ANZ RESEARCH

AGRI FOCUS

OCTOBER 2024

SEASONAL CHANGE

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INSIDE

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Publication date: 8 October 2024

OVERVIEW

The outlook for New Zealand's primary sectors is mixed.

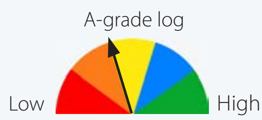
The dairy sector has improved considerably. Export prices for dairy products have firmed, and the milk price is forecast to be the second highest on record.

Global beef markets are also strong, despite losing a bit of ground recently. Local demand for cattle is strong, as spring pasture growth takes off.

Lamb prices have shot up, driven by domestic procurement pressure. We expect this spike to reverse rapidly later in the year, unless there is a dramatic improvement in export prices.

Economies around the world are receiving stimulus, through either direct support (as in China) or easing monetary policy. It may take some time for this to translate into improved economic activity and higher consumer confidence but it is good news for New Zealand's exporters.

Weather conditions have varied greatly across the country. Southland farmers have had a terrible start to spring, but other areas have been better. It is much drier than usual on the east coast of the North Island, prompting concerns about a potential dry summer ahead.

Prices at farm/orchard level relative to 10yr average[1]		
Dairy	Dairy commodity prices continue to trade higher, supporting our forecast of a $9/kg milk solids (MS) price this season.	
Sheep	Farmgate prices for late season lambs are up due to limited supply, but prices are forecast to drop quite quickly once the sizeable number of new season lambs become available.	
Beef	Beef prices are strong, although overseas prices have backed off just a little recently. Demand for store cattle is still very strong.	
Forestry	Log prices remain low and that isn't expected to change anytime soon. Log utilisation in China has lifted, which will help offset increased harvest activity in New Zealand.	

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

ECONOMIC OVERVIEW

THE MACROECONOMIC BACKDROP

Monetary policy is expected to loosen rapidly in both New Zealand and offshore markets. Inflationary pressures are easing but persist in some pockets of the economy.

China has unleashed massive stimulus measures, and this time they appear to be making a difference, at least to their equity market. If stimulus is successful in turning around consumer sentiment, we can expect demand for our export goods to increase, although it may take some time.

MONETARY POLICY EASING

Global economic growth is slowing, and central banks are starting to ease monetary pressure to stimulate growth. It's a balancing act of reducing inflationary pressure enough without damaging growth prospects more than necessary.

The US Federal Reserve kicked off its monetary policy easing by dropping rates by 50 basis points (bp) in mid-September.

The Reserve Bank of New Zealand (RBNZ) started cutting rates in August when it dropped the Official Cash Rate by 25bp. We expect the easing cycle to ramp up over the rest of the year, with a 50bp cut priced in for October and the same again in November.

We see the economic arguments for a 25bp versus a 50bp cut this week as relatively balanced, and risks to both the downside and upside around the widespread expectation of a slow recovery. However, the market is confident of a series of rapid drops in the OCR and that has fed through into lower rates across the yield curve. This, in turn, has resulted in lower fixed mortgage rates on offer to businesses and individuals.

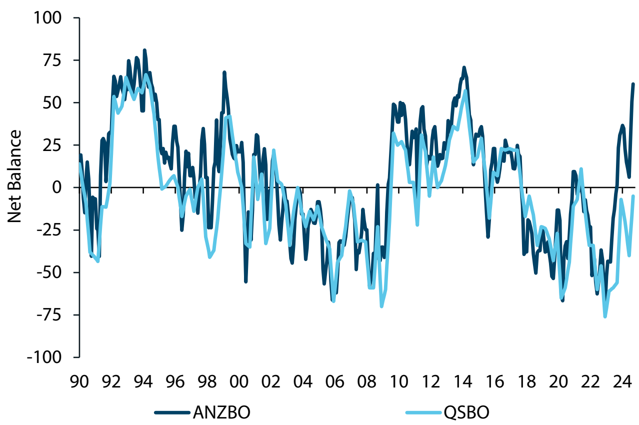
NEW ZEALAND'S ECONOMY IS CONTRACTING

New Zealand's economy contracted 0.2% q/q during the second quarter of 2024. The services sector, which accounts for about 70% of GDP, was flat at 0.0% q/q. Goods-producing industries expanded by 0.7% q/q; but growth in the primary sector was weak, falling 1.6% q/q with a sharp contraction in the forestry sector.

GDP data take a long time to put together and are released with almost a three-month lag. Timelier indicators of the state of New Zealand's economy, including the Q3 NZIER Quarterly Survey of Business Opinion (QSBO), show deflationary pressures are easing, so it is appropriate for the RBNZ to ease monetary conditions. Current activity is still very weak, but forward-looking measures suggest business activity will pick up in the last three months of the year.

The ANZ Business Outlook survey paints a similar, though slightly rosier picture, with business confidence improving dramatically. The ANZBO surveys asks about the outlook a year ahead, rather than the three-month horizon in the QSBO, and it makes intuitive sense that firms are more confident of things improving over a year horizon.

BUSINESS CONFIDENCE



Source: NZIER, ANZ Research

ECONOMIC OVERVIEW

Overall, New Zealand's economy is patchy, with the manufacturing, retail and primary sectors struggling and rural regions struggling more than urban areas.

Commodity prices are starting to lift. Higher dairy prices, in particular, will provide much-needed stimulus to dairy-intensive regions. The rebound in lamb prices has been slower, largely due to exporters' reliance on China.

CHINA'S MASSIVE STIMULUS

China's economy has been struggling of late. Its population is shrinking, and its property sector has been extremely sluggish for years due to a lack of underlying demand. Infrastructure is arguably running ahead of needs. Authorities' underlying economic plan is to become less reliant on the export sector and more reliant on domestic consumer spending, but weakness in the residential property sector is a headwind to this transition being achieved.

Over the past year, the government has announced various stimulus measures, including cutting interest rates, but none have been of sufficient scale to move the dial. However, in late September, Chinese authorities advised they would be releasing significantly more stimulus, a mix of monetary and fiscal. This time it appears they have been successful in spurring a turnaround in sentiment at least. The CSI 300 Index, an equity index that includes the largest companies listed on the Shanghai and Shenzhen exchanges, saw its biggest single-day jump since 2008.

It is early days, the details of many policies are yet to be revealed, and the policies won't do anything to address China's structural challenges. But if these measures are enough to lift China's consumption outlook, that can only be good news for demand for the goods New Zealand supplies to China.

NEW ZEALAND ECONOMIC FORECASTS

Click here to access our latest New Zealand economic forecasts.

DAIRY

STRONG START TO THE SEASON

New Zealand's milk production season is off to a strong start, with higher-than-usual volumes produced in the early months. Returns from global dairy product sales have lifted due to increased urgency from buyers.

GOOD WEATHER BOOSTS MILK PRODUCTION

Milk production during the winter and early spring has been considerably stronger than normal, although that does not necessarily imply production will be high across the full season.

Milk solids intakes in the three months to August were up 8.6% y/y. Production during these three months typically accounts for only 8.5% of the season's total production, but that varies from season to season. Production in this period depends on the number of cows milked through the winter period (for winter milk contracts), planned calving dates and the impact of weather on feed availability.

We expect September's milk production data will also be stronger than normal, but anticipate growth will peter out as the season progresses.

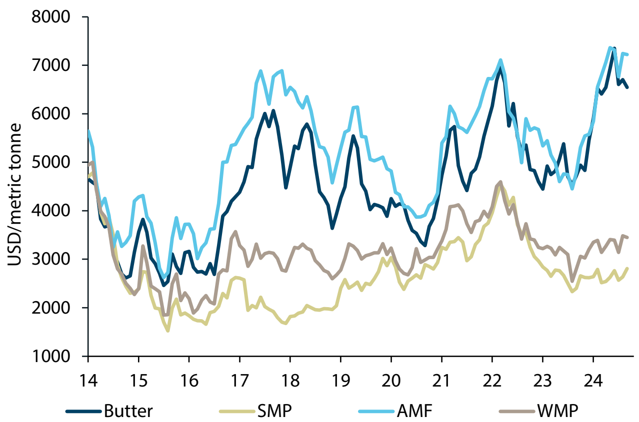
DAIRY COMMODITY PRICES LIFT

The strength of New Zealand's early-season milk production hasn't dampened demand for our dairy products.

Prices have generally firmed at Global Dairy Trade events in recent months. Prices for both whole milk powder and skim milk powder have risen about 10% since July.

Milkfat prices peaked in May before dropping in June, but prices for both butter and anhydrous milkfat are around 40% stronger than a year ago. This lift in milkfat pricing, along with the more modest lift in milk powder pricing, is supporting a higher milk-price forecast this season.

DAIRY COMMODITY PRICES



Source: Global Dairy Trade, ANZ Research

FONTERRA LIFTS MILK PRICE FORECAST

Fonterra recently released its financial results for the 2024 season, and confirmed a milk price of $7.83/kg MS and a 55c dividend.

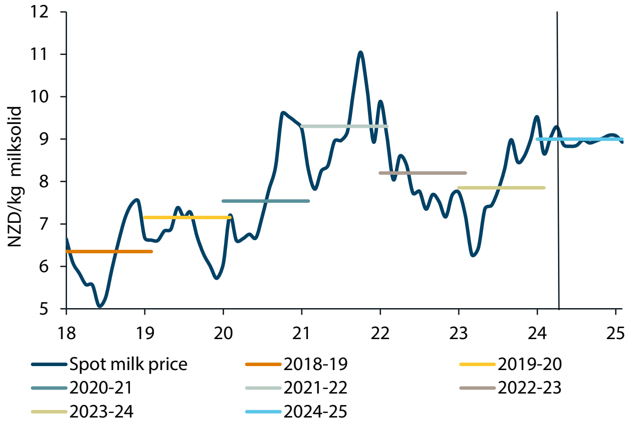
The milk price was just 2c shy of the price we expected. The dividend payment consisted of a 40c dividend (15c interim and 25c final) plus a special dividend of 15c. Higher earnings over the last two years, a stronger balance sheet, and leverage metrics being well within targets are the reasons cited in Fonterra's annual results for paying the special 15c dividend.

Looking ahead to the 2024-25 season Fonterra has revised up its milk price to $8.25-9.75. The mid-point of its forecast aligns with our own forecast of $9/kg MS for the season ahead.

A $9 milk price would allow many farmers to spend on the repairs & maintenance and fertiliser that many cut back on last season. We also expect the higher returns to result in an increase in principal debt repayments.

DAIRY

FARMGATE MILK PRICE FORECAST



Source: Fonterra, ANZ Research

FONTERRA REVISES STRATEGY

Fonterra's business strategy has been revised to focus on its ingredients and food services interests, having already advised it is looking at divestment options for its consumer business.

It plans to focus on its core business, New Zealand milk, and plans to be a leader in sustainability. It is targeting a 30% reduction from 2018 levels of on-farm emissions by 2030.

It is now targeting an average return on capital of 10-12% (up from 9-10%) and plans to return a greater portion of earnings to its shareholders. The new dividend policy is to pay out 60-80% of earnings, up from 40-60%.

LAMB & WOOL

FEWER SHEEP, MARGINALLY HIGHER PRICES

New Zealand's sheep flock has halved in the past 25 years, leading to overcapacity in meat processing. Some plants need to close.

Overseas returns for lamb have increased marginally, but competition between domestic processors is responsible for the sharp rise in farmgate prices.

These higher returns are expected to dissipate once the main processing season gets underway towards the end of the year.

SMALL IMPROVEMENT IN GLOBAL LAMB MARKETS

Lamb prices are on the rise, but this is due primarily to procurement pressures rather than any improvement in international returns.

There are considerably fewer lambs currently available, so processors are willing to pay more to secure stock. It is not unusual for prices to lift at this time of year, but this year the lift has been larger than usual. In the three months to September, prices typically rise by 60c/kg carcass weight (CW), but this year prices have lifted by twice that.

International prices for lamb are up a little but not enough to make the increases in returns this year sustainable. Despite the strong lift in farmgate prices, lamb prices in September were still 10% below the five-year average for this month.

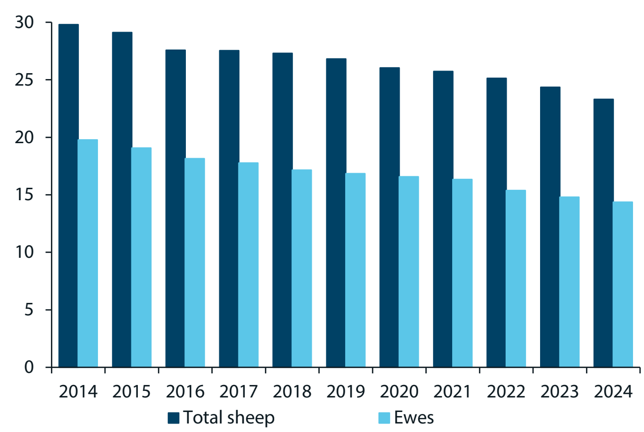
The price jump has some producers expecting prices to stay high in the year ahead, but this may not eventuate. International prices are marginally stronger than a year ago, but demand from China remains poor. This is dragging down overall returns despite reasonable prices for some cuts in other markets.

FARMGATE PRICES HIGHER THAN LAST SEASON

We anticipate farmgate returns for lambs will, on average, be about $10 per head better than last season but still about 10% lower than the five-year average.

Sheep numbers in New Zealand are falling rapidly. Getting accurate data is a challenge, but numbers are plummeting as land previously used for breeding sheep is converted to forests to generate carbon credits. As yet, we have not seen much rationalising of meat-processing assets to match this change.

NEW ZEALAND SHEEP NUMBERS



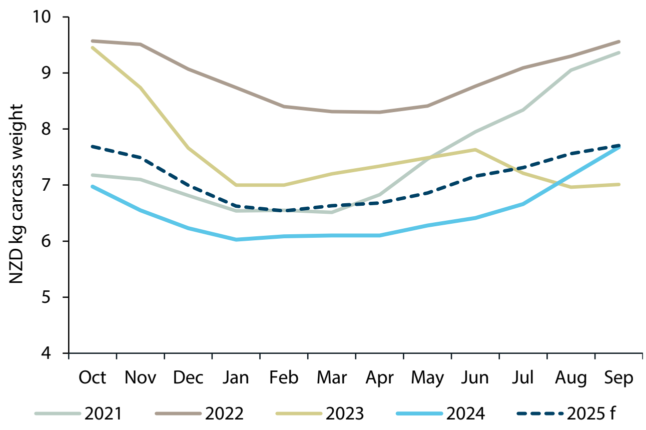
Source: B&LNZ, ANZ Research

Beef & Lamb NZ estimates that just over 19 million lambs will be born this season, making 16.8 million lambs available for processing. That is a drop of 6.9% for lamb and 7.1% for mutton.

We expect lamb returns will lift by 9% on average in the 2024-25 season. Returns are expected to be higher than last season in the three months to December but are then expected to drop below $7 during the main processing months.

LAMB & WOOL

FARMGATE LAMB PRICE TRENDS



Source: AgriHQ, ANZ Research

Mutton prices have been particularly low this season. The current increase in prices is due primarily to seasonal factors, such as the slowdown in availability of ewes for processing, rather than any significant improvement in underlying market conditions.

Mutton is now worth about half what it was a couple of years ago. This means the net cost of replacing ewes has risen considerably, as the price of two-tooth and older ewes hasn't dropped by nearly as much as the price of cull ewes. Tight returns have seen some buyers favouring older ewes.

SLOWDOWN IN LAMB PROCESSING

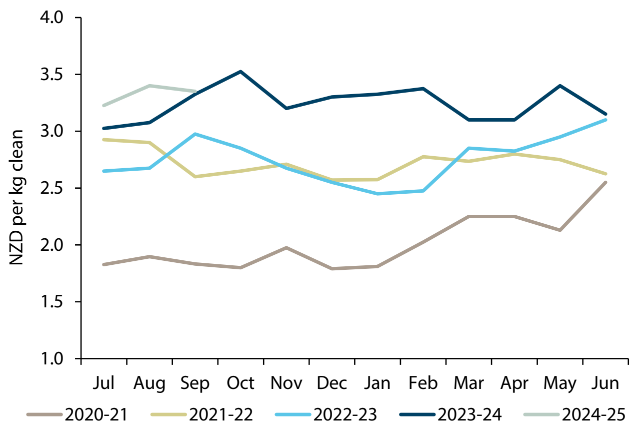
Processing of lambs has slowed in both the North and South Islands this winter. Capacity has also been reduced as lamb processing lines switch over to bobby calves. Despite the reduced capacity, plants are still struggling to source sufficient lambs. Lamb throughput has been down about 30% in recent weeks.

More lambs were processed earlier this season than normal, which has reduced current availability. There has been a small increase in prices offered, but there is a limit to how much processors can pay. There are also fewer store lambs on offer at the saleyards. Demand for those on offer is good, as long as they have the potential to be finished while they are still technically lambs. If they have permanent teeth, which typically occurs at about 12 months, they are no longer lambs, so processors pay less for them.

WOOL PRICES LIFT

Wool prices have improved a little recently as offer volumes are relatively small at present. Demand for wool is picking up a little as buyers compete for the smaller volume on offer.

STRONG WOOL PRICES



Source: PGG Wrightson, ANZ Research

Fine wool prices have eased slightly, driven down by prices easing in Australia.

Good-quality wool continues to be sought after and commands a premium. A line of ultra-fine wool auctioned recently at Christchurch achieved a record price.

Reports from the annual Nanjing Wool Market Conference in late September indicate demand for fine wool is soft, but demand for other grades, such as coarse wool, is better. China is by far the largest export market for New Zealand's wool, taking about a third of total exports. Other major markets are India, Italy and the UK.

BEEF

CATTLE IN DEMAND

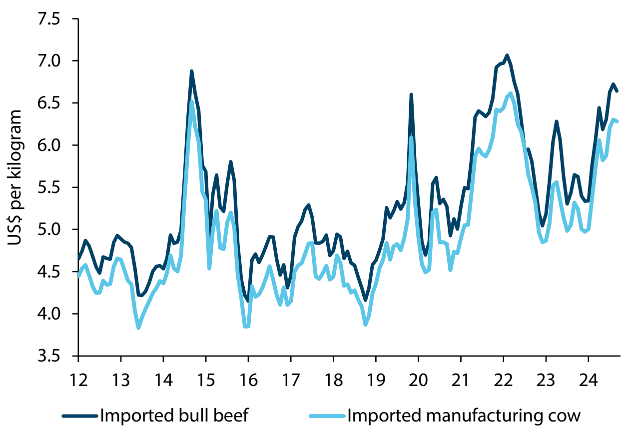
Strong pasture production has pushed up demand and pricing for cattle in many regions. Store cattle prices are considerably higher than usual at present.

Overseas markets are strong but are starting to ease. Schedule prices remain elevated but are expected to soften in line with changes in overseas returns.

GLOBAL PRICES UNDER PRESSURE BUT STILL STRONG

Prices for beef in the US market are historically high but are coming under pressure. Retail prices for beef have been at record levels for some time, which tends to 'burn off' demand as consumers and restaurants switch to cheaper forms of protein.

US IMPORTED BEEF PRICES



Source: AgriHQ

Prices for domestic manufacturing-grade meat in the US have fallen in recent weeks, but imported product continues to trade at high prices. Given the downward trend in local prices, it is expected that the prices of imported product may follow suit relatively quickly.

That said, the supply of cow and bull meat from New Zealand is relatively low at present and this trend is expected to continue as farmers retain cattle to manage the spring growth of pasture.

The underlying fundamentals in the US market mean its demand for imported beef is expected to remain strong in the year ahead, even if prices slip a little in the short term.

The volume of beef held in cold stores in the US is lower than usual. At the end of August, the quantity of frozen beef in storage in the US was 12% below the five-year average. Coincidentally, chicken, pork and turkey volumes are also lower than normal.

The number of cows slaughtered in the US has fallen dramatically and is not expected to pick up any time soon. The shortage of domestic supply means demand for imported beef is expected to remain elevated in the year ahead.

However, supply from the big beef-producing regions, Brazil and Australia, has been very strong and that is expected to continue. Brazil does not have a preferential tariff rate like New Zealand and Australia do, but prices have been so strong that the tariff has not deterred US importers from picking up Brazilian beef.

This strong supply will temper prices in coming months, but returns are expected to remain well above normal, which has supported demand for New Zealand cattle.

CATTLE SOUGHT AFTER TO MANAGE PASTURES

The spring growth of pastures has resulted in a strong uptick in the demand for cattle. Store markets for cattle of all ages are strong in Taranaki and Manawatu, but eastern regions of the North Island are drier than normal.

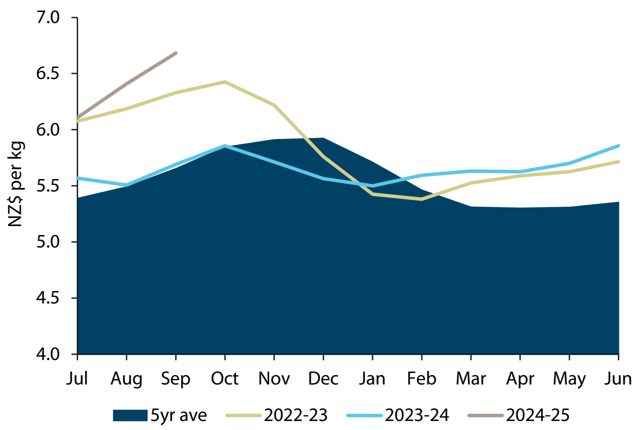
Otago and Southland had a tough winter, and excessively wet pastures combined with cold conditions mean spring growth is slower than usual.

BEEF

Despite the range of conditions, the prices being paid for store cattle are generally 15–25% stronger than this time last year.

Schedule prices have now eased a little following a sharp lift in pricing through winter, but they remain elevated.

FARMGATE BULL BEEF PRICE



Source: AgriHQ, ANZ Research

Farmgate prices for finished cattle are expected to ease in the coming months, as is typically the case, but are expected to remain well above normal levels.

The store market may well follow a similar trend but any easing in prices will be dictated by pasture conditions. Prices will remain elevated in regions where there is ample pasture.

FARMGATE PRICES LIFT

Farmgate prices shot up again this spring in a fairly typical pricing trajectory for this time of the season.

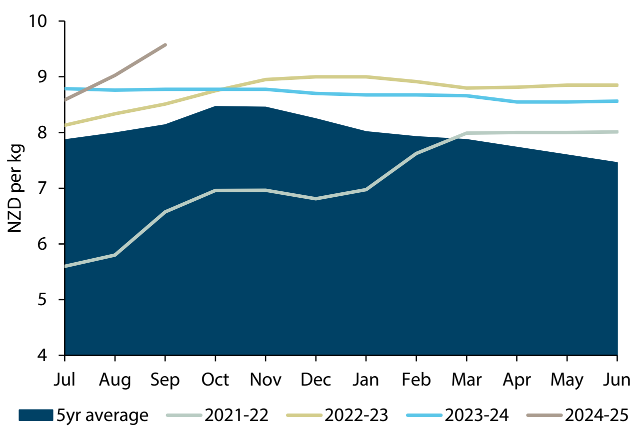
Improved demand from international markets has supported the lift in farmgate returns.

Frozen velvet is now allowed back into China, but it may take a few shipments before it flows unimpeded.

Farmgate prices for venison lifted during September. This is normal, as exporters get higher returns for chilled venison, which is in high demand in Europe at this time of year.

The stronger prices on offer early in the season have traditionally encouraged more young hinds to be produced for this market. But in recent years schedule prices have flattened, which has reduced this seasonal incentive.

VENISON FARMGATE PRICES (BASED ON 60KG STAG)



Source: AgriHQ

Last year, farmgate pricing for venison changed very little throughout the season. Meat processors worked hard to deliver a competitive price to farmers in the face of relatively weak overseas markets.

Industry confidence is now rebuilding after returns were hit hard during the pandemic, when demand for venison from international restaurants plummeted due to lockdowns.

The industry has been working hard to diversify away from its reliance on European restaurants. It now supplies more product into retail markets, and sells more into the US and China than it did before the pandemic.

VELVET ACCESS TOP PRIORITY

China has made regulatory changes to re-allow imports of frozen deer velvet. But it is not plain sailing yet. It will take time for officials to become familiar with how the new regulations work in practice.

The decision is a relief for New Zealand velvet producers and processors as there are very few alternative markets for frozen velvet. Some product goes directly to South Korea, but most of the New Zealand velvet sold into that market is initially processed in China.

GRAIN

BUMPER CROPS PUT PRESSURE ON PRICES

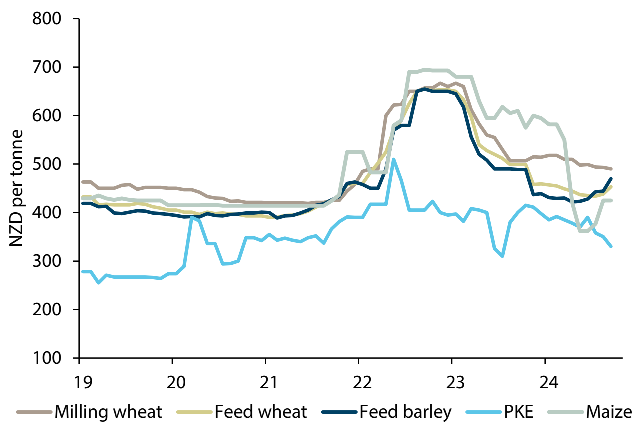
International grain prices are trending down as many countries report higher-than-usual grain production and inventories. Local grain prices have firmed a little but are historically low. The rise in the milk price has fuelled additional demand for barley amongst dairy farmers.

LOCAL PRICE UP, INTERNATIONAL PRICES DOWN

Winter-planted wheat and barley are both growing well due to relatively mild weather. Demand for feed barley has improved as dairy farmers' budgets have lifted this season. Demand for feed wheat is still relatively weak, and this is evident in the price difference between spot barley and spot wheat, particularly in Canterbury.

Local market prices remain competitive relative to the imported product. This has resulted in North Island users sourcing more product from the South Island than from import pathways.

NEW ZEALAND GRAIN PRICES



Source: NZX

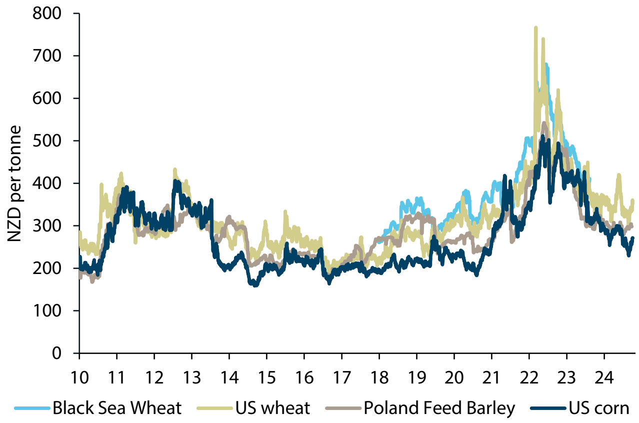
Grain prices are generally starting to trend up again but are still below long-term averages and weaker than a year ago. The biggest fall has been in the maize grain price, which is still 15% below the five-year average and down 30% y/y. Less maize is expected to be planted this season due to the poor returns achieved from the last harvest.

INTERNATIONAL GRAIN SUPPLIES RISING

Global wheat production is at a record level, but estimates have been revised down. Wheat production in the European Union has decreased, but estimates for Australia and Ukraine have been revised up. Global corn inventories are high, putting downward pressure on international pricing. The US corn crop for 2024 is projected to be the second largest ever.

Crops planted in Australia this winter are in good shape. Wheat production in Australia is forecast to lift 23%, barley will be up 13% and canola up 8%. The strong production is a combination of more land being planted and favourable growing conditions in many regions.

WORLD PRICES FOR SELECTED GRAINS



Source: CME Group, Polish Ministry of Agriculture & Rural Development, ANZ Research

The heavy global supplies of grain are weighing on prices. Prices of most types of grain have soften this year on the international market.

FORESTRY

LOG RETURNS STILL LOW

Log returns remain low, as domestic demand for timber is still relatively weak and export prices low. Export demand is improving, but is unlikely to significantly boost prices in the short to medium term.

Carbon prices have lifted but are still below the level required to release units from the government's quarterly auctions.

The supply of carbon credits is starting to tighten. Looking forward, the variance in the quantity of land planted in trees and registered in the Emissions Trading Scheme (ETS) will have a large bearing on the overall supply of units.

WEAK DEMAND FOR TIMBER FOR HOUSING

Demand for timber for housing construction in New Zealand is weak at present. While the reduction in interest rates has breathed some life into the housing market, it is likely to take a bit longer for confidence to recover sufficiently to significantly boost activity.

This lack of demand has made it tough for local mills, many of which have opted to shut down for short periods. Two pulp mills in the central North Island have closed permanently, as has a paper recycling mill in Auckland. High operating costs, including for energy, were a major factor in the decision to close these businesses.

The closure of the pulp mills has reduced domestic capacity to process pulp, so more is now being exported.

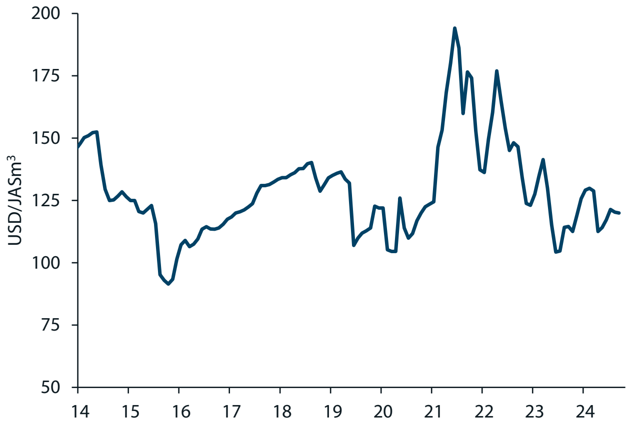
Demand for poles and posts has also been weak. This is partially due to the downturn in the farming sector, which is a big user of posts. There is still some growth in horticultural projects, but the rate of growth is slowing.

EXPORT PRICES STEADY

Demand for logs from end users in China has picked up. The volume of logs being taken up from Chinese ports has recently risen to about 60,000–65,000m3 per day.

Despite this increase in end-user demand, Chinese importers are not rushing to secure more logs, as there is a considerable backlog sitting on wharves in both China and New Zealand. Available supply is expected to lift as drier conditions allow more harvesting. This increase in supply from New Zealand is expected to offset any potential lift in demand from China, so we may not see much movement in pricing.

IN-MARKET LOG PRICES



Source: AgriHQ

China has unveiled a range of initiatives to boost economic growth, as recent data indicate the current growth target of 5% may not be achieved this year.

The stimulus measures aim to shore up China's property sector by lowering borrowing costs and reducing deposits for home loans, as well as encouraging cities to remove property market curbs. Funding has also been increased for state-owned firms to purchase housing to reduce the oversupply. It is too early to say whether these stimulus measures will be enough to build momentum in China's economy and its property market in particular, given structural challenges.

About a week after the announcement of the latest round of stimulus measures there was a sharp rally in equity stocks. The CSI300 index (the top 300 stocks trading on the Shanghai Stock Exchange & Shenzhen Stock Exchange) jumped 8.5%, its biggest lift in a single day since 2008.

Demand for logs in timber is closely related to economic growth, so a return of confidence in China's economy would be a boost.

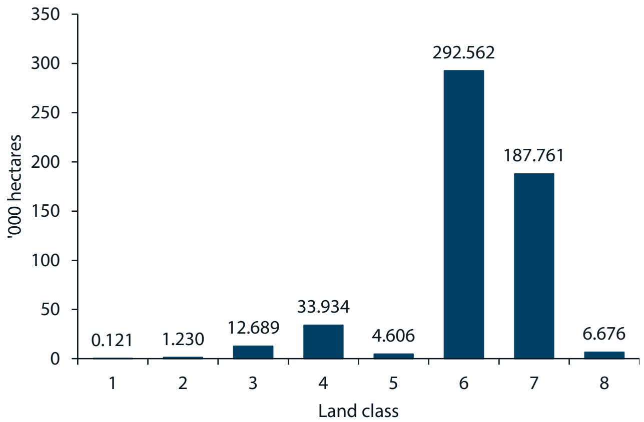
CARBON MARKET

Carbon prices have lifted but have stayed below $64, the floor price for the government's auctions this year. The third auction for the year again failed to achieve sufficient bids at high enough prices to release any units. It is difficult to know if the same outcome will be seen at the final auction that is due to take place on 4 December.

The quantity of units that could be released via the government's quarterly auctions next year will be limited to 1.5 million per quarter. That's assuming the price doesn't shoot up to $193, which is the price required to trigger the release of additional units from the Cost Containment Reserve.

The main ways units enter the market are via free allocations (to businesses deemed emission-intensive and trade-exposed) and units allocated due to sequestration from forests. Looking ahead, the variance in supply of units from year to year will largely be driven by the timing and volume of forestry plantings and subsequent registration of these forests into the ETS.

ETS REGISTERED FOREST LAND, BY LAND USE CAPABILITY CLASSIFICATION



Source: Te Uru Rākau

The government has indicated it will limit planting of trees on land classes 6 and below, ie areas deemed to be productive farmland. It is proposing allowing planting of 15,000ha per year only on land class 6, while planting on land classes 7 and 8 (hard hill country) will be unrestricted.

At present, most of the forests registered in the ETS are on land class 6. Steep land is more difficult and expensive to plant and is often too steep to harvest economically without damaging the environment. This means permanent forests are the most likely to be planted on steep land and registered to receive carbon credits.

FRUIT EXPORTS SEASON DRAWING TO A CLOSE

The main export season for horticultural products is ending.

Most of the kiwifruit and apples harvested this year have been delivered to market, with just a few more shipments remaining.

Wines from the 2024 vintage are being released. Growers are focusing on the season ahead as they manage vines and trees through the critical fruit-setting phase.

KIWIFRUIT: GOOD DEMAND ABSORBING EXTRA VOLUME

Kiwifruit prices are holding up well in-market, despite the much larger volume of New Zealand fruit available this year.

Zespri's latest forecasts for orchard gate prices, released in August, are on par with earlier forecasts, but the range has tightened as a large proportion of fruit has been sold, making actual prices available.

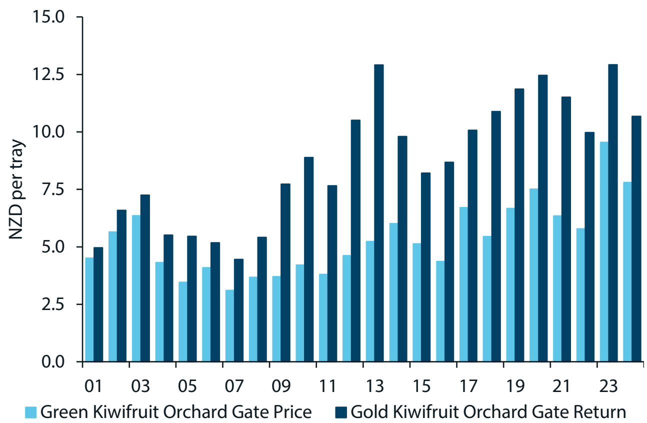
ORCHARD GATE FORECAST PRICES

Kiwifruit variety	2023-25 per tray (August forecast)	2024-25 per tray (June forecast)	2024-25 per ha (August forecast)	2024-25 per ha (June forecast)
Green	$7.50-$8.10	$7.50-$8.50	$80,000-$86,000	$80,000-$91,000
Organic Green	$10.60-$11.60	$9.75-$11.25	$81,000-$89,000	$75,000-$86,000
SunGold	$10.40-$11.00	$10.00-$11.25	$150,000-$159,000	$143,000 -$161,000
Organic SunGold	$13.00-$14.00	$12.50-$14.00	$134,000-$144,000	$129,000-$144,000
Sweet Green	$8.00-$8.75	$8.00-$9.50	$51,000-$56,000	$51,000-$56,000
RubyRed	$16.25-$17.25	$16.25-$17.75	$70,000-$74,000	$69,000-$76,000

Source: Zespri

Forecasts for organic fruit have lifted a little. Green varieties are forecast to achieve record prices per hectare this season due to improved yields.

ORCHARD GATE PRICES (HARVEST SEASON)



Source: MPI

Fruit quality for SunGold in-market is reported to be the best it has been in the five years these data have been recorded. Unfortunately, the quality of the Green variety has been poorer than normal.

Fruit size this year has been near optimal for SunGold, while too many small Green fruit were harvested.

The strong yields achieved this season have bolstered orchard gate returns for all varieties. SunGold returns are up 5% on a per hectare basis, whilst Green returns are up 27%.

Three quarters of the fruit harvested this season has been delivered to market. Reports indicate strong growth in demand in China and several European countries.

HORTICULTURE

Zespri is looking to expand its kiwifruit production in the Northern Hemisphere but requires support from New Zealand growers. Zespri estimates that growing its Northern Hemisphere plantings by up to 420 hectares a year for six years would deliver between $0.63 and $1.32 per tray, equivalent to local growers of SunGold and $0.47–0.96 for Green growers.

APPLES: FOCUS TURNS TO NEW SEASON

Apple growers are focusing on the season ahead as blossoms appear. Exporters are getting the final shipments of last season's apples to market.

Apple quality was generally good last season, but apples were smaller than usual, which made it more challenging to get premium prices.

Orchardists continue to struggle with high operating costs, particularly Hawke's Bay orchards, which are still recovering from flood damage incurred in February 2023.

The apple industry in New Zealand is now measuring its environmental impact throughout the life cycle of the apple. Like many other industries they have identified that improving productivity is a key driver to reduce the carbon footprint of the fruit produced. Other areas where improvements can be made are packaging, water utilisation, energy efficiency and transport.

WINE: CHILLY START TO NEW SEASON

Frost protection has been in overdrive in many grape-producing regions this spring, as cold nights pose a risk to grape production in the critical flower-set phase.

Wine produced with last season's grapes is now being bottled and some has been released to the market. Export market conditions have been relatively challenging due to a glut of wine last year. Demand is expected to improve as global economic conditions improve.

At present there are just over 2,000 vineyards in New Zealand, with the average size being 20ha. Two-thirds of the land planted in grapes is dedicated to Sauvignon Blanc, which is also by far the biggest export variety. Most Sauvignon Blanc is produced in Marlborough, which accounts for 72% of the country's grape production.

The area of land dedicated to grapes is increasing incrementally, but much of the current focus is on replacing less-productive vines, or less sought-after grape varieties with new vines.

RURAL PROPERTY MARKET

SPRINGING INTO ACTION

The rural property market has been extremely quiet, but activity is expected to pick up once the busy spring period ends. Price expectations amongst vendors have eased, while buyer confidence is expected to improve modestly. This combination is likely to result in increased activity in coming months.

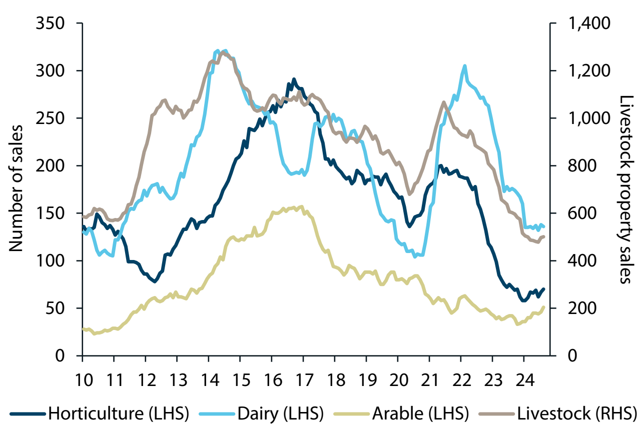
FEWER PROPERTIES TRADED

The number of rural properties being traded is still low, but interest in the dairy sector is reviving. The number of rural properties traded in the year to August 2024 was 40% below the 10-year average.

Once farms' busy spring period is over there is typically a strong selling period for rural properties in the lead-up to Christmas. More properties are expected to change hands this year as supply is elevated.

Demand is expected to pick up a little now that interest rates are tracking lower. The expectation is for rates to fall relatively quickly as markets have already priced in a considerable drop in OCR before the end of the 2024 calendar year.

PROPERTY SALES VOLUMES BY SECTOR

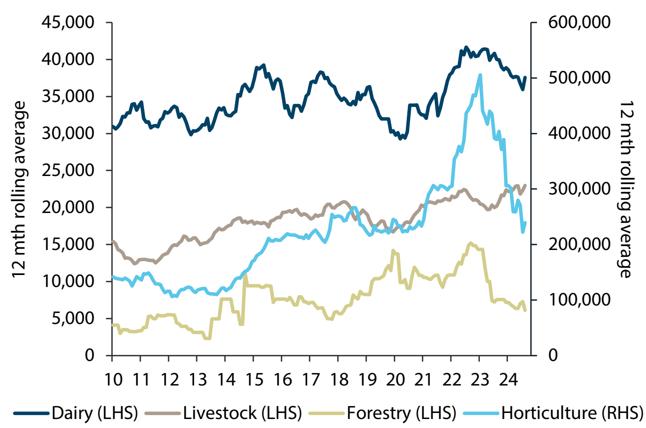


Source: REINZ

Property prices are adjusting downward as demand and supply pressures start to rebalance. Prices for dairy, livestock and forestry properties all eased last year. Horticultural properties increased in price, but given the vast array of types of properties in this sector, an increase in the median price may simply reflect the type of properties trading rather than any change in actual values.

Demand for kiwifruit properties remains strong. Confidence in this industry is expected to be bolstered due to solid orchard gate returns this season, despite the sharp increase in the volume of fruit produced.

MEDIAN PROPERTY SALE PRICE, BY SECTOR



Source: REINZ

On a regional basis the areas that have experienced the biggest drop in sales over the past 12 months, in percentage terms, are Taranaki, Tasman and Westland. Sales also slowed in Southland, Otago, Manawatu/ Wanganui, Northland and Hawke's Bay.

In terms of sectors, the number of sales in the dairy sector fell 22% last year and there were 17% fewer sales of livestock properties.

RURAL PROPERTY MARKET

FARM SALES BY FARM TYPE

Annual average/total		Past 12 months	Previous 12 months	10-Year Avg.	Chg. Y/Y	Chg. P/10yr
Dairy	Number of sales	135	174	209	↓	↓
	Median price ($ per ha)	37,570	40,008	35,987	↓	↑
Livestock	Number of sales	501	602	900	↓	↓
	Median price ($ per ha)	22,975	20,183	19,664	↑	↑
Horticulture	Number of sales	70	72	182	↓	↓
	Median price ($ per ha)	239,357	389,250	268,717	↓	↓
Arable	Number of sales	51	42	87	↑	↓
	Median price ($ per ha)	44,567	37,150	41,005	↑	↑
Forestry	Number of sales	44	50	55	↓	↓
	Median price ($ per ha)	6,113	7,573	9,199	↓	↓
All farms	Number of sales	873	1,020	1,476	↓	↓
	Median price ($ per ha)	28,875	27,733	26,704	↑	↑

Source: REINZ

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Last updated: 20 February 2024

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