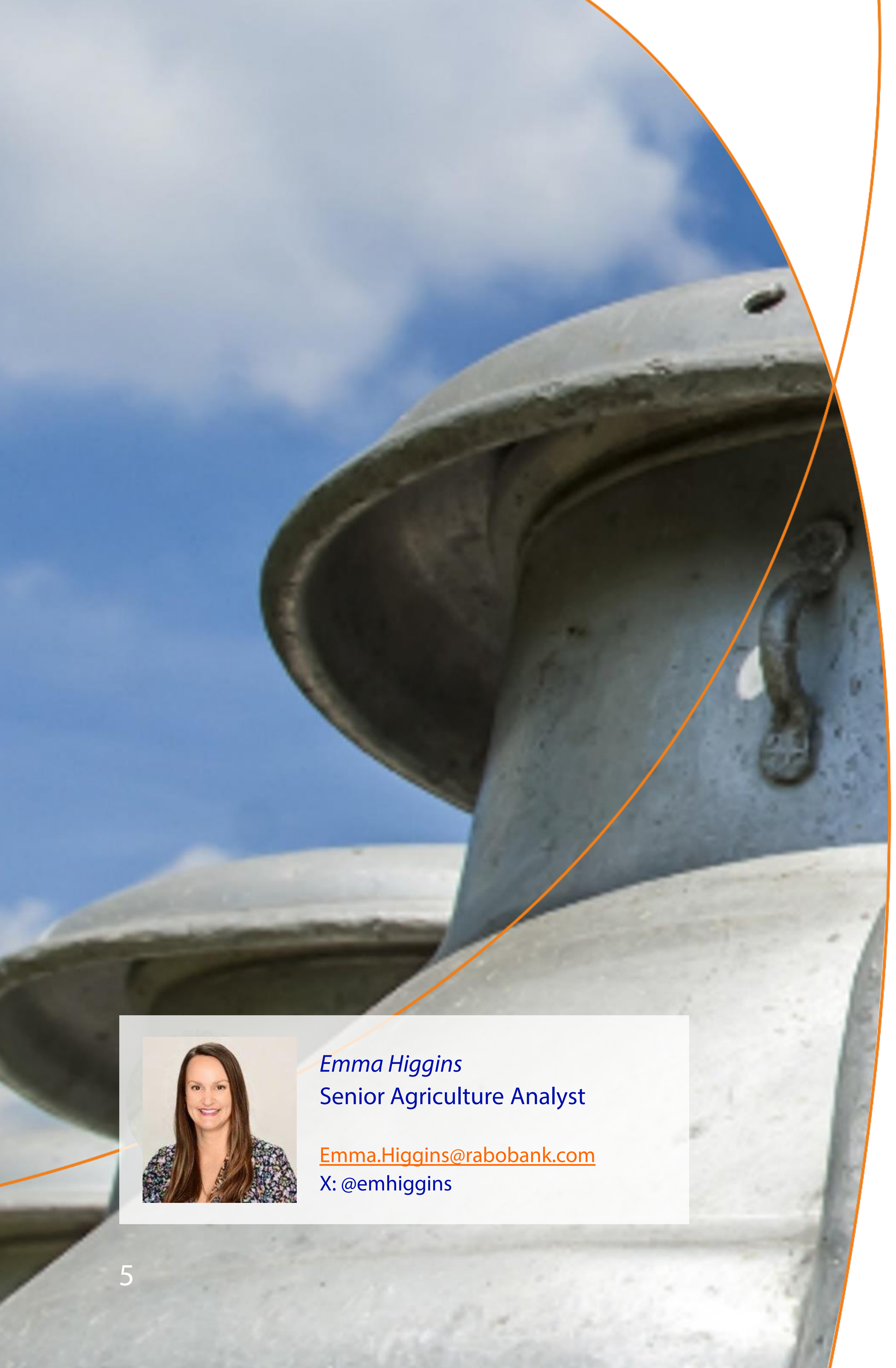
Early April may see some heavy rain across the west of New Zealand, caused by a deep low-pressure system. April may also see rainfall due to tropical or sub-tropical air flows. From April to June, rainfall is expected to be near normal in the north and west of the North Island and the west of the South Island, with near- or above-normal levels in other regions.

Higher atmospheric pressure in the southeast of New Zealand is expected, leading to northeasterly flow anomalies, with occasional southwesterlies also anticipated. Seasonal temperatures will be near or above average in the west of both islands and above average elsewhere.

Ocean waters around the South Island remain warmer than average, with marine heat wave conditions persisting. Above-average sea surface temperatures are likely to continue over the next three months. The risk of an ex-tropical cyclone passing within 550km of New Zealand is normal to elevated through April.

What to watch:

- **Early April rain would be welcome throughout the North Island and large parts of the upper South Island.** Given that it is now April and considering the amount of time that a soil moisture deficit has been apparent, pasture recovery following any rain is not likely to be rapid. Careful management to allow full recovery of pastures before grazing will be important when it comes to feed supplies, pasture health, and pasture covers by mid-winter.



Dairy

Rapid milk supply growth may start to slow

Rapid milk supply growth in New Zealand for the 2024/25 season continued into February 2025, with an almost 1% YOY gain, once adjusting for the 2024 leap year. Season-to-date flows are tracking 2.8% higher YOY for the nine-month period to February 2025. With the bulk of the North Island and upper South Island much drier than usual, milk supply growth rates are likely to slow from these regions for the final quarter in the 2024/25 season. Other parts of the South Island are still trucking along, with milk production recovering post-Spring.

Increased milk from this part of the world reflects a wider milk supply growth picture from the export regions. In the US, milk production has returned to growth. February 2025 milk flows bounced 1% higher YOY on a leap year-adjusted basis. This follows January 2025 milk production ticking higher by 0.5% YOY. The increase in February milk flows was underpinned by 62,000 more cows in the system and higher milk per cow output. California milk production continues to be impacted by avian influenza, declining 3.7% in February YOY.

In Western Europe, conditions remain mostly favourable heading into Spring. There are ongoing risks of a flare up of Blue tongue virus in the coming months.

However, Australian milk production had a weak February as dry and hot conditions take a toll on milk flow. Milk production was down 1.4% on a 28-day basis and marked the fourth-consecutive year-on-year fall. So far, for the season, milk production is down -0.1%. The biggest falls this season on a percentage basis have been in Western Victoria, Tasmania and Queensland.

Global growth is driven by improved milk prices and strong confidence levels. Sentiment is likely strongest in New Zealand, where Fonterra maintains a firm NZD 10/kgMS mid-point milk price forecast for this season. Margins are also healthy in Australia, Brazil, the EU, and the US, with most areas experiencing elevated milk prices and lower feed costs, a common global theme at present.

What to watch:

Upside – China milk supply

- A herd reduction is underway in China. This has put the brakes on milk supply, which is expected to decline in 2025. Any overcorrection in milk supply leading to a shortage of milk will support Chinese import demand and be price supportive.

Downside – US dairy trade disruption

- The US is a sizeable exporter and plays an important role in the global market. Markets are watching closely for any major disruption in the flow of dairy products to major trading partners such as Mexico and China.

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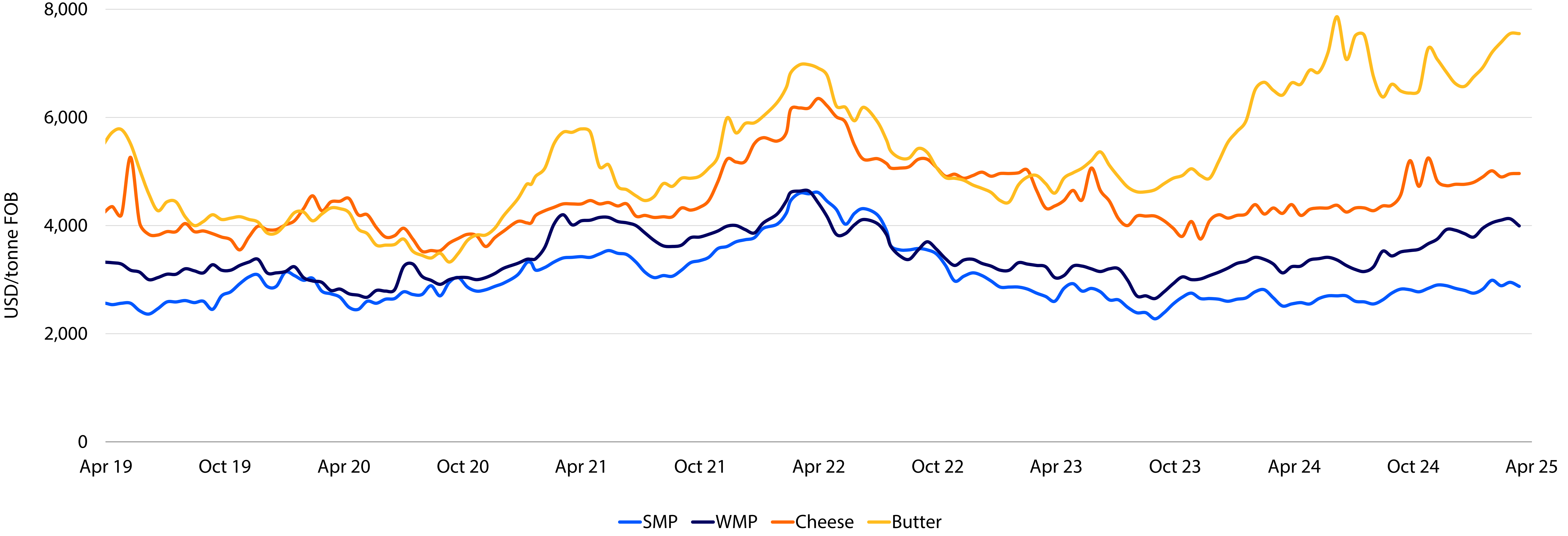
Dairy

Improved export demand is flowing through to New Zealand commodity prices

Oceania spot prices for dairy commodities



Source: *USDA, RaboResearch 2025*

Beef

Export volumes are down but values are up

Strength in farmgate pricing continues across bull beef, prime and manufacturing cow. At the end of March, average farmgate prices across these cohorts ranged between 35%-45% above five-year average pricing, more than an additional NZD 1.50/kg cwt for the same weeks annually.

With farmgate prices reaching record highs and a robust outlook for beef, the store/sale yard market is experiencing similar strength. **Producers with cattle ready for finishing are likely to be pleased, while those involved in beef trading may face challenges with re-stocking during this upswing.** Notably, prices for R1 Friesian bulls, which are in high demand, have increased by up to NZD 1.30 per kilogram live weight compared to last year.

Conditions across the North and South Islands remain vastly different with the North Island dry putting pressure on stocking rate, and feed supply. While the South Island sees cull cow numbers down 7% year-on-year for the five weeks to early March. Canterbury is in the best shape in the South Island, delaying dairy cow culling due to favourable conditions and higher milk prices.

Total export volumes in February were down 5% YOY while export value was up by 23% to NZD 486.5 million. China volumes saw the biggest decline, back 36% to 11,399 tonne. US volumes were up by 15% to 21,308 tonne at a value of NZD 251 million, making up 52% of total export value for the month.

Total adult cattle sent to slaughter in the export season to early March 2025 is down 2%, or 25,000 head, YOY. The dry conditions in the North Island have led to increased offloading, with numbers up 7% YOY. Meanwhile, the South Island, where fewer cattle reside, is experiencing favourable early autumn conditions in feed supply, resulting in a 7% decrease in numbers.

It is expected that more cull cows in the South Island will come forward later this year, with the possibility of adding more weight to these cattle to capitalise on strong export markets for manufacturing beef. The good times continue.

What to watch:

- **Global trade remains an active talking point, and beef is not expected to be exempt from any potential impacts. However, it remains a waiting game.** There has been reported caution from US beef buyers in March, as they are hesitant to lock in prices now, only to face higher costs once the beef arrives in the US after April announcements.

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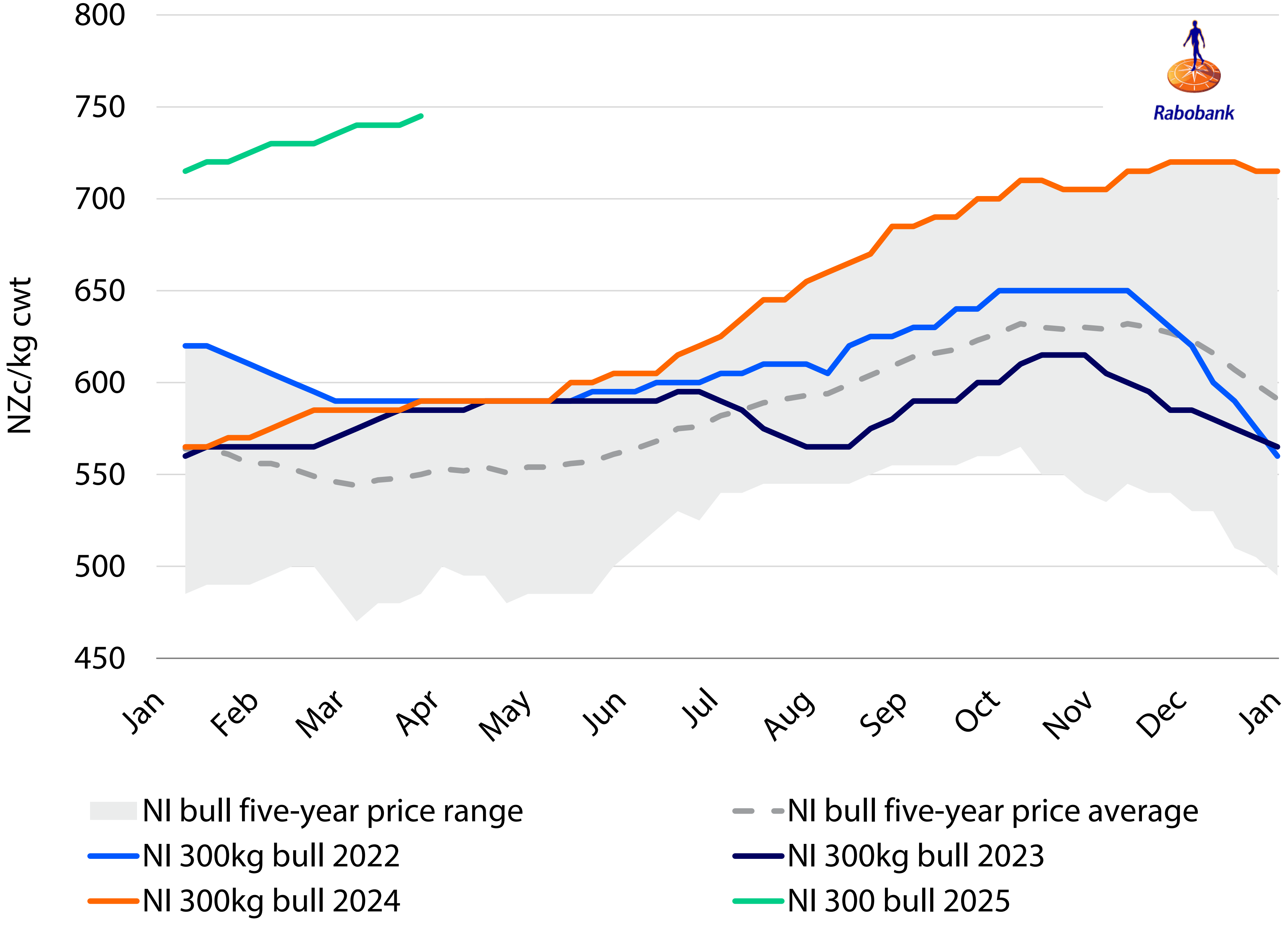
Beef

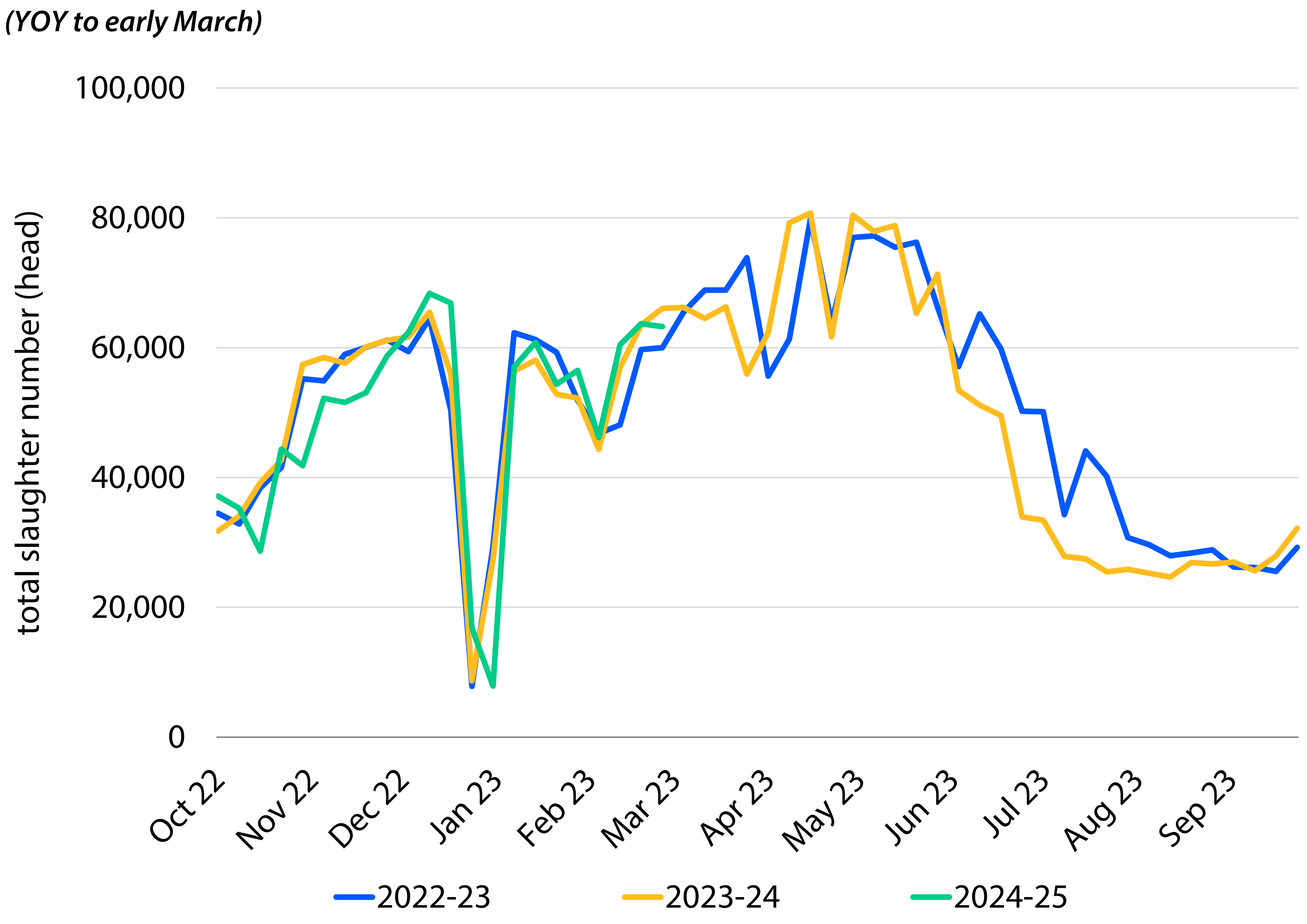
Volume of cattle down slightly as farmgate prices continue to rise

NI bull prices keep climbing



Source: *AgriHQ, RaboResearch 2025*

2024/25 adult cattle slaughter headcount down 2% YOY



Source: *NZ Meat Board, RaboResearch 2025*

Sheepmeat

Lamb price holds and value derived outside of China

Farmgate prices for lamb continue to sneak higher above NZD 8.00/kg cwt across New Zealand. Average export value for lamb hit NZD 13.48/kg cwt, which is up from NZD 10.09/kg cwt in February 2024. This uptick, shows value being returned to both producers and exporters. **The AgriHQ South Island lamb price has now hit pricing equivalent to 2022 in the same week.**

Mutton export values to China have increased by up to NZD 2.00/kg FOB year-on-year in recent months, helping to maintain prices at or above NZD 4.00/kg cwt since November 2024. China remains the most important market for mutton volumes.

Pricing continues to be driven by demand from the UK and EU for lamb, and this sustained diversification away from China is resulting in improved export returns. The UK and EU markets have accounted for 44% of the total export value for lamb in the current export season (Oct-Feb), with a total value of NZD 637m, up 39% compared to the same period in the 2023/24 export year.

The NZ Meat Board (NZMB) reports that total lamb slaughter numbers for the first 22 weeks of the export season are down 5.0% year-on-year, with significant disparity between the islands. Dry conditions in the North Island have led to increased offloading, with numbers up 10% compared to the same period last year. In contrast, the South Island is down 17% in numbers due to favourable on-farm conditions and fewer lambs in total.

There is ongoing concern about the total sheep inventory in New Zealand. NZMB slaughter numbers for mutton are up 15% nationally year-on-year for the first 22 weeks of the export season, with the South Island seeing a nearly 25% increase. This trend is concerning for the national flock.

Strong pricing, above the five-year average, is expected to continue for sheepmeat for the remainder of the 2024/25 export season. This is a welcome relief for farmgate profitability for red meat farmers, especially compared to the past two years.

What to watch:

- **An improved global demand for sheepmeat may be a trend to watch over 2025 and 2026.** As global beef demand and supply dynamics evolve, with supply challenges in beef across both Europe and North America, this could elevate the profile and demand for sheepmeat. New Zealand and Australia may have an opportunity to encourage lamb as a go-to alternative as beef supply tightens?

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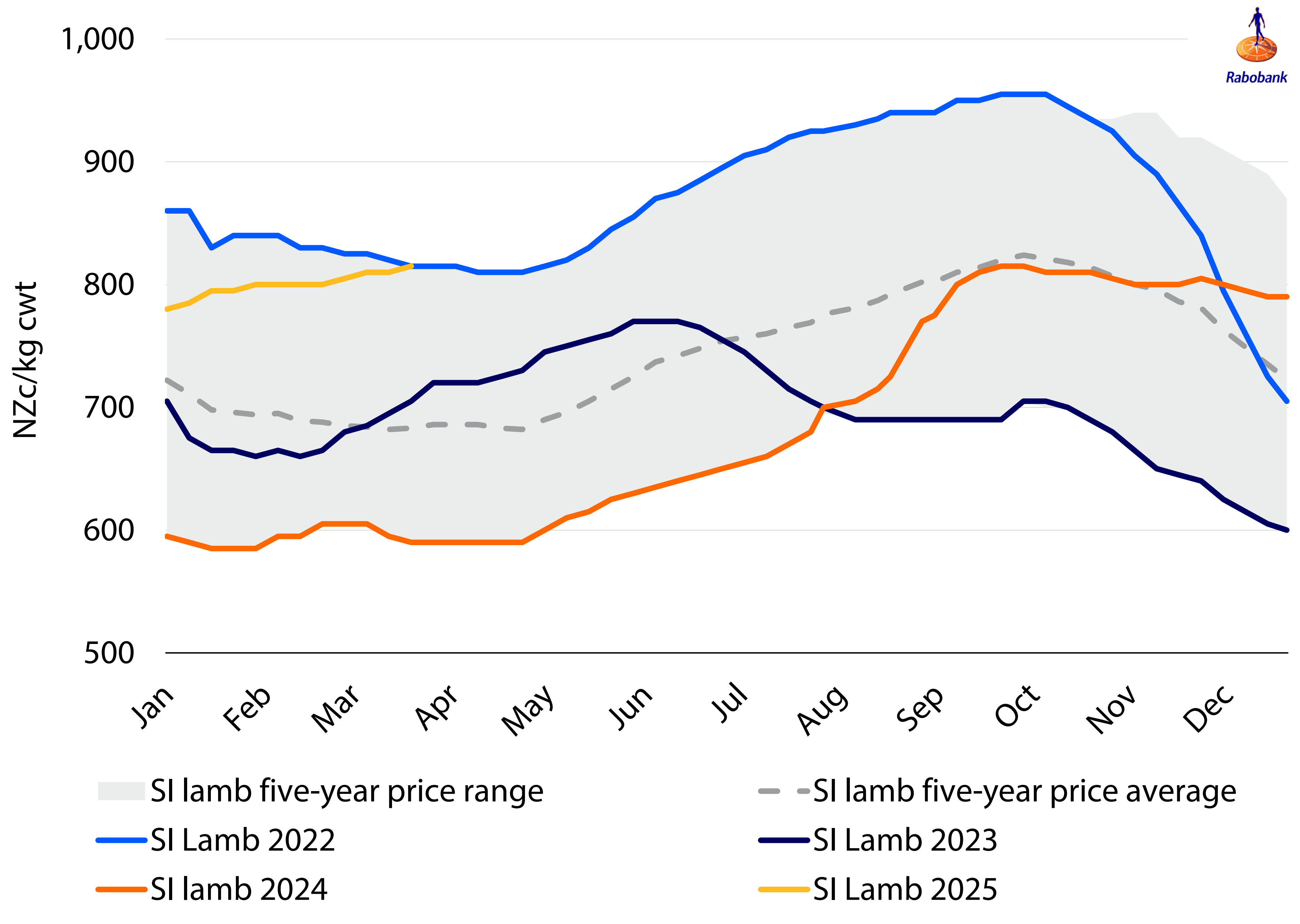
Sheepmeat

UK + EU makes up 44% of total export value for lamb in export season-to-date

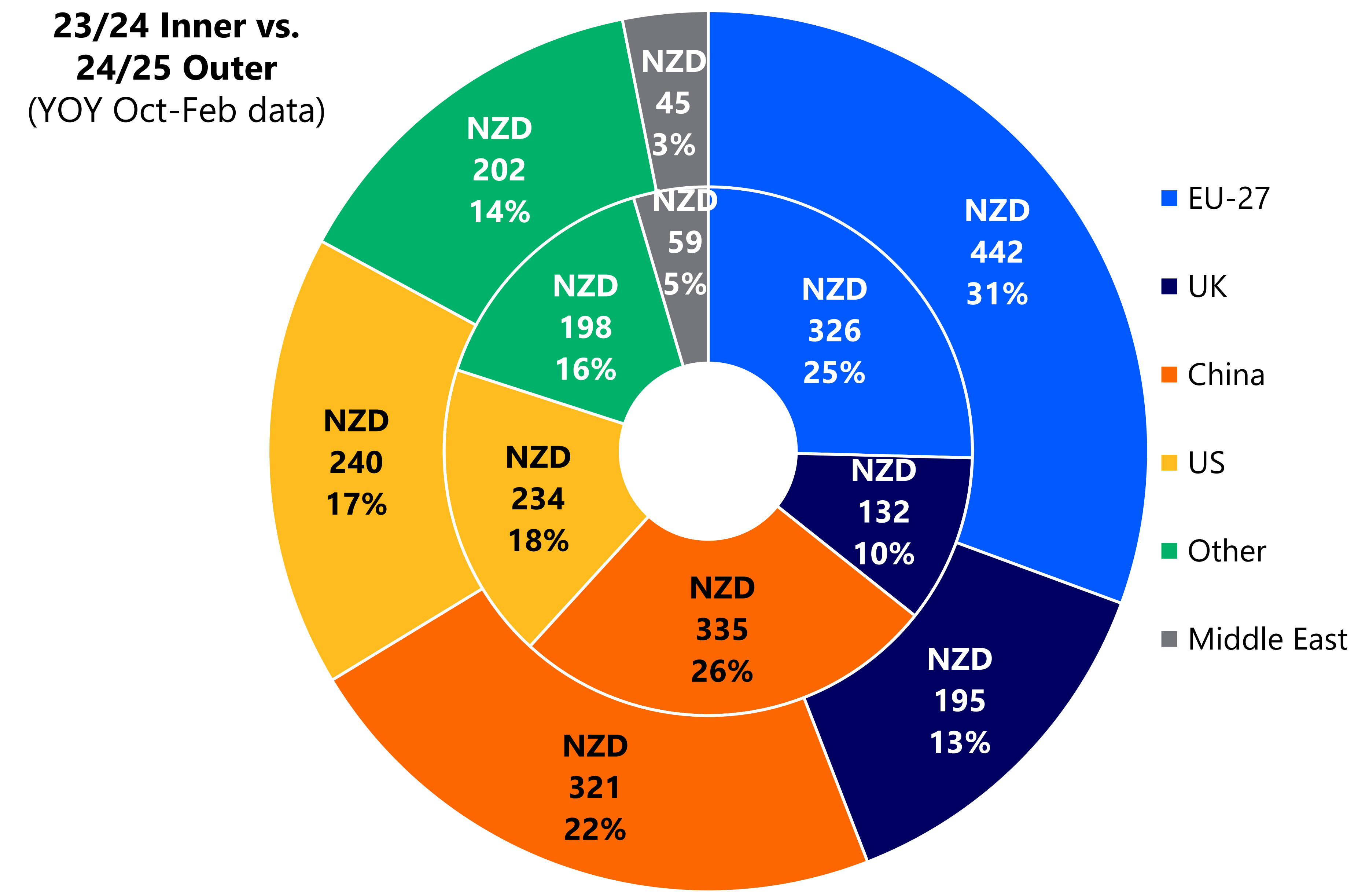
AgriHQ South Island lamb price continues to creep up



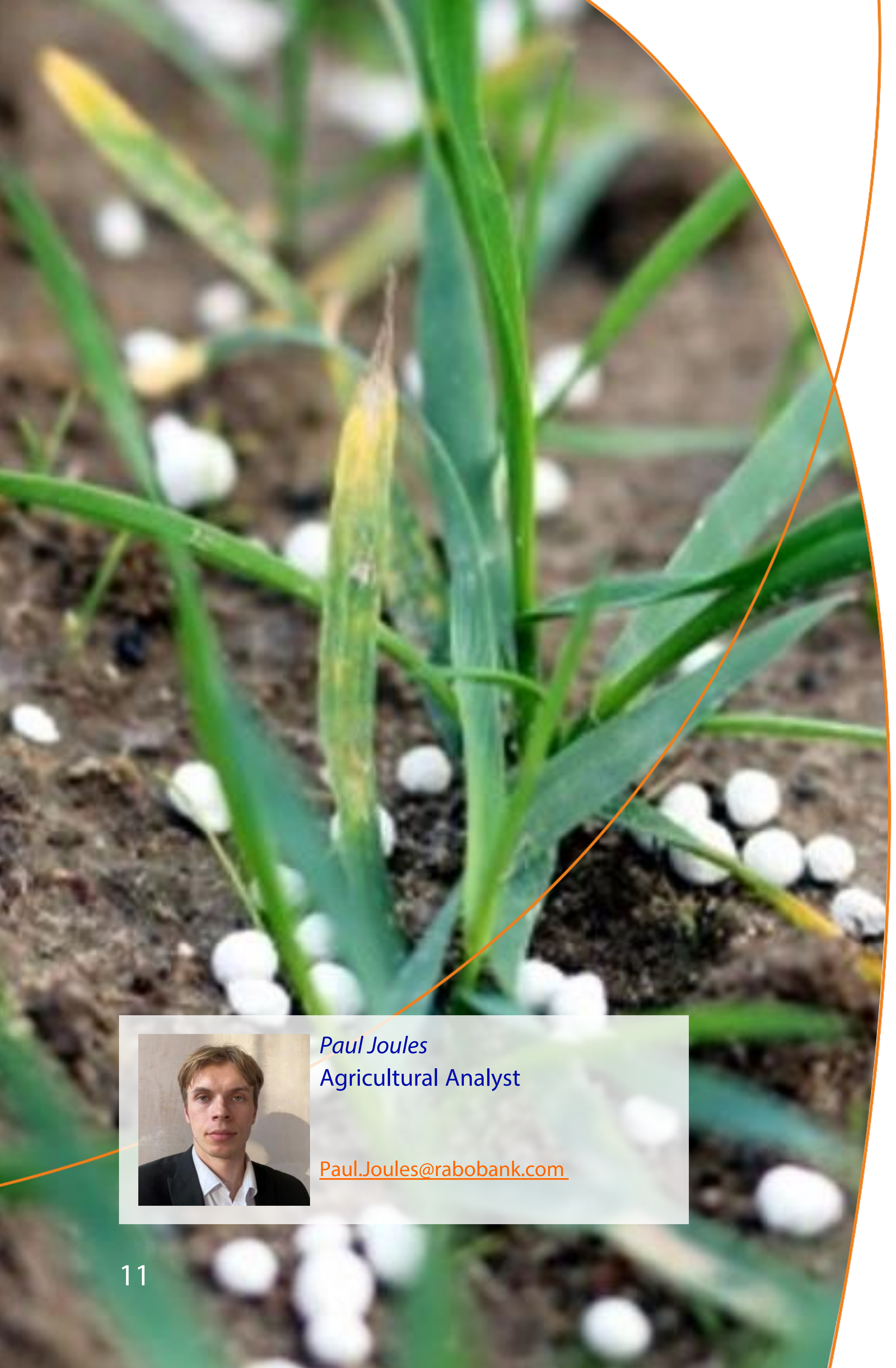
Source: *AgriHQ, RaboResearch 2025*

Oct-Feb total lamb export value sees swing in total value* towards UK + EU markets

** NZD million*



Source: *Stats NZ, RaboResearch 2025*



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Farm inputs

International urea prices decline

Although potash phosphate prices rose 1.5%, and potash prices rose 1.1% over the past month, the real story is a 12.8% decline in urea prices. This puts urea prices in NZD terms at levels not seen since the beginning of the year (NZD 620/tonne).

Market expectations regarding an Indian urea tender in recent weeks failed to materialize, and this appears to be one of the key drivers behind recent price relief.

Recently, we've seen India announce a sizeable urea tender, however this didn't lift prices higher (likely the market was expecting to see India enter the market for larger volumes).

In terms of short-term price action, the market will be assessing whether India is simply deferring usual purchases, or whether this is a sign of waning demand. India's domestic production, and stocks are both down on a year-on-year basis, so this suggests that import demand should be strong, especially given that domestic sales appear to be in-line with last year. It's also worth highlighting that should India adopt a more aggressive procurement approach, prices could react the opposite way. Because of this, volatility seems likely in the coming months.

The other factor to highlight, that could have an impact on New Zealand urea prices in the coming months, is Chinese trade policy.

For now, China remains largely absent from the urea export market, however, uncertainty regarding when it will return to the market remains. As mentioned previously, a return to normal exports during the first half of 2025 seem unlikely given strong domestic demand. But anytime in the second half of the year is possible. This could therefore help to loosen the tight global balance sheet later in the year.

One factor which could prove a benefit for farm input procurement over the next 12-months is FX rates. RaboResearch has recently revised its NZD/USD forecast higher, with the cross expected to hit USD 0.59 on a 12-month view. We've been highlighting the pronounced negative impact a weaker dollar would have on fertiliser and agrochemical procurement throughout 2025.Although the outlook is still considered weak against recent years, it's higher than previous expectations, and should it materialize, it may provide some on-farm price relief.

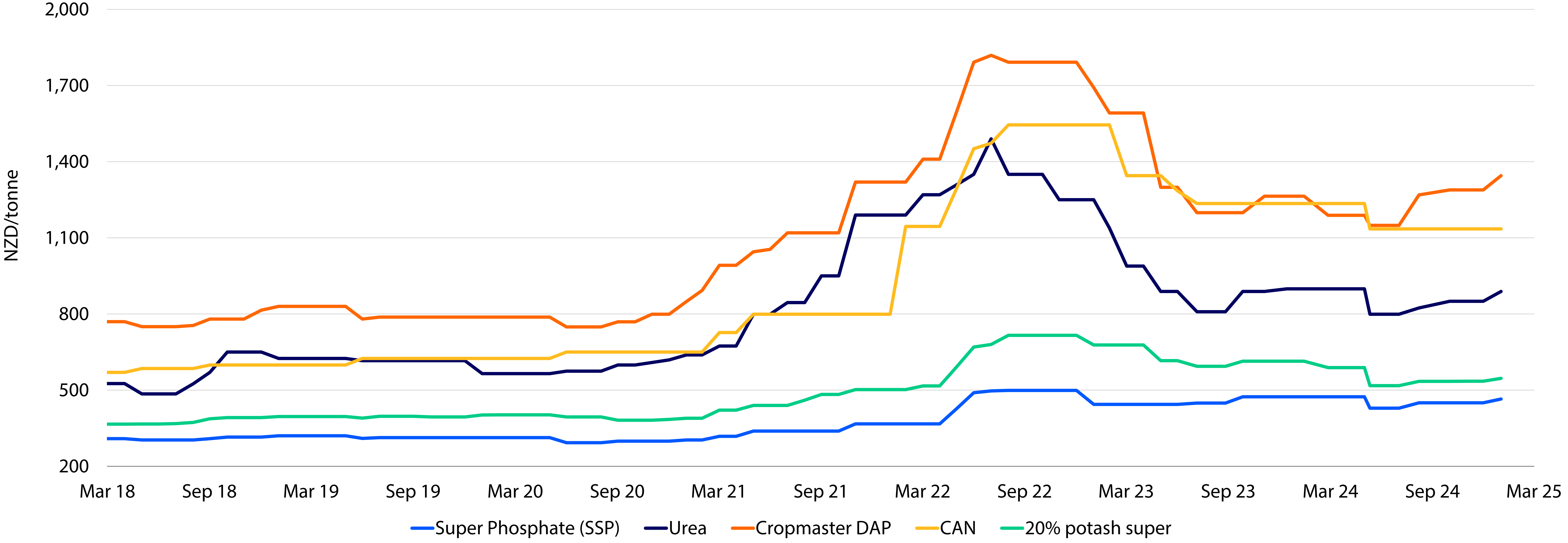
What to watch:

- **The market will be closely watching India,** and whether it comes back to the market for another tender. This has the potential to induce urea market volatility.
- **The other key factor to keep an eye on is whether China returns to the urea export market.** A return could help ease the tight supply picture, however it's not clear when exactly this will happen.

Farm inputs

Retail fertilizer prices are largely unchanged month-on-month

A decline on international urea markets is yet to be felt at the retail level in New Zealand



Source: *Ravensdown, RaboResearch 2025*

Interest rate and FX

Change at the top

RBNZ Governor Adrian Orr announced his resignation with immediate effect in early March. Governor Orr didn't give specifics about why he was stepping down, but there has been speculation in markets that he did not see eye-to-eye with the coalition government on the issue of bank capital requirements.

Adrian Orr favoured requiring banks to hold high levels of capital to insulate depositors against potential losses in the event of a major downturn. The downside of holding higher levels of capital is that it is costly for banks, and that cost may be reflected in lower availability of credit or higher interest rates for borrowers.

Following Governor Orr's departure, RBNZ officials told a parliamentary inquiry that they would be reviewing bank capital requirements with a final report due around the end of the year.

March also saw the release of the Q4 national accounts. This report showed the economy snapping out of recession by posting solid growth of 0.7% QOQ, but the growth wasn't quite as strong as we had forecast.

RaboResearch continues to expect that the RBNZ will slow the pace of rate cuts from April onwards, cutting in increments of 0.25ppts rather than the 0.50ppt cuts that have characterised previous policy rate decisions.

We are forecasting cuts in April and May to take the OCR down to 3.25% and see some possibility of a third cut later in the year if growth continues to undershoot our forecasts and the unemployment rate rises more than expected.

The New Zealand dollar rose by almost 2% in March to be trading around the 0.5700 level at month end. The solid performance of the NZD was likely driven by ongoing improvements in commodity prices, lower prices for imports and the news that the economy is now out of recession.

RaboResearch forecasts the NZD to be little changed over the next six months before rising slightly to 0.5900 against the USD on a 12-month timeline.

What to watch:

- **RBNZ OCR decision, April 9th –** We expect the RBNZ to continue its rate cutting cycle in April, albeit at a reduced pace. Our forecast is a 0.25ppt cut to the OCR to bring it down to 3.50%.
- **StatsNZ Q1 CPI inflation report, April 17th –** Inflation appears to be well-contained in New Zealand, but the official inflation data will continue to be an important input for RBNZ policy decision-making. A weaker than expected inflation report may lift the chances of the RBNZ cutting three more times this year rather than our current forecast of two more cuts.

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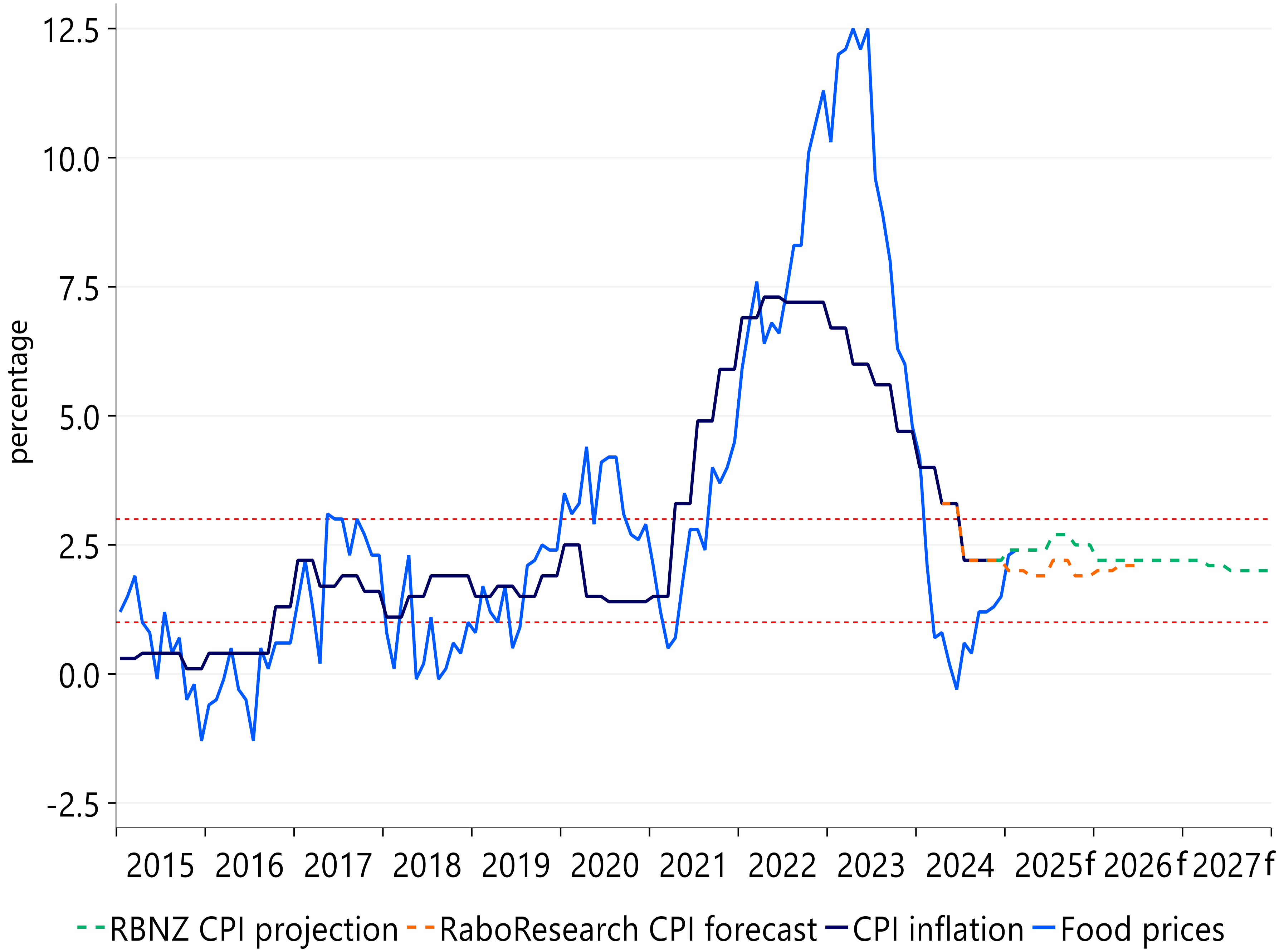
Interest rate and FX

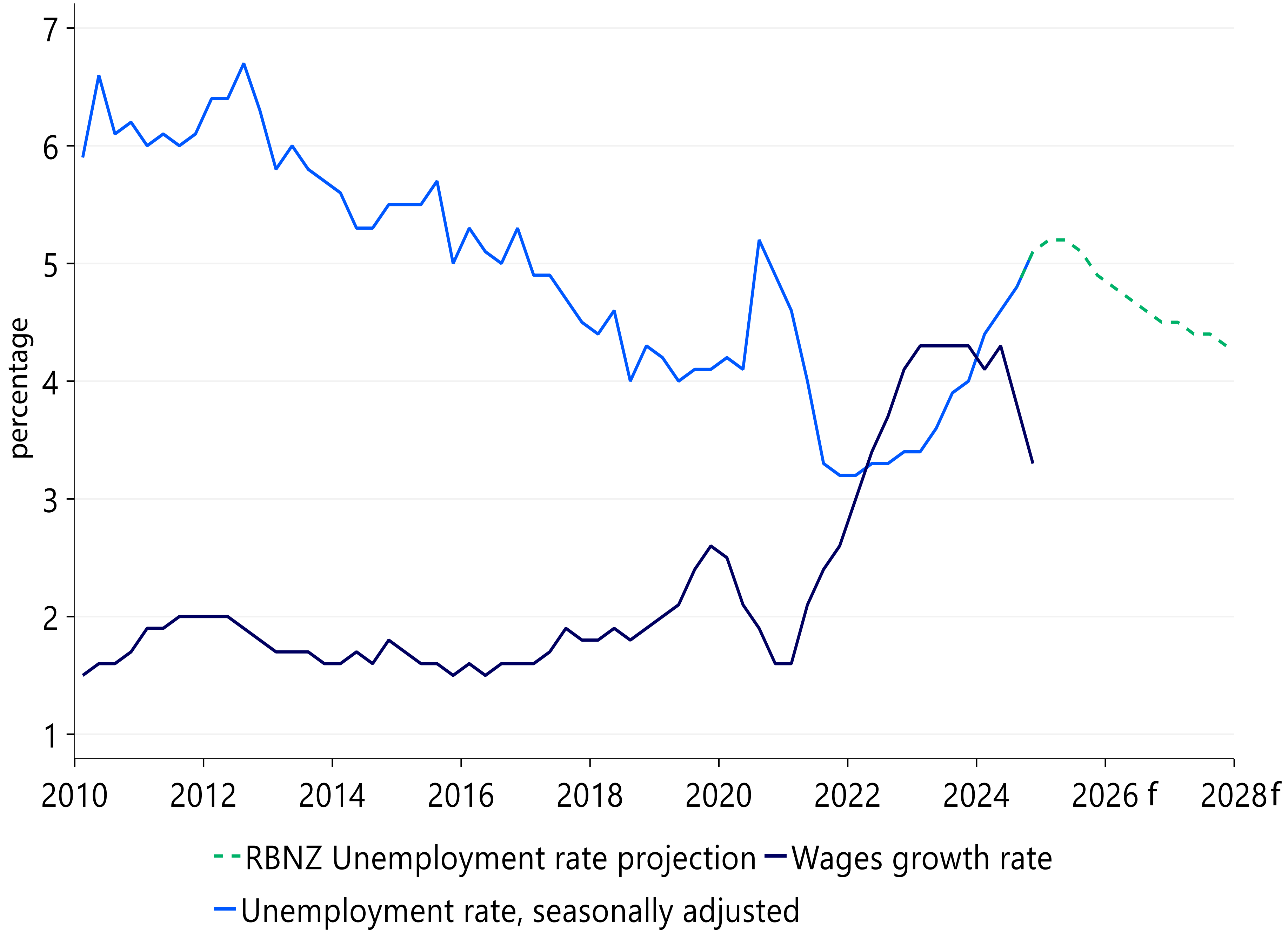
In the calibration phase

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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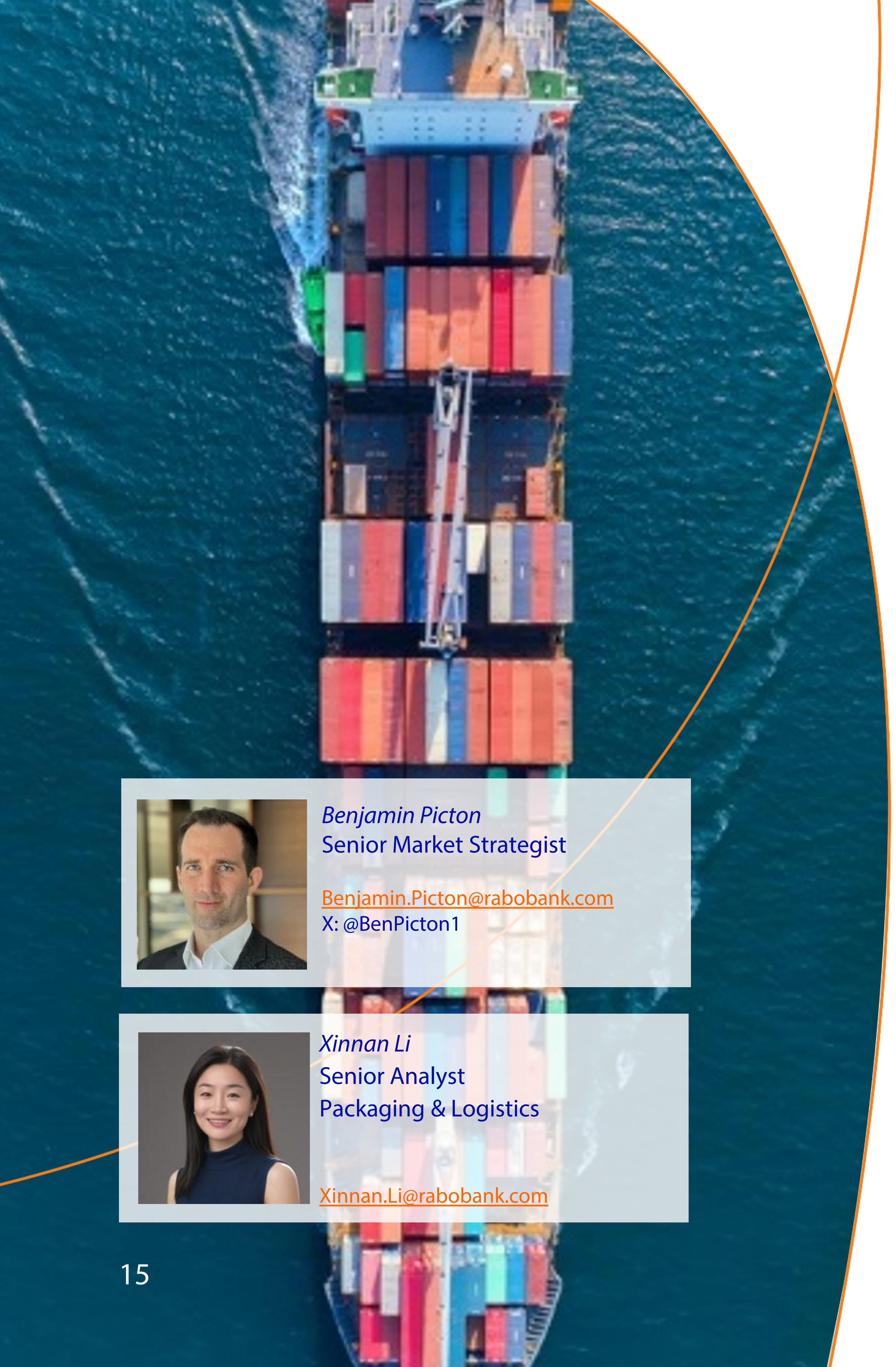

Oil and freight

No shortage of supply

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Brent crude oil prices rose more than 1% over the course of March, to close the month above USD 73/bbl but remain well within the USD 69-USD 80/bbl range that has been established since August last year.

Threats of tighter US sanctions on Russia, Venezuela and Iran, along with concerns over the impact of tariffs, helped the market to rally modestly despite a strong supply outlook in the months ahead.

In April, OPEC+ producers are expected to begin adding back barrels that had been removed from the market through voluntary production cuts. This means more supply in an already well-supplied market, even as the demand outlook remains subdued courtesy of growth slowdowns in the US and China and the ongoing switch to alternative fuels.

The futures curve suggests lower prices ahead, with the December 2025 contract currently trading at USD 69.78. **RaboResearch expects prices to average USD 71/bbl in Q2 and USD 69/bbl in Q3.**

Terminal operators and forwarders are changing hands. Global logistics company DP World announced the acquisition of Australia's leading freight forwarder Silk Logistics last November, and it is currently getting attention from the Australian Competition & Consumer Commission for competition concerns.

CK Hutchison, a Hong Kong-based conglomerate, is disposing of close to USD 23bn worth of global terminals, including those in Australia. This is likely to trigger reshuffling of terminal ownership on a global scale as operators buy and dispose terminal assets to meet regulators' anti-trust demands. BlackRock and MSC are among the interested parties. As geopolitics increasingly impact global trade logistics, reshuffling of assets on a global scale is imminent.

The Baltic Panamax index (a proxy for grain bulk freight) has had an impressive recovery from the bottom in March. However, US tariffs may negatively impact demand thus weakens the index.

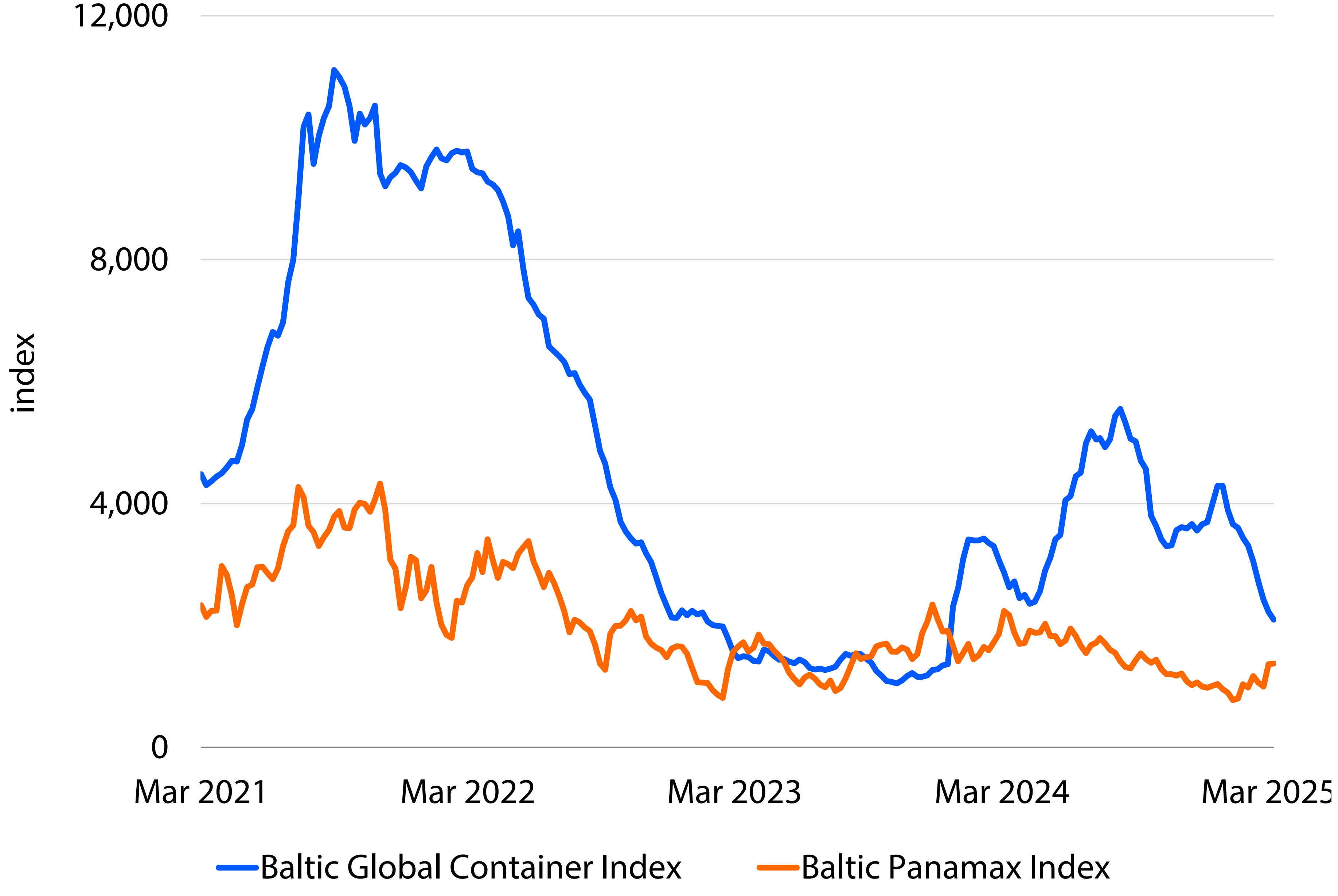
What to watch:

- **OPEC+ increased supply** – OPEC+ is expected to begin adding back up to 180,000 barrels/day worth of oil production in April. Any news of delays of reductions to the supply increase could prompt a small rally in prices, while larger production increases could cause prices to fall by more than currently expected.

Oil and freight

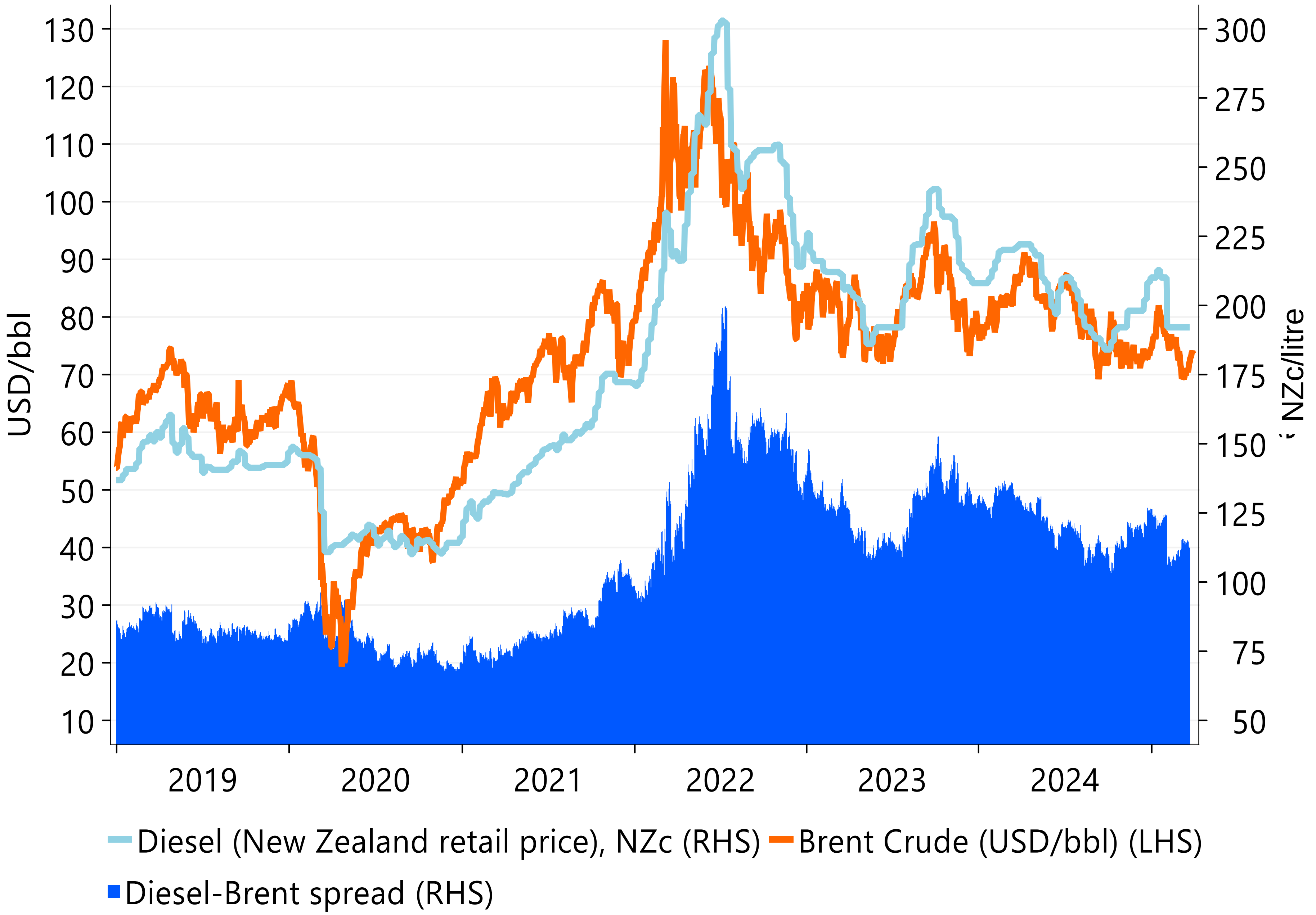
Containerised freight rates continue to slide

Baltic Panamax Index and Dry Container Index, Mar 2021-Mar 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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Agri price dashboard

28/03/2025	Unit	MOM	Current	Last month	Last year
Grains & oilseeds					
CBOT wheat	USc/bushel	▼	541	566	560
CBOT soybean	USc/bushel	▲	1,034	1,025	560
CBOT corn	USc/bushel	▼	462	478	560
Australian ASX EC Wheat Track	AUD/tonne	▼	332	341	560
Non-GM Canola Newcastle Track	AUD/tonne	▲	746	745	560
Feed Barley F1 Geelong Track	AUD/tonne	▲	325	320	560
Beef markets					
Eastern Young Cattle Indicator	AUc/kg cwt	▲	687	654	600
Feeder Steer	AUc/kg lwt	▲	361	351	314
North Island Bull 300kg	NZc/kg cwt	▲	745	735	590
South Island Bull 300kg	NZc/kg cwt	▲	710	700	535
Sheepmeat markets					
Eastern States Trade Lamb Indicator	AUc/kg cwt	▲	785	774	597
North Island Lamb 17.5kg YX	NZc/kg cwt	▲	835	820	610
South Island Lamb 17.5kg YX	NZc/kg cwt	▲	815	800	590
Venison markets					
North Island Stag	NZc/kg cwt	•	920	920	865
South Island Stag	NZc/kg cwt	•	915	915	855
Oceanic Dairy Markets					
Butter	USD/tonne FOB	▲	7,550	7,200	6,413
Skim Milk Powder	USD/tonne FOB	▼	2,875	2,988	2,513
Whole Milk Powder	USD/tonne FOB	▼	3,994	4,050	3,125
Cheddar	USD/tonne FOB	▼	4,963	5,013	4,225

Source: Baltic Exchange, Bloomberg, RaboResearch 2025

Agri price dashboard

28/03/2025	Unit	MOM	Current	Last month	Last year
Cotton markets					
Cotlook A Index	USc/lb	▲	78.9	78.0	96
ICE No.2 NY Futures (nearby contract)	USc/lb	▲	68.3	65.4	91
Sugar markets					
ICE Sugar No.11	USc/lb	▼	19.4	20.6	22.5
ICE Sugar No.11 (AUD)	AUD/tonne	▼	680	685	715
Wool markets					
Australian Eastern Market Indicator	AUc/kg	▲	1,245	1,195	1,142
Fertiliser					
Urea Granular (Middle East)	USD/tonne FOB	▼	382	445	375
DAP (US Gulf)	USD/tonne FOB	▲	623	615	570
Other					
Baltic Panamax Index	1000=1985	▲	1,501	1,128	1,879
Brent Crude Oil	USD/bbl	▲	74	73	87
Economics/currency					
AUD	vs. USD	▼	0.628	0.631	0.652
NZD	vs. USD	▲	0.570	0.570	0.598
RBA Official Cash Rate	%	•	4.10	4.10	4.35
NZRB Official Cash Rate	%	•	3.75	3.75	5.50

Source: Baltic Exchange, Bloomberg, RaboResearch 2025

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