Hot prices, warm outlook for spring 2025

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 7/8/25

Commodity outlooks

Dairy

New season milk production has launched with a bang – and could set a new record for milk flows out of this part of the world, posing a test for Oceania commodity prices.

Beef

Bull beef prices held firm in July, supported by continued strong US demand. Tight domestic supply, reduced slaughter rates, and rising calf values continue to underpin strength in New Zealand's beef sector.

Sheepmeat

As 2025 spring lambing begins, tight old-season supply and strong EU demand are supporting record seasonal lamb prices. Export volumes remain low, but market diversification continues to underpin value resilience.

Farm inputs

Fertiliser prices continued to track higher in July, with urea leading the way (+12% MOM). Despite easing tensions in the Middle East global supply and demand remains tight, particularly in the urea and phosphate markets.

Interest rate and FX

The Reserve Bank of New Zealand (RBNZ) kept the Official Cash Rate (OCR) unchanged in July but is likely to deliver the final cut of the cycle in August, bringing the rate down to 3.00%. Meanwhile, the US has increased tariffs on New Zealand exports from 10% to 15%.

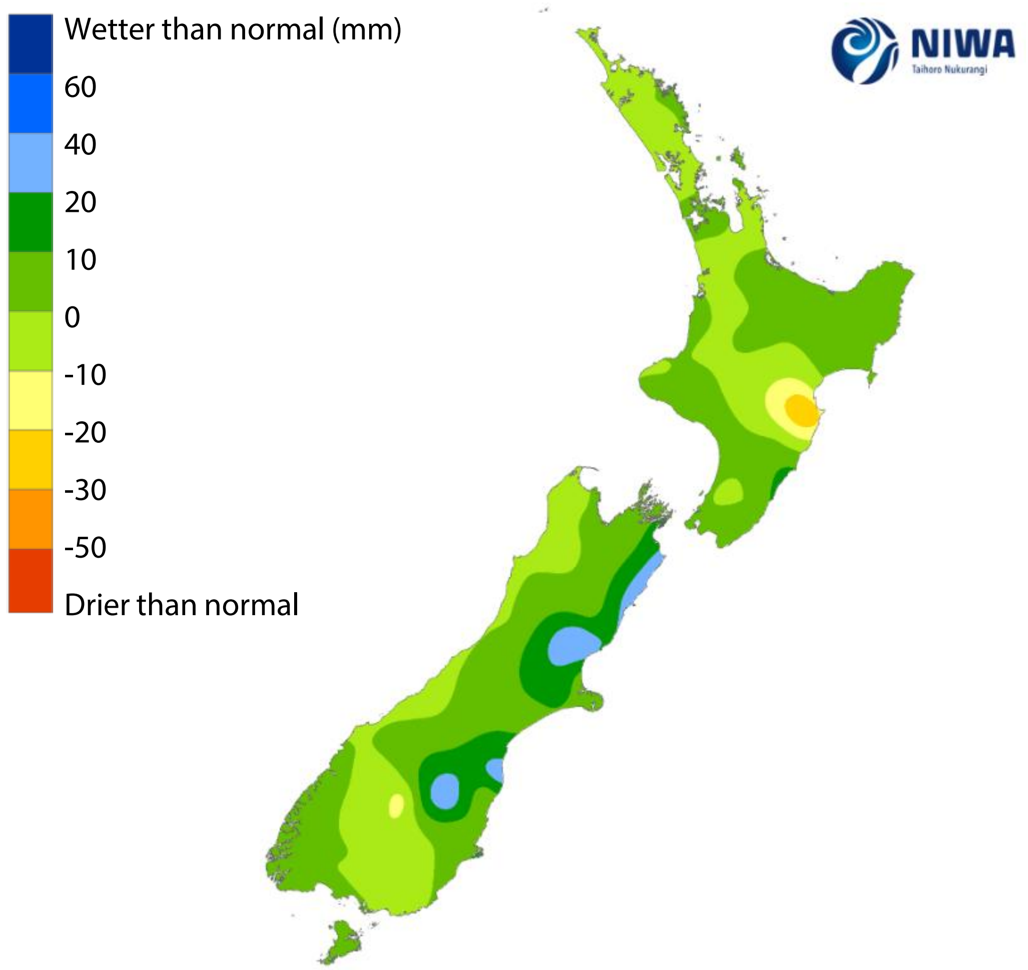
Oil and freight

Oil prices lifted for a third consecutive month in July, as US president Donald Trump threatened secondary sanctions against buyers of Russian exports (including oil) should Russian president Vladimir Putin fail to agree to a ceasefire in Ukraine. Trump has given Putin less than two weeks to agree to terms.

Climate

Wet and warm for lambing and calving

Soil moisture anomaly (mm), 3 August 2025



Source: *Earth Sciences New Zealand, 2025*

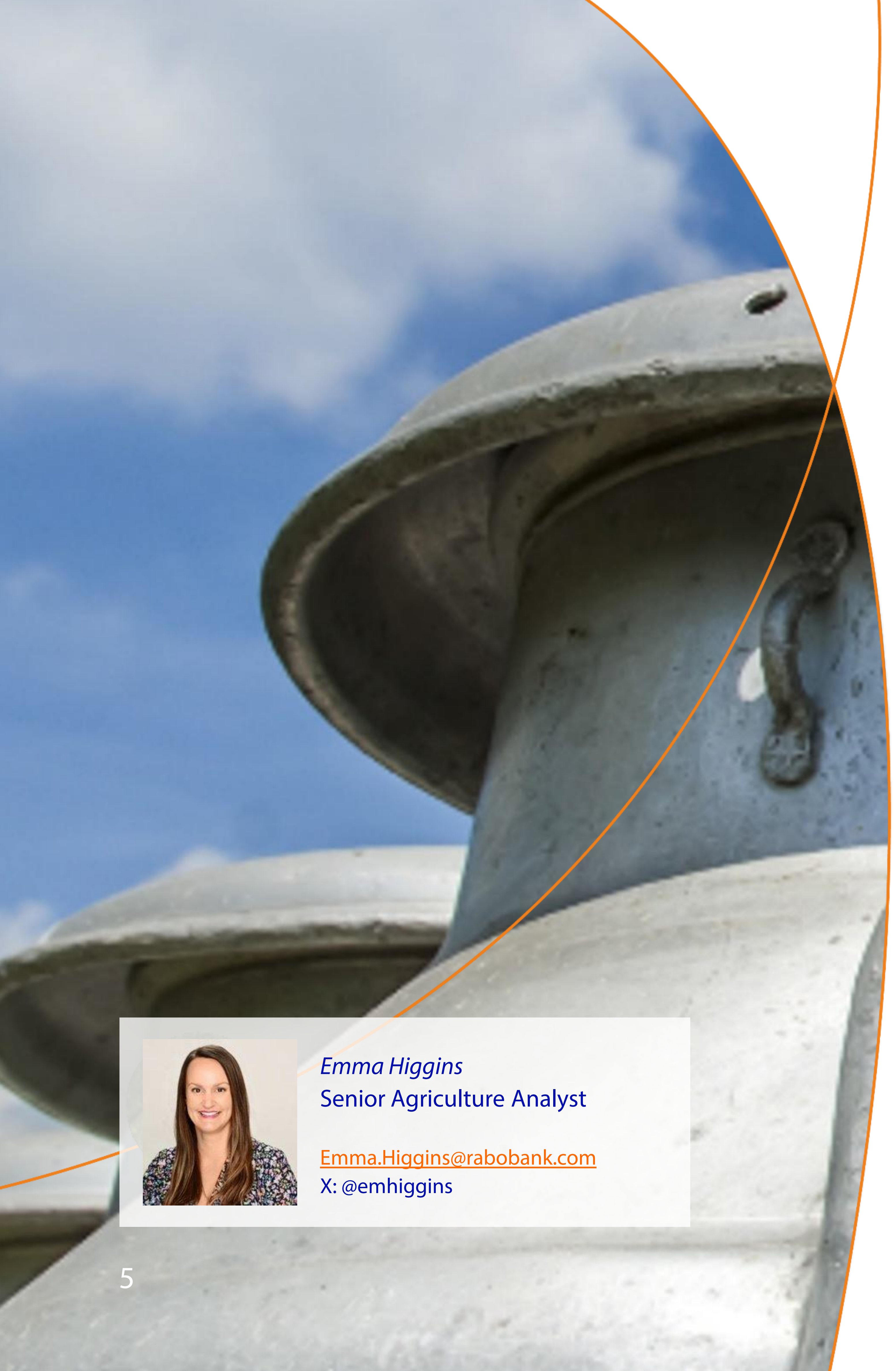
ESNZ's August-October climate outlook presents a mixed bag for farmers. ENSO-neutral conditions continue, but signs of a shift toward La Niña are emerging, increasing the risk of tropical and subtropical systems impacting New Zealand. This raises the likelihood of heavy rainfall and flooding, especially in the north and east of the North Island – an ongoing concern for regions like Tasman, already impacted by recent rain.

Temperatures are expected to be above average across most regions, with fewer frosts and cold snaps, potentially easing pressure during calving and lambing. Rainfall is forecast to be above normal in the north and east, below normal in the west of the South Island, and variable elsewhere.

Soil moisture and river flows are likely to remain near or above normal in most areas. Marine heatwave conditions persist off western coasts, with sea temperatures still unusually warm.

What to watch:

- Warm but wet conditions may support pasture growth heading into spring. However, it is important to monitor localised soil moisture changes, particularly in the east of the North Island, where drier soils may develop despite the broader wet outlook. Some regions may be hoping for less rainfall than experienced in July. With lambing and calving underway, maintaining pasture quality and minimising damage in wet paddocks will be critical for a productive spring. As daylight hours gradually increase, sunshine will be welcomed to support stock and pasture management.



Dairy

Milk production from New Zealand could set records

Mixed commodity pricing emerged in July 2025 across the dairy complex. Commodity prices, as measured by the USDA, showed weakness across the dairy complex, with whole milk powder the only product to defy the trend, remaining unchanged. While spot butter prices drifted lower by 7% over the month from the previous lofty highs, fat prices remain well above long-term averages.

Milk production growth is gaining pace across most of the major dairy export regions. This growth is supported by high milk prices, affordable purchased feed, and recovery in regions previously impacted by disease outbreaks and inclement weather.

In the US, June milk production surged 3.3% YOY, marking the strongest increase since May 2021. May's milk output, initially reported as a 1.6% YOY gain, was revised upward to 2.3% – a significant adjustment. Stronger milk flows have been driven by a steadily expanding herd – helped, in part, by the retention of older cattle within the herd – and easily achievable milk-per-cow gains. In California, the impact of last year's avian influenza is now dissipating, with the US's largest milk-producing state recording a strong 2.7% YOY growth rate for June 2025.

In Europe, milk production has recently turned positive. Production has rebounded in Ireland after a challenging 2024 year. There are also signs of recovery in regions impacted by disease last year.

Here locally, our 2024/25 season has kicked off to a strong start. According to the Dairy Companies Association of New Zealand (DCANZ), New Zealand production on a milk solids basis increased 17.8% YOY in June 2025, although this is against a weak 2024 comparative. RabobResearch anticipates this season could set new records for milk production, weather permitting.

In Australia, milk production is trending lower. National volumes were down 3.8% in May versus the previous year, bringing average production 0.4% lower for the season-to-date. There have been sizeable declines in Tasmania, South Australia, and Western Victoria.

What to watch:

- **Corporate activity for Fonterra's divestment is heating up** – The Australian Competition and Consumer Commission (ACCC) has confirmed it will not oppose Lactalis's proposed acquisition of Fonterra's consumer, dairy ingredients and food service businesses. Meanwhile, according to media reports, the ACCC will also commence a public review into Bega Cheese's potential acquisition.

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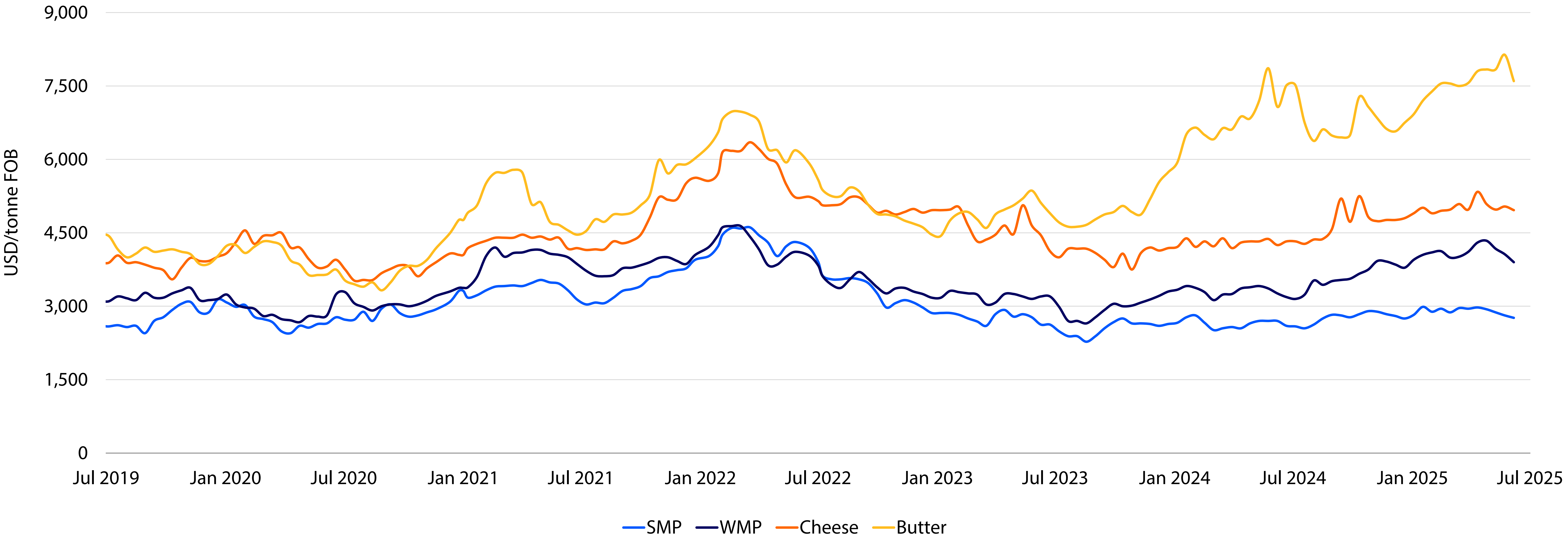
Dairy

Modest falls across the dairy complex in July

Oceania spot prices for dairy commodities



Source: *USDA, RaboResearch 2025*

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Beef

Prices hold steady, still at record levels

Bull beef prices held steady over July, supported by a firm US import price for New Zealand 95CL bull, which remains 21% above the five-year average. However, upward momentum appears capped for now, likely due to increased volumes of Brazilian beef entering the US market, tempering demand for higher-priced imports from other origins.

National cattle slaughter for the season to date (October-June) is down 5.6% YOY, reflecting tighter supply. As is often seen when the beef outlook is strong, bobby calf numbers are down 18% YOY, encouraging more dairy-beef calf rearing. Saleyard prices for quality bull and dairy-beef calves have been tracking higher than in recent seasons, particularly for animals with desirable beef coat colour.

In line with the overall reduced supply this season, **beef export volumes were the lowest for the month of June in a decade at 42,000 tonnes –** well below the 51,500 tonnes shipped in June 2021. Nonetheless, export values remain elevated, with June returns reaching NZD 455.7m, compared to NZD 411.1m in June 2021. June saw a slightly softer average export value to NZD 10.83/kg FOB.

Meanwhile, a small but notable increase in beef imports from Australia has drawn attention. While counterintuitive, this reflects efforts by local buyers to fill short-term supply gaps, particularly during the tight May–June window, amid record export values and constrained domestic availability. Despite this, total annual imports of beef from across the ditch are expected to remain broadly in line with 2024 levels.

Notably in export markets, New Zealand exported a record 2,603 tonnes of beef to the UK in June, the highest monthly volume in recent history. This likely reflects both increased UK demand, due to reduced local supply, and exporters capitalising on improved access under the New Zealand-UK Free Trade Agreement, which came into force in May 2023. Demand from China, as reflected in export volumes, is yet to pick up.

What to watch:

- **From 7 August, New Zealand beef exports to the US will face a 15% tariff,** compared to 10% for Australia. Brazil, hit hardest, now faces a total tariff of over 76% on beef exports to the US, likely halting its trade. New Zealand received the baseline tariff level for non-deal countries, a result that, while disappointing, was not altogether unexpected given the absence of a negotiated agreement. With record Brazilian beef imports into the US in recent months, there is reportedly a large volume of product already in US cold storage, which may limit short-term pricing upside. Trade dynamics will be one to watch, with Australia potentially having a slight competitive edge now on cost.

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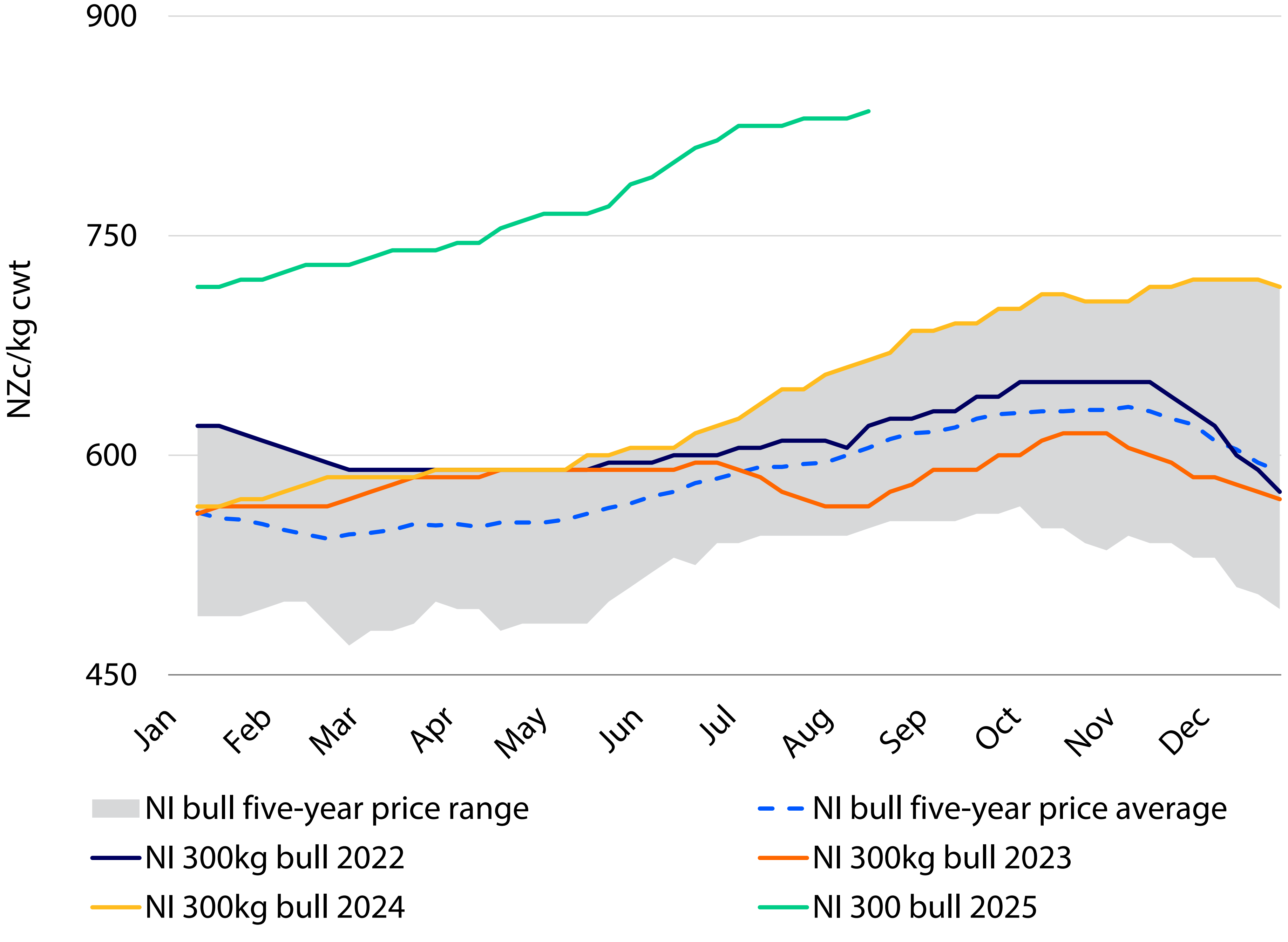
Beef

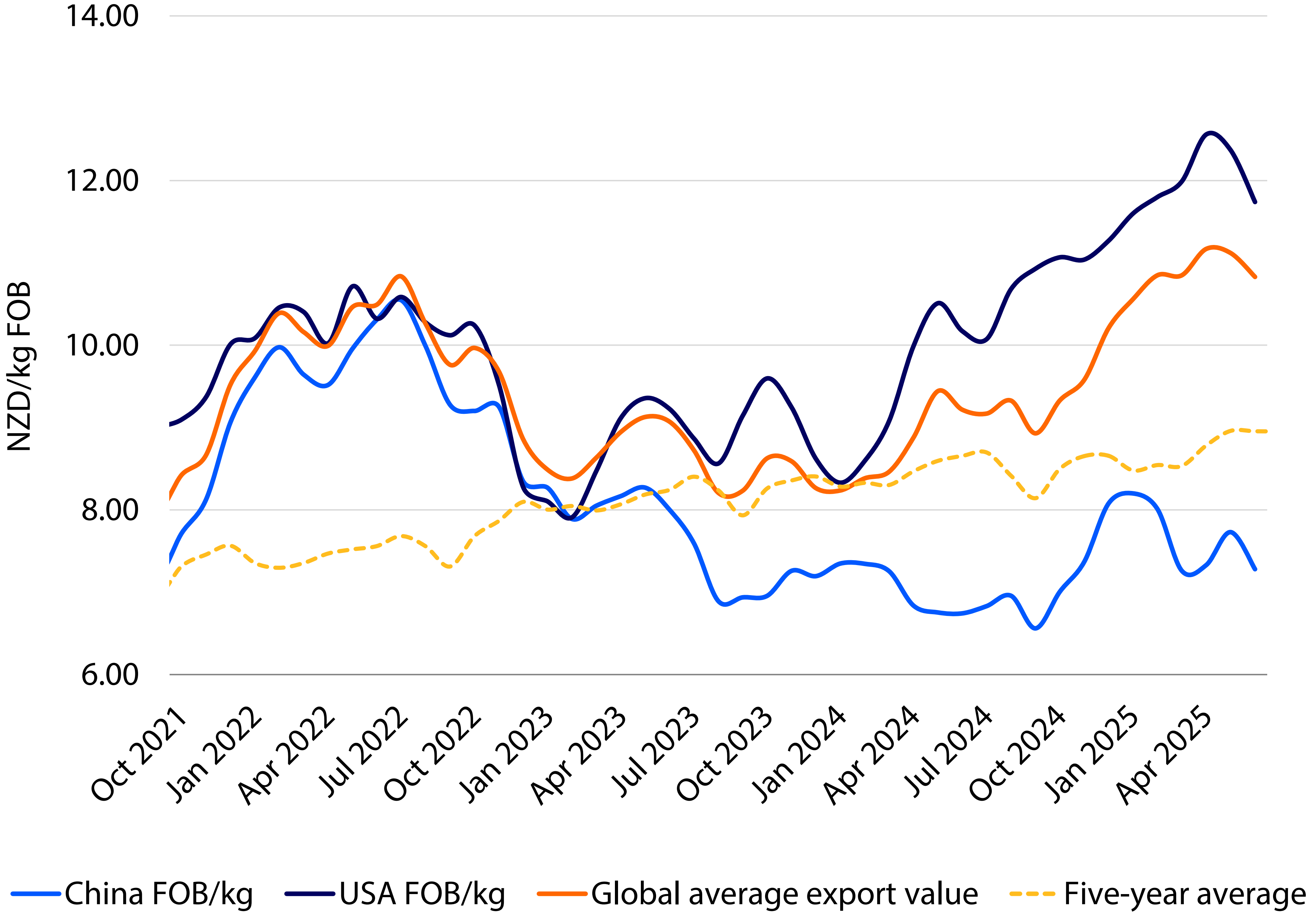
Farmgate price flatlining at a very elevated level

AgriHQ North Island bull price



***Source:** AgriHQ, RaboResearch 2025*

A June dip in average export values, but still riding high



***Source:** StatsNZ , RaboResearch 2025*

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Sheepmeat

Eyes now on the new season lamb price

With only two months remaining in the 2024/25 export season, attention is now firmly turning to the upcoming spring lambing and the 2025/26 season, which is now beginning across New Zealand. **Seasonal record-high farmgate prices remain for lamb, sitting at NZD 9.85/kg cwt to begin August.**

With only limited numbers of old-season lambs remaining, the focus has shifted firmly to the upcoming 2025/26 spring lambing season.

As of 5 July 2025, national lamb slaughter sits at 14.5m head – down 8.6% YOY, or 1.36m head fewer than the same period last year. This decline in throughput has contributed to historically low export volumes, with June lamb exports totalling just 19,100 tonnes – around 6,000 tonnes below June 2024 levels.

Despite lower volumes, export returns remain robust. The average export value for lamb reached a record NZD 14.64/kg, underpinning a realistic NZD 10.00/kg farmgate price in the upcoming weeks and almost certainly at the start of the new season. This pricing environment supports profitability across the supply chain, and pleasingly seems to be driven by strong demand – particularly from Europe – rather than procurement competition.

Export market diversification continues to support value growth for New Zealand lamb exports. The EU has emerged as the key driver in the 2024/25 export season to June, up 15% YOY in lamb volume. UK volumes have been flat year-on-year, perhaps due to UK domestic lamb production, which is forecast to be up 4% YOY in 2025, according to the UK Agriculture and Horticulture Development Board. Thus, firm EU demand is a key driver of value.

China has accounted for just 20% of total lamb export value in the 2024/25 export season to June, compared with 45% from the UK and EU combined. However, China remains critical from a total volume perspective, receiving 36% of lamb exports and 46% of total sheepmeat volumes (including mutton), and contributing 27% of overall value.

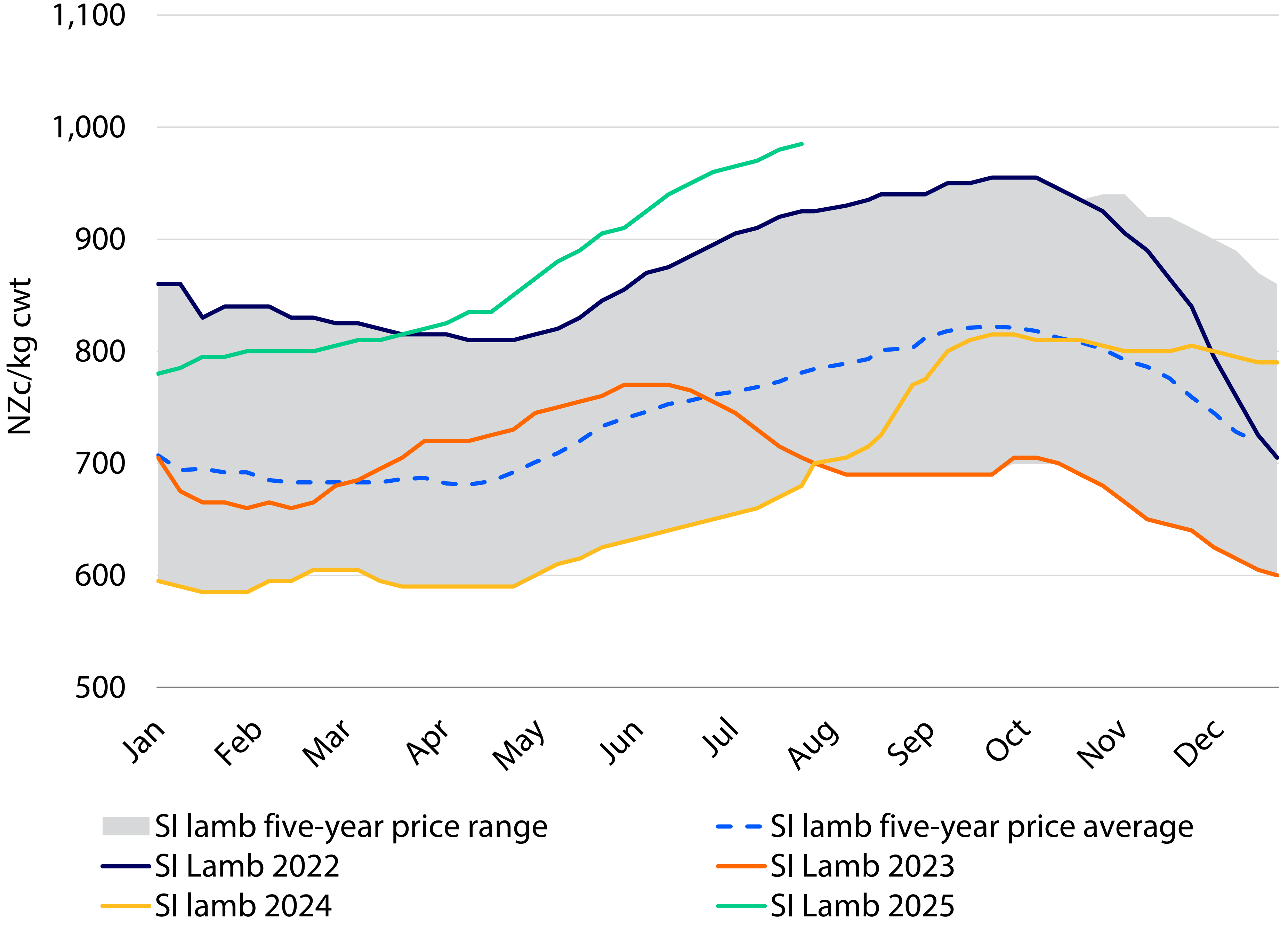
What to watch:

- **China's sheepmeat supply dynamics.** China's domestic sheepmeat supplies may be running below recent seasonal norms, which may be subtly lifting demand for New Zealand product. While overall consumer demand remains relatively subdued and has yet to show signs of a meaningful recovery, the current supply-side tightness is creating a more favourable pricing environment. This remains largely a supply-driven story. If reduced local inventories persist, it could support further upside for New Zealand lamb pricing heading into the spring flush.

Sheepmeat

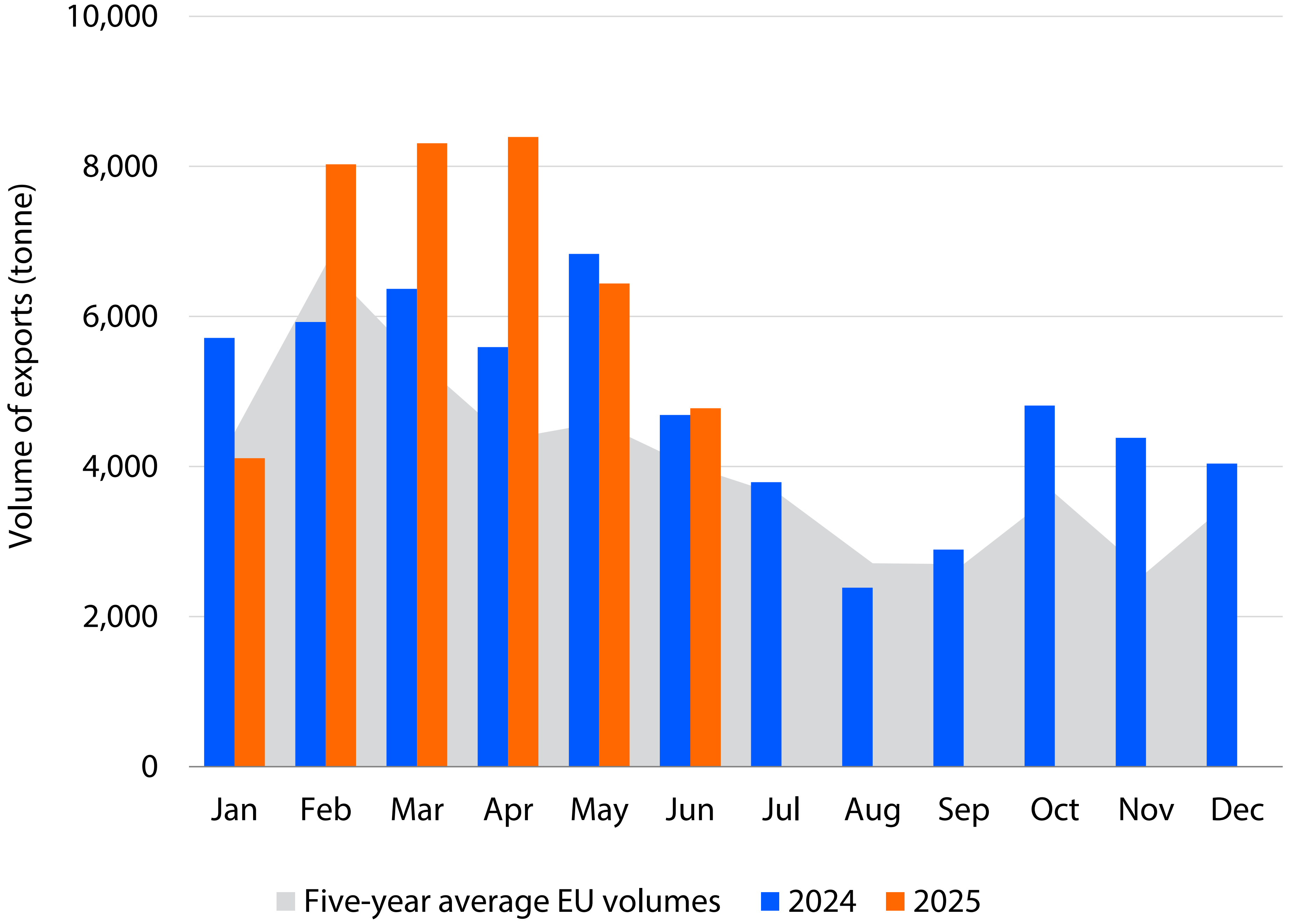
EU demand for lamb volumes fuelling the higher export value

AgriHQ SI lamb following usual seasonal trend



Source: AgriHQ, RaboResearch 2025

EU demand for lamb setting elevated schedule floor



Source: StatsNZ, RaboResearch 2025

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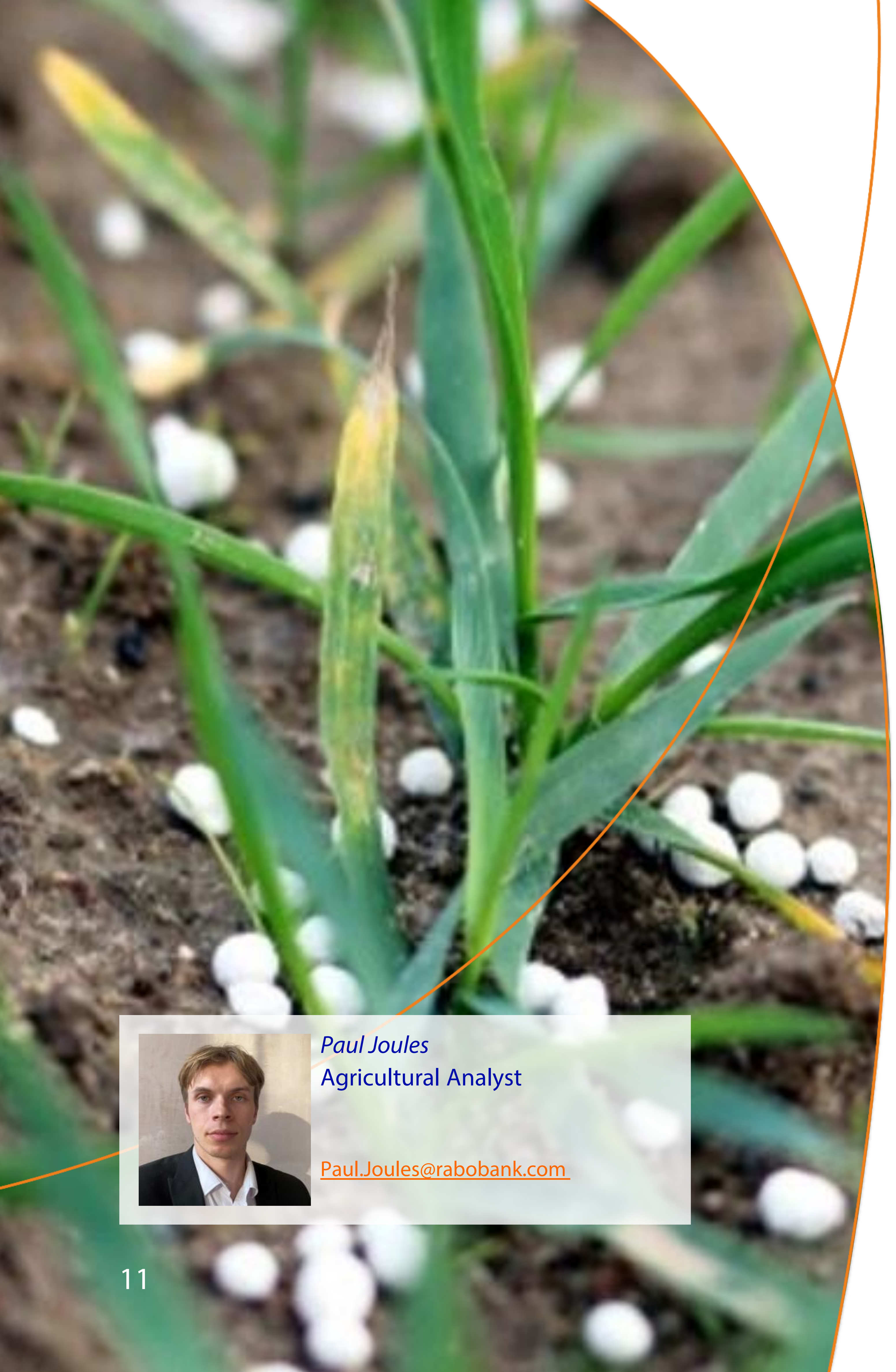

Farm inputs

Urea prices continue to rise

With Middle East tensions seemingly in the rear-view mirror following recent de-escalation, market attention has shifted back to global supply and demand. Despite the Israel-Iran ceasefire, fertiliser prices continue to rise with urea prices up 12% MOM. Meanwhile, DAP prices rose 6% MOM, and potash prices were up a more modest 3% MOM.

India's urea demand appears to be pushing prices higher. The key fertiliser buyer has been active in the import market so far this year, following lower-than-normal domestic production and robust demand. There is speculation that it could seek additional volumes in the coming months, given that stock levels remain weak on a year-on-year basis – potentially tightening the global supply picture further. However, if India holds off, purchasing prices could decline from current levels, especially as the other major buyer, Brazil, remains relatively quiet in terms of imports and amid poor affordability within the country.

One positive on the urea front is the reintroduction of Chinese exports. Although a quota has been set on exports, we are still likely to see good volumes exit the country, which will partially help to alleviate some of the global supply-side issues. Another positive from a production standpoint is that natural gas prices have declined around 12% (TTF contract) following the ceasefire news. That said, natural gas prices are finding support around current levels due to strong Asian demand.

As for phosphates, signs of price relief remain limited, as tight global supplies continue to push prices higher. Although Chinese exports are expected, uncertainty around the quota is adding to supply-side concerns. Indian demand for phosphates has also been strong, mirroring it's appetite for urea, and further exacerbating the supply-side constraints.

Currency strength could prove to be a positive in the coming months. RaboResearch forecast the NZD/USD cross to rise to USD 0.61 on a 12-month view. Should this prevail, it may help to ease prices of imported fertiliser**.**

What to watch:

- **China's export policy: Any adjustments to urea and phosphate export quotas could cause volatility.** Another key factor to keep an eye on is whether India returns to the import market in the coming months – this would tighten global supplies further.

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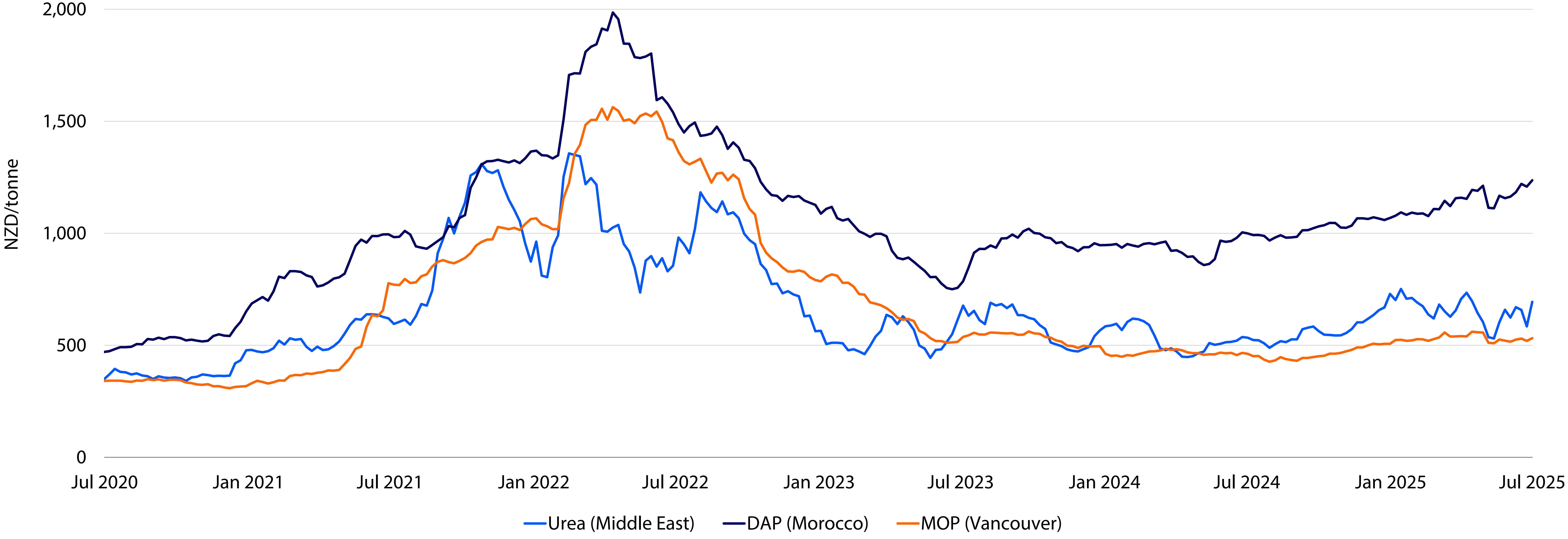
Farm inputs

Urea prices rally 12% MOM amid strong global demand

Despite easing tensions in the Middle East, fertiliser prices continue to rise amid tight global supply and demand



Source: CRU, RaboResearch 2025

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Interest rate and FX

Trump's hike hits New Zealand, but it could've been worse

Last month we pointed out that there was a risk that reciprocal tariffs imposed by the US could exceed the 10% rate announced in April. Unfortunately, that risk materialised at the end of July, when Donald Trump issued an executive order detailing updated tariff rates for US trading partners. New Zealand exporters will now face a tariff of 15% when selling their products into the US market.

While a higher tariff is not ideal, it is unlikely to be disastrous for goods exports. New Zealand has secured the same rate as the EU, Japan, and South Korea, while Australia and the UK will be able to access the US market with a tariff hurdle of just 10%.

Many of New Zealand's Asian trading partners will be subject to lower tariffs than initially announced on 2 April. That is a modest positive for New Zealand exports, since lower tariffs will likely mean more economic growth in those countries, which in turn could support demand for New Zealand goods – more so than under the original 2 April scenario.

The bad news is that tariff rates applied to Indonesia, Vietnam, Thailand, the Philippines, Bangladesh, and Algeria are all going to be higher than the previous 10% level. So, while the outcome could have been worse, it still presents an unwelcome headwind.

The RBNZ kept the OCR unchanged in July, as expected, but RaboResearch is forecasting a cut in August. We believe that this will be the final move in the current easing cycle, with approximately 40% of New Zealand's mortgages by value due to reset in this quarter of the year. That ought to provide a boost to the local economy as households benefit from more disposable income.

The New Zealand dollar fell by more than two US cents in July and may remain under pressure in August as markets digest the higher tariff rate and threats of US sanctions against purchasers of Russian exports.

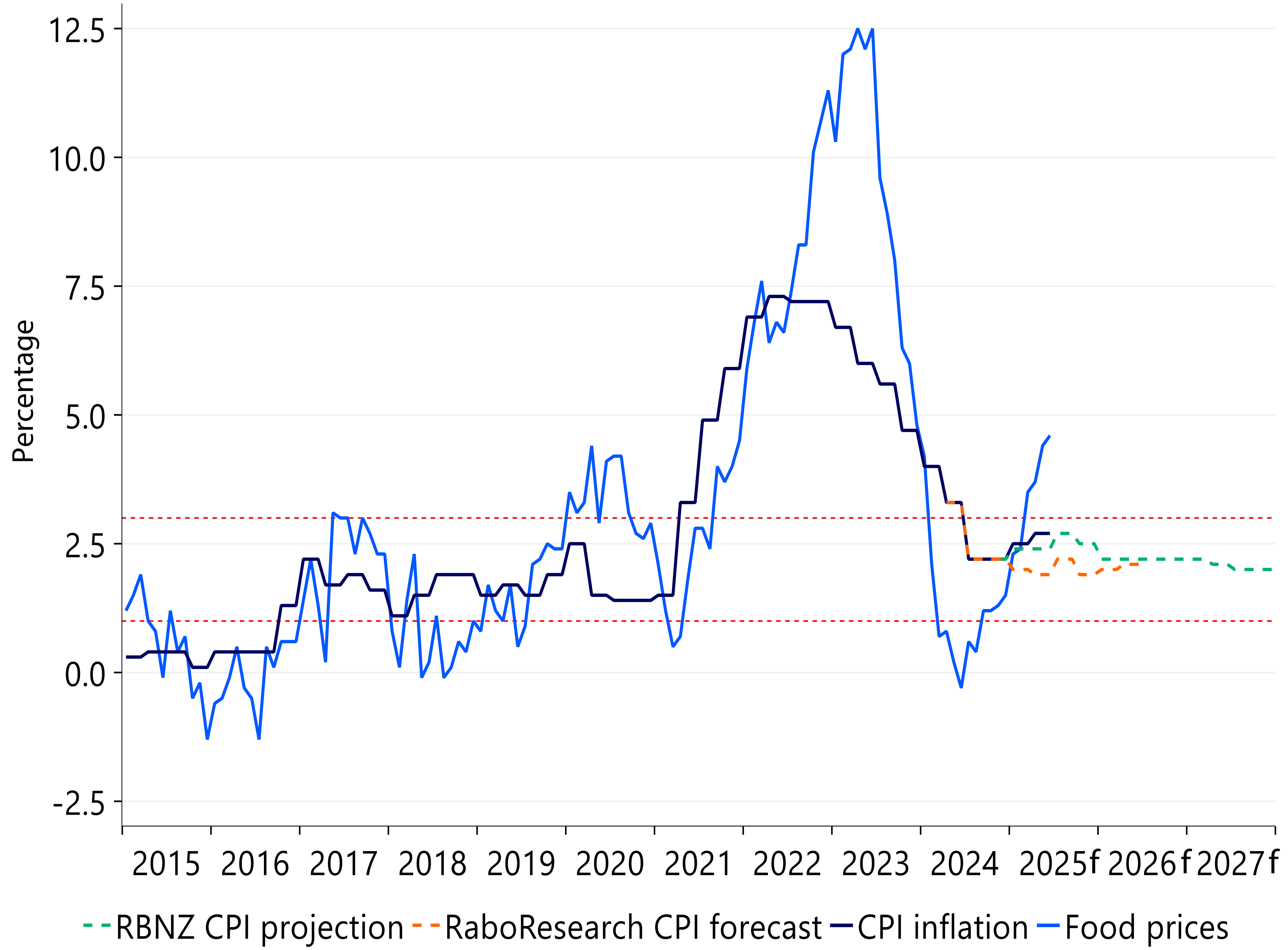
What to watch:

- **RBNZ OCR decision, 20 August** – RaboResearch is forecasting a 0.25ppt cut by the RBNZ at the August meeting. We think that this will likely be the last cut of the cycle, but the futures market is suggesting a decent chance of one more after that. The RBNZ will be issuing a new set of economic projections that will be useful in firming up expectations for the path ahead.

Interest rate and FX

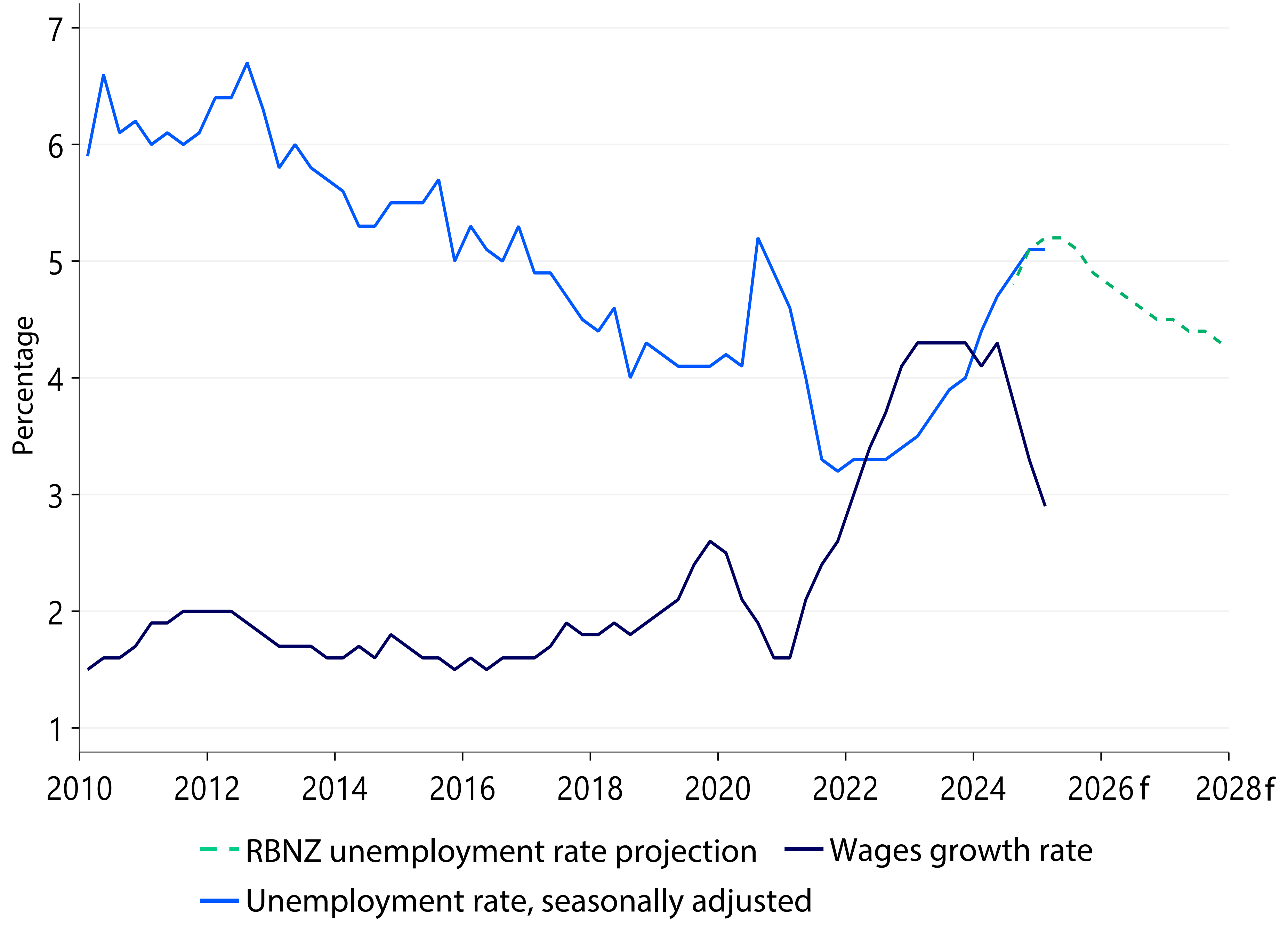
Inflation has lifted, but we expect it to be temporary

New Zealand inflation indicators, 2015-2027f

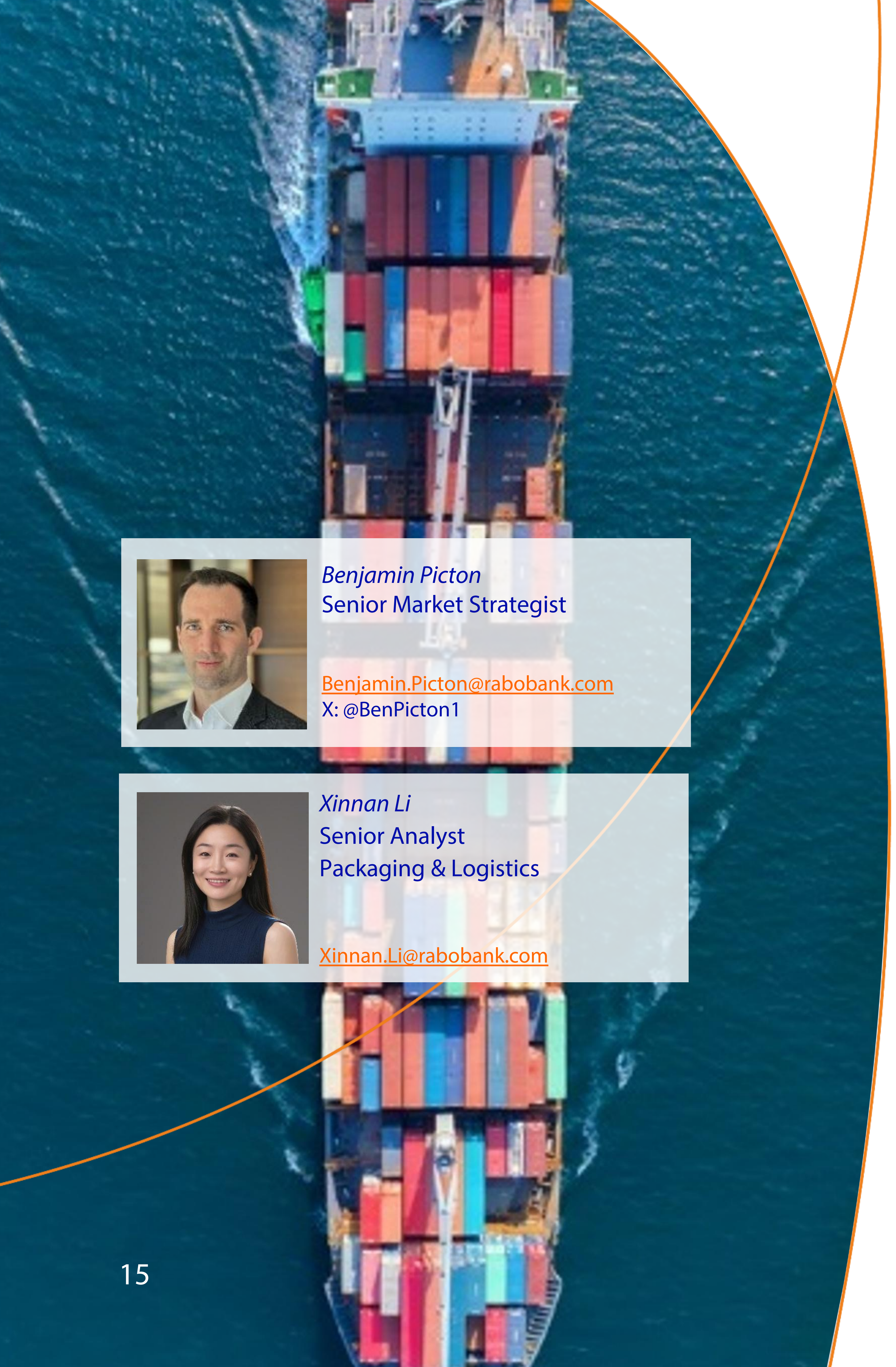


Source: *Macrobond, Stats NZ, RBNZ, RaboResearch 2025*

New Zealand labour market indicators, 2010-2028f



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



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Oil and freight

Secondary sanctions threat drives prices higher

Brent crude closed July 7.28% higher at USD 72.53/bbl, marking the third consecutive month of rising prices – despite the Israel-Iran ceasefire.

The market has been rallying on the back of threats from Donald Trump that the US would impose secondary sanctions on buyers of Russian exports (including energy products) if Vladimir Putin fails to agree to a ceasefire in Ukraine.

Trump's threatened sanctions would impose 100% tariffs on buyers of Russian crude, effectively removing Russian supply from the market and crippling Russia's ability to finance its war effort.

India and China, both major buyers of Russian energy products, would be particularly hard-hit by such sanctions.

Trump indicated that he was shortening the deadline for Putin to agree to a ceasefire to "10 to 12 days," which would expire in the second week of August.

Trans-Pacific carriers continued to cut capacity as US importers frontloaded cargo ahead of the 1 August tariff deadline. This led to a temporary spike in volumes, but demand is expected to drop sharply in the coming months due to bloated inventories and ongoing tariff uncertainty. The Asia-Europe trade saw strong peak-season demand, but congestion at North European ports forced carriers such as the Mediterranean Shipping Company (MSC) to adjust port calls. Renewed attacks on commercial ships in the Red Sea pushed ships toward longer transits via the Cape of Good Hope again, further disrupting schedules. Meanwhile, MSC continues to expand its US East Coast-Oceania service with a new direct weekly service.

The Baltic Panamax index (a proxy for grain bulk freight) has continued its recovery since March. However, US tariffs may negatively impact demand, potentially weakening the index.

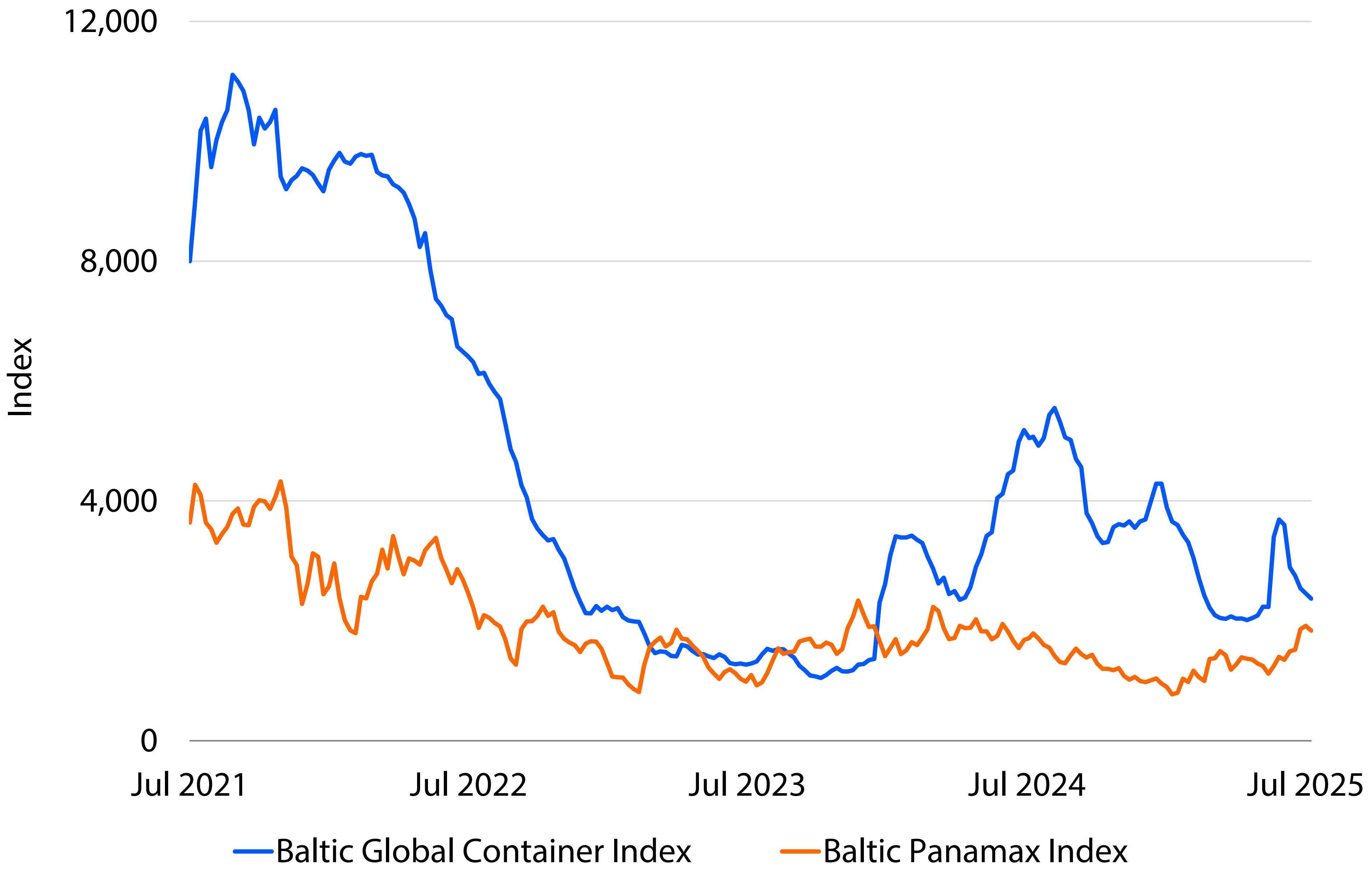
What to watch:

- **US secondary sanctions**– Donald Trump's deadline for Vladimir Putin to reach a ceasefire agreement with Ukraine has been brought forward to the end of the second week of August. While there is a good chance the deadline may be extended, if Trump stays true to his word and imposes sanctions, we expect sharp volatility in oil markets.

Oil and freight

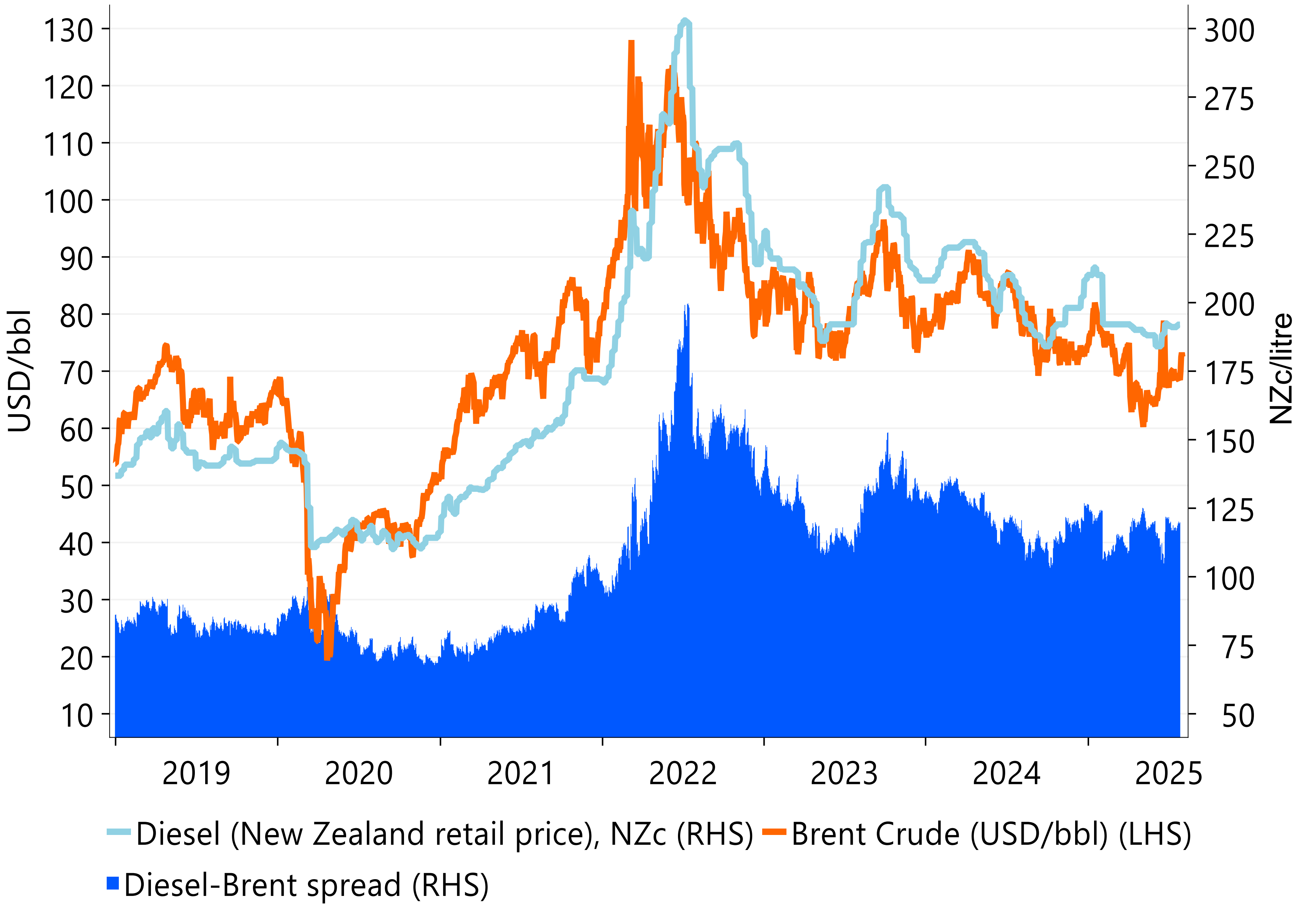
Brace for volatility around August sanctions deadline

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



Source: *Baltic Exchange, Bloomberg, RaboResearch 2025*

Brent crude versus New Zealand diesel prices, 2019-2025



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

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Agri price dashboard

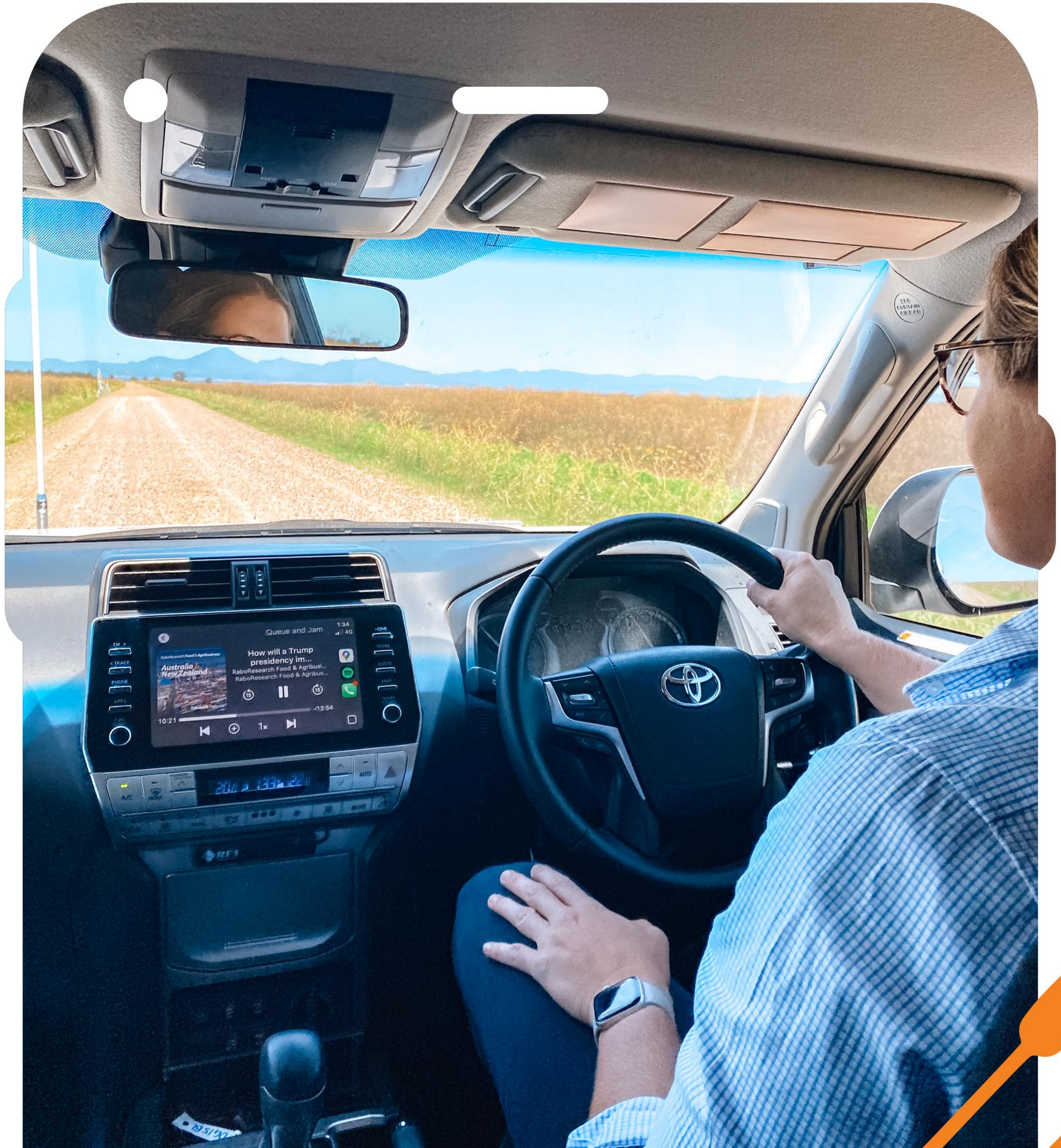
31/07/2025	Unit	MOM	Current	Last month	Last year
Grains & oilseeds					
CBOT wheat	USc/bushel	▼	523	537	532
CBOT soybean	USc/bushel	▼	962	1,025	1,022
CBOT corn	USc/bushel	▼	394	420	382
Australian ASX EC Wheat Track	AUD/tonne	▼	324	324	338
Non-GM Canola Newcastle Track	AUD/tonne	▲	754	753	672
Feed Barley F1 Geelong Track	AUD/tonne	▼	319	334	310
Beef markets					
Eastern Young Cattle Indicator	AUc/kg cwt	▲	800	719	673
Feeder Steer	AUc/kg lwt	•	390	390	349
North Island Bull 300kg	NZc/kg cwt	▲	830	825	655
South Island Bull 300kg	NZc/kg cwt	▲	765	755	590
Sheepmeat markets					
Eastern States Trade Lamb Indicator	AUc/kg cwt	•	837	837	713
North Island Lamb 17.5kg YX	NZc/kg cwt	▲	975	955	680
South Island Lamb 17.5kg YX	NZc/kg cwt	▲	980	950	680
Venison markets					
North Island Stag	NZc/kg cwt	▲	970	950	860
South Island Stag	NZc/kg cwt	▲	955	940	855
Oceanic dairy markets					
Butter	USD/tonne FOB	▼	7,563	8,138	7,513
Skim Milk Powder	USD/tonne FOB	•	2,813	2,813	2,600
Whole Milk Powder	USD/tonne FOB	•	4,063	4,063	3,188
Cheddar	USD/tonne FOB	▼	4,713	5,038	4,325

Source: Baltic Exchange, Bloomberg, RaboResearch 2025

Agri price dashboard

31/07/2025	Unit	MOM	Current	Last month	Last year
Cotton markets					
Cotlook A Index	USc/lb	▼	78.0	78.9	80
ICE No.2 NY Futures (nearby contract)	USc/lb	▼	65.6	66.3	67
Sugar markets					
ICE Sugar No.11	USc/lb	▲	16.4	15.7	18.5
ICE Sugar No.11 (AUD)	AUD/tonne	▲	562	526	602
Wool markets					
Australian Eastern Market Indicator	AUc/kg	▲	1,239	1,210	1,124
Fertiliser					
Urea Granular (Middle East)	USD/tonne FOB	▼	493	502	343
DAP (US Gulf)	USD/tonne FOB	▲	750	720	550
Other					
Baltic Panamax Index	1000=1985	▲	1,659	1,500	1,713
Brent Crude Oil	USD/bbl	▲	73	67	80
Economics/currency					
AUD	vs. USD	▼	0.643	0.658	0.650
NZD	vs. USD	▼	0.589	0.610	0.595
RBA Official Cash Rate	%	•	3.85	3.85	4.35
NZRB Official Cash Rate	%	•	3.25	3.25	5.50

Source: Baltic Exchange, Bloomberg, RaboResearch 2025



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