



Sheep and Beef On-farm Inflation 2024-25

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About this report

The Sheep and Beef On-farm Inflation report provides an inflation rate for sheep and beef farms that reflects the annual change in the prices paid for farm inputs and **not** changes in the level of total farm expenditure, which consider the volume of inputs in addition to the price of inputs. The On-farm inflation report is published annually following the release of Business Price indices by Statistics New Zealand in mid-May.

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Summary for 2024-25

Input prices fall: Sheep and Beef farms experience deflation of 0.6% for 2024-25

- Farm input prices declined by 0.6% in the year to March 2025, marking a period of deflation for sheep and beef farms. The decrease is primarily driven by lower interest rates.
- Deflation is an infrequent occurrence for farm input prices and a welcome respite for farmers following a 30% increase in prices since 2020. The price for inputs in most categories of expenditure increased in the year to March 2025.
- Interest costs are a key driver of on-farm inflation. The 13.9% decrease created the largest favourable movement in driving down the overall on-farm inflation rate.
- Decreased *Fertiliser, Lime and Seeds* input prices (-0.7%), *Weed & Pest* (-5.3%), and *Fuel* (-3.7%), also provided relief for farmers.
- Underlying inflation – which is the change in farm input prices if *Interest* is excluded – was 1.8% in the year to March 2025.
- Farm profitability has been negatively impacted for several seasons due to high on-farm inflation increasing farm expenditure (coupled with lower farm-gate prices in 2022-23 and 2023-24). A reduction in input prices for 2024-25 supports the current outlook for improved farm profitability this season.
- B+LNZ forecast farm profit to increase to \$106,500 per farm for 2024-25 in the March [Mid-Season Update](#) publication. With farm-gate prices remaining strong and deflation for farm inputs farm profitability may be higher than this forecast. However, total farm expenditure remains high.
- Interest rates for farm lending are expected to ease further through 2025 and remain stable into 2026, offering further relief on debt servicing costs; however, any unexpected rise in inflation or global shocks could slow or reverse this trend.
- Lower interest rates should improve farm cashflow, especially for those with floating rate loans and overdrafts, supporting better profitability in the coming season.

Lower interest rates reduced the on-farm inflation rate



On-farm inflation
-0.6%



Underlying inflation
+1.8%



Interest
-13.9%



Fert, Lime, Seeds
-0.7%



On-farm Inflation

On-farm inflation -0.6% in 2024-25

Farm input prices declined overall

Prices for sheep and beef farm inputs decreased 0.6% between March 2024 and March 2025 following a 2.8% increase in the previous 12-month period (see Figure 1). Deflation occurs infrequently for farm input prices. This period of deflation is driven by a large decrease in prices for *Interest*, but also a modest decrease in *Fertiliser, Lime & Seeds*, which is a significant category of expenditure, and decreases in *Weed & Pest Control* and *Fuel*. Since 2000-01, there were seven years in which there was deflation on farms.

Prices increased for 12 out of 16 categories of farm inputs. The largest increase was for *Insurance* (+11.3%), followed by *Rates* (+11.0%). These two categories combined account for around 5% of total farm expenditure, which is why large increases in both *Insurance* and *Rates* did not result in an increase the rate of inflation for 2024-25.

The largest decreases were for *Interest* (-13.9%) and *Weed & Pest Control* (-5.3%) (see Figure 3).

On-farm inflation +29.6% over 5 years and +33.6% over 10 years

Cumulatively inflation has been significant for sheep and beef farmers in recent seasons and detrimental to farm profitability. Prices for sheep and beef farm inputs increased 29.6% over the last five years, and by 33.6% over the last 10 years (see Table 2).

Consumer price inflation increases 2.5%

On-farm inflation was lower than consumer price inflation in 2024-25, which was 2.5% between March 2024 and March 2025. Over the last five years, consumer price inflation was 23.4%, and over the last 10 years it was 33.2% (see Figure 2).

Figure 1: Sheep and Beef On-Farm Inflation

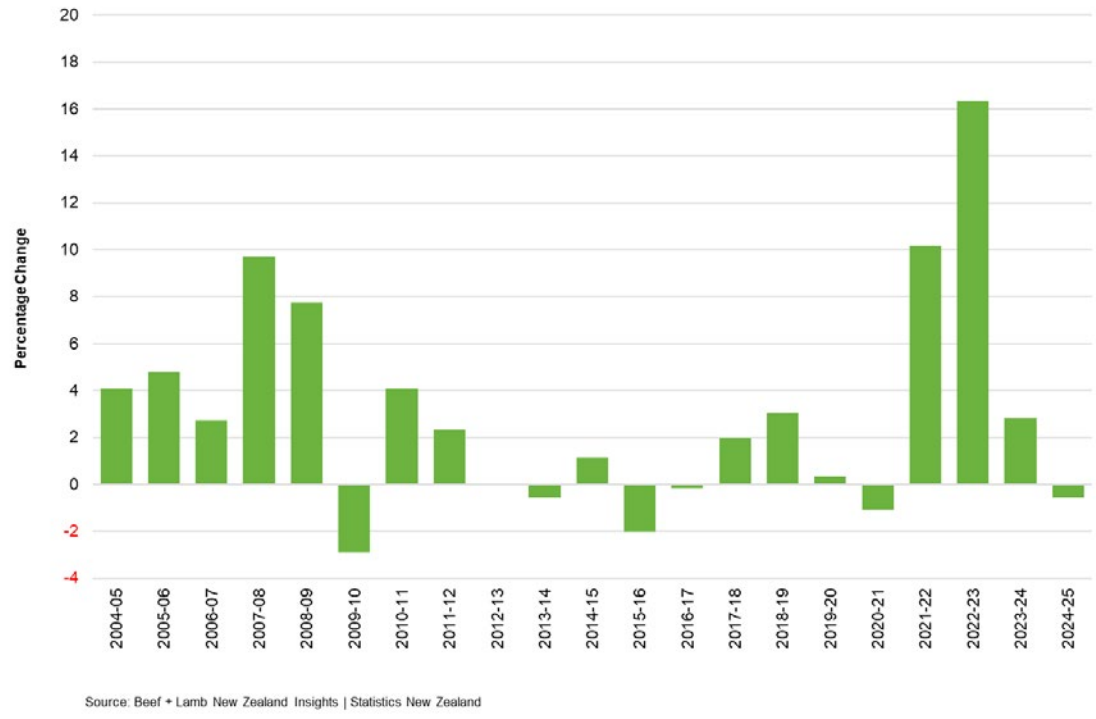
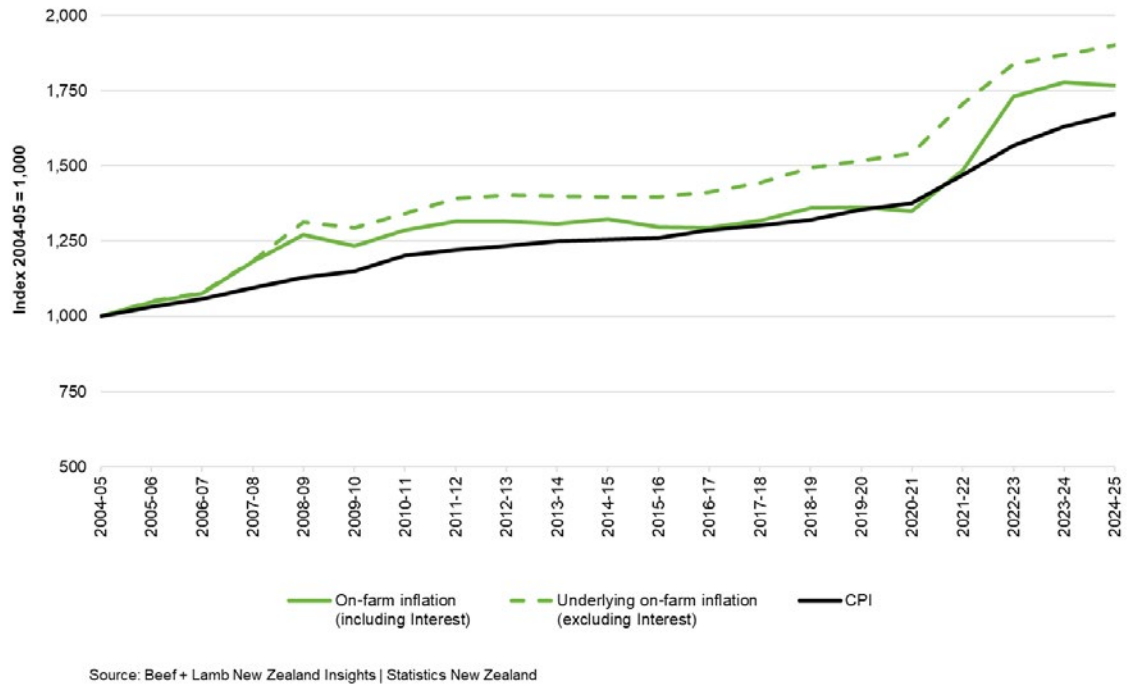


Figure 2: Sheep and Beef On-Farm Inflation and CPI



Annual changes in farm input prices



This section analyses annual changes in farm input prices, including areas of expenditure that increased the most over the March year, and the main categories of expenditure for sheep and beef farms.

Insurance, Rates and Electricity

Insurance +11.3%

Between March 2024 and March 2025, the overall price for *Insurance* increased by 11.3% following an 8.7% increase for the previous 12-month period.

Farm insurance premiums increased due to a combination of local and global factors, including climate and weather risks, higher costs for insurers (including reinsurance and replacement costs) and government levies.

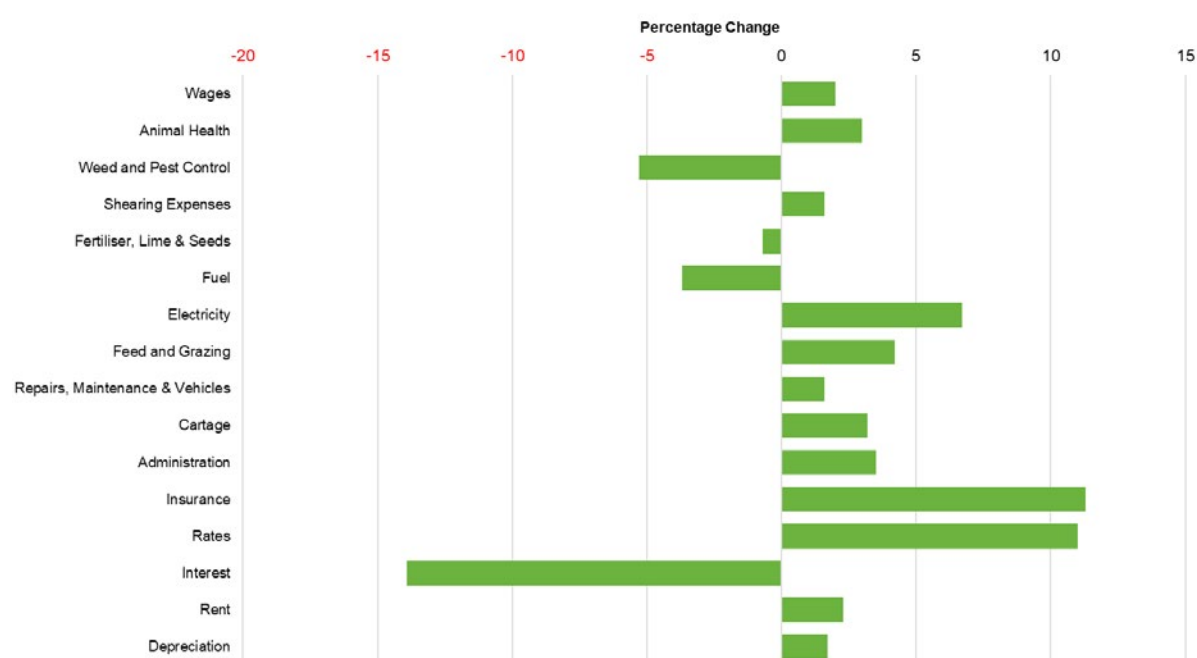
Rates +11.0%

The price of *Rates* increased 11.0% in the year to March 2025, following a 5.7% increase for the previous 12-month period. *Rates* has increased by 31% over the past five years.

Electricity +6.7%

The price of *Electricity* increased by 6.7% in the year to March 2025, following an increase of 4.9% in the previous year.

Figure 3: Sheep and Beef Farm Input Prices Changes – March 2024 to March 2025



Source: Beef + Lamb New Zealand Insights | Statistics New Zealand

Major items of expenditure

Fertiliser, Lime & Seeds; Interest; and Repairs, Maintenance & Vehicles

The major items of expenditure are *Fertiliser, Lime & Seeds*; *Interest*; and *Repairs, Maintenance & Vehicles*. Together they account for approximately 43% of total farm expenditure and combined prices decreased 2.0% due to the influence of lower interest rates.

Fertiliser, Lime & Seeds is often the largest expenditure category for many sheep and beef farms. It averaged around 16.3% of expenditure for the period 2021-22 to 2023-24. A decrease in prices (-0.7%) has provided some relief to farms this season.

Repairs, Maintenance & Vehicles increased 1.6% between March 2024 and March 2025. This follows an increase of 2.3% in 2023-24.

Figure 3 shows the change in price of each input, while Figure 4 shows the change in price of each input *weighted* by its proportion of total farm expenditure.

The price of *Interest* showed the greatest annual change (-13.9%) and with a weighting of 14.9% of farm expenditure it is the biggest driver of on-farm inflation (Figure 4).

Higher levels of debt are often, but not always, associated with farmers in early stages of their career due to purchasing land. This results in greater debt-servicing requirements and greater exposure to interest rates. Some farmers are more affected by interest than others.

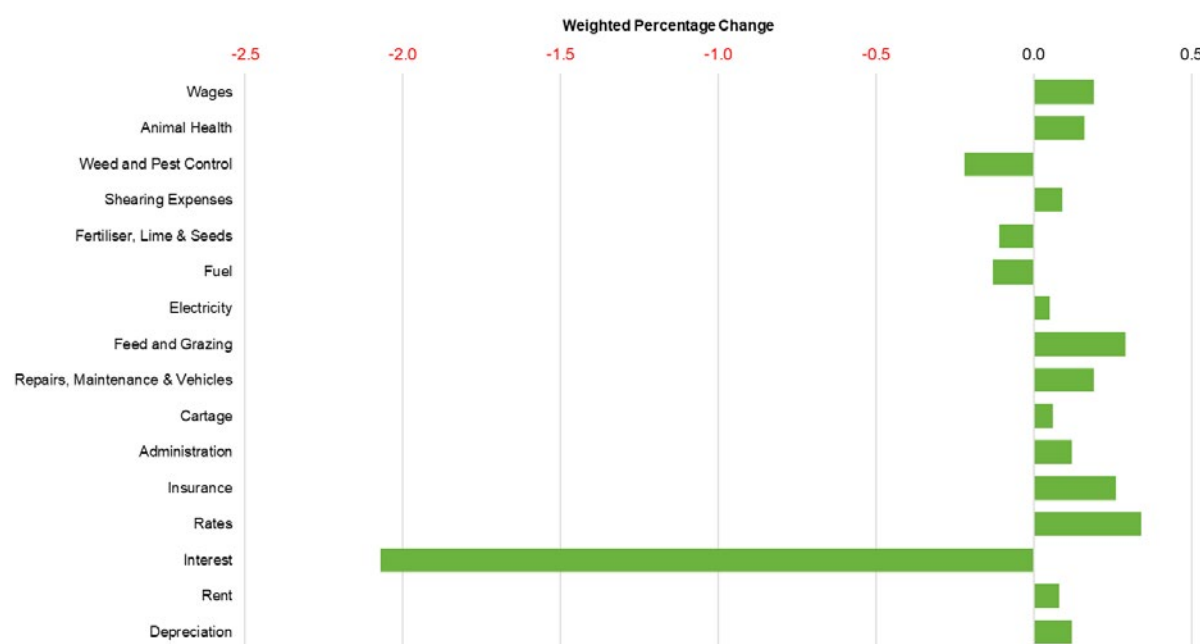
More farmers have shifted to variable or floating rates for term debt as interest rates have fallen. Broadly, approximately 85% of sheep and beef farm term liabilities are subject to floating interest rates and 15% fixed interest (see Figure 5).

An individual farm business will have its own experience with inflation depending on the weightings of farm expenditure in the business, which relates to operational policies and capital structure.

When comparing farm classes, South Island Mixed Finishing farms (Farm Class 8) had the highest deflation, at -1.4%, compared with the New Zealand average of -0.6%. This is due in part to a slightly higher proportion of total farm expenditure on *Fertiliser, Lime & Seeds*.

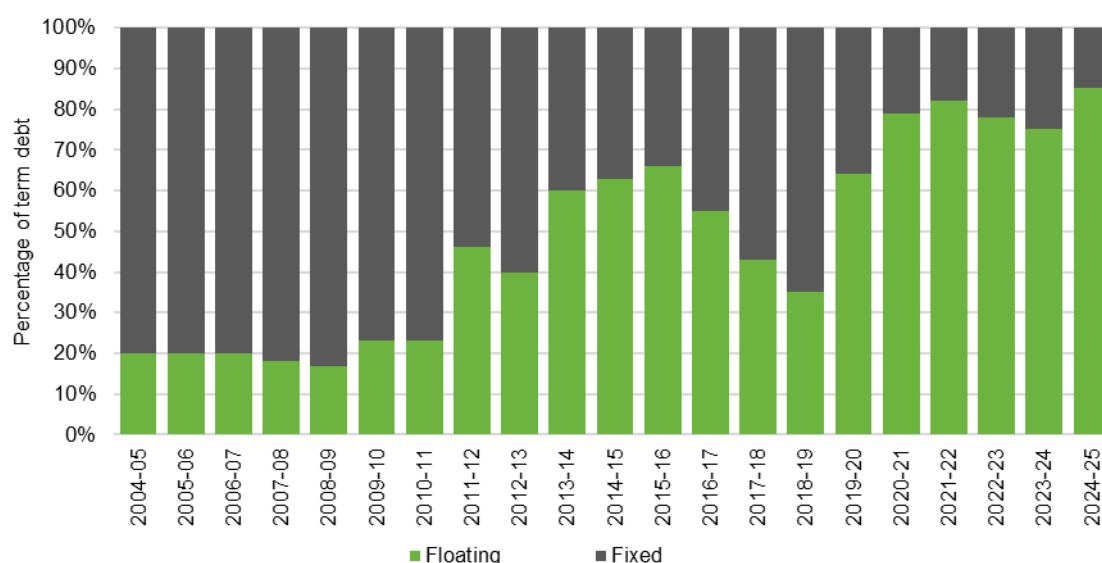
The charts in Appendix 1 and Appendix 2 show the cumulative changes in prices for each item of expenditure since 2004-05. Appendix 3 shows annual percentage changes for each item of expenditure. A time-series of the percentage weights of expenditure items is shown in Appendix 4.

Figure 4: Sheep and Beef Farm Weighted Input Price Changes – March 2024 to March 2025



Source: Beef + Lamb New Zealand Insights | Statistics New Zealand

Figure 5: Sheep and Beef Farm Term Debt – Floating and Fixed Interest Rates



Source: Beef + Lamb New Zealand Insights | Statistics New Zealand

Table 1: Sheep and Beef Farm Input Price Changes

Sheep and Beef Farm Input Price Changes March 2024 to March 2025			
Categories of Expenditure	Percentage Change	Percentage Weight ¹	Weighted Percentage Change ²
	Col. 1	Col. 2	Col. 3
Wages	+2.0	9.7	+0.19
Animal Health	+3.0	5.4	+0.16
Weed and Pest Control	-5.3	4.1	-0.22
Shearing Expenses	+1.6	5.4	+0.09
Fertiliser, Lime & Seeds	-0.7	16.3	-0.11
Fuel	-3.7	3.4	-0.13
Electricity	+6.7	0.8	+0.05
Feed and Grazing	+4.2	6.9	+0.29
Repairs, Maintenance & Vehicles	+1.6	11.8	+0.19
Cartage	+3.2	1.8	+0.06
Administration	+3.5	3.4	+0.12
Insurance	+11.3	2.3	+0.26
Rates	+11.0	3.1	+0.34
Interest	-13.9	14.9	-2.07
Rent	+2.3	3.6	+0.08
Depreciation	+1.7	7.1	+0.12
TOTAL		100.0	-0.58

Notes:

1. Average three-year pattern of expenditure for Sheep and Beef Farms, i.e. (2021-22 to 2023-24p)

2. Col.(3) equals Col.(1) multiplied by Col.(2) divided by 100.

The result is rounded to two decimal places, e.g.

Wages $+2.0 \times 9.7 / 100 = 19.4 / 100 = +0.19$

Source: Beef + Lamb New Zealand Insights | Statistics New Zealand

Underlying On-farm Inflation

Underlying on-farm inflation +1.8%

When *Interest* is excluded from the calculation of the change in sheep and beef farm input prices, underlying on-farm inflation was 1.8% in the year to March 2025 due to increased input prices across three-quarters of the categories of expenditure.

Table 2 compares on-farm inflation with underlying on-farm inflation. Underlying on-farm inflation over the past decade was 36.1%, moderately higher than consumer price inflation over the same period at 33.2%.

Table 2: Sheep and Beef On-Farm Inflation

	On-farm inflation (including Interest)		Underlying on-farm inflation (excluding Interest)	
Year	Percentage Change	Index ¹	Percentage Change	Index ¹
2014-15	+1.1	1,323	-0.3	1,397
2015-16	-2.0	1,296	0.0	1,397
2016-17	-0.2	1,294	+1.1	1,412
2017-18	+2.0	1,320	+2.2	1,443
2018-19	+3.0	1,359	+3.5	1,494
2019-20	+0.4	1,364	+1.5	1,517
2020-21	-1.1	1,350	+1.6	1,541
2021-22	+10.2	1,487	+10.7	1,706
2022-23	+16.3	1,729	+7.8	1,838
2023-24	+2.8	1,778	+1.7	1,869
2024-25	-0.6	1,768	+1.8	1,902

10 years to 2024-25	+33.6	+36.1
5 years to 2024-25	+29.6	+25.4
3 years to 2024-25	+18.9	+11.5
2 years to 2024-25	+2.2	+3.5

1. Index 2004-05 = 1000

Source: Beef + Lamb New Zealand Insights



Methodology and sources

B+LNZ's sheep and beef on-farm inflation report indicates the annual changes in farm input prices and not the annual changes in total farm expenditure. On-farm inflation is different from total farm expenditure because it focuses on the price of inputs while expenditure considers the price **and** volume of inputs used. B+LNZ's latest forecasts for expenditure were published in its Mid-Season Update, which was released in March and is available from B+LNZ's [Economic reports page](#).

The objective of this analysis is to isolate the price changes for the various input categories. An inflation rate (or overall price change) is then derived by weighting the price change for each individual category by its proportion of total farm expenditure. These proportions are based on a three-year moving average.

Goods and Services Tax (GST) is excluded from the calculation of farm input price changes because this tax is recovered from farm expenditure.

This publication relies heavily on Statistics New Zealand's (SNZ) Farm Expenses Price Index (FEPI). The March quarter data, published by SNZ in May, are released online at www.stats.govt.nz under the category "Business Price Indexes" (BPI) as downloadable tables.

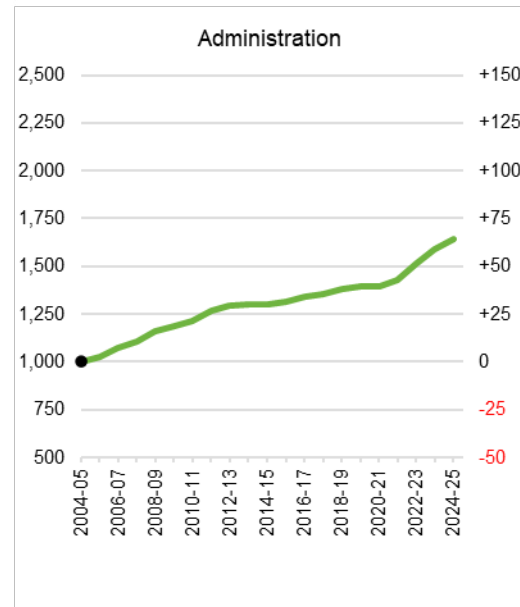
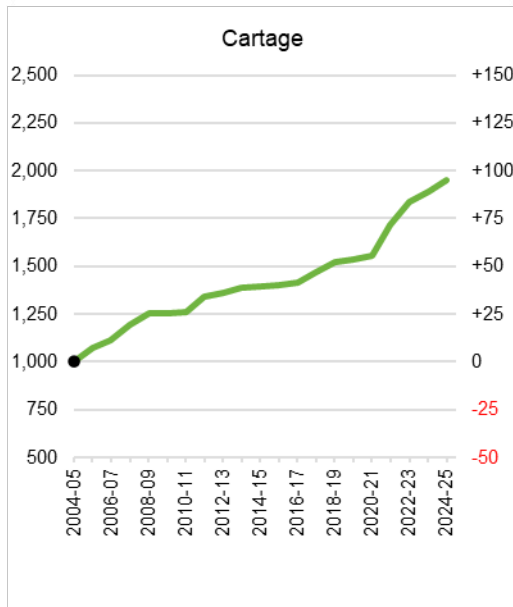
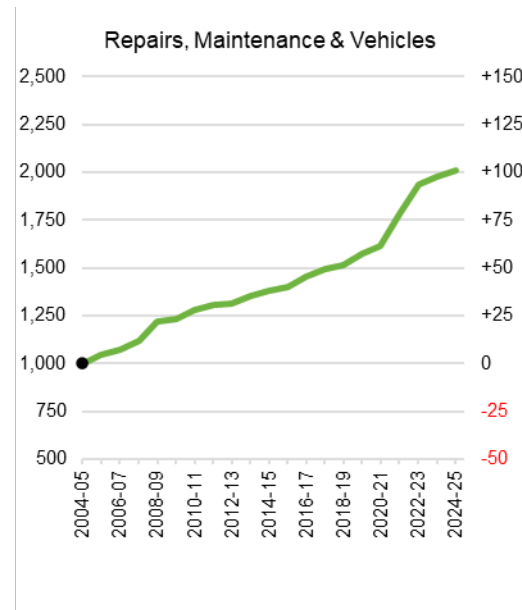
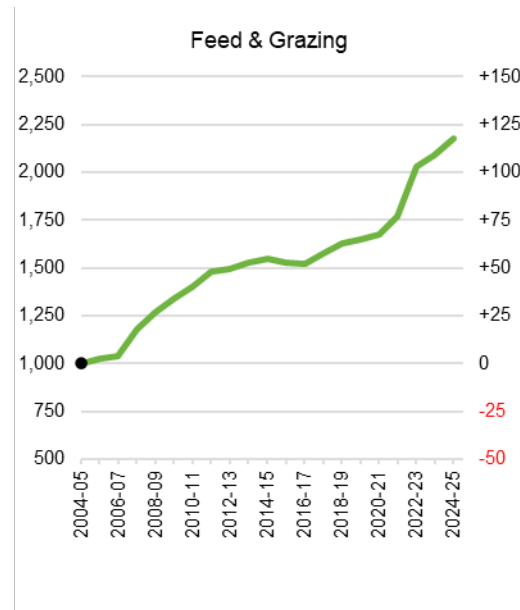
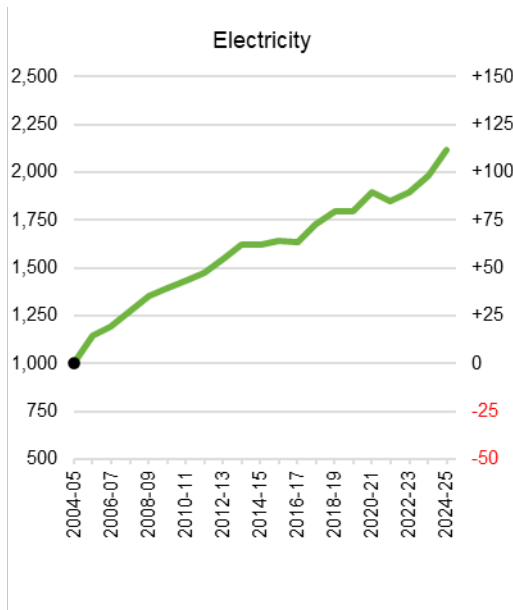
B+LNZ's Sheep and Beef Farm input prices differ from the SNZ data in three areas:

1. Interest charges are calculated independently to take account of both overdraft and mortgage interest rates, including fixed term interest, and are weighted using data from B+LNZ's Sheep and Beef Farm Survey.
2. Depreciation is included to measure the price changes for capital replacement. This item correctly lines up the input prices paid index with the on-farm expenditure reported by the B+LNZ Sheep and Beef Farm Survey.
3. A three-year moving average of actual on-farm expenditure from the B+LNZ Sheep and Beef Farm Survey is used to weight individual categories to the single overall percentage price change for the year.

Appendices

Appendix 1: Cumulative On-Farm Inflation Indexes and Percentage Change – Farm Working Expenses (2004-05 = 1000)





Appendix 2: Cumulative On-Farm Inflation Indexes and Percentage Change – Standing Charges and Depreciation (2004-05 = 1000)



Appendix 3: Annual percentage changes in Sheep and Beef Farm Input Prices

ANNUAL PERCENTAGE CHANGES IN SHEEP AND BEEF FARM INPUT PRICES

FARM EXPENDITURE	March Quarter Prices										
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Wages	+2.0	+1.2	+1.3	+1.8	+1.7	+1.3	+2.1	+2.8	+3.6	+2.0	+2.0
Animal Health	+2.0	+0.3	+1.9	+2.6	+2.0	+3.7	+3.8	+3.0	+7.2	+8.0	+3.0
Weed & Pest Control	-0.6	-0.9	-1.1	+4.6	-0.2	+0.6	+5.0	+14.9	+4.4	+0.6	-5.3
Shearing Expenses	+1.8	+0.3	+1.3	+2.3	+11.2	+1.4	+2.2	+3.2	+3.5	+2.2	+1.6
Fertiliser, Lime & Seeds	-2.3	+0.6	-3.8	-0.6	+6.2	-0.3	+0.8	+23.0	+14.0	-4.2	-0.7
Fuel	-21.7	-12.7	+18.8	+12.1	+4.0	-0.4	-4.7	+54.3	+0.9	+4.5	-3.7
Electricity	+0.2	+1.1	-0.3	+5.8	+3.7	-0.1	+5.8	-2.6	+2.4	+4.9	+6.7
Feed & Grazing	+1.1	-1.1	-0.3	+3.6	+3.3	+1.0	+1.9	+5.5	+14.8	+2.8	+4.2
Repairs, Maintenance & Vehicles	+2.2	+1.7	+3.5	+2.7	+1.4	+4.2	+2.4	+10.4	+8.6	+2.3	+1.6
Cartage	+0.3	+0.7	+0.9	+3.4	+4.0	+0.6	+1.3	+10.5	+7.0	+2.9	+3.2
Administration	-0.2	+1.4	+2.0	+0.6	+2.3	+0.9	+0.1	+2.4	+6.1	+4.8	+3.5
Insurance	+2.4	-0.4	+2.7	+6.7	+4.1	+5.0	+2.5	+3.6	+9.0	+8.7	+11.3
Rates	+4.9	-0.7	+2.0	+2.7	+5.1	+3.7	+1.3	+6.5	+3.8	+5.7	+11.0
Interest	+9.4	-14.5	-7.5	+0.5	+0.1	-7.2	-18.9	+5.9	+86.5	+12.0	-13.9
Rent	+0.2	0.0	+1.5	+0.3	+4.0	+0.4	+0.5	+2.6	+0.5	+0.9	+2.3
Depreciation	+1.4	+1.3	+1.2	+1.4	+0.4	+1.4	+0.1	+4.7	+4.3	+2.2	+1.7
On-Farm Inflation (including Interest)	+1.1	-2.1	-0.2	+2.0	+3.0	+0.4	-1.1	+10.2	+16.3	+2.8	-0.6
Underlying On-Farm Inflation (excluding Interest)	-0.3	0.0	+1.1	+2.2	+3.5	+1.5	+1.6	+10.7	+7.8	+4.4	+1.8
Consumer Price Index (CPI)	+0.3	+0.4	+2.2	+1.1	+1.5	+2.5	+1.5	+6.9	+6.7	+4.0	+2.5

Source: Beef + Lamb New Zealand Insights | Statistics New Zealand

Appendix 4: Percentage allocation of Sheep and Beef Farm Expenditure

PERCENTAGE ALLOCATION OF SHEEP & BEEF FARM EXPENDITURE (JUNE YEAR)

FARM EXPENDITURE	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Wages	9.0	8.9	8.8	9.0	9.2	9.3	9.4	9.7	10.2	10.2	9.7
Animal Health	5.1	5.2	5.1	5.1	5.1	5.3	5.3	5.3	5.3	5.5	5.4
Weed & Pest Control	3.7	3.6	3.8	3.9	3.9	4.2	4.2	3.9	4.2	4.5	4.1
Shearing Expenses	5.4	5.3	5.2	5.0	5.0	5.0	5.2	5.4	5.4	5.2	5.4
Fertiliser, Lime & Seeds	17.4	17.2	17.2	17.0	16.8	16.9	16.8	17.5	18.1	18.0	16.3
Fuel	3.8	3.5	3.1	2.8	2.6	2.8	2.9	2.8	2.7	3.2	3.4
Electricity	0.9	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.8	0.8
Feed & Grazing	8.0	8.0	8.2	8.0	8.5	8.0	8.5	8.1	7.5	7.3	6.9
Repairs, Maintenance & Vehicles	11.9	11.8	11.9	12.0	12.0	11.8	12.1	12.1	12.5	12.2	11.8
Cartage	1.8	1.7	1.7	1.6	1.7	1.7	1.7	1.6	1.6	1.7	1.8
Administration	3.6	3.6	3.7	3.7	3.6	3.4	3.3	3.3	3.3	3.4	3.4
Sub-Total Working Expenses	70.6	69.8	69.6	69.0	69.3	69.3	70.3	70.6	71.7	72.0	69.0
Insurance	1.9	2.0	2.0	2.0	2.1	2.1	2.1	2.2	2.2	2.3	2.3
Rates	3.0	3.1	3.1	3.2	3.3	3.1	3.1	3.1	3.1	3.1	3.1
Interest	14.2	14.3	14.2	14.2	13.7	13.6	12.8	12.3	10.9	11.4	14.9
Rent	3.0	3.3	3.5	3.6	3.4	3.5	3.5	3.7	3.7	3.5	3.6
Sub-Total Standing Charges	22.1	22.7	22.8	23.0	22.5	22.3	21.5	21.3	19.9	20.3	23.9
TOTAL CASH EXPENDITURE	92.7	92.5	92.4	92.0	91.8	91.6	91.8	91.9	91.6	92.3	92.9
Depreciation	7.3	7.5	7.6	8.0	8.2	8.4	8.2	8.1	8.4	7.7	7.1
TOTAL FARM EXPENDITURE	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Notes:

1. All cost movements are calculated exclusive of GST.
2. Changes are weighted by the average three-year pattern of expenditure on Sheep and Beef farms using the last two final Survey years and the provisional year.
3. Wages includes Managerial Salaries and ACC from 2004-05 onwards.
4. Feed & Grazing includes Feed and Grazing + Cultivation and Sowing + Cash Crop Expenses categories.
5. Irrigation Expenses are not included in the price changes.

Source: Beef + Lamb New Zealand Insights

