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## Pasture, prices and profit align as NZ farming sees green

New Zealand farming is riding a high, with strong prices, full feed covers and improving confidence lining up at the same time.

Writing in ANZ's latest *Agri Focus* report, ANZ Agri Economist Matt Dilly says the rural sector has absorbed a turbulent summer and emerged in a position of strength.

"This summer has been eventful so far for New Zealand's rural sector," Dilly says, pointing to repeated storm events that caused damage in some regions but boosted pasture growth across much of the country.

Despite the wet conditions, Dilly says pasture covers are excellent nationwide and there is currently no region at risk of drought.

That feed availability has been critical in supporting production decisions and lifting profitability across dairy, sheep and beef systems.

Dairy markets have rebounded sharply since Christmas, with global prices lifting more than 19 per cent so far this year.

Dilly says the turnaround has been faster and stronger than expected, prompting ANZ to lift its forecast milk price for the current season to \$9.50/kgMS.

"It's been a pleasant surprise to see market sentiment turn so abruptly," he says.

The report describes the recent rally as a correction rather than a structural shift, saying prices had overshot to the downside late last year.

"The most correct answer may well be the simplest: prices fell too far in late 2025, and now they are back on the right track," Dilly says.

Strong pasture growth and ample supplementary feed have helped lift production, with New Zealand milksolids up more than 3 per cent season-to-date.

Dilly says total production is now forecast to reach 2 billion kgMS this season, a level that "would have seemed implausible just two years ago".

Looking ahead, he cautions that global milk supply is rising faster than demand, meaning prices are likely to ease through 2026.

However, Dilly says any softening will come from a much higher starting point, and processors have been able to lock in sales at favourable levels, reducing downside risk.

Sheep and beef farmers are also benefitting from a highly supportive environment, driven by tight global supply, strong overseas demand and abundant grass at home.

Dilly says the sector is operating in a "grass market", where farmers are incentivised to hold stock longer, adding upward pressure to prices.

"All beef grades are at record farmgate prices – it can't get any better than that," he says.

Lamb prices remain close to all-time highs, mutton prices are approaching record levels, and venison prices remain elevated despite limited recent movement.

While processors are under pressure from low livestock numbers and high procurement costs, Dilly says farmers are in a strong position.

"These are good problems to have," he says, noting that improving balance sheets and lower interest rates are allowing farmers to catch up on fertiliser, repairs and deferred maintenance.

Trade policy uncertainty remains a complicating factor, particularly for red meat exporters navigating shifting tariff settings in the US and China.

Dilly says New Zealand has come through recent changes relatively well, with several key products remaining exempt from US tariffs and China's beef quota set comfortably above recent export volumes.

He also points to the New Zealand–India Free Trade Agreement as a positive development for the sector.

"Based on the size of the market and the scale of tariff reductions available, apples and forestry products are the two largest winners," Dilly says.

Not all sectors are sharing in the upswing, with grain growers facing a difficult harvest due to wet weather, quality downgrades and tight margins.

“After an encouraging growing season, crops looked good in the field until January,” Dilly says, but rain and hail have since taken their toll in parts of the South Island.

Horticulture presents a mixed picture, with strong conditions for kiwifruit and apples contrasting with ongoing structural oversupply in the wine sector.

Dilly says growers are responding with yield caps, cancelled contracts and, in some cases, leaving fruit unharvested in an effort to rebalance supply.

Rural property markets are showing signs of recovery, supported by lower interest rates and strong farm incomes.

Sales volumes are up sharply across most farm types, although price gains have been more modest and uneven.

Dilly describes the recovery as measured rather than exuberant, but says confidence is clearly improving.

For now, New Zealand farming is capitalising on an unusually favourable alignment of prices, pasture and policy, while remaining alert to the risks that come with changing weather, global markets and the inevitable turn of the cycle.

The full Agri Focus report can be found at [anz.co.nz/agribusiness/agri-focus/](https://anz.co.nz/agribusiness/agri-focus/)

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