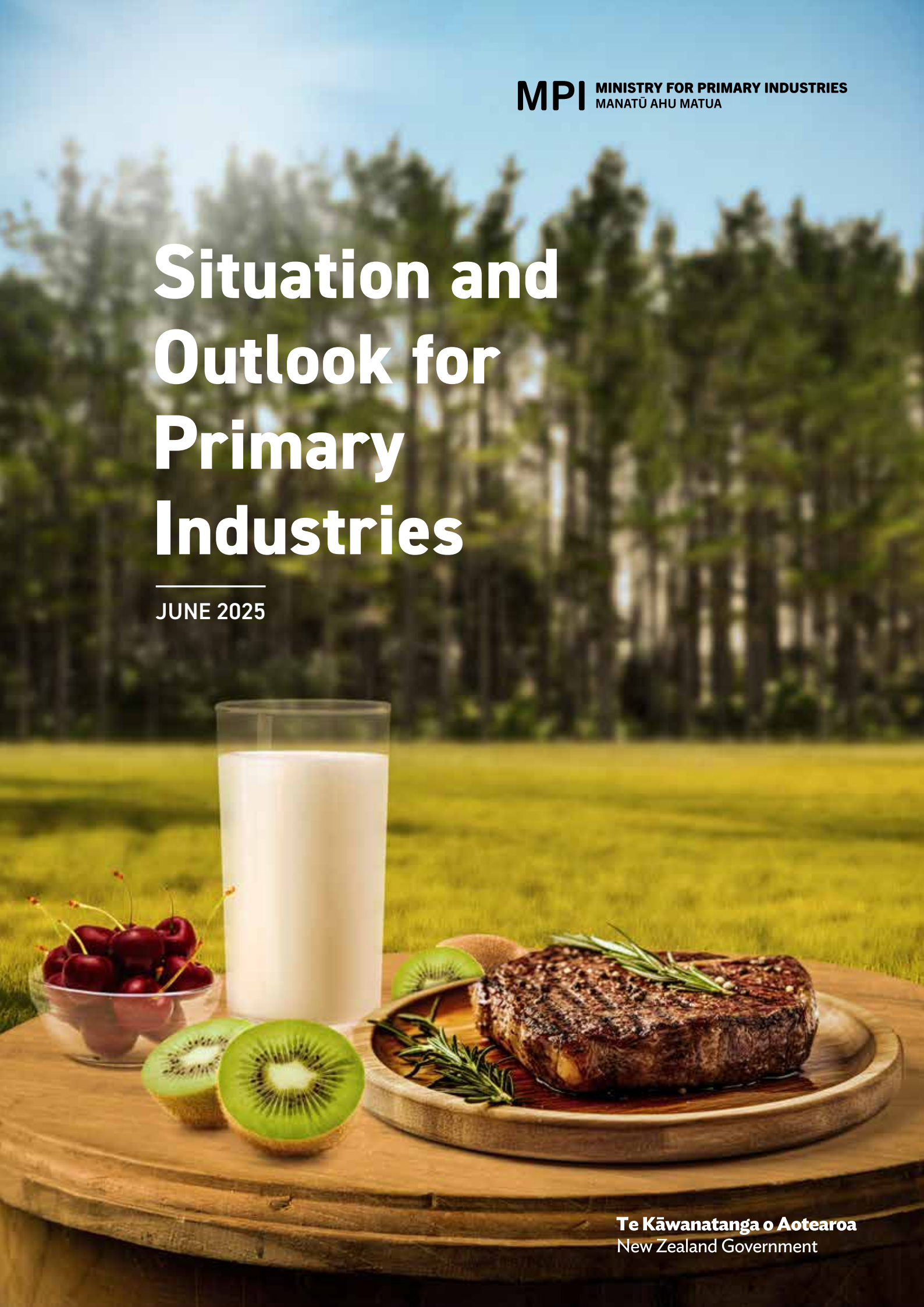
MPI MINISTRY FOR PRIMARY INDUSTRIES
MANATŪ AHU MATUA

Situation and Outlook for Primary Industries

JUNE 2025



Te Kāwanatanga o Aotearoa
New Zealand Government

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Notes

Annual figures are for the year to 30 June unless otherwise noted. Year to 30 June refers to the 12-month period to that date.

Year to 31 March refers to the 12-month period to that date.

Currency figures are in New Zealand dollars unless otherwise noted.

Some totals may not add up due to rounding.

At the time of writing, goods trade statistics for the March 2025 quarter are provisional. Late data and amendments may be included in subsequent Stats NZ data releases.

Some historical export values have been updated due to corrections made by Stats NZ.

MPI welcomes feedback on this publication via SOPI@mpi.govt.nz.

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Disclaimer

Contents

Minister's foreword

I am pleased to present the June 2025 edition of the *Situation and Outlook for Primary Industries* (SOPI). I want to acknowledge and thank the more than 360,000 hardworking men and women across our food and fibre sector – farmers, growers, fishers, foresters, processors, and producers – whose dedication and effort continue to power New Zealand's economy. Your work is the backbone of our nation's prosperity.

This SOPI forecasts food and fibre export revenue to reach a record $59.9 billion in the year to 30 June 2025, rising to a further record $65.9 billion in the year to 30 June 2029. The outlook reflects not only the global demand for New Zealand's high-quality, safe, and sustainable products but the strength and resilience of the people who deliver them.

This Government is backing all farmers, growers, and producers to succeed. We're focused on restoring confidence in the sector, lifting on-farm productivity and profitability, and cutting the red tape that's been holding rural New Zealand back.

We've taken significant steps to get Wellington out of farming and free up agriculture and forestry so they can thrive. That includes removing agriculture from the Emissions Trading Scheme; banning full farm-to-forest conversions; introducing practical rules for winter grazing, stock exclusion, and freshwater farm plans; implementing smarter rules for forestry; and making common-sense changes to water storage, vegetable growing, and the Resource Management Act.

We're also backing the long-term capability, resilience, and wellbeing of rural New Zealand. Budget 2025 confirms nearly $5 billion in ongoing baseline funding over the next four years for the Ministry for Primary Industries to help farmers, growers, foresters, and fishers lift productivity, strengthen communities, and drive higher returns.

This includes a new $246 million Primary Sector Growth fund to co-invest in projects that boost on-farm productivity and resilience. We're investing $36 million over four years to support catchment groups and local environmental stewardship, and expanding rural wellbeing initiatives – with increased support for Rural Support Trusts.

Ensuring our food and fibre sector remains globally competitive is a key priority. That's why we've continued our commitment of $400 million over four years to accelerate the development and uptake of emissions-reducing tools and technologies – without shutting down farms or exporting jobs. The first of these tools is expected to be commercially available within a year, with broader uptake by 2030.

When our rural communities do well, the whole country benefits. That's why we're making sure our farmers and growers have the tools and support they need to succeed – not just today, but for the long-term prosperity of New Zealand.

We're supporting – not stifling – innovation and growth. We're improving the Freshwater Farm Plan system, rebalancing Te Mana o te Wai to reflect the importance of food production, and reforming rules so New Zealand farmers can lead the world in agricultural innovation.

Trade continues to support the growth of our food and fibre sector. This year alone, the sector is forecast to contribute $59.9 billion to the economy. We've expanded market access for a broader range of dairy processors – including sheep, goat, and deer milk exporters – and secured new agreements with the United Arab Emirates and the Gulf Cooperation Council, and launched negotiations with India. These agreements will remove tariffs, reduce non-tariff barriers, and create valuable new export opportunities – helping to drive stronger farmgate returns and more value-added exports.

Our commitment is clear: we're backing the sector to grow, compete, and succeed – at home and abroad. The Government will continue working alongside farmers, growers, and rural communities to deliver long-term economic growth, environmental sustainability, and regional prosperity for all New Zealanders.

Hon Todd McClay
Minister of Agriculture

Director-General's introduction

This *Situation and Outlook for Primary Industries* (SOPI) shows a food and fibre sector on the rise after some tough years.

Thanks to the sector's hard work, strong prices for key exports, and a focus on strong relationships with our trading partners, record revenue of $59.9 billion is forecast for the year to 30 June 2025.

It's an outstanding result that surpasses by $3 billion forecasts made in December and reflects the continuing strength and popularity of Kiwi products across the world. We expect sector export revenue to climb to an impressive $65.9 billion by 2029.

The highlights for this year's SOPI include:

- dairy export revenue lifting 16 percent to reach a record $27.0 billion;
- meat and wool export revenue increasing 8 percent to $12.3 billion;
- horticulture export revenue growing by a phenomenal 19 percent reaching $8.5 billion;
- forestry export revenue jumping 9 percent to $6.3 billion;
- seafood export revenue lifting 2 percent to $2.2 billion.

This SOPI tells the story of a food and fibre sector managing a complex trading environment to get its trusted products to consumers. Uncertainty emerges as a recurring theme in this report, reflecting the complex and evolving nature of the current macroeconomic landscape, especially regarding trade policies in major economies.

In general, macroeconomic conditions have improved for the sector, with solid growth in key markets such as the United States, China, and India. The inflation outlook improved, interest rates dropped, providing much-needed relief for farmers, and farm input costs moderated substantially during the year.

Tighter global production across dairy and meat, coupled with some favourable weather in New Zealand, has helped to improve export revenue.

In horticulture, record crops for some fruits are helping drive revenue – especially gold kiwifruit, and our apples and pears are proving very popular overseas.

At the Ministry for Primary Industries (MPI), we're working hard to support the Government's efforts to grow trade, to ensure pragmatic settings that let farmers and growers thrive, and to build partnerships focused on developing tools that can drive sector growth and sustainability.

In the past year, I've travelled to key markets overseas to maintain trade relationships and, importantly, hear what our overseas customers value – safe, nutritional, and sustainably produced food and fibre that adheres to high standards. The reputation of our food and fibre sector remains first class, and it's important we work hard to maintain that advantage.

Our work at MPI is guided by a new action plan that we released earlier this year. It focuses on doubling the value of exports by 2034, delivering solutions to reduce agricultural greenhouse gases, protecting New Zealand from harmful pests and diseases, and backing the food and fibre sector to win.

I'm proud of the work my team does to support the sector and their commitment to its success.

Ray Smith
Director-General
Ministry for Primary Industries

Food and fibre sector in the New Zealand economy

$59.9 billion in export revenue

Forecast, year to 30 June 2025.

82.5% of goods exports

The food and fibre sector accounted for 82.5 percent of New Zealand's goods exports[1] in the year to 31 March 2025. Over the last 10 years, food and fibre exports have grown on average by 4.8 percent per year, whereas other merchandise exports have grown by 1.8 percent.[2]

12.4% of employment

360,000 people were employed in New Zealand's food and fibre sector in the year to 31 March 2023,[3] representing 12.4 percent of the total workforce. Primary production employment is distributed across the country, but processing and commercialisation activities are concentrated in Auckland and other major population centres.

10% of GDP

The food and fibre sector accounted for 10.0 percent of New Zealand's gross domestic product (GDP) in the year to 31 March 2023.[4]

This figure presents only the direct contribution to GDP and includes both the production of primary products such as dairy cattle farming and the subsequent processing and commercialisation industries such as dairy product manufacturing.

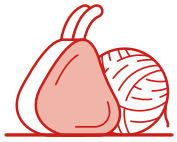
1. Goods exports excluding re-exports. Food and fibre exports were 51 percent of total exports, including goods and services, in the year to 31 December 2024.
2. Compound annual growth rate.
3. https://www.workforceinsights.govt.nz
   Most recently available data. Note that a change of methodology means this figure is not comparable to figures reported in SOPI prior to December 2022.
4. Most recently available data.

Sector summary

Food and fibre sector export revenue is performing well despite geopolitical turbulence, shifting trade policies, and elevated uncertainty. While some industries remain more vulnerable to external pressures, others are well-positioned to withstand volatility, ensuring overall sector stability. Food and fibre sector export revenue is expected to increase 12 percent to $59.9 billion for the year to 30 June 2025, supported by tight global beef and milk supplies, solid demand, and a weaker NZD against the USD. Looking ahead to the year to 30 June 2026, food and fibre sector export revenue is forecast to increase 2 percent to $61.4 billion, driven by strengthening export revenue in the dairy, meat and wool, horticulture, forestry, and processed food and other products sectors.

Dairy

Dairy export revenue is expected to increase 16 percent to a record $27.0 billion in the year to 30 June 2025 due to higher global dairy prices. This is driven by a strengthening of global demand and a weakening in global supply, specifically decreased milk production in China. New Zealand milk production is forecast to increase 2.2 percent, driven by better-than-expected weather conditions. The lift in export prices is expected to lead to a record high farmgate milk price of $10.00 per kilogram of milksolids (kgMS) for the current season. The higher farmgate price combined with moderating farm expenses, especially lower debt servicing expenses, is likely to enhance farm profitability.



Meat and wool

Meat and wool export revenue is expected to increase 8 percent to $12.3 billion in the year to 30 June 2025. A lift in key meat export prices is expected due to tighter global beef and lamb production. Higher export prices for most products are forecast to be partially offset by lower volumes of beef and lamb. Sheep and beef farm profit before tax is forecast to increase 89 percent in 2024/25 due to higher farm revenue more than offsetting higher farm expenditure. This lift in profitability follows a fall in 2022/23 and 2023/24.

Horticulture

Horticulture export revenue is forecast to increase by 19 percent in the year to 30 June 2025, reaching $8.5 billion. This growth is primarily driven by the kiwifruit industry, with exports expected to reach $3.9 billion, following a record 2024 crop and forecasts for an even larger crop in 2025. Wine exports are projected to fall 1 percent to $2.1 billion due to a higher share of bulk wine reducing average prices. Apple and pear exports are forecast to increase 18 percent to $1.1 billion, supported by increases in export volume and average price. Vegetable exports are forecast to grow 8 percent to $770 million, driven by increases in export volume and firm pricing for frozen and processed products.

Forestry

Forestry export revenue is expected to increase by 9 percent to $6.3 billion in 2024/25 led by stronger log prices and increased sawn timber export volumes as supply-side disruptions in processed wood products ease. The outlook is tempered by uncertainty surrounding log exports. China's weak property market continues to dampen log demand, while available harvest volumes are relatively high. Further uncertainty exists with shifting global supply chain patterns in response to trade tensions, which may result in exporters needing to look to different markets. Domestically, low construction sector demand, high energy costs, and a soft economy are weighing on the sector. However, lowering interest rates and increasing labour availability may stimulate activity at home over the forecast period.

Seafood

Seafood export revenue is forecast to rise 2 percent to $2.2 billion in the year to 30 June 2025. Aquaculture is forecast to grow 13 percent, while wild capture is forecast to fall 3 percent due to lower volumes. Most key species are holding strong prices, except rock lobster, which faces pressure from increased Australian supply into China. Over the long term, wild capture revenue is forecast to remain flat as lower volumes are offset by higher prices. Aquaculture is expected to drive growth, led by mussels and salmon. Despite trade uncertainties, sustained demand, sustainability, investment, and market diversity support sector resilience and long-term growth.

Arable

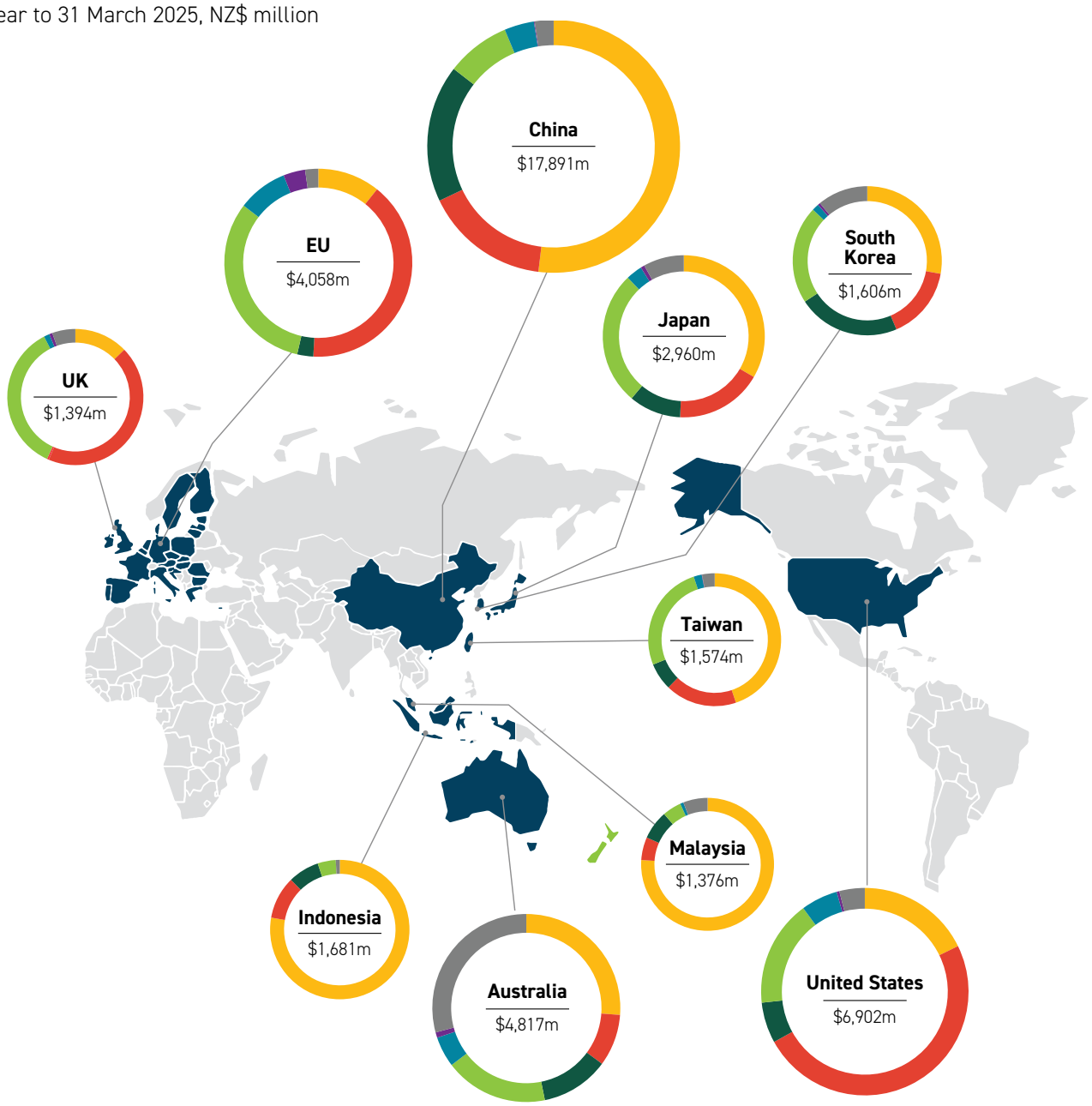
It has been a tough season with adverse weather, rising costs, and tight margins. Vegetable seed exports remain steady, but ryegrass seed declined due to global oversupply. Arable export revenue is forecast to drop 1 percent to $340 million in the year to 30 June 2025, due to weak ryegrass seed demand and a poor clover season. This follows an 2 percent increase in the first nine months of the same period, driven by strong vegetable seed prices and higher clover seed exports. Next season's exports are forecast to remain flat amid market uncertainty. However, the medium to long-term outlook remains cautiously optimistic. A rebound is expected by 2027, with stronger clover and ryegrass seed exports driving annual growth of at least 3 percent, reaching $370 million by 2029. Domestically, maize prices increased, while wheat, barley, and oats remained stable.

Processed food and other products

Export revenue for the processed food and other products sector is expected to decrease 1 percent to remain stable at $3.4 billion in the year to 30 June 2025. The expected decrease is being driven by lower export volumes, despite a higher average export price on aggregate compared with 2023/24. Notable increases in export revenue are expected for both cereal products and soup and condiments in 2024/25, as well as smaller increases for innovative processed foods and sugar and confectionery products. These increases are forecast to mostly offset a steep decline in export volumes of other products to the US and live poultry to Southeast Asia. Live poultry export revenue was affected by the temporary cessation of poultry exports following the detection of the H7N6 strain of high pathogenicity avian influenza on one Otago egg farm in late 2024.

Top 10 export destinations

Year to 31 March 2025, NZ$ million



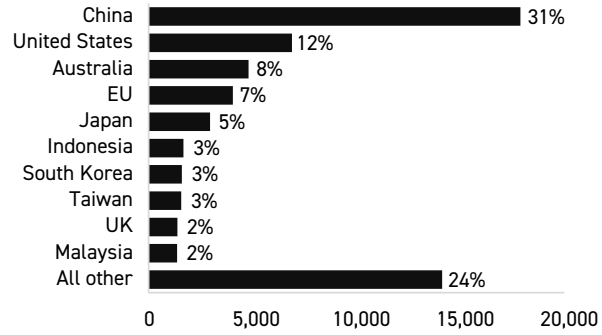
Product	Export revenue (NZ$ million)	% of total
Dairy	26,240	45%
Meat and wool	12,024	21%
Horticulture	8,187	14%
Forestry	6,006	10%
Seafood	2,204	4%
Arable	349	1%
Processed food and other products	3,373	6%
Total	**58,382**	**100%**

Totals may not add up due to rounding.
Source: Stats NZ.

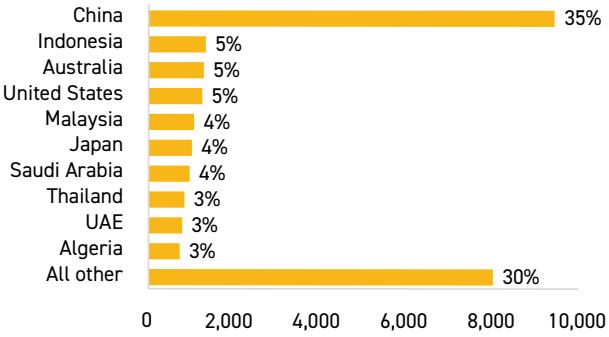
Top export markets

Year to 31 March 2025, NZ$ million and percent

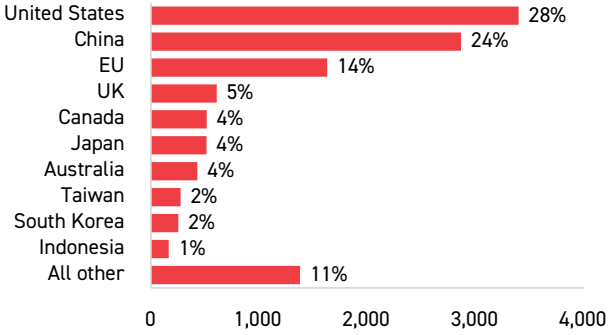
All primary industry exports



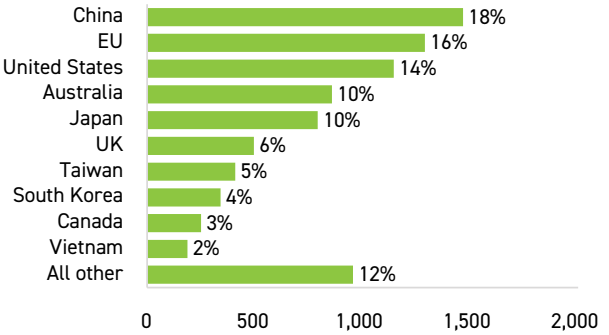
Dairy



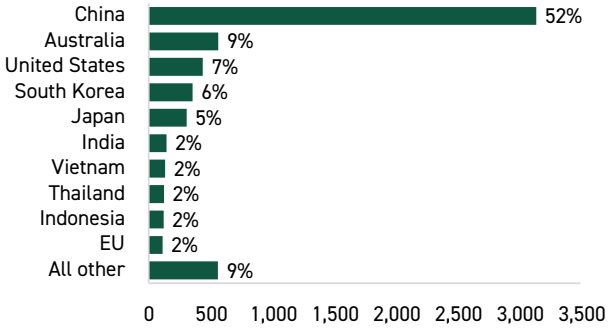
Meat and wool



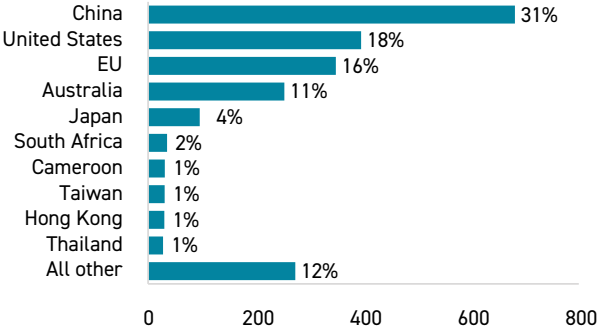
Horticulture



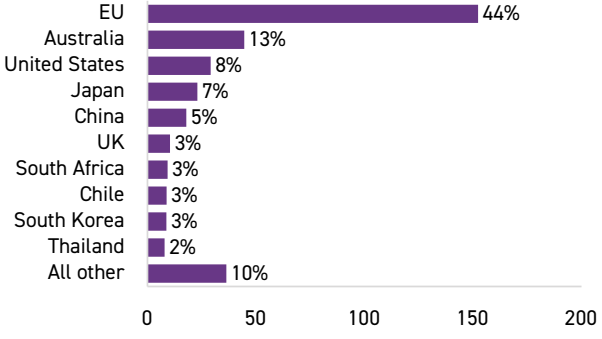
Forestry



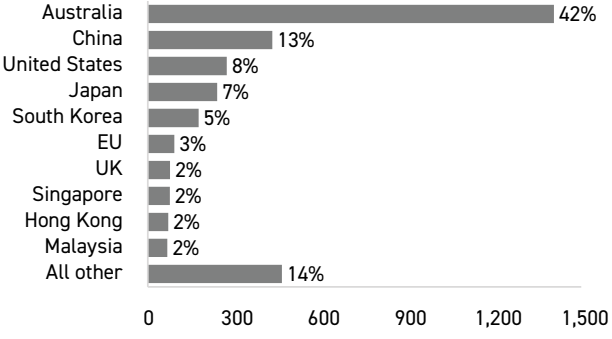
Seafood



Arable



Processed food and other products



Source: Stats NZ.

Overview

Overview

Table 1: Food and fibre sector export revenue 2021–29
Year to 30 June, NZ$ million

	Actual				Forecast				
Sector	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Dairy	19,055	21,998	26,008	23,231	27,010	27,800	28,270	29,230	30,130
Meat and wool	10,376	12,323	12,151	11,367	12,310	12,680	12,870	12,890	12,930
Horticulture	6,579	6,825	7,088	7,082	8,450	8,630	9,110	9,450	9,810
Forestry	6,499	6,578	6,353	5,748	6,250	6,350	6,450	6,530	6,600
Seafood	1,789	1,919	2,097	2,141	2,180	2,180	2,200	2,280	2,360
Arable	261	252	272	345	340	340	350	360	370
Processed food and other products*	3,087	3,228	3,493	3,416	3,380	3,460	3,480	3,570	3,670
Total export revenue	47,645	53,123	57,462	53,330	59,920	61,440	62,730	64,320	65,860
Year-on-year % change	0%	11%	8%	–7%	12%	2%	2%	3%	2%

* Includes live animals, honey, and processed food.
Values for meat and wool have been updated due to additional products being added to the category by MPI.
Totals may not add up due to rounding.
Percentages in the table are rounded to the nearest whole percent.
Source: Stats NZ and MPI.

Food and fibre exports expected to rebound to almost $60 billion

New Zealand's food and fibre sector has demonstrated resilience and strong export performance over the past year, playing a key role in New Zealand's economic recovery. Food and fibre sector exports are forecast to rebound from last year's dip to grow 12 percent to $59.9 billion in the year to 30 June 2025, with further growth expected in 2026.

Growth in food and fibre exports is likely amidst trade tensions

We expect our sectors will continue to grow and thrive, despite ongoing global trade uncertainty and broader macroeconomic challenges. While this uncertainty may soften global demand and affect New Zealand's export performance, the food and fibre sector is generally more resilient than others, given its lower sensitivity to price fluctuations where commodities make up the bulk of our export revenue. Additionally, an expected weakening in the NZD/USD exchange rate may also help offset some of the effects of global volatility on economic activity.

Sectors with greater exposure to the US market may experience increased vulnerability due to emerging trade policies, but with exports to the US comprising only 12 percent of New Zealand's total food and fibre sector exports, the overall risk remains limited. In addition, some of our products are in high demand in the US (for example, $1.7 billion of beef and veal exports), which could shield our sector from direct tariff impacts.

Strong export prices and increased production lifted export revenues

The dairy and red meat sectors have benefited from higher export prices, thanks to strong global demand and tighter supply. Generally favourable weather conditions, easing cost pressures, and a strong farmgate milk price have boosted milk production. The lift in dairy prices and milk output is likely to drive dairy export revenue to increase 16 percent in 2024/25. This season's high dairy prices are likely to result in a record high farmgate milk price of $10.00 per kgMS. Meat and wool export revenue forecasts have been revised upwards to $12.3 billion in 2024/25 as a weakening NZD boosted export prices. Trading around USD 0.61 at the start of

the 2024/25 financial year, the NZD has fallen to around USD 0.59 in May this year.

Horticulture gained from favourable growing conditions for kiwifruit, avocado, cherries, and apples and pears. Higher export volumes are set to push kiwifruit export revenue to a record-high $3.9 billion in 2024/25. Rising volumes and increasing prices for frozen and processed vegetable products are likely to lift vegetable export revenue to $770 million.

Easing supply-side disruptions with the reopening of processing affected by Cyclone Gabrielle, combined with increased sawn timber export volumes and firmer log prices, are expected to drive the forestry sector's export recovery in 2024/25. However, low global manufacturing and construction activity is forecast to moderate export revenue over the outlook period. China's weak property market and reduced activity are also likely to affect demand for New Zealand's forestry products.

The seafood sector continues to grow steadily, with export revenue forecast to increase 2 percent to $2.2 billion in the year to 30 June 2025, supported by sustained demand and high export prices. Aquaculture is expected to grow strongly due to increased production of high-value products such as mussels and salmon, helping to offset lower export volumes in wild capture fisheries.

Fluctuations in weather conditions have affected the arable sector's performance. Export revenue is expected to decline this year but is forecast to improve in two years.

Processed food and other products export revenue is forecast to slightly decline largely due to a decline in other products and live poultry exports. The beverages and innovative processed food industries will be key to the sector's recovery next year.

Export outlook is positive despite economic headwinds

New Zealand's food and fibre sector exports are expected to recover well in 2024/25, largely unaffected by the increasing uncertainty in global trading conditions that have unfolded in the latter part of the year. With downside risks clouding the global economic outlook, New Zealand's overall economic growth is expected to remain subdued. Even so, New Zealand food and fibre exports are well placed to achieve further growth in the face of uncertainty as demand for food remains a constant. Market diversification and strengthening of trade relationships will also play a key role in growing New Zealand's trade outcomes.

Geopolitical dynamics will continue to influence trade flows exposing key markets to elevated downside risks that may reduce demand for New Zealand food and fibre products in 2025/26. Business sentiment has generally improved, but firms are cautious and holding off investment activities until they are more confident about a more stable trading landscape.

New Zealand's food and fibre sector is in a relatively good position to absorb the direct impact of US tariffs, with some industries more exposed to the US market than others. New Zealand exporters may negotiate with US importers or distributors or turn to alternative markets to manage the shifts in US trade policy.

Dairy, red meat, and kiwifruit are forecast to drive the expansion of food and fibre sector export growth, with robust demand and constrained supply likely to continue supporting higher prices and volumes. Prices are forecast to be robust across most horticultural products. Seafood prices are projected to remain steady, with an expected rise in the medium term, while the arable sector sees modest gains ahead. Improved market access and innovation will also play an important role in navigating through current trade disruptions and challenges.

Figure 1: Multiple new tariffs have taken effect this year and are driving uncertainty

Situation as at 30 May 2025

Source: MPI.

Global growth and labour market remained steady in 2024

Global economic growth remained steady in the year to 31 December 2024, expanding at an annual 3.3 percent through the second half of the year and maintaining a similar pace to the previous year. Global output was driven by strong growth in several of New Zealand's key export markets, including the US (2.8 percent) and other major economies such as China (5 percent) and India (6.5 percent). Strong real income growth and lower interest rates provided additional support to global economic activity, although some regions, including the euro area and Japan, faced challenges due to reduced government spending, weak consumer confidence, and external demand fluctuations.

Global labour market conditions remain generally favourable, with solid employment growth, although it slowed in the second half of 2024. Real wages have exceeded pre-pandemic levels in countries such as the US, Brazil, Spain, and the UK.

Rising real wages increase disposable income, driving demand for premium and sustainably produced goods and creating growth opportunities for New Zealand's high-quality food and fibre.

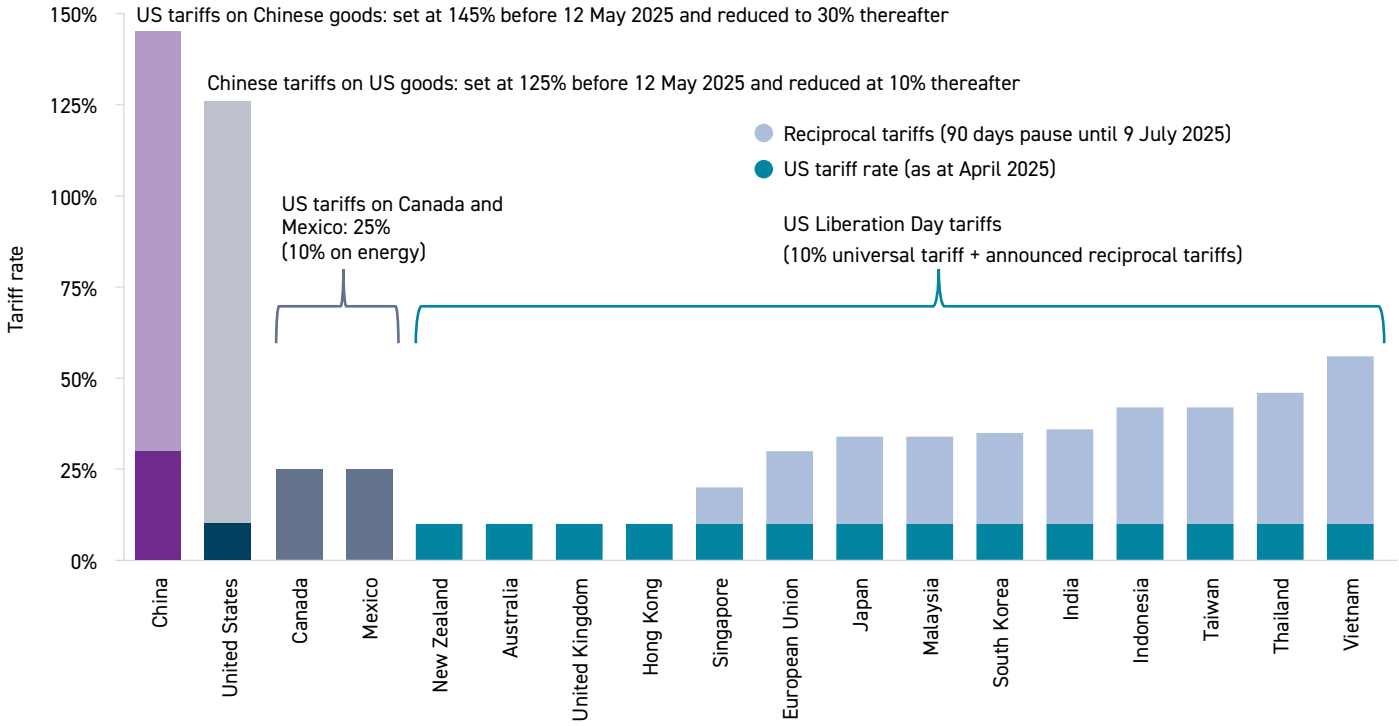
Despite strong growth in real income across many economies, business and consumer confidence in some G20 countries, including the euro area and UK, declined in 2024,[5] continued falling in early 2025, and remains below long-term average levels. This weaker business and consumer sentiment may pose a downside risk to global investment and consumption growth.

Tariffs are a likely handbrake on global trade and economic growth outlook

The recent increase in trade restrictions has contributed to financial market volatility, led to substantial market capitalisation losses, eroded investor confidence, and prompted businesses to reconsider investment and expansion plans. If these trade policy measures persist, they may lead to

Figure 2: A new tariff landscape

As at mid-May 2025, US tariffs on selected countries (including New Zealand's main trading partners)



Imports that comply with the US-Mexico-Canada Agreement (USMCA) are exempt from Canada and Mexico's 25 percent tariff.

Tariffs are applied in addition to any existing duties under free trade agreements (FTAs) or most-favoured nation (MFN) tariffs. MFN is a key principle of the World Trade Organization (WTO). It ensures equal treatment in trade by granting countries the same benefits such as reduced tariffs or higher quotas offered to the most-privileged trading partner. Countries such as New Zealand, without FTAs with the US, pay the MFN tariff.

Source: MPI.

5 The Group of Twenty (G20) consists of 19 countries and the EU. These countries are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Republic of Korea, Russia, Saudi Arabia, South Africa, Turkey, the UK, and the US.

adjustments in supply chains and cost structures that could, in turn, influence pricing and consumer spending patterns. However, in the long term, these developments could lead to increased diversification and strengthened regional trade partnerships, which could support economic resilience.

Trade policy uncertainty has risen sharply in recent months, driven by the introduction of new trade barriers by various countries

Since January 2025, the US has announced a series of tariffs for major trading partners, including China, United States, Canada, Mexico, and the EU (Figure 1). The most significant move occurred on 2 April 2025, when the US introduced a universal tariff of 10 percent on all imports, with plans for higher reciprocal tariffs targeting specific countries (Figure 2).

A 90-day suspension of these tariffs was announced on 9 April, excluding imports from China, which were subject to an additional 125 percent tariff increase.[6] The US cited trade imbalances and China's retaliatory actions to justify this adjustment, bringing the total US additional tariffs on Chinese imports to 145 percent, in addition to existing US base tariffs.[7] In response, China imposed a 125 percent tariff on US goods (Figure 2).

On 12 May 2025, China and the US agreed to pause most reciprocal tariffs. Under the agreement, US tariffs on Chinese imports will be reduced from 145 percent to 30 percent, while China's tariffs on US goods will drop from 125 percent to 10 percent.

While these diplomatic efforts mark a significant step towards de-escalating trade tensions between the world's two largest economies, uncertainty continues to present challenges for global markets and economic stability, especially regarding trade policy (Figure 3).

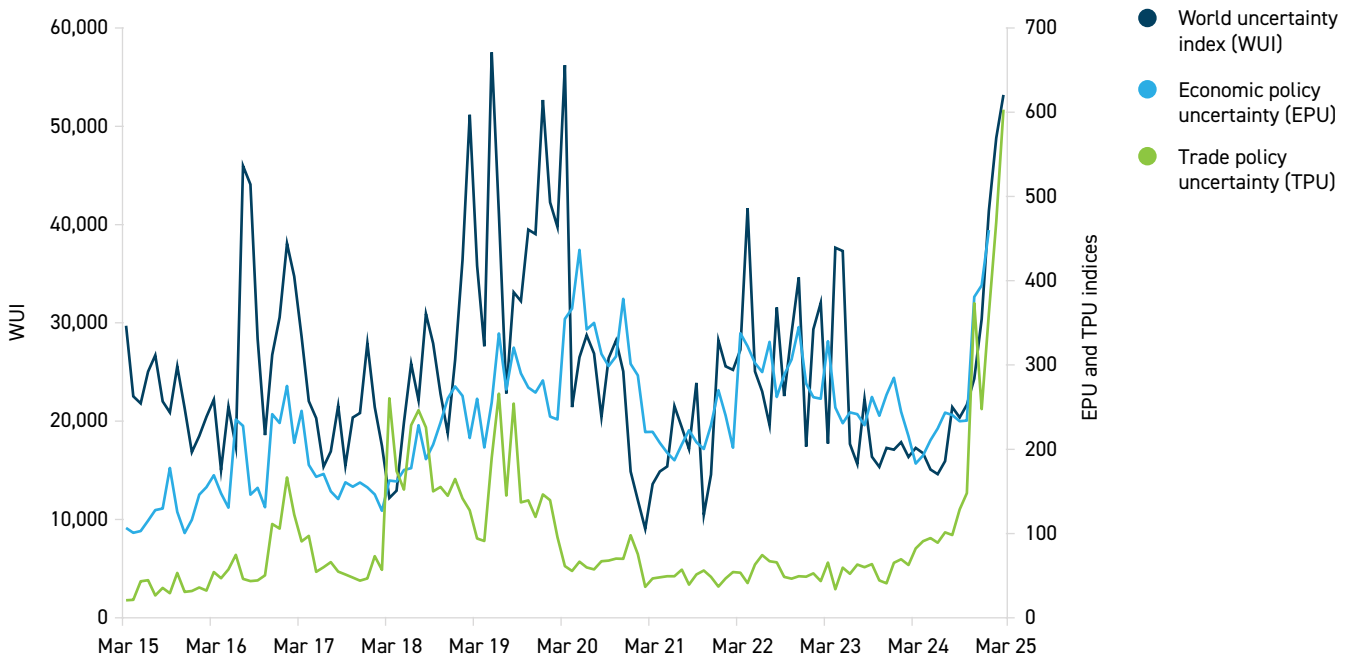
Global trade is facing headwinds

After strong growth in 2024, global trade is facing headwinds due to tariffs and uncertainty in trade policies. The WTO forecasts a 0.2 percent decline in global merchandise trade volumes in 2025, nearly three percentage points below what they would have been without recent policy changes. While this projected contraction is less severe than the 5.2 percent drop in global merchandise trade volume seen during the peak of the COVID-19 pandemic in 2020,[8] it could still lead to reduced demand for New Zealand's export products, impacting export earnings. However, New Zealand's food and fibre sector is likely to be relatively resilient, supported by the versatility of its products and diversified export markets, which could help offset the impact of the tariffs. Additionally, strong FTAs and well-established trading relationshipsUnited Stateseinforce New Zealand's ability to navigate global trade challenges.

A modest recovery of 2.5 percent is expected in 2026. This represents a shift from earlier forecasts, where WTO economists projected ongoing global trade growth, driven by improving macroeconomic conditions.

Figure 3: Uncertainty indices have surged in recent months

Monthly indices, last observation is March 2025 for WUI and TPU and January 2025 for EPU



Source: IMF, World Economic Outlook, April 2025.

6 The 90-day suspension on the recently announced US tariffs is set to expire on 9 July 2025.
7 Under section 301 of the US Trade Act 1974, US base tariffs on Chinese imports range from 25 percent to as high as 100 percent, depending on product category.
8 WTO, World Trade Statistical Review 2021.

Tariffs and policy uncertainty are affecting the broader economic outlook

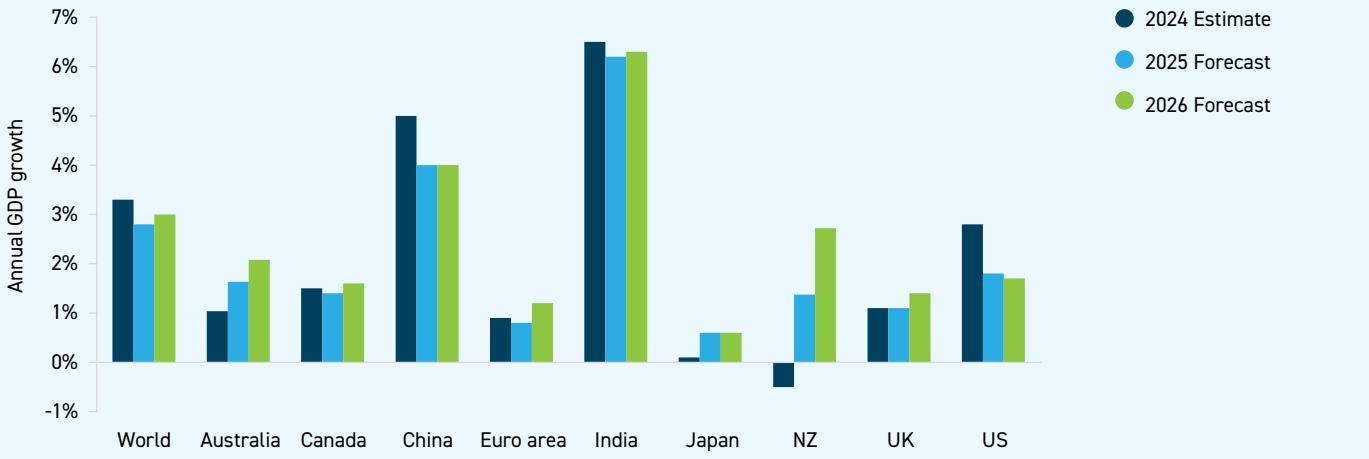
In its April 2025 World Economic Outlook, the IMF lowered its global GDP growth forecast to 2.8 percent for 2025 (Figure 4), down from the previous estimate of 3.3 percent. The IMF attributed its downgrade to the escalating US tariffs, which have disrupted global trade and increased policy uncertainty. It also cited tighter financial conditions and lingering effects of the pandemic on both investment and household spending as contributing factors. The IMF has also downgraded growth expectations for key economies, with projections of 1.8 percent for the US, 4 percent for China, and 1.1 percent for the euro area.

In contrast, the Organisation for Economic Co-operation and Development (OECD) maintains a more optimistic outlook in its March 2025 Economic Outlook, forecasting global GDP growth of 3.3 percent for 2025, unchanged from 2024. This projection assumes easing trade tensions and a gradual recovery in investment and consumption. The OECD expects emerging markets, especially in Asia, to drive global growth through resilient domestic demand and improving trade conditions, while advanced economies are expected to grow more slowly.

The swift escalation of trade tensions has increased policy uncertainty, making it more difficult than usual to achieve a consensus in economic projections.

Figure 4: Global growth is expected to slow in 2025 and 2026

Year to 31 December, annual real GDP growth 2024–26, selected countries



India projections are based on fiscal years starting in April.
Source: IMF, World Economic Outlook, April 2025.

Tariffs 101: The basics

What are tariffs?

Tariffs are taxes imposed by a government on goods and services imported from other countries. They are usually calculated as a percentage of the value of the product and represent an extra cost added to foreign products when they enter the country.

Importing businesses pay tariffs to their own government agencies such as those who oversee trade and customs enforcement.

However, the cost of tariffs is often passed down the supply chain. Importers may raise prices to cover the tariff costs, which means businesses and consumers ultimately bear the financial burden through higher prices on imported goods (Figure 5).

Why do governments impose tariffs?

Governments use tariffs for several reasons:

To raise government revenue – tariffs provide a source of income for governments.

To support domestic industries and reduce trade imbalances – tariffs help protect local businesses from international competition and reduce the demand for imported goods.

As a bargaining tool in trade negotiations – governments use tariffs as leverage to influence trade discussions or to apply pressure in diplomatic matters.

For example, the US administration has justified imposing tariffs on Canada, Mexico, and China to pressure foreign governments into addressing illegal immigration and drug trafficking, while also addressing the size of the country's trade deficit.

What are the impacts of US tariffs on its economy?

Tariffs can provide benefits to US industries by reducing foreign competition. With imported goods becoming relatively more expensive, demand for domestic products may rise, enabling local industries to grow and boost production.

However, US industries that depend on global supply chains for imported materials and components may encounter increased production costs due to higher prices for these imports. If these elevated costs are passed on to consumers, the prices of locally produced goods could also rise.

Additionally, the US is likely to face retaliatory tariffs from trading partners, as observed very recently, further complicating the economic landscape.

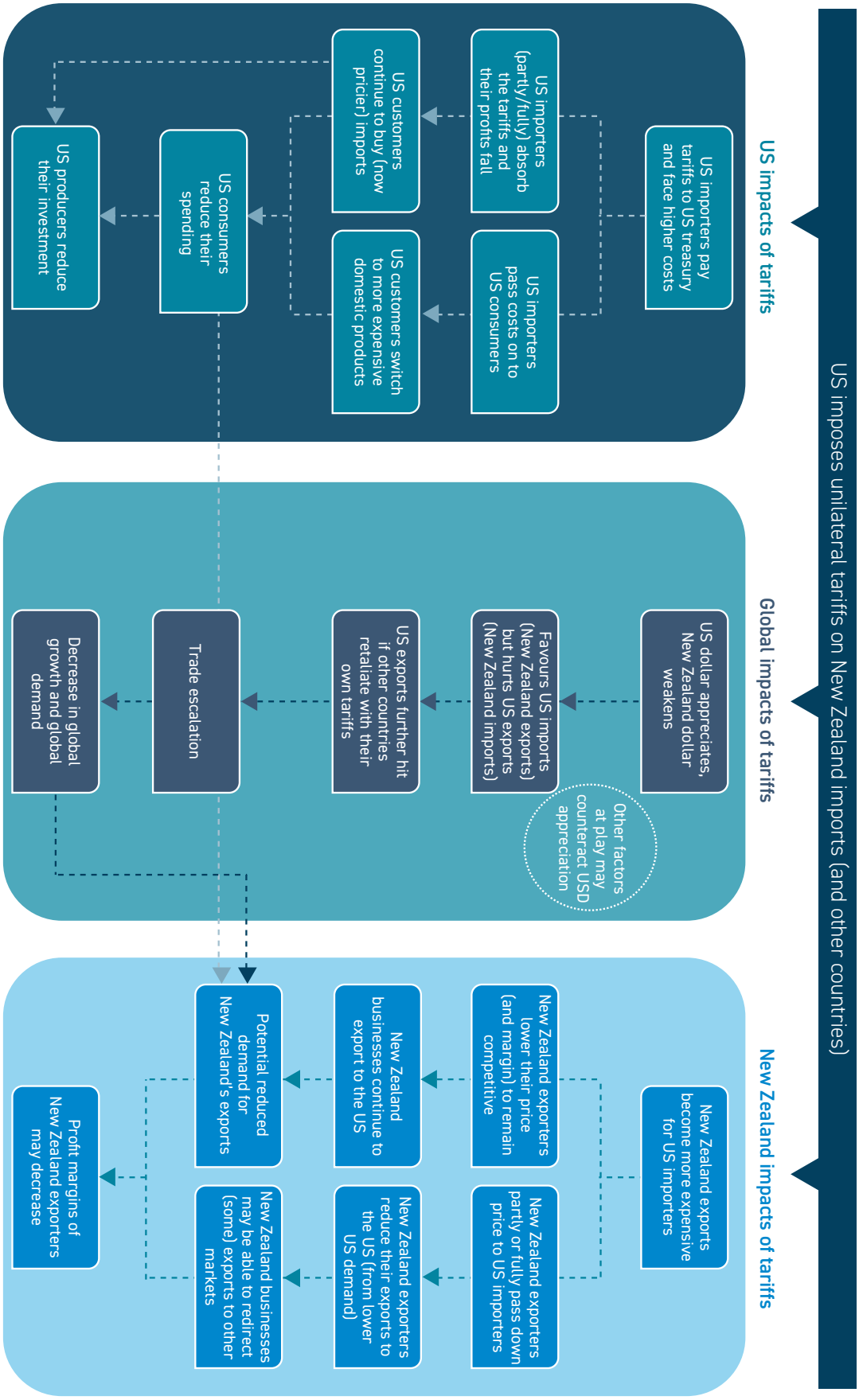
What are the impacts on the economies facing US tariffs?

The impact of tariffs on the economies they are imposed on may be substantial. Targeted industries in the affected countries experience reduced export demand, as their goods become comparatively more expensive in the importing nations. This leads to decreased sales and a loss of market share, with consumers favouring cheaper domestic alternatives (Figure 5). The extent of this decline depends on the price elasticity of demand – how much buyers alter their import purchases in response to higher prices. This effect may be less pronounced if domestic alternatives are scarce or brand loyalty is strong.

The overall impact also hinges on how reliant the economy is on exports, particularly to the country enforcing the tariff. For instance, exports account for 33 percent of Canada's GDP, with 20 percent specifically tied to trade with the US.

Industries in tariff-affected nations often adjust their strategies by seeking alternative markets with more favourable trade conditions. However, entering new markets is challenging, as it involves overcoming regulatory hurdles, logistical complexities, and distribution costs. Establishing new supply chains requires significant time and investment, and pre-existing competition in these markets can further complicate efforts.

Figure 5: US tariffs are likely to trigger a wide range of direct and flow-on effects



Source: MPI.

US trade policy could impact New Zealand's economic performance and exports

In 2024, the US overtook Australia to become New Zealand's second-largest export destination. Total exports to the US reached $9.0 billion. For the year to 30 June 2024, New Zealand's food and fibre sector exports to the US reached $6.5 billion, accounting for 12 percent of the sector's total exports, with key contributions from dairy, red meat, and wine (Figure 6). US importers paid an estimated $86 million in duties on those exports.

The recently imposed 10 percent tariff on New Zealand exports is expected to add an estimated $618 million in additional duties on New Zealand's food and fibre sector exports to the US, excluding forestry products.

The direct impact of tariffs on New Zealand is expected to be relatively limited, as they affect only a small portion of the country's global trade, primarily in the meat, dairy, and wine sectors. The export sector will still be able to trade with the US, and given that tariffs are generally comparable to or lower than those imposed on other countries, New Zealand is likely to remain competitive. New Zealand's food and fibre sector may redirect some exports to alternative markets, negotiate prices with US buyers, or even benefit from niche advantages due to higher tariffs affecting other countries.

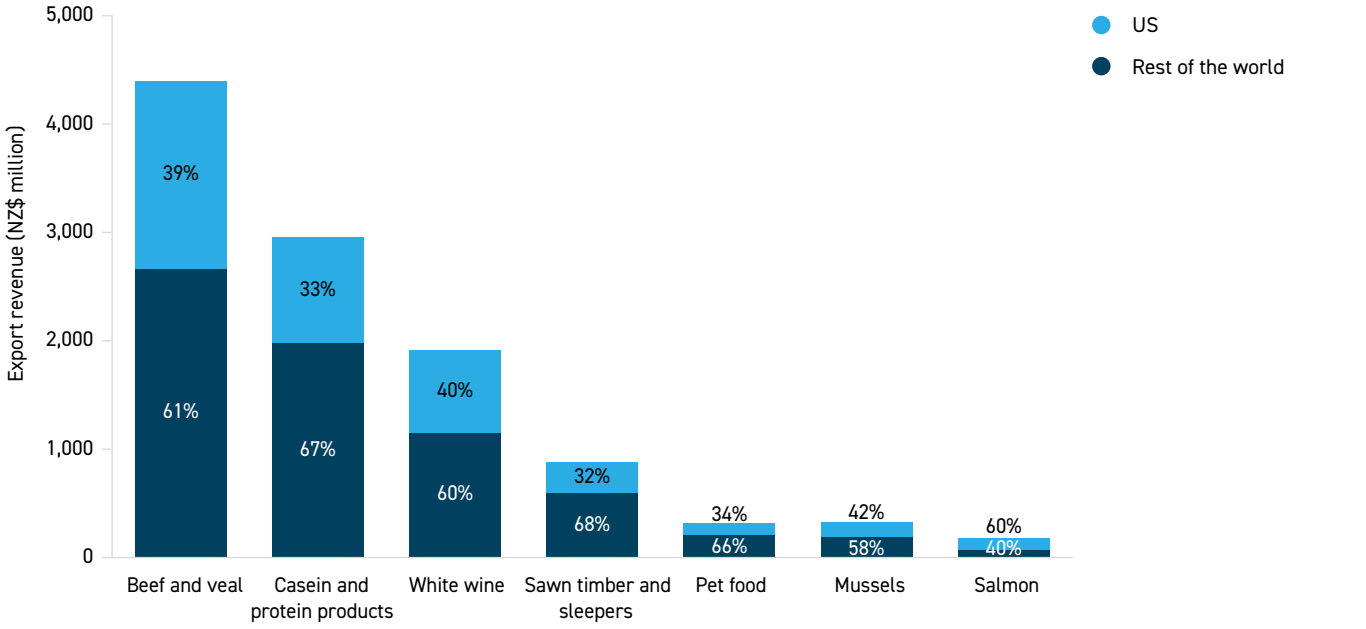
However, certain companies within the export sector may feel the impact of the tariffs more acutely.

For example, under the USMCA, Canada and Mexico are exempt from the 10 percent tariff on certain products, including dairy. As a result, dairy products from Canada enter the US tariff-free, placing New Zealand dairy exporters at a competitive disadvantage, as they are subject to MFN tariffs along with an additional 10 percent.

On the other hand, US tariff policy could lead to lower growth in the US and its trade partners, leading to reduced demand for New Zealand's exports. While the exact impact is unclear, many Asian economies, which account for 70 percent of New Zealand's international trade, could face tariffs as high as 46 percent (Figure 2) if the proposed reciprocal tariffs take effect after the 90-day pause ends on 9 July.[9] This may result in slower growth in the region, reducing demand and dampening New Zealand's export performance.

Figure 6: New Zealand's products most exposed to the US market

Year to 30 June 2024, export revenue, NZ$ million



Source: Stats NZ and MPI.

9 Following the 9 April announcement of a 90-day suspension of reciprocal tariffs for 56 countries, a 10 percent tariff is currently applied to imports from nearly all countries until 9 July. Exceptions include China, which was subject to a 145 percent tariff until 12 May 2025, and Canada and Mexico, which are exempt under the USMCA. However, a 25 percent tariff applies to goods outside the agreement, and sector-specific tariffs may still be in effect.

Global inflation outlook has improved but has yet to fully return to pre-pandemic levels

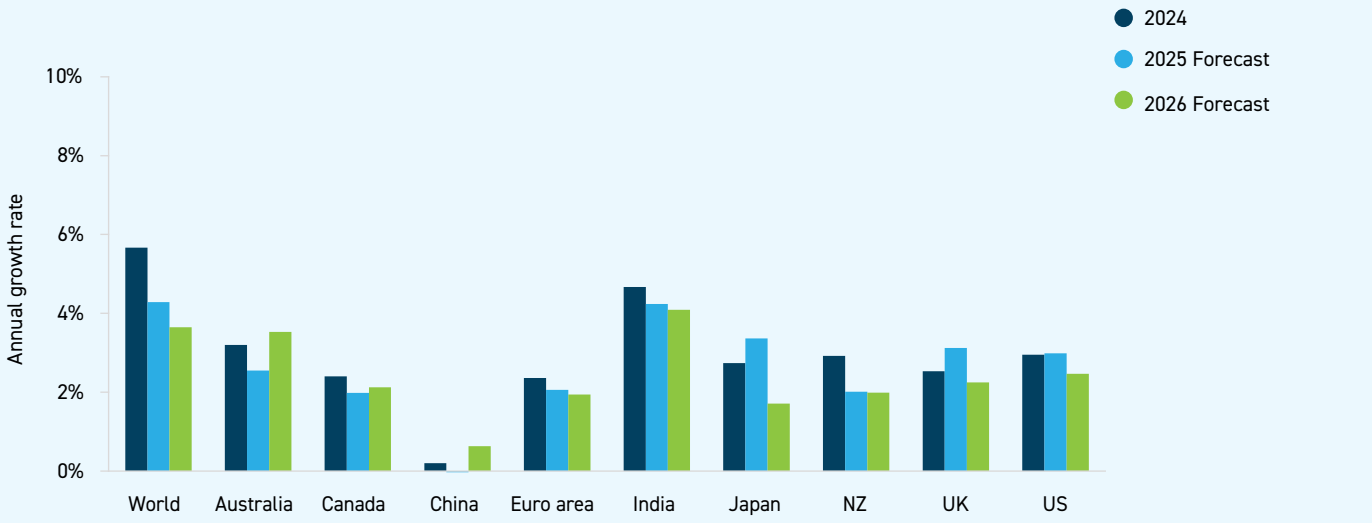
The latest economic outlook from the IMF suggests that global inflation is expected to continue easing, although challenges remain. The IMF revised upward its inflation projections compared with the January 2025 World Economic Outlook, with annual inflation expected to decline to 4.3 percent in 2025 and to 3.6 percent in 2026 (Figure 7). Inflation is projected to converge back to central bank targets earlier in advanced economies, reaching 2.2 percent in 2026, compared with emerging market and developing economies, for which it declines to 4.6 percent over the same time horizon.

Inflation has moderated in most countries, driven by falling food, energy, and goods prices, but services inflation remains persistent. While headline inflation[10] is expected to moderate over the next two years, core inflation[11] is likely to remain above central bank targets in several countries, including the US and parts of the EU, through 2026.

Persistent global core inflation may affect export prices, especially for non-essential goods, as consumers focus on affordability over brand or quality. This could dampen demand for premium and high-quality exports such as New Zealand's products. As a result, New Zealand exporters may need to diversify markets and adapt their strategies to mitigate risks associated with inflation-driven uncertainties in traditional markets.

Figure 7: Inflation likely to remain above central bank targets through 2026

Year to 31 December, annual average consumer prices growth 2024–26, selected countries



India projections are based on fiscal years starting in April.
Source: IMF, World Economic Outlook, April 2025.

10 Headline inflation captures the total rate of inflation in an economy, measured by the overall change in the consumers price index (CPI). It includes volatile components such as food and energy prices (for example, gasoline and electricity).

11 Core inflation measures the underlying trend in price increases across the economy by excluding food and energy, whose prices are often volatile and subject to short-term fluctuations. This makes core inflation generally more persistent ('stickier') than headline inflation.

Global energy and food prices are expected to drop sharply in 2025

The World Bank's April 2025 Commodity Markets Outlook projects a decline in global commodity prices, especially for energy and food commodity prices, due to slowing economic growth and ample oil supply. Commodity prices are expected to fall by 12 percent in 2025 and another 5 percent in 2026, marking the end of a post-pandemic boom. In contrast, fertiliser prices are expected to rise due to higher demand.

While the decline in global energy and food commodity prices may provide short-term relief from inflationary pressures caused by rising trade barriers, it could also weaken economic growth prospects, especially in developing economies. Global commodity price volatility is at its highest in over 50 years, posing challenges for countries reliant on exports.

Lower global energy prices are likely to reduce imported input costs for New Zealand's food and fibre sector, leading to lower production and transportation expenses. However, rising global fertiliser prices in the short term may continue to drive up production costs for New Zealand farmers and producers, potentially offsetting some of the advantages of cheaper imported energy. Decreasing global food prices in the short-term outlook may also lead to lower returns and margins for some New Zealand exporters, especially those exporting bulk, undifferentiated products.

Global energy prices will continue their downward trend in 2025 and 2026

Global energy prices are expected to decrease by 17 percent this year to their lowest level in five years, before dropping an additional 6 percent in 2026. This outlook reflects expectations for weaker global economic growth as well as a long-term slowdown in global oil demand and the increasing adoption of electric vehicles.

The Brent crude oil price dropped by 14 percent from 2 April to US$66 per barrel (/bbl) on 7 April, driven by a sharp decline in demand expectations as trade tensions escalated. This was further intensified when OPEC+[12] unexpectedly announced a larger-than-anticipated increase in oil production, adding to market uncertainty. Since then, the Brent crude oil price has fluctuated around US$60/bbl.

Looking ahead, the price is expected to average US$64/bbl in 2025, down US$17/bbl (or 21 percent) from 2024, before falling further to US$60/bbl in 2026. The decline reflects weaker global oil demand, exacerbated by increasing renewable energy supply and the rapid rise of electric vehicles, especially in China, where over 40 percent of new cars sold in 2024 were electric or hybrid. Meanwhile, coal prices are projected to drop 27 percent in 2025 and 5 percent in 2026 as demand slows for coal in power generation in developing countries.

Global food prices decreased early this year due to escalating trade tensions

Global food commodity prices decreased in March and early April, driven by concerns over escalating trade tensions and their impact on global demand (Figure 8).

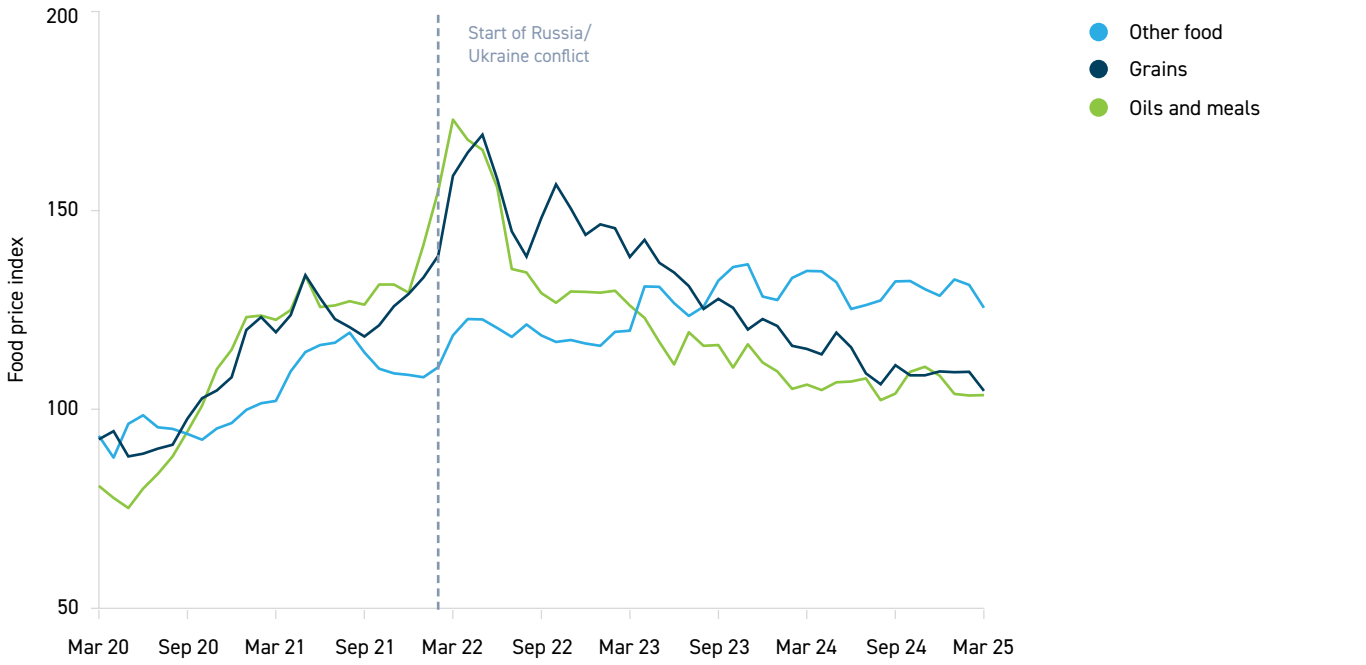
The World Bank's food price index fell by about 2 percent in the March 2025 quarter, marking a 4 percent decrease compared with the previous year. Over the March 2025 quarter, oils and meals prices saw the sharpest decline at 5 percent, while grain prices dipped by 1 percent. Other food categories edged down slightly.

Looking ahead, global food markets face challenges from trade tensions, currency movements, and supply chain disruptions, which could influence price stability in the coming months. Global food prices are expected to decline further, with the World Bank projecting a 7 percent decrease in 2025, led by an 11 percent decline in grain prices and moderate declines in oils and meals (7 percent) and other food commodities (5 percent). By 2026, prices across all food categories are likely to stabilise.

12 OPEC+ is a coalition of oil-producing countries comprising the Organization of the Petroleum Exporting Countries (OPEC) and key non-OPEC nations such as Russia, Kazakhstan, and Brazil. Together, they coordinate oil production policies to regulate global supply, stabilise markets, and influence crude oil prices.

Figure 8: Food commodity prices are expected to decline further

Monthly data, last observation is March 2025



Source: World Bank Commodity Outlook, April 2025.

Global fertiliser prices are projected to increase in 2025 and stabilise in 2026

Following a period of relative stability throughout 2024, the World Bank's fertiliser price index saw a 6 percent increase in the March 2025 quarter, rising 11 percent compared with the same period last year (Figure 9). The increase was mostly attributed to higher demand for urea following production shortages and export limitations.

The fertiliser price index is expected to increase 7 percent in 2025 as demand strengthens, before stabilising in 2026. Prices are expected to remain above 2015–19 levels, driven by strong demand, higher input costs (especially natural gas), and continued export restrictions, particularly by China. Higher global fertiliser prices are expected to increase costs for New Zealand farmers, especially for urea, which accounted for 29 percent of total fertiliser imports in the year to 31 December 2024.

With tight market conditions anticipated throughout the year, urea prices are projected to rise by 15 percent in 2025, before easing by 4 percent in 2026 as new production capacity expands in East Asia and the Middle East. Additionally, European output may see a moderate rebound, following disruptions triggered by the 2022 surge in natural gas prices and reduced gas supplies from Russia.

Muriate of potash (MOP) prices rose 12 percent in the March 2025 quarter, 8 percent year on year, driven by strengthening demand. Following a sharp decline in 2022, MOP demand has steadily recovered and is now approaching pre-2022 levels. Prices are expected to rise by 5 percent in 2025 due to growing demand and uncertainty regarding the impact of US tariffs, before stabilising in 2026.

Diammonium phosphate (DAP) prices increased by 5 percent in the March 2025 quarter, nearing levels observed a year earlier. The increase was driven by China's phosphate export restrictions and sanctions on Russia, which have disrupted global trade flows. Looking ahead, DAP prices are expected to climb by 6 percent in 2025, before easing by 8 percent in 2026 as new production capacity comes online, improving supply conditions.

Global financial and bond markets remain volatile as central banks cautiously adjust rates amid trade tensions

Global financial and bond markets have been volatile since the tariff announcements

Since early April 2025, global financial and bond markets have experienced significant fluctuations, driven by trade tensions and uncertainty. This volatility could impact New Zealand exports through fluctuations in exchange rates, interest rates, and global demand.

Investors have increasingly turned to euro area assets, particularly German Bunds, as safe-haven investments to mitigate market risks. The US-China deal, announced on 12 May, provided a 90-day tariff relief, boosting market confidence and driving equity gains. However, concerns remain about the long-term stability of the deal, as US officials have warned that tariffs could rise again if negotiations stall. As a result, persistent uncertainty surrounding future trade policies is expected to sustain volatility and capital flows into European assets.

Since January 2025, the US Treasury bond interest rates (yields) have been volatile, with a notable drop following the 2 April tariff announcement as investors sought safe assets due to concerns over escalating trade tensions.

The US Treasury yields rebounded sharply on 11 April and, after a period of volatility in the latter half of April, they have been on an upward trend since early May, driven by inflation fears and growing uncertainty over US economic growth. Higher yields mean the US Government will owe more interest on any debt it rolls over or issues for new spending, raising concerns about the federal deficit and future monetary policy adjustments. These concerns heightened when Moody's downgraded the US credit rating from AAA (negative) to AA1 (stable) on 16 May, citing rising debt and high interest costs. The agency also warned that tariff hikes could worsen inflation, slow growth, and weaken credit conditions. Higher US bond yields generally strengthen the US dollar against other currencies, including the New Zealand dollar.

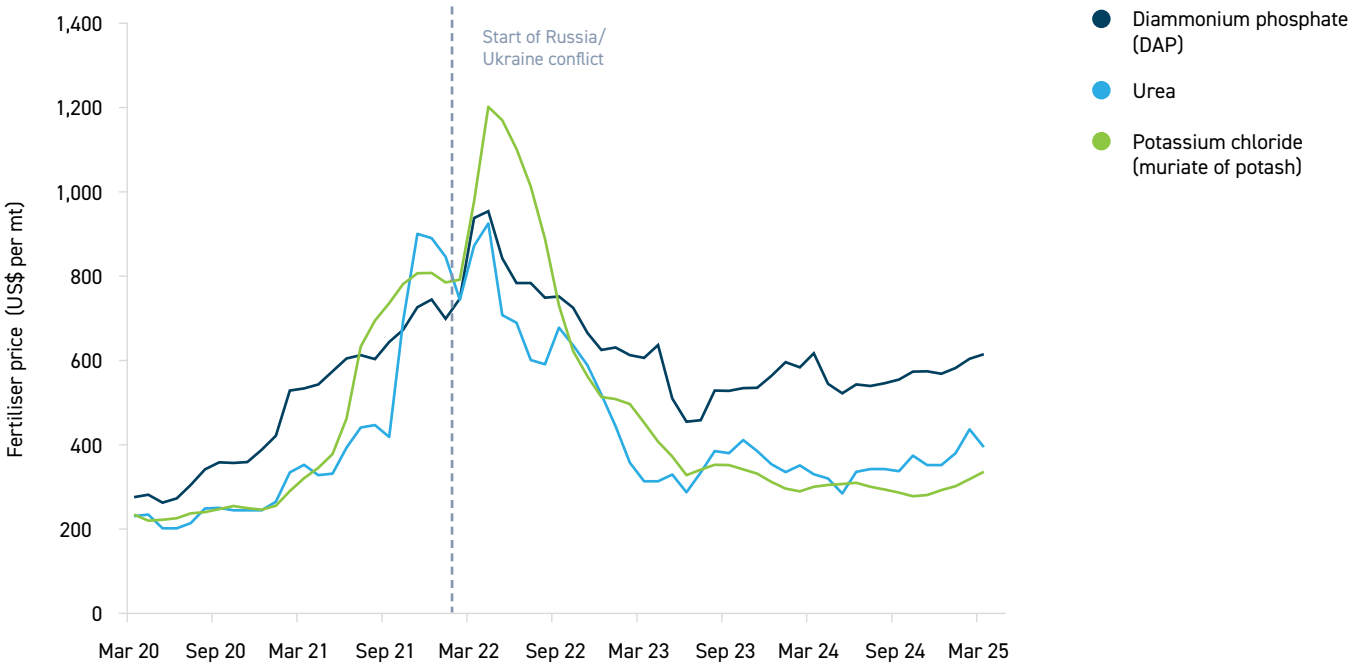
In New Zealand, cuts in the official cash rate (OCR) and global economic conditions have influenced fluctuations in the 10-year New Zealand Government Bond (NZGB) yield. In early 2025, the yield stayed around 4.55 percent, reflecting cautious sentiment amid global uncertainty. The yield on 10-year NZGBs surged by 21 basis points to 4.76 percent on 9 April and climbed further to 4.79 percent on 11 April as the escalating tariff conflict between the US and China intensified concerns about global trade disruptions and inflation. By May, the yield eased to 4.53 percent, indicating some stabilisation.

Central banks likely to adopt a cautious stance to adjusting interest rates and monitoring inflation trends

Policy interest rates have declined in most major economies recently. Exceptions include Japan, where rates are being raised gradually, and Brazil, which increased rates to keep inflation expectations stable. Despite easing borrowing costs for many, monetary policies remain restrictive, with real interest rates exceeding pre-pandemic levels (Figure 10) and

Figure 9: Fertiliser prices are trending upward

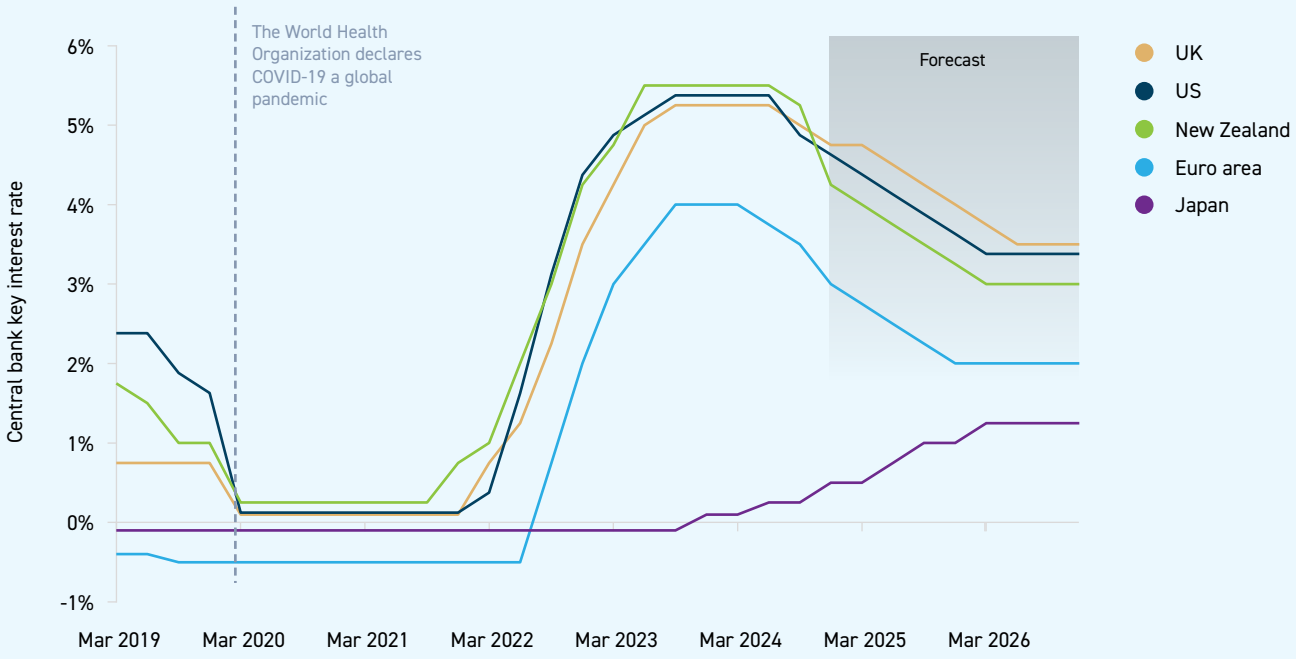
Monthly, last observation is March 2025, fertiliser price, US$ per metric tonne



Source: World Bank Commodity Outlook, April 2025.

Figure 10: Central banks are expected to ease their interest rates at a gradual pace

1 March 2019 to 1 December 2026, central bank key interest rate for selected countries



Source: OECD, Economic Outlook, March 2025.

policy rates above long-term equilibrium estimates. The effects of rate hikes in 2022 still linger as existing loans are renegotiated and new higher-interest debt is issued.

Central banks are likely to adopt a cautious approach to adjusting interest rates, balancing the need to support economic growth while keeping inflation in check amid shifting global economic conditions. In the euro area, the European Central Bank (ECB) has been gradually reducing interest rates, with projections suggesting that rates could fall to 2 percent by the end of summer 2025. However, the ECB emphasises the need for caution due to global events that could directly impact inflation. In the US, the Federal Reserve last reduced its interest rate in December 2024 by a quarter of a percentage point to 4.5 percent. As at May 2025, the Federal Reserve has announced it will keep interest rates at current levels for a longer period, due to increased uncertainty about the economic outlook and the potential inflationary and unemployment impacts of recent trade policies.

On 8 May 2025, the Bank of England cut its interest rate by 25 basis point to 4.25 percent, marking its fourth cut in less than a year. The central bank continues to ease borrowing costs in response to sluggish economic growth and cooling inflation while assessing the broader economic impacts of US tariffs.

At its 28 May 2025 meeting, the Reserve Bank of New Zealand (RBNZ) Monetary Policy Committee lowered the official cash rate (OCR) by 25 basis point to 3.25 percent. This move is the second consecutive small rate cut and follows a series of substantial reductions last year. The decision was driven by CPI inflation near the midpoint of the target range of 1–3 percent per year, considerable spare capacity in the economy, and a weaker economic outlook influenced by global trade policies.

Global shipping disruptions in key maritime routes and tariffs are affecting costs

Global shipping costs have been volatile in 2024 and trending down since early 2025

Global shipping costs in 2024 have been marked by volatility, driven by disruptions in key maritime routes such as the Suez and Panama Canals. These disruptions have led to rerouted vessels, increased shipping distances, and higher operational costs, including fuel and insurance. As a result, freight rates increased in the first half of 2024, with some routes surpassing 2023 rates. For New Zealand exporters, these disruptions led to longer transit times, higher operational costs and rising shipping costs, putting pressure on their profit margins.

After stabilising by mid-2024, shipping rates have been steadily declining since early January 2025. As of 22 May 2025, the Drewry World Container Index (WCI) stood at US$2,276 per 40-foot container, representing a 43 percent drop from US$3,986 in early January. Compared with the peak of US$5,937 in July 2024, the index has fallen by 62 percent. While current WCI is 78 percent lower than the pandemic-era high of US$10,377 recorded in September 2021, it remains 60 percent above the pre-pandemic average of US$1,420 in 2019.

The recent introduction of US tariffs is already having an impact on cargo traffic

Shipping volumes from China to the US have declined as suppliers and importers adjust to the risk of new tariffs, which could make selling certain goods in the US market unprofitable. This shift reflects growing concerns about trade policy impacts, prompting businesses to seek alternative supply chains or delay shipments to mitigate financial risks. As at mid-May, the major US ports reported sharp declines in cargo traffic. The Port of Long Beach saw a 35–40 percent drop compared with normal cargo volume, while the Port of Los Angeles reported a 31 percent drop. The Port of New York and New Jersey also expected reduced throughput, and the Port of Seattle had no container ships docked on 7 May 2025, a rare occurrence not seen since the COVID-19 pandemic. The trade deal announced on 12 May between the US and China is expected to translate to a short-term surge in freight volumes and shipping prices as more goods are frontloaded. While this would benefit ocean carriers, trucking firms, and rail companies, it may also raise costs for importers.

In April 2025, the US administration announced plans to impose a US$50 per tonne of cargo fee on shipping vessels built or operated by China, starting on 14 October 2025. This fee is set to rise annually over the next three years to US$110 per ton of cargo. Under the proposed measure, Chinese-operated vessels could face fees of up to US$1 million per port visit, while ships constructed in China may be charged as much as US$1.5 million. This measure seeks to reduce reliance on China's shipping industry while strengthening the US shipbuilding sector. However, concerns have been raised about its impact on industries relying on Chinese supply chains, as higher operational costs for Chinese companies could translate into price increases for US businesses and consumers. To offset these costs, carriers may reduce port calls, consolidate shipments, or reroute vessels away from US ports. Such adjustments could lead to increased congestion at alternative ports in Canada and Mexico, higher global shipping costs, and potential delays in the supply chain.

The outlook for 2025 and beyond suggests continued challenges

Escalating trade tensions and tariffs could significantly reduce global freight demand, which would put downward pressure on shipping prices and benefit New Zealand exporters. However, lower freight demand could also lead to reduced availability of shipping containers bound for New Zealand, potentially disrupting supply chains despite lower costs. While increased container production and easing congestion at some ports may provide additional relief on price, the balance between supply and demand in global trade will remain a critical factor to the outlook.

Chinese economy shows promising signs of recovery, but challenges remain

China's economy outperformed expectations in the March 2025 quarter

China's economy exceeded expectations in the March 2025 quarter, with its GDP growing by 5.4 percent year on year, surpassing analysts' forecasts of 5.1 percent. This growth was driven by strong industrial output and a surge in retail sales, reflecting a recovery in domestic demand.

China's industrial production maintained strong momentum in April, with the added value of major industrial firms growing 6.1 percent year on year, driven by growth in high-tech (10 percent) and equipment manufacturing (9.8 percent).

China's retail sales increased by 5.1 percent year on year in April 2025. However, the increase fell short of market expectations of 5.5 percent and slowed from March's 5.9 percent year-on-year growth. The softer retail performance suggests consumers remain cautious despite government efforts to stimulate domestic demand. The property sector also remains a drag on growth, with investment in real estate falling by 9.9 percent in the March 2025 quarter.

Chinese consumer prices continued to show weaknesses

China's CPI dipped 0.1 percent in April compared with the same month last year. This is the third consecutive month of consumer deflation, and it reflects the combined effects of ongoing trade tensions with the US, sluggish domestic demand, and lingering uncertainty in the job market. However, some sectors such as services showed signs of recovery in April, supported by China's strong economic fundamentals and resilience as well as coordinated policy efforts.

The GDP growth forecast for China has been revised downward from earlier estimates to 4 percent in 2025 and 2026, primarily due to the impact of increased tariffs between China and the US, which are expected to weigh heavily on China's export performance. The IMF projections suggest a potential decline in exports to the US of 20 percent in the four years, with most of the impact expected in 2026.

Amid these headwinds, China has launched a coordinated set of fiscal and monetary measures, including a 10 trillion Chinese yuan (CNY) stimulus package in late 2024, aimed at supporting local governments, boosting household spending, and fostering investment in strategic sectors such as advanced manufacturing and technological innovation. In the first quarter of 2025, the People's Bank of China began a series of monetary policy adjustments to improve liquidity conditions and support credit availability across the economy. Most recently, on 7 and 8 May 2025, China announced additional monetary and fiscal stimulus aimed at countering the economic challenges exacerbated by escalating US tariffs.

As New Zealand's largest export market, China accounted for 33 percent of food and fibre exports in the year to 30 June 2024. A recovery in Chinese domestic consumption could drive increased demand for New Zealand's agricultural products, tourism, and high-value consumer goods.

New Zealand economy is on track for recovery in 2025, with inflation remaining under control despite quarterly volatility

New Zealand comes out of a recession

The latest global trade policy developments come at a time when New Zealand's economy is beginning to show signs of recovery. In the December 2024 quarter, New Zealand's GDP grew by 0.7 percent, marking the end of the technical recession that had affected the country since mid-2024, following a 1.1 percent contraction in the previous quarter.

The growth was driven by food and fibre sector exports, rental, hiring, real estate services, retail trade, and accommodation, with tourism also benefiting from increased international spending.

New Zealand's economic recovery is being driven by strong export performance, but growth will likely remain subdued in 2025

Stronger-than-anticipated export prices combined with a lower exchange rate have supported food and fibre sector earnings and contributed to overall economic growth. Stats NZ reported a merchandise trade surplus of $1.4 billion in April, the largest monthly surplus since May 2020.

Goods exports surged 25 percent in April 2025 compared with the same month last year, reaching $7.8 billion, largely driven by increases in dairy, meat, and forestry product exports.

China, New Zealand's largest market for dairy products, showed significant demand, with export revenue for milk powder, butter, and cheese increasing to $165 million in April 2025 compared with April 2024. Meanwhile, meat and edible offal export revenue increased $269 million (34 percent) to reach $1.1 billion in April 2025 compared with April 2024. Export revenue to key regions saw substantial growth, with a $184 million increase to both the US and EU.

However, annual GDP still fell 0.5 percent during the year to 31 December 2024, and challenges persist, particularly in the New Zealand construction sector. US tariffs further raise concerns, adding to the risk that global developments may slow the pace of New Zealand's emerging recovery. While shifts in trade patterns resulting from tariffs may offer some new opportunities, business indicators suggest that growth may remain sluggish throughout the year.

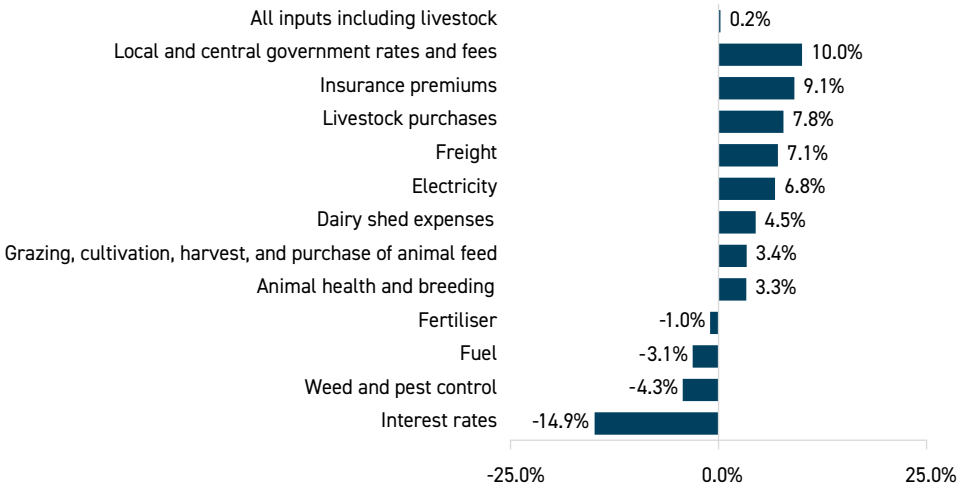
Inflation rises to 2.5 percent but remains in the RBNZ's target band

Consumer prices increased by 0.9 percent in the March 2025 quarter, lifting annual inflation to 2.5 percent, up from 2.2 percent in the year to 31 December 2024. The quarterly increase slightly exceeded the 0.8 percent increase forecast by the Reserve Bank of New Zealand (RBNZ). Significant contributors to inflation included a 4.6 percent increase in petrol and a 3 percent rise in grocery prices, for products such as milk and cheese. These were partially offset by an 8 percent seasonal decrease in international airfare costs.

Inflation remains within the RBNZ's target range of 1–3 percent, with underlying pressures under control, despite certain domestic and imported goods still facing persistent price pressures. As a result, the RBNZ lowered the OCR on 9 April 2025 and again on 28 May 2025, while also indicating the possibility of more substantial OCR reductions than previously anticipated later in the year.

Figure 11: Most farm expenses increased in March 2025 quarter

March 2025 quarter compared with March 2024 quarter, percentage change in farm expenses price index



Source: Stats NZ and MPI.

Farm input costs have increased in most categories but are partially offset by lower interest rates and fuel costs

Reflecting the broader slowdown in inflation, New Zealand's farm expenses price index increased slightly by 0.2 percent between the March 2024 quarter and March 2025 quarter.

Farm expenses remain elevated, with most input categories showing higher costs (Figure 11). Rates and fees saw the largest increase at 10.0 percent, followed by insurance premiums (9.1 percent), livestock purchases (7.8 percent), and freight costs (7.1 percent).

These increases were partially offset by declines in other expenses between the March 2024 quarter and March 2025 quarter. For example, fuel costs fell by 3.1 percent, likely reflecting lower global fuel prices or improved farm energy efficiency. Interest rate expenses dropped by 14.9 percent, reflecting easing monetary policies. The recent decrease in the OCR will likely lower loan interest rates further, offering much-needed relief to farmers and growers, where interest costs are a significant burden, particularly for those with high levels of debt. While this reduction in debt servicing costs can improve profitability and boost farmer confidence, farmers have likely already fixed their interest rates for this season, meaning they might not experience the benefits of the lower rates. However, the expectation of decreased interest expenses is likely to foster a more positive outlook in the farming sector.

Falling interest rates and fuel costs have supported positive sentiment among sheep and beef farmers in the first quarter. In March 2025, Rabobank reported a further rise in farmer confidence in New Zealand, marking the third consecutive quarterly increase. The net confidence level has reached 44 percent, the second-highest level in a decade. While 52 percent of farmers expect the broader agricultural economy to improve in the coming year, only 8 percent anticipate worsening conditions. Although reductions in interest rates and fuel costs alleviated some pressure, rising fixed and compliance-related expenses, particularly insurance, will affect farm profitability, especially if revenue growth does not keep pace.

New Zealand's labour market is softening

New Zealand's labour market is softening despite its relatively low unemployment rate, ranking 18th among 38 OECD countries. New Zealand's unemployment rate increased for seven consecutive quarters, reaching 5.1 percent in the December 2024 quarter and holding steady in the March 2025 quarter. This upward trend reflects an annual increase of 22,000 unemployed individuals (16.5 percent) to a total of 156,000. The annual underutilisation rate increased by 35,000 (1.1 percent) to 390,000 in the March 2025 quarter, its highest level in over four years.

Wage growth has continued to moderate. In the March 2025 quarter, the private sector labour cost index (LCI) rose 0.4 percent, below the RBNZ's forecast of 0.6 percent. This brought annual growth in the LCI down to 2.6 percent from 2.9 percent in the previous quarter. Similarly, average

hourly earnings in the private sector increased 3.8 percent, below the RBNZ's projection of 4.6 percent and down from 4.1 percent in the December 2024 quarter.

With unemployment rising for seven consecutive quarters, businesses in the food and fibre sector may find it easier to recruit workers, particularly for lower-skilled and seasonal roles, while moderated wage growth may help businesses manage costs more effectively. However, weaker economic conditions and higher unemployment could dampen domestic demand for food and fibre products.

The easing labour market conditions and slowing wage pressures are supporting the case for the RBNZ to cut the OCR at the end of May and later in the year.

Annual net migration was 32,900 for the year to 28 February 2025, down from 113,700 the previous year. However, the easing of restrictions on the Accredited Employer Work Visa scheme, announced in December 2024, may increase in lower-skilled immigration as employment and economic growth pick up later in 2025. This policy shift may also help alleviate labour shortages in the food and fibre sector, further supporting workforce availability that has previously constrained growth in sector. The food and fibre sector employs approximately 360,000 people, which accounts for 12.4 percent of the total workforce. Over 90 percent of workers are New Zealand citizens or migrants, with temporary migrants playing a vital role, especially for seasonal activities.

Looking ahead, the labour market outlook is cautiously optimistic. Easing inflation and stabilising economic conditions are expected to provide some relief, potentially supporting job creation in key sectors. However, uncertainties such as global economic volatility and domestic policy adjustments may continue to influence employment trends.

New Zealand continues to strengthen and diversify its global trade relationships

New Zealand is continuing its efforts to strengthen and diversify its global trade relationships, focusing on improving market access and economic resilience. New Zealand's trade deal with the UAE, signed in January 2025, is set to remove 99 percent of tariffs on New Zealand exports once implemented, cutting costs and improving access to a key Middle Eastern market with strong demand for dairy, meat, horticulture, and industrial goods.

New Zealand has also concluded negotiations on a trade agreement with the six-nation Gulf Cooperation Council (GCC), securing duty-free access for New Zealand's exports over 10 years. When combined with the recently concluded NZ-UAE trade agreement, 51 percent of New Zealand's exports to the region will be tariff-free from day one. New Zealand and GCC two-way trade is worth over $3 billion annually, with New Zealand exporting $2.6 billion of products in the year to 30 June 2024. This includes $1.8 billion in dairy products, $260 million in red meat, $72 million in horticulture products, and $70 million in travel and tourism services.

At the same time, ongoing FTA negotiations with India aim to unlock opportunities in this fast-growing consumer market, especially for New Zealand's food and fibre sector. If successful, the deal could boost trade, deepen economic ties, and support long-term export growth, further reinforcing New Zealand's presence in key international markets.

The New Zealand dollar is expected to dip against the US dollar by mid-2025, with a recovery in the second half of the year

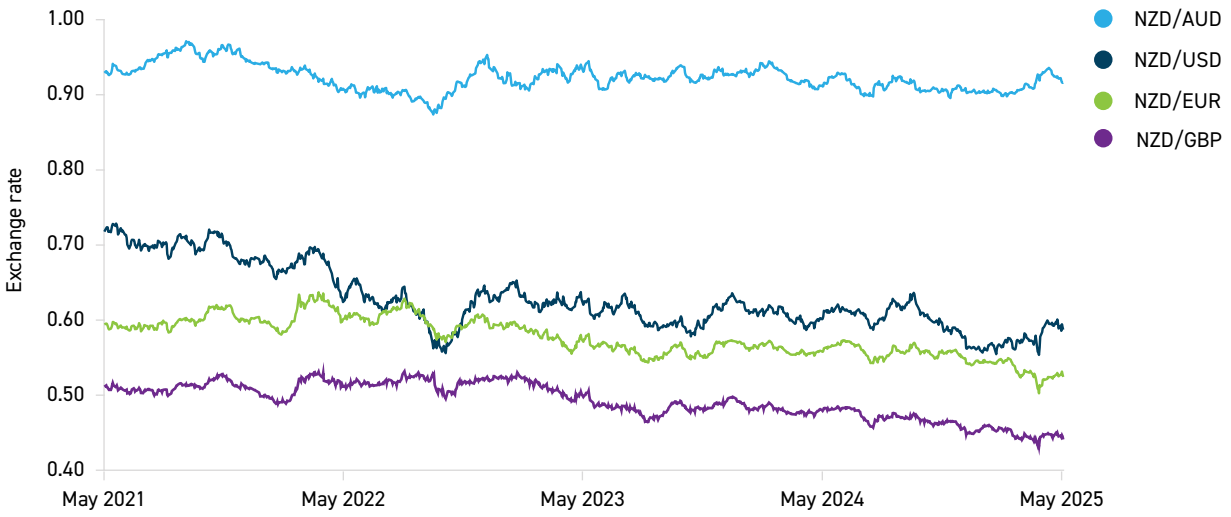
The NZD has been fluctuating due to various factors, including recent US tariffs and interest rate cuts by the RBNZ, which are expected to place downward pressure on the currency. In the March 2025 quarter, the NZD/USD exchange rate experienced a modest upward trend, moving from a low of approximately 0.5606 on 3 March to a high of 0.6007 on 7 May (Figure 12).

While forecasts on the NZD/USD exchange rate remain uncertain, most analysts anticipate a decline of the NZD/USD exchange rate to around 0.568 by mid-2025, driven by further rate cuts from the RBNZ and global economic uncertainties. A weaker New Zealand dollar would likely sustain high costs for imported fertilisers and chemicals, while benefiting export competitiveness and partially offsetting the rising costs associated with US tariffs. The NZD is expected to rebound slightly against the USD in the second part of the year, reaching above 0.57.

Geopolitical tensions and global economic trends are likely to shape currency movements, affecting the outlook for 2026. This is especially true for currencies like the NZD, which are highly sensitive to global economic fluctuations and shifts in risk sentiment as they are typically associated with economies heavily reliant on commodity exports.

Figure 12: NZD exchange rate has strengthened against major currencies since February 2025 but remains below its long-term average

Daily, 14 May 2021 to 16 May 2025, NZD exchange rate against selected currencies



Source: RBNZ.

Climate situation and outlook

Dry weather beginning to ease

Many parts of the country experienced dry summer conditions as soil moisture levels dried out and stock feed and water became tight in some areas. Soil moisture was lower than normal for parts of the North Island, West Coast, inland North Canterbury, and coastal parts of the South Island. Rainfall was normal or well below normal in most regions across the country.

Below-normal rainfall in most regions affected pasture growth and feed availability. Some farmers had to destock prior to dry conditions intensifying. Water restrictions were in place in some regions. The dry weather has been challenging for some sheep and beef farmers to get ewes to reach enough bodyweight for mating. Dairy farmers in drought-hit regions are drying off cattle as feed supplies become scarce. The dry period has had an impact on income due to falling production in some cases. Summer mortality events have pushed salmon production down.

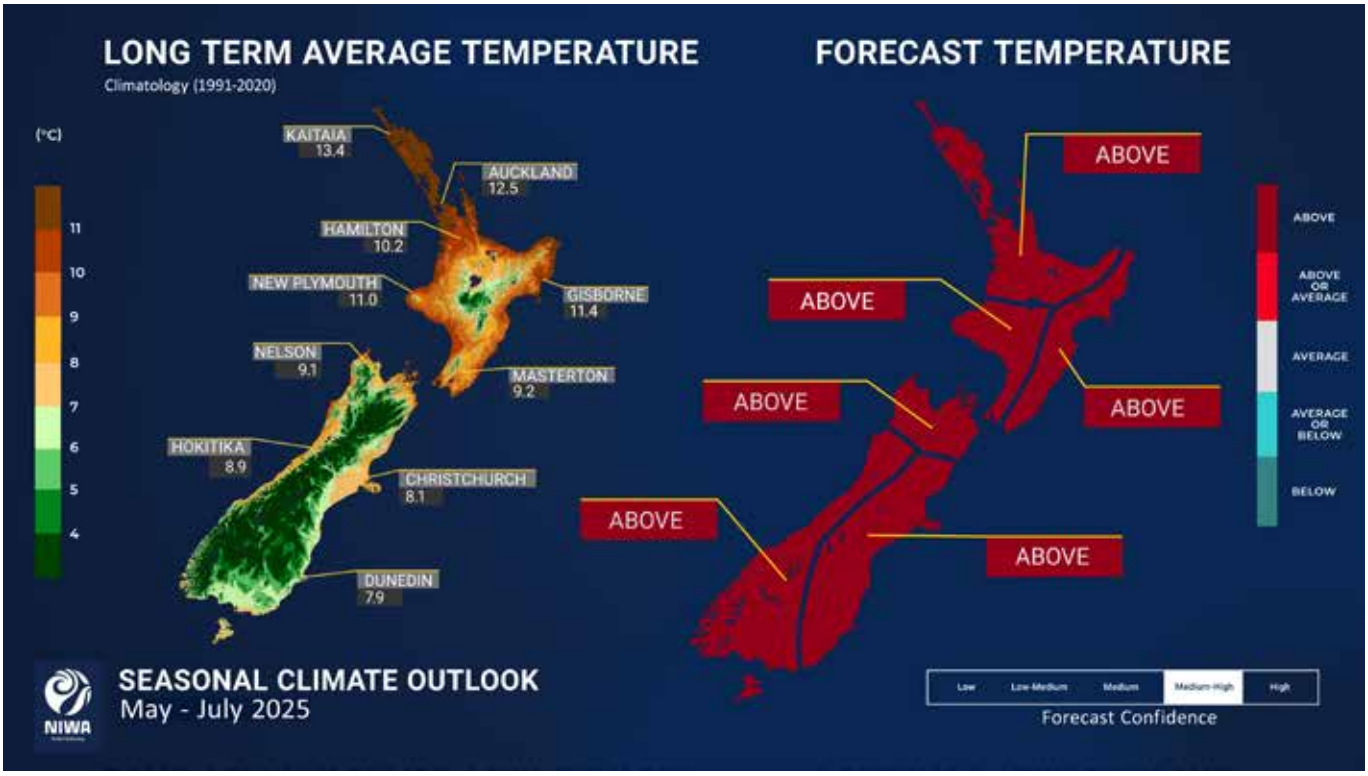
On the other hand, the climate conditions have been favourable for the horticulture sector, particularly for growing kiwifruit, avocados, cherries, and apples and pears. Also, some South Island dairy regions have experienced more suitable weather this season, resulting in increased production.

The Government classified drought conditions in some regions of the North Island and top of the South Island as a medium-scale adverse event as MPI continues to closely monitor the conditions across all regions. The classifications have unlocked further support for affected farmers and growers, including tax relief.

In April, a good amount of rainfall has eased water restrictions and improved the feed situation in dry areas. NIWA has reported that neutral El Niño Southern Oscillation conditions are now present in the tropical Pacific and are forecast to prevail over the next three months. Warm overnight temperatures are expected to drive seasonal air temperatures to be above average across all regions (Figure 13). NIWA forecasts that low-pressure systems forming in the north of the country may lead to heightened risks for heavy rainfall events. Soil moisture levels and river flows are likely to be within the range of near normal or above normal in the north and east of both islands. The western parts of both islands are forecast to have normal or below normal soil moisture. Rainfall through to July is projected to be above normal for the north of the North Island, while the western regions of both islands are expected to be near normal or below normal. International guidance indicates there is a higher chance for La Niña developing than El Niño later in the year, but neutral conditions are more likely.

Figure 13: NIWA forecasts temperatures to be above average over the next three months

Forecast temperature, May–July 2025



Source: NIWA.

Sector briefs

Dairy

- Export revenue is forecast to increase 16 percent to a record $27.0 billion in the year to 30 June 2025, strongly rebounding from last year's 11 percent fall. Global dairy prices have been much higher in 2024/25 due to weak global supply from key dairy exporting regions such as the US. Additionally, global demand has been strong, especially from China, which is New Zealand's largest export market.
- Export volumes are likely to increase in line with an expected 2.2 percent increase in milk production for the 2024/25 season due to favourable weather conditions, easing cost pressures, and a strong farmgate milk price.
- Higher global dairy prices are likely to result in an increase in the all-company average farmgate milk price to a record $10.00 per kgMS. This higher milk price combined with static farm expenses is expected to lead to an increase in farm profitability for this season.
- The global dairy market in 2025/26 is expected to be characterised by slightly constrained supply growth and stable demand in key regions, supporting prices. However, the outlook remains uncertain over the medium to long-term, with elevated downside risks due to trade policy uncertainty.

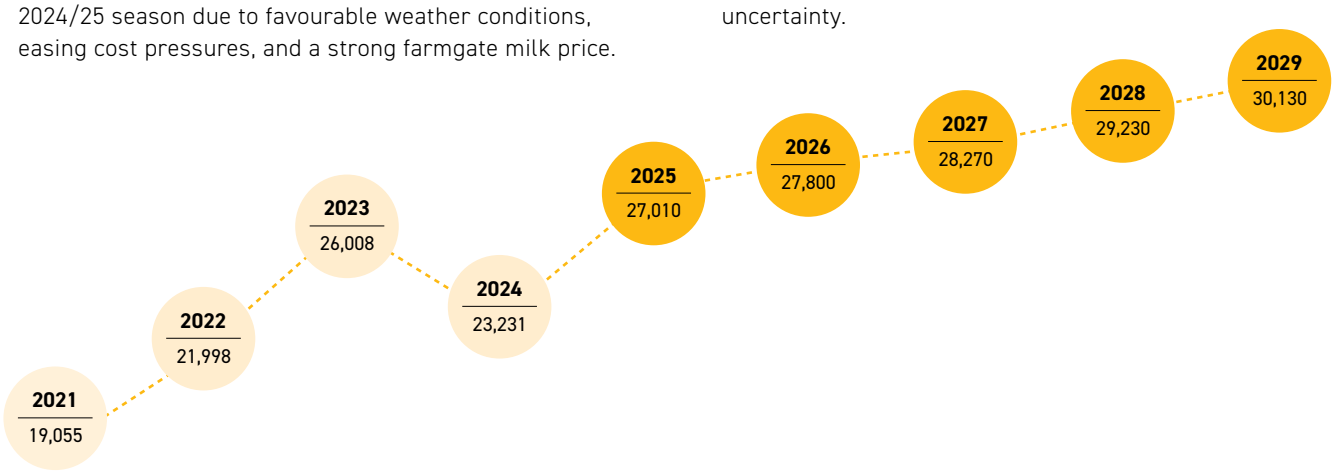


Table 2: Dairy export revenue 2021–29

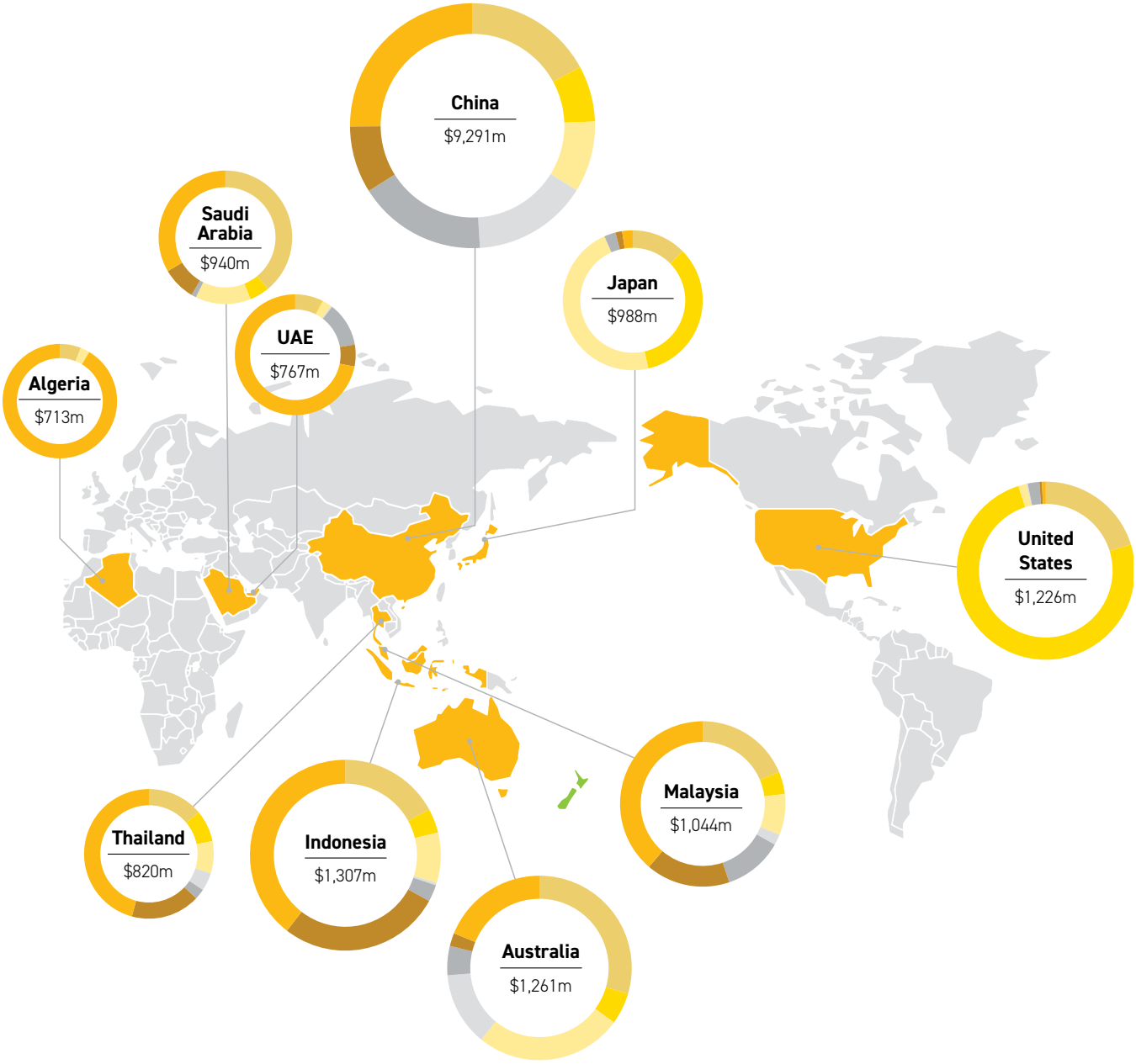
Year to 30 June, NZ$ million

	Actual				Forecast				
Product	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Whole milk powder	7,542	8,304	8,274	7,457	8,690	9,060	9,230	9,690	10,020
Butter, anhydrous milk fat, and cream	2,667	3,519	4,589	4,138	5,480	5,420	5,360	5,440	5,570
Skim milk and butter milk powder	1,526	1,947	2,673	2,074	2,340	2,430	2,650	2,810	2,920
Casein and protein products	2,019	2,680	3,320	2,950	2,850	2,770	2,720	2,790	2,850
Cheese	2,065	2,199	3,039	2,604	3,080	3,290	3,350	3,420	3,480
Infant formula	1,588	1,435	1,915	1,813	2,100	2,180	2,210	2,230	2,340
Other dairy products*	1,648	1,914	2,198	2,195	2,480	2,630	2,750	2,840	2,940
Total export revenue	**19,055**	**21,998**	**26,008**	**23,231**	**27,010**	**27,800**	**28,270**	**29,230**	**30,130**
Year-on-year % change	**–5%**	**15%**	**18%**	**–11%**	**16%**	**3%**	**2%**	**3%**	**3%**

* Includes liquid milk and cream, ultra-high temperature milk, yoghurt, and ice-cream.
Totals may not add up due to rounding.
Percentages are rounded to the nearest whole percent.
Source: Stats NZ and MPI.

Top 10 dairy export destinations

Year to 31 March 2025, NZ$ million



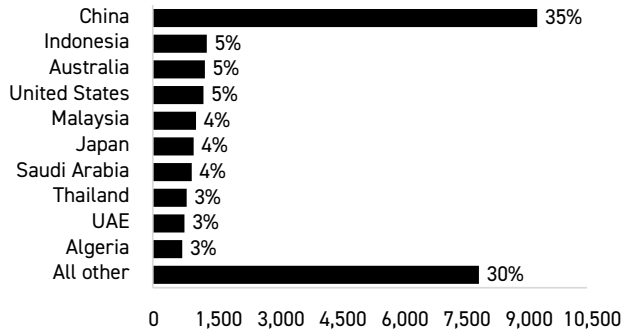
Product	Export revenue (NZ$ million)	% of total
Whole milk powder	8,247	31%
Butter, anhydrous milk fat, and cream	5,237	20%
Cheese	3,083	12%
Casein and protein products	2,882	11%
Skim milk and butter milk powder	2,287	9%
Infant formula	2,110	8%
Other dairy products	2,395	9%
Total	**26,240**	**100%**

Totals may not add up due to rounding.
Source: Stats NZ.

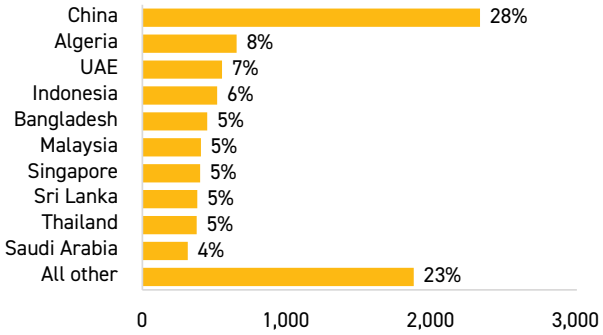
Top dairy export markets

Year to 31 March 2025, NZ$ million and percent

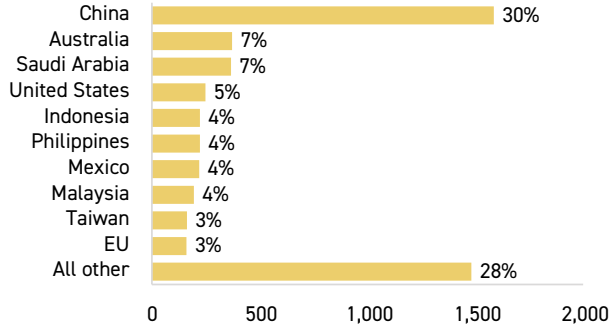
Total dairy products



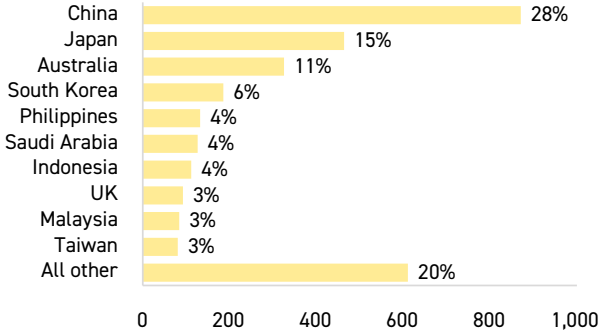
Whole milk powder



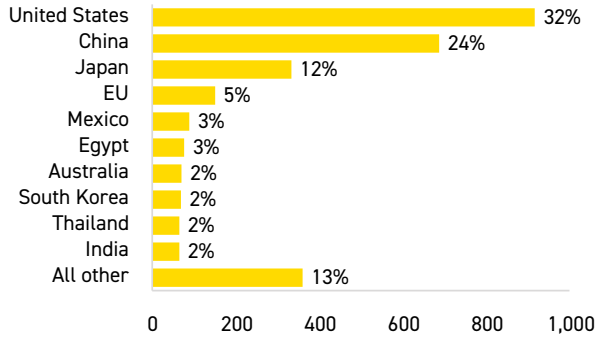
Butter, anhydrous milk fat, and cream



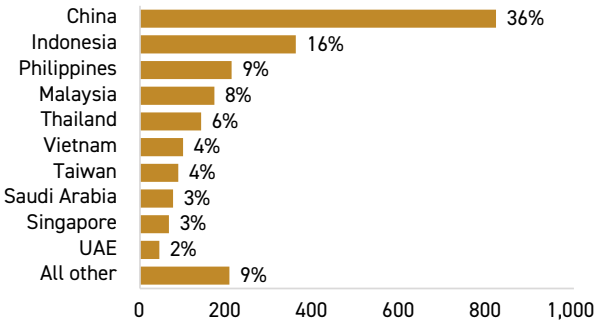
Cheese



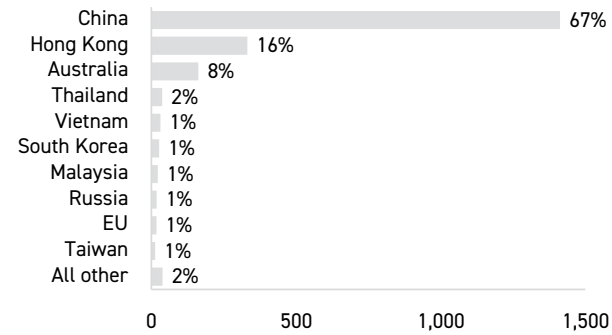
Casein and protein products



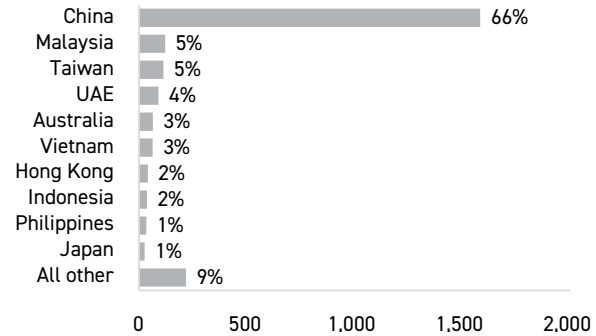
Skim milk and butter milk powder



Infant formula



Other dairy products



Source: Stats NZ.

Dairy export revenue set to bounce back strongly and reach a record high in 2024/25

New Zealand dairy export revenue is expected to increase 16 percent to $27.0 billion in the year to 30 June 2025, driven by a strong lift in global dairy prices. Higher milk production and export volumes are further supporting the lift in dairy export revenue. Export revenue for all dairy product categories is forecast to lift compared with the previous year (Figure 14).

The expected strong lift in export revenue comes off the back of weak export earnings in 2023/24 and is likely to be the highest on record. This is a strong performance by the dairy sector, especially given the challenges and uncertainties faced during the year. Challenges included significant trade policy shifts in major economies, an economic slowdown in China, heightened geopolitical tensions, a weak New Zealand economy, and elevated costs.

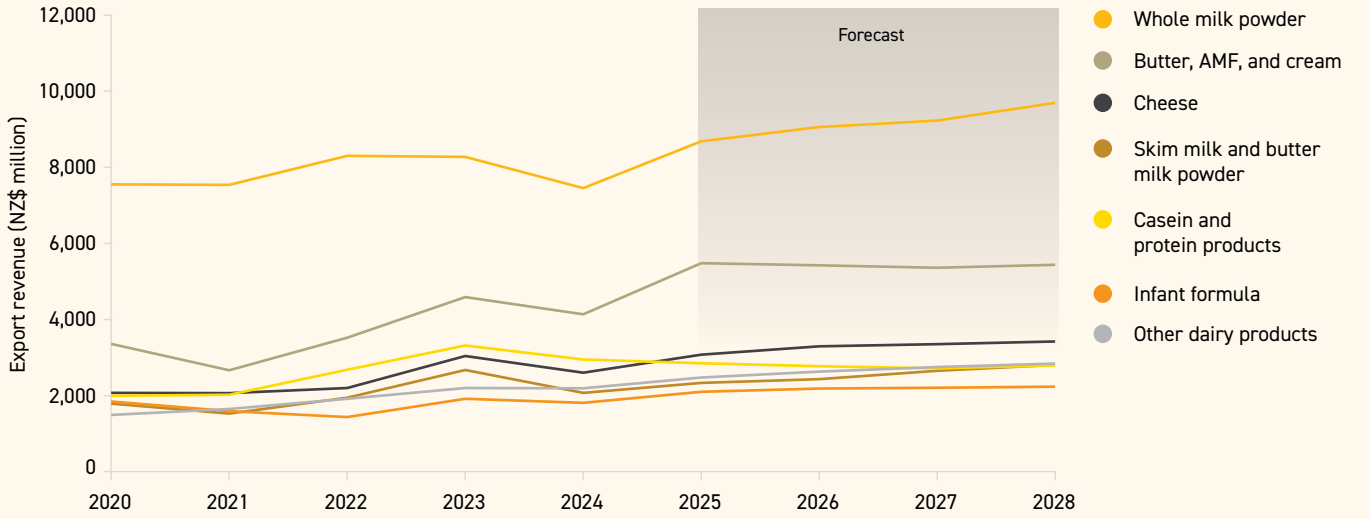
Over the medium term, an increase in global prices from 2024/25 levels and a slight increase in milk production are expected to result in further growth in export revenue to $27.8 billion for 2025/26. With demand expected to strengthen in 2026/27 and global supply expected to remain constrained, dairy export revenue is forecast to further increase by 2 percent to $28.3 billion in that year.

Over the remaining outlook period, demand is likely to be well supported by rising disposable incomes and urbanisation, particularly in middle-income countries. This demographic shift is expected to lead to dietary changes favouring more diverse and nutritious foods, including dairy products. Conversely, global supply is likely to be constrained, especially from key dairy exporting nations such as the EU and US. This firming of demand and weakening of supply should support global dairy prices.

Downside risks are elevated and uncertainty is high due to fast-evolving global macroeconomic and trade policy signals. The long-term effects of US tariff policies on global dairy prices remain uncertain. While some regions may benefit from shifts in trade patterns, overall global dairy prices are likely to experience increased volatility due to disrupted trade flows and changing consumer behaviours. As it stands, a blanket 10 percent additional tariff on imports of New Zealand goods could potentially result in New Zealand's dairy exports facing increased competition in the US market from other countries such as Canada and Mexico. The preferential tariff exemptions granted to Canada and Mexico under the USMCA allow these countries to export dairy products to the US without the 10 percent general tariff imposed on most imports, enhancing the competitiveness of their dairy exports.

Figure 14: New Zealand dairy exports expected to bounce back strongly

Year to 30 June, export revenue, NZ$ million



Source: Stats NZ and MPI.

Global dairy prices increase considerably in 2024/25

Strengthening demand among traditional dairy importing nations such as China and a slight weakening in global supply conditions have resulted in a lift in global dairy prices this season. As at April 2025, the Food and Agriculture Organization (FAO) dairy price index has increased by 23 percent compared with the same time last year, and the average dairy price index for 2024/25 is still 11 percent above the average of the previous five years. Among products, international butter prices are up 27 percent in April 2025 compared with April 2024 due to steady import demand and tighter butter supply in Western Europe. Similarly, whole milk powder (WMP), cheese and skim milk powder (SMP) prices are up 26 percent, 23 percent, and 10 percent respectively.

Similar to the FAO dairy price index trends, average Global Dairy Trade (GDT) US$ prices until May this season are 12 percent above their five-year average and 20 percent above last season's average price (Figure 15).

Average GDT prices over the 2024/25 season started at US$3,824, slightly above five-year average levels, and trended upwards to an average price of US$4,516 at the GDT auction on 6 May 2025. The recent increase in prices is not expected to have much of an impact on the farmgate milk price this season as only a small proportion of this season's products will be sold at these prices due to the seasonal nature of milk production. A further improvement in key reference commodity prices is expected to support the farmgate milk price for next season. GDT prices as at 6 May 2025 are 18 percent higher than 12 months ago, indicating a strong outlook for farmgate milk prices in 2025/26.

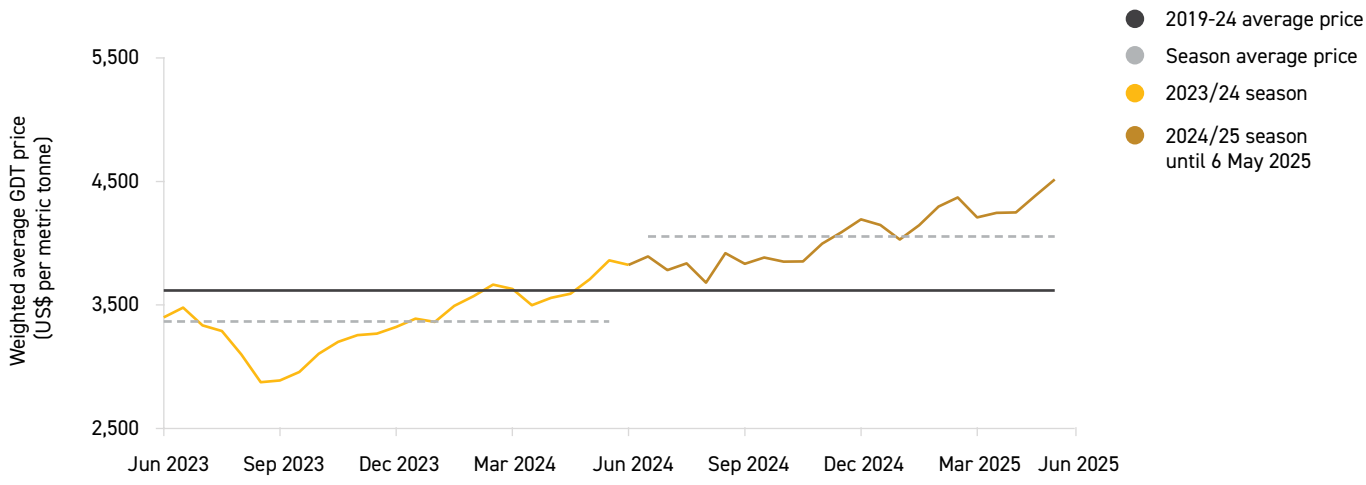
Product prices increased across the board in the 2024/25 season. Notably, the prices of key reference commodities used to determine Fonterra's farmgate milk price saw strong growth. As at 6 May 2025, average WMP prices were up 20 percent compared with the 2023/24 average and 10 percent above the five-year average.

Butter and anhydrous milk fat (AMF) prices rose even more sharply. Compared with the 2023/24 average, butter prices increased by 27 percent and AMF by 25 percent. When compared against their five-year averages, butter and AMF prices were up 42 percent and 31 percent respectively, reflecting the record high achieved during the 2024/25 season.

SMP prices also recovered, with the 2024/25 average 6 percent higher than in 2023/24. However, SMP prices remain 9 percent below their five-year average.

Figure 15: Global Dairy Trade auction prices (all products) have risen sharply in the 2024/25 season

Year to 31 May, weighted average GDT price, US$ per metric tonne



Source: Global Dairy Trade and MPI.

New Zealand milk production is forecast to increase in 2024/25

Milk production in the 2024/25 season is expected to increase by 2.2 percent, driven by excellent pasture growth conditions over spring and early summer as well as a strong milk price (Figure 16). The increase in milk production comes off the back of a smaller increase of 0.6 percent the previous season.

Pasture growth conditions have been good for most of the 2024/25 season. In the season to March, milk production was up 3.0 percent, with monthly increases from July to January. Milk production in February was down 2 percent. This drop is mainly attributed to last February having an additional day, being a leap year. Dry conditions in the North Island also played a role in depressing milk output in February.

Production figures have demonstrated resilience through March (up 0.8 percent) despite the ongoing severe dry weather across the upper half of the country. Drought conditions were declared in Northland, Taranaki, Waikato, Horizons (Manawatū-Whanganui, including Tararua), and Marlborough-Tasman. As a result, farmers in these regions have been using significantly more supplementary feed to maintain milk production, leading to on-farm reserves running low. This has also prompted some farms in the North Island to dry off cattle earlier than usual. In contrast, dairy regions in the South Island have experienced much more favourable weather this season, contributing to the year-on-year production increase.

As a result of the dry conditions, the Government has announced drought funding for affected farmers across 27 districts in the North Island and upper South Island. This came into effect on 28 April until 28 October 2025 for farmers whose income has been severely impacted by drought conditions.

Milk production is likely to lose some ground later this season, due to cows being dried off earlier and pasture growth conditions in April and May likely to be less favourable than last season. A year-on-year decline of 1 percent is expected for April and 5 percent for May. Should those estimates hold, the 2024/25 season is expected to finish with an overall 2.2 percent increase in total milk production.

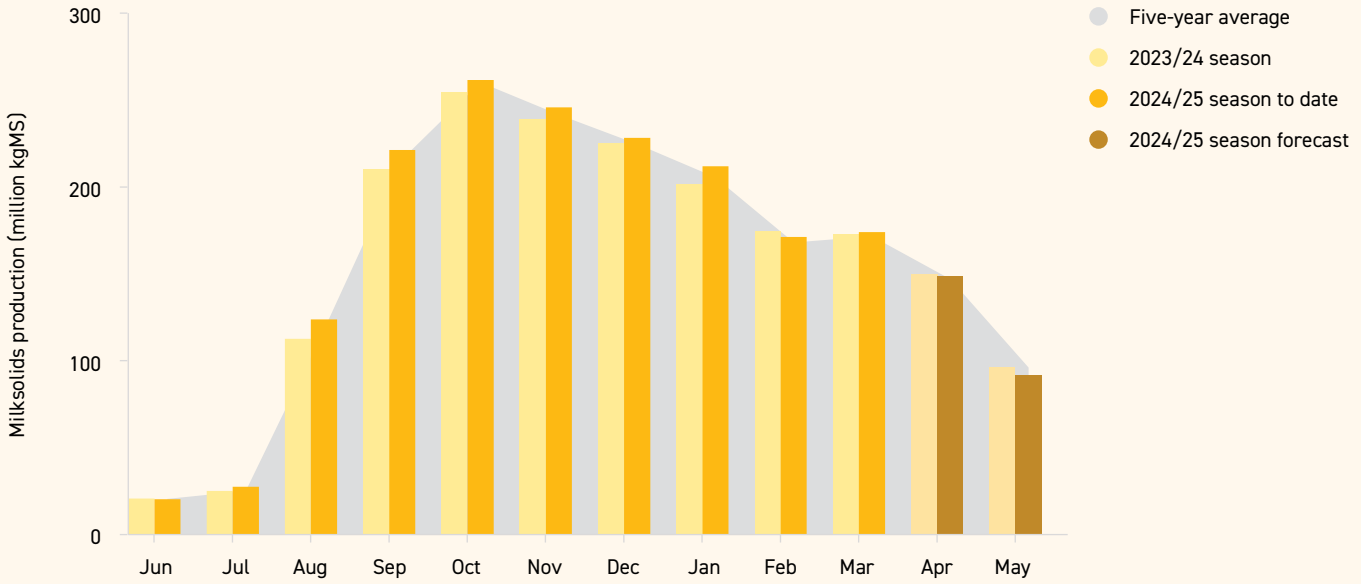
Assuming normal weather conditions, New Zealand milk production is forecast to increase by 1 percent in 2025/26, driven by rising farmer confidence, a strong milk price, and improved profitability.

The 2023/24 New Zealand Dairy Statistics released by LIC and DairyNZ show that total dairy cow numbers were 0.6 percent higher than the previous year at 4.70 million. Similarly, the area under dairy farming has also increased. Total effective hectares under dairy farming increased to 1.70 million hectares from 2022/23 to 2023/24. This flat to slightly upward trend in the national dairy herd and land-use area is expected to continue over the next few years due to the strong outlook and practice change that is enabling a reduction in the environmental footprint of dairy farms.

Innovation and technology-driven productivity gains are expected to support future milk production. Improvements in dairy genetics, advances in farm management practices, and development of new technology are expected to continue increasing on-farm productivity. Specifically, technologies such as cow wearables and constructs such as precision farming are also likely to play a greater role in supporting production over the outlook period. The delivery of improved data and insights from these technologies will support better on-farm decision making and is likely to lead to gains in productivity and sustainability.

Figure 16: New Zealand milksolids production forecast to increase in 2024/25 season

Year to 31 May, milksolids production, million kgMS



Source: DairyNZ, DCANZ, and MPI.

Global milk production increased at a slower pace in 2024/25

Supply-side constraints remain an important driver of global dairy prices and vital to the situation and outlook for the dairy sector. Only about 7 percent of global milk production (in a milk-equivalent basis) is traded internationally. As a result, changes in milk supply conditions in leading dairy exporting markets such as New Zealand, the EU, the US, Australia, and Argentina and in large dairy importing nations such as China can have a material impact on global dairy prices. Although New Zealand's share of world milk production is only about 2 percent, it is the most export-oriented country.

The slow pace of growth in global milk supply is a key reason for the lift in global dairy commodity prices in 2024. According to the FAO, global milk production in 2024 reached about 982 million tonnes, rising by 1.4 percent from 2023.

In China, milk production declined by 0.3 percent in 2024, mainly due to lower milk prices received by farmers and higher production costs, which led to industry exits. This decline follows years of milk production expansion, driven by supportive government policies that fuelled growth in dairy cattle herds and raw milk production. Previously, much of the increased production in China came from large-scale dairy farms with financial resources to cover the cost of transporting milk from northern areas, where much of the milk is produced, to consumption and processing centres elsewhere, especially in the south. Increased yields, partly driven by the replacement of inefficient dairy cattle, also supported milk production growth. Recent declines in Chinese milk production have played a significant role in driving up import demand and global dairy prices. China reported a combined 6.3 percent drop in milk production for January and February. Rabobank expects China's net imports of dairy products to rise in 2025, driven by lower production levels.

In Europe, milk production increased by 0.8 percent to 236 million tonnes in 2024. This modest growth was driven by production increases in the EU, Turkey, and Belarus, which more than offset contractions in Ukraine. EU milk production increased slightly as higher milk yields offset the impact of declining dairy herds. However, milk production has declined in recent months. EU milk production in the 12 months to February 2025 was down 0.2 percent on the previous comparable period. Adjusting for the leap year, milk production in February 2025 was down 2.6 percent compared with the same month in 2024. This indicates that milk production is heading towards the critical milk supply seasonal peak on softer footing. Regional issues such as a potential spike in bluetongue virus and continued foot and mouth disease outbreaks, most recently in Hungary, point to a potentially weaker supply in the months ahead. The decline in milk production is likely to lead to a strong focus on product mix, with cheese production expected to remain the mainstay driven by strong domestic consumption and export demand. This is likely to result in decreased production and exports of butter and milk powders.

In North America, milk output fell to 112.5 million tonnes in 2024, decreasing by 0.2 percent from 2023. In the US, an increase in milk yields was offset by a slight decline in milking cow numbers, resulting in a 0.4 percent decline in milk production. An avian influenza outbreak in California, a large dairy producing region, has resulted in a significant decline in milk production across the state. Milk production in the US for the year to 31 March 2025 decreased by 0.4 percent year on year.

In South America, milk production reached 69 million tonnes in 2024, up 0.5 percent from 2023. This increase reflects output expansions in several countries, including Brazil, Colombia, and Chile, but offset by a steep drop in Argentina and Uruguay. Notwithstanding droughts in most producing regions of Brazil, milk output is expected to grow owing to the abundant availability of feed and fodder, decreasing input costs due to improvements in technology and mechanisation, and robust consumer demand supported by falling inflation and interest rates despite a slowdown in economic activities. By contrast, milk production in Argentina declined sharply, mostly due to heat waves and drought in the first half of 2024, followed by a lack of precipitation in the second half of the year. Economic challenges, in particular high input costs discouraging milk production, also contributed to the decrease.

In Australia, milk production increased by 0.6 percent in the year to 31 March 2025 following flat milk production growth over the year to 31 March 2024. Favourable weather conditions and lower input costs, primarily feed and water costs, towards the end of the year resulted in a lift in milk production. Higher farmgate prices paid by processors further contributed to the milk production increase. Australian milk production in March 2025 was flat compared with the same period the previous year.

New Zealand dairy export revenue surges for most products

Export revenue increased by 11 percent in the year to 31 March 2025 (Figure 17), despite export volumes being 1 percent lower compared with the same time last year. This reflects the considerable lift in product prices over this period.

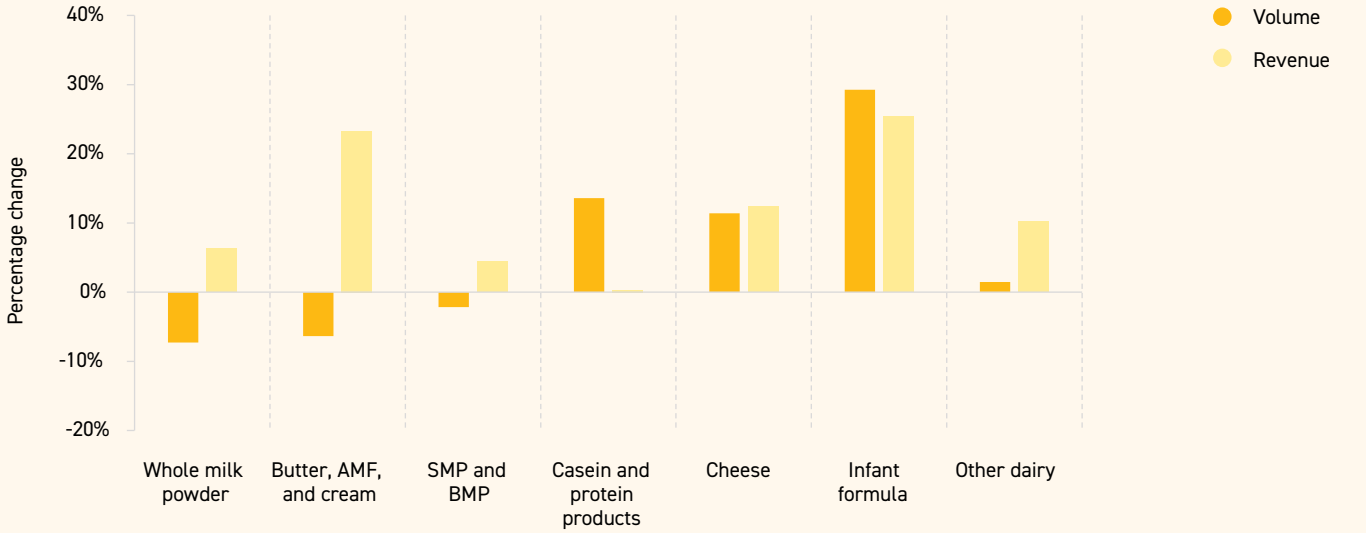
A strong lift in the prices of butter, AMF, and cream products led the surge in export revenue increases (up 23 percent), despite export volumes dropping by 6 percent. Strong demand, especially from China, and low export availabilities from key exporting regions, such as the EU, were the main reasons for the lift in prices. Butter, AMF, and cream products accounted for 20 percent of export revenue.

Similarly, export revenue from whole milk powder increased by 6 percent, driven by a strong increase in prices and despite a 7 percent drop in export volumes. Whole milk powder continues to remain the most dominant dairy export product from New Zealand, accounting for 31 percent of export revenue.

SMP export revenue increased as well (up 4 percent), driven entirely by price gains as export volumes declined by 2 percent. SMP prices weakened significantly over the year to 31 March 2024 due to higher availability of SMP on the world market. The lift in prices this year points towards a rebalancing of the supply situation and demand growth outstripping supply. SMP accounted for 9 percent of export revenue.

Figure 17: Dairy export revenue rises for most products in the year to 31 March 2025

Year to 31 March, 2024 compared with 2025, change in export volumes and revenue



Source: Stats NZ and MPI.

Cheese export revenue increased by 12 percent in the year to 31 March 2025, driven mainly by an 11 percent lift in export volumes. Cheese exports accounted for 12 percent of export revenue, the same as in the previous year. Export revenue from casein and protein products increased 0.2 percent despite a 14 percent lift in export volumes, reflecting a fall in prices. Casein and protein products prices reached record highs over the 2021-2023 period, driven by a surge in demand, with prices falling as demand eased. Casein and protein products remain a high-value category, accounting for only 6 percent of export volumes but 11 percent of export revenue.

Export revenue for the other dairy products category increased by 10 percent mainly due to price gains, as export volumes lifted by only 1 percent. This category accounted for 9 percent of export revenue, unchanged from the previous year.

Infant formula rebounded, with export revenue lifting by 25 percent. This increase was driven by a 29 percent increase in export volumes, which more than offset price declines. The rise in exports is mainly attributed to increased competitiveness of New Zealand products in the infant formula market in China. Infant formula accounted for 8 percent of export revenue, a slight increase over the previous year.

Strong import demand from China underpins the rise in export revenue

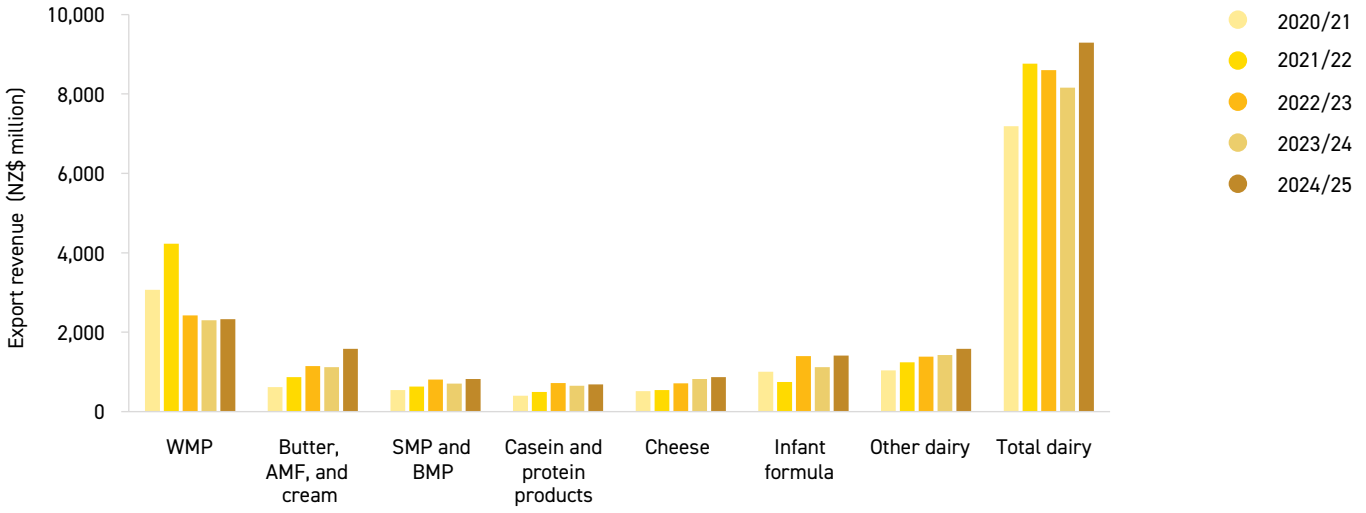
Much of the rise in global dairy prices and New Zealand dairy export revenue in the year to 31 March 2025 was driven by a faster pace of imports from China, a leading dairy product importing nation (Figure 18). The increase in imports is due to decreased domestic milk production in China which resulted in lower processing volumes, along with the lifting of import requirements. Additionally, higher-than-expected demand, especially for products such as butter, has further supported dairy imports from New Zealand.

China's import volumes across all dairy product categories, except for whole milk powder, increased in the year to 31 March 2025 compared with the same period the previous year, indicating that New Zealand's share of Chinese dairy imports has strengthened. The removal of all tariffs on New Zealand dairy exports to China on 1 January 2024 under the New Zealand-China FTA has made New Zealand dairy products more competitive in the Chinese market. Shipping routes to China from New Zealand were less affected by the disruptions caused to global shipping by incidents in the Red Sea and, to a lesser degree, the Panama Canal. Higher product availability from New Zealand, compared with other dairy exporting nations, has also contributed to the growth in export volumes to China.

The decline in WMP exports to China is partially attributed to a shift towards lower-priced substitutes such as SMP where possible, as reflected by a 19 percent increase in SMP export volumes to China. Despite the 6 percent fall in export volumes, higher prices resulted in a 12 percent rise in WMP export revenue.

Figure 18: Exports to China rebound

Year to 31 March, export revenue, NZ$ million



Source: Stats NZ and MPI.

The butter, AMF and cream category recorded a 60 percent increase in export revenue in the first three quarters of 2024/25, supported by a 21 percent increase in export volumes. This increase was mainly driven by strong demand and weak supply from traditional exporting regions such as the EU. The lift in demand is attributed to increased consumption of western-style foods such as baked goods, where butter is a key ingredient. Cheese exports have also benefited from this phenomenon, with export revenue increasing by 22 percent, largely driven by a 15 percent lift in export volumes. Casein and protein products also recorded a material lift in export volumes of 32 percent. However, an equally large fall in prices meant that export revenue increased by only 0.2 percent.

In the first three quarters of 2024/25 export revenue from the other dairy products category recorded a 13 percent lift, largely driven by price gains as export volumes increased by just 1 percent.

Notably, infant formula exports made a strong rebound over the first three quarters of 2024/25. Export revenue increased by 18 percent, driven entirely by an 18 percent increase in export volumes. This follows a 20 percent decline in export revenue and 29 percent decline in export volumes during the first three quarters of 2023/24. The earlier decline in export volumes was mainly driven by increased competitive pressures in China's infant formula market, due to declining birth rates, tighter regulation, stronger domestic manufacturers, and increased acceptance of domestically manufactured product by Chinese consumers. Although product price remains weak, the recovery in infant formula export volumes in 2024/25 suggests that New Zealand products can compete well in China's highly competitive infant formula market.

Over the outlook period, demand for New Zealand dairy products from China is likely to remain strong. Weak domestic milk production in China and tight exportable surplus in key exporting regions, such as the EU, should result in growing import demand for New Zealand products over 2025/26. Additionally, if high tariffs on US dairy products to China are made permanent, New Zealand products become more competitive. However, a slowdown in China's economic growth in 2025 and 2026, driven by macroeconomic factors such as US trade policy, could dampen dairy consumption. This decline in demand may offset import demand for New Zealand dairy products and lead to a softening of global dairy prices.

Farmgate milk price expected to reach record high in 2024/25

The lift in global dairy prices is expected to result in a record high farmgate milk price this season (Figure 19). New Zealand's all-company average kgMS payout for the 2024/25 season is forecast to be $10.00 per kgMS. This payout would be the highest on record in nominal terms, reflecting a 27 percent increase compared with the previous season. In addition to the farmgate milk price, farmers who supply milk to dairy cooperatives they own, such as Fonterra, are likely to receive additional dividend payments. Dividend payments are also expected to be strong this season in line with forecast earnings per share.

The current forecast milk price is a considerable increase from early-season projections. Fonterra's opening forecast on 29 May 2024 was a mid-point of $8.00 per kgMS, with a range of $7.25–8.75 per kgMS. The current milk price forecast, lifting above the upper end of the range, reflects an improvement in global dairy demand conditions and market outlook.

The rise in the farmgate milk price is boosting farmer confidence and profits, even as farming businesses continue to face elevated input costs. New Zealand dairy farmers have experienced considerable inflationary pressures over the previous three seasons, but the rate of price increases has slowed significantly over the past 12 months. Dairy farm expenses have decreased slightly by 1.0 percent in the year to 31 March 2025. This follows a 0.5 percent increase in the year to 31 March 2024 and 13.2 percent increase in the year to 31 March 2023.

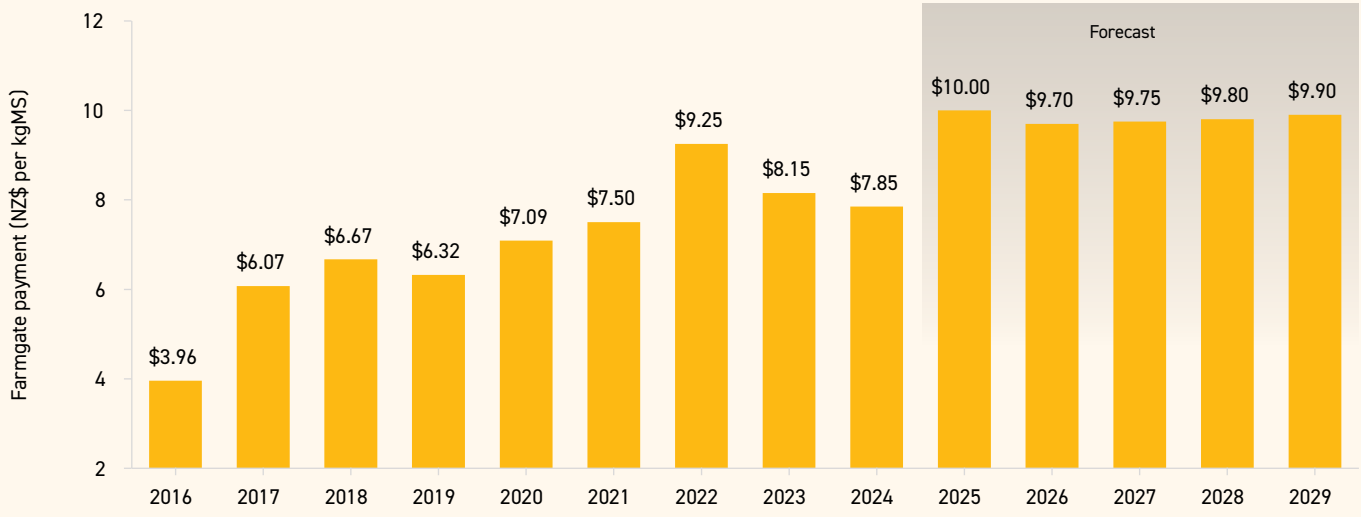
Interest rate expenses can have a material impact on farm profitability, as they account for about 20 percent of dairy farm expenses. In the year to 31 March 2024, interest rate-related expenses increased by 7.5 percent. This follows a 50 percent increase in interest rate expenses in the year to 31 March 2023. The surge in interest rate-related expenses has substantially slowed down, decreasing by 14.2 percent in the year to 31 March 2025. The decline in interest rates is likely to fully flow through next season, supporting profitability.

The average break-even milk price is a measure of how an average dairy farm can meet cash expenditure items. According to DairyNZ, the break-even milk price for a typical owner-operator dairy farm, last updated on 14 March 2025, has increased from around $6.54 per kgMS in 2020/21 to about $8.50 per kgMS in 2022/23 (Figure 20). For the 2024/25 season, the break-even milk price is expected to be $8.54 per kgMS. The higher farmgate milk price combined with a similar break-even milk price is expected to support a solid lift in farm profitability in the 2024/25 season. The break-even milk price is forecast to remain at a similar level ($8.57 per kgMS) in the 2025/26 season.

The farmgate milk price is forecast to remain at similar levels in 2025/26, with a mid-point[13] of around $9.70 per kgMS and a broad range of $8.60–10.80 per kgMS. The recent milk price futures for the 2025/26 season of $9.70 per kgMS, as well as Fonterra's fixed milk price offering of $9.60 per kgMS, suggest a strong milk price for the 2025/26 season. However, farmgate milk price uncertainty, which is reflected in the broad price range, remains high due to global macroeconomic policy concerns, driven by US trade policy. A weakening in farmgate milk price could lead to a decline in profitability, as the break-even milk price is expected to remain elevated next season.

Figure 19: Farmgate milk price forecast to hit record high in 2024/25 season

Year to 31 May, farmgate payment, NZ$ per kgMS



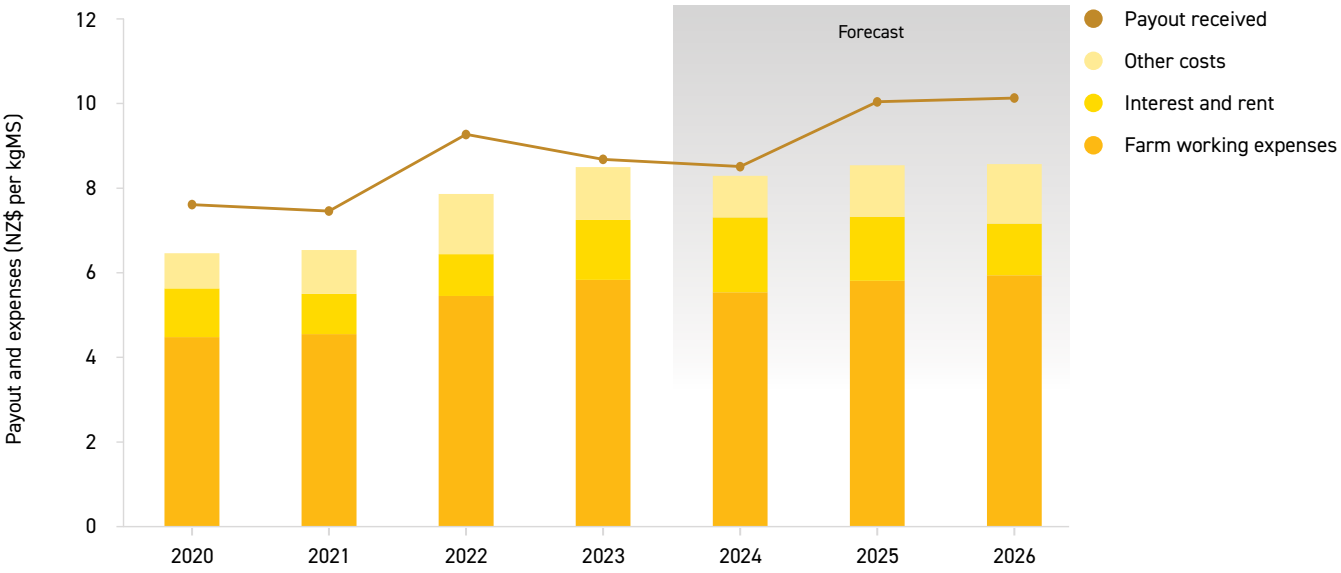
Farmgate milk price excludes dividend and capital repayments.
Source: DairyNZ and MPI.

13 The mid-point is based on season average prices of key reference dairy commodities that inform the milk price, specifically whole milk powder, which are forecast to be similar to 2024/25 levels.

The record-high farmgate milk price this season, combined with a strong milk price in two of the previous three seasons and high dividend payments (including capital repayments) for Fonterra suppliers, suggests that farmer balance sheets should be well positioned to withstand potential global macroeconomic shocks in 2025/26. However, as input costs are expected to remain high, farm profitability will likely remain under pressure next season. In response, farmers are likely to maintain a strong focus on managing costs and be extra cautious with their expenditure next season.

Figure 20: Average dairy farm break-even milk price forecast to remain elevated

Year to 31 May, payout and expenses, NZ$ per kgMS



DairyNZ data as at 14 March 2025.
Source: DairyNZ and MPI.

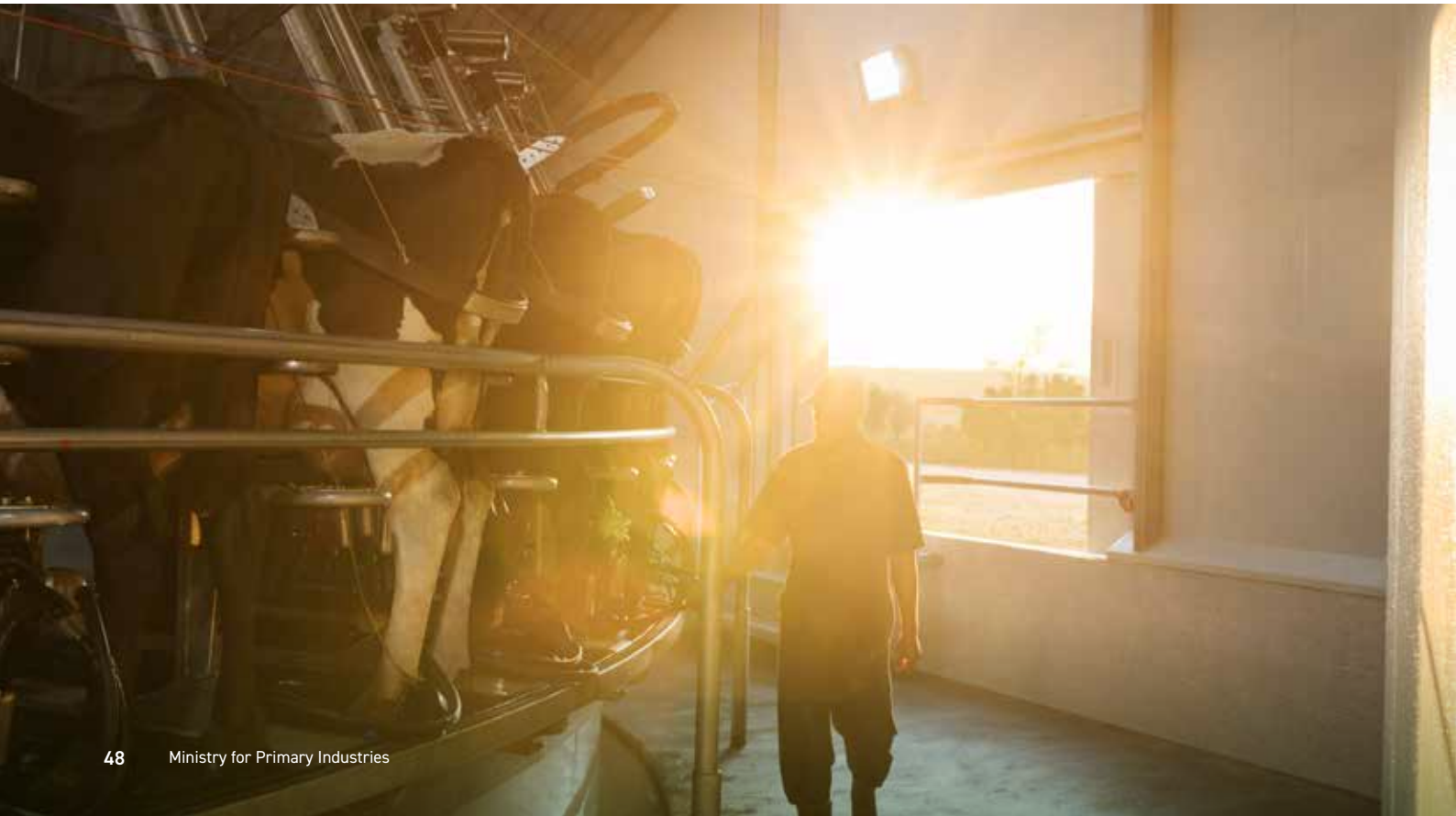


Table 3: Cows or heifers in calf or milk, milk prices, volumes and revenue 2021–29

Year to 30 June

	Actual				Forecast				
	2021	2022	2023	2024	2025	2026	2027	2028	2029
Cows and heifers in calf or in milk (millions)	4.90	4.84	4.67	4.70	4.70	4.70	4.70	4.70	4.70
Milksolids production (million kg)	1,947	1,868	1,873	1,883	1,925	1,940	1,960	1,975	1,990
Milksolids per cow (kg of milksolids)	397	386	390	401	410	410	415	420	420
Milk price (cents per kg of milksolids)	750	925	815	787	1,000	970	980	980	990
Total export revenue (NZ$ million)	**19,055**	**21,998**	**26,008**	**23,231**	**27,010**	**27,800**	**28,270**	**29,230**	**30,130**
Total export volume (000 tonnes)	**3,624**	**3,346**	**3,526**	**3,553**	**3,570**	**3,570**	**3,710**	**3,785**	**3,825**
Average export price ($ per kg)	**5.26**	**6.58**	**7.38**	**6.54**	**7.55**	**7.80**	**7.60**	**7.70**	**7.90**

Source: DairyNZ, Stats NZ, and MPI.

Water as an enabler of economic prosperity

The Government has a goal of doubling the value of New Zealand's exports by 2034. Our food and fibre sector will have a significant part to play in achieving this goal as our biggest exporter.

An important enabling infrastructure to unlock is water capture and storage. It is well known that New Zealand has a reputation for abundant water resources. Typically, food and fibre growth has matched availability of this resource. However, as the climate changes, growing techniques improve, and understanding of our environment grows, the need to better harness and protect our water resources has become even clearer.

Unlocking water capture and storage

Investment in water capture, water storage, and improving efficiency is key to achieving higher value from production. Reliability of water application at the right time of the plant growing cycle enables higher investment in fruit and vegetables, which also leads to more commercial activity, jobs, regional services, and stable communities. To improve water reliability, we need to improve water availability through storage.

MPI is working with Kānoa – Regional Economic Development & Investment Unit (Kānoa) to identify and support water projects, primarily through capital investments. These storage projects not only strengthen ongoing food and fibre sector activities regionally but also incentivise a shift to higher-value land uses. The aim is to help projects develop in the early stages of construction when the risks are higher and the returns are yet to be realised.

MPI is also working with industry and water resources researchers to map regions where there is potential for additional water availability and what infrastructure is needed to grow more food and fibre. By unlocking water availability, we can unlock the potential of our soils, better manage nutrient application, and positively support environmental limits.

about
900,000
hectares

Building our future through water storage

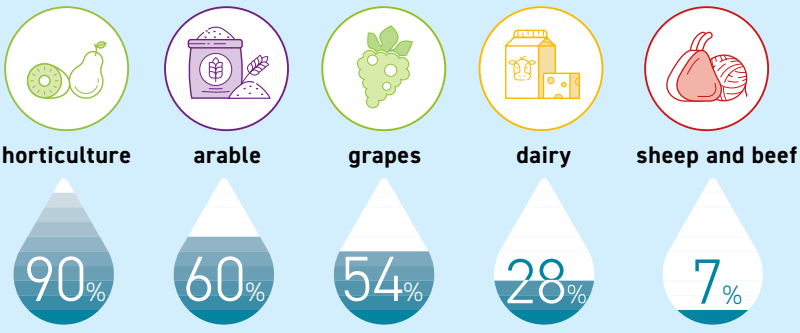
Water storage solutions are being enabled through the Regional Infrastructure Fund, which is administered by Kānoa. On farm/orchard storage is also part of the solution.

Enabling regulations to allow building on-farm storage within New Zealand Building Code limits and supporting activities to store water will help farmers and growers insulate against changing climatic conditions and support adopting the best management practices and solutions to increase productivity while farming within limits. By enabling the 4Rs[14] additional areas could be irrigated without substantially increasing pressures on our water resources. Water storage infrastructure plays a key role in enabling the 4Rs.

MPI, with support from Kānoa, is mapping out the water needs for productive use, working with regional authorities to support farmers and growers and to enable new water infrastructure projects.

Unlocking the power of water unlocks choices for farmers and growers, which leads to greater investment and better application. This enables New Zealand to continue providing world-leading food and fibre.

Produced under irrigation



Source: Irrigation NZ and Stats NZ.

Adding value through land use diversity and flexibility

Increasing irrigated land will improve economic returns. A review by NZIER in 2014[15] equated irrigated land to approximately $3,500 per hectare in increased farmgate revenue in 2014[16] values – around $3.1 billion in additional returns to farmers using the 720,000 hectares irrigated (current estimation 900,000 hectares irrigated). Extrapolating this by an additional 33 percent has the potential to return an additional $1.4 billion of farmgate revenue to existing farm systems.

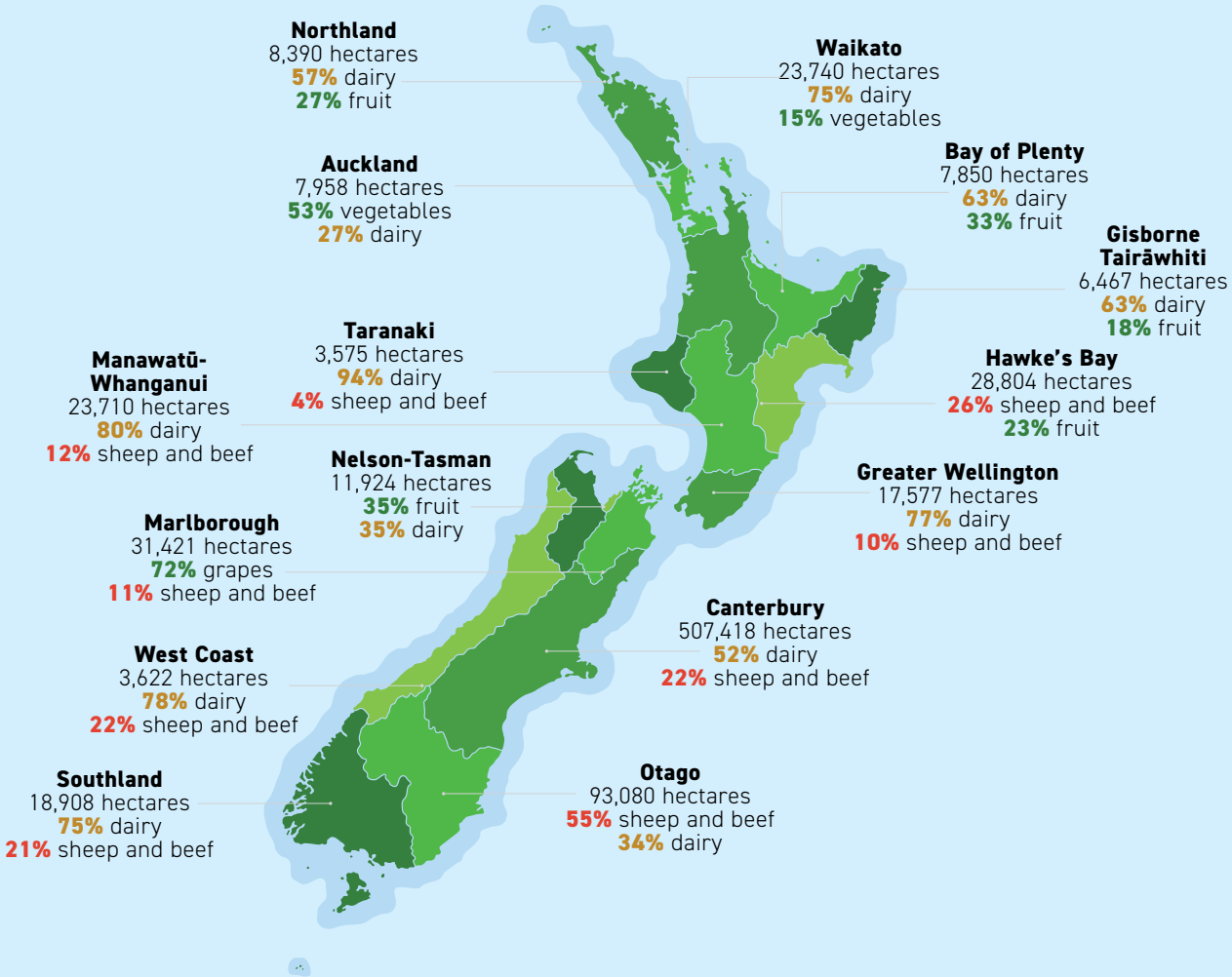
The strength of our food and fibre sector is its ability to bolster a diversity of land-use activities supported by an enabling water security (Figure 21). The sector's ability to diversify and be resilient and flexible is threatened by a changing climate. Water storage provides a sustainable pathway to store water from supply-rich periods and make it available during periods of high demand.

Irrigation by the numbers

Less than 2 percent of New Zealand's land is irrigated. This represents 900,000 hectares or 9 percent of our land used for land-based food and fibre sector activities. The amount of land available to farmers has reduced by around 14 percent due to growth in housing, industry, transport and forestry, which makes it more important to utilise the land available. Mapping across New Zealand and looking at available allocation, we estimate a further 300,000 hectares could be irrigated. This would still only take the total amount to less than 3 percent of total land or 13 percent of horticultural and agricultural land. This expansion is possible through a combination of state-of-the-art technologies that enable improved land, water, and nutrient use efficiencies as well as targeted investments in infrastructure that enable secure resource access.

Figure 21: Regionally, irrigation in New Zealand supports the production of a diverse range of food and fibre sector products

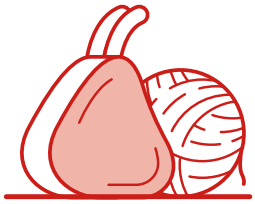
Major land uses and areas irrigated



Source: Irrigation New Zealand, Stats NZ, and MPI.

14 The 4Rs stands for right amount at right place for right crops at right time.
15 NZIER, Value of irrigation in New Zealand. (2014).
16 Based on 720,000 hectares irrigated (NZIER, 2014). These numbers are expected to be larger when reviewed using today's commodity prices, particularly with increased value in new varieties of apples and kiwifruit.

Meat and wool



- Meat and wool export revenue is expected to increase 8 percent to $12.3 billion in the year to 30 June 2025, driven by higher export prices for most meat and wool exports as well as higher export volumes of mutton, fats and oils, other animal co-products, processed meat, and carpets and other wool products.
- Tighter global beef and lamb production is lifting prices and offsetting economic challenges in China. Higher prices are also offsetting lower beef and lamb export volumes. A weaker NZD against the USD is also strengthening export prices and farmgate returns.
- The average farm profit before tax for the 2024/25 season for all classes of sheep and beef farms is expected to increase 89 percent to $106,500 per farm.
- Looking to 2025/26, export revenue is forecast to continue to grow, with a 3 percent increase to $12.7 billion due to improving demand and constrained global beef exports supporting prices. Uncertainty is elevated due to geopolitical tensions and shifting trade policies.

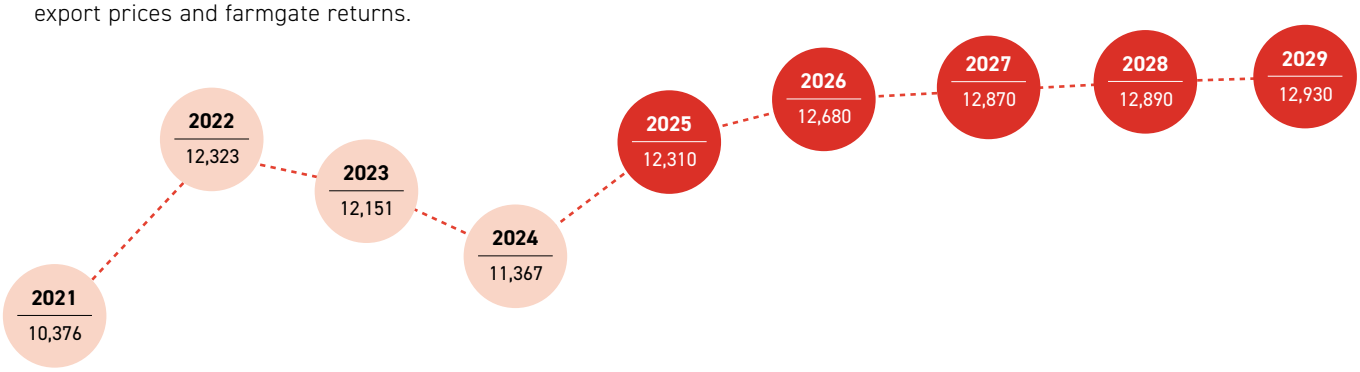


Table 4: Meat and wool export revenue 2021–29

Year to 30 June, NZ$ million

	Actual				Forecast				
Product	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Beef and veal	3,596	4,581	4,597	4,397	4,860	5,150	5,230	5,120	5,030
Lamb	3,161	3,600	3,363	3,179	3,460	3,480	3,520	3,580	3,650
Mutton	695	703	570	407	560	550	570	580	580
Wool	395	437	400	448	460	460	460	450	450
Venison	150	170	197	195	190	190	190	190	190
Other meat*	612	701	679	691	710	730	740	750	760
Hides and skins	202	295	301	272	250	250	250	260	260
Animal co-products	827	930	1,069	954	960	970	970	970	970
Animal fats and oils	179	281	274	171	200	210	220	220	230
Animal products for feed	449	521	589	553	550	580	620	660	710
Carpets and other wool products	109	103	113	101	110	110	110	110	110
Total export revenue	**10,376**	**12,323**	**12,151**	**11,367**	**12,310**	**12,680**	**12,870**	**12,890**	**12,930**
Year-on-year % change	**–2%**	**19%**	**–1%**	**–6%**	**8%**	**3%**	**1%**	**0%**	**0%**

* Includes edible offal, processed meat, and poultry.
Values for animal co-products have been updated due to additional products being added to the category by MPI.
Totals may not add up due to rounding.
Percentages are rounded to the nearest whole percent.
Source: Stats NZ and MPI.

Top 10 meat and wool export destinations

Year to 31 March 2025, NZ$ million

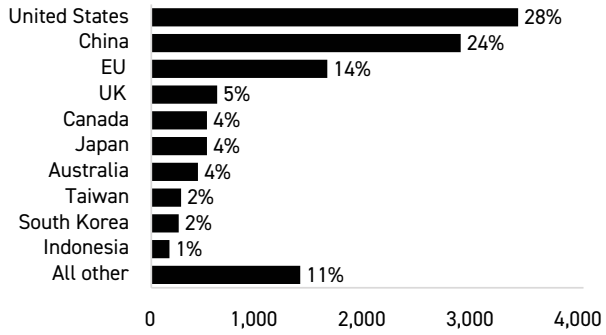
Product	Export revenue (NZ$ million)	% of total
Beef and veal	4,697	39%
Lamb	3,366	28%
Mutton	538	4%
Wool	469	4%
Venison	194	2%
Other meat	722	6%
Other animal products*	2,038	17%
Total	**12,024**	**100%**

* Includes animal co-products, animal fats and oils, animal products for feed, carpets and other wool products, and hides, leather and dressed skins.
Totals may not add up due to rounding.
Source: Stats NZ.

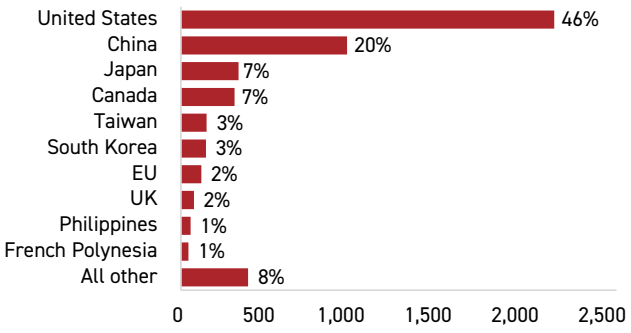
Top meat and wool export markets

Year to 31 March 2025, NZ$ million and percent

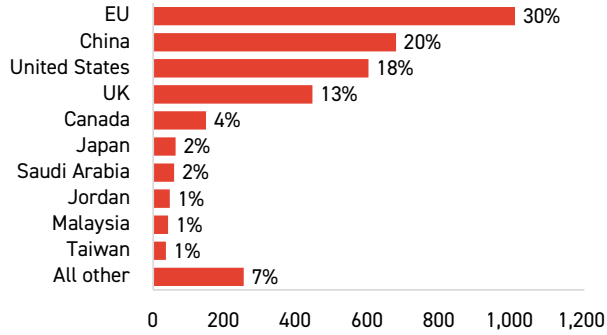
Total meat and wool products



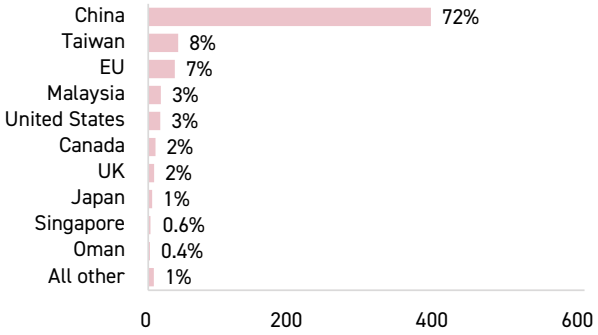
Beef and veal



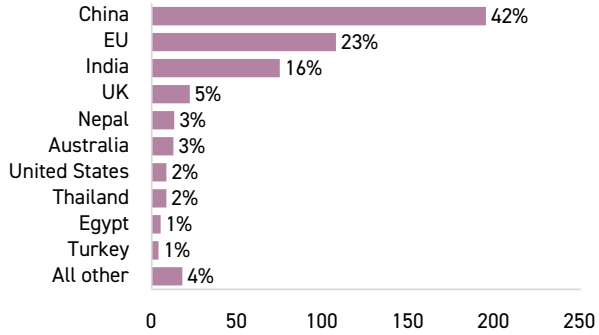
Lamb



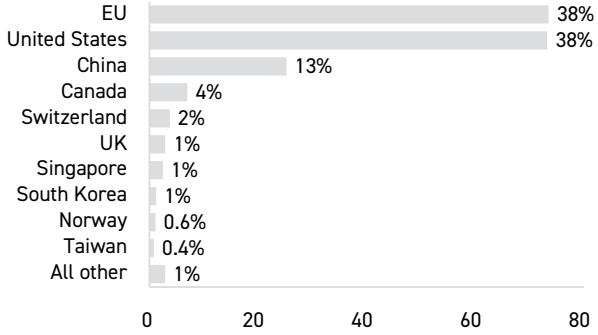
Mutton



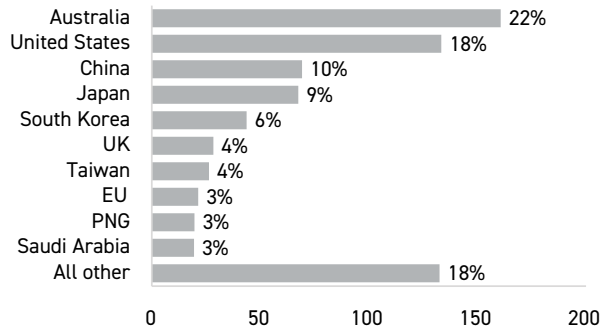
Wool



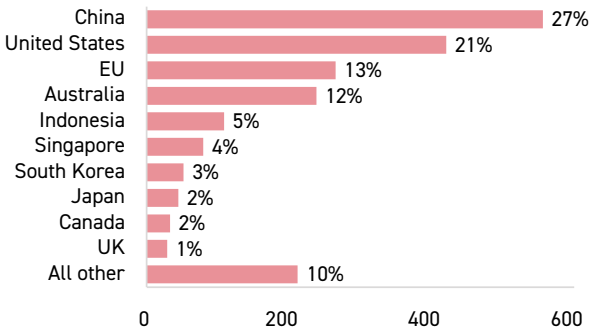
Venison



Other meat



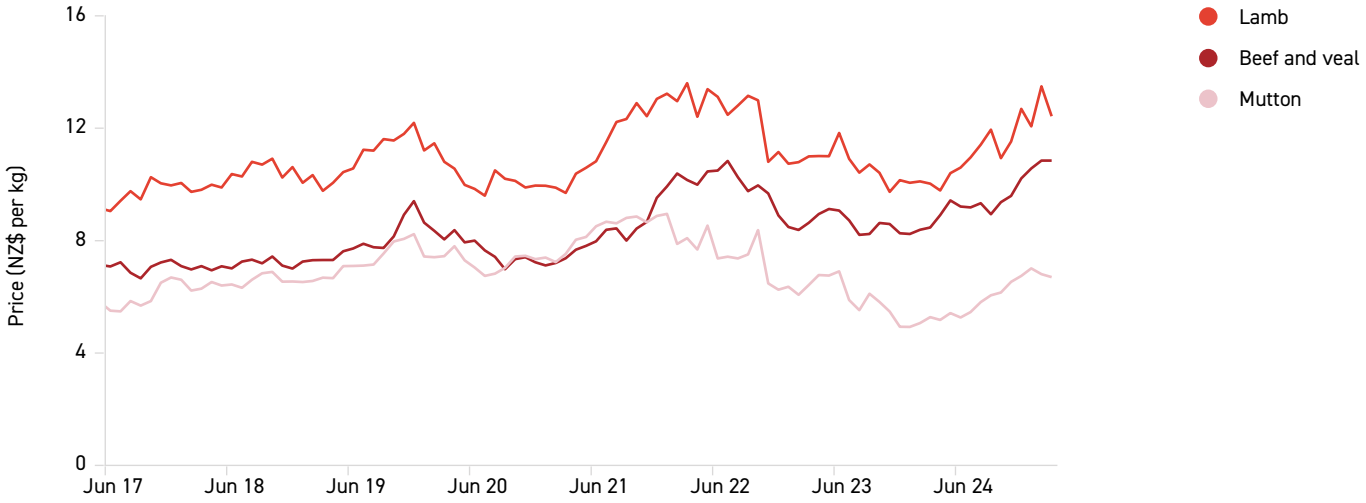
Other animal products



Source: Stats NZ.

Figure 22: Key meat export prices improve in 2024/25

Monthly export prices, last observation is March 2025, NZ$ per kg



Source: Stats NZ.

Tighter global meat production and strong demand are lifting prices

Meat and wool export revenue is expected to increase 8 percent to $12.3 billion in the year to 30 June 2025 despite lower beef and lamb export volumes. Rising export revenue is being driven by tighter global beef and lamb production lifting prices and has also been supported by a weaker NZD against the USD.

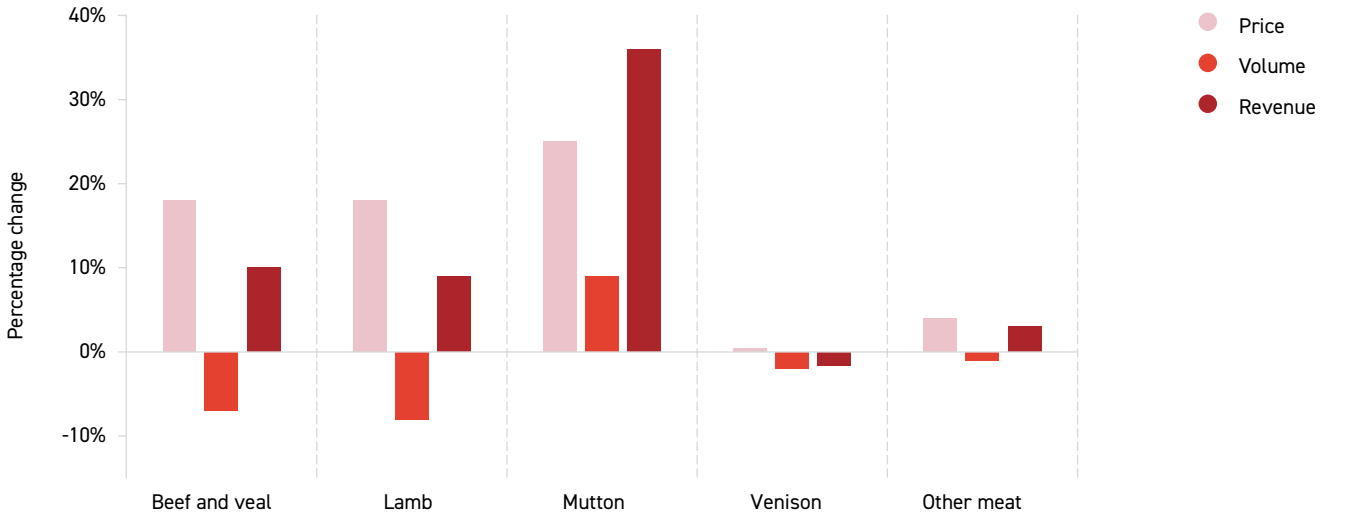
The expected rise in export revenue follows a 6 percent dip in 2023/24, which was driven by export prices bottoming out (Figure 22). Headwinds in 2023/24 included higher global red meat production and exports, slower economic growth in China, elevated inflation and interest rates, geopolitical and shipping uncertainty, and rapid changes in weather conditions.

As global red meat production tightens further into the medium term and red meat demand increases, export prices for beef and veal, lamb, and mutton are expected to increase in 2025/26 due to higher demand, especially from the US despite the introduction of additional tariffs on New Zealand's imports.

New Zealand's beef and lamb export volumes are expected to decrease in 2024/25 (Figure 23) due to lower lambing rates and fewer breeding ewes. For beef, both production and exports are expected to decrease in 2024/25 due to lower bull and cow slaughter.

Figure 23: Overall meat export revenue expected to increase in 2024/25, driven by higher prices

Year to 30 June, 2024 compared with 2025, forecast change in export prices, volumes, and revenue



Source: Stats NZ and MPI.

Looking to 2025/26, meat and wool export revenue is forecast to increase 3 percent to $12.7 billion due to prices increasing for most products. Prices are forecast to recover with increased demand from the US (despite tariffs) due to lower domestic production as well as improvements in other key markets, including Europe. Export volumes for beef are forecast to lift slightly in 2025/26, while lamb and mutton volumes are forecast to fall. The longer-term outlook for meat demand and prices is robust, with continued tight supply (herd rebuilding in key beef-producing countries and flock rebuilding in Australia), global population growth, and increasing meat consumption per capita in low and medium-income countries supporting prices.

Wool export revenue is forecast to increase due to improved demand in key markets and positive currency impact. For 2024/25, limited supply is likely to push export prices to rise for all types of wool.

Cattle livestock numbers expected to remain stable while sheep numbers fall

Overall livestock numbers are continuing to fall, with beef and dairy cattle forecast to remain relatively stable and sheep numbers forecast to fall in 2024/25 and over the longer term (Table 5). The decline in sheep numbers is driven by competition for farmland for afforestation (carbon farming), urbanisation, and freshwater regulations as well as a slight switch towards beef cattle, which are relatively more profitable. Productivity improvements such as steadily increasing lambing rates are helping to partially offset impacts on lamb production volumes. Genetic gain within the beef industry (including dairy-beef calves) is expected to be supported by the development of a New Zealand-based beef genetics evaluation platform.

Table 5: Livestock numbers 2021–29

As at 30 June, million head

	Actual				Forecast				
	2021	2022	2023	2024	2025	2026	2027	2028	2029
Total cattle	10.2	9.7	9.6	9.5	9.6	9.6	9.6	9.6	9.6
Beef cattle	4.0	3.8	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Dairy cattle	6.2	5.9	5.9	5.8	5.9	5.9	5.9	5.9	5.9
Total sheep	25.7	25.1	24.4	23.6	23.2	22.9	22.7	22.6	22.5
Breeding ewes	16.3	15.4	14.8	14.6	14.4	14.4	14.3	14.2	14.1
Lambs marked and/or tailed	22.9	22.0	21.0	21.0	19.3	19.9	19.8	19.8	19.8
Total deer	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7

Source: Stats NZ and MPI.

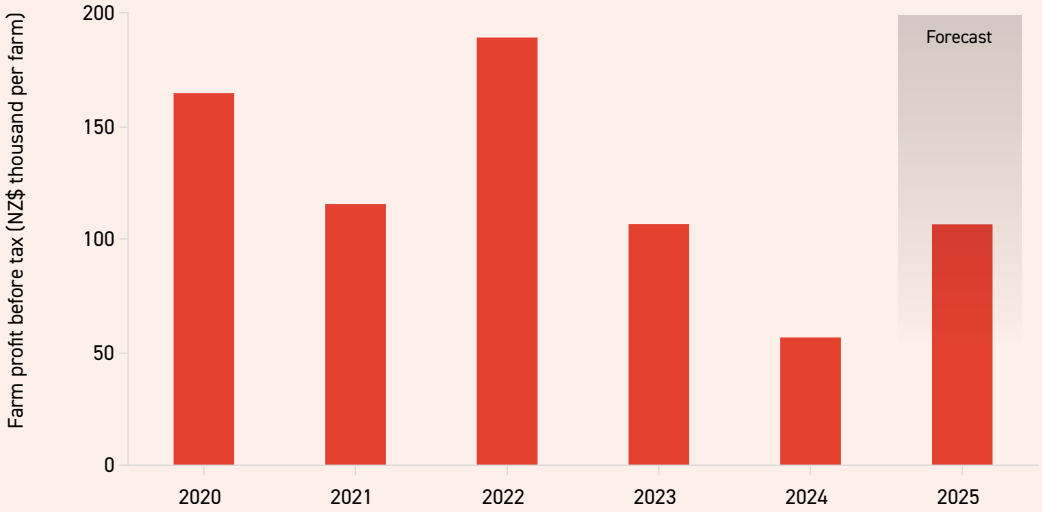
Farm profitability is expected to improve

In 2024/25, the average farm profit before tax for all classes of sheep and beef farms is expected to increase 89 percent to $106,500 per farm, following a fall in 2022/23 and 2023/24, according to Beef + Lamb New Zealand (Figure 24). This increase is driven by higher farm revenue more than offsetting higher farm expenditure. This expected rise in profitability follows a 47 percent fall in the season prior to one of the lowest levels ever. The recovery of farm profit will vary and depend on debt levels, timing of fixed-term mortgages coming up for renewal, climatic conditions, including drought and storms, and livestock on hand. Farmers are expected to increase expenditure on fertiliser, repairs, and maintenance as they catch up from deferred expenditure in these areas over the past couple of years. Previous reductions in fertiliser applications due to squeezed profits are likely to affect productivity over the outlook period. Farm profit before tax is used to meet taxation payments, personal drawings, debt repayments, and the purchase of farm capital items. Farm profitability is forecast to improve in 2025/26 due to continued strong demand and higher prices for key products.

In 2024/25, farmgate schedule prices are expected to improve significantly, with cattle schedule prices expected to reach a record high. Prices are being driven higher by strengthening export prices in key markets and elevated procurement competition between processors. Fewer lambs and cattle have been sent for slaughter due to lower lambing rates, fewer breeding ewes, and fewer dairy beef calves raised in 2022/23.

Figure 24: Sheep and beef farm profitability is expected to improve

Year to 30 June, NZ$ thousand per farm



Data for 2024 are provisional.
Source: B+LNZ.

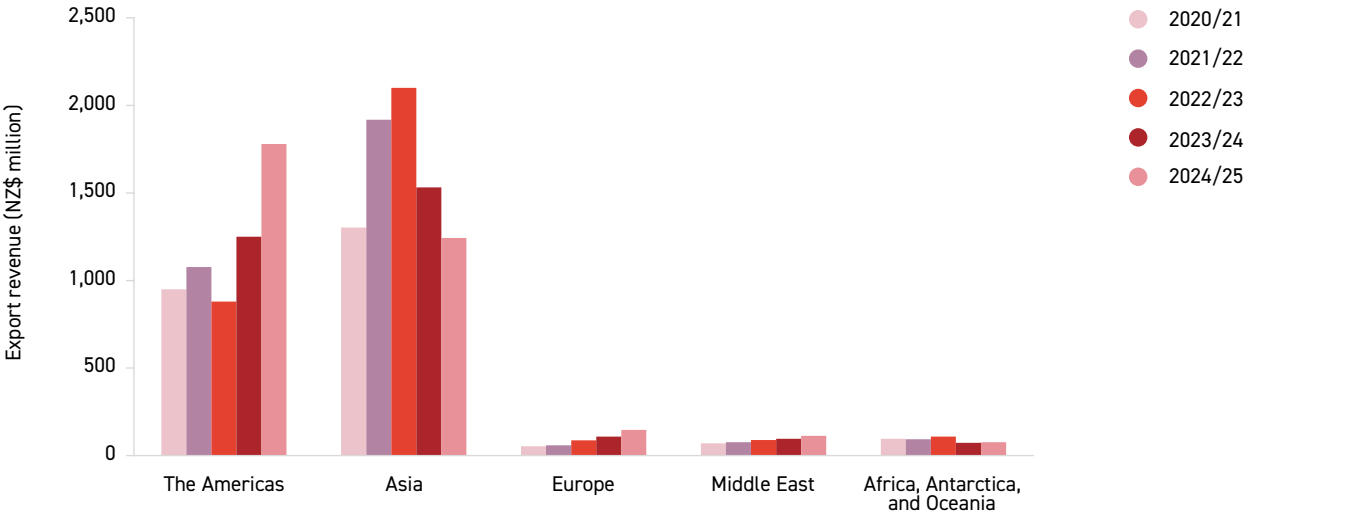
Strong demand from North America and Europe offsetting weaker demand from China

Geopolitical tensions and resulting trade policy changes are altering global meat trade dynamics, leading to changes in global import and export demand, exchange rates, prices, and the timing of trades. This trade turbulence is happening in the context of tight global beef supply, which is leading to tariffs having a different impact from that which would occur if global beef supplies were abundant. Any diversion of New Zealand products from the US to alternative markets such as other North American markets, Europe, and Asia in response to tariffs is likely to result in lower prices received by exporters and farmers. Lamb products are more likely than beef to be partially diverted to alternative markets due to the beef shortage in the US, which is New Zealand's largest beef export destination.

Overall, tariffs are expected to be more than offset by demand and the value of the NZD so that New Zealand meat and wool export prices improve in 2024/25 and 2025/26. Tariffs are expected to be a headwind in the medium term due to slower global growth and weaker consumer confidence and demand. A raft of global trade deals are expected to be agreed in the short term, which will affect product flows and the forecast numbers.

Figure 25: Increase in beef and veal export revenue to the Americas, Europe, and the Middle East

Nine months to 31 March, beef and veal export revenue by region, NZ$ million



Source: Stats NZ and MPI.

Robust North American beef demand expected to continue

Meat demand in the US continues to be strong (Figure 25) but with increased uncertainty due to global trade tensions. Elevated demand for imported beef from the US remains the key driver of global beef markets. The US cattle herd has dropped to record-low numbers, creating a shortfall in domestic lean beef production. Due to this shortage, other key markets are struggling to compete with the US as its elevated demand pulls beef imports in via high beef prices.

Indirect tariff impacts are likely to affect New Zealand meat exports more than direct tariff impacts. Direct tariff impacts on New Zealand are likely to be limited. New Zealand's lean beef, which accounts for approximately 85 percent of export volumes to the US, is expected to continue to be in high demand. This is because it remains a key input for the production of ground beef, which has many applications – particularly in hamburger patties sold in quick service restaurants. Beef demand from the US is expected to remain high over the next couple of years as the country's beef cattle herd is rebuilt, supporting forecast record high prices. Indirect impacts such as lower consumer confidence and slower global economic growth as well as exchange rate fluctuations are likely to affect meat demand over the medium term.

Lamb demand in the US has significant potential for growth over the outlook period as more consumers are introduced to the product. However, US lamb imports are expected to be affected by tariffs and the ensuing impact on consumer confidence, as lamb is still an emerging product in the US with a higher price point. A slight dip is expected in US import demand into 2025/26, with some lamb exports shifting to Europe and the Middle East as a result.

Beef demand from Canada is expected to remain elevated due to its long-term herd contraction and higher numbers of live cattle being exported to the US for processing.

Strong lamb demand from Europe

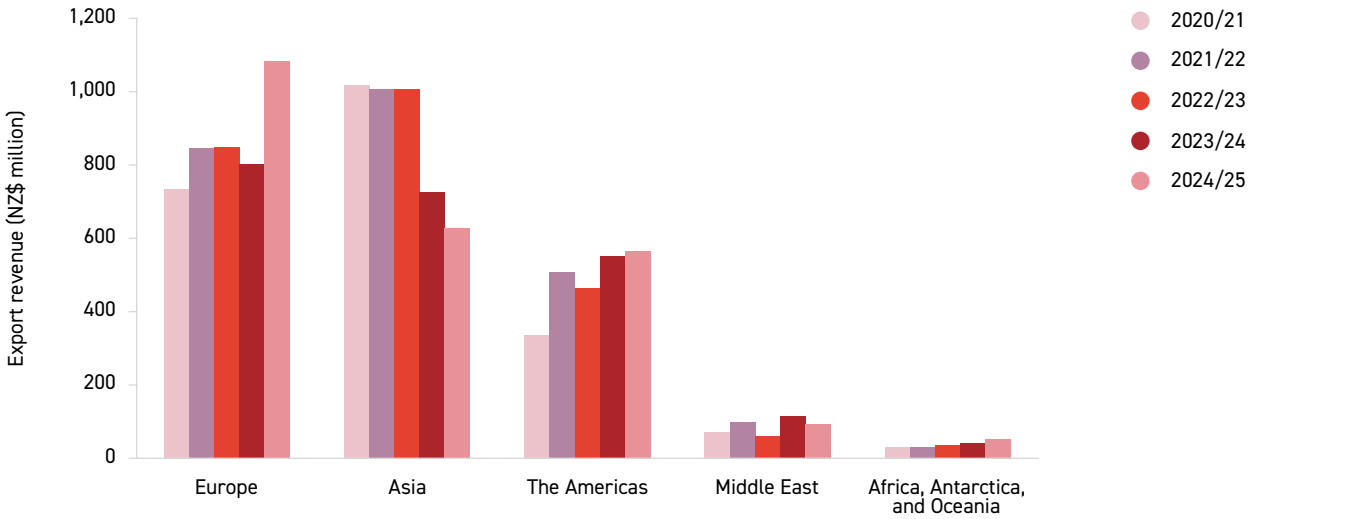
Strong lamb demand in Europe (Figure 26) is keeping upward price pressure on key lamb cuts, which is being reflected in higher export prices and volumes as well as higher spot market lamb schedule prices. This increased demand is driven by low domestic sheep meat production as well as a pickup in tourism in the EU. Both the UK and EU are experiencing lower sheep meat production due to structural decline. As a result, sheep meat export volumes and prices to Europe are expected to grow in 2024/25 and over the medium term on the back of lower domestic production.

Under the NZ-UK FTA, beef exports to the UK continue to expand due to increases in the size of FTA quota access. Since the NZ-UK FTA came into force in 2023, beef export volumes grew by 155 percent in the nine months to 31 March 2024 and a further 61 percent in the nine months to 31 March 2025 compared with the previous years. The UK accounted for just over 1 percent of New Zealand's beef exports by volume over this period, with the US (accounting for 40 percent) and China (accounting for 27 percent) remaining the two largest export destinations. Beef trade will be fully liberalised after 15 years. The volume of sheep meat exports to the UK is not forecast to change as a result of the FTA because sheep meat is well below the quota volume and already duty free.

The NZ-EU FTA provides some additional beef access over time at a 7.5 percent duty. The NZ-EU FTA is unlikely to lead to a significant increase in red meat exports but provides improved commercial opportunities in this heavily protected market.

Figure 26: Increase in lamb export revenue to Europe and the Americas

Nine months to 31 March, lamb export revenue by region, NZ$ million



Source: Stats NZ and MPI.

For 2025/26, lamb export volumes and values to Europe are forecast to continue to strengthen, with beef continuing to grow from a low base. Uncertainty in Europe remains elevated due to geopolitical tensions, including the Russia-Ukraine conflict.

Weaker Chinese demand for beef and lamb

Slower growth in China as well as a weaker CNY against the USD has put downward pressure on demand in 2024/25 and is likely to continue in the short term. On the other hand, mutton demand has strengthened due to lower domestic production in China as well as China rebalancing its inventories and customers trading down to mutton. Looking ahead, elevated geopolitical turbulence (including tariffs) is likely to slow China's economic recovery, putting downward pressure on demand for meat and co-products over the medium term. China's tariffs on the US as well as a lack of US beef exporter registrations being renewed will likely result in lower beef exports from the US to China, with the US increasing exports to Korea. This could create an opportunity for greater exports to China, especially for grain-fed beef, but any opportunity is expected to be filled by Australia. A 10 percent tariff on imports from New Zealand into the US might result in a small additional amount of lamb being exported to China.

Another factor that could influence beef trade flows is China's safeguard investigation on imported beef to assess whether increased beef imports affected domestic beef producers and if any safeguard tariffs are required to alleviate that harm. Any outcome of this investigation is not expected until late August 2025 at the earliest. The introduction of a potential safeguard tariff could affect prices and trade flows. This safeguard investigation was launched in response to pressure from Chinese farmers on the back of low farmgate prices.

Looking to 2025/26, beef and lamb exports to China are forecast to remain lower than the five-year average, driven by slower economic growth and substantial import volumes from Australia and South America. In addition, New Zealand's sheep meat exports into China are also likely to face greater competition from Australia due to an increase in the number of Australian processing plants being approved by the Chinese Government in late April 2024.

FTA progress continues to support growth in other markets

Exports to markets other than China, Europe, and North America tend to be more volatile in response to changes in demand and ensuing competition from other major importers. In 2024/25, beef export volumes to Japan are expected to decline (also influenced by a weaker JPY against the USD) and beef volumes exported to South Korea, Taiwan, and the Middle East are expected to increase. Increased beef exports to South Korea are expected despite the US also increasing exports to this market. Uncertainty is expected to remain elevated in response to the tumultuous geopolitical landscape and resulting changes in trade flows and exchange rates.

Exports to Japan and South Korea continue to be supported by FTAs. An FTA with the GCC is expected to support meat exports as duties are progressively reduced to zero over the next 10 years. The NZ-GCC FTA will complement the Comprehensive Economic Partnership Agreement (CEPA) with the UAE, which is a member of the GCC.

Looking to 2025/26, beef and sheep meat exports to the Middle East are forecast to increase, while beef exports to South Korea are forecast to remain relatively stable and exports to Japan and Taiwan are set to be below their five-year averages.

Globally, ongoing geopolitical tensions, extreme weather, animal disease, inflation, and a focus on food security and sustainability will affect the global meat trade. Downside risks to export revenue include escalating geopolitical tensions, freight challenges, lower-than-expected economic growth, subdued consumer confidence, a greater focus on food security and local production, environmental policies, and higher supplies from key exporting countries. Upside risks include a weaker NZD against the USD, diet changes towards red meat, faster growth in incomes and associated increased consumption of meat, relatively favourable growing conditions in New Zealand, and a faster shift in demand towards lean grass-fed meat.

Beef and veal

Beef and veal export revenue is expected to increase 10 percent to $4.9 billion for the year to 30 June 2025. This increase is driven by an 18 percent lift in prices more than offsetting a 7 percent fall in export volumes. Looking to 2025/26, beef and veal export revenue is forecast to increase 6 percent due to tighter global beef production and higher global beef demand lifting prices as well as a slight lift in volumes.

Beef export prices reach record levels amid tighter global beef supplies

Beef and veal export prices reached record levels in mid-2024/25 (Figure 27) and are expected to grow by 18 percent to $10.25 per kilogram in 2024/25 on the back of tightening global beef supplies. Global beef supplies are expected to be lower in 2024/25 and remain tight in 2025/26, with all major beef exporting countries either in a herd rebuilding phase or beginning to rebuild herds in the short term. Continued tight global beef supplies are forecast to support a 4 percent price increase in 2025/26.

Beef production in the US, the world's largest beef producer, is expected to fall in 2024/25 and 2025/26 as it rebuilds herds. US import demand is expected to remain strong over this period and into 2026/27, with a downside risk of dry weather in the US increasing slaughter rates. Argentina's beef exports are also expected to fall in 2024/25 due to a smaller herd as well as high feed costs driven by a low exchange rate. Argentina's beef production is forecast to rebound in 2025/26.

On the other hand, Australia is expected to increase beef production and exports in 2024/25, driven by high export prices. Following this increase, Australia's beef production and exports are forecast to fall in 2025/26 due to a smaller herd, with a rebuild expected in 2026/27. Brazil's beef production and exports are also expected to increase in 2024/25 before it shifts into a rebuilding phase in 2025/26 on the back of favourable expected growing conditions. Overall, global beef production is expected to tighten in 2024/25 and tighten further in 2025/26, before beginning to steadily expand in 2026/27.

Beef production volumes are expected to fall in 2024/25 and rise slightly in 2025/26

Domestically, beef and veal production in 2024/25 is expected to decrease 6 percent to 700,000 tonnes due to lower slaughter numbers for all animal categories including bull, cow, steer, heifer, and veal (Figure 28). Weights are expected to be similar to last season.

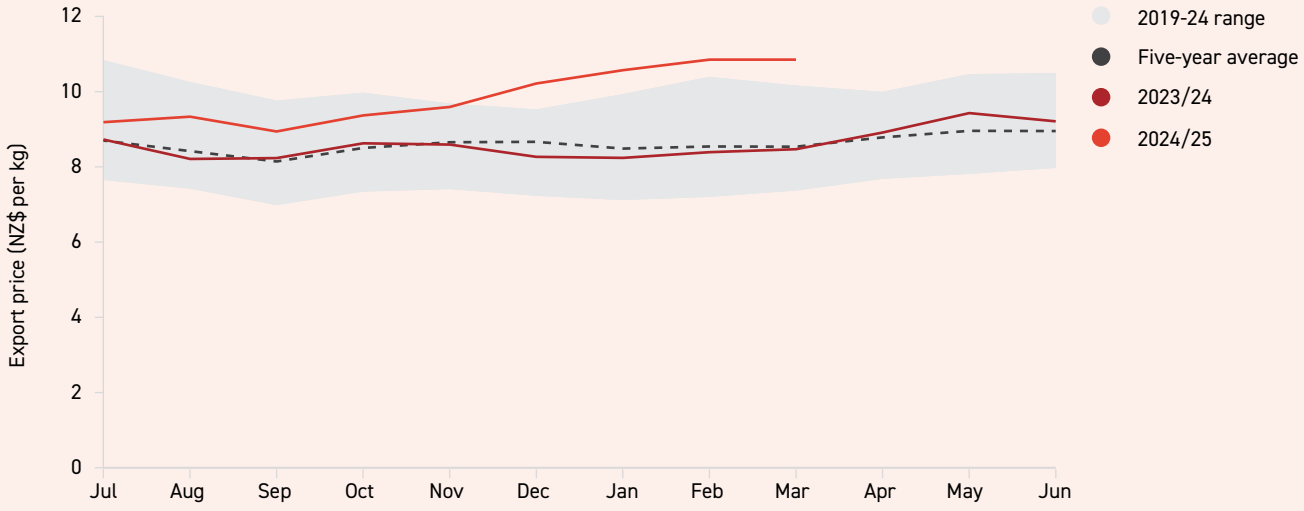
Prime beef production (sourced from beef steers and heifers) is expected to be lower than 2023/24, with a fall in both steer and heifer slaughter. Beef cow and beef bull production are also expected to be lower due to fewer animals being sent for slaughter. Fewer dairy-beef bulls (non-breeding bulls) are expected to be sent to slaughter in 2024/25 due to low profitability two seasons ago.

Dairy heifer and cow slaughter is expected to be lower in 2024/25 due to dairy farmers retaining dairy cattle in response to higher milk prices. Veal production is forecast to decrease in 2024/25 due to greater demand from beef cattle farmers for weaner calves as well as dairy farmers retaining calves to expand milking herds.

In 2025/26, beef production is expected to increase by 3 percent due to a slightly larger beef cattle herd and more cattle slaughtered. Over the remainder of the outlook period, beef and veal production is forecast to remain reasonably stable, dipping slightly in the out years due to lower prices.

Figure 27: Beef export prices hit record highs in 2024/25

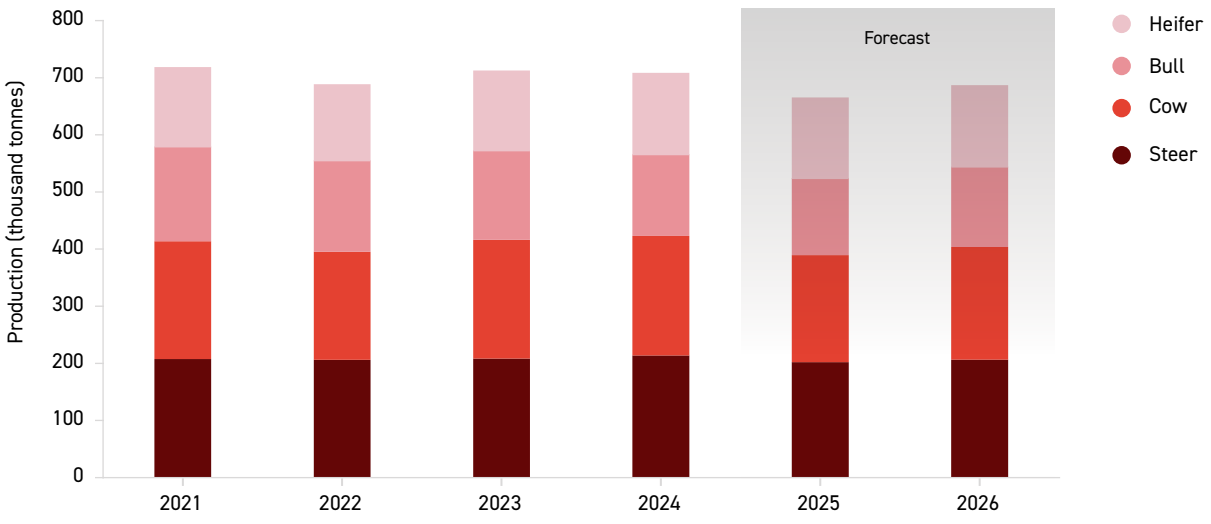
Year to 30 June, monthly export prices, NZ$ per kg



Source: Stats NZ and MPI.

Figure 28: Beef production expected to be lower in 2024/25 due to lower slaughter numbers

Year to 30 June, beef production by animal category, thousand tonnes carcass weight



Source: Stats NZ and MPI.

Table 6: Beef cattle numbers, prices, export volumes, and export values 2021–29

Year to 30 June

	Actual				Forecast				
	2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Total beef cattle (opening stocks in millions)	3.9	4.0	3.8	3.7	3.7	3.7	3.7	3.7	3.7
Production (000 tonnes)	751	721	745	742	700	720	725	725	720
Export volume (000 tonnes CWE)*	677	676	690	710	665	680	685	685	680
Export volume (000 tonnes PW)**	482	483	495	509	475	485	490	490	485
Export price (NZ$/kg PW)	7.46	9.49	9.29	8.64	10.25	10.60	10.65	10.45	10.40
Export value (NZ$ million)	**3,596**	**4,581**	**4,597**	**4,397**	**4,860**	**5,150**	**5,230**	**5,120**	**5,030**

* Carcass weight equivalent of shipped product weight.
** Product weight as shipped.
Source: Stats NZ and MPI.

Lamb and mutton

Lamb export revenue is expected to increase 10 percent to $3.5 billion in the year to 30 June 2025, while mutton export revenue is expected to climb 38 percent to $558 million. The growth is driven by higher export prices for both lamb and mutton and higher export volumes for mutton. Looking to 2025/26, lamb and mutton export revenue is forecast to decrease slightly due to lower export volumes more than offsetting higher export prices.

Lamb production and exports expected to be lower in 2024/25

Lamb production in 2024/25 is expected to decrease by 9 percent to 335,000 tonnes, driven by lower lambing rates and a smaller breeding flock, with some lambs expected to be carried over to 2025/26 (Figure 29).

The lambing ratio for spring 2024 (2024/25 season) is estimated to be 1.20, down from the previous season. The overall number of lambs tailed in the 2024/25 season is estimated to have decreased by 8 percent to 19.3 million head. Although breeding ewes and hoggets were in good condition during mating, snowstorms and wet weather in the South Island impacted lamb survivability. Good farmer preparedness and management of livestock limited losses.

Favourable North Island growing conditions in early 2024/25 saw lambs get to weight earlier than usual. Combined with concerns about drought, this shifted the North Island lamb slaughter earlier in the season than usual. On the other hand, South Island lamb growth was slow, with lambs struggling to reach target weights due to dry conditions. Slow lamb growth in some parts of the South Island is likely to mean some lambs are carried into 2025/26.

Mutton production is expected to be 91,000 tonnes in 2024/25, up 10 percent on the previous year due to a significant increase in adult sheep schedule prices compared with last year and farmers continuing to shift from sheep to cattle (exacerbated by lower lamb survival and slow growth in the South Island in 2024/25). Adult sheep slaughter is forecast to continue to gradually fall in line with a declining sheep flock.

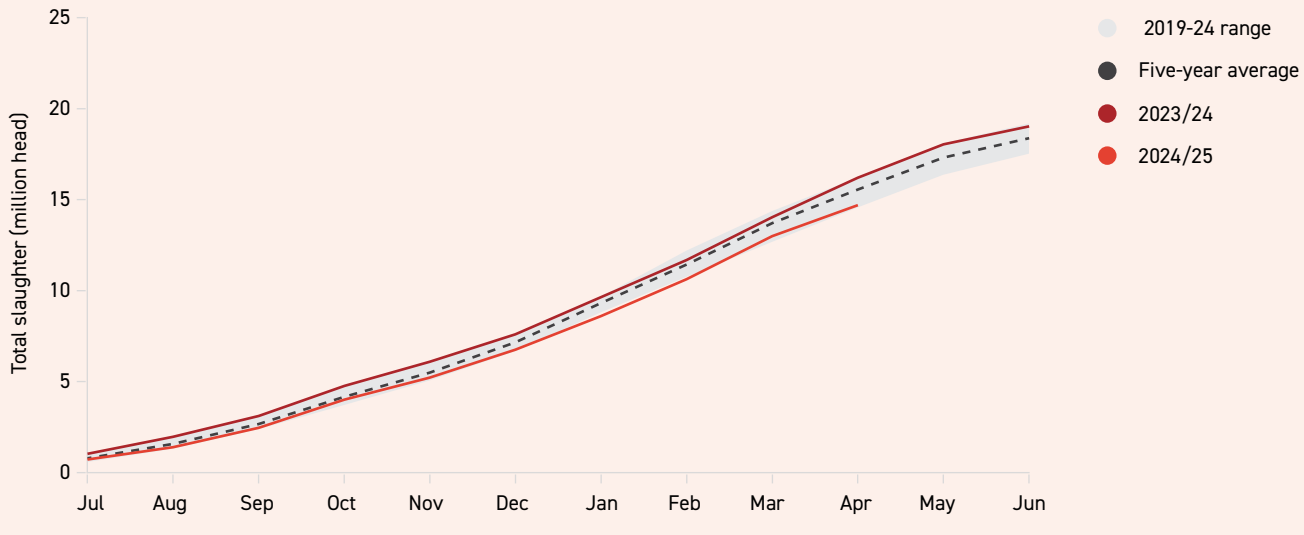
Lamb export volumes are expected to decrease 8 percent to 285,000 tonnes, and mutton export volumes are expected to increase 9 percent to 85,000 tonnes in 2024/25. Over the outlook period, breeding ewes and overall sheep numbers are forecast to continue to fall, driven by afforestation for carbon farming, a continued switch towards beef cattle, an increased frequency of adverse weather events, increasing input costs, low crossbred wool prices, and productivity improvements.

Higher lamb and mutton prices due to robust demand from Europe and the US and lower New Zealand production

Lamb export prices are expected to lift 18 percent to $12.10 per kilogram this year due to solid demand from the US and Europe for most of the season as well as lower supplies in New Zealand. Easter lamb trade was also especially strong in 2024/25. Global lamb supplies are expected to fall in 2024/25 and continue to tighten in 2025/26, with exports from both Australia and New Zealand falling in 2024/25. New Zealand is set to decrease production and export volumes further in 2025/26, supporting prices. Australian production and exports are set to be stable in 2025/26 as lambing rates continue to improve due to the continued switch to meat sheep breeds, which is expected to be partially offset by farmers entering

Figure 29: Decrease in lamb production in 2024/25 due to lower lambing rates and fewer breeding ewes

Cumulative monthly slaughter numbers, million head



Source: MPI.

a flock rebuilding phase. However, dry weather in Australia could put downside pressure on lamb price forecasts due to the potential of higher Australian lamb slaughter volumes.

Mutton export prices are expected to lift by 25 percent to $6.60 per kilogram this year due to higher mutton demand from China, driven by lower domestic sheep meat production in China in 2024, a rebalancing of inventories, and consumers trading down to mutton. Strong demand is offsetting elevated global supplies (higher supplies from both Australia and New Zealand). For 2025/26, mutton export prices are forecast to rise on the back of lower global supplies and solid demand.

Table 7: Sheep numbers, lamb prices, volumes, and revenue 2021–29

Year to 30 June

	Actual				Forecast				
	2021	2022	2023	2024	2025	2026	2027	2028	2029
Total sheep (opening stocks in millions)	26.0	25.7	25.1	24.4	23.6	23.2	22.9	22.7	22.6
Production (000 tonnes)	354	334	341	366	335	335	335	340	340
Export volume (000 tonnes CWE)*	341	303	314	347	320	320	320	320	320
Export volume (000 tonnes PW)**	312	280	292	311	285	285	285	285	285
Export price (NZ$/kg PW)	10.13	12.84	11.52	10.23	12.10	12.20	12.30	12.50	12.70
Export value (NZ$ million)	3,161	3,600	3,363	3,179	3,460	3,480	3,520	3,580	3,650

* Carcass weight equivalent of shipped product weight.
** Product weight as shipped.
Source: Stats NZ and MPI.

Wool and carpets and other wool products

Wool export volumes in the first nine months of 2024/25 were 11 percent lower than the same period last year, but strong prices across all types of wool will likely push up wool export revenue by 3 percent to $459 million in the year to 30 June 2025. The top export markets for New Zealand wool are China, India, Italy, and the UK, which account for about 70 percent of export volumes on average.

Export revenue for carpets and other wool products is estimated to increase 13 percent in the year to 30 June 2025 due to higher export volumes to key markets such as the US and Australia. In 2023/24, these two markets held a 98 percent share of total export volumes.

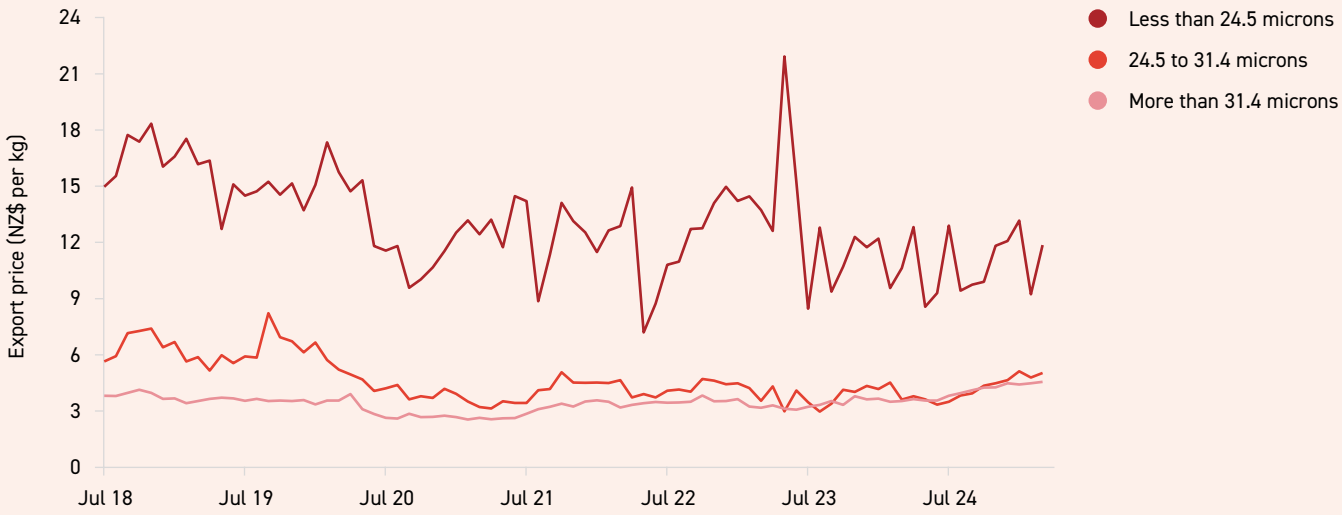
Improved demand supports wool prices

Limited wool supply and a weaker NZD boosting demand from international buyers have been contributing to recent wool price gains. A declining sheep flock and constrained wool supply drove competitive prices in key export markets such as China, India, Italy, and the UK. The average export price across all wool types in the first three quarters of 2024/25 was 19 percent higher than in the same period last year. In March 2025, the strong wool export price was $4.56 per kilogram, 29 percent higher compared with March 2024 (Figure 30).

In 2025/26, lower export volumes are expected, reflecting softer demand due to recent shifts in trade policies, which has prompted caution in global trade. However, with wool export prices forecast to offset lower export volumes, export revenue is estimated to increase 1 percent. Expanding both domestic and international demand is key to sustaining strong export prices and the industry's sustainable growth.

Figure 30: Strong wool export price continues to strengthen

Monthly export price in NZ$ per kg by micron



Source: Stats NZ.

Table 8: Wool prices, volumes and revenue 2021–29

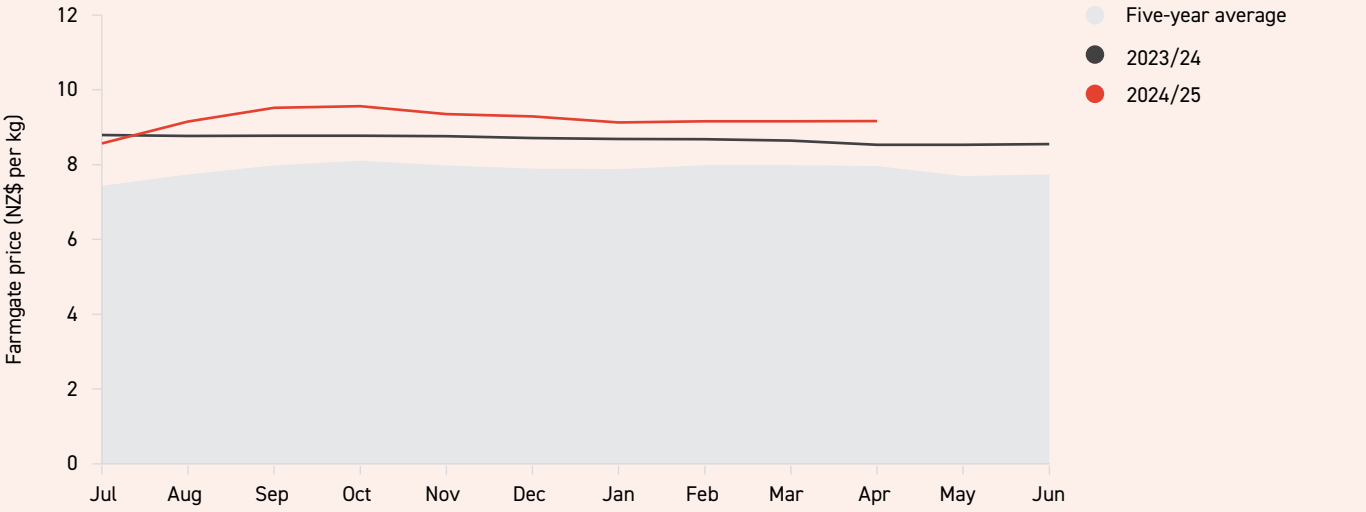
Year to 30 June

	Actual				Forecast				
	2021	2022	2023	2024	2025	2026	2027	2028	2029
Average sale price (cents/kg clean)	347	464	440	460	470	515	520	520	525
Production (000 tonnes clean basis)	100	95	91	89	90	90	90	90	90
Export volume (000 tonnes clean basis)	96	86	77	92	85	80	80	80	80
Export volume (000 tonnes PW)*	105	94	84	101	95	90	90	90	85
Export price (NZ$/kg PW)	3.77	4.67	4.77	4.43	4.90	5.15	5.20	5.15	5.15
Export revenue (NZ$ million)	395	437	400	448	460	460	460	450	450

* Product weight as shipped.
Source: Stats NZ and MPI.

Figure 31: Farmgate venison schedules steady above the five-year average

Year to 30 June, monthly venison farmgate price, NZ$ per kg



Source: AgriHQ.

Venison

Venison export volumes are projected to drop by 2 percent, pushing export revenue down by 2 percent in the year to 30 June 2025. In the nine months to 31 March 2025, export volumes to the EU were 20 percent lower than the same period last year, while export volumes to the US rose 18 percent. In 2025/26, strong venison export prices are forecast to drive a slight increase in export revenue.

Market outlook for venison remains positive

Demand for New Zealand venison has been steady in view of the global tightening of red meat supply. Farmgate venison prices have been stable above $8.50 per kilogram this year and are higher than the five-year average schedules. In March 2025, the monthly weighted farmgate price was $9.16 per kilogram, 6 percent higher than a year ago (Figure 31). Farmgate prices are forecast to remain strong in the medium term.

Although US tariffs could affect purchasing decisions and dampen overall spending, US consumers have been increasingly shifting to high-quality, nutrient-rich, and more sustainable proteins. This trend has opened the opportunity for New Zealand venison to diversify outside of the traditional European market and tap into the high-value US retail market. The North America Retail Accelerator (NARA) programme aims to make the most of the opportunity by expanding venison distribution in key US states, promoting year-round demand for venison, running marketing campaigns, and forging retail partnerships to grow sales and brand recognition. The industry is positive that New Zealand venison can build on this momentum and be well placed to navigate market challenges, including the potential implications of current tariff headwinds.

In the year to 30 June 2024, the total deer herd is estimated to have decreased 4 percent to 709,000. At the end of last year, venison processors reported that 19,000 fewer animals were processed than expected. The number of hinds slaughtered fell at a faster rate compared with stags. The total deer slaughter number in the nine months to 31 March 2025 was 192,000, down 9 percent from the same period in 2024. A recent Deer Industry New Zealand (DINZ) survey shows that there is a modest firming of herd numbers, signalling a trend towards hind retention, based on future intention from farmers.

Improved market access expected to lift velvet export revenue

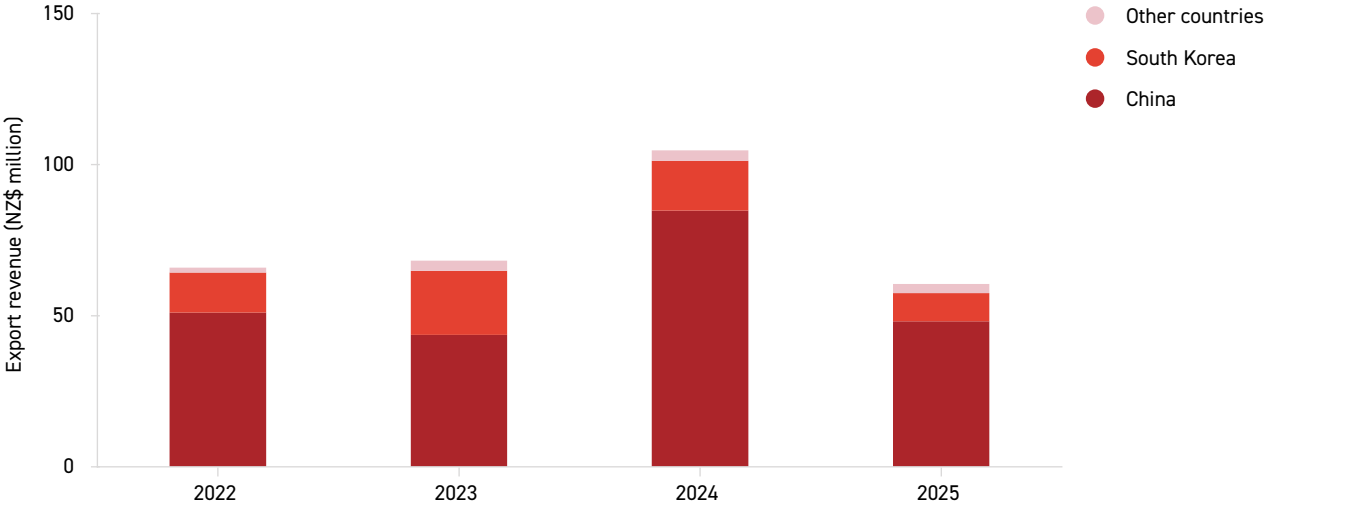
In 2023/24, velvet returned $110 million in export revenue, which made up 12 percent of the animal co-products group export revenue. Velvet export revenue in the year to 30 June 2025 is expected to decrease 18 percent due to market challenges at the start of the year. Export volumes are likely to be 13 percent lower on the previous year. In the nine months to 31 March 2025, export volumes to China, declined by 34 percent. China and South Korea are the biggest markets for New Zealand velvet.

In the first three quarters of 2024/25, frozen velvet export revenue totalled $53 million, 24 percent lower than the previous year. This product is mainly exported to China and makes up about two-thirds of total velvet export revenue. The suspension in trade in velvet in October 2023 and subsequent negotiations resulted in market uncertainty in the lead up to the 2024/25 season. This had the effect of softening the prices for velvet where contracts were agreed prior to the announcement in November 2024 that trade could resume. Prices have stabilised albeit at a lower level compared to recent years, as the season has progressed and exports cleared under the new arrangement, signalling a positive outlook for the industry looking into 2025/26.

In 2025/26, increased demand in key markets is expected to drive velvet export revenue by 3 percent. Velvet export revenue is forecast to bounce back as the industry looks to take advantage of opportunities in contemporary health products in China and health functional foods in South Korea. China and South Korea account for about 96 percent of the velvet export market by value (Figure 32). The industry continues to focus on market-led strategies to grow New Zealand velvet exports. These initiatives include expanding consumer demand in Asia, strengthening commercial partnerships, and supporting exporters with branding, education, and innovation. Early this year, one of DINZ's partners in South Korea launched a world-first health functional product with New Zealand deer velvet as a key ingredient. The industry is hoping this new market segment will draw Chinese consumers as well.

Figure 32: China and South Korea remain as the core velvet export markets

Nine months to 31 March, export revenue by country, NZ$ million



Source: Stats NZ.

Other meat and animal co-products

Rising demand for animal co-products is forecast in 2025/26

In the year to 30 June 2025, animal co-products export revenue is forecast to increase 4 percent to $962 million. The expected rise in the value of exports is likely to be driven by blood and co-products, which accounted for 51 percent of animal co-products export revenue in the previous year. In the nine months to 31 March 2025, export volumes to China increased 14 percent compared with the same period in 2023/24. China has a market share of approximately 40 percent of animal co-products export revenue (Figure 33).

Product innovation and growing consumer awareness of sustainability practices are likely to influence the expansion of the animal co-products market in the forecast period. Demand is projected to go up for blood and glands, which are used in pharmaceuticals and medicinal products.

Demand for other meat exports is projected to remain stable

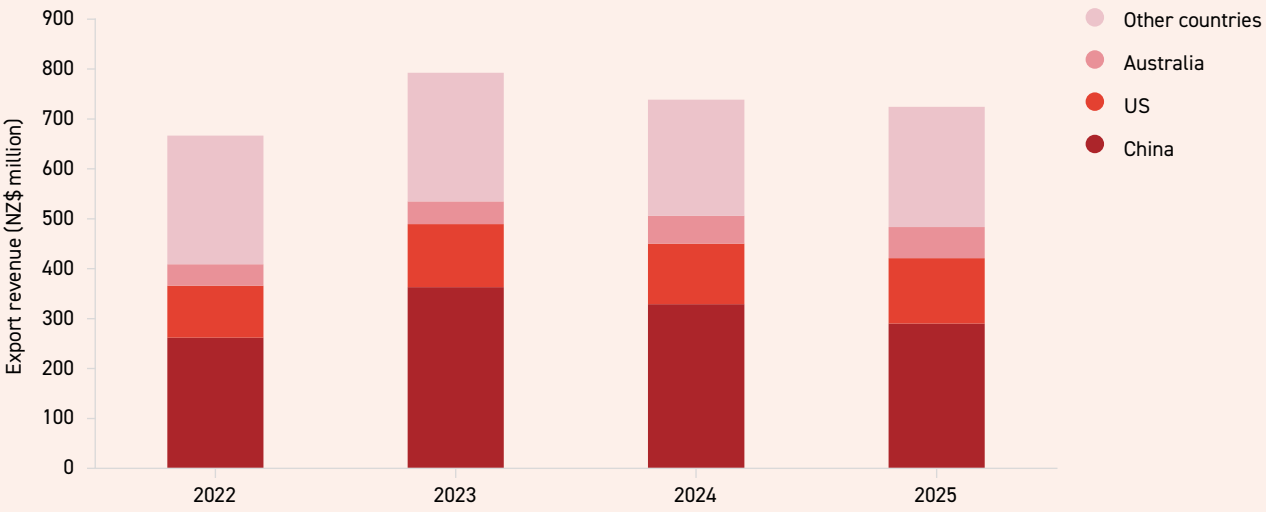
Other meat products contributed 6 percent to total meat and wool export revenue in 2023/24. Other meat export revenue is estimated to increase 3 percent in 2024/25 and 2 percent in 2025/26, with edible offal and poultry (chicken) driving the increase.

Poultry (chicken) meat export revenue is projected to increase 6 percent in 2024/25 and 3 percent in 2025/26 due to continued demand growth in New Zealand's core market, Australia, as consumers look for better-value meat substitutes. If there was an incursion of high pathogenicity avian influenza in New Zealand, this may affect trade and the outlook for the industry.

Demand for processed meat, which makes up about a third of total other meat export revenue over the past few years, is likely to remain steady, with export revenue for these products expected to increase 11 percent in 2024/25 and 8 percent in 2025/26.

Figure 33: China continues to be an important market for animal co-products

Nine months to 31 March, export revenue by country, NZ$ million



Source: Stats NZ.

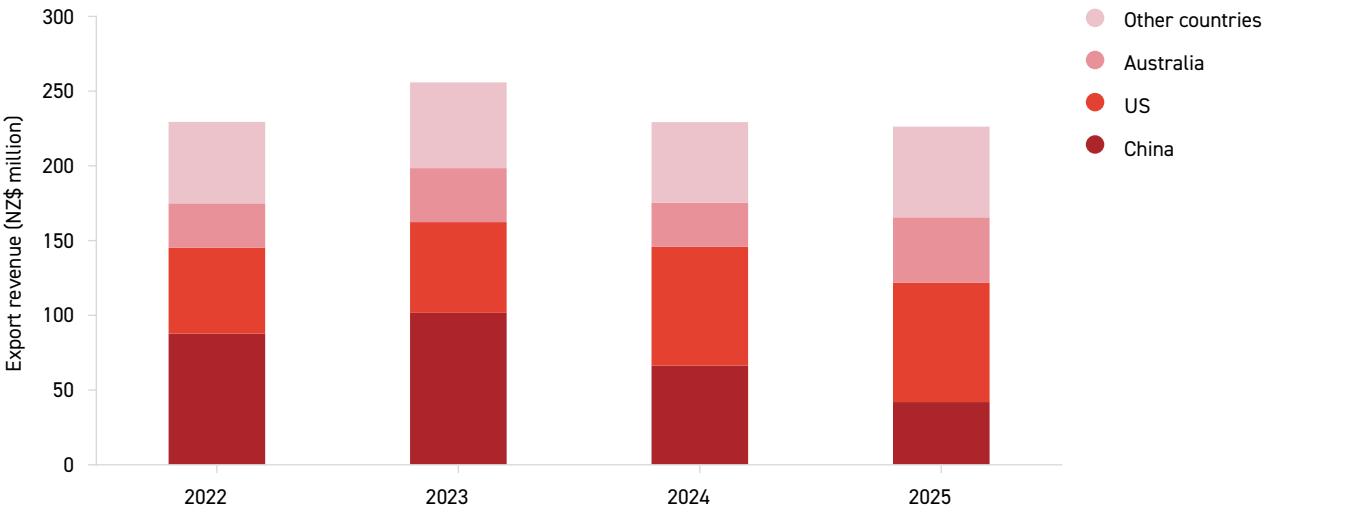
Outlook for pet food exports remain positive

Pet food export revenue is likely to slightly dip by 1 percent in 2024/25 due to lower export volumes in key markets, the US and China (Figure 34). The US has built up stocks over the past few months while China's imports of New Zealand pet food products has dropped in volume during the first three months of 2025. Trade restrictions on pet food products containing avian ingredients, implemented by China in December 2024 following the loss of New Zealand's country freedom status for high pathogenicity avian influenza, are likely to have contributed to the drop. The decline in export volumes in these markets has been partly offset by strong demand in other markets such as Australia, Japan, and Taiwan.

Pet food export prices will continue to rise over the forecast period, with pet food export revenue estimated to increase 10 percent in 2025/26. Although the US tariffs and levy on Chinese-built vessels could potentially put downside pressure on New Zealand pet food exports, pet ownership expansion and pet humanisation trends are expected to continue to influence the industry's long-term outlook. New Zealand pet food remains a premium high-quality product, and demand is expected to remain strong in key markets across the Asia Pacific region.

Figure 34: The US becomes New Zealand pet food's top market

Nine months to 31 March, export revenue by country, NZ$ million



Source: Stats NZ.

Controls lifted at Otago poultry farm after eradication of bird flu strain

On 28 April 2025, movement controls were lifted from an egg farm in rural Otago after the successful containment and stamping out of the H7N6 strain of high pathogenicity avian influenza. The single farm affected can now begin the process of returning to business. In early December 2024, Biosecurity New Zealand swiftly put strict movement controls on the property and strengthened biosecurity measures. The measures included depopulation and disposal of infected birds and material, decontamination of the site, and extensive surveillance. MPI will continue to support the farm as it is repopulated.

Throughout the H7N6 response, MPI has received varied market reactions from New Zealand's trading partners. These include setting requirements for comprehensive avian influenza testing, surveillance, and regional controls. Around $300 million of trade in poultry products, including hatching eggs, day-old chicks, and pet food products, has been recovered to date. MPI remains committed to working with overseas government counterparts and industry partners to reopen or restore trade.

Horticulture

- Horticulture export revenue is forecast to increase 19 percent to $8.5 billion in the year to 30 June 2025.
- This growth is primarily driven by a substantial increase in kiwifruit export revenue in the year to 30 June 2025, which is forecast to rise by 36 percent year on year, reaching $3.9 billion. The surge is attributed to the kiwifruit industry's record crop in 2024, along with projections for an even larger harvest in 2025. In addition, exports in the year to 30 June 2024 were impacted by the challenging 2023 season, establishing a lower baseline that amplifies the scale of the expected increase in export revenue in the year to 30 June 2025.
- Wine export revenue is forecast to decrease 1 percent to $2.1 billion in the year to 30 June 2025. An increased share of bulk wine in the industry's export mix is driving the decrease in export revenue as it has a lower per-litre price than bottled wine. Export volumes are forecast to grow 4 percent to 285 million litres.
- Apple and pear export revenue is forecast to increase 18 percent to $1.1 billion in the year to 30 June 2025, driven by increases in export volume and average export price. Annual exports are expected to increase steadily over the forecast period as young plantings mature.
- Vegetable exports are forecast to grow 8 percent to $770 million in the year to 30 June 2025, driven by firm pricing, particularly for frozen and processed products, despite modest volume gains.

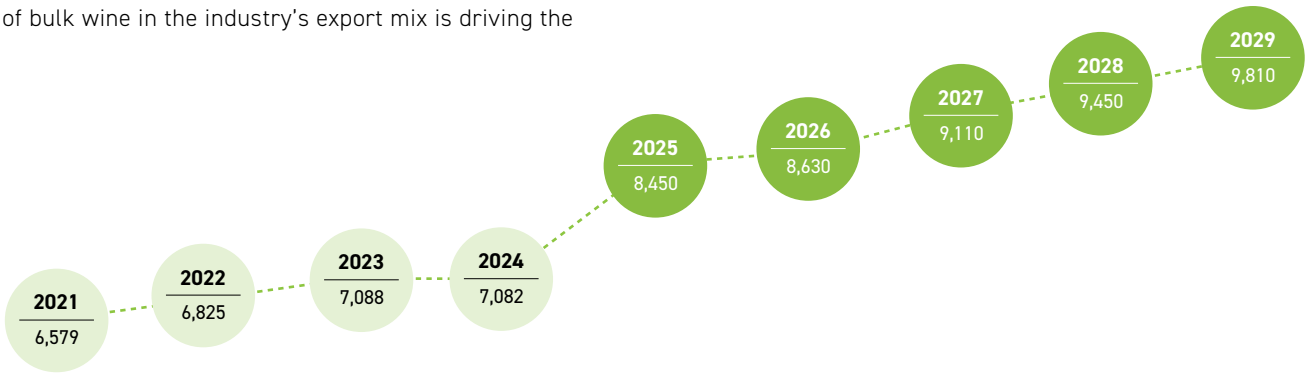


Table 9: Horticulture export revenue 2021–29

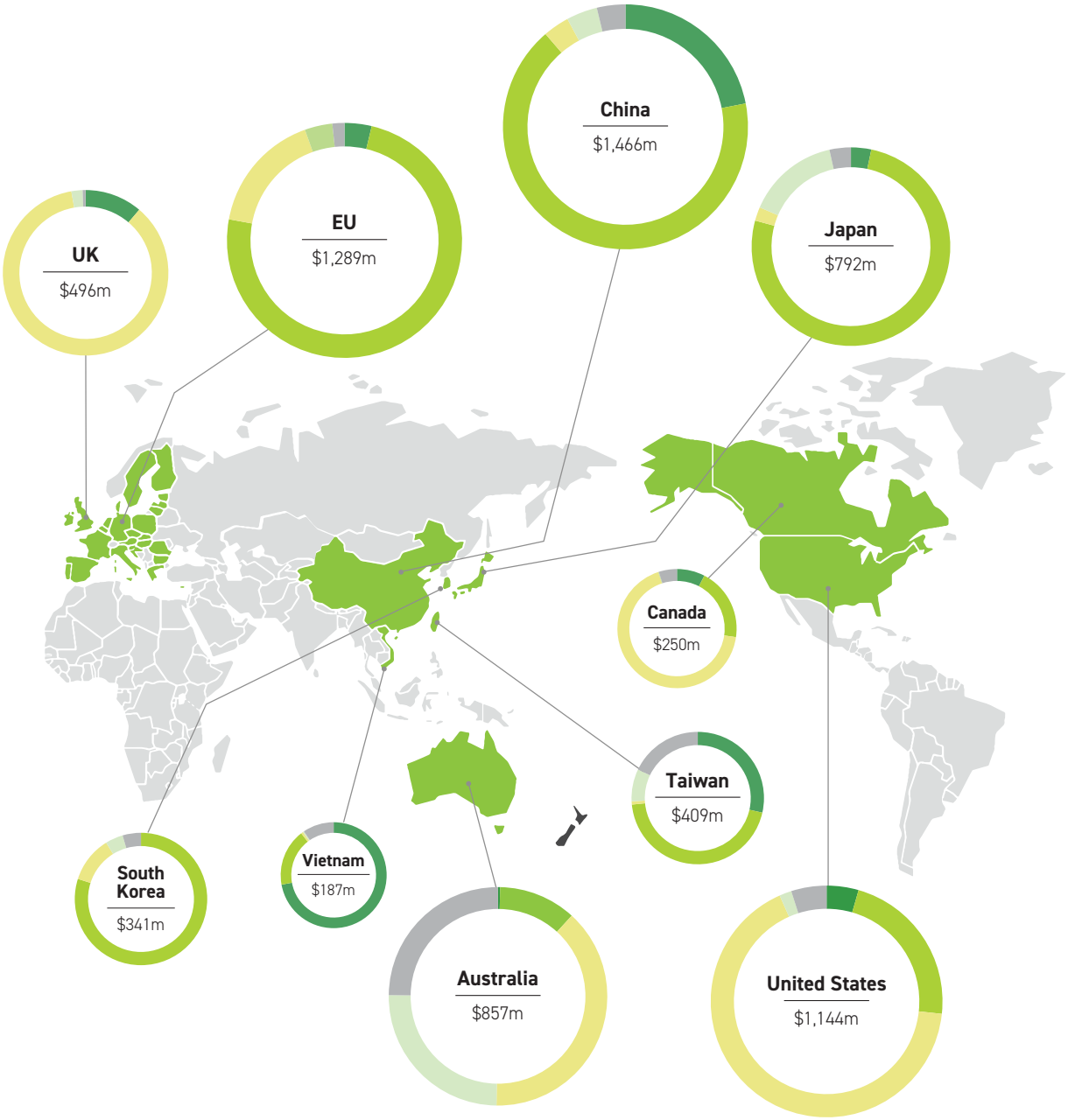
Year to 30 June, NZ$ million

	Actual				Forecast				
Product	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Kiwifruit	2,684	2,898	2,544	2,844	3,880	4,010	4,150	4,270	4,350
Wine	1,855	1,935	2,392	2,094	2,070	2,090	2,180	2,300	2,430
Apples and pears	823	865	892	932	1,100	1,140	1,270	1,340	1,400
Fresh* and processed** vegetables	629	622	737	721	770	740	790	810	840
Other horticulture products***	588	505	523	492	630	650	720	730	790
Total export revenue	**6,579**	**6,825**	**7,088**	**7,082**	**8,450**	**8,630**	**9,110**	**9,450**	**9,810**
Year-on-year % change	**1%**	**4%**	**4%**	**0%**	**19%**	**2%**	**6%**	**4%**	**4%**

* Includes onions, squash, capsicum, potatoes, and other fresh vegetables.
** Includes frozen vegetables (including frozen potatoes, peas, sweetcorn, etc.), dried vegetables, dry legumes, prepared and/or preserved vegetables, and vegetable juices.
*** Includes other fresh fruits (including avocados, cherries, blueberries, etc.), frozen and processed fruits, fruit juices, nuts, and ornamentals.
Totals may not add up due to rounding.
Percentages in the table are rounded to the nearest whole percent.
Source: Stats NZ and MPI.

Top 10 horticulture export destinations

Year to 31 March 2025, NZ$ million



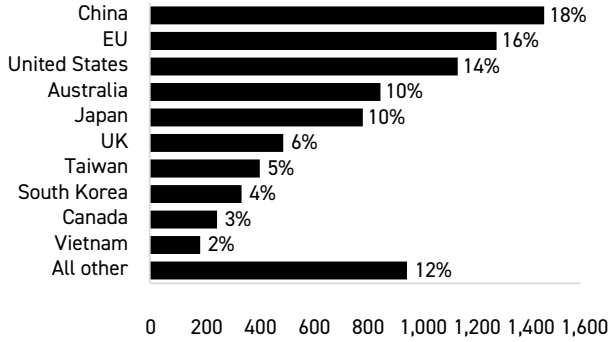
Product	Export revenue (NZ$ million)	% of total
Kiwifruit	3,671	45%
Wine	2,089	26%
Apples and pears	1,089	13%
Fresh and processed vegetables	761	9%
Other horticulture products	576	7%
Total	**8,187**	**100%**

Totals may not add up due to rounding.
Source: Stats NZ.

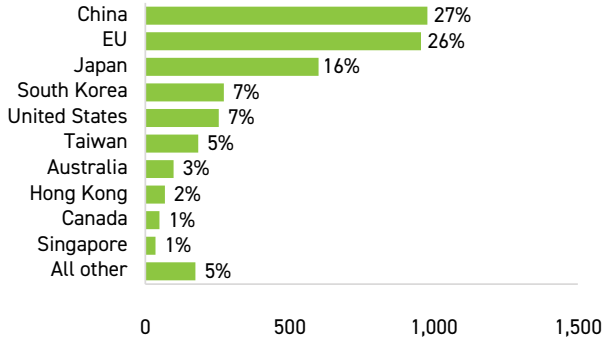
Top horticulture export markets

Year to 31 March 2025, NZ$ million and percent

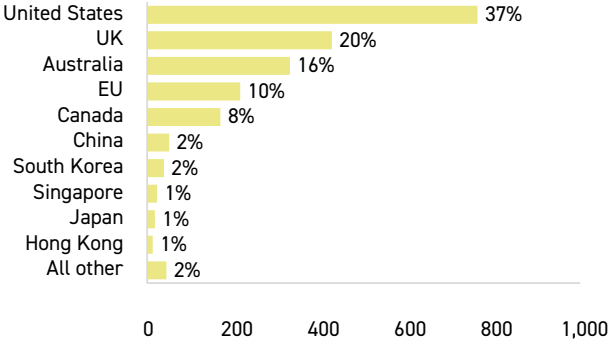
Total horticulture products



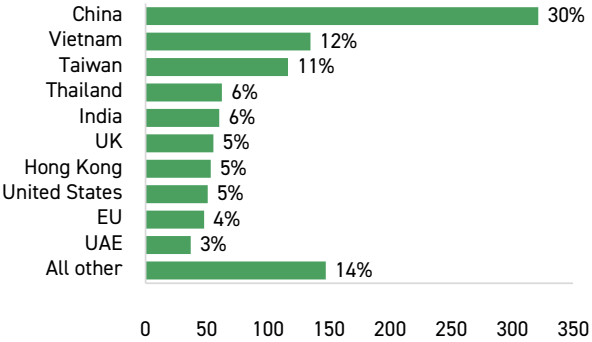
Kiwifruit



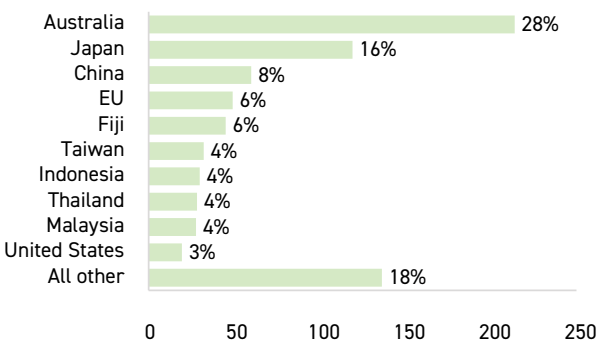
Wine



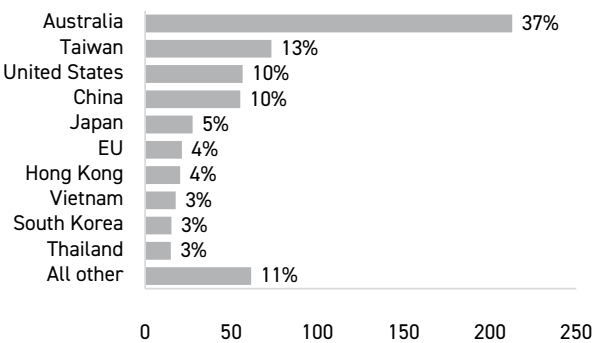
Apples and pears



Fresh and processed vegetables



Other horticulture products



Source: Stats NZ.

Apples and pears

Apple and pear exports for the year to 31 December 2025 are forecast to surpass the $1 billion milestone, driven by increases in export volume and average export price.

Growers welcomed the average-to-good growing conditions for the 2025 crop and are anticipating improved profitability from higher yields and export returns.

The planted area has stabilised following Cyclone Gabrielle, with slow steady growth anticipated over the forecast period. The sector has attracted capital for orchard improvements and replacement plantings through several orchard sales and purchases in addition to capital for new plantings. Annual export volumes are expected to increase steadily over the forecast period as young plantings mature.

Recovery and reset under way

The national planted area in apples and pears has stabilised at around 11,000 hectares, down 2 percent on the planted area prior to Cyclone Gabrielle (February 2023). Structural increases in the costs of production on orchard and post-harvest, damage from Cyclone Gabrielle, and static export returns from European markets have sped up the removal of poorer-performing orchard blocks and varieties. As a result, the total planted area in Braeburn, Cripps Pink, and Jazz apple varieties has decreased by one-third between 2022 and 2025. In contrast, the planted area has increased for higher-returning and predominantly IP-protected apple and pear varieties.

Several orchard sales and purchases have occurred in the past 18 months, including purchases by overseas investors, providing new capital for orchard redevelopment. New orchards of IP-protected and branded apple varieties are being planted in the Canterbury region by both individual and institutional investors. Additional post-harvest facilities will be required as volumes increase and to facilitate further plantings in the region. Expansion into a new growing region assists brand owners and marketers with managing climatic risk through geographic spread of fruit production and hence supply.

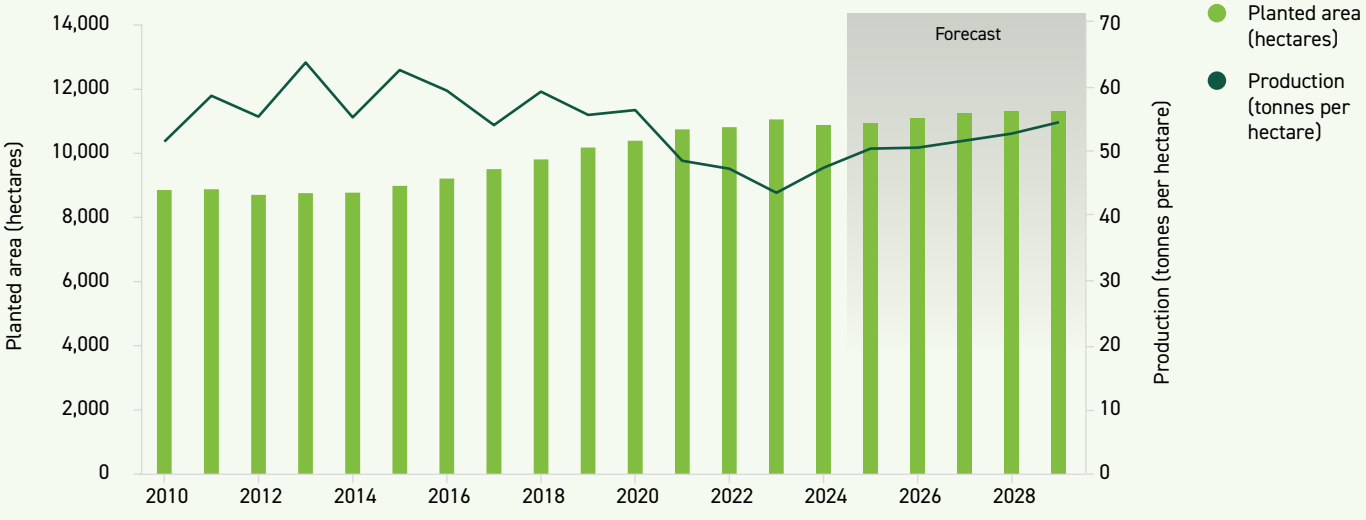
The total planted area is expected to remain stable and increase slowly over the forecast period. Production is forecast to increase steadily as young orchards mature, with a recovery in national average yields (Figure 35). Several factors contributed to the drop in national average yields between 2021 and 2024, including COVID-19 related disruptions to shipping and labour shortages, adverse climatic events, and the accelerated removal of mature plantings of European market-centric apple varieties. Higher tree densities or multi-leader trees and a range of narrow growing systems have been adopted in new and replacement orchard plantings over the past five to eight years. Productivity gains in terms of higher yields and grade-outs per planted hectare are anticipated from these plantings due to a greater proportion of fruiting wood and improved light capture relative to the more traditional 3D growing systems.

Production of 2025 crop lifted by favourable climatic conditions and maturing orchards

Apple and pear orchards in Hawke's Bay and Gisborne Tairāwhiti (70 percent of New Zealand's planted area) received good winter chilling over winter 2024 followed by dry, warm, sunny weather in spring. This resulted in an early start to the season, which prevailed through to harvest, particularly for early varieties. Cooler weather over summer with adequate rainfall helped with early fruit colour development and good skin finish without compromising fruit size. Harvest started one to two weeks earlier than for the 2024 crop, with a larger average fruit size. The favourable

Figure 35: Apple and pear production expected to continue to recover post-cyclone

Year to 31 December, planted area in hectares and production in tonnes per hectare



Source: New Zealand Apples and Pears Inc. and MPI.

growing season and harvest period leading to high pack-out rates has been welcomed by growers following the challenging climatic conditions of recent years.

Average growing conditions prevailed in the apple and pear growing regions of Nelson-Tasman, Otago, and Canterbury. Losses from hail on orchards in Nelson-Tasman are expected to be minor due to the increased use of hail nets in the region.

An export volume of 378,000 tonnes is estimated for the 2025 crop, up by 10 percent on the 2024 export crop, driven by average-to-favourable growing conditions and young orchard plantings ramping up production.

Annual export volumes are expected to increase gradually over the forecast period, in line with increasing production, and should recover to surpass 22 million cartons in 2027, an export volume last achieved in 2020.

Strong early-season market demand

An early start to the 2025 apple and pear harvest has provided opportunities for early-season sales to markets in Asia, with strong demand reported.

The average export price for the 2025 crop is expected to be 10 percent higher than the 2024 export season, influenced by changes in the variety mix, good fruit quality with a larger average fruit size, and a weaker NZD.

Export prices are expected to stabilise and increase over the forecast period, influenced by an increasing proportion of higher-paying varieties in the export mix and moderate increases in export volumes.

Table 10: Apple and pear planted area, volumes, prices, and revenue 2021–29

Year to 31 December

	Actual				Forecast				
	2021	2022	2023	2024	2025	2026	2027	2028	2029
Planted area (hectares)*	11,175	11,250	11,225	11,000	11,000	11,100	11,250	11,300	11,300
Total production (tonnes)	525,000	515,000	485,000	520,000	555,000	565,000	585,000	600,000	620,000
Export volume (tonnes)	357,897	343,167	310,674	343,077	378,000	387,000	400,500	414,000	427,500
Export volume (million cartons)**	19.88	19.06	17.26	19.06	21.00	21.50	22.25	23.00	23.75
Export price (NZ$/carton)	42.30	47.27	50.64	52.11	57.00	57.00	58.00	59.00	60.00
Total export revenue (NZ$ millions)	**841**	**901**	**874**	**993**	**1,197**	**1,226**	**1,291**	**1,357**	**1,425**

* Planted area includes producing and newly planted non-producing orchards. The planted area for 2023 is the area prior to Cyclone Gabrielle. Impacts of the cyclone on the planted area are taken into account from 2024 onwards.
** A carton is equivalent to 18 kilograms.
Source: Stats NZ, New Zealand Apples and Pears Inc., and MPI.

Kiwifruit

Kiwifruit exports are forecast to rise by 36 percent in the year to 30 June 2025, reaching $3.9 billion. This growth is primarily driven by a 33 percent increase in export volume, growing from 159 million trays to 211 million (Figure 36).

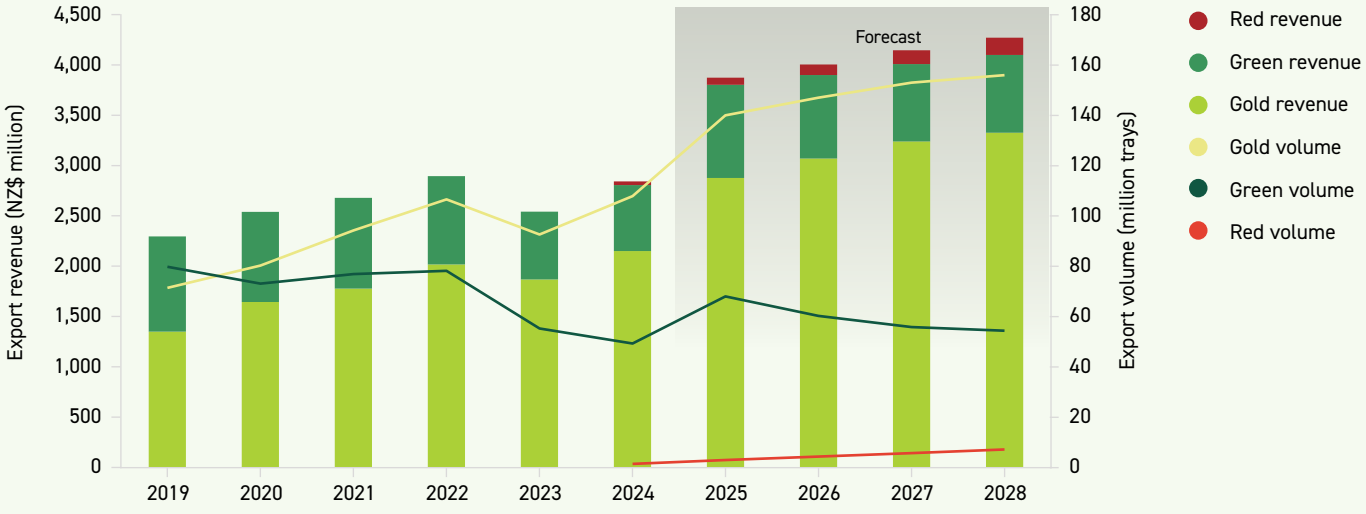
This would mark the first time the industry's contribution to annual food and fibre exports has exceeded $3 billion. While it took the industry a decade to grow from $1 billion to $2 billion in annual export revenue, it is projected to have taken just six years to add the next billion, putting the $4 billion milestone within reach as early as next year. A rise in gold kiwifruit exports has been a key contributor to this growth.

Importantly, the projected sharp increase in export revenue for the year to 30 June 2025 partly reflects the industry's recovery from a couple of challenging seasons. It should not be seen as indicative of the industry's long-term growth rate, with revenue expected to increase at a more moderate rate of around 3 percent per annum over the subsequent three years. That said, the expansion of the gold kiwifruit production area in recent years suggests that elevated export revenue levels – nearing or exceeding $4 billion – are likely to be sustained.

Export revenue for the year to 30 June 2025 includes the final eight months of the 2024/25 kiwifruit season (ending 28 February) and the first four months of the 2025/26 season. An early start to the 2025/26 season combined with an expected larger crop means the current season is likely to have a greater-than-usual impact on the year to 30 June results. In addition, this year's export figures are boosted by a relatively stretched-out distribution and sales schedule last season, which shifted a relatively larger portion of the previous season's crop from the year to 30 June 2024 into the year to 30 June 2025.

Figure 36: Gold kiwifruit drives export growth

Year to 30 June, export revenue in NZ$ million and volume in million trays



Tray = 3.6 kg.
Source: Stats NZ and MPI.

2024/25 season

Favourable growing conditions during the 2024/25 season resulted in a record crop of high-quality fruit. Export volumes increased by 43 percent year on year, rising from 135 million trays in 2023/24 to 193 million trays, while export revenue grew by 44 percent to $3.5 billion. This strong performance reflects a recovery in yields following two challenging seasons marked by labour shortages, fruit quality issues, adverse weather events, and reduced crop volumes.

Gold kiwifruit export volumes increased by 41 percent season on season to 128 million trays, while green kiwifruit exports rose by 47 percent to 64 million trays. Red kiwifruit exports grew more than sixfold, albeit from a low base, reaching 1.5 million trays.

Strong demand in core markets, the EU and China, combined with a concerted marketing and sales effort by the industry helped ensure that prices were maintained despite the significant rise in export volume.

2025/26 season

Kiwifruit export revenue is forecast to increase by 12 percent in the 2025/26 season, reaching $3.9 billion. Favourable early-season growing conditions combined with continued expansion of the gold kiwifruit production area are expected to support higher sales volumes. The industry's strong reputation for delivering high-quality fruit is also anticipated to support pricing despite ongoing uncertainty in global trading conditions.

Export volumes are projected to rise by at least 9 percent season on season, reaching over 210 million trays in 2025/26. Gold kiwifruit exports are expected to increase by around 11 percent to 141-144 million trays, with higher yields being a key driver of this growth. Green kiwifruit exports are forecast to remain at around 64-66 million trays, with yield gains offsetting the impact of a smaller production area. For both varieties, average fruit size is expected to exceed that of the previous season.

Red kiwifruit exports are expected to double to 3 million trays, primarily driven by an expanded production area as orchards from licences issued in previous years start producing. A new red variety is currently under development to complement the existing Red19 variety, with its commercial readiness scheduled for evaluation later this year. The red kiwifruit variety will be introduced to several new markets, notably the US. Average fruit size is larger than last year, which should help support pricing.

The industry is focusing on increasing early-season sales. This approach aims to reduce the risk of fruit quality deterioration later in the season and is expected to lift export revenue in the first quarter, contributing to export results for the year to 30 June 2025.

Early market conditions in some of the industry's core export regions, such as the EU, indicate that the industry's strong branding and well-established reputation will help support pricing despite global economic challenges and generally subdued conditions in these regions.

Although still smaller than several of the industry's other markets, the US is a growing market and an important destination for organic kiwifruit. While there is a risk that increased trade frictions and associated price increases could dampen consumer demand, the industry's consistent annual growth in North America has seen kiwifruit become an increasingly preferred fruit. There is confidence that strong demand, along with long-term investments in market development and relationship-building, will support continued growth. Early sales in the region are up year on year; a promising sign that these investments are paying off.

Orchard gate returns

In its early guidance, Zespri forecasts strong per-hectare orchard gate returns (OGRs) for the 2025/26 season. March projections indicate OGRs of $86,000–103,000 per hectare for green, $162,000–184,000 for gold, and $70,000–79,000 for red. The midpoints of these projections represent year-on-year increases of 9 percent, 3 percent, and 4.5 percent respectively.

Licence releases continue for SunGold3

In May 2025, Zespri released a total of 417 hectares of new SunGold kiwifruit licences, including 157 hectares restricted to green cutover orchards. This marks an increase from the 258 hectares released in 2024, reflecting strong industry confidence in its capacity to manage and market higher crop volumes.

The price of unrestricted SunGold licences rose to $561,000 per hectare, up 32 percent from last year, indicating robust grower demand and confidence in the industry's outlook.

Risks and long-term outlook

For the current season, weak economic conditions in the industry's core markets could worsen if trade frictions and geopolitical tensions escalate, potentially dampening consumer demand. The industry is also managing significantly larger crop volumes, placing pressure on logistics and supply chain operations. However, the industry demonstrated its ability to effectively manage this challenge last season, providing confidence in its ability to do so again this year. Indeed, early signs suggest the season is off to a positive start.

Looking beyond the current season, the industry faces several structural challenges, including domestic infrastructure constraints, the regulation of maritime emissions, and the associated shift towards low-emissions shipping, rising competition, and the effects of climate change on growing conditions. Effectively addressing these challenges, along with continued investment in the development of new cultivars, will be critical to the long-term success of the kiwifruit industry. However, over the forecast period, these risks are expected to remain manageable, with large and increasing volumes of gold kiwifruit projected to provide a strong foundation for sustained export performance.

Wine

Wine export revenue is forecast to decrease 1 percent to $2.1 billion in the year to 30 June 2025. An increased share of bulk wine in the industry's export mix is driving the decrease in export revenue as it has a lower per-litre price than bottled wine.

The 2025 vintage is of good quality and quantity but comes at a time where domestic capacity is very tight. Wineries have introduced yield caps to ensure that supply and demand remains balanced. Grape growers are facing cash flow issues as the grape price is decreasing, and some growers are having difficulty securing future supply contacts.

On the global front, the industry is facing short-term uncertainty due to rapidly evolving global trade policies, but New Zealand wine has shown strong growth in our second-tier markets. New Zealand is also well positioned in the medium to long term as consumer preferences continue to shift towards white wine.

High domestic production and low domestic capacity

Ideal growing conditions have led to good flowering, big yields, and a quality vintage. Wine grape production is expected to reach 500,000 tonnes for the 2025 vintage. This is up 27 percent from last year's harvest. However, this bumper vintage comes at a time when global demand is dampened, and domestic storage is close to capacity.

Winemakers have responded to these challenges by introducing some yield caps to grape growers. Yield caps are a limit on the amount of grapes harvested by growers. This will ensure that supply and demand for New Zealand wine remains balanced. Grape growers face increased financial pressure as capped yields will limit their potential cash flow. Growers' profitability has already been squeezed by a declining grape price. Also, some growers are having difficulty securing new supply contracts, adding to the uncertainty faced by domestic producers.

Bulk exports overtake bottled for the first time

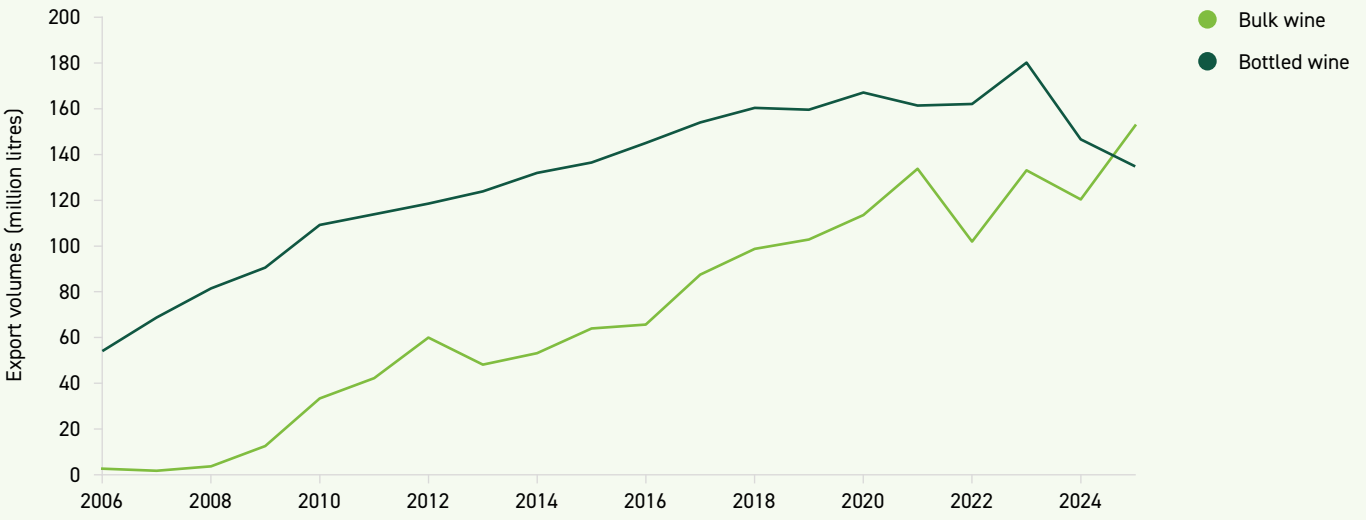
Despite export volumes being forecast to grow 4 percent to 285 million litres in the year to 30 June 2025, export revenue is forecast to decrease 1 percent to $2.1 billion. This is a result of the industry shifting towards more bulk wine exports, which have a significantly lower per-litre price than bottled wine. This current season is the first time ever New Zealand has exported more bulk wine than bottled wine (Figure 37). Wine producers have been moving towards exporting bulk wine and bottling in-market to reduce transport costs and the carbon footprint of each shipment. Now with higher global tariff barriers, this trend will continue. Global wine supply chains are increasingly moving bottling capabilities to the end market to avoid paying tariffs on the value add from the bottling stage of the value chain. Wine export revenue is forecast to remain similar in 2026, rising 1 percent to $2.1 billion, while export volumes are forecast to grow 2 percent to 290 million litres.

New Zealand wine exports show strong growth in secondary markets

The destocking process, where wine retailers were reducing their inventories following COVID-19, was a challenge that dampened New Zealand wine exports in previous seasons. This process now appears to be over, as export volumes grew to all top 10 export markets except Australia in the year to 31 March 2025. This growth was supported by a weaker NZD.

Figure 37: Bulk wine export volumes overtake bottled wine for the first time

Year to 31 March, volume, million litres



Source: Stats NZ and MPI.

The EU and Canada, New Zealand's fourth and fifth-largest markets, both had export volume growth exceeding 20 percent in the year to 31 March 2025, with Canada also having export revenue growth of 29 percent (Figure 38). These are both large markets representing a combined $383 million in wine exports. Growing these markets and enhancing market diversification are key to securing long-term stability for New Zealand wine.

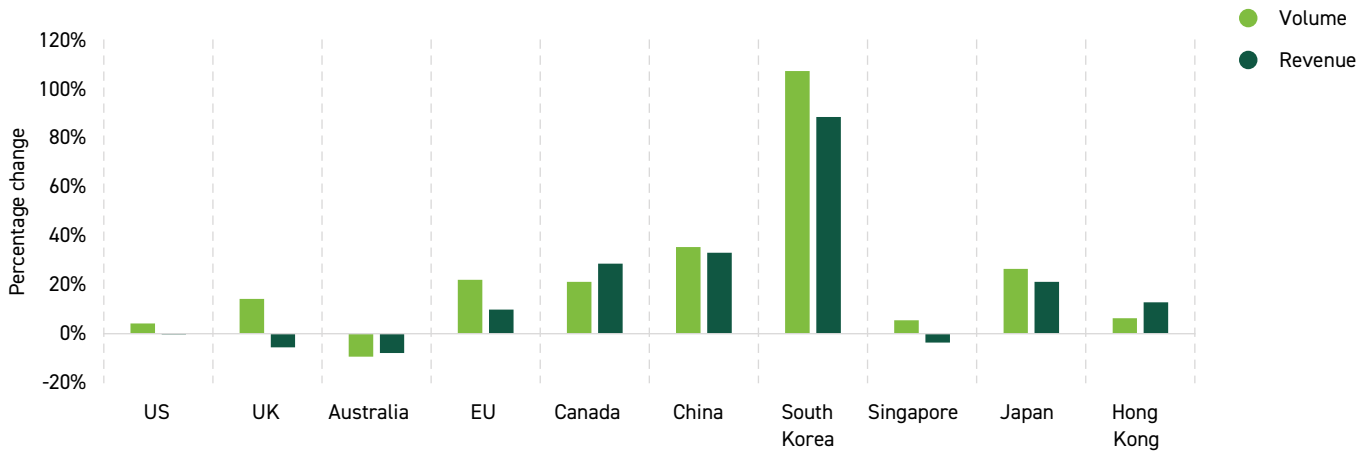
Chinese, Japanese, and South Korean markets also showed strong growth as the consumer shift from red to white wine gains momentum, particularly among younger generations. In the year to 31 March 2025, China's export volume and revenue increased 35 percent and 33 percent, Japan 27 percent and 21 percent, and South Korea 107 percent and 89 percent. These markets currently make up $107 million in annual exports and represent an opportunity to grow New Zealand wine exports moving forward.

Trade friction is driving uncertainty in the industry

The US is New Zealand wine's largest market, representing $763 million in export revenue in the year to 31 March 2025 – 37 percent of all wine exports. The impact of the 10 percent tariff on the industry is uncertain, but New Zealand wines appeared well placed to manage the impact given their pricing in market. New Zealand wine is not cheap but has still sold well in the US and around the world because of its high quality and distinct flavours. The interconnection between New Zealand wine and the US market through the supply chain also means that significant trade diversion because of the tariff is unlikely. Flow-on effects from rising trade barriers such as slowing global trade and economic growth could also have an impact. Since New Zealand wine is a discretionary good, if the state of the global economy worsens, global demand for wine could decrease. This would reduce sales across the value chain from grape grower to retailer.

Figure 38: Wine exports to destinations outside the top three markets show strong growth

Year to 31 March, 2024 compared with 2025, change in export volumes and revenues, markets in order of export revenue



Source: Stats NZ and MPI.

Despite current tough times, the medium to long-term outlook remains positive

While times may be challenging at the moment, particularly for financially squeezed growers, the medium to long-term outlook remains positive. Consumer demand continues to remain high in key markets. In 2024, New Zealand wine sales in the US grew for a 16th consecutive year. Furthermore, of the top 10 countries supplying the US last year, only New Zealand saw an increase in sales volume. As consumer preferences continue to shift from red wine to white, New Zealand's wine industry should remain confident it is producing the right wines to achieve future growth and enhance its position as a leader in global wine.

Table 11: Grape harvested area, wine prices, volumes, and revenue 2021–29

Year to 30 June

	Actual				Forecast				
	2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Area harvested (hectares)	40,949	41,304	41,991	42,519	43,000	43,500	44,000	44,500	45,000
Grape production (thousand tonnes)	370	532	501	395	500	496	502	507	513
Wine production (million litres)	273	394	371	292	370	370	370	375	380
Export volume (million litres)	283	264	315	275	285	290	300	315	330
Export price (NZ$/litre)	6.55	7.32	7.60	7.62	7.25	7.20	7.25	7.30	7.35
Export revenue (NZ$ million)	**1,855**	**1,935**	**2,392**	**2,094**	**2,070**	**2,090**	**2,180**	**2,300**	**2,430**

Source: New Zealand Winegrowers, Stats NZ, and MPI.

Other horticulture

Avocados

Avocado export revenue is forecast to rise 192 percent to $108 million in the year to 30 June 2025. This rebound in export revenue follows a 2024 season where export revenue was the lowest it had been since 2013 due to past weather events having an impact on export volumes. Growing conditions have since improved for the crop recently harvested as well as the next to be harvested.

Weather events have subdued production and export volumes over the past two seasons. Cyclones Dovi (2022) and Gabrielle (2023) both hit avocado-growing regions, damaging fruit and reducing export volumes. The challenges of the past seasons' La Niña weather patterns are now in the rear-view mirror and more favourable conditions have returned. Optimal conditions led to a large high-quality crop for the current season. As a result, export volumes are forecast to increase 181 percent to 3.9 million trays in the year to 30 June 2025. The crop for next season has had strong flowering and fruit set across key growing regions through spring. While ex-Cyclone Tam will likely have some impact in Northland and Whangārei, crop estimates are expected to be similar to the previous season's harvest. Export revenue is forecast to remain flat at $107 million in the year to 30 June 2026.

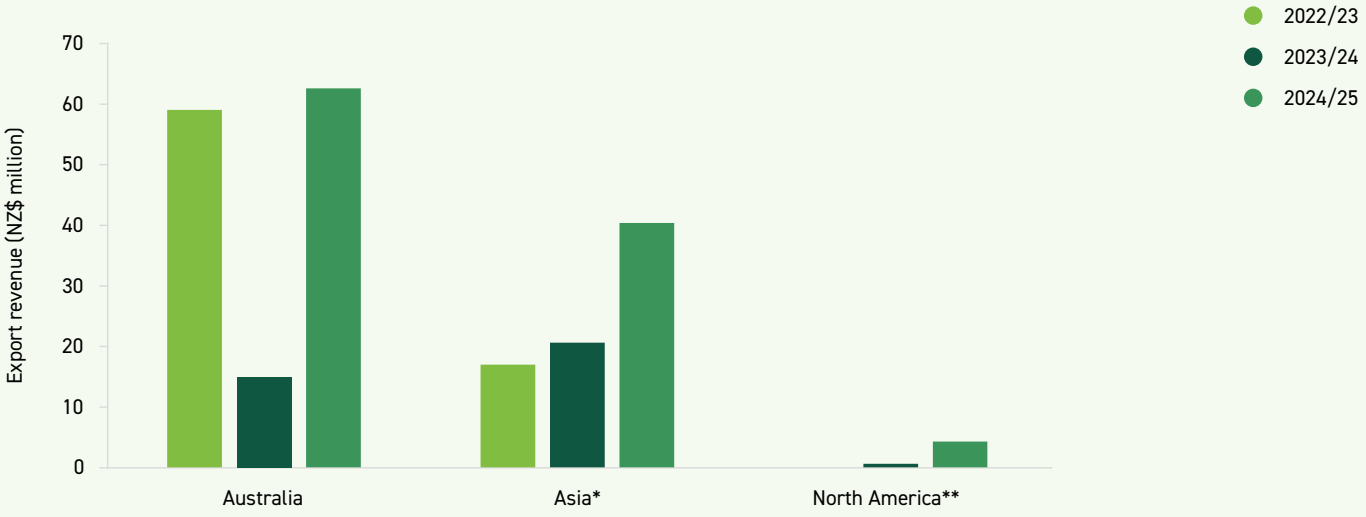
This year, New Zealand supplied avocados to the most diverse range of markets yet. Exports to Australia rebounded to $63 million in the year to 31 March 2025 due to higher volumes of export fruit being available (Figure 39). The North American markets saw growth in New Zealand's second season exporting to the region. Exports to Canada increased to $3.8 million, and exports to the US increased to $0.5 million in the year to 31 March 2025. The Asian markets continue to grow in importance as exports to the region increased

96 percent to $40 million in the year to 31 March 2025. Asia now represents 37 percent of avocado export revenue, a significant increase from 8 percent five years ago.

The outlook for New Zealand avocados is largely positive. Global demand for avocados is increasing as consumers seek healthy fats and plant-based nutrition, with New Zealand uniquely positioned to supply avocados during off-peak seasons. With the industry's seasonal competitor Western Australia expecting a large crop for the 2025/26 season, the industry is prepared to direct increasing volumes to North America, with reduced volumes to the east coast of Australia. Exporters continuing to grow relationships in a diverse range of markets will support the long-term growth of the sector.

Figure 39: Avocado export revenue increases across a range of markets in 2024/25

Year to 31 March, export revenue, NZ$ million



* Asian markets include China, Hong Kong, India, Indonesia, Japan, Malaysia, Singapore, South Korea, Taiwan, and Thailand.
** North American markets include Canada and the US.
Source: Stats NZ and MPI.

A record season for cherries

The 2024/25 cherry season has finished with record export revenue of $124 million, up 35 percent from the previous season. This was driven by higher export volumes while average export prices remained stable.

The early part of the season delivered excellent growing conditions, particularly for Hawke's Bay and Marlborough. A shift in weather post-Christmas brought cooler temperatures, which notably slowed the ripening process in Hawke's Bay. Central Otago reported positive yields for the season, but parts suffered from late-season frosts and isolated periods of rain. Skilled orchard management helped growers successfully navigate these periods, with fruit quality remaining largely favourable.

In addition, good growing conditions led to increased yields this season, while an increase in mature planted area from previous years' investment also contributed to higher cherry production and export volumes. New Zealand exporters sold 6,000 tonnes of cherries during the year to 31 March 2025, up 35 percent from the previous year.

A large harvest from Chile, which is a large contributor to global exports, placed downward pressure on general market prices. Despite this, New Zealand's exporters, especially those with established relationships reported good demand. Growers were able to successfully navigate trading conditions and achieve their standard premium pricing.

New Zealand's 2024/25 record cherry harvest benefited from a more stable labour supply, with seasonal labour forming a reliable core, supplemented with students, local labour, and the welcome return of backpackers. However, despite improved availability, labour costs remain high and continue to pressure gross margins, particularly as average export prices have remained largely flat over recent seasons. The increase in yield this season would have helped orchard profitability by offsetting the impact of high variable costs.

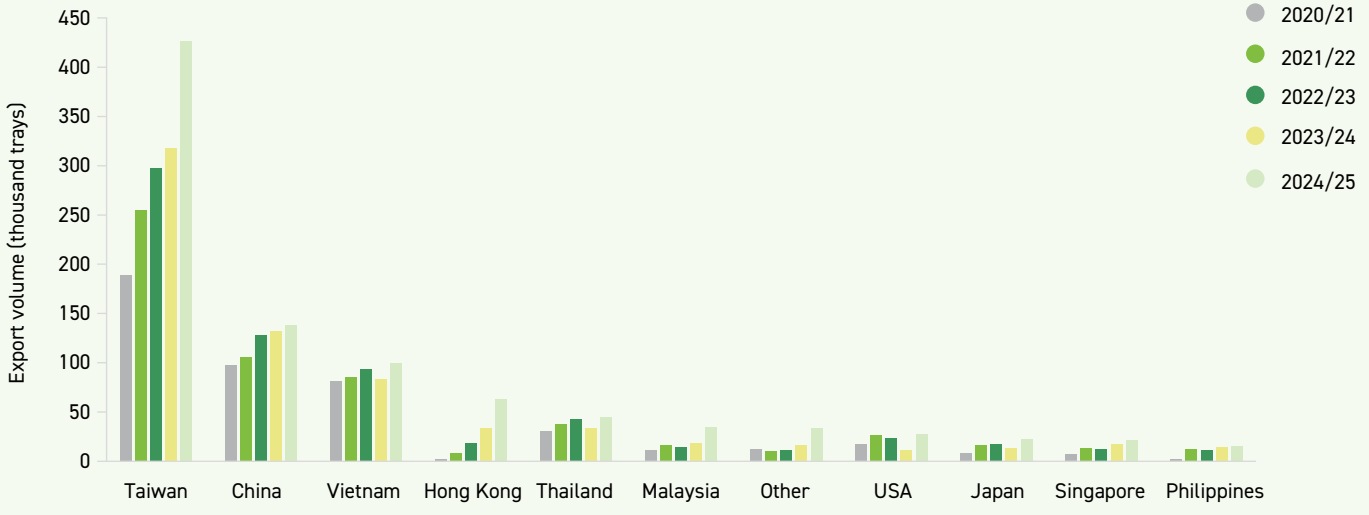
In addition to elevated labour costs, high interest rates have increased grower expenses in recent years. However, looking ahead, recent cuts to the OCR should ease financial pressure in the 2025/26 season, especially in terms of growers' working capital requirements.

Taiwan continues to drive demand, with 46 percent of export volume sent there in the year to 31 March 2025 (Figure 40). The increase in export volumes from the 2024/25 harvest was mainly directed to Taiwan, Malaysia, and Hong Kong. New Zealand cherries are typically bought as a gift for family members and friends to celebrate the Chinese New Year.

Looking to the 2025/26 season, cherry export revenue is forecast to increase 3 percent to $128 million in the year to 30 June 2025. Growth in key cherry export markets is likely to be impacted by tariffs and increased uncertainty. Despite this, peak 2025/26 cherry season is not until January 2026, when uncertainty may ease and consumer confidence increase.

Figure 40: Exports to Taiwan driving growth

Year to 31 March, export volume, thousand trays



Tray = 5.5kg.
Source: Stats NZ and MPI.

Fresh and processed vegetables

Vegetables navigating weather volatility and market shifts

New Zealand's 2024/25 vegetable season saw mixed results, influenced by adverse weather patterns and shifting global demand. An unseasonably hot spring transitioned into a cooler early summer, while persistent dry spells remained in northern growing regions and Hawke's Bay, impacting soil conditions and crop development. Wet spells in Pukekohe from late summer onward disrupted harvests and shipping schedules, increasing logistical pressure. Despite these challenges, overall production remained steady, with strong yields for potatoes, squash, and onions.

Market conditions reflect these disruptions. Last season's oversupply kept prices low, but forecasts predict increases as adverse weather impacts production. Fresh-cut vegetable output dropped 15 percent by mid-April, while processed vegetable production surged significantly. Growers face rising input costs, regulatory uncertainty, and delays in land-use decisions, complicating future planning. While a high probability of El Niño Southern Oscillation-neutral conditions is expected for 2025/26, the potential for early La Niña development remains. This could lead to increased rainfall in key growing regions, further affecting planting cycles and export volumes.

Looking ahead to 2025/26, growers must navigate uncertain climate trends, rising costs, and global oversupply risks. Premium markets like Japan for squash and Europe for processed peas offer opportunities, while diversification into regions like the Middle East gains traction. Strategic shifts in planting market-preferred products like larger onions,

securing reliable shipping routes, and adopting climate-resilient practices will be essential for staying competitive.

Frozen and processed vegetable exports lift growth as fresh vegetable prices soften

Vegetable export revenue is forecast to grow 8 percent this season, reaching $770 million for the year to 30 June 2025 (Table 12). This is largely driven by a recovery in frozen and processed vegetable exports, as both volumes and prices are expected to rise in the latest year. A generally good growing season also drove volume increases across most fresh vegetables.

Table 12: Vegetable volumes and revenue 2021–29

Year to 30 June

	Actual				Forecast				
	2021	2022	2023	2024	2025	2026	2027	2028	2029
Fresh vegetables*									
Export volume (000 tonnes)	330	251	221	234	265	280	265	265	270
Export revenue (NZ$ million)	277	231	296	282	285	305	300	305	315
Processed vegetables**									
Export volume (000 tonnes)	178	202	190	168	180	160	180	185	190
Export revenue (NZ$ million)	352	391	441	439	490	435	495	510	520
Total fresh and processed vegetables									
Export volume (000 tonnes)	**508**	**453**	**412**	**402**	**445**	**440**	**445**	**450**	**460**
Export revenue (NZ$ million)	**629**	**622**	**737**	**721**	**770**	**740**	**790**	**810**	**840**

* Includes onions, squash, capsicum, potatoes, and other fresh vegetables.

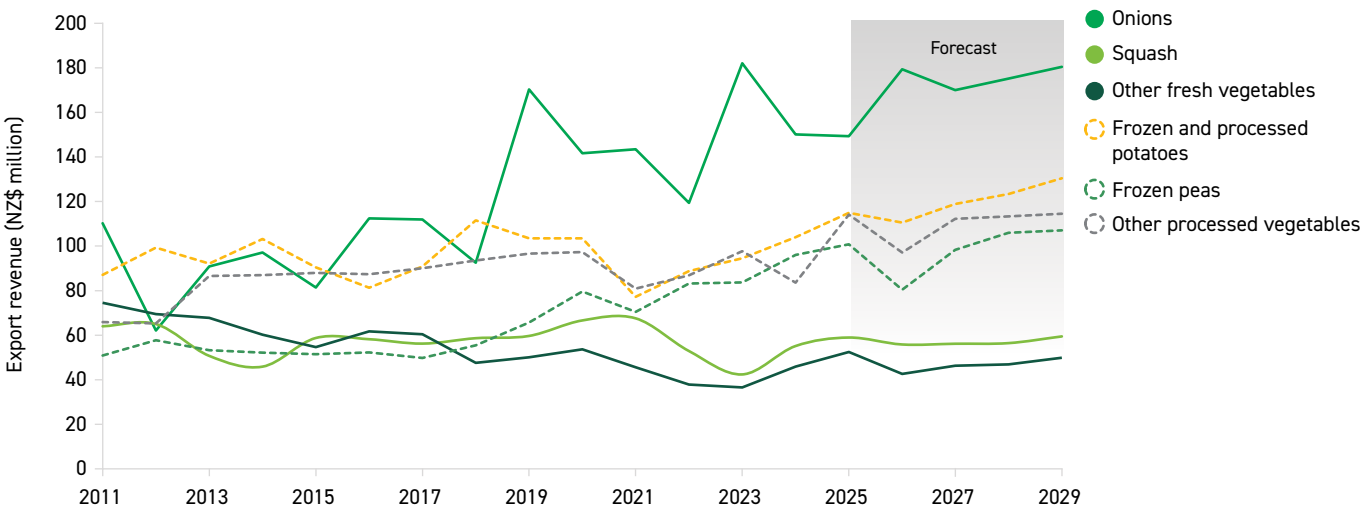
** Includes frozen and processed vegetables (including frozen potatoes, peas, sweetcorn, etc.), dried vegetables, dry legumes, prepared and/or preserved vegetables, and vegetable juices.

Totals may not add up due to rounding.

Source: Stats NZ and MPI.

Figure 41 : Short-term slowdown, mid-term momentum for vegetable exports

Year to 30 June, export revenue, NZ$ million



Source: Stats NZ and MPI.

Vegetable prices appear to be stabilising, but volatility remains across segments. Prices for frozen and processed vegetables are building on last season's increase, while volumes have recovered from last season's poor harvest. Fresh vegetable export prices remain weak, expected to decline 11 percent overall. This is mainly due to weak onion prices, similar to last year, likely due to global stockpiling, strong harvests in key export regions, and a strong NZD.

Exports of key vegetables, especially onions, continue to grow, with volumes up over 20 percent. However, revenue for this season is expected to slightly decline by 1 percent (Figure 41) due to high global stock levels, which are impacting export prices and are forecast to drop 18 percent this season. Optimism remains for next season as key markets in Europe and Asia potentially show signs of price recovery. While trade restrictions and supply fluctuations in India and Egypt may drive prices higher, uncertainties in shipping and production could still impact market stability. Processed vegetable exports have performed well in recent years, with a bullish outlook, particularly for potatoes. However, frozen peas and other processed vegetables are forecast to decline in the short term before rebounding in the long run.

Despite weather-affected lower yields for some crops over the past season, export growth is expected for all frozen and processed vegetable categories, except vegetable juice, in the year to 30 June 2025. The standout performer was the other processed vegetables category (including tomatoes, carrots, beans, and asparagus), with export revenue forecast to grow 34 percent on the back of a strong increase in export volumes. Exports of frozen and processed potatoes, the largest category of frozen and processed vegetables, increased in revenue by 8 percent, likely due to strong pricing in key markets like Australia and Southeast Asia, despite a 9 percent drop in export volume.

New Zealand's fresh vegetable exports: strong growth despite pricing challenges

New Zealand's fresh vegetable exports continue to grow, with strong production expected to boost volumes by 13 percent this season. However, lower prices, down 11 percent from last season, will keep revenue growth modest at 1 percent. Despite this pricing challenge, rising export volumes reflect steady international demand for New Zealand's produce.

Exports of other fresh vegetables such as capsicum, tomatoes, brassicas, and celery remain strong. Export revenue is forecast to rise 14 percent in the year to 30 June 2025, with volume expected to increase 19 percent compared with the previous year. Prices are lower than last year and are expected to decline 4 percent.

Squash exports are also performing well, with revenue forecast to rise 7 percent this season. However, demand has softened, likely due to a strong NZD in Japan, the main export market. As a result, overall export volume is down 3 percent to 60,000 metric tonnes. Lower supply in key squash markets has driven higher returns, supporting industry sustainability. Given current costs and market conditions, the industry views existing volume levels as broadly sustainable.

New Zealand's onion exports are recovering, with volume higher than last season and expected to rise 22 percent this year. However, prices remain low, keeping export revenues weak. Revenue is forecast to decline 1 percent from last year. Global onion markets face price pressure due to oversupply from the Netherlands and Egypt, while India's export bans and weather losses may boost demand. Europe and Asia show recovery potential, offering growth opportunities for New Zealand exporters. Meanwhile, tight supply in the US and Mexico is keeping prices firm, creating room for higher-value shipments. By focusing on premium markets and efficient logistics, New Zealand can expand volumes and strengthen its global presence.

Government initiatives enable future industry growth

The New Zealand Government is taking steps to support future growth in the vegetable industry through strategic policy updates and improved market access. Two key proposals under consideration to enable commercial vegetable growing is to develop a new objective within the National Policy Statement for Freshwater Management directing councils to consider how to enable the continued domestic supply of commercial vegetable growing, including providing for crop rotation through regional plans, and to develop standards that permit commercial vegetable production so growers do not need to obtain resource consent.

New policies focus on reducing red tape and facilitating industry expansion. MPI has simplified biosecurity rules, enabling faster imports of disease-resistant potato varieties through tissue culture. This change lowers costs for breeders and accelerates access to improved crops. Additionally, renewed trade agreements with Indonesia provide onion exporters with clearer inspection and phytosanitary guidelines, minimising delays and reinforcing New Zealand's reliability in global markets.

Indonesia and Vietnam illustrate the benefits of these efforts. Vietnam has opened its market to New Zealand onions, with positive importer feedback highlighting quality advantages. This helps diversify export destinations beyond traditional markets. Meanwhile, New Zealand's squash sector is also targeting Vietnam, leveraging strong demand and favourable trade conditions. Government-backed market initiatives will stabilise returns and reduce risks linked to dependency on Japan, ensuring long-term growth and industry resilience.

Innovating vegetable production through challenges and sector trends

Technology adoption in the vegetable sector has been uneven, with varying applications across different crops. Investments in grading and harvesting technology before COVID-19 and the 2023 weather events showed promise in reducing labour costs and improving product quality. However, progress has delayed, likely due to easing labour constraints and ongoing financial recovery. Innovations in data management, such as Potatoes New Zealand's Biosecurity Emission Levy Information System system, are being trialled to enhance biosecurity and traceability. Genetic advancements, including Otago University's technology, aim to improve potato breeding, ensuring better crop performance.

In the potato sector, technology plays a key role in addressing market challenges, with a focus on efficiency and sustainability. Drone spraying is increasingly used for precise weed control, improving farm operations. Processing innovations, such as pulsed electric field (PEF) technology, are gaining traction in the potato industry, improving product quality while reducing energy use. McCain NZ has integrated PEF into its processing to lower environmental impact, while research into hyperspectral imaging for tuber grading could further optimise sorting and quality control.

Food and fibre production

on collectively-owned whenua Māori (Māori land)

New research is under way

New research is under way on the current use of collectively-owned whenua Māori (Māori land) and an assessment of its productivity potential. Provisional highlights from the research are presented below, with the final report from Business and Economic Research Limited (BERL) expected mid-year.

Whenua Māori totals at least 2.4 million hectares, almost 10 percent of New Zealand's land area. This comprises of more than 800,000 hectares now owned by Māori post-settlement governance entities (PSGE) and 1.6 million hectares of Māori freehold land – this is land that has always been in Māori ownership and is often governed by trusts or incorporations.

Whenua Māori makes a significant contribution to New Zealand's food and fibre sector economy

Food and fibre production is the most common land use for whenua Māori, accounting for around 1 million hectares of Māori freehold land and 363,500 hectares of PSGE land.

The research identifies the significant contribution that whenua Māori makes to New Zealand's food and fibre sector economy, providing an estimated $12 billion in direct output and $5.3 billion in direct GDP annually, supporting the employment of 33,000 full-time equivalents (FTEs).

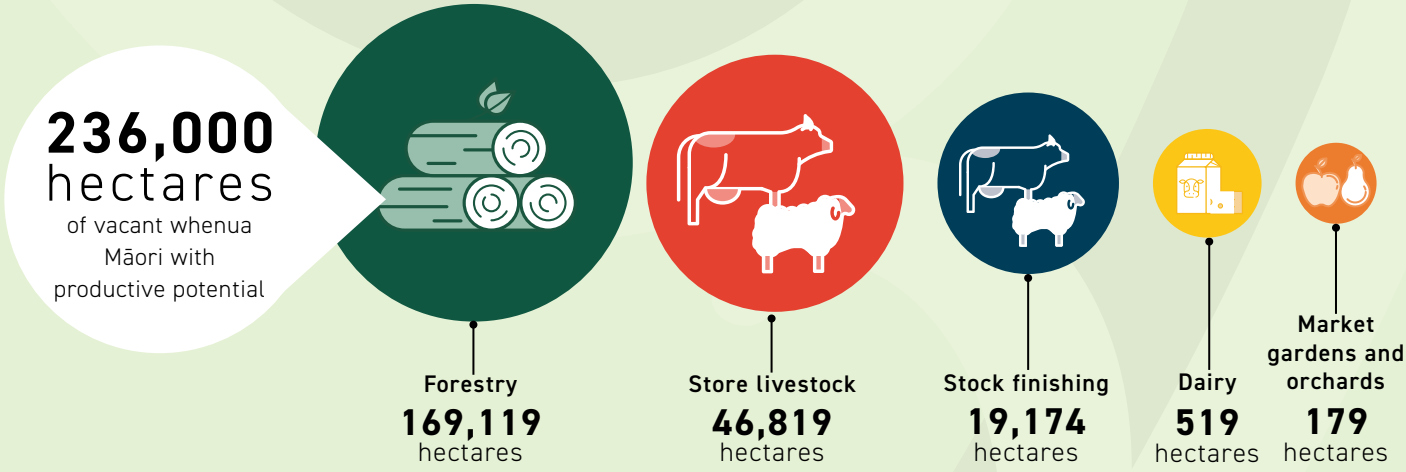
Forestry and sheep and beef farming are the largest sectors, each accounting for more than 500,000 hectares of whenua Māori. The research also notes diversification of land use in the last decade, with growth in dairy farming and horticulture on whenua Māori.

Whenua Māori has unrealised productive potential

The research also demonstrates that whenua Māori has further economic potential through bringing new land into food and fibre production or increasing the output from land already in food and fibre production.

There are 236,000 hectares of whenua Māori currently classed as vacant that, given the right conditions, has the potential to be brought into production. The modelling indicates the potential for an additional $1.01 billion in direct output and $389 million in GDP annually, supporting the employment of an extra 2,135 FTEs.

The research also models the economic potential of increasing the productivity of whenua Māori that is already in food and fibre production. This modelling indicates the potential for an additional $2.9 billion in direct output and $1.2 billion in direct GDP annually, supporting the employment of an extra 7,447 FTEs.



Potential additional output from vacant land

$1.01 billion

Direct annual output

$0.389 billion

Direct annual GDP

2,135 FTEs

Direct employment

Potential additional output from land already in production

$2.9 billion

Direct annual output

$1.2 billion

Direct annual GDP

7,447 FTEs

Direct employment

Challenges and opportunities to develop whenua Māori

The research outlines some inherent factors that limit development options on whenua Māori. For example, it estimates that around 21 percent of Māori freehold land is landlocked and difficult to access – almost 200,000 hectares. Nearly half of all vacant Māori freehold land is landlocked.

Further, around 670,000 hectares of Māori freehold land has a land use capability rating of 5–8, with limited land use options due to steepness, erosion risk, and other factors.

Despite these limiting factors, there was a 35 percent increase in the value of the Māori collectives' food and fibre sector asset base between 2018 and 2023.[17] This research identifies active governance and land use change and diversification as catalysts to unlock further development on whenua Māori.

Case study: Whāngārā Farms' 100 year vision

Whāngārā Farms is a partnership between three Māori incorporations – Whāngārā B5, Pakarae A, and Tapuwae Whitiwhiti – representing approximately 2,500 shareholders with whakapapa to Gisborne Tairāwhiti iwi (tribe). A past Ahuwhenua Trophy winner, the partnership was formed to unlock the value of collectively governed whenua Māori.

Specialising in premium sheep, beef, and wool production, Whāngārā Farms also leads several diversification initiatives. It integrates animal production, environmental stewardship, and community outcomes into a unified strategy.

This approach is guided by He Rau Ake Ake, a 100-year intergenerational whenua optimisation plan grounded in te ao Māori and aligned with modern business practices. It informs decision making across farming, biodiversity, forestry, and innovation, aiming to achieve enduring prosperity – cultural, environmental, social, and economic.

Through He Rau Ake Ake, Whāngārā Farms fosters a high-performance culture in governance and operations, committed to protecting whenua, upholding whakapapa (genealogy), and delivering long-term impact for whānau (family) and future generations.

17 Schulze, H., Reid, A., Dixon, H., McIndoe, C., & Wiradika, S. (2024). *Te ōhanga Māori 2023 | The Māori economy 2023.* Ministry of Business, Innovation and Employment. https://www.mbie.govt.nz/dmsdocument/30486-te-ohanga-maori-2023-report-pdf

Forestry

- Forestry export revenue is expected to recover 9 percent to $6.3 billion in 2024/25, led by stronger log prices and increased sawn timber export volumes, as supply-side disruptions in processed wood products ease.
- The outlook is tempered by uncertainty surrounding log exports as China's weak property market continues to dampen log demand, while available harvest volumes are relatively high.
- Further uncertainty exists with shifting global supply chain patterns in response to tariffs, which may result in exporters needing to respond to changing markets.
- Domestically, low construction sector demand, high energy costs, and a soft economy are weighing on the sector. However, lowering interest rates and increasing labour availability may stimulate activity at home over the forecast period.

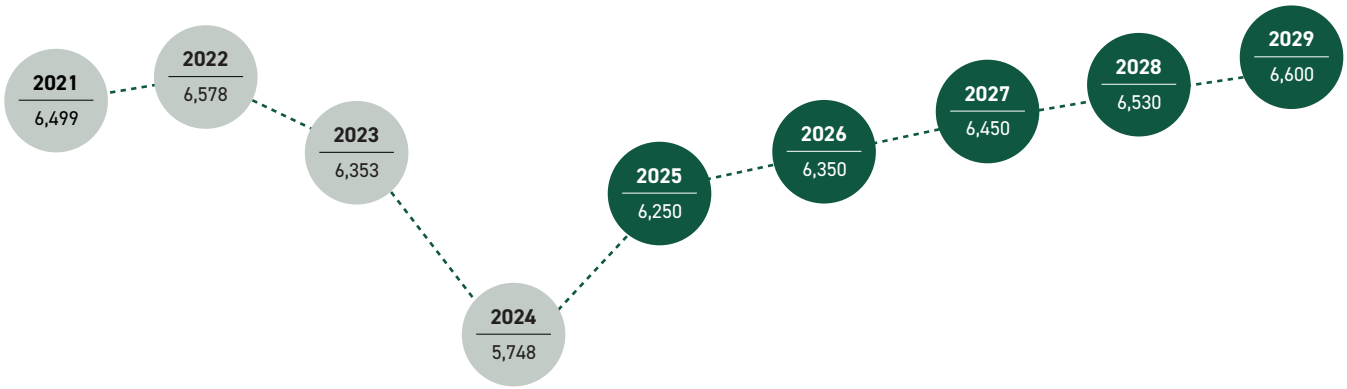


Table 13: Forestry export revenue 2021–29

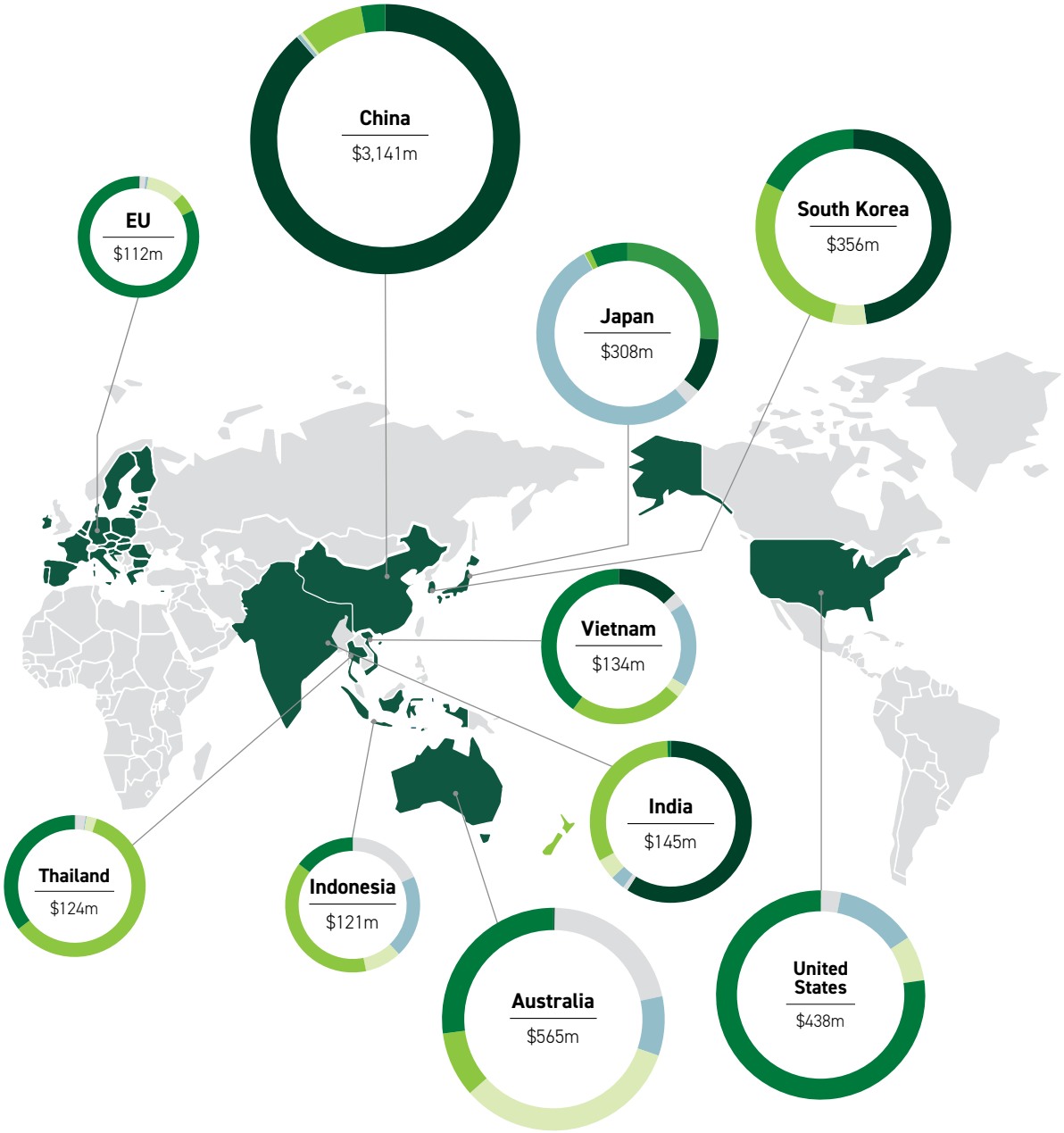
Year to 30 June, NZ$ million

	Actual				Forecast				
Product	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Logs	3,830	3,627	3,388	3,225	3,310	3,380	3,450	3,490	3,530
Sawn timber and sleepers	900	973	937	885	1,130	1,180	1,210	1,230	1,260
Pulp	669	816	846	629	720	810	820	820	830
Paper and paperboard	438	463	433	361	420	260	260	280	280
Panels	385	411	463	374	380	420	420	420	420
Woodchips	61	62	78	73	90	90	90	90	90
Other forestry products*	216	225	208	200	220	220	210	200	190
Total export revenue	**6,499**	**6,578**	**6,353**	**5,748**	**6,250**	**6,350**	**6,450**	**6,530**	**6,600**
Year-on-year % change	**19%**	**1%**	**–3%**	**–10%**	**9%**	**2%**	**2%**	**1%**	**1%**

* Includes structural or moulded wood, furniture, and prefabricated buildings.
Totals may not add up due to rounding.
Percentages are rounded to the nearest whole percent.
Source: Stats NZ and MPI.

Top 10 forestry export destinations

Year to 31 March 2025, NZ$ million



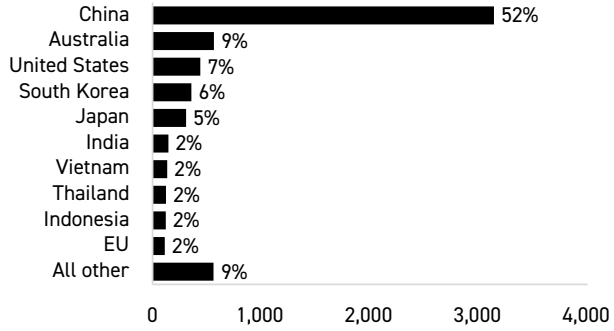
	Product	Export revenue (NZ$ million)	% of total
	Logs	3,126	52%
	Sawn timber and sleepers	1,090	18%
	Pulp	696	12%
	Paper and paperboard	423	7%
	Panels	378	6%
	Woodchips	81	1%
	Other forestry products	212	4%
	Total	**6,006**	**100%**

Totals may not add up due to rounding.
Source: Stats NZ.

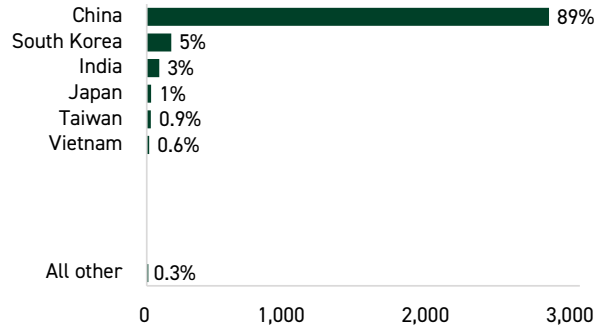
Top forestry export markets

Year to 31 March 2025, NZ$ million and percent

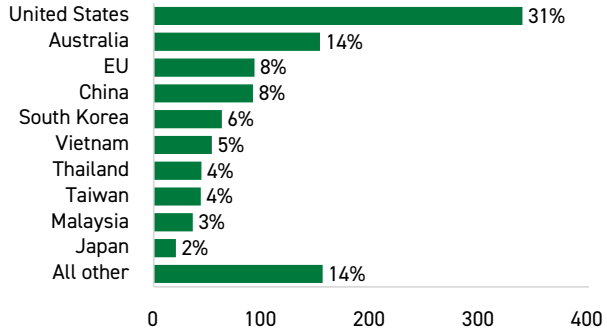
Total forestry



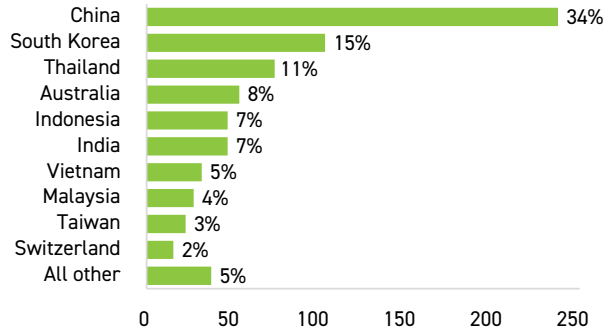
Logs



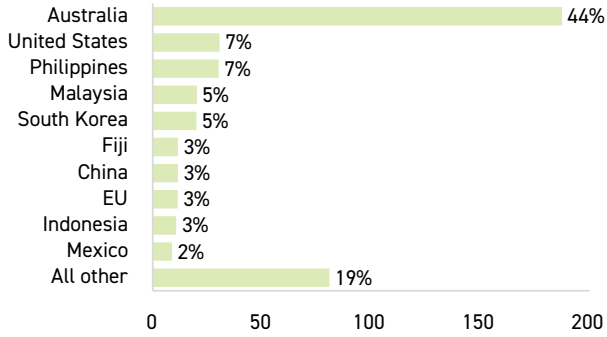
Sawn timber and sleepers



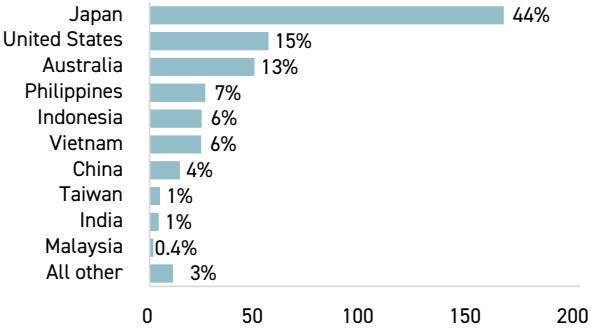
Pulp



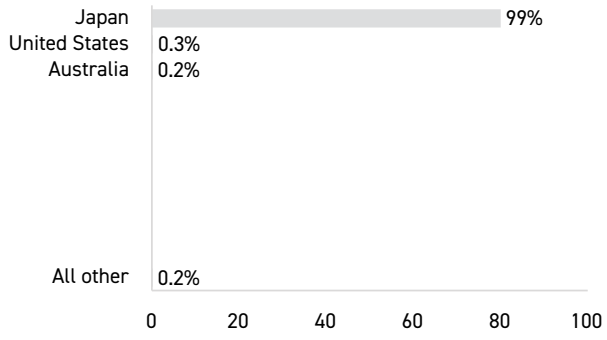
Paper and paperboard



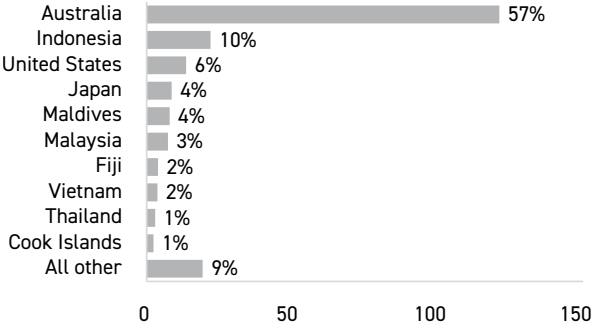
Panels



Woodchips



Other forestry products



Source: Stats NZ.

Forestry export revenue expected to increase 9 percent as supply shocks ease

Export revenue in the year to 30 June 2025 is expected to increase 9 percent to $6.3 billion, recovering from the impacts of lowered production seen in the previous year due to several shutdowns of processing plants. The reopening of Pan Pac's Hawke's Bay mill following Cyclone Gabrielle has increased supply of timber products, offsetting to some extent the reduction from the closure of other plants.

While international demand has picked up over the last three quarters for most products, the outlook in the near future remains subdued, with low construction and manufacturing activity in most of our markets. With currently low production levels in processing and expected balanced availability of logs in response to any log price increases, New Zealand exporters should be well placed to capitalise on any upturns in economic activity with an increase in production. Downside revenue risks exist around changes to supply chains and the level of competition from other countries as these markets readjust over the forecast period. These would add to existing pressures on wood processor profitability.

Table 14: Forestry production, prices and export volumes 2020–25

Year to 30 June, thousand cubic metres roundwood equivalent

	Actual					Forecast
	2020	**2021**	**2022**	**2023**	**2024**	**2025**
Harvest volume	31,759	37,193	33,973	33,138	32,770	32,900
Log export volume	18,483	23,275	20,843	20,367	21,092	20,600
Log input volume, processed wood products	13,275	13,918	13,130	12,771	11,679	12,400
Log input volume, processed wood products export	7,130	7,134	6,584	6,003	5,767	6,900
Log input volume, processed wood products domestic	6,145	6,784	6,545	6,768	5,911	5,400
A grade log export price (NZ$ per JAS m^3 FOB)	143	158	147	147	144	143

Source: Stats NZ and MPI.

Roundwood harvests are flat

The roundwood harvest in 2023/24 was 1 percent down to 32,770 million cubic metres, a decline for the third year in a row. The lower harvest reflected continued weaker log export volumes to China and a decline in logs used for processed products for both domestic and export markets. In 2024/25, log export volumes are expected to remain flat, with weak domestic processed consumption resulting in a harvest of 32.7 million cubic metres, a 1 percent increase (Figure 42). Harvests peaked in 2020/21 at 37.2 million cubic metres when demand from China was strongest.

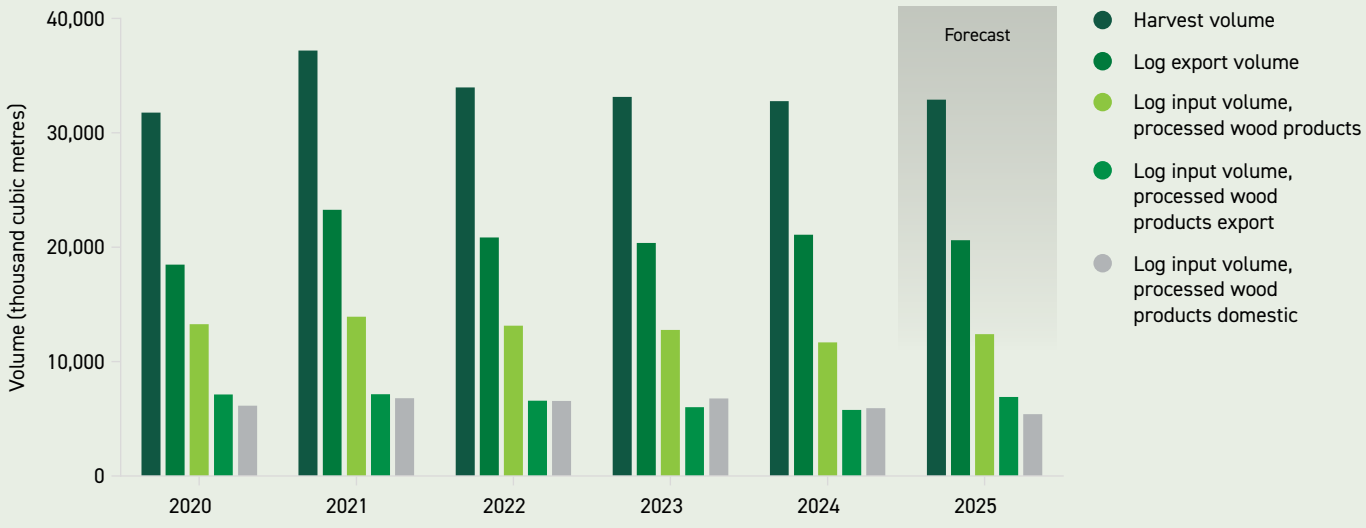
Uncertainty continues for timber processors

Timber processors are facing uncertain demand, both domestic and international, as well as new international regulations. The EU Deforestation Regulation was delayed for one year and now comes into effect from December 2025. This means operators placing products on the EU market will have to prove their products haven't contributed to deforestation and are legal. The extended timeframe will allow processors extra time to develop a mechanism to prove products meet the new EU requirements.

Local sales into the construction sector are expected to remain flat, with low building consent levels in the short term. A recent Ministry of Business, Innovation and Employment report on the construction pipeline forecasts construction activity to fall around 9 percent from 2023 to 2025 but to increase in 2026 by 4 percent, and trend upwards out to 2029. This is largely driven by non-residential construction, as costs of borrowing and materials ease, and increased migration and the rebuilding after weather events drives demand. A continued softer labour market will help ease staffing pressures at manufacturing facilities. With production on the lower side at the moment, there should be capacity to respond to any uptick in demand when the right drivers appear.

Figure 42: Processed wood volumes for export exceed domestic use

Year to 30 June, volume in thousand cubic metre roundwood equivalent



Source: Stats NZ and MPI.

China property market expected to continue to affect New Zealand export revenue

The slump in China's property market is continuing. Since the "three red lines" policy, introduced in 2020, imposed financial constraints on developers to dampen a property boom, China's total softwood log imports between 2020 and 2023 fell 44 percent from 49.9 million cubic metres to 28.1 million cubic metres. Despite the drop, New Zealand log export volumes to China have held steady and gained significant market share, with imports from the US and EU falling. China's softwood log imports peaked in 2021, when New Zealand's share of imports was 49 percent, and while our exports have fallen 12 percent since then, our market share has grown to 70 percent. This is partially a result of lower imports from Germany, previously the second-largest exporter of softwood logs to China. German exports declined following falling production due to bark beetle infestation, along with increased domestic demand for construction materials lowering the export share.

Main Chinese construction indicators continue to show reduced activity, with total investment in real estate down 9.9 percent year on year in the March 2025 quarter. Floor space started, a key metric of new building activity, is down 24.4 percent. Added to the ongoing correction in the property market is the reduced China GDP target of 5 percent growth versus the pre-COVID-19 level of 6 percent, reflecting reduced demand for construction and manufacturing.

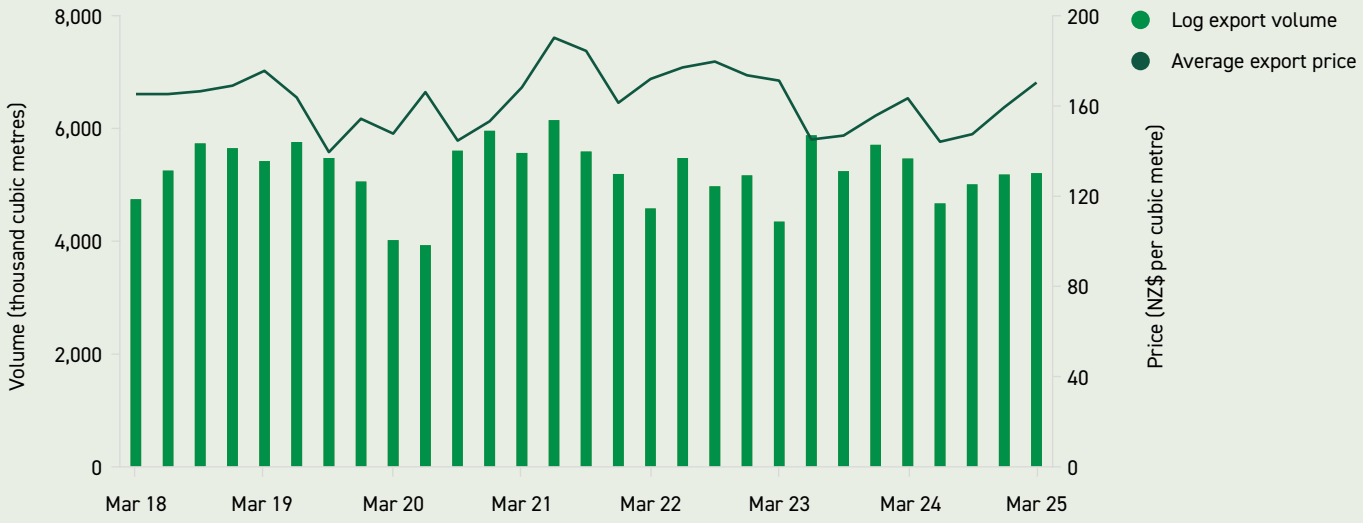
Wood products are currently exempt from the additional 10 percent US tariff increases, until an investigation to determine the effect of imports on US national security is completed later in 2025.

Several possible future scenarios exist. The impact on New Zealand's exports depends to some extent on how much of a differential in pricing exists between New Zealand's timber and other countries' timber. For example, New Zealand could gain an advantage in sales to the US if our products have a lesser tariff applied than other countries. Alternatively, opportunities may exist in other markets as global production switches from China to other manufacturing bases. If new markets emerge, New Zealand exporters would have to establish themselves in new markets at the same time as other major exporters.

The future state of wood product supply chains will no doubt be complex, and it is too soon to say whether the upside or downside risks are evenly balanced. This uncertainty will be featuring in investment decisions at all stages of the supply chain, not just in New Zealand but globally, potentially resulting in slower growth for the sector.

Figure 43: Log export prices up

Quarterly, export volume in thousand cubic metres and export price in NZ$ per cubic metre



Source: Stats NZ and MPI.

Lower export volumes of logs offset by increased prices

Log export volumes were down 6 percent in the first three quarters of 2024/25 compared with the previous year (Figure 43). Export free on board (FOB) prices have risen 2 percent over the period, assisted by lower shipping rates and a lower NZD, ending in the highest prices in the March 2025 quarter since the March 2023 quarter. These higher prices helped offset the fall in volumes that drove a 4 percent fall in log export revenue.

More recently, uncertainty in global trade and manufacturing, and higher inventory levels at Chinese ports as the peak of New Zealand's harvest season arrives are expected to soften prices. This is expected to lower export volumes as the market responds.

Over the forecast period, steady log supply in New Zealand is expected to support log export volumes but keep log prices at relatively low levels, as demand from China's construction sector is limited. In addition, China removed its ban on Australia's logs in 2023, and although export volumes from Australia to China are currently at low levels, they are increasing. This could provide a headwind to New Zealand log demand and may put more downward pressure on prices.

Sawn timber recovers from negative supply shocks

Sawn timber export revenue is expected to increase 27 percent to $1.1 billion in 2024/25. Export volumes for the July to March year to date have increased significantly to all main destinations compared with the same period in 2023/24. This is expected to result in sawn timber export volumes of 1,770 thousand cubic metres in 2024/25, up 26 percent on last year (Figure 44).

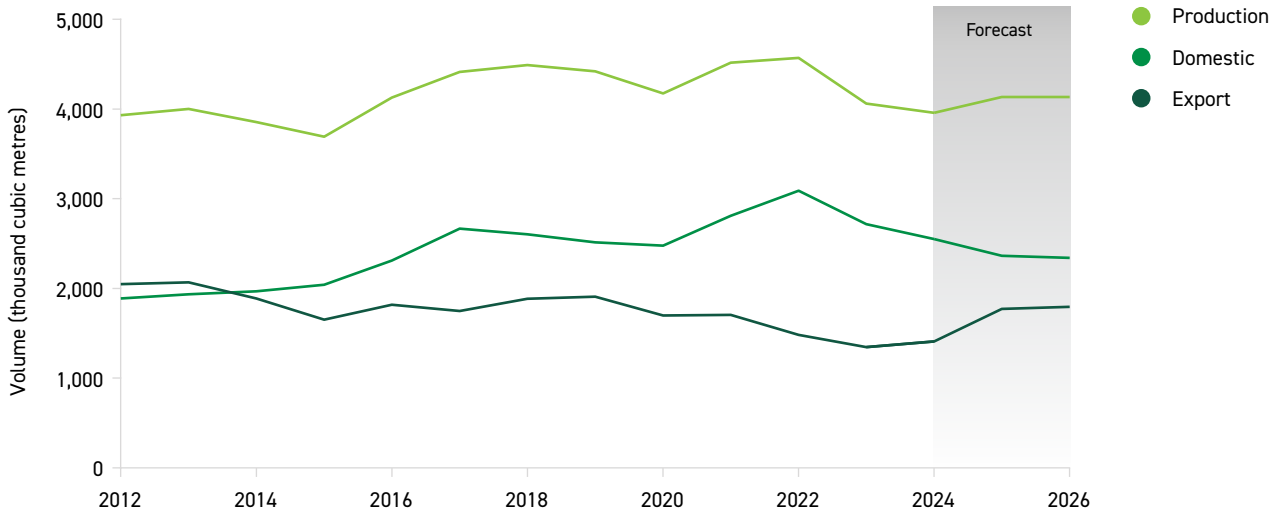
Cyclone Gabrielle's disruption to Pan Pac's sawn timber mill reduced New Zealand's export supply in 2023/24, along with high interest rates in the US and Europe, which slowed residential building starts and remodelling activity. The increased export revenue in 2024/25 shows a recovery in both supply, with Pan Pac back in operation, and demand, with increased volumes to the US and steady pricing overall.

Average sawn timber export prices were consistent in the first three quarters of 2024/25 compared with the same period in 2023/24 in the EU and US but showed a lift in the lower-priced markets in Asia. This reflects continued volume growth to Asia where more lower-value grades are sold, but increased prices have meant the overall average has remained steady.

Around half of sawn timber exports go to Asia, although it only accounts for around a third of New Zealand's export revenue. Most of the products sold to Asian customers include utility-grade sawn timber, which is used in the furniture and packaging industries. The IMF is forecasting Asia to be the fastest-growing region in the world, with real GDP growth of 4.6 percent in 2026.

Figure 44: Increasing share of sawn timber production for export

Year to 30 June, volume in thousand cubic metres

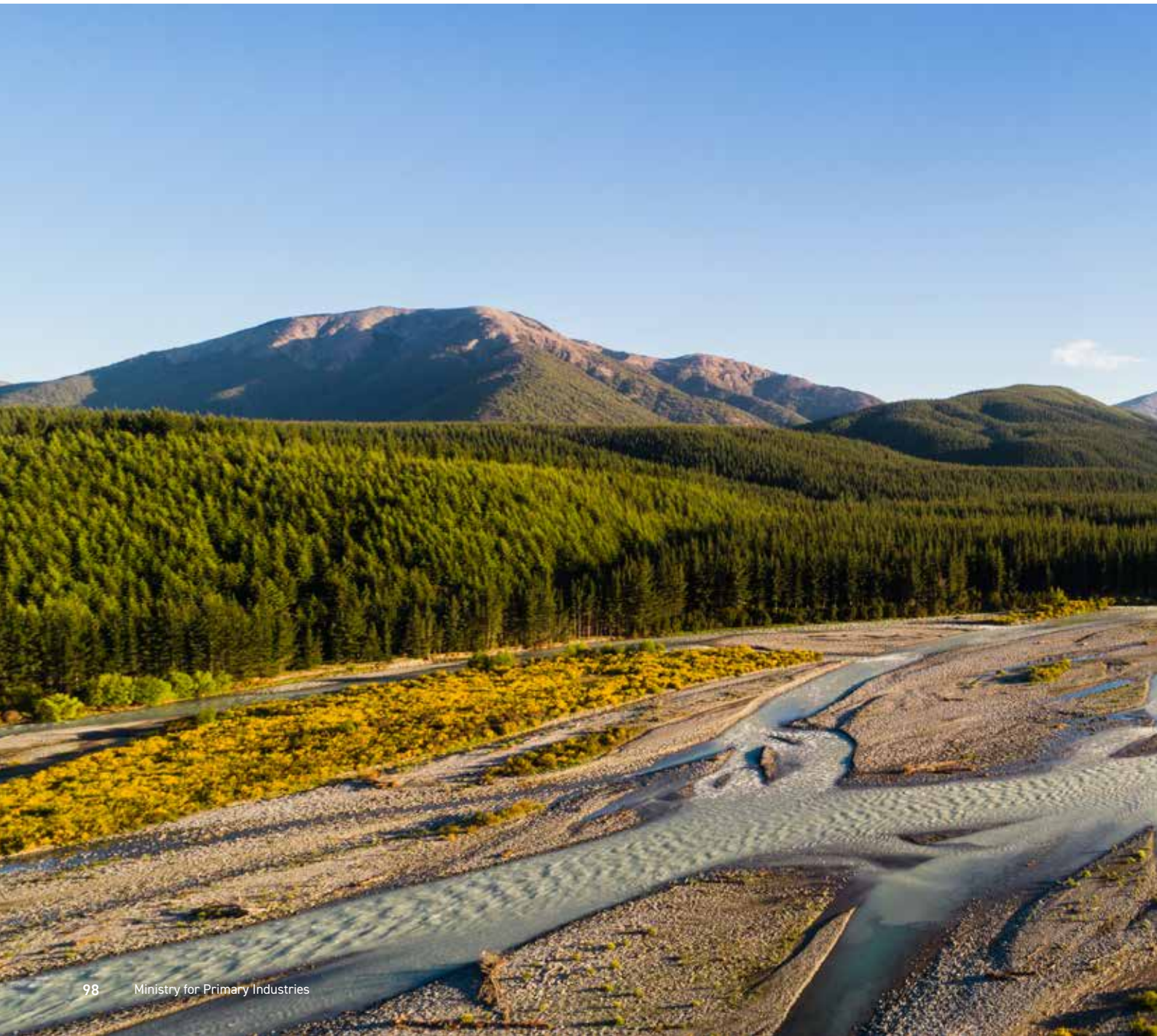


Source: Stats NZ and MPI.

Continued export growth will depend on building activity in the US, Australia, and the EU, where high-priced specialty timber is sold. Generally weak building activity over 2023/24, driven by high interest rates and uncertainty in economic forecasts, has seen some positive signs, with construction indices in the US and EU rising in the second half of 2024. There remains downside risk in these markets if the current interest rate cuts don't continue. In the US, interest rates are being held higher for longer due to economic uncertainty and the possibility of inflation staying longer. This may dampen the construction sector over the short term.

These risks will exacerbate the challenges for mills struggling with high operating costs, which have seen the closure of some smaller operations in recent years, while some easing of electricity and gas input costs measured in the business price index was seen in the December 2024 quarter as summer demand lowered. However, in March 2025, these input costs are still 14 percent and 45 percent above the March 2023 quarter respectively. Slow building activity in New Zealand is adding to the reduced demand, with building consents down 3 percent in the year to 31 March 2025 compared with the previous 12 months. This follows a 25 percent drop in the year to 31 March 2024, and is expected to continue the decline in production for the domestic market (Figure 44).

The recent announcement of the reopening of the Gisborne Tairāwhiti mill for timber supply to the Australian market bucks this trend and offers a positive story for the sector.



Pulp export volumes to stabilise after closures

Pulp export revenue is expected to increase 5 percent to $720 million in 2024/25. This is a result of increased export volume, following the resumption of manufacturing at Pan Pac after Cyclone Gabrielle damage closed the processor in 2023/24, combined with improved pricing.

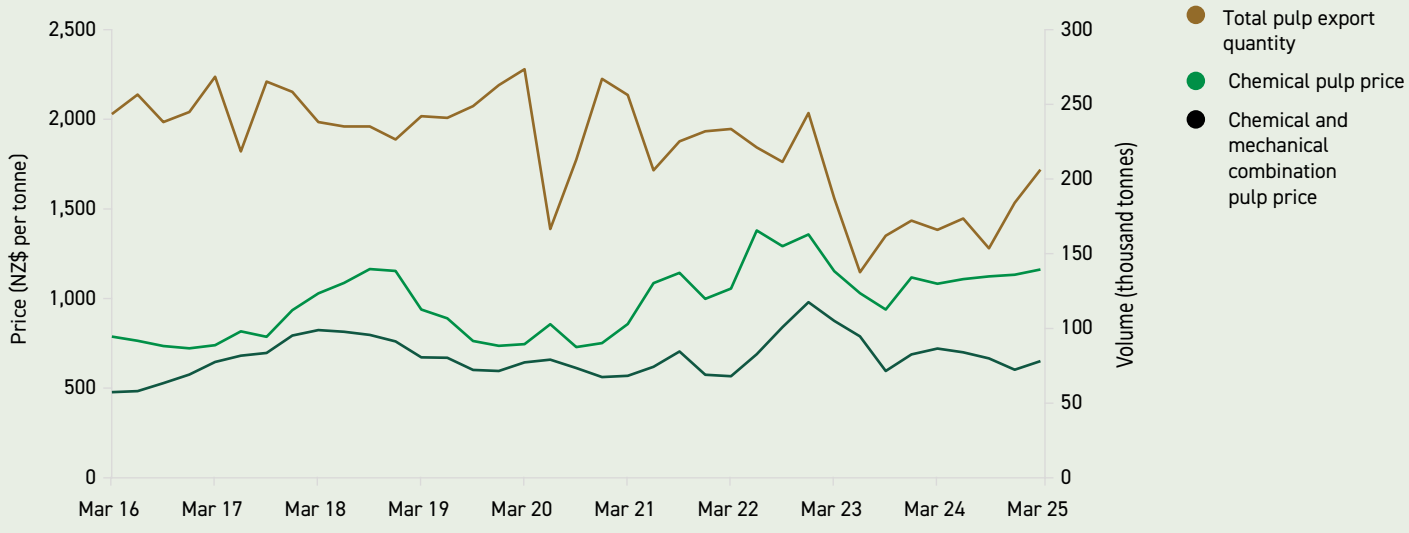
New Zealand's two main pulp exports are bleached and unbleached chemical pulp and bleached chemical and mechanical combination pulp (Figure 45). Chemical pulp is worth more per tonne than chemical and mechanical combination pulp but is produced with a lower yield. Pan Pac produces chemical and mechanical combination pulp, which has meant average export pulp prices rose as production restarted.

Offsetting this increase from Pan Pac in future will be the closure of the Winstone Pulp International mill in the Ruapehu District, which ended operation in October 2024. High energy costs due to declining natural gas supply and low hydro lake levels are understood to have been a significant factor in the closure. These factors remain in place this winter and add pressures for wood processors who use process heat in manufacturing.

On the demand side, China, which accounts for around 40 percent of New Zealand's pulp export volumes, imported 7 percent less volume of pulp from all countries in 2024 compared with 2023. Demand remains weak in the March 2025 quarter and supply levels are high, indicating demand is unlikely to pick up in the near future. However, any stimulus supporting China's growth target of 5 percent that increases consumer confidence and spending is likely to result in an increased demand for pulp imports.

Figure 45: Pulp volumes recover with steady pricing

Quarterly, export price in NZ$ per tonne and export volume in thousand tonnes



Source: Stats NZ and MPI.

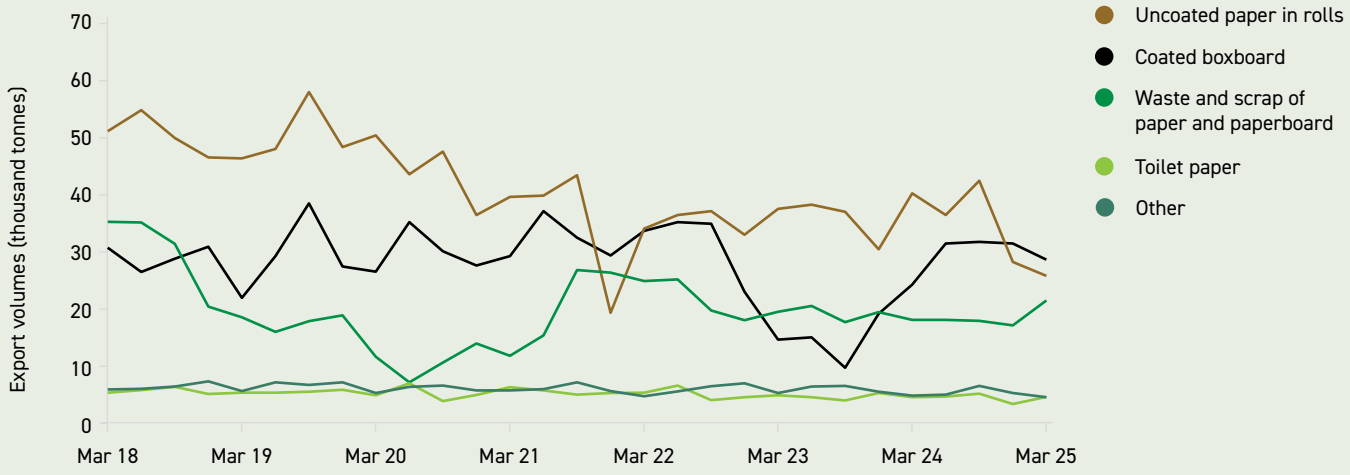
Paper and paperboard export revenue down but volumes starting to recover

Paper and paperboard export revenue is expected to increase 9 percent to $420 million in 2024/25. This is a partial recovery from 2023/24, where weak demand from Australia and interrupted production at Whakatāne Mill due to installing a new paper machine saw export revenue fall 17 percent. Volumes and prices have steadily increased over the past four quarters, with revenue in the September 2024 quarter the highest in two years.

Coated boxboard volumes have recovered to normal levels, with increased production at Whakatāne Mill and demand from Australia (Figure 46). However, the closure of the Oji Fibre Solutions Penrose Mill and the closure of the Kinleith Mill paper-processing line means paper production volumes will be lower in future. Falling production more than offsets any recent improvement in export prices and revenue is expected to decline over the forecast period. Increased imports may offset some of the reduced local production volume, therefore the expected reduction in exports may be limited to a degree.

Figure 46: Coated boxboard export volumes have recovered, paper roll volumes falling

Quarterly, export volume, thousand tonnes



Source: Stats NZ and MPI.

Panel exports improve with increased production and export prices

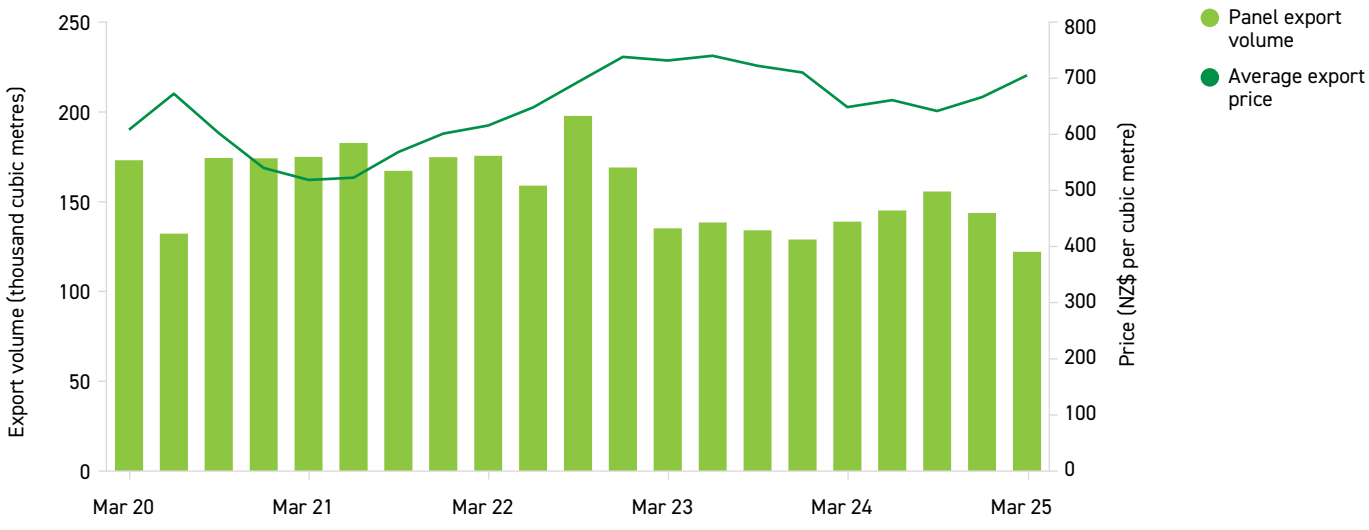
Panel export revenue is expected to increase 2 percent to $380 million in 2024/25.

Prices and volumes fell from a peak in late 2022 following a drop in production due to the closure of an MDF production line in Christchurch at the end of 2022. Panel export revenue began to trend up in the last two quarters of 2024 (March and September), with increases in volumes and prices stabilising (Figure 47). The March 2025 quarter has seen export volumes fall to a historically low level, with the closure of the Gisborne Tairāwhiti veneer and LVL factory, but this was offset by stronger prices. The reopening of the mill by new Australian owners with increased capacity should see exports to Australia grow in the years ahead.

With 50 percent of panel exports going to Japan, prices are forecast to fall in the year to 30 June 2025 due to Japan's low economic growth forecast, a weak yen, and falling manufacturing activity.

Figure 47: Increased prices offset declining panel volumes

Quarterly, export volume in thousand cubic metres and export price in NZ$ per cubic metre



Source: Stats NZ and MPI.

Seafood

- Seafood export revenue is forecast to rise 2 percent to $2.2 billion in the year to 30 June 2025, supported by sustained demand, firm prices, and continued solid performance across key export species. This growth reflects stable global demand for New Zealand seafood amid shifting international supply conditions.
- Aquaculture is forecast to grow 13 percent to $650 million in 2024/25, driven by increased production of high-value products such as mussels and salmon. Aquaculture is expected to play a growing role in the sector's future, supported by ongoing investment and technological innovation.
- Wild capture export revenue is forecast to fall 3 percent to $1.5 billion in 2024/25 and remain relatively flat over the next four years, with lower export volumes offset by higher prices. This reflects a combination of quota limits, catch conditions, and business responses to market and cost pressures.
- Trade uncertainties such as tariffs and changing global economic conditions remain a risk, but New Zealand's sustainable seafood and diversified export markets continue to support long-term resilience.

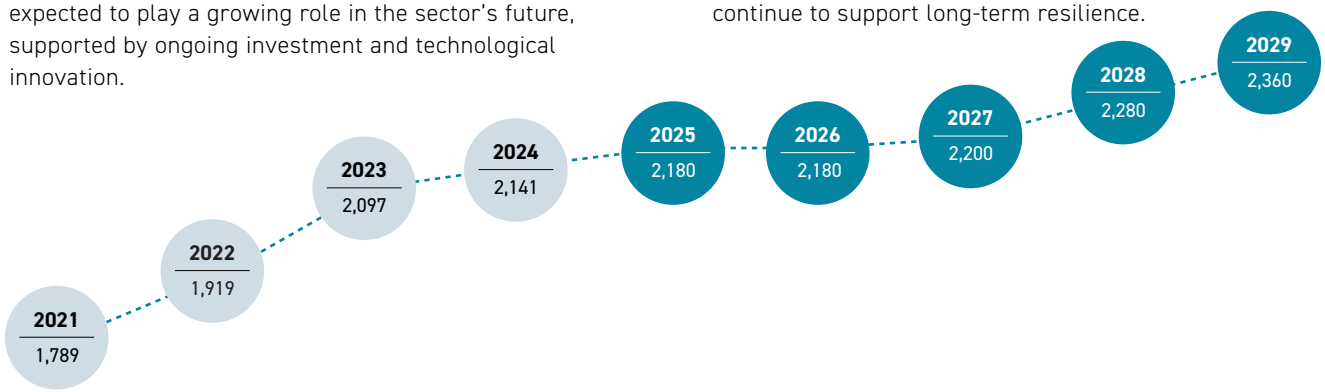


Table 15: Seafood prices, volumes, and revenue 2021–29

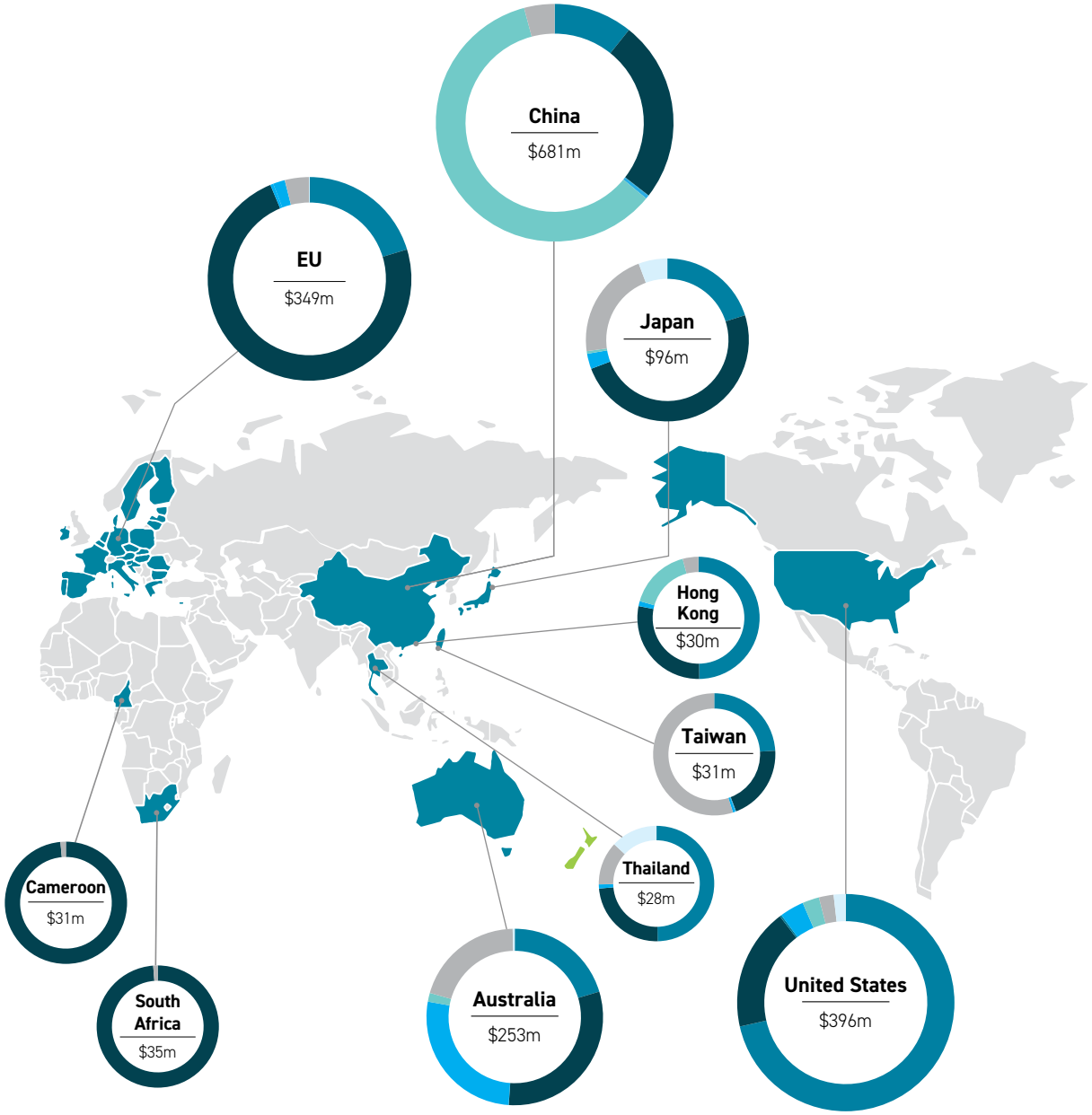
Year to 30 June

	Actual				Forecast				
	2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Wild capture									
Export volume (tonnes)	206,325	221,340	195,502	197,907	194,890	192,440	189,450	186,500	184,170
Average export price (NZ$/kg)	6.61	6.54	8.02	7.92	8.00	8.00	8.00	8.00	8.00
Export revenue (NZ$ million)	1,363	1,448	1,569	1,568	1,520	1,530	1,500	1,510	1,520
Aquaculture									
Export volume (tonnes)	39,163	39,279	36,916	35,200	38,100	37,790	38,600	39,870	40,650
Average export price (NZ$/kg)	10.89	11.99	14.30	16.28	17.00	17.00	18.00	19.50	20.00
Export revenue (NZ$ million)	426	471	528	573	650	650	700	780	850
Seafood									
Total export volume (tonnes)	245,488	260,619	232,418	233,107	232,990	230,240	228,050	226,370	224,820
Average export revenue (NZ$/kg)	7.29	7.36	9.02	9.18	9.50	9.50	9.50	10.00	10.50
Total export revenue (NZ$ million)	**1,789**	**1,919**	**2,097**	**2,141**	**2,180**	**2,180**	**2,200**	**2,280**	**2,360**
Year-on-year % change	**–4%**	**7%**	**9%**	**2%**	**2%**	**0%**	**1%**	**4%**	**4%**

Totals may not add up due to rounding.
Percentages in the table are rounded to the nearest whole percent.
Source: Stats NZ and MPI.

Top 10 seafood export destinations

Year to 31 March 2025, NZ$ million

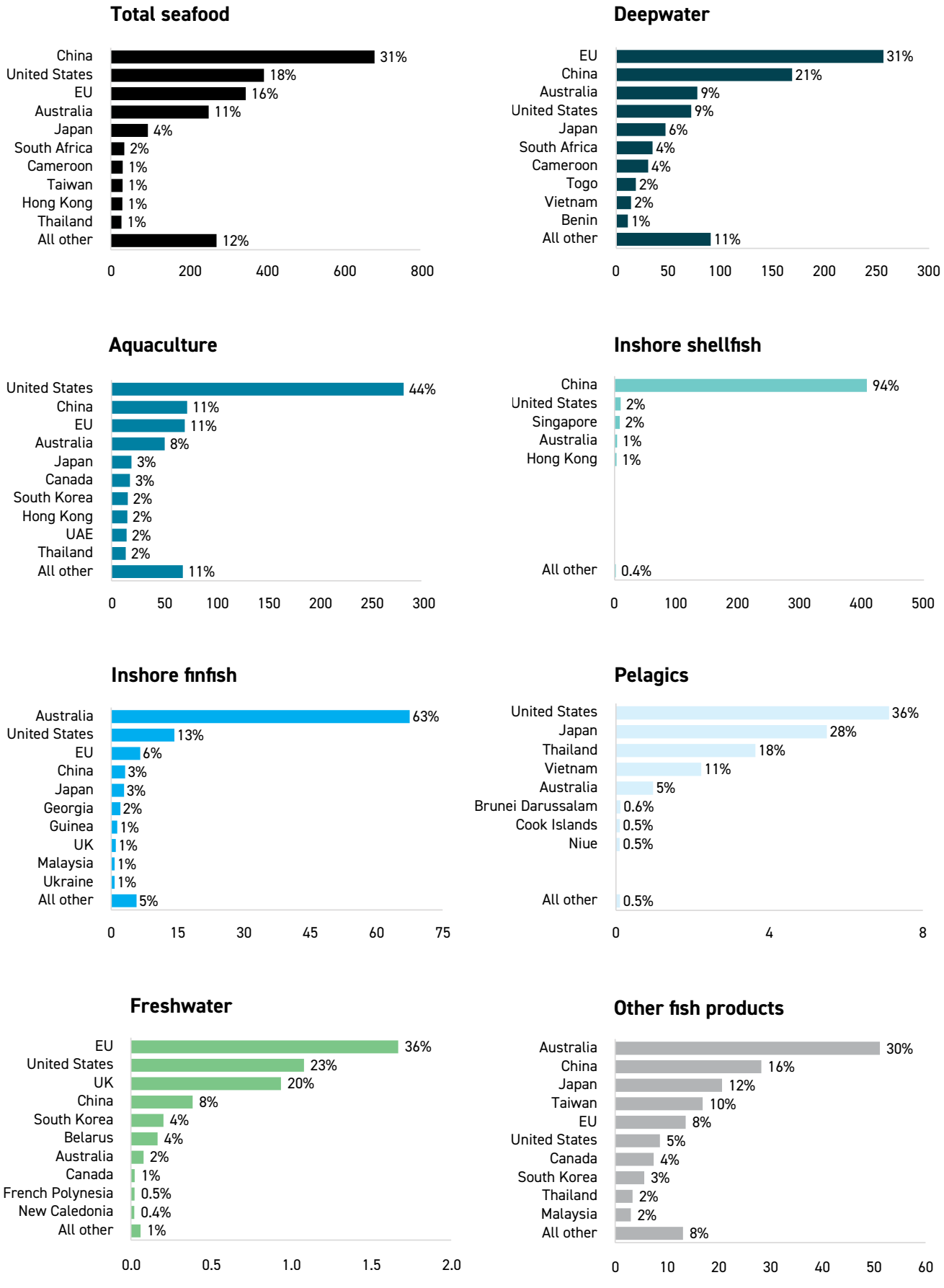


	Product	Export revenue (NZ$ million)	% of total
	Deepwater	822	37%
	Aquaculture	644	29%
	Inshore shellfish	435	20%
	Inshore finfish	106	5%
	Pelagics	20	1%
	Freshwater	5	0.2%
	Other fish products*	172	8%
	Total	**2,204**	**100%**

* Includes caviar, sea cucumber, kina, and other processed fish products.
Totals may not add up due to rounding.
Source: Stats NZ.

Top seafood export markets

Year to 31 March 2025, NZ$ million and percent



Source: Stats NZ.

Seafood industry growth reflects strategic focus on value and sustainability

The seafood industry is set to grow for the fourth consecutive year, with export revenue forecast to rise 2 percent to $2.2 billion in the year to 30 June 2025, driven by higher export prices.

In 2024/25, the average export price for seafood is forecast to rise 2 percent to $9.50 per kilogram, the highest on record. This rise is driven by ongoing tight supply and steady demand. The mix of seafood exports this year includes a greater share of higher-value, lower-volume species, which lifts the average export price. Seafood export volumes are forecast to remain steady at around 233,000 tonnes.

Revenue growth is expected for aquaculture and inshore finfish due to higher export prices and volumes, and growth is also forecast for deepwater, freshwater, and pelagic species, driven by higher prices despite lower volumes (Figure 48). In contrast, inshore shellfish revenue is forecast to decline due to lower prices. This drop in inshore shellfish export revenue is expected to result in a 3 percent fall of wild capture export revenue to $1.5 billion.

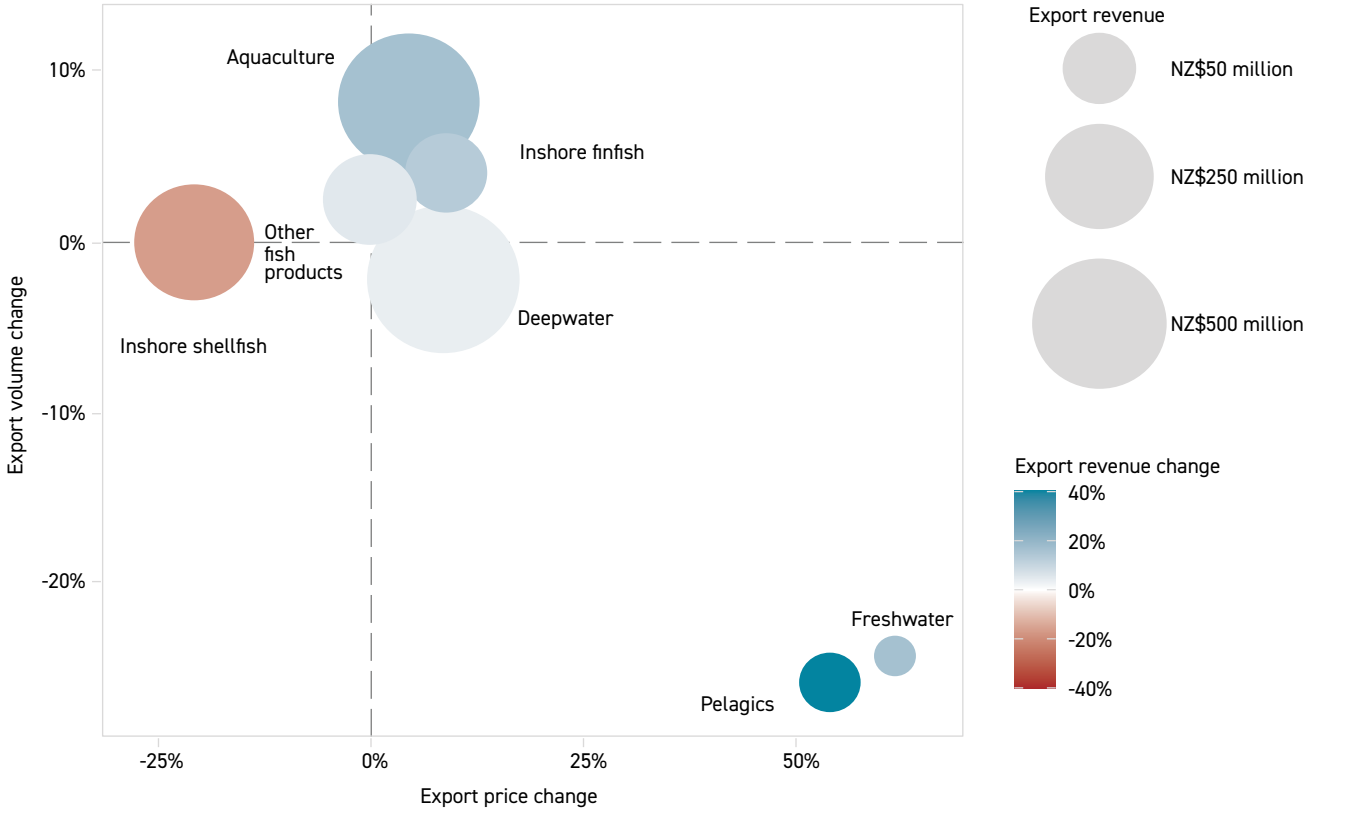
Seafood export revenue is forecast to remain flat in 2025/26 for both aquaculture and wild capture. In aquaculture, higher salmon deaths during the summer of 2024/25 are expected to result in a reduced harvest the following year, lowering export revenue despite strong prices. For wild capture, rock lobster remains a key export, but with demand from China easing, more value is expected to come from higher-volume, lower-value species like hoki and mackerel. This shift is likely to balance out gains and losses across species, keeping total export revenue steady.

Over the rest of the forecast period, wild capture fisheries are expected to continue focusing on value over volume, which is likely to lead to lower export volumes. This approach reflects that many wild fisheries are already operating at or near their maximum sustainable yield, leaving limited room to increase catch without risking long-term sustainability. To stay within ecological limits, the sector is increasingly using new technologies to manage fisheries more efficiently and to maintain or grow the number of fish stocks certified as sustainable by third parties.

Recent updates to commercial fish-landing rules support this sustainability focus. Under the Quota Management System, most fish caught by commercial fishers must be landed unless specific exemptions apply. New rules allow southern bluefin tuna, pāua, and Bluff oysters to be returned to the sea if alive and likely to survive. This helps protect breeding populations and supports long-term health of fish stocks.

Figure 48: Export revenue forecast to increase in 2024/25 across all seafood, except for inshore shellfish

Year to 30 June, change from 2024 (actuals) to 2025 (forecasts), percentage change in export price, volume, and revenue and export revenue in NZ$ million



Source: Stats NZ and MPI.

By 2028/29, seafood export revenue is forecast to exceed $2.3 billion. A relatively low New Zealand dollar is expected to support export performance throughout the forecast period by making New Zealand seafood more competitively priced in global markets. However, recent changes to trade tariffs in some markets add a degree of uncertainty to this outlook.

Aquaculture drives future seafood growth

Aquaculture export revenue is forecast to grow 13 percent to $650 million in 2024/25, with continued growth expected over the longer term. The sector is set to benefit from investment and innovation, including the development of open-ocean salmon farms, which are an adaptive response to climate change and a way to expand production. These initiatives, along with selective breeding programmes, are expected to boost output and increase average export prices. The outlook for aquaculture remains positive, supported by New Zealand's reputation for high-quality, sustainably produced seafood that is well regarded in global markets.

Seafood export revenue driven by several key species

Seafood export revenue continues to rely heavily on five key species: mussels, rock lobster, hoki, salmon, and mackerel. Together, these species are expected to contribute just over 60 percent of the $2.2 billion in export revenue forecast for the year to 30 June 2025 (Figure 49). Changes in the export volumes and prices of these species have a strong influence on the overall performance of the seafood sector.

In 2024/25, mussels are forecast to remain New Zealand's top-earning seafood export by value for the second consecutive year, overtaking rock lobster, which held the lead position from 2021 to 2023. Nearly half of all mussel exports are shipped to the US, followed by China and Australia.

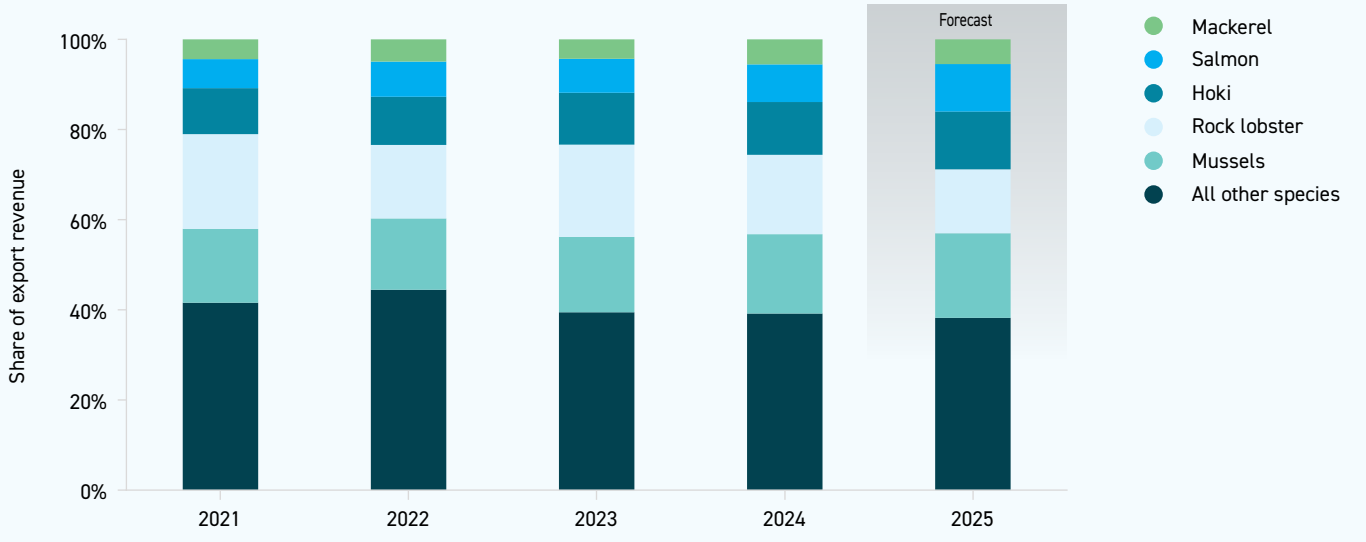
Rock lobster export revenue drops as prices fall

Rock lobster export revenue is forecast to fall 18 percent to $310 million in the year to 30 June 2025. This decline is mainly due to lower export prices, even though export volumes are expected to increase.

Prices are expected to fall following the return of Australian rock lobster to the Chinese market after China lifted its import ban at the end of 2024. Increased competition from Australia, along with softer demand from Chinese consumers, is putting downward pressure on prices. In the January 2025 quarter, New Zealand rock lobster was priced at $100.74 per kilogram, down 21 percent from $127.29 per kilogram in January 2024. Slower economic growth in China has also affected consumer spending, especially in the food service sector, where most rock lobster is sold.

Figure 49: Five key species are forecast to contribute just over 60 percent of seafood export revenue in 2024/25

Year to 30 June, share of export revenue



Source: Stats NZ and MPI.

The rise in export volumes is supported by a higher catch, following an increase to the Total Allowable Commercial Catch (TACC) in the 2023/24 fishing year.

Hoki benefits from strong demand and sustainable management

Hoki is New Zealand's largest fishery by export volume and ranks among the top three species by export revenue. In 2024/25, hoki export revenue is forecast to rise 12 percent to $280 million, marking the fourth consecutive year of growth. This increase is expected to be driven by a higher catch (Figure 50), supporting higher export volumes, along with a rise in the export price to $7 per kilogram.

Hoki is exported globally, with key markets including Europe, Australia, China, and the US. Since 2023/24, Poland has become the largest destination, supported by the NZ–EU FTA. Exports to Poland reached $87 million in the year to 31 March 2025.

A key factor in hoki's success is that it was the first large-scale whitefish fishery to achieve Marine Stewardship Council certification in 2001, highlighting a commitment to sustainability. Combined with its versatility and strong market demand, hoki's outlook remains positive, and the sector is well positioned to withstand external challenges.

Mackerel exports to grow driven by high prices

Mackerel export revenue is forecast to increase 2 percent to $120 million in the year to 30 June 2025, driven by higher export prices, despite a decline in export volumes. Last year was a standout for the mackerel industry, with record export volumes supported by high catch levels, which are expected to fall in 2024/25.

Mackerel is an affordable and nutritious fish, valued for its high omega-3 content. The most valuable species are jack mackerel and blue mackerel. Jack mackerel is the most significant, accounting for just over 80 percent of total mackerel export revenue. Most jack mackerel exports are shipped to Africa and China. Prices for jack mackerel have remained high due to strong demand, even as global supply has increased. In 2024, Chile, the largest producer of jack mackerel, increased its TACC due to increasing populations, leading to a higher global supply.

Tuna industry strengthens focus on valued southern bluefin amid uncertain markets

Tuna accounts for 95 percent of export revenue from New Zealand's highly migratory fisheries. In the year to 31 March 2025, tuna export revenue fell 22 percent, driven by lower catches and shifting global demand.

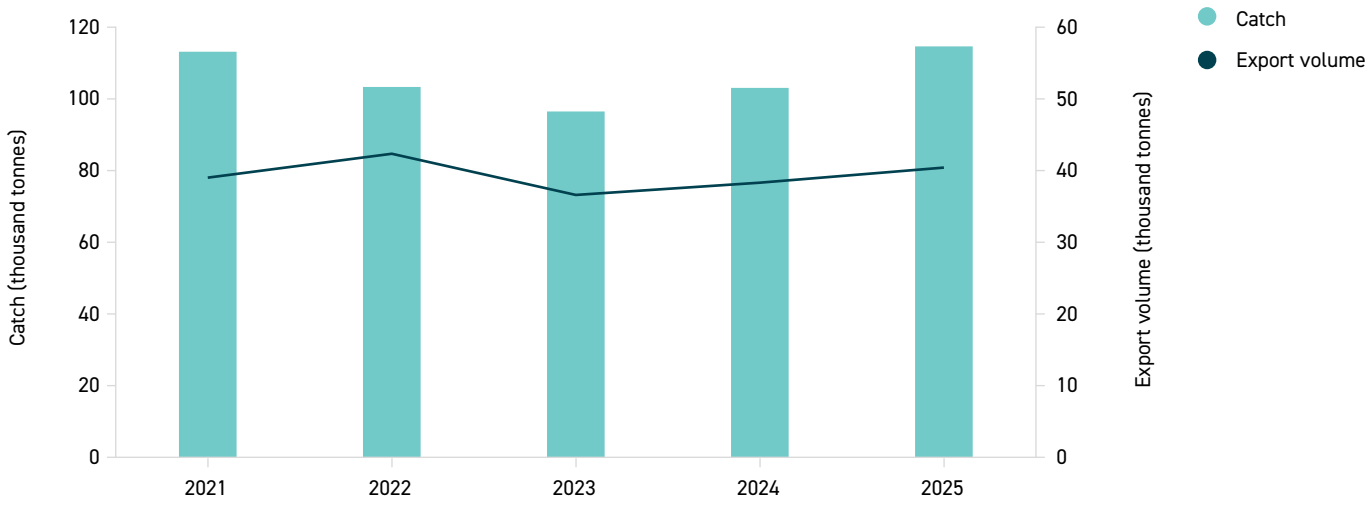
Southern bluefin tuna led export earnings, reaching $7 million. This was despite softer demand from Japan, where rising living costs and increased domestic supply of Pacific bluefin may have contributed to reduced imports. The US emerged as a key growth market. Southern bluefin is primarily sold into high-value foodservice markets.

In contrast, skipjack tuna exports fell to $6 million, down from $41 million in 2020. The decline reflects reduced catches and the end of purse seine fishing operations. Skipjack is mainly used in the processing industry and is typically traded in higher volumes at lower prices.

The tuna industry is placing greater emphasis on premium species such as southern bluefin, moving away from lower-value species such as skipjack. This shift may help support profitability in an increasingly uncertain global market, although potential tariffs could pose a risk to future exports.

Figure 50: Higher hoki catch this year is expected to support increased export volumes

Year to 31 March, catch in green weight, export volume in processed weight, thousand tonnes



Source: Stats NZ and MPI.

Mussel export revenue to reach record high

Mussel export revenue is forecast to rise 8 percent to $410 million in 2024/25, driven by growth in both export price and volume. This season saw a lift in production, helping to support higher export volumes. However, production remains below historical levels, and limited spat supply continues to constrain the industry. The industry is set to invest in additional hatchery capacity in the near future to improve reliability and quality of spat supply.

Overall demand across key markets has supported strong prices, particularly during the June and December quarters of 2024. Although prices dipped slightly in March, they remained 2 percent higher than in March last year. In the year to 31 March 2025, export revenue from the US fell by 11 percent. This decline was offset by increased exports to Asia, particularly China, and to Europe.

Frozen half-shell mussels account for just over 70 percent of total export revenue, followed by mussel oil at around 14 percent. Edible mussel products, including frozen half shell, whole frozen, and live mussels, are exported to a wide range of markets. In contrast, mussel oil exports are heavily reliant on the US, which accounts for nearly 80 percent of that trade. Other key markets for mussel oil include Japan and South Korea.

Among edible mussel exports, the US remains the largest market, contributing just over 40 percent of revenue, followed by China at around 10 percent. Prices in China remained relatively stable over the year, while the US market experienced more volatility.

Salmon outlook positive despite production challenges

Salmon export revenue is forecast to rise 28 percent to $230 million in 2024/25, driven by higher export prices and volumes. Export prices are forecast to increase 9 percent to $31 per kilogram, while export volumes are forecast to rise 19 percent to 7,380 tonnes.

The strong price outlook reflects continued high demand, especially from the US, which takes around 70 percent of New Zealand's king salmon exports. The US sources about half of its king salmon imports from New Zealand and the other half from Canada. New tariffs on New Zealand salmon could dampen demand. New Zealand's king salmon is also a premium product, and its high quality is expected to help offset some of the tariff risk.

The increase in export volumes reflects higher salmon harvests, supported by better breeding and more farm space. However, unusually warm sea temperatures over the recent summer have led to higher mortality, which is expected to affect the 2025/26 outlook. Over the longer term, growth is expected from investment in open ocean aquaculture.

Aquaculture and seafood processing remain strong as fishing adapts

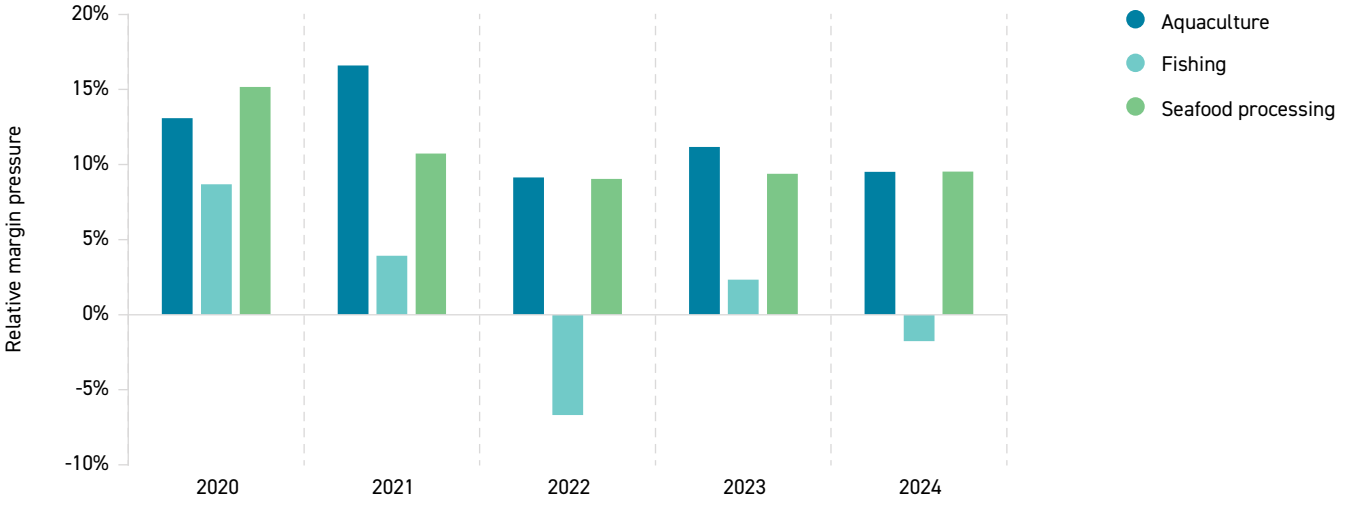
Over the past five years, there have been clear differences in relative margin pressure in the fishing, aquaculture, and seafood processing sectors (Figure 51). This indicator measures the difference between output and input producers price indices and is used to track how price movements for products compare with the costs of production.

Seafood processing and aquaculture have consistently maintained positive relative margin pressures, reflecting stronger pricing power and greater resilience to rising input costs. Both sectors have benefited from solid global demand and have demonstrated the capacity to preserve healthy margins even as operating costs have increased. Aquaculture has sustained strong relative margins, supported by robust performance in salmon and mussel exports. In contrast, the fishing sector has experienced greater volatility, with relative margins fluctuating between positive and negative territory, reflecting exposure to variable global prices, changing catch levels, and rising operational costs. For example, while hoki has performed well due to higher catch volumes and stable prices, species such as squid have faced price instability and inconsistent catch levels, contributing to swings in sectoral margins.

The stability of aquaculture and processing margin pressure underscore their role as reliable contributors to sector growth, while fishing continues to face greater challenges from external pressures. To strengthen the long-term resilience of wild capture fisheries, New Zealand is advancing initiatives aimed at making the fisheries system more responsive, certain, and efficient to better ensure sustainability of wild capture resources.

Figure 51: Fishing has experienced more pressure on margins compared with aquaculture and seafood processing sectors

Year to 30 June, producers price index: base 1,000 = December 2010, relative margin pressure in percentage
Relative margin pressure is the difference between output and input producers price indices



Source: Stats NZ and MPI.

Arable

- The 2024/25 season has been challenging, with adverse weather leading to inconsistent crop yields. Rising input costs and low sales prices have increased margin pressure.
- Arable export revenue rose 2 percent in the first nine months of this season but is forecast to fall 1 percent to $340 million in the year to 30 June 2025 compared with 2024. Growth is expected to resume in 2027.
- Vegetable seed exports surged this season, while ryegrass seed and other arable crops declined. The bearish outlook for ryegrass seed export revenue may persist due to ample global supply, especially from Denmark and the US.
- New Zealand's domestic grain prices have shown mixed trends, with maize grain strengthening, while wheat, barley, and oats remain stable. The outlook is cautiously optimistic, with further price recovery possible if market conditions remain steady.

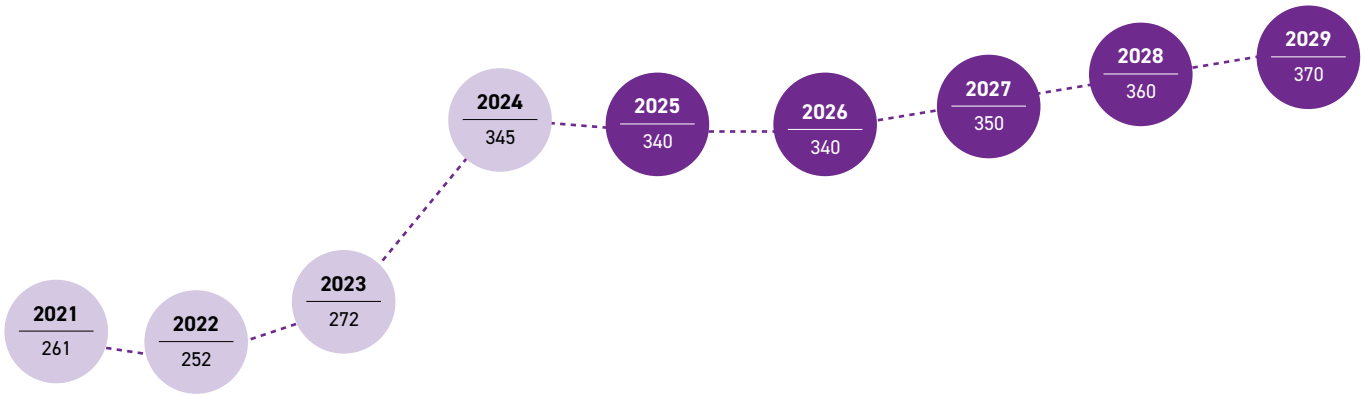


Table 16: Arable export revenue 2021–29

Year to 30 June, NZ$ million

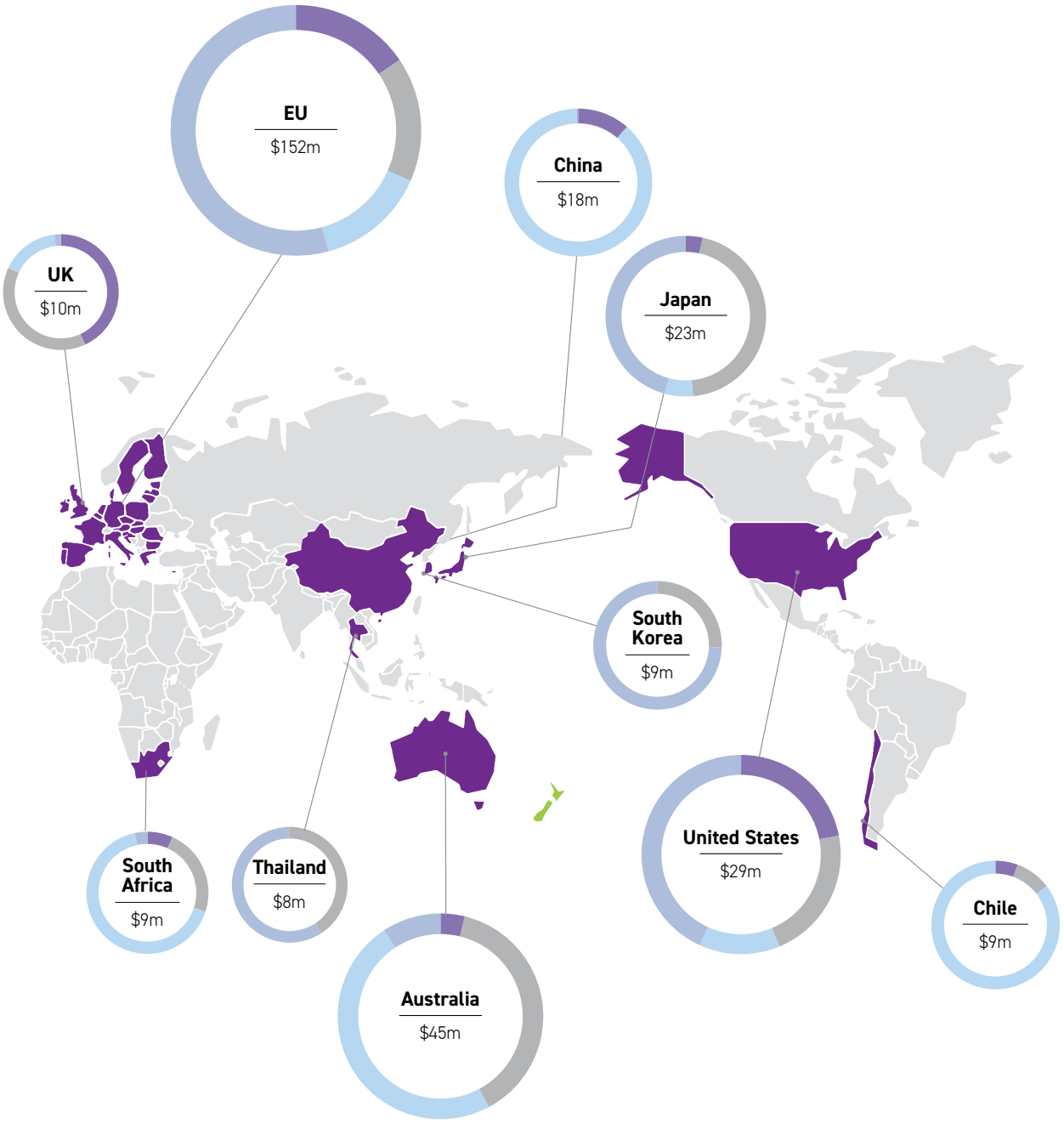
	Actual				Forecast				
Product	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Vegetable seed	89	86	102	124	140	145	150	155	165
Ryegrass seed	80	80	75	96	85	80	85	85	85
Clover/legume seed	26	19	21	40	40	40	40	40	40
Other grains and seeds*	66	67	75	85	75	80	80	80	80
Total export revenue	**261**	**252**	**272**	**345**	**340**	**340**	**350**	**360**	**370**
Year-on-year % change	**–10%**	**-4%**	**8%**	**27%**	**–1%**	**0%**	**3%**	**3%**	**3%**

* Includes maize, other grains, and oil seeds.
Totals may not add up due to rounding.
Percentages are rounded to the nearest whole percent.
Source: Stats NZ and MPI.


OVERSIZE

Top 10 arable export destinations

Year to 31 March 2025, NZ$ million



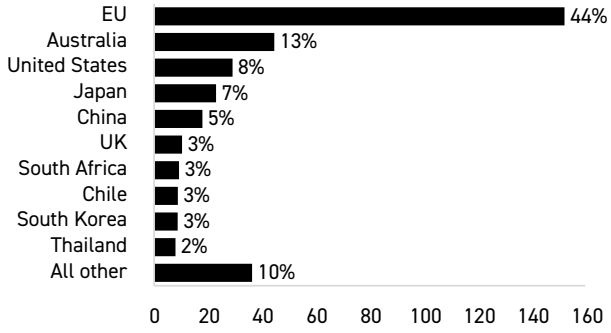
	Product	Export revenue (NZ$ million)	% of total
	Vegetable seed	141	41%
	Ryegrass seed	87	25%
	Clover seed	44	13%
	Other grains and seeds	76	22%
	Total	**349**	**100%**

Totals may not add up due to rounding.
Source: Stats NZ.

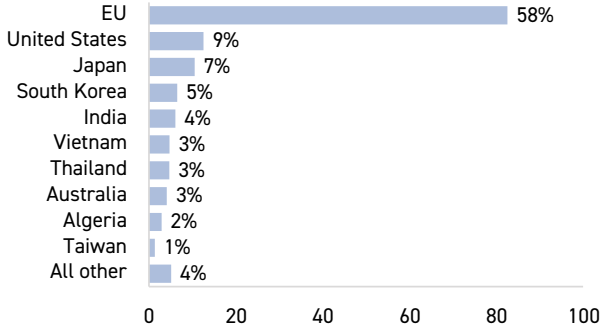
Top arable export markets

Year to 31 March 2025, NZ$ million and percent

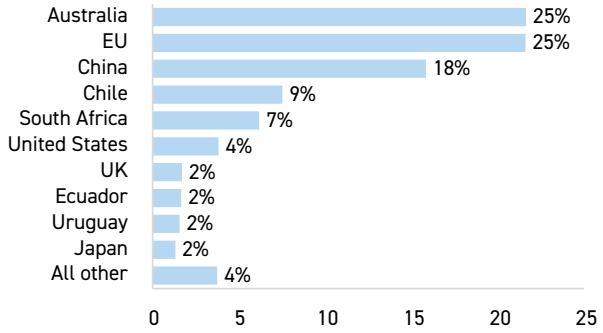
Total arable products



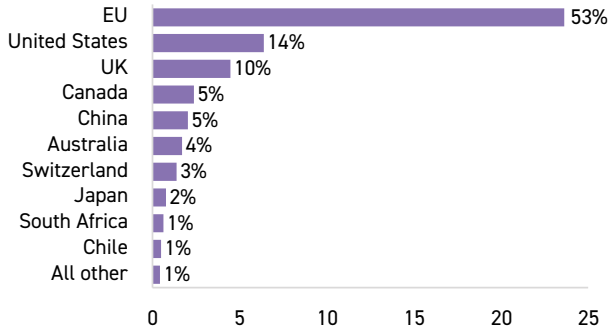
Vegetable seed



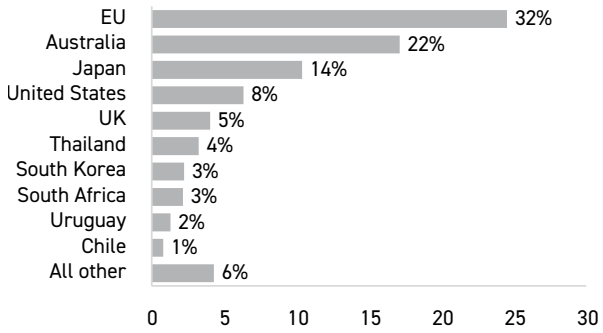
Ryegrass seed



Clover seed



Other grains and seeds



Source: Stats NZ.

Challenging season with weather, rising costs, and export slowdown

Arable farming in New Zealand is essential for food, seed, and livestock feed, with specialty seed exports supporting the economy. Farmers use rotational cropping to grow diverse crops while maintaining soil health. The 2024/25 season has been tough for the arable sector, with bad weather causing uneven crop yields. Export demand for key seeds such as ryegrass has dropped due to economic slowdowns in importing countries, with farmers delaying paddock renewal and slowing new turf development. Meanwhile, recent US tariff policies add global uncertainty.

Overall yields range from average to below average, with cereal yields especially down in Southland and maize yields lower in the North Island. Canterbury saw mixed results, with coastal farms faring better than inland farms.

In early 2025, a drought was declared across Northland, Waikato, Horizons, and Marlborough-Tasman, extending the earlier declaration for Taranaki. Water shortages are straining farmers as springs and wells dry up, although feed supplies remain sufficient for most livestock.

After dry conditions depleted moisture and weakened crops, heavy rain in some regions led to runoff, erosion, and flooding. Some South Island arable farms started seeing rainfall as early as Christmas, and wet weather has affected the whole sector since late summer.

These conditions disrupted planting and harvesting, while also reducing the quality of existing crops and increasing pest risks, highlighting the benefits of on-farm drying[18] capacity. Clover seed harvests have suffered the most, especially due to heavy rains and waterlogging delays. Many farms have ramped up their drying efforts to cope with the conditions.

Arable export revenue is forecast to drop 1 percent from last season to $340 million in the year to 30 June 2025. The outlook for next season appears flat amid uncertainty and weak EU and US demand for 2026. The long-term outlook is positive, with revenue projected to grow 3 percent annually, reaching $360 million by 2028. Rising demand in Australia, Asia, and the EU is expected to boost the ryegrass seed and clover seed markets.

Cereal grain tonnage climbs on higher yields

Total cereal harvest tonnage as at 31 October 2024 (Table 17) increased by 9 percent compared with 2023, even though the planted area remained similar. This growth was driven mainly by higher production in malting barley, feed oats, and maize grain, with maize grain and maize silage yields rising by 14–16 percent. Feed wheat, feed barley, and feed oats also recorded yield improvements, although milling wheat, malting barley, and malting oats experienced declines of 3–6 percent from last year.

Maize silage emerged as a standout performer in 2024. Despite a 6 percent reduction in cultivated area, its production surged by 95,000 tonnes due to a 16 percent boost

18 On-farm drying refers to the process of drying harvested crops (like grains or maize) directly on the farm using equipment such as grain dryers. This helps reduce moisture content, preserving quality and preventing spoilage, especially in wet or humid conditions.

in yield. Feed wheat tonnage increased by 4 percent, an extra 12,000 tonnes, even with 812 fewer hectares planted and an 8 percent yield rise. In contrast, feed barley tonnage declined by 10 percent, as the planted area shrank by 14 percent despite rising yields.

Regional conditions vary, but prospects remain positive

Prolonged droughts have impacted arable farming in much of the North Island and the northern South Island. The season started well in Hawke's Bay, before farmers faced a period of extended dryness, while yields in Wairarapa remained stable despite challenges presented by the weather conditions and elevated input costs. Cereal crops struggled in parts of the North Island, and Mid Canterbury harvests ranged from average to below average. Maize yields in Taranaki could drop by as much as 30 percent, with some farmers harvesting early due to the adverse weather.

In Southland and Mid Canterbury, spring rain delayed sowing, disrupting barley planting schedules. Wet conditions in South Canterbury and North Otago affected autumn planting and final harvests, although early-planted crops such as oilseed, rape seed, and cereals benefited from the steady rainfall.

Canterbury's seed crops saw lower yields and reduced quality due to persistent wet weather, delaying clover harvests and complicating operations. Many growers continue to grapple with excessive moisture, making field access difficult and reducing harvest efficiency. Additionally, herbicide-resistant weeds are an increasing concern, emphasising the need for improved weed management practices such as pre-emergence herbicides and diverse crop rotations.

Despite these setbacks, ryegrass seed and peas performed reasonably well, while maize showed resilience in the face of drought, setting it up as a stable feed option. However, some northern maize fields remain submerged, and wet conditions in the south have delayed maize planting for the next season.

The April–June forecast expects predominantly north-easterly winds with occasional south-easterly flows. While heavy rain remains a risk, temperatures are likely to be average or above normal, with most regions seeing near-normal rainfall, although eastern areas may receive higher totals. With these conditions, the short-term weather outlook could support better crop growth or improve harvest prospects for the next season.

Table 17: Estimated national cereal harvest 2021–24

Year to 31 October

		Milling wheat	Feed wheat	Malting barley	Feed barley	Milling oats	Feed oats	Maize grain	Maize silage	Total
Estimated total tonnes										
2024 harvest	tonnes	110,059	298,987	104,024	261,594	19,628	11,674	251,055	1,115,854	2,162,274
2023 harvest	tonnes	110,145	281,455	73,813	284,087	21,548	8,711	192,504	1,020,601	1,992,864
2022 harvest	tonnes	75,630	326,970	42,116	287,584	17,181	15,810	188,249	1,127,967	765,291
2021 harvest	tonnes	103,362	337,638	57,671	266,229	16,878	12,122	209,300	1,179,797	793,900
Estimated total hectares										
2024 harvest	ha	12,057	28,406	15,255	34,374	2,484	1,906	21,631	51,322	167,284
2023 harvest	ha	12,105	28,395	10,304	39,796	2,701	1,534	18,900	54,443	168,178
2022 harvest	ha	8,820	34,080	5,860	40,640	2,741	2,613	16,325	53,907	94,754
2021 harvest	ha	11,706	33,394	7,201	36,599	2,358	2,242	17,500	55,522	93,500
Comparison of yields (t/ha) between last four harvests										
2024	t/ha	9.1	10.5	6.8	7.6	7.9	6.1	11.6	21.7	8.4*
2023	t/ha	9.1	9.9	7.2	7.1	8.0	5.7	10.2	18.7	8.2*
2022	t/ha	8.6	9.6	7.2	7.1	6.3	6.1	11.5	20.9	8.1*
2021	t/ha	8.8	10.1	8.0	7.3	7.2	5.4	12.0	21.2	8.5*

* Excludes maize grain and maize silage.

Source: Foundation for Arable Research AIMI Survey of Cereal Areas and Volumes – 10 October 2024, 2023, and 2022 and AIMI Survey of Maize Areas and Volumes – 31 October 2024, 2023, and 2022.

Farm profitability under pressure with uncertain market demand and rising costs

The volatile market and pricing pressures have limited arable land transactions, while traders worry about harvest losses. Arable property values signal sector confidence, investment trends, and market stability, while strong demand and high prices indicate optimism and growth. Rising dairy payouts and strong grain demand offer some hope for cropping farmers next season, while improved moisture conditions could boost autumn plantings and crop growth.

High costs are cutting into farm profits, with expensive inputs, machinery, and fuel adding financial pressure. Fertiliser prices have steadied, but herbicide and fungicide costs remain high, and US tariffs could push expenses up further through supply chain disruptions. Weak contract prices and heavy debt make it tough for farmers to secure better deals, while export delays, especially to the US, add to the strain. Late barley harvests in Southland have increased reliance on North Island storage, exposing ongoing logistical issues.

Many arable farms incorporate dairy grazing, and some include livestock production, using rotational cropping to enhance soil health and sustainability. Farmers cultivate wheat, barley, maize, oats, peas, and high-value seed crops such as clover and ryegrass. Financial pressures are prompting more arable growers to switch to dairy, raising concerns about reduced crop production, greater reliance on imports, and potential increases in agricultural debt.

Domestic grain prices show stable wheat, rising maize and seasonal shifts

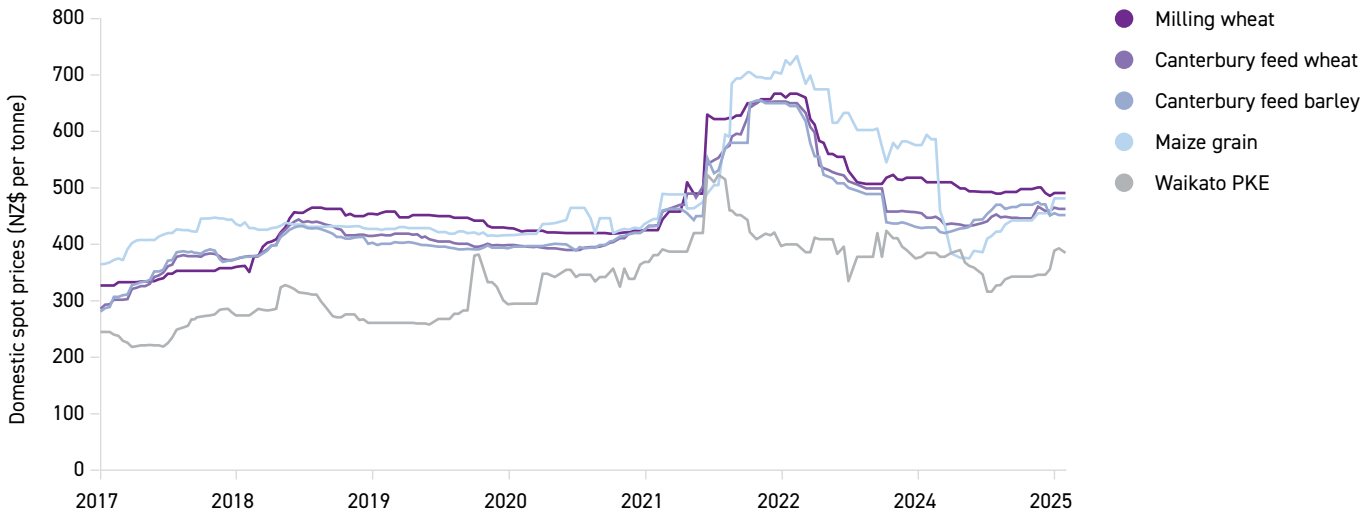
Over the past nine months, the domestic grain prices in New Zealand have shown mixed trends (Figure 52). Milling wheat prices have remained relatively stable, mostly staying between $486 and $501 per tonne. Canterbury feed barley and feed oats have experienced only minor fluctuations, suggesting steady supply and demand pressures in these segments.

Maize grain prices, however, have followed a more dynamic trend. Initially trading in the high $380s per tonne in July, maize grain prices saw a marked increase later, from $455 in February to $481 in March. The steady rise from February to March may reflect the impact of adverse weather.

Both Waikato palm kernel expeller (PKE) and Canterbury PKE prices remained stable for much of the period until late March, when they surged. Waikato PKE climbed from $333 to $381, while Canterbury PKE rose from $343 to $385 by early April. The recent surge in PKE prices towards the end of the period may also be linked to adverse weather. PKE and local grains are substitute feeds. When PKE prices rise, farmers buy more local grain, pushing its price up, and when PKE is cheap, demand for local grain drops, lowering its price.

Figure 52: Domestic grain prices level off amid mixed trends

Year to 31 December, domestic spot prices, NZ$ per tonne



Source: NZX Grain and Feed Insight.

Falling grain prices threaten farm success

Domestic grain stocks (excluding maize) remained high as at October 2024 following a strong harvest, with 9 percent (68,806 tonnes) of last year's production still unsold. These high stocks are likely to weigh on prices, although rising global prices, spurred by unfavourable weather forecasts for arable farming in Europe, Australia, and other major exporters, may help support domestic price levels.

The International Grains Council projects a record global maize output of 1.274 billion tonnes in 2025/26, a 5 percent increase from last year. Overall grain production is set to reach 2.373 billion tonnes, and steady consumption is expected to keep total inventories stable

The record global maize output could push domestic maize prices lower, easing feed costs for New Zealand livestock farmers. However, this potential relief comes at a time when many arable farmers are struggling with rising input costs and volatile ryegrass seed contracts.

A strong selling season, high pre-harvest sales, and market momentum

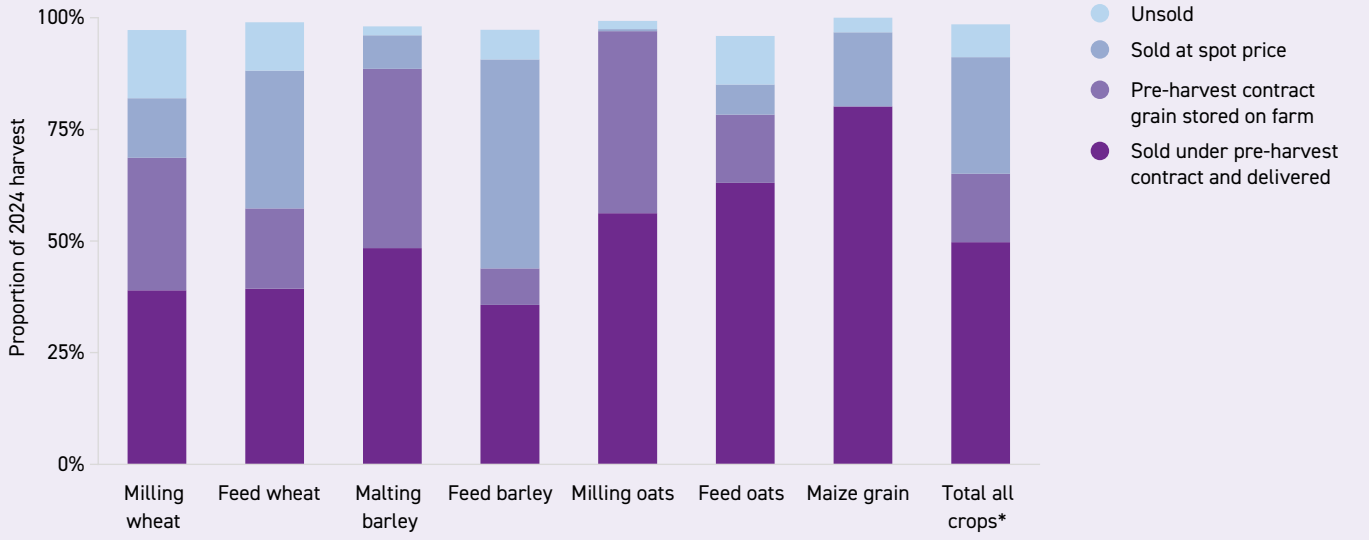
By 10 October 2024, more than 90 percent of the harvest had been sold, significantly better than the same time last year (Figure 53). Before harvest, 65 percent of the crop was already sold. About half of that has been delivered, and 15 percent is stored on farms under pre-harvest contracts.

Malting barley, milling oats, and maize grain were almost fully contracted, while 15 percent of milling wheat, 11 percent of feed wheat, and 11 percent of feed oats remained unsold.

Around 8 percent of last year's harvest, sold at spot price, was still sitting on farms in October 2024, causing storage issues for some farmers. Nearly half of the carryover grain was unsold, while the rest was contracted but not yet delivered.

Figure 53: Large portion of sold harvest is still on farms

At 31 October 2024, proportion of harvest



* Excluding maize silage

Source: Foundation for Arable Research AIMI Survey of Cereal Areas and Volumes – 10 October 2024 and AIMI Survey of Maize Areas and Volumes – 31 October 2024.

Arable export revenue saw slight growth but is expected to slow

Arable export revenue saw modest growth but is expected to slow (Figure 54). Over the nine months to 31 March 2025, export earnings rose by 2 percent compared with the same period last year, driven by strong returns in vegetable seed and clover seed (both up more than 20 percent on last season). However, a 13 percent decline in export revenue for both ryegrass seed and other arable crops (rapeseed and forage kale) moderated overall growth.

Overall, export revenue is forecast to decline by 1 percent to $340 million in the year to 30 June 2025. The decline is expected across most arable exports, with ryegrass seed and other arable crops contributing significantly to the downturn. While vegetable seed exports saw lower volumes last quarter, high export prices and a weak New Zealand dollar could help stabilise revenue.

Clover seed exports are likely to decline in the coming months due to the poor harvest conditions. Global demand for ryegrass seed remains stable, but extra supply from North America and Denmark has likely driven global prices down. Ryegrass seed exports are forecast to trend downward next season before recovering in 2027.

Assuming average seasonal conditions and the potential for market openings in China due to the US tariffs, arable export revenue is expected to rebound and grow steadily at a 3 percent growth rate in 2026 and 2027, reaching $360 million.

Exports of ryegrass seed and other grains and seeds fell short of expectations

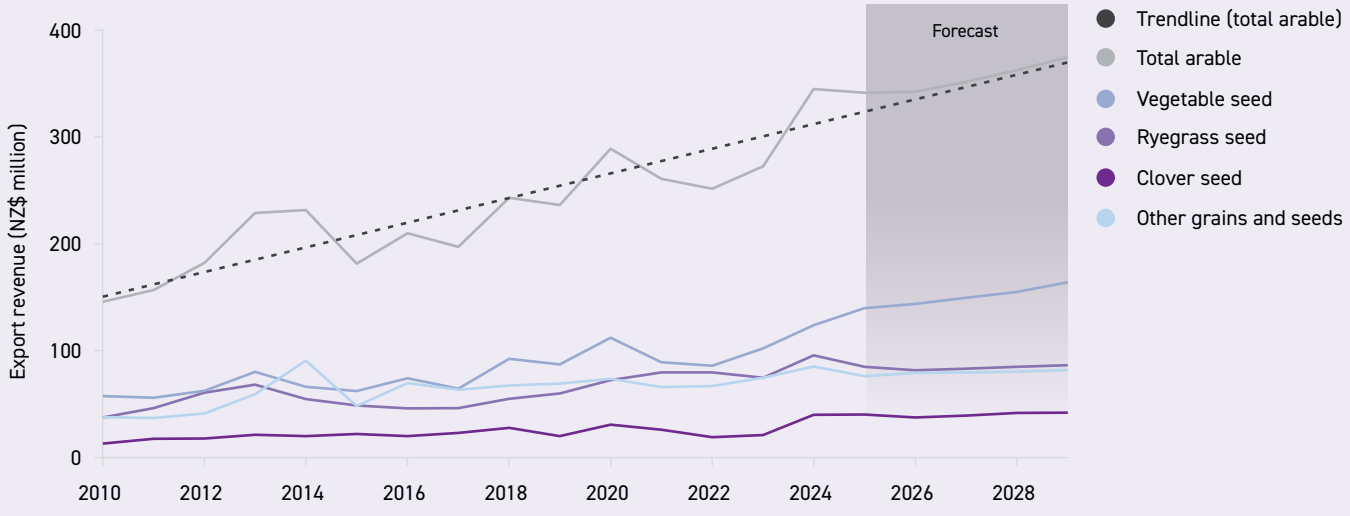
Ryegrass seed exports fell 13 percent, and exports of other grains and seeds dropped 14 percent in the first nine months of this season, falling short of expectations. In the year to 30 June 2025, ryegrass seed export revenue is forecast to decrease 11 percent and other grains and seeds to decrease 12 percent due to weak demand.

Strong global ryegrass seed output is putting pressure on prices. Exports to Europe have fallen, while shipments to China and Australia have seen modest gains despite unfavourable pricing. In the long term, demand from key markets may stabilise at 3 percent, driven by dairy and beef expansion and sports turf development. Shifting US tariffs could reshape market dynamics, including potential increases in ryegrass seed exports to China.

Exports of other grains and seeds fell by $9 million in the first nine months of 2024/25 compared with 2023/24. The main contributor in this group was sowing rape seed, which declined by 10 percent compared with the same period in 2023/24. Although oil seed crops had a good harvest, demand from Germany and France has been much weaker.

Figure 54: Short-term stability, long-term modest growth in arable exports

Year to 30 June, export revenue, NZ$ million



Source: Stats NZ and MPI.

Strong vegetable seed gain, carrot risks from climate, clover growth slows

Vegetable seed crops achieved average yields this season, while export demand remained strong. In the nine months to 30 June 2025, export revenue for vegetable seeds was $17.5 million higher (up 29 percent) compared with the same period in 2023/24. Prices have risen steadily over the past months and are expected to level off for the remainder of the season. Export returns for vegetable seed are forecast to increase by 13 percent, with average prices likely to jump 30 percent in 2024/25 compared with 2023/24.

A study by Massey University suggests that climate change is putting New Zealand's carrot seed production at risk due to rising temperatures and irregular rainfall, which harm the plant's flowering and seed development. Since New Zealand supplies over half of the world's hybrid carrot seeds, this disruption could reduce global seed availability, drive up prices, and impact long-term export revenue. This is especially significant as carrot seed exports make up a quarter of New Zealand's vegetable seed export earnings. The findings highlight the urgent need for climate-resilient farming strategies to protect New Zealand and global food supply chains.

New Zealand white clover seed had a poor season, reflecting a global trend that has created an international shortage. Despite this, export volumes increased by 13 percent and revenue rose by $4 million in the first nine months of 2024/25 compared with the same period in 2023/24. The low global harvest of white clover seed is forecast to reduce global supply as demand stays strong, especially in the UK and European markets, where the use of legumes in pasture mixtures is growing and buyers are restocking. For New Zealand farmers, using more legumes like white clover in pasture mixtures supports efforts to cut nitrogen fertiliser use. Prices have been rising over the past year, and are expected to continue climbing, as New Zealand's production and supply to the global market remains below historical levels.

Processed food and other products

- Export revenue for the processed food and other products sector is expected to decrease 1 percent to remain stable at $3.4 billion in the year to 30 June 2025. This is a revision down from the forecast in December, due to lower-than-expected export revenue from innovative processed foods and other products in the March 2025 quarter and a decline in export revenue from live poultry beginning in late 2024.
- Notable increases in export revenue are expected for both cereal products and soup and condiments in 2024/25 as well as smaller increases for innovative processed foods and sugar and confectionery products. However, these increases will be more than offset by decreased exports of other products to the US and live poultry to Southeast Asia. Live poultry export revenue was affected by the temporary cessation of poultry exports following the detection of the H7N6 strain of high pathogenicity avian influenza on one Otago egg farm in late 2024.
- Honey export revenue is expected to remain stable at $420 million in the year to 30 June 2025. A decrease in export volumes and prices for retail pack monofloral mānuka honey and decreased demand from China and Australia are expected to be offset by an increase in export volumes and prices for bulk monofloral mānuka, as well as increased exports to the US, EU, and UK.
- Export revenue for processed food and other products is forecast to increase by 2 percent in 2025/26, driven by a gradual rise in prices and volumes for most processed food products, especially innovative processed foods and beverages. However, due to constrained consumer spending and low global economic growth, export revenue from most processed food categories is forecast to remain largely unchanged in 2026/27, before gradually increasing across the remainder of the forecast period.

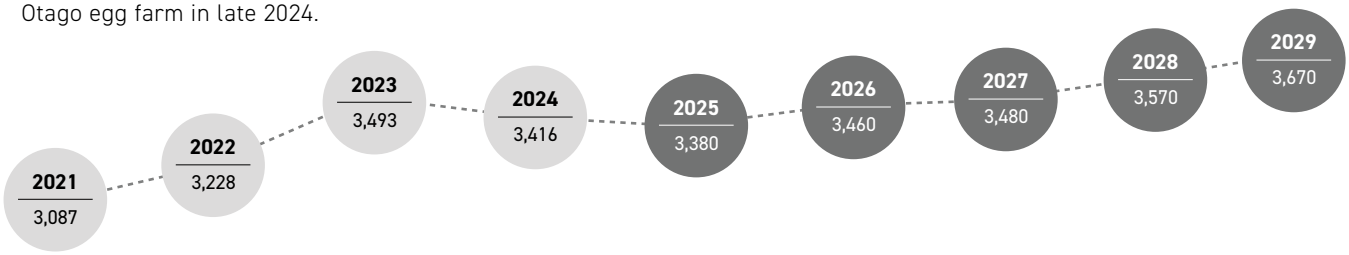


Table 18: Processed food and other products export revenue 2021–29

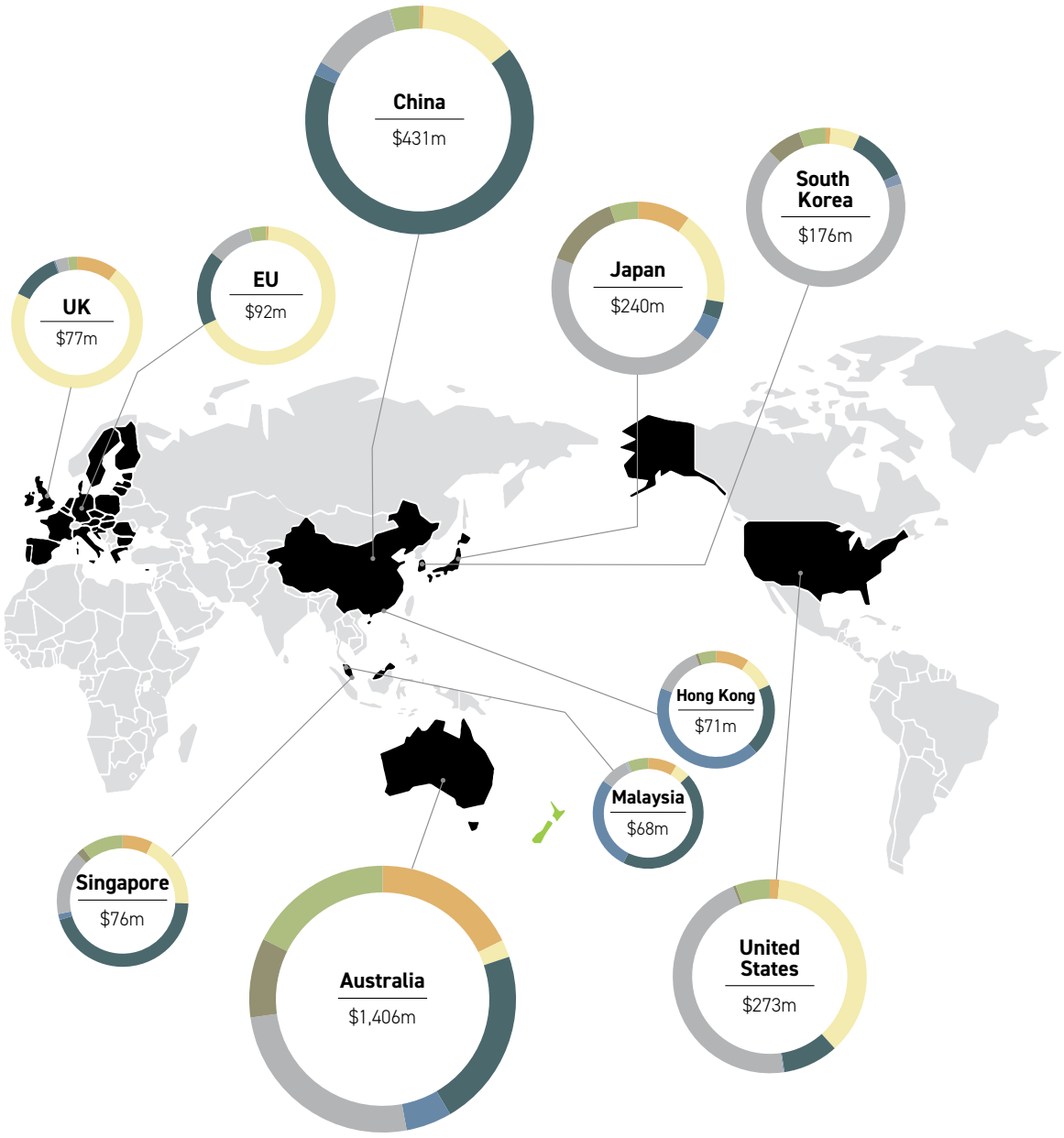
Year to 30 June, NZ$ million

	Actual				Forecast				
Product	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Innovative processed foods	652	680	810	865	880	910	910	930	950
Honey	481	455	379	419	420	430	440	450	460
Sugar and confectionery products	285	312	394	396	400	410	410	410	430
Cereal products	286	296	329	323	350	360	360	370	380
Soups and condiments	180	176	210	190	200	210	210	220	230
Live animals*	488	474	486	208	190	200	200	220	240
Other products**	716	835	884	1,015	930	940	950	970	990
Total export revenue	**3,087**	**3,228**	**3,493**	**3,416**	**3,380**	**3,460**	**3,480**	**3,570**	**3,670**
Year-on-year % change	**3%**	**4%**	**8%**	**–2%**	**–1%**	**2%**	**1%**	**3%**	**3%**

* Includes horses, cattle, poultry, goats, and other animals.
** Includes beverages, vegetable-based dyes, and spices.
Totals may not add up due to rounding.
Percentages are rounded to the nearest whole percent.
Source: Stats NZ and MPI.

Top 10 processed food and other products export destinations

Year to 31 March 2025, NZ$ million



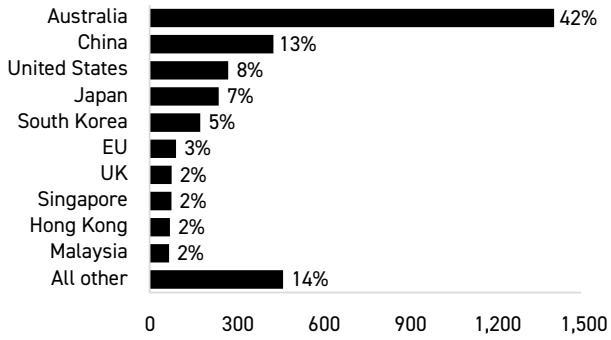
	Product	Export revenue (NZ$ million)	% of total
	Innovative processed foods	878	26%
	Honey	422	13%
	Sugar and confectionery products	401	12%
	Cereal products	351	10%
	Soups and condiments	205	6%
	Live animals	183	5%
	Other products	933	28%
	Total	**3,373**	**100%**

Totals may not add up due to rounding.
Source: Stats NZ.

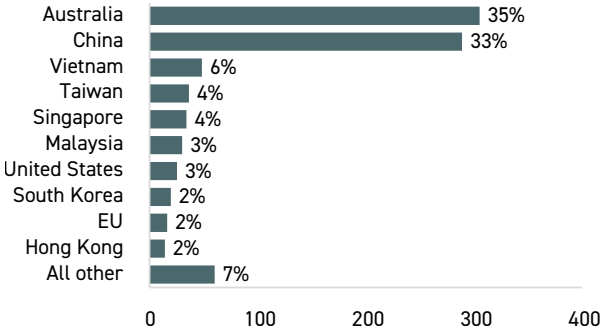
Top processed food and other products export markets

Year to 31 March 2025, NZ$ million and percent

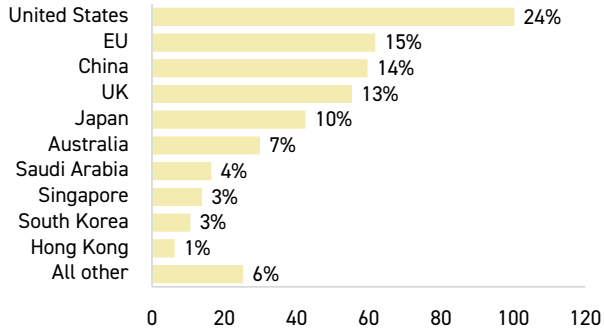
Total processed food and other products



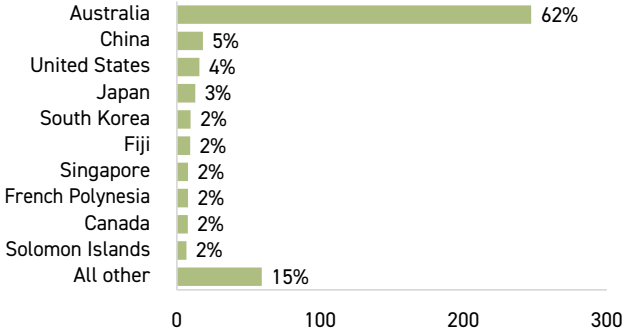
Innovative processed foods



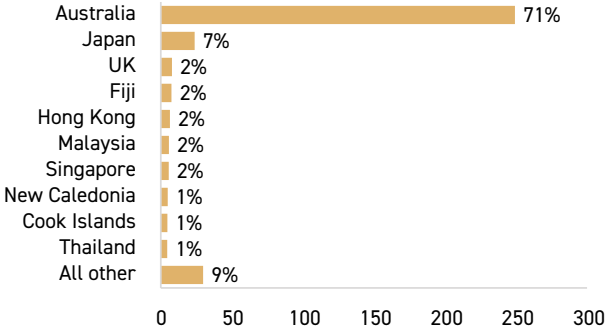
Honey



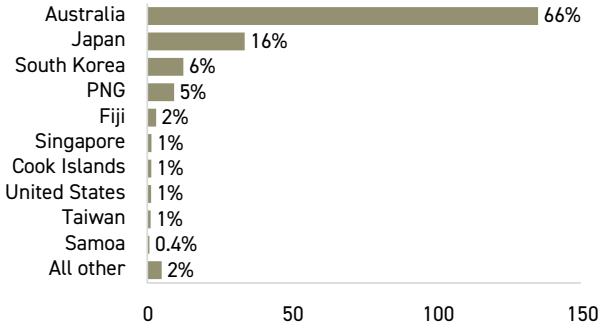
Sugar and confectionery products



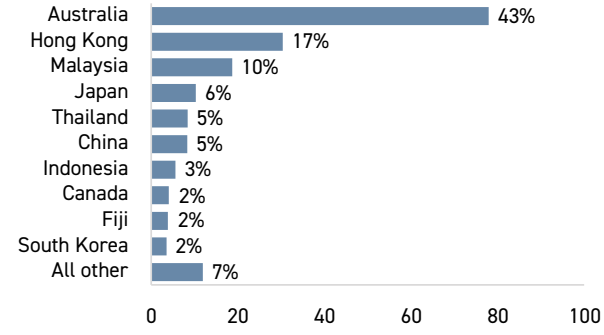
Cereal products



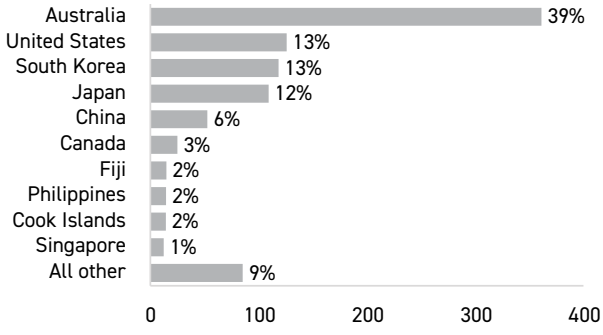
Soups and condiments



Live animals



Other products



Source: Stats NZ.

Total export revenue for processed food and other products is expected to remain flat in 2024/25

Despite a notable increase in export revenue from cereal products and soup and condiments, total export revenue for processed food and other products is expected to remain flat at $3.4 billion in the year to 30 June 2025. The rise in export revenue for those categories, as well as smaller increases for innovative processed foods and sugar and confectionery products, are expected to be offset by decreased exports of other products (a category that includes beverages, dyes, oils, eggs, spices, and various niche food products) to the US and live poultry to Southeast Asia.

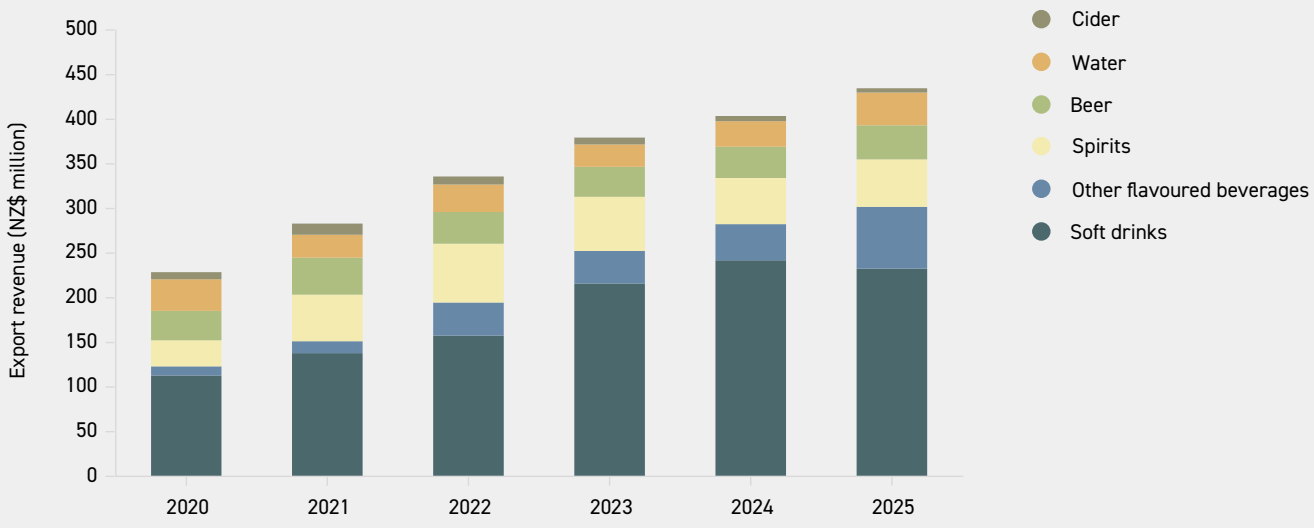
Export revenue from innovative processed foods is forecast to increase 1 percent to $880 million in 2024/25. Export revenue from China has continued to increase and is currently 12 percent higher for the 2024/25 year to date compared with the same period in 2023/24. The rising revenue from China and other export destinations has offset decreased export revenue from South Korea, Hong Kong, and Taiwan as well as a smaller drop in export revenue from Australia, which is the largest export destination for innovative processed foods.

Volumes of innovative processed foods to Vietnam have increased by 134 percent compared with the same time last year, while increasing 210 percent to Malaysia, reflecting demographic change in Southeast Asia and the gradually increasing demand there for more processed, higher-priced food and nutritional products. The FAO forecast in 2024 that, along with India, food consumption and demand in Southeast Asia will grow the most over the next decade.[19] This could provide New Zealand's processed food exporters with opportunities to continue growing their export volumes to these markets with rising consumer purchasing power over the forecast period. However, it remains to be seen how the changing global trade landscape and US tariffs might impact growth in consumer spending in these markets, especially towards higher-priced, non-essential goods. The FAO will release an updated global outlook later in 2025.

Export revenue from the other products category is forecast to decrease 8 percent to $930 million in 2024/25. This decrease is largely the result of a steep decline in exports of inedible oil products to the US as well as various consumer-facing processed food products to the US and Singapore. On the other h5nd, export revenue from beverages[20] has grown at an average annual growth rate of 14 percent between 2020 and 2025, reaching $435 million in the year to 31 March 2025 (Figure 55). Beverage exports are expected to continue increasing, contributing to a gradual recovery in export revenue from other products over the forecast period.

Figure 55: Export revenue from beverages has been rising, led by soft drinks and other flavoured beverages

Year to 31 March, export revenue, NZ$ million



Source: Stats NZ and MPI.

19 OECD-FAO Agricultural Outlook 2024–2033. https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/07/oecd-fao-agricultural-outlook-2024-2033_e173f332/4c5d2cfb-en.pdf

20 Including soft drinks, beer, cider, spirits, water, and other flavoured beverages.

Strong export revenue growth expected for cereal products and soup and condiments

Export revenue from the soup and condiments sector is forecast to increase 7 percent in the year to 30 June 2025, with production and export volume being supported by the strong domestic harvest of fruit and vegetables achieved in 2024. Export revenue from vegetable soup was up 82 percent in the nine months to 31 March 2025 compared with the same period in 2023/24, while export revenue from sauces increased by 15 percent.

Soup and condiments have seen an overall 11 percent increase in export revenue for the 2024/25 year to date, driven in large part by a 21 percent increase in export volume to Australia compared with the same period in 2023/24. Volumes have also been significantly raised to Fiji (25 percent) and the Cook Islands (23 percent).

Exports of cereal products have also been faring well in the Pacific Islands, with combined export revenue from New Zealand's trade partners in the Pacific Island Forum, New Caledonia, and French Polynesia increasing by 24 percent in the first nine months of 2024/25 compared with the same period in 2023/24.

As New Zealand's largest source of raw cereals, Australia has achieved impressive harvests of wheat and rice over the last two seasons, and global cereal commodity prices reached their lowest level since September 2020 in March 2025. The steady supply from Australia and lowered prices for cereals, in combination with higher prices for processed cereal products, should improve margins for producers of cereal products for the remainder of 2024/25 and into 2025/26. The average export price for cereal products has been 4 percent higher for the 2024/25 year to date.

Export revenue for cereal products is expected to increase by 10 percent to $350 million in 2024/25, driven largely by increased prices and volumes to key trade partners such as Australia, Hong Kong, Singapore, and Fiji, as well as growing volumes to smaller importers such as Samoa.

Chocolate export volumes to Australia remain strong amid cocoa supply uncertainty

Export revenue from sugar and confectionery products is expected to increase by 2 percent to $400 million in the year to 30 June 2025. Increased export revenue from chocolate to Australia, as well as increased export revenue from lactose and processed sugar across all trade partners, is expected to more than offset an 18 percent decline in export revenue from confectionery products in 2024/25 to date.

Global production and trade of chocolate has been affected by a spike in global cocoa prices since April 2024 due to tight supply from Ghana and the Ivory Coast over the last few years. While the cocoa price has been coming down from that peak, New Zealand producers and exporters of chocolate have had to keep their prices slightly raised throughout 2024/25 in response to the elevated input costs.

The higher price of chocolate may have contributed to an evident drop in demand from some smaller export destinations in 2024/25. However, Australia has been the destination for 86 percent of New Zealand's chocolate exports by volume for the year to date, and consumer demand remains strong there despite the raised prices. Export volume to Australia has increased by 6 percent compared with the same period in 2023/24.

Future global cocoa production remains uncertain in the medium term, as the constrained supply has been caused by ageing crops and diseased cocoa plants in West Africa, which could take years to fully re-establish in the worst-affected areas. At the same time, demand for cocoa is likely to continue increasing.

While New Zealand sources a large percentage of its cocoa from the Asia Pacific region, some specialty chocolate products exclusively utilise cocoa from West Africa as a key ingredient. As a result of these supply uncertainties, on top of the expected global economic slowdown and constrained consumer spending, the sugar and confectionery products category is expected to largely remain flat before growing to $430 million in 2028/29.

Live poultry exports to Southeast Asia have declined in 2024/25

Total export revenue for live animals is forecast to decrease 10 percent to $190 million for the year to 30 June 2025. Live poultry exports to Malaysia, Indonesia, and Thailand have all decreased in the 2024/25 year to date.

Export revenue from live poultry in 2024/25 was affected by the temporary cessation of poultry exports, following the detection of the H7N6 strain of high pathogenicity avian influenza on one poultry farm in late 2024, while domestic containment efforts were under way.

Additionally, poultry supply issues previously experienced in Malaysia have been stabilising gradually, while Indonesia has had an oversupply of day-old chicks, reducing demand from these countries for New Zealand's poultry.

Export revenue from live horses to Australia and Hong Kong has been increasing largely due to higher prices received for New Zealand's stock. As a result, export revenue from live horses is expected to experience gradual growth over the forecast period.

In 2023/24, export revenue from live animals to China mainly came from exports of live goats and sheep, but it has not imported any from New Zealand in 2024/25 to date, which has contributed further to the overall decline in export revenue from live animals.

Marginal growth in exports of live horses, live poultry, and other live animals is forecast to increase export revenue by 6 percent in 2025/26.

Honey revenue expected to remain stable

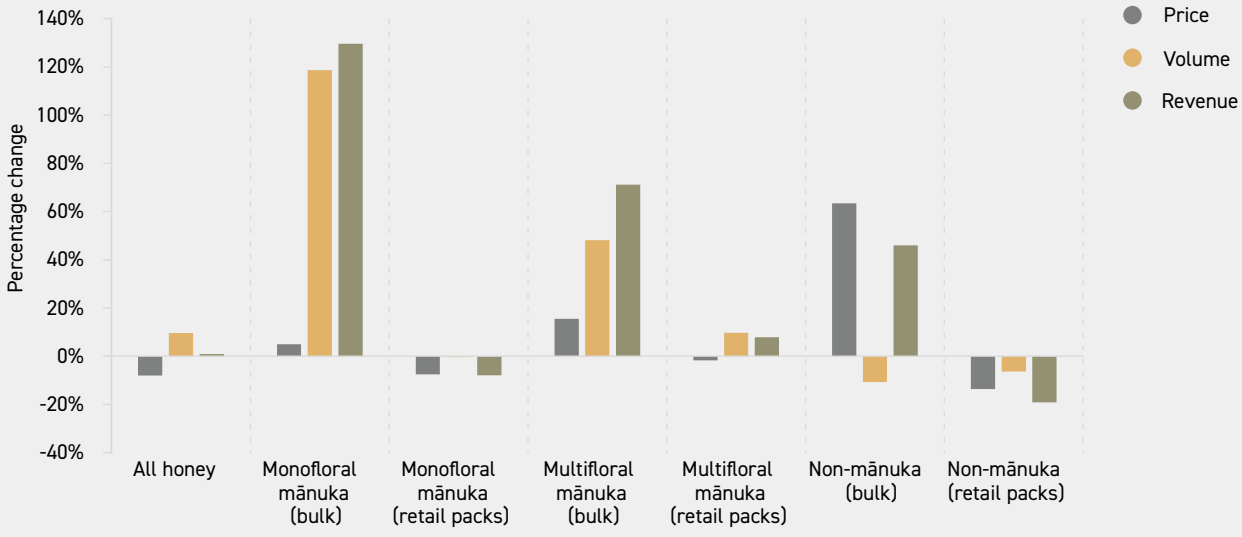
Honey export revenue is expected to remain stable at $420 million in the year to 30 June 2025. A decrease in export volumes and prices for retail pack monofloral mānuka honey amid decreased demand from China and Australia is expected to be offset by an increase in export volumes and prices of bulk monofloral mānuka honey sent to the US, EU, and UK.

Export volumes of monofloral mānuka honey for the nine months to 31 March 2025 have increased by 13 percent compared with the same period in 2023/24. However, the increase has been driven by a rise in exports of bulk monofloral mānuka honey, while export volumes of the higher-priced retail packs have decreased (Figure 56). The export revenue generated by the increased exports of bulk monofloral mānuka honey has therefore only been enough to compensate for the decreased export revenue from retail packs.

Decreased average prices for monofloral mānuka honey can be seen in many markets. In the EU and UK, lower prices are more than offset by a significant increase in export volumes. For the US, however, the 3 percent increase in export volumes in the nine months to 31 March 2025 compared with the year to 30 June 2024 has not been enough to counter the reduced price, resulting in a 4 percent decrease in revenue to date.

Figure 56: Increased volumes of bulk honey were exported in 2024/25

Nine months to 31 March, 2024 compared with 2025, percentage change



Source: Stats NZ and MPI.

Table 19: Honey prices, volumes, and revenue 2021–24

Year to 30 June

	2021	2022	2023	2024
Honey production (tonnes)	20,500	22,000	12,000	17,500
Export volume (tonnes)	12,690	11,320	9,880	10,250
Average export price (NZ$/kg)	37.89	40.19	38.36	40.89
Total export revenue (NZ$ thousand)	**480,816**	**454,968**	**379,015**	**419,169**
Year-on-year % change	**13%**	**–5%**	**–17%**	**11%**

Percentages are rounded to the nearest whole percent.
Source: Stats NZ and MPI.

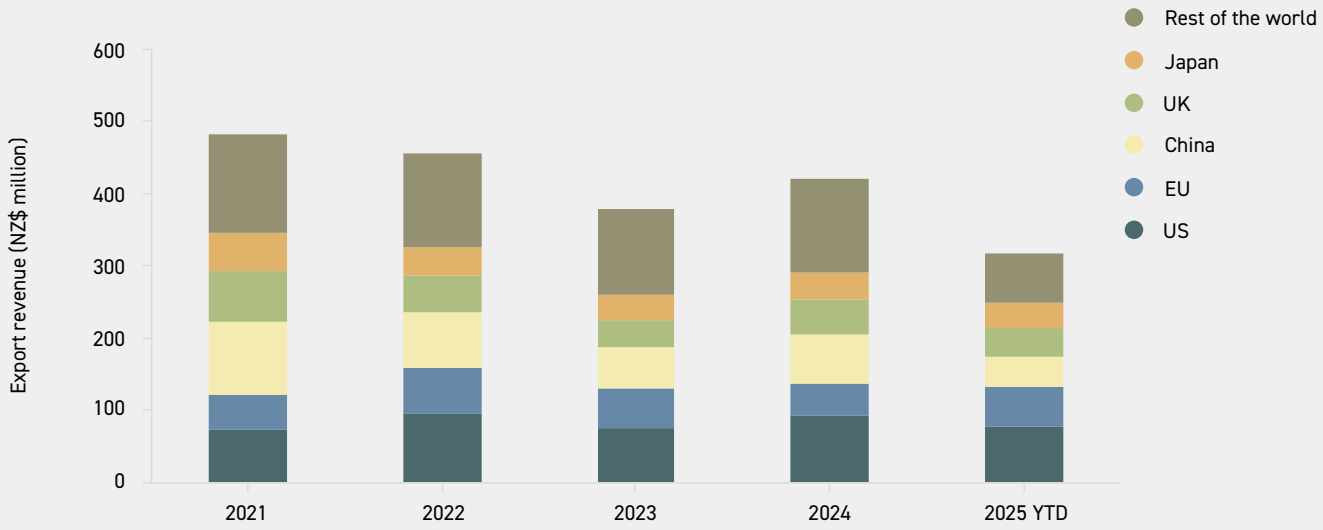
Prices for multifloral mānuka honey are lower but more stable than those for monofloral mānuka honey, with the average price in the nine months to 31 March 2025 sitting at $23.23, a 1 percent increase on the average price for the year to 30 June 2024. Most notably, there has been a 29 percent rise in export revenue to the UK and a 40 percent increase to the EU, almost entirely driven by increases in export volumes.

Honey production reached 17,500 tonnes in 2023/24, up on the 12,000 tonnes produced in 2022/23 when extreme weather events had an impact on production volumes but otherwise the lowest volume of honey produced since 2016/17. While rationalisation continues within the industry, resulting in an 11 percent reduction in the number of registered hives in the year to 30 June 2024, drier and more settled weather led to the highest average honey yield per hive since 2014/15.

The US continues to be the leading importer of New Zealand honey (Figure 57), a position it has held since 2022 when increased US demand surpassed falling Chinese demand on the back of constrained consumer spending and existing inventories. In the nine months to 31 March 2025, 24 percent of honey export revenue was generated from exports to the US. The US tariff landscape and the impacts of the additional 10 percent tariff on New Zealand's honey exports to the US, as well as any flow-on effects on US consumer spending, are key to the performance of New Zealand's honey export sector in the short to medium term. Slower economic growth in the US than previously forecast is likely to impact consumer behaviour, pushing consumers to cheaper alternatives for some premium-priced products. However, as a specialty product sought after for its unique qualities, mānuka honey sales could be less affected compared with other products.

Figure 57: The US remains the leading importer of New Zealand honey

Year to 30 June, share of export revenue, NZ$ million



Source: Stats NZ and MPI.

Infrastructure insights

MPI's upcoming report on long-term infrastructure priorities for the food and fibre sectors

New Zealand food and fibre sectors are world leading, but staying competitive requires infrastructure that's smarter, more efficient, and more resilient. MPI's upcoming Infrastructure Insights report will explore long-term priorities to support sector growth and competitiveness, tackle future challenges, and strengthen supply chains.

"We don't compete against overseas companies, we compete against overseas supply chains"

– Industry interviewee

Example: Direct infrastructure costs are significant for food and fibre producers

Infrastructure is a significant direct cost on food and fibre producers (Figure 58). Public infrastructure also directly impacts the amount and type of private infrastructure investment, reflected by firms' spending on plant and equipment. However, it is important to note that infrastructure is more than just a cost of doing business, there are also indirect infrastructure costs that structurally impact how producers operate.

Sector success depends on future-fit infrastructure

Food and fibre sector performance relies on more than what's behind the farm gate. Network infrastructure affects the type of goods we produce and export, and how competitive we are in global markets. Key infrastructure includes:

Transport: Efficient transport of goods within New Zealand and to global markets. This includes roads, rail, air, logistics, ports, and coastal and global shipping.

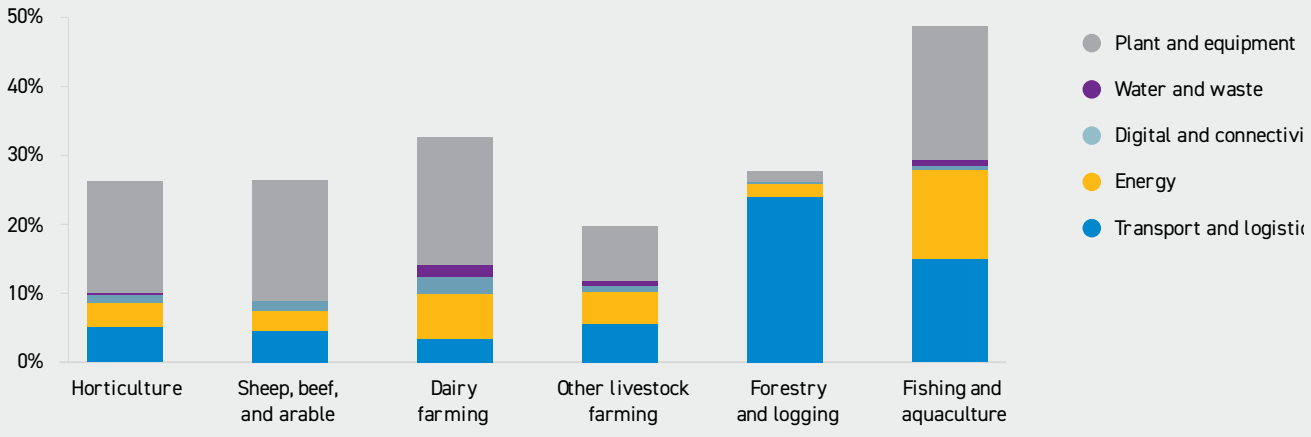
Energy: Reliable and cost-effective energy to power value-added activities and improve productivity. This includes electricity generation, transmission, heat generation, and fuel.

Digital infrastructure: Connected data-driven and technology-rich value chains that support productivity and value growth. This includes telecommunications services, data-integrated supply chains, and emerging productive technologies.

Water: Available water when and where it is needed to support sector productivity and resilience, including water storage and irrigation infrastructure.[21]

Figure 58: Direct infrastructure costs on food and fibre production

Infrastructure costs as a percentage of total industry costs



Source: MPI and Stats NZ.

Resilience: Reliable infrastructure systems that can withstand and recover quickly from natural and macroeconomic events. This includes infrastructure resilience against natural disasters, climate change and sea-level rise, and global disruptions.

Future shifts will bring significant consequences for food and fibre infrastructure needs

When planning for future infrastructure, it is important to think about future needs as well as current ones. Several shifts will change New Zealand's food and fibre sectors and the macroeconomic environment they operate in, also affecting long-term infrastructure needs:

Market competitiveness: Exporters operate in extremely competitive and sometimes volatile global markets, with competition only set to intensify into the future. New Zealand will need globally competitive infrastructure – value chains that can efficiently and reliably produce and export products at competitive price points.

Higher-value product mix: Food and fibre sectors will produce higher-value products, necessitating more intensive infrastructure. For example, export prices for paper and paperboard products ($1.05 per kilogram) are 556 percent higher than export prices for logs ($0.16 per kilogram), but require significantly more energy, and different types of transport infrastructure.[22]

Ocean and land-use change: Different uses of ocean and land resources will change many regions' production mix, also changing infrastructure needs. For example, doubling kiwifruit production could add another 800–1200 daily truck journeys (often inter-regionally) between orchards and packhouses in the Bay of Plenty.[23]

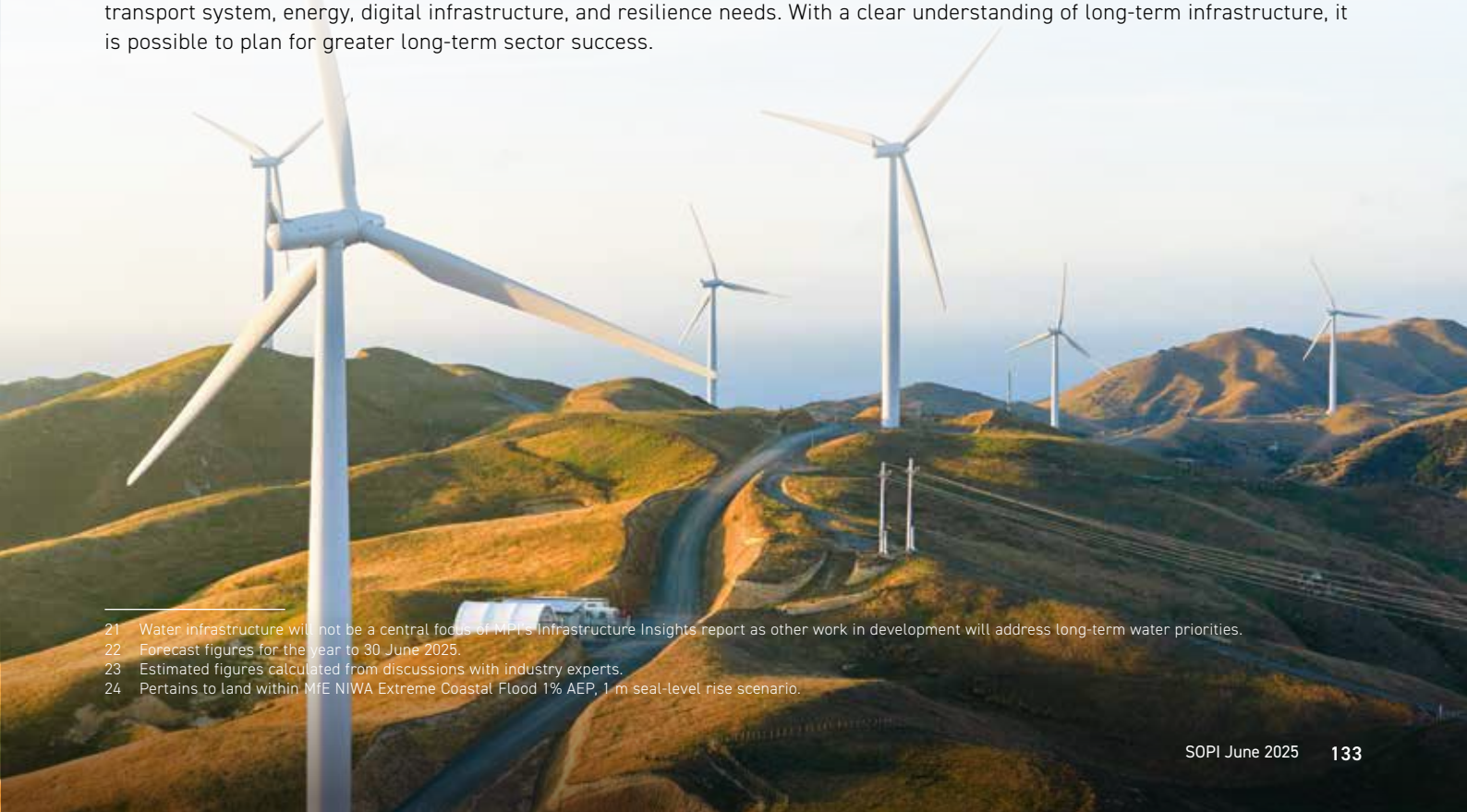
Technology: Technological cchanges, including AI, robotics, and climate technologies are set to change infrastructure needs. For example, more on-farm and on-orchard technology will require greater digital connectivity.

Climate change: Climate change will stress critical infrastructure assets across value chains and heighten needs for mitigation infrastructure. For example, over 230,000 hectares of agricultural land is at risk from seal-level rise.[24]

Future-fit infrastructure will be key to unlocking growth and resilience

In an increasingly complex world, understanding long-term priorities will be essential to planning infrastructure that actively enables future growth and global competitiveness for New Zealand's food and fibre sectors.

MPI's upcoming Infrastructure Insights report identifies long-term infrastructure priorities for the food and fibre sectors. Drawing on economic research and engagement with industry leaders, the report will detail long-term sector priorities for the transport system, energy, digital infrastructure, and resilience needs. With a clear understanding of long-term infrastructure, it is possible to plan for greater long-term sector success.



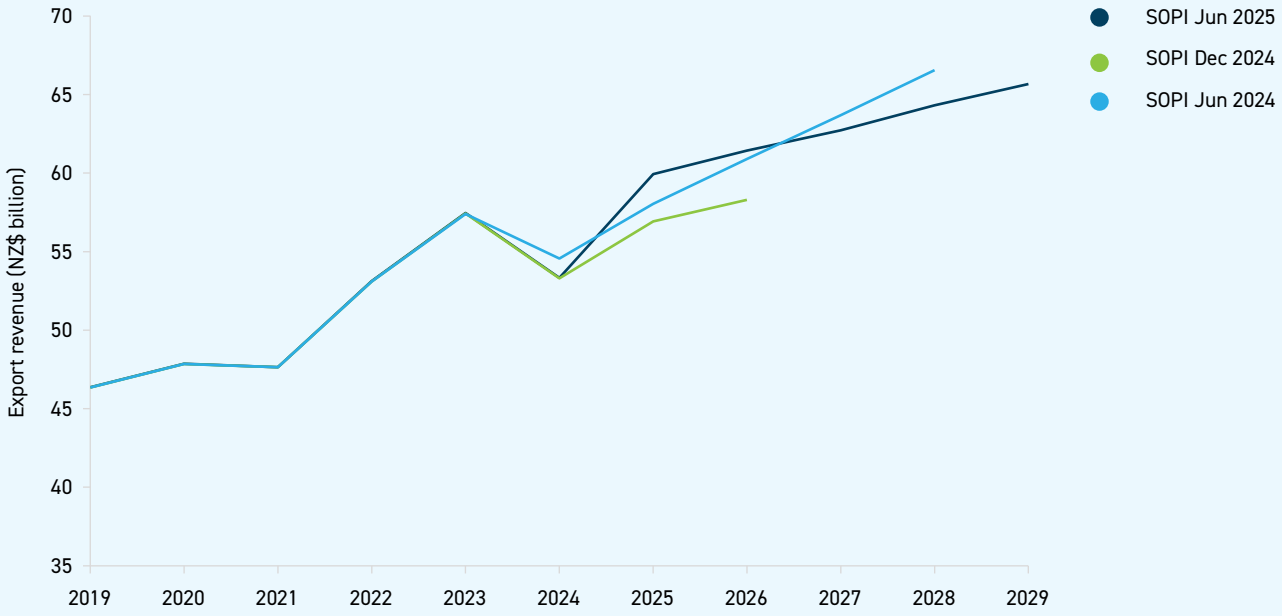
21 Water infrastructure will not be a central focus of MPI's Infrastructure Insights report as other work in development will address long-term water priorities.
22 Forecast figures for the year to 30 June 2025.
23 Estimated figures calculated from discussions with industry experts.
24 Pertains to land within MfE NIWA Extreme Coastal Flood 1% AEP, 1 m seal-level rise scenario.

Forecast tracking

Export revenue for the year to 30 June 2025 has been revised sharply upward by 5 percent compared with the forecast in December 2024 (Figure 59) and 3 percent higher than the June 2024 forecast. Individual sector revisions are shown in Table 20.

Figure 59: MPI export revenue forecasts

Year to 30 June, export revenue, NZ$ billion



Source: Stats NZ and MPI.

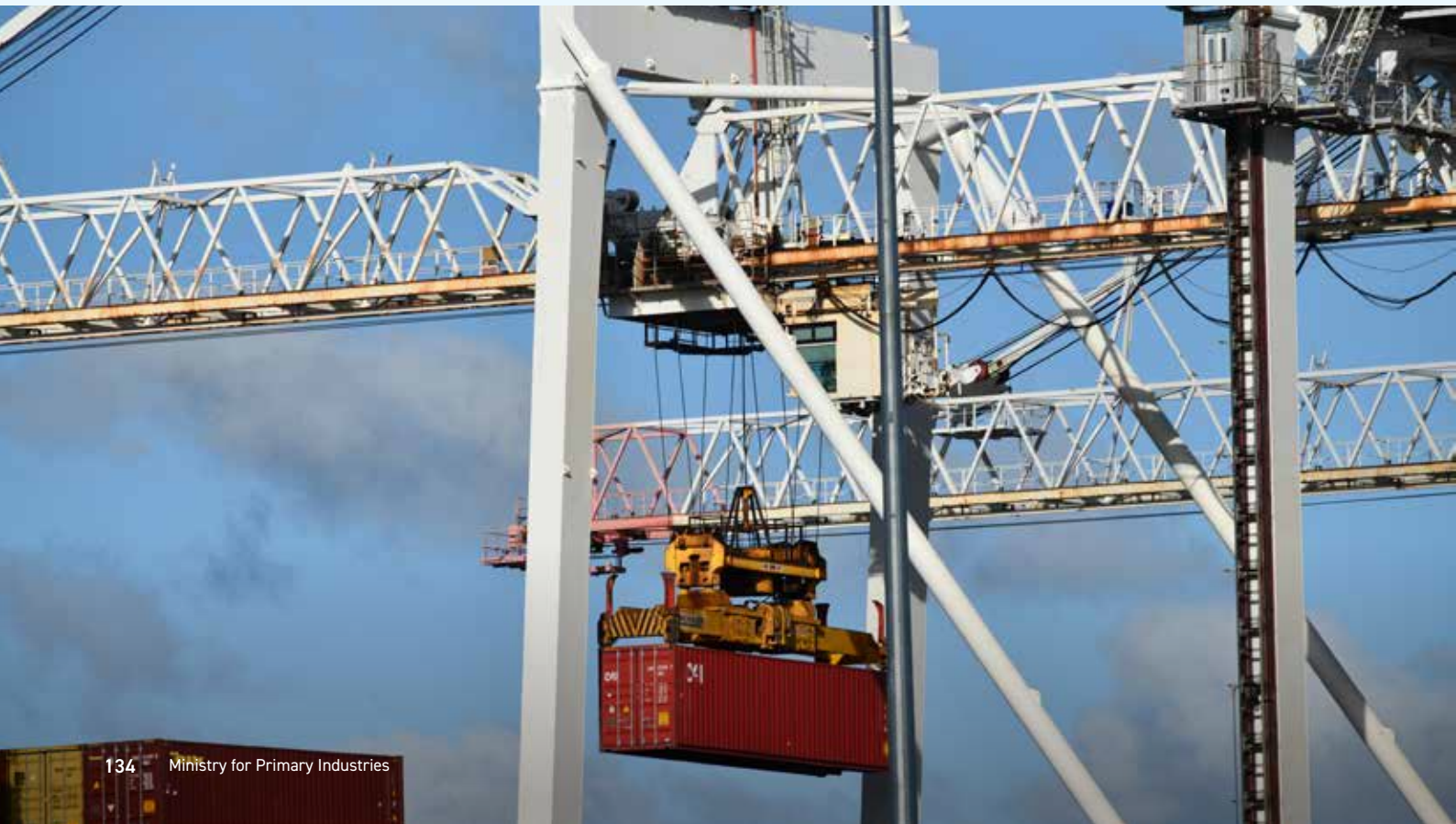


Table 20: Export forecast comparison 2020–28

Year to 30 June, NZ$ million

		Actual					Forecast			
Sector	**Forecast round**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Dairy	Jun 2025	20,102	19,055	21,998	26,008	23,231	27,010	27,800	28,270	29,230
	Jun 2024	20,102	19,055	21,998	26,008	24,160	25,750	27,110	28,640	30,360
	Difference	**0%**	**0%**	**0%**	**0%**	**–4%**	**5%**	**3%**	**–1%**	**–4%**
Meat and wool	Jun 2025	10,627	10,376	12,323	12,151	11,367	12,310	12,680	12,870	12,890
	Jun 2024	10,617	10,373	12,310	12,114	11,450	11,770	12,200	12,560	12,950
	Difference	**0%**	**0%**	**0%**	**0%**	**–1%**	**5%**	**4%**	**2%**	**0%**
Horticulture	Jun 2025	6,541	6,579	6,825	7,088	7,082	8,450	8,630	9,110	9,450
	Jun 2024	6,541	6,579	6,815	7,066	7,110	8,020	8,630	9,180	9,700
	Difference	**0%**	**0%**	**0%**	**0%**	**0%**	**5%**	**0%**	**–1%**	**–3%**
Forestry	Jun 2025	5,452	6,499	6,578	6,353	5,748	6,250	6,350	6,450	6,530
	Jun 2024	5,452	6,499	6,578	6,353	5,880	6,170	6,390	6,530	6,620
	Difference	**0%**	**0%**	**0%**	**0%**	**–2%**	**1%**	**–1%**	**–1%**	**–1%**
Seafood	Jun 2025	1,857	1,789	1,919	2,097	2,141	2,180	2,180	2,200	2,280
	Jun 2024	1,857	1,789	1,919	2,097	2,200	2,490	2,590	2,710	2,750
	Difference	**0%**	**0%**	**0%**	**0%**	**–3%**	**–12%**	**–16%**	**–19%**	**–17%**
Arable	Jun 2025	289	261	252	272	345	340	340	350	360
	Jun 2024	289	261	252	272	310	310	310	310	320
	Difference	**0%**	**0%**	**0%**	**0%**	**11%**	**10%**	**10%**	**13%**	**13%**
Processed food and other products*	Jun 2025	2,988	3,087	3,228	3,493	3,416	3,380	3,460	3,480	3,570
	Jun 2024	2,988	3,087	3,228	3,491	3,450	3,550	3,650	3,760	3,860
	Difference	**0%**	**0%**	**0%**	**0%**	**–1%**	**–5%**	**–5%**	**–7%**	**–8%**
Total exports	**Jun 2025**	**47,855**	**47,645**	**53,123**	**57,462**	**53,330**	**59,920**	**61,440**	**62,730**	**64,320**
	Jun 2024	**47,846**	**47,642**	**53,100**	**57,402**	**54,560**	**58,050**	**60,890**	**63,690**	**66,560**
	Difference	**0%**	**0%**	**0%**	**0%**	**–2%**	**3%**	**1%**	**–2%**	**–3%**

* Includes live animals, honey, and processed food.
Some values for horticulture and processed food and other products have been updated due to revisions by Stats NZ.
Values for meat and wool have been updated due to additional products being added to the category by MPI.
Totals may not add up due to rounding.
Forecast revenue for 2029 can be found in Table 1.
Source: Stats NZ and MPI.

Gross agricultural revenue and expenditure

The food and fibre sector's direct contribution to GDP increased 4 percent to $35.9 billion in the year to 31 March 2023.[25] Taking into account declining export revenue in 2023/24 and increasing operating costs, GDP contribution is forecast to have declined 4 percent in the following year to 31 March 2024, before recovering 17 percent to $40.0 billion dollars in 2024/25 (Figure 60). Over the past decade, core production industries made up approximately 6 percent of New Zealand's total GDP[26] while related processing and manufacturing industries added a further 5 percent to GDP. Contribution to GDP is the value added to the economy and is calculated as the gross revenue an industry receives, less the amount spent on in creating that revenue.

The food and fibre sector consists of seven core production and eight processing industries. Dairy cattle farming leads the group, with an annual average contribution to the sector's GDP of 20 percent, followed by sheep, beef cattle, and grain farming and dairy product manufacturing.

The sector's contribution to the economy extends beyond the direct GDP values. Activities in the agri-food sector have flow-on effects across the wider economy. For example, the dairy value chain includes storing, transporting, processing, packaging, and retailing milk for final consumption.

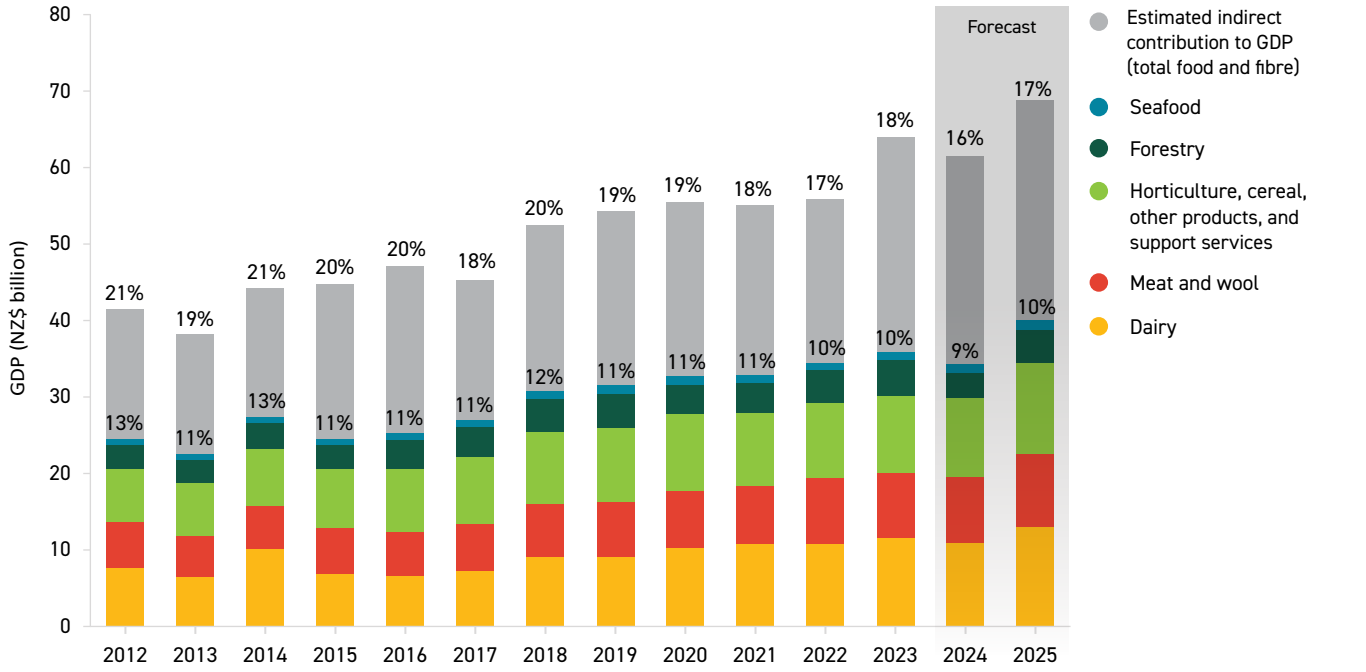
The industry also affects other sectors of the economy as it uses outputs of industries such as transportation and warehousing and is supported by other services like finance, legal, and accounting.

Using Stats NZ's latest input-output tables (2020), which show the relationships between industries, the goods and services they produce, and who uses them, and the latest GDP data by detailed industry, the food and fibre sector had an estimated $28.0 billion in indirect GDP contribution in 2022/23. This brings the overall GDP contribution to $63.9 billion or an 18 percent contribution to total GDP in 2022/23.

The processing industries were linked to 84 percent of indirect contribution to GDP compared with only 50 percent of direct contribution to GDP. Forestry and logging generated the highest indirect GDP contribution among the production industries ($1.4 billion). Dairy and meat product manufacturing had a combined contribution of $14.5 billion, up from $8.5 billion in 2021/22, accounting for 52 percent of the total indirect value added from the food and fibre sector. The beverage and tobacco industry was also one of the key contributors, with $2.6 billion in indirect GDP contribution.

Figure 60: Food and fibre GDP grew in 2023

Year to 31 March, GDP in NZ$ billion and percentage of total New Zealand GDP all industries



Sectors include direct contribution from production and processing.
Source: Stats NZ and MPI.

25 National Accounts (Industry Production and Investment) data to 31 March 2023 were released by Stats NZ in November 2024 and are the latest available at time of writing.
26 Total contribution to GDP of all industries.

Agriculture sector revenue and expenditure

Detailed data on agricultural revenue, which includes livestock, arable and horticultural farming, are part of the national accounts published by Stats NZ and shows the gross revenue received by agricultural businesses and their expenditure or intermediate consumption (Table 21). The latest national accounts data to 31 March 2023 shows that, since 2016, the agricultural sector's gross revenue increased 61 percent to $32.5 billion (Figure 61). Decreasing dairy farm revenue saw this figure fall 2 percent from 2021/22. Continued lower farmgate milk prices in 2023/24 combined with falling meat prices, and a poor season for fruit exports is forecast to have driven gross revenue to fall a further 5 percent in 2023/24, before recovering exports in 2024/25 drive a 20 percent increase.

Agricultural sector income is closely linked to export income, as are seafood and forestry income (which are not included in the agricultural accounts). Because a high proportion of agricultural production is exported, export revenue forecasts have a direct effect on farmers' and growers' incomes and the level of wealth in the sector.

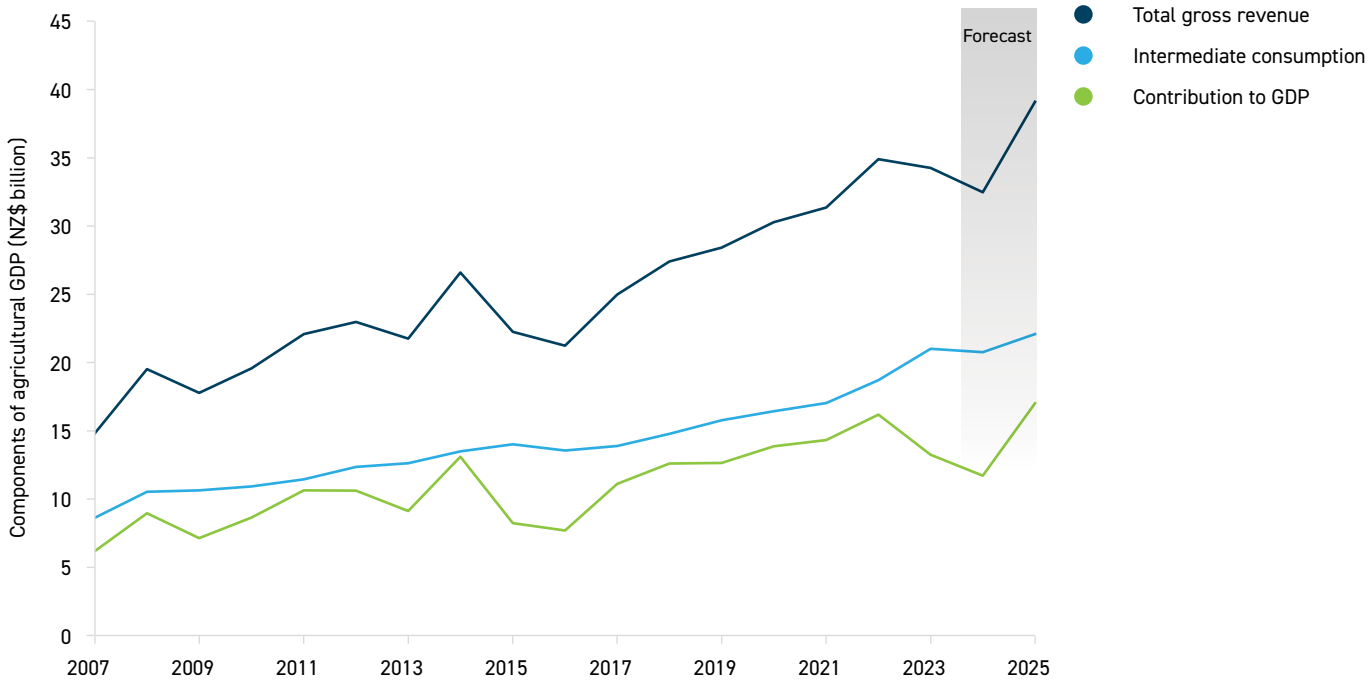
Intermediate consumption increased 55 percent to $21 billion over the 2016–23 period, with a 12 percent increase in 2022/23. The largest contributor to intermediate consumption was feed and grazing at 24 percent of total, followed by fertiliser lime and seeds at 16 percent. The proportions of spending on these categories have been moving in opposite directions in the period. This suggests that farmers (especially for dairy) may have spent more on imported feed than fertiliser since it is a more flexible way of boosting production while milk prices remain high.

Increasing intermediate consumption costs combined with falling revenue have seen contribution to GDP fall by 18 percent in 2022/23. A forecast 5 percent fall in 2023/24 gross revenue combined with only a 1 percent fall in intermediate consumption sees contribution to GDP forecast to fall 12 percent in 2023/24 before recovering 45 percent in 2024/25.

Factoring in wages and interest payments, which are both expected to have increased, as well as depreciation and taxes means agricultural sector income fell by 47 percent to $5.1 billion in the year to 31 March 2023 (Table 21). 2023/24 is forecast to see these trends continue, with a further 24 percent fall in income to $3.9 billion, the lowest level since 2016. These two years have shown that, while overall food and fibre sector GDP has been relatively steady, led by export revenue and the processing sector, farmers and growers have been squeezed by lower farmgate revenue, and higher operating costs. 2024/25 should see a welcome lift in farm incomes as exports and farmgate revenue recover.

Figure 61: Increasing expenses and declining revenue saw agricultural production contribution to GDP decline in 2023

Year to 31 March, components of agricultural GDP, NZ$ billion



Source: Stats NZ.

Table 21: Gross agricultural revenue and expenditure 2021–29

Year to 31 March, NZ$ million

	Actual			Estimate	Forecast				
	2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Dairy	14,851	17,564	16,159	14,990	18,530	18,920	19,060	19,310	19,650
Cattle	3,202	3,716	3,781	3,590	3,840	4,140	4,260	4,230	4,140
Sheepmeat	2,947	3,266	3,255	2,880	3,090	3,210	3,220	3,270	3,330
Wool	370	427	376	380	440	440	430	430	420
Deer	202	247	270	240	230	240	230	230	230
Pigs	180	195	206	210	210	210	210	210	210
Poultry/eggs	229	214	221	230	230	240	240	250	250
Other farming	174	183	181	170	180	190	190	190	190
Sales of live animals	1,188	1,313	1,355	1,250	1,340	1,420	1,440	1,450	1,440
Value of livestock change	-67	-284	-294	-100	20	-50	-60	-60	-60
Fruit	4,705	4,604	5,046	4,860	6,830	6,980	7,460	7,730	7,970
Vegetables	1,151	1,231	1,387	1,460	1,550	1,550	1,590	1,650	1,690
Other horticulture	727	688	629	660	730	690	720	740	760
Crops and seeds	741	767	861	1170	1240	1210	1250	1260	1310
Agricultural services	226	238	257	250	300	300	310	310	320
Non-farm income	530	528	560	250	300	300	310	310	320
TOTAL GROSS REVENUE	**31,356**	**34,897**	**34,250**	**32,480**	**39,020**	**39,990**	**40,850**	**41,520**	**42,390**
Intermediate consumption	17,040	18,721	20,999	20,760	22,060	23,130	24,020	24,750	25,420
CONTRIBUTION TO GDP	**14,316**	**16,176**	**13,251**	**11,720**	**16,960**	**16,860**	**16,830**	**16,780**	**16,970**
Wages	3,050	3,079	3,393	3,530	3,610	3,640	3,660	3,670	3,690
Depreciation	2,000	2,115	2,368	2,520	2,690	2,870	3,060	3,260	3,480
Net indirect taxes*	897	1071	1,244	860	1,270	1,260	1,260	1,250	1,260
OPERATING SURPLUS	**9,434**	**11,071**	**7,508**	**5,730**	**10,720**	**10,410**	**10,180**	**9,900**	**9,870**
Interest paid	2,090	2,058	3,152	2,180	2,710	3,590	4,050	3,910	3,850
Interest received	560	609	726	300	330	370	390	390	390
AGRICULTURE SECTOR INCOME	**7,904**	**9,622**	**5,082**	**3,850**	**8,340**	**7,190**	**6,510**	**6,390**	**6,410**

* Net indirect taxes are indirect taxes less subsidies.
Source: Stats NZ and MPI.

Economic Intelligence Unit online resources

More primary industry data can be found on the MPI website: **www.mpi.govt.nz/EIU**

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