11 February 2026

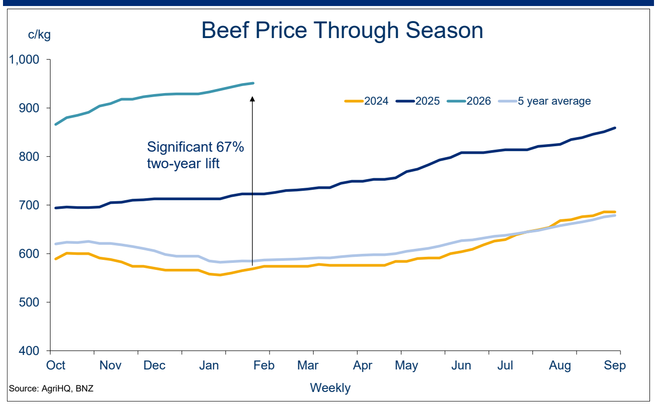
Buoyant beef

- **NZ beef prices up two thirds in two years**
- **Tighter US supply a key driver**
- **FTA sees 22-fold increase in beef exports to the UK**
- **NZ beef prices to set record in 25/26; remain firm**
- **Another primary sector support to economic activity**
- **Watch US-Argentina deal, NZD**

Beef prices have continued to lift over recent months. This is from already high levels and against some easing that typically takes place at this time of year. Beef is buoyant.

Not only are beef prices about a third higher than a year ago, but they are also up two thirds on two years ago. It is a significant lift. From a bit below average two years ago, prices are now substantially above average.

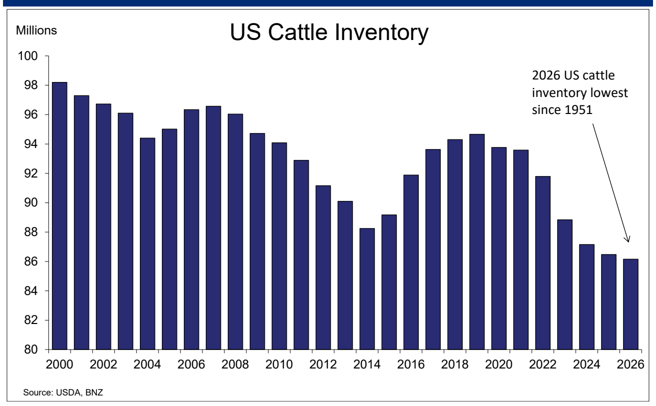
Beefy



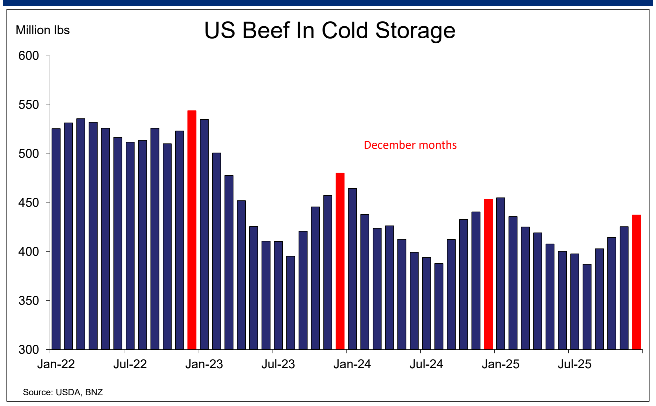
A large and persistent tightening in the US beef market has underpinned prices in one of NZ's most important markets. Latest US cattle inventory numbers highlight the tightness. The total number of cattle in the US was 86.2m as of 1 January 2026. That is only marginally fewer than a year ago, but it represents the seventh consecutive year of decline for a cumulative 9% drop over that period. Adverse weather, including droughts, has been a material factor. US cattle numbers are at their lowest level since 1951.

Beef stored in US cool stores also tells of a fundamentally tight and tightening market. Stored levels have nudged a touch higher into the end of 2025, but not as much as typically happens at this time of year. The broader balance of demand and supply continues to eat into inventory levels that sit 3.5% lower than a year earlier continuing a multi-year depletion. December beef inventory levels were 20% lower than three years earlier.

Fewer cattle



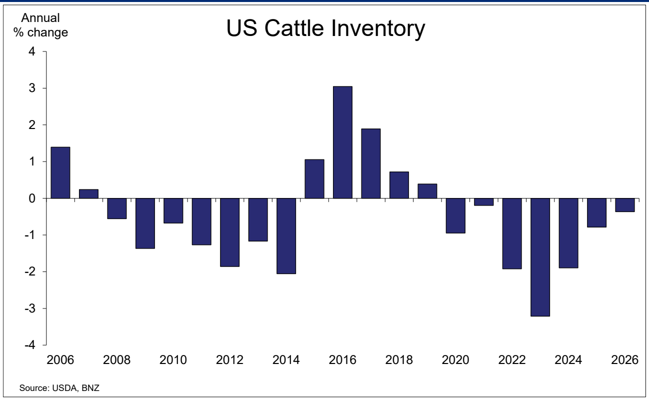
Low stock



US beef prices have continued to bound upwards in early 2026, reflecting tight market conditions. US beef import prices have followed suit. NZ beef exports to the US totalled $2.1b in 2025, up 17% on 2024. To this point, market strength has more than offset headwinds from higher US tariffs on NZ beef exports.

Primary product markets tend to be cyclical so one could expect some price pullback down the track. But it's not clear this is imminent, at least from a US supply perspective. Even a US beef herd rebuild, if it were to occur, could be expected to initially intensify meat supply chain tightness as animals are retained on farm for breeding. The December data revealed US beef replacement heifers have lifted 1% on a year earlier suggesting some herd rebuilding may begin in 2026. Tight US supply looks like being a firm price support through this year but needs to be watched closely for when the cycle turns.

Long cycles

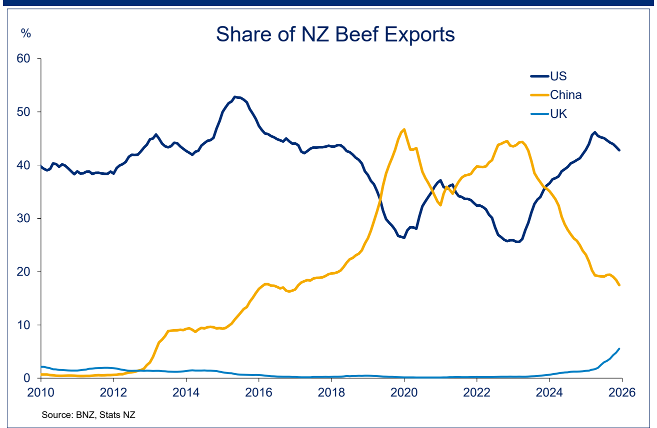


Global demand conditions look broadly favourable too. World economic growth expectations have rebounded after dipping sharply through the middle of 2025. If the latest expectations prove close to reality, it will provide a healthy tailwind to beef (and other primary product) buyers' disposable incomes and hence demand.

China is a major export market for NZ, accounting for around 17% of NZ beef exports in 2025. This share has fallen over recent years with increased competition from other markets including the US. NZ beef exports to China were $0.9b in 2025, down 16% on 2024.

In addition to strong beef sales to the US, NZ is also selling significantly more beef to the UK following the NZ-UK free trade agreement (FTA) coming into force in mid-2023. In 2025, NZ beef exports to the UK totalled $0.3b. While off a low base, that is 22 times above pre-FTA levels. NZ beef exports to the UK in 2025 were nearly 5 times more than in 2024. While NZ beef sales to the UK remains below sales to the US or China, there has been a clear and rapid uplift. The UK has gone from taking less than 0.3% of NZ beef exports before the FTA to 5.5% in 2025. The strong positive trend suggests further growth is likely, despite currently challenging economic conditions in the UK.

Market share dynamics



Combining all the above gives compelling reason for beef prices in NZ to be well supported over the coming year.

A couple of factors pushing the other way are worth noting and keeping an eye on. One is more beef supply from South America. The other is the recent upswing in the NZD and the potential for it to extend.

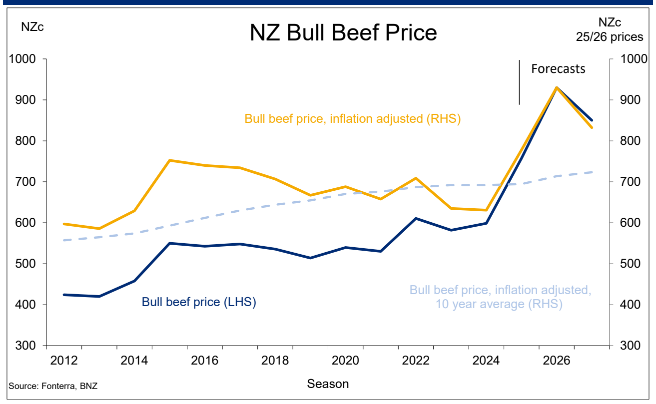
More beef from South America could have some impact on supply tightness, at the margin. Brazilian beef exports recently hit a record high for a January, with volume up 26% y/y. China and the US are the top two markets for Brazilian exporters.

A recent deal between the US and Argentina will allow Argentina to export an additional 80,000 MT of beef to the US tariff-free this year. It is a quintupling of Argentina's beef quota into the US. However, with the increase representing less than 1% of overall US beef supply it is not expected to have a major impact on prices.

The extent of the upswing in the NZD is worth watching as a headwind to export prices. It has bounced back above USD0.60 this year following a dip below USD0.56 a few months ago. The NZD's current level and our forecasts for a further nudge higher shouldn't be too challenging from a beef exporter's point of view, given strength in offshore markets. But the more the NZD lifts, the greater edge it will take off domestic prices.

NZ beef prices are well on course to post a season average record. Our current forecast for the 2025/26 season is for average prices to be around 23% higher than the previous season. This follows a couple of tougher seasons in 2022/23 and 2023/24. On an inflation adjusted basis, this season's average beef price will be the highest since at least 1991. Even with some expected softening in 2026/27, average beef prices are expected to remain above their long-term average on an inflation-adjusted basis.

High price



Beef accounted for a touch over 6% of NZ's goods exports in 2025. It is large enough to move the dial. NZ beef annual exports pushed through $5b for the first time in 2025 and were up 15% on the previous year. Even if export prices ease a bit from current levels, recent gains have set a very strong starting point such that another strong year for beef exports is likely in 2026.

This is part of a strong positive tone that has been radiating through large parts of the primary sector. Elevated export income has been a considerable support to domestic economic activity over the past year. The longer primary export product markets remain firm the more domestic economic impetus they will generate. Beef looks like remaining an important part of this.

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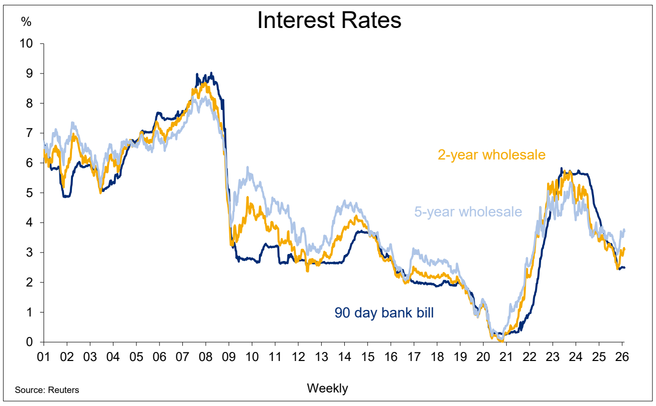
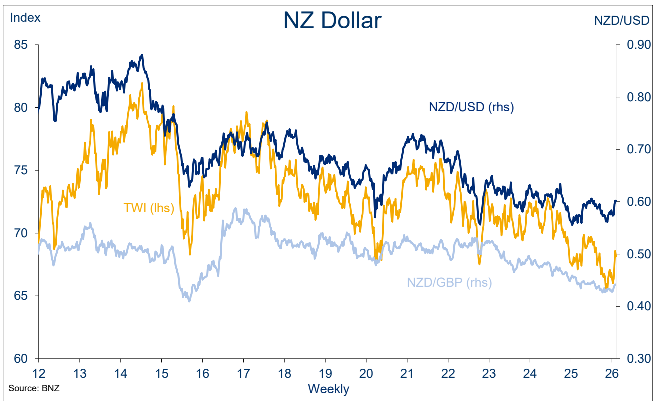
Key Macro Drivers for Commodity Producers

Interest Rates



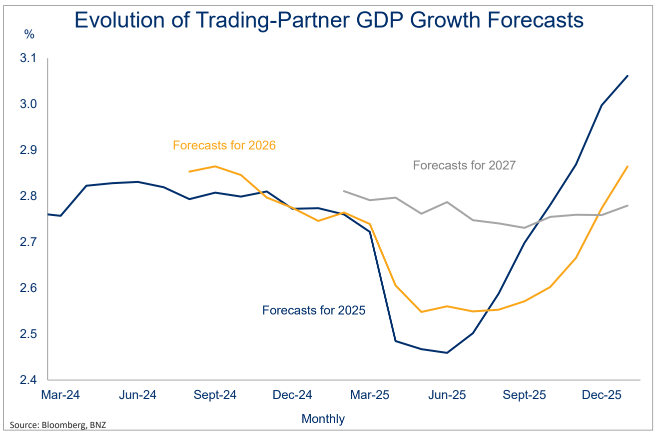
Since the RBNZ November Monetary Policy Statement, domestic growth and inflation data have both been stronger than the central bank anticipated. This has led markets to reassess the timing and magnitude of Official Cash Rate (OCR) hikes required. Wholesale fixed rates have moved higher. We expect the RBNZ will hold the OCR unchanged at 2.25% at the 18 February decision and no longer indicate a possibility of further rate reduction in its projections. Our forecasts for the OCR include a first hike in September. Across the Tasman, strong employment and inflation data set the scene for the Reserve Bank of Australia to hike its cash rate by 25 basis points in early February, to 3.85%. Elsewhere, the US Federal Reserve, European Central Bank and Bank of England all recently held their rates unchanged.

Foreign Exchange



The New Zealand dollar (NZD) experienced a strong turnaround from late November to recently reach a six-month high above 0.60. This rally has been driven by both global and domestic factors. Domestically, clear signs of economic recovery have emerged, with growth proving stronger than many expected. Domestic factors, which at times weighed on the NZD last year, are now supporting further appreciation. Early 2026 has also seen broad based US dollar weakness. Factors contributing to this include President Trump's threatened military action against Greenland, uncertainty around US trade policy, and concerns over future Federal Reserve independence. Our forecasts show further mild NZD appreciation this year.

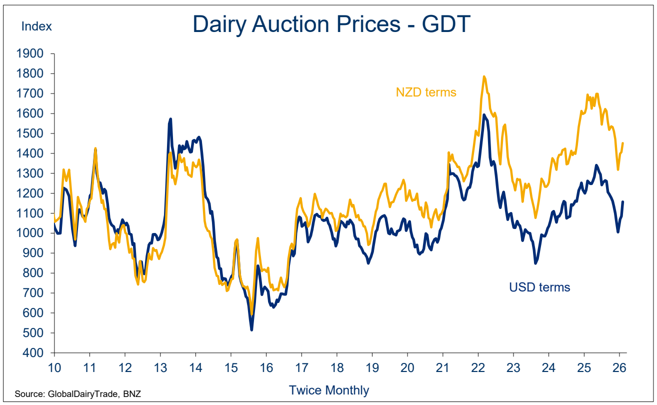
Global Growth



Bloomberg consensus forecasts for global growth have been progressively revised higher over the past six months. In its latest World Economic Outlook Update, the IMF similarly revised up its estimates and forecasts for 2025 and 2026 GDP growth. The lagged impact of last year's easier global monetary policy and ongoing accommodative fiscal policy settings are both supporting global growth. In the US, recent economic data for were generally stronger than expected. The Atlanta Fed's nowcast for Q4 GDP rose to 4.2% annualised, which follows the sharp 4.4% gain in Q3. In China, activity data continued to show strong export-led growth against sluggish domestic demand. Overall, New Zealand trading-partner growth is forecast to ease from 3.1% in 2025 to around 2.9% in 2026. The global backdrop for primary product prices has improved compared to six months ago.

Key Commodities

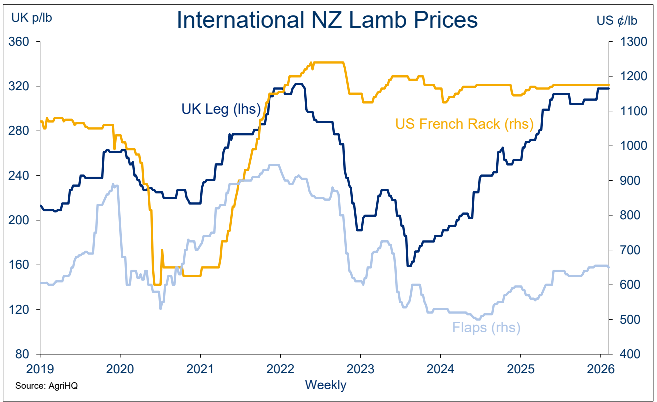
Dairy



After a poor run over the second half of 2025, global dairy prices showed a solid recovery to start 2026. The GDT Price Index lifted 6.3%, 1.5% and 6.7% at the first three auctions. Prices are still 13.7% below their peak in May last year, but it is encouraging to see a bounce of last year's lows. If they were to remain around current levels for the remainder of the season, a 2025/26 milk price a touch above the top of Fonterra's $8.50 to $9.50 forecast range is possible. Our forecast of $9.50 builds in some GDT price decline into season's end. Looking to the 2026/27 season, if current market conditions were to persist for the next 18 months that season's milk price would be around $9.00. There is a very wide range of possible outcomes for next season.

	Current	Month ago	Year ago	Next 12 months
Whole milk powder (US $/t)	3550	3350	3960	➔

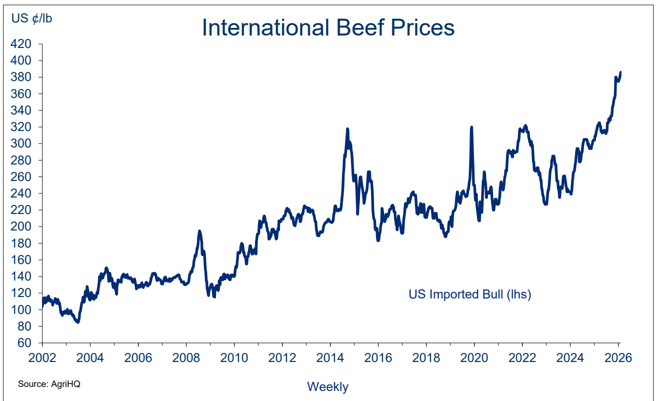
Lamb



Lamb market conditions remain strong. UK lamb leg prices have maintained recent gains. The decline in European sheep-meat production is supporting prices and favouring New Zealand producers. Discussion in the US around additional tariffs on New Zealand lamb exports has not come to fruition. Overall, we continue to forecast this season's average lamb price to be well above last season and long-term norms on both a nominal and inflation adjusted basis. We expect next season average prices to remain above average, even with some easing.

	Current	Month ago	Year ago	Next 12 months
Lamb leg (UK p/lb)	318	318	270	↓

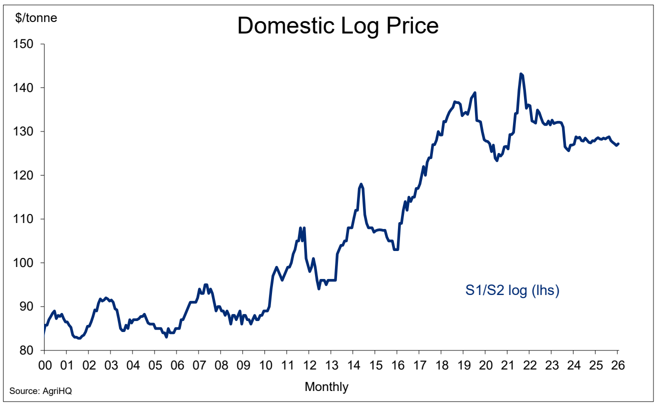
Beef



US beef prices have continued to climb to record highs. There are limited signs of US herd rebuilding, and this shortage is underpinning healthy returns for NZ beef exporters. In China, a new beef quota system came into effect on 1 January. While this is unlikely to restrict NZ exports, other supplies could exhaust their quotas by the middle of 2026. This could create opportunities but also increase competition for NZ beef exports into other markets. We expect this season's average beef price to hit a record and significantly higher than last season. Looking ahead, elevated prices will encourage more global supply and see prices begin to ease.

	Current	Month ago	Year ago	Next 12 months
Imported bull (US ¢/lb)	386	376	317	↓

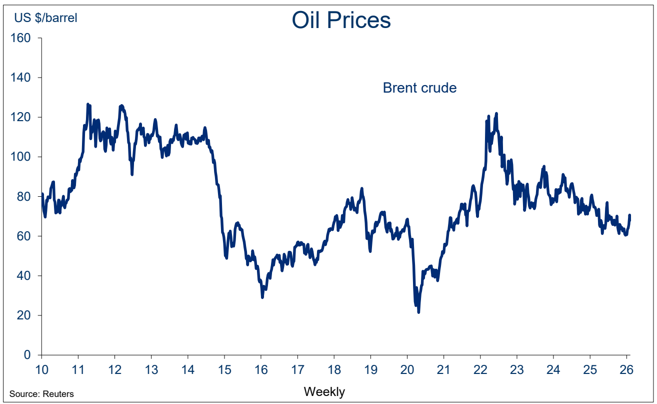
Forestry



New Zealand log prices have stayed in a very tight $127-$129 range for the last two years. Domestically, the trend in NZ residential building consents has turned firmly upward. Surveyed building intentions also suggest an improvement in near-term construction activity. In China, NZ's largest export market, headwinds are persisting in the construction sector and limiting the demand for logs. Shipping costs have stabilised, but returns for New Zealand exporters are facing a headwind from a stronger NZD.

	Current	Month ago	Year ago	Next 12 months
S1/S2 log price (NZ $/t)	127	127	128	→

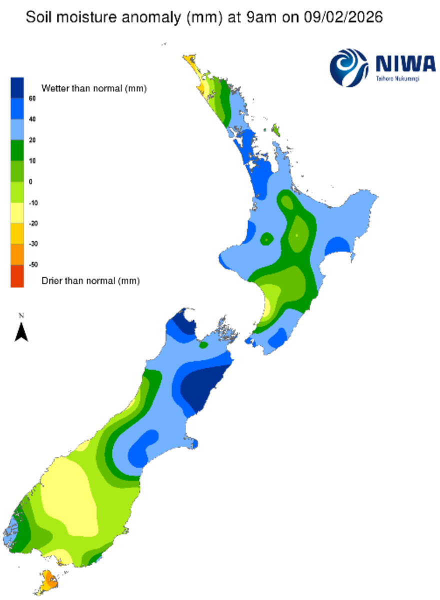
Oil



Oil prices increased sharply in January to a fresh six month high after US President Trump increased threats against Iran. Trump threatened military action, saying "…time is running out" to reach a deal and "…the next attack will be far worse!". Brent crude traded up as high as USD71.80 per barrel before partially retracing. A massive winter storm hitting the US was also a price-supporting factor. Oil price future curves are mildly downward sloping. The stronger New Zealand dollar has broadly offset the jump in oil prices, limiting upward pressure on domestic fuel prices.

	Current	Month ago	Year ago	Next 12 months
Brent crude (US $/b)	68	63	75	↓

Weather



Soil moisture maps are wetter than normal for this time of year across much of the country, particularly in the upper half of the South Island and for large tracts of the North Island. Many farmers in Northland, Coromandel and the Hawke's Bay are assessing the damage and clean up after heavy rain in January caused widespread flooding. In the South Island, the start to 2026 has been characterised by persistent rain and cooler temperatures. Earth Sciences New Zealand expect February to April rainfall to be normal or above normal for most of the country. The exception is the west of the South Island where normal rainfall is favoured. A La Niña Advisory is currently in effect and guidance for February – April suggests about a 50% chance that those conditions persist. Historically, agriculture GDP has tended to fall in such conditions, but not always.

Quarterly Forecasts

Forecasts as at 11 February 2026

Key Economic Forecasts

Quarterly % change unless otherwise specified — Forecasts

	Jun-25	Sept-25	Dec-25	Mar-26	Jun-26	Sept-26	Dec-26	Mar-27	Jun-27	Sept-27
GDP (production s.a.)	-1.0	1.1	0.5	0.7	0.9	0.6	0.6	0.5	0.5	0.5
Retail trade (real s.a.)	0.7	1.9	0.4	1.0	0.9	0.8	0.7	0.7	0.7	0.7
Current account (ann, % GDP)	-3.7	-3.5	-3.5	-3.5	-3.5	-3.6	-3.5	-3.4	-3.3	-3.2
CPI (q/q)	0.5	1.0	0.6	0.5	0.5	0.7	0.5	0.4	0.5	0.6
Employment	-0.2	0.0	0.5	0.5	0.7	0.8	0.7	0.6	0.5	0.5
Unemployment rate %	5.2	5.3	5.4	5.3	5.2	5.0	4.8	4.6	4.7	4.7
Pr. avg hourly earnings (ann %)	4.6	4.1	3.5	4.2	3.3	3.3	3.4	3.3	3.2	3.2
Trading partner GDP (ann %)	3.3	3.2	2.5	2.7	2.7	2.8	3.0	2.9	2.8	2.8
CPI (y/y)	2.7	3.0	3.1	2.7	2.7	2.4	2.3	2.2	2.1	2.1
GDP (production s.a., y/y)	-1.1	1.3	1.7	1.3	3.2	2.8	2.9	2.7	2.3	2.2

Interest Rates

Historical data - qtr average		Government Stock			Swaps			US Rates		Spread
Forecast data - end quarter	Cash	90 Day Bank Bills	5 Year	10 Year	2 Year	5 Year	10 Year	SOFR 3 month	US 10 yr	NZ-US Ten year
2025 Mar	3.92	3.84	3.99	4.58	3.47	3.71	4.15	4.30	4.45	0.13
Jun	3.33	3.38	3.85	4.55	3.19	3.57	4.10	4.30	4.35	0.19
Sep	3.08	3.09	3.67	4.42	2.99	3.40	3.95	4.20	4.25	0.17
Dec	2.33	2.51	3.54	4.27	2.71	3.26	3.85	3.80	4.10	0.18
Forecasts										
2026 Mar	2.25	2.40	3.85	4.60	2.90	3.60	4.20	3.65	4.25	0.35
Jun	2.25	2.50	3.90	4.75	3.30	3.65	4.35	3.40	4.35	0.40
Sep	2.50	2.75	4.15	4.90	3.60	3.90	4.50	3.15	4.50	0.40
Dec	2.75	3.05	4.35	4.90	3.90	4.15	4.55	3.15	4.50	0.40
2027 Mar	3.00	3.55	4.40	4.90	4.05	4.25	4.60	3.15	4.50	0.40
Jun	3.50	4.00	4.40	4.90	4.10	4.30	4.65	3.15	4.50	0.40
Sep	4.00	4.15	4.35	4.90	4.10	4.30	4.70	3.15	4.50	0.40
Dec	4.00	4.15	4.35	4.90	4.10	4.35	4.75	3.15	4.50	0.40

Exchange Rates (End Period)

USD Forecasts / NZD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.60	0.71	1.19	1.37	154	0.60	0.85	0.51	0.44	93.2	68.3
Forecasts											
Mar-26	0.60	0.70	1.20	1.37	154	0.60	0.86	0.50	0.44	92.4	67.8
Jun-26	0.62	0.72	1.22	1.38	152	0.62	0.86	0.51	0.45	94.2	69.4
Sept-26	0.63	0.73	1.22	1.38	150	0.63	0.86	0.52	0.46	94.5	70.0
Dec-26	0.63	0.73	1.23	1.38	148	0.63	0.87	0.52	0.46	93.8	70.1
Mar-27	0.63	0.72	1.22	1.36	146	0.63	0.88	0.52	0.46	92.0	69.9
Jun-27	0.63	0.71	1.22	1.35	145	0.63	0.89	0.52	0.47	91.4	70.4
Sept-27	0.63	0.71	1.21	1.34	143	0.63	0.89	0.52	0.47	90.1	70.5
Dec-27	0.62	0.70	1.19	1.34	142	0.62	0.89	0.52	0.46	88.0	69.8
TWI Weights						16.2%	17.8%	9.2%	4.0%	4.7%	

Source for all tables: Stats NZ, Bloomberg, Reuters, RBNZ, BNZ

Annual Forecasts

Forecasts as at 11 February 2026	March Years Actuals 2024	2025	Forecasts 2026	2027	December Years Actuals 2023	2024	Forecasts 2025	2026	2027
GDP - annual average % change									
Private Consumption	1.1	0.0	1.7	2.3	1.1	-0.2	1.6	2.0	2.3
Government Consumption	1.1	-1.3	2.3	0.2	0.1	-0.9	1.9	0.7	-0.4
Total Investment	-1.1	-5.0	2.5	6.6	-0.3	-4.9	0.3	6.6	4.3
Stocks - ppts cont'n to growth	-1.4	0.4	0.2	0.4	-1.2	0.4	-0.2	0.6	0.0
GNE	-0.9	-1.1	2.3	3.3	-0.7	-1.1	1.2	3.5	2.3
Exports	8.6	3.4	3.2	5.1	11.5	4.7	2.9	5.3	3.8
Imports	-1.4	1.5	5.3	5.4	-0.7	1.7	3.6	6.1	3.4
Real Expenditure GDP	1.5	-0.7	1.3	3.1	2.1	-0.3	0.8	2.9	2.3
GDP (production)	**1.8**	**-0.9**	**0.8**	**2.9**	**2.2**	**-0.3**	**0.3**	**2.5**	**2.3**
GDP - annual % change (q/q)	*1.6*	*-0.7*	*1.3*	*2.7*	*1.4*	*-1.6*	*1.7*	*2.9*	*2.2*
Output Gap (ann avg, % dev)	1.2	-0.7	-1.3	-0.2	1.3	-0.2	-1.2	-0.4	0.1
Nominal Expenditure GDP - $bn	417	431	449	472	413	427	445	466	489
Prices and Employment -annual % change									
CPI	4.0	2.5	2.7	2.2	4.7	2.2	3.1	2.3	2.0
Employment	0.9	-0.9	0.8	2.8	2.7	-1.3	0.2	2.7	2.0
Unemployment Rate %	4.4	5.1	5.3	4.6	4.0	5.1	5.4	4.8	4.7
Wages - ave. hr. ord. time earnings (private sector)	4.8	3.8	4.2	3.3	6.6	4.0	3.5	3.4	3.2
Productivity (ann av %)	-0.6	0.1	1.2	0.4	-0.8	0.1	1.2	0.6	-0.1
Unit Labour Costs (ann av %)	6.6	4.4	2.7	3.2	7.1	4.7	2.8	3.1	3.3
House Prices (stratified, mth)	2.8	-0.6	-0.7	2.9	0.7	-0.8	-0.3	2.1	3.9
External Balance									
Current Account - $bn	-23.8	-18.3	-15.8	-16.0	-25.8	-20.0	-15.5	-16.3	-15.1
Current Account - % of GDP	-5.7	-4.2	-3.5	-3.4	-6.3	-4.7	-3.5	-3.5	-3.1
Government Accounts - June Yr, % of GDP									
OBEGAL ex ACC (core op. balance) (Treasury forecasts)	-2.1	-2.1	-3.0	-2.2					
Net Core Crown Debt (ex NZS) (Treasury forecasts)	41.8	41.8	43.3	46.0					
Bond Programme - $bn (Treasury forecasts)	39.3	42.6	35.0	34.0					
Bond Programme - % of GDP	9.4	9.9	7.8	7.2					
Financial Variables [(1)]									
NZD/USD	0.61	0.57	0.60	0.63	0.62	0.57	0.58	0.63	0.62
USD/JPY	150	149	154	146	144	154	156	148	142
EUR/USD	1.09	1.08	1.20	1.22	1.09	1.05	1.17	1.23	1.19
NZD/AUD	0.93	0.91	0.86	0.88	0.93	0.91	0.87	0.87	0.89
NZD/GBP	0.48	0.44	0.44	0.46	0.49	0.45	0.43	0.46	0.46
NZD/EUR	0.56	0.53	0.50	0.52	0.57	0.55	0.49	0.52	0.52
NZD/YEN	91.1	85.4	92.4	92.0	89.5	88.4	90.3	93.8	88.0
TWI	71.2	67.9	67.8	69.9	72.0	68.5	66.8	70.1	69.8
Overnight Cash Rate (end qtr)	5.50	3.75	2.25	3.00	5.50	4.25	2.25	2.75	4.00
90-day Bank Bill Rate	5.64	3.60	2.40	3.55	5.63	4.26	2.49	3.05	4.15
5-year Govt Bond	4.60	4.00	3.85	4.40	4.50	3.90	3.90	4.35	4.35
10-year Govt Bond	4.60	4.50	4.60	4.90	4.65	4.45	4.50	4.90	4.90
2-year Swap	4.91	3.35	2.90	4.05	4.93	3.53	2.98	3.90	4.10
5-year Swap	4.40	3.65	3.60	4.25	4.43	3.63	3.61	4.15	4.35
US 10-year Bonds	4.20	4.25	4.25	4.50	4.00	4.40	4.15	4.50	4.50
NZ-US 10-year Spread	0.40	0.25	0.35	0.40	0.65	0.05	0.35	0.40	0.40

[(1)] *Average for the last month in the quarter*

Source: Statistics NZ, BNZ, RBNZ, NZ Treasury

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