ANZ RESEARCH

AGRI FOCUS

DECEMBER 2024

SUN GOING DOWN ON 2024

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INSIDE

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OVERVIEW

New Zealand's primary sector is recovering, but at varying speeds across sectors.

The dairy sector is doing well, with milk prices now forecast to reach record levels this season. Most dairying regions are also ahead on production, which will bolster returns.

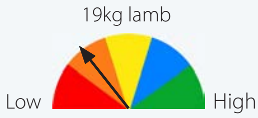
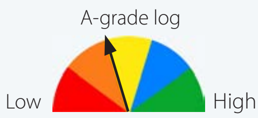
Beef markets are also doing well, and this is expected to continue despite the threat of the US imposing import tariffs. Beef is our largest export to this market.

Other sectors, such as wine and lamb, may be at risk if tariffs were to be imposed.

The kiwifruit export season has drawn to a close, with strong prices achieved for this season's record crop.

Farmgate prices for lamb are starting to retreat but have been high for longer than expected. As more lambs become available, prices are expected to drop rapidly.

Weather conditions are varied. East Coast farms are already very dry, so farmers are quitting stock early. Conditions have now improved in Southland following an extremely tough winter and spring.

Prices at farm/orchard level relative to 10yr average[1]		
Dairy	Dairy commodity prices continue to trade higher, supporting our forecast of a $9.85/kg milk solids (MS) price this season and $9/kg MS for next season.	
Sheep	Farmgate prices for lambs are expected to be relatively low but better than last season as exporters compete for the fewer lambs available.	
Beef	Beef export prices are strong, and this is showing up in pricing of all grades of cattle at present.	
Forestry	Log prices have improved slightly but are likely to retreat as improved access increases the volumes of logs harvested and exported.	

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

ECONOMIC OVERVIEW

THE MACROECONOMIC BACKDROP

New Zealand's economy is patchy at present, but some sectors are showing signs of recovery. Other major economies are facing similar challenges.

Global uncertainty is elevated and there are concerns that proposed new tariffs on US imports will have an inflationary impact there.

China continues to stimulate its economy in an effort to boost domestic growth and reduce its reliance on its export markets.

ECONOMY STILL SLOWING BUT OPTIMISM GROWING

New Zealand's economy is soft. It's early days in terms of the stimulatory impacts of looser monetary policy. Although interest rates are falling it will be some time before it has a meaningful impact on households' disposable incomes. We have seen a boost to confidence, however, and early signs are that growth will turn positive by the end of this year, with a brighter 2025 beckoning.

The unemployment rate is not expected to peak until near the middle of 2025, however, given it lags activity.

Business confidence has shot higher, though this may partly be the fact that it's a low bar for things to improve from here. Confidence in the housing market is lifting. Firms with strong balance sheets are seeing opportunities, while others remain in survival mode.

We expect the RBNZ will continue to reduce the Official Cash Rate in the new year. We expect a further 50bp rate cut in February, although this is conditional on how the data lands in the interim. The decision will be influenced by key data such as inflation and employment numbers, but for now, a 50bp cut is widely anticipated, including by financial markets.

This patchy recovery emerging across the wider economy is mirrored in the primary sectors, where the dairy sector is now doing well, whilst other farming enterprises such as sheep and forestry are struggling.

At the global level, economic growth is also patchy. The US economy has been extremely resilient, and New Zealand's exports to this market have been doing well. However, Trump's tariff threats have clouded the picture.

POTENTIAL TARIFFS BRING UNCERTAINTY

Trump has suggested that he plans to impose 25% tariffs on goods from Mexico, Canada and China as soon as he is inaugurated in January. He has also threatened to impose tariffs on goods from other countries.

The US is New Zealand's largest export market for beef and wine, and a significant market for lamb, venison, seafood, apples and kiwifruit. If tariffs are imposed, they will increase the prices US consumers pay for goods and/or decrease the price New Zealand's exporters receive, depending on whether the supply-demand balance favours exporters or importers.

The US is currently short of beef, so tariffs imposed on this product are unlikely to be borne solely by exporters. On the other hand, we are more of a price-taker for wine, meaning tariffs on this product could have significant impacts for our wine growers and exporters.

New Zealand is likely to also be indirectly impacted if tariffs are applied to goods from our major trading partners, such as China and the European Union (EU). New Zealand's materials are often used to manufacture goods that are then exported, such as timber used in China to make furniture that is exported to the US.

The tariffs could also have an indirect economic impact via our trading partners, if they reduce demand for other goods sourced from New Zealand.

ECONOMIC OVERVIEW

CHINA PROMISES EVEN MORE STIMULUS

China continues to announce stimulus packages to help drive its economy. It is too early to tell how effective these will be, but authorities appear determined to bolster domestic consumption so that China is less reliant on its export markets. If it is successful, we may see China buying more goods from New Zealand, particularly lamb and venison, which are expensive forms of protein.

China's authorities have advised that they plan to loosen monetary policy and be more proactive in fiscal policy (government spending), with the aim of boosting consumption, expanding domestic demand and providing stability to its property and stock markets.

The sharp drop in property prices that occurred last year in China was one of the major reasons why consumer confidence fell there. Time will tell whether Chinese authorities are able to convince consumers to spend more and save less.

NEW ZEALAND ECONOMIC FORECASTS

Click here to access our latest New Zealand economic forecasts.

DAIRY

DAIRY RETURNS LIFT

Dairy prices have continued to strengthen, resulting in a significant upwards revision to the forecast milk price for the current season.

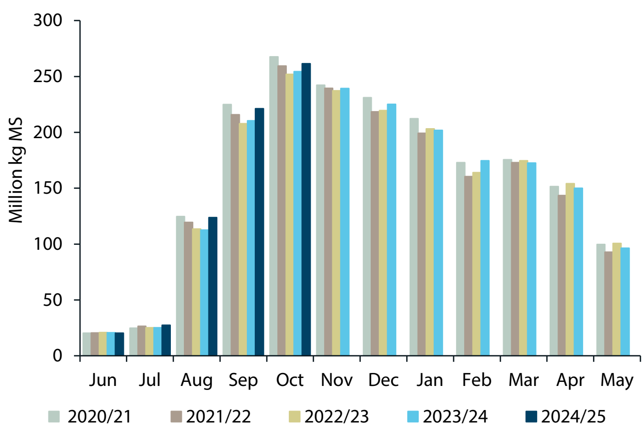
Production remains well ahead of last season, but gains are starting to ease as summer conditions curb pasture production.

GOOD WEATHER BOOSTS MILK PRODUCTION

Milk production for the season to October was up 5% y/y. October marks the peak month of the season, and production was up 2.8% y/y in the month, making it the most productive October since 2020.

By now more than 60% of the year's production will be in the bag. Growth rates are expected to ease through the season as dry summer conditions curtail pasture production. Given how strong milk prices currently are, farmers should be able to purchase supplementary feed, if required.

NEW ZEALAND MILK PRODUCTION



Source: DCANZ

We are expecting milk production for the full 2024-25 season (to May 2025) to be up 2%.

It is rare for both milk production and milk prices to be so favourable, and this will help the financial position of dairy farming businesses, which have had a tough few years.

At present the focus is on reducing debt. There has been an increase in the number of dairy farms changing hands, but there are still more sellers than buyers in the market.

GLOBAL DAIRY MARKETS

Prices for dairy commodities have lifted 25% over the past year. The products that have increased in price the most have been anhydrous milkfat and whole milk powder (WMP). This is significant as New Zealand is the largest supplier of both products to global markets. Despite New Zealand's milk production increasing this season, the global supply of these products has not kept pace with demand, hence the sharp price increases recorded.

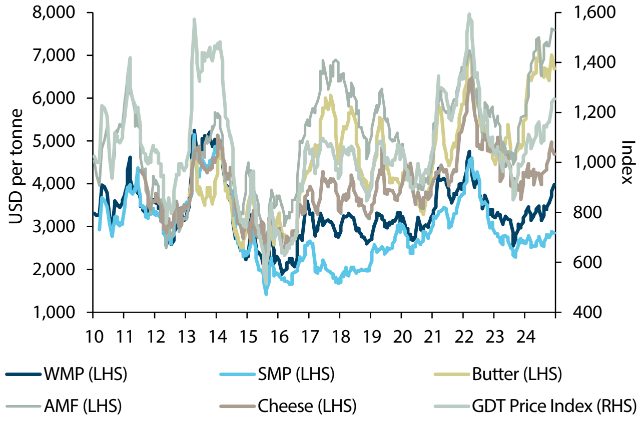
DAIRY COMMODITY PRICES

Gains in products such as cheddar and skim milk powder (SMP) have been more modest (below 10%). These products tend to be major exports for most of New Zealand's competitors. Therefore, the current dairy commodity prices favour New Zealand producers to a greater degree than other dairy-exporting nations.

Another factor that is currently supporting farmgate prices is the relatively weak NZD, which has eased since Trump was elected. This helps boost returns in NZD. Given that much of the exposure dairy companies have to the foreign currency market is hedged well in advance, the advantage will impact next year's milk price more than this year's.

DAIRY

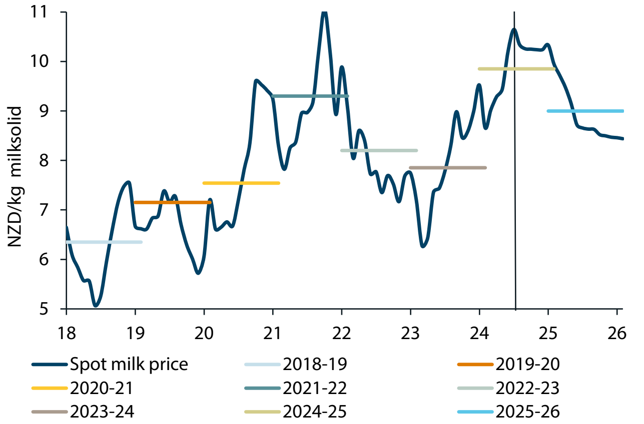
DAIRY COMMODITY PRICES



Source: Global Dairy Trade, ANZ Research

We recently revised up our milk price forecast for the current season to \$9.85/kg MS and released an inaugural forecast for next season of \$9.00/kg MS.

FARMGATE MILK PRICE FORECAST



Source: Fonterra, ANZ Research

The market remains bullish, with Fonterra now forecasting a \$9.50-\$10.50/kg MS price for the current season. Milk price futures are trading at \$10.13/kg MS for this season and \$9.60/kg MS for next season.

We are a little more cautious as demand tends to erode quickly once WMP prices reach USD4,000/t, which is near where the market is currently sitting.

LAMB & WOOL

LAMB NUMBERS DOWN

Lamb numbers are down by 1.1 million head (-5.2%) due to the overall decrease in sheep numbers and poor lambing results this season.

The fall in lamb numbers is helping keep farmgate prices elevated for longer than usual, as processors work hard to secure stock.

Store markets for lambs are mixed, with pricing dependent on local feed conditions. Overall prices are stronger than last year.

SMALL IMPROVEMENT IN LAMB MARKETS, GLOBALLY

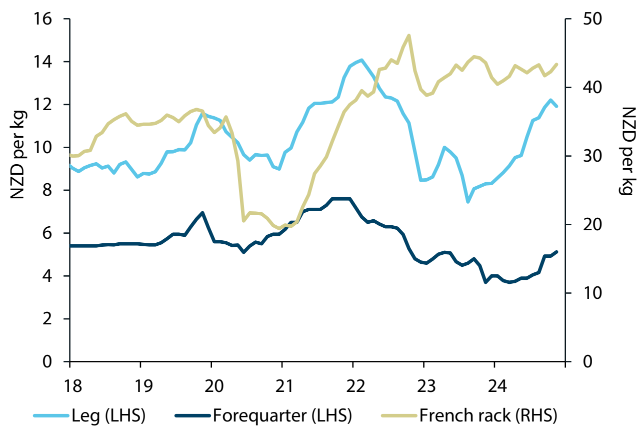
Lamb prices are holding at higher levels than expected for this time of the year. Typically, prices fall from early December as new-season lambs become available for processing.

This year lamb numbers are down, and lambs have taken longer than normal to reach processing weights in regions where pasture production was slow early in the spring.

Processing companies are competing hard for the lambs that are available by paying higher prices. This is starting to change, however, with some companies decreasing payments and others expected to follow suit.

Lambs are currently returning about $7.90/kg carcass weight (CW), which is at least $1.50 higher than this time last year. Across the full season, we anticipate returns will be higher than last year, averaging about $7. If that is achieved, it would increase the average return by approximately $12 per lamb, or $0.75/kg CW.

FARMGATE LAMB PRICE TRENDS



Source: AgriHQ, ANZ Research

STORE MARKETS DICTATED BY LOCAL WEATHER

Store market prices vary from region to region and week to week, as differences in expected pasture production influence both demand for lamb and the supply of lambs.

Some regions, particularly the eastern parts of the North Island, are already very dry, and this is encouraging destocking before conditions dry out further over summer. Southland is finally seeing reasonable growing conditions after battling through a very wet winter and spring.

Store prices for lambs have eased back a little, ranging from $3.00-$4.00/kg live weight (LW). Prices are stronger in the South Island than the North Island, despite schedule prices for North Island processing being a little richer.

Store prices are at least 50c/kg LW stronger than a year ago which is encouraging some farmers to sell stock now to assist their cashflow and increase financial certainty.

LAMB & WOOL

STOCK NUMBERS OFFICIALLY LOWER

The latest Lamb Crop Report 2024 from Beef & Lamb New Zealand indicates there are 1.1 million fewer lambs this season. This means there are just 19.2 million lambs, 5.2% less than last year.

The number of lambs available for export is expected to decrease even more, falling 6.5% to 17 million head.

The drop in lamb numbers is due to a collision of factors, including:

- Fewer breeding ewes (down 2.9%);
- Fall in lambing percentage by 2.6% to 127.4%, with fewer lambs born in all regions and lamb survival high in the North Island but poor in Southland;
- Fewer hoggets mated last year.

Ewe processing numbers are also expected to fall this season.

The numbers from the latest report were expected and align with guidance that came out of Beef & Lamb New Zealand's Stock Number Survey in June.

REDUCED EXPORTS MAY HELP MARKETS RECOVER

The drop in lamb and mutton meat production this season may help strengthen market prices, which have been relatively low, particularly for the cuts typically sold to China.

The European markets and the US market have maintained sufficient demand to move the better-quality cuts of lamb.

There is a risk that demand from the US could fall if tariffs are applied under the next administration. At this stage, it is not clear that this will occur; but if consumers find they have to pay a higher price, demand for lamb could weaken. Relative to other forms of protein available in the US, lamb tends to be expensive and consumption relatively low.

Slightly smaller export volumes will be helpful, given how hard it has been for exporters to sell the cheaper cuts of lamb. China has been the main market for these cuts for the past decade, consistently paying more than other markets. This changed last year as Chinese consumers grew more cautious due to tougher economic conditions. This led New Zealand's exporters to seek other markets such as the Middle East, but most mutton and lamb still goes to China.

Farmgate prices for mutton are currently considerably stronger than they were a year ago and sheep are filling up killing space, particularly in the regions where lambs have been slow to reach killable weights.

WOOL PRICES STABILISE

Wool prices have plateaued, after a strong rise recently that lifted prices to their highest point since 2017.

Wool has been selling well at recent auctions, with most of the wool on offer finding a buyer. Strong wools are returning $3.50-3.80/kg, depending on quality and style. The higher prices can be attributed to steady buying from China.

Fine wool returns have also been strong, although they fell back a bit at the most recent auctions. Demand for very high-quality wool, used for high-end clothing, remains strong.

STRONG WOOL PRICES

Source: PGG Wrightson, ANZ Research

BEEF

CATTLE MARKETS REMAIN STRONG

Strong overseas demand for beef is evident in current farmgate prices.

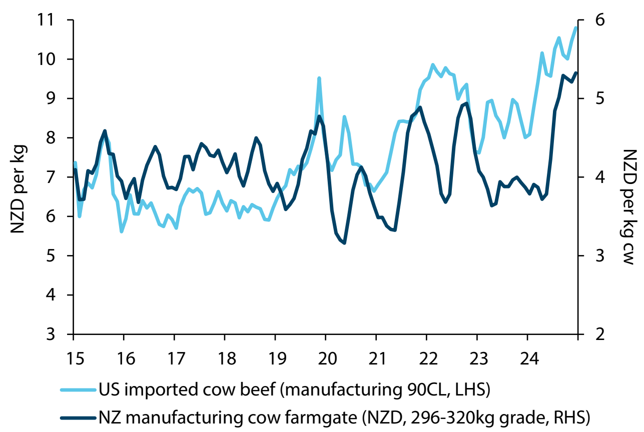
This has been driven primarily by demand from the US, as its own beef production is lower than normal.

BEEF MARKET INDICATORS STRONG

Beef markets are expected to be strong as we move into 2025. The US market continues to experience a shortage of locally produced beef as herd numbers dwindle due to successive droughts.

Even though most parts of the US are no longer in drought, there is no sign that cattle numbers are rebuilding. This means the US will continue to rely on imported beef in the years ahead.

FARMGATE BULL BEEF PRICE VS US MARKET PRICE



Source: AgriHQ

A lot more Australian beef has been exported into the US this year, but this has not really impacted demand for New Zealand beef.

The US is currently New Zealand's largest market for beef, followed by Canada and China. A couple of years ago, China briefly overtook the US, but exports have focused back on North America in recent years due to the higher prices on offer.

The appetite of Chinese consumers for imported beef has been growing, but importers have become increasingly reliant on supply from South America, which tends to be cheaper than that from New Zealand or Australia. The number of Brazilian processing plants licensed to supply China is increasing.

Australia has processed a lot of cattle in recent months. Its beef exports hit record levels in October and continue to run at elevated levels. This indicates that Australia is not expanding its herd. Despite this strong supply, global demand for imported beef is still high, which bodes well for prices for the remainder of the season.

New Zealand's beef kill will rise in the late summer/early autumn as beef calves are weaned and dairy cow culling gets underway.

There is uncertainty around the US market due to Trump's threats to apply tariffs to specific economies and products. Beef is New Zealand's biggest export to the US market, but it is unlikely that our exporters would bear the full impact of such tariffs, particularly if they are applied to all beef imports. When market conditions favour sellers (as is currently the case), then much of the tariff is likely to be borne by the consumer.

We will wait and see if such tariffs eventuate, but at present, the threat is encouraging some importers to secure product before any disruptions impact supply.

STORE CATTLE PRICES

Prices for replacement cattle have been up this season for almost every class of stock, from dairy-cross weaner calves to older lines of beef cattle.

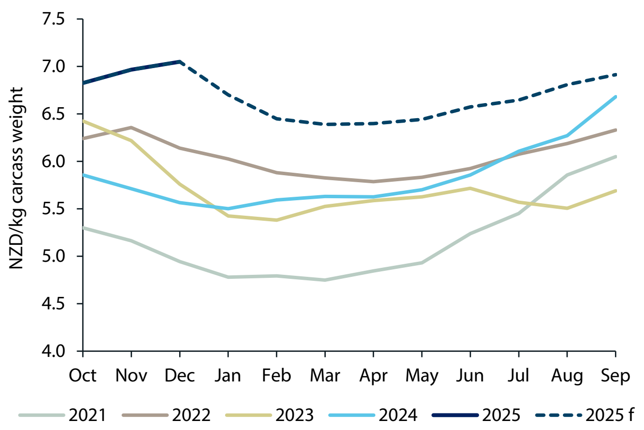
BEEF

Store stock prices have eased a little in some regions due to dry conditions curtailing demand, but many farms are still getting spring pasture growth under control and are seeking additional cattle.

Given prices have been so strong, some buyers have opted to buy younger cattle or lighter lines to keep prices in check. Pricing has been tracking 15- 20% higher than the five-year average.

Prices are expected to temper a little moving into the summer as demand eases, soils dry out and pasture production slows. But the overall strength in pricing for finished cattle is likely to provide ongoing support for store cattle as well.

FARMGATE BULL BEEF PRICE TREND AND FORECAST



Source: AgriHQ, ANZ Research

DEER

FARMGATE PRICES EASE

In October, farmgate prices reached their highest level in five years, but they have eased now that the main exporting season for chilled venison is over.

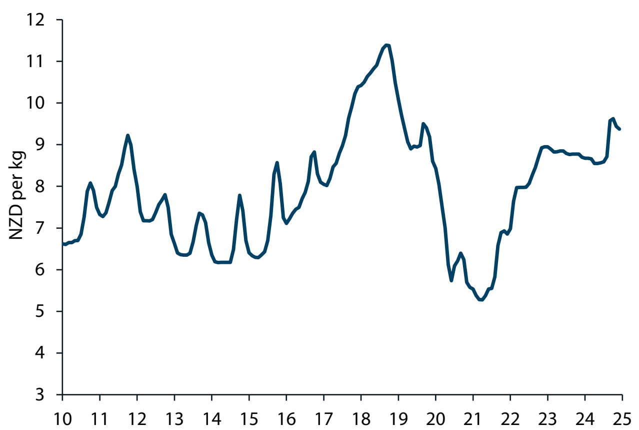
Velvet returns are still under pressure, despite access into China being fully restored.

Farmgate prices for venison eased in November following the end of the season for chilled product. This price correction occurs most years, although there have been some exceptions.

At present, prices are about 8% ahead of the same time last year and stronger than those seen in recent years.

The relatively low NZD is supporting higher returns in local currency terms.

VENISON FARMGATE PRICES (BASED ON 60KG STAG)



Source: AgriHQ

The industry's market-diversification strategy has seen more venison exported to the US and China in recent years, in an effort to reduce reliance on the European market. Prior to the pandemic, the industry was very reliant on the European restaurant trade, but it has now broadened its offering of retail products and its target markets.

The European market is still the most valuable for venison, but the US market is catching up fast and, in some months, has outperformed sales to Europe. Exports to China have been varied, but the overall size of this market has grown significantly and is now a sizable market for frozen venison and specific cuts, such as tails and pizzles.

HIGHER INVENTORIES HINDER VELVET SALES

Access to the China market for frozen velvet has been restored, but exporters are still finding this market challenging. Higher-than-expected in-market stock has dampened buyer appetite to secure additional product.

Velvet returns this season may be a little lower than previously hoped due to the challenging market conditions.

GRAIN

MORE GRAIN PRODUCED LOCALLY

Local grain prices have continued to firm in recent months. We expect feed grain prices to get a boost from the higher dairy prices.

Slightly more land is likely to be dedicated to arable crops this season than last.

International market prices have eased a little. Australia has revised up its wheat production forecast, despite rains impacting the harvest; but volumes will still be well down on last season.

LOCAL GRAIN PRODUCTION LIFTED LAST SEASON

Grain production in New Zealand's 2024 harvest season increased by 2% on the previous season. Including maize, just over 1 million tonnes of grain was produced.

The area planted in arable crops (excluding maize) decreased by approximately 500 hectares to 94,331 hectares. This small drop in area planted was more than offset by higher yields. This resulted in increased production of feed wheat, malting barley and feed oats. However, less milling wheat, feed barley and milling oats were produced.

Despite the increase in feed wheat production, there is currently less in storage than there was a year ago. Feed barley stocks are also lower. The lift in malting barley production has increased inventories.

Overall, there is a lot less unsold grain at present than there was a year ago.

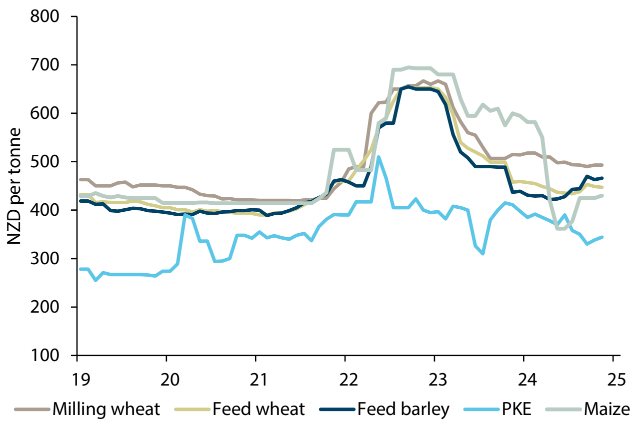
For the 2025 harvest, arable farmers intend to slightly increase the area they have dedicated to crops. Feed barley is expected to lift back to near the level recorded in 2023, but fewer acres are likely to be allocated to other major crops.

Less maize is likely to be planted this season, based on the poor returns achieved from the last harvest.

LOCAL GRAIN PRICES LIFT

Local grain prices have lifted slightly in recent months, but most grains are still trading below year-ago levels and are weaker than the five-year average. The only exception is feed barley, for which the price is up 7% y/y.

NEW ZEALAND GRAIN PRICES



Source: NZX

AUSTRALIAN HARVEST HAMPERED BY RAIN

Australian wheat prices eased during November, despite concerns about crop damage from extensive rains during the harvest. The rain is likely to have caused mould, which could result in a larger proportion of the crop being downgraded to feed.

Other factors influencing prices recently include strong supplies from Argentina, which is now approved to supply wheat to China and is selling wheat more cheaply than Australia.

Despite the challenges some parts of Australia have faced this season, its expected national wheat harvest volume has been revised up by 60,000t to 31.9m tonnes. This is considerably smaller (-23%) than the massive harvest last

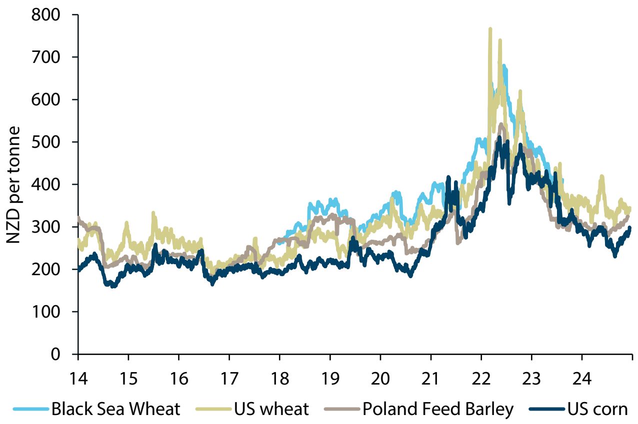
GRAINS

year, but it is 20% above the 10-year average. As Australia is one of the world's largest exporters of wheat, this additional supply will bolster global inventories.

Production estimates for Australian barley have, however, been revised down.

These changes in production are also reflected in the prices being paid within New Zealand for wheat and barley.

WORLD PRICES FOR SELECTED GRAINS



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

Global wheat prices have trended a little lower recently, following a significant upwards revision to Kazakhstan's wheat production.

Global corn production has also been revised up due to increased production in several African countries and Belarus. This has resulted in prices easing slightly.

China's demand for imported grain has waned a little, which is another factor impacting global prices.

FORESTRY

OUTLOOK FOR LOGS REMAINS UNCERTAIN

Log returns have improved slightly, but the outlook is unclear. An increase in the supply of logs over summer could push prices down again unless demand improves.

Demand from both the export and domestic markets remains subdued.

New Zealand's Government recently announced rule changes that will restrict the planting of forests for carbon on highly productive land.

EXPORT PRICES LIFT A LITTLE

Prices for export-grade logs have lifted a little, largely in response to a drop in the supply from New Zealand rather than any significant lift in underlying demand from China.

LOG EXPORT PRICE FOR UNPRUNED A GRADE

Source: AgriHQ

In China, the quantity of logs being utilised is relatively stable, and port inventories have not changed a lot, so that market is balanced.

As access into New Zealand's forestry blocks improves during summer, the volume of logs harvested will lift. We therefore expect a seasonal increase in logs on offer, which would ordinarily put downward pressure on prices.

The uptick in supply may not be as large as normal, however, as some owners of smaller forestry blocks may elect to leave trees standing until prices improve. Depending on the location of the block, returns may be inadequate to cover harvesting and transport costs.

CHINA DEMAND UNCERTAIN

New Zealand logs are used for several different applications in China. These include:

- boxing for concrete construction (building, roads etc);
- packaging, including pallets and crates used to export goods;
- furniture;
- wooden panels and flooring;
- paper.

Construction in China has slowed as housing is oversupplied and infrastructure (such as roads) is well developed. That means demand for timber for use in construction and for finishing of homes is low.

Demand for timber for use in packaging and goods for export is less certain at present. Trump has advised he will be placing a 25% tariff on all goods from China, soon after his inauguration on 20 January. If that goes ahead, it could curtail China's exports and, ultimately, demand for New Zealand's timber. China exports furniture to the US, some of which is made from New Zealand timber, as is packaging for shipping other goods.

FORESTRY

China has stated that it plans to boost domestic consumption, to offset any loss of export demand. How this will play out for the forestry sector is unknown. It may boost domestic demand for timber furniture and for refitting houses, but that could be offset by less demand for timber for exports. So, future demand from China for New Zealand logs is difficult to estimate until Trump's tariff regime is clearer.

INDIA TAKING A FEW SHIPMENTS

Exporters are increasing the number of log shipments heading for India. This was once a significant export market, but focus shifted to China where demand and returns were considerably stronger.

Changes to fumigation rules stopped the export of New Zealand logs to India for several years, but innovative practices mean this process now takes place at sea, meeting the regulatory requirements of both countries. This does, however, make the export of logs to India more costly and logistically challenging than to alternative markets.

LOCAL DEMAND DWINDLES

Typically, New Zealand's domestic demand for timber picks up during the summer when DIY building activity kicks off. Thus far, however, there has not been a noticeable increase in demand for finished timber, so demand from local timber mills for raw logs is down.

Residential building activity is likely to pick up once investors become more confident. Interest rates have fallen quickly, which will ultimately stimulate demand for new homes and renovations, but this is yet to really kick into gear.

Building consents for residential homes have lifted only marginally, so it may be late 2025 before we see any substantial increase in local demand for timber.

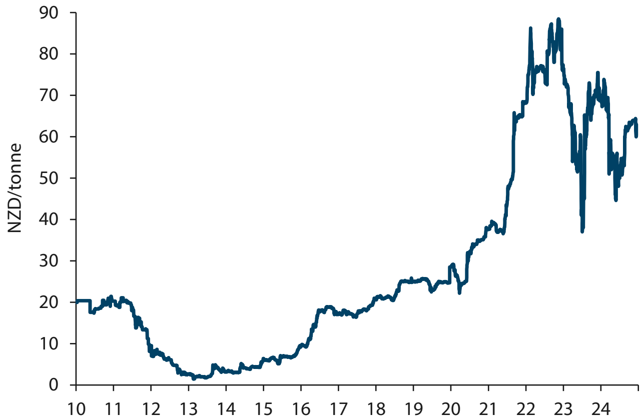
The soft local market means timber mills are not putting any upward pressure on prices and are simply matching the export market to secure supply.

Profitability in New Zealand's timber-processing industry has been woeful and has resulted in the closure of several mills.

CARBON MARKET

The final government auction for New Zealand Units (NZU) for the year resulted in a partial clearance at the floor price of $64. In 2025, the floor price will rise to $68. Since the auction, the carbon price has dipped back below $64, indicating that the additional supply that entered the market at the Q4 auction has put downward pressure on pricing.

NZ CARBON PRICE

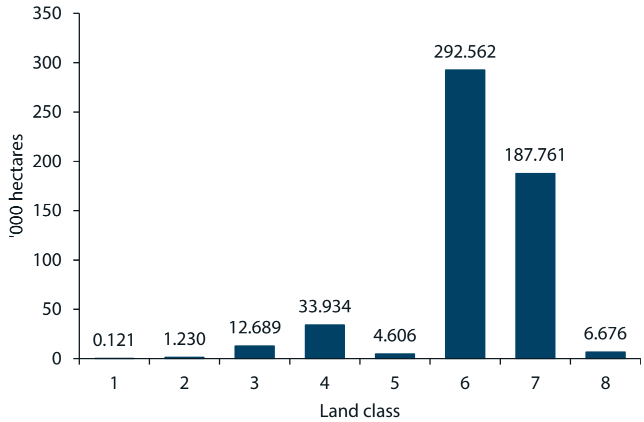


Source: Bloomberg, ANZ Research

The industry's oversupply of NZUs is expected to rectify itself within a few years. The biggest unknown in terms of supply of units is how many will be earned by sequestration from forests.

The government has passed legislation to prevent widespread planting of pine on highly productive farmland (classes 1-5). Class 6 land will be restricted to 15,000ha being registered into the Emissions Trading Scheme (ETS) each year, on a first-in-first-served basis. This will take effect in October 2025, but it is not yet known exactly how it will be managed.

ETS REGISTERED FOREST LAND, BY LAND USE CAPABILITY CLASSIFICATION



Source: Te Uru Rākau

At present, most of the forests registered in the ETS are on land class 6.

FOCUS SHIFTS TO THE NEW SEASON

The export season for apples and kiwifruit is complete, and exporters are now focusing on finalising grower returns.

Summer fruits are being harvested, but the harvest of apples won't get underway until February, followed by wine, then kiwifruit.

KIWIFRUIT: GOOD DEMAND ABSORBING EXTRA VOLUME

The kiwifruit export season is now complete, and Zespri has commenced supplying markets with fruit grown in the northern hemisphere.

Returns have been better and fruit losses lower than last season, which has allowed an upward revision to orchard gate prices. Zespri's latest forecasts, released in November, are higher than earlier forecasts, but still a little lower than last season. However, this season there was a lot more fruit to sell, so returns per hectare are stronger across all categories.

SunGold continues to outperform other varieties on a per hectare basis, due to consistently strong yields. The RubyRed variety, currently in commercial production, is more challenging to grow, tends to be relatively small and doesn't store particularly well. Zespri is looking to commercialise a complementary second red variety that may be easier to grow and has a slightly later maturity date, meaning consumers will have the choice of red fruit for longer.

It is estimated that 196.9 million trays were produced this season, 44% more than last season. Further growth is expected each year from now, as vines already planted increase production as they mature.

Zespri growers recently approved a proposal to expand its kiwifruit production in the northern hemisphere. This will extend the selling season, allowing Zespri to keep its shelf space at retailers. The supply of northern hemisphere fruit occurs immediately after New Zealand's growing season finishes, but there will still be a gap in supply before the New Zealand fruit reaches market.

ORCHARD GATE FORECAST PRICES

Kiwifruit variety	2024 - 25 per tray (November forecast)	2023 - 24 per tray (final price)	2024 - 25 per ha (November forecast)	2023 - 24 per ha (final price)
Green	$8.00 - $8.20	$9.55	$86,000 - $88,000	$65,717
Organic Green	$11.00 - $11.40	$12.53	$85,000 - $88,000	$56,086
SunGold	$11.10 - $11.30	$12.92	$161,000 - $164,000	$146,987
Organic SunGold	$14.10 - $14.50	$14.71	$145,000 - $149,000	$113,449
Sweet Green	$8.30 - $8.70	$10.63	$53,000 - $55,000	$49,841
RubyRed	$16.40 - $16.80	$26.34	$70,000 - $72,000	$40,741

Source: Zespri

HORTICULTURE

APPLES: SEASONAL LULL IN SALES

Apple exports are finished for the season. While returns varied across varieties and markets, the season was generally challenging. The focus is now on the next crop.

The stock of apples in Europe is expected to fall, and apple production in the EU is estimated to be down by about 11% y/y. Apple prices in Europe are higher than last season and about 20% higher than the five-year average. This bodes well for sales of New Zealand apples into this market next year.

WINE: RISK OF TARIFFS

Wine is New Zealand's second-largest primary-sector export to the US, after beef. If tariffs are applied, they could have a detrimental impact on sales as the US is our largest export market for wine.

New Zealand is the third-largest supplier of wine into the US, behind only Italy and France. But the US produces a lot of its own wine, so demand for imported wine could wane if tariffs cause prices to rise significantly.

Wine exports have been challenged this year as the market is oversupplied. Price expectations have been curbed in some circumstances. Contract wine-grape growers received reasonably good prices last season, but some producers have struggled financially.

RURAL PROPERTY MARKET

SURGE IN ACTIVITY

The rural property market is lifting, with an increase in the number of properties changing hands and some improvement in price.

Demand for properties varies, with strong buyer appetite for good-quality dairy farms, but very few buyers for steeper hill-country farms.

BUYERS KEEN ON DAIRY FARMS

The number of rural properties traded is still historically low, but more dairy farms have been traded in recent months than we have seen for several years.

The sharp lift in milk prices recently (see dairy section) will keep interest in this sector alive in the coming months.

At present it is the better-quality dairy farms, which are unlikely to be impeded by environmental regulations, that are in demand. Buyers are warier of the less-productive farms that are not likely to fare so well if methane emissions are taxed in the future.

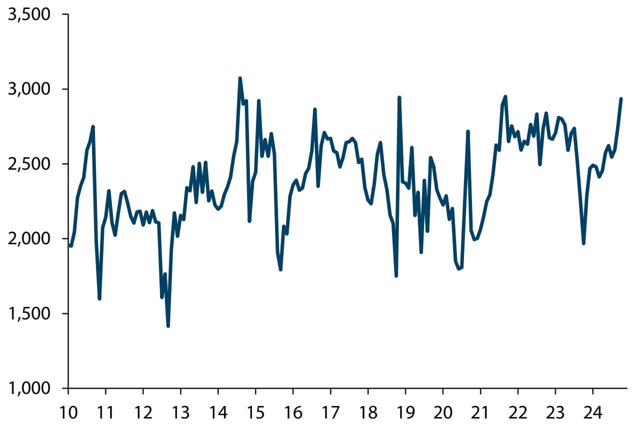
While there have been some sales at strong prices, the average price paid over the past 12 months for dairy properties (including runoff blocks) currently sits at $38,225 per hectare, which is slightly less than the previous year.

NEW REGULATIONS LIKELY TO IMPACT LIVESTOCK PROPERTY VALUES

Recently, the Government advised it is changing the rules relating to registering forests to earn carbon credits via the ETS. The new rules effectively ban planting on highly productive land (class 1-5) and restricts plantings on class 6 land to 15,000 hectares per year.

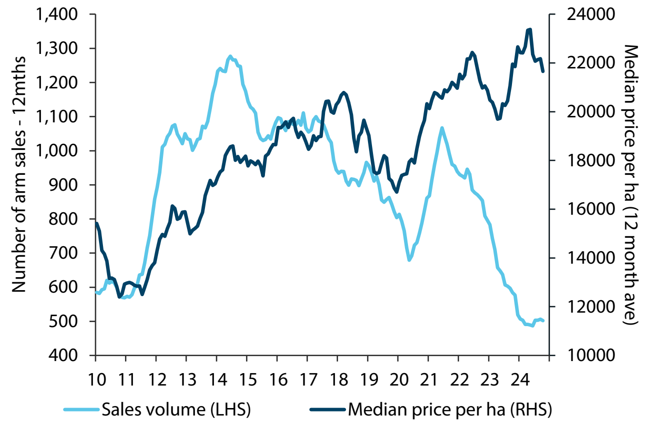
Demand from the forestry sector, primarily to plant trees for carbon credits, has underpinned the value of much of the low-quality farmland. While there will be no restrictions on planting on class 7 & 8 land (very steep land), it has mainly been the class 6 land that has been converted to forestry and where most of the forests registered in the ETS are located.

DAIRY PRICE INDEX



Source: REINZ

LIVESTOCK FARM SALES



Source: REINZ

RURAL PROPERTY MARKET

The regulatory changes will reduce landowners' flexibility and is likely to push property values back down to match their use as pastural farms. For some this may halve the perceived value of the property. The new regulations are due to take effect in October 2025.

On a regional basis, the area that has had the biggest lift is Canterbury, where sales in the 12 months to October were up 21% y/y.

Horticultural property sales are also lifting again, but overall the property market is still relatively subdued.

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	147	167	206	↓	↓
	Median price ($ per ha)	38,227	38,973	36,009	↓	↑
Livestock	Number of sales	502	584	888	↓	↓
	Median price ($ per ha)	21,658	21,958	19,751	↓	↑
Horticulture	Number of sales	77	70	180	↑	↓
	Median price ($ per ha)	221,313	371,143	269,947	↓	↓
Arable	Number of sales	58	33	86	↑	↓
	Median price ($ per ha)	44,567	37,400	41,056	↑	↑
Forestry	Number of sales	48	49	55	↓	↓
	Median price ($ per ha)	6,613	7,573	9,133	↓	↓
All farms	Number of sales	915	984	1,460	↓	↓
	Median price ($ per ha)	28,158	29,183	26,758	↓	↑

Source: REINZ

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Last updated: 19 November 2024

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