

Farm economic analysis: Estimated ryegrass seed costs of production 2026/27



Category: Non-NZ-proprietary, non-endophytic, diploid, Nui-type ryegrass cultivars.

15 October 2026

This analysis is general farm economic information only. It is not a price recommendation, and nothing in it suggests that any grower should seek, charge or accept any particular price. All growers should set their own prices and negotiate independently.

Key point

Independent analysis of estimated on-farm ryegrass seed crop growing costs in Canterbury for the 2026/27 season shows a median cost of production to be \$3.73 per kilo for growing costs and farm overheads plus business costs. Costs vary widely between the farms surveyed (see Figure 1).

Background

Ryegrass seed growers in Canterbury have asked for better information on the full costs of producing this crop. The Foundation for Arable Research (FAR) and Federated Farmers contracted Macfarlane Rural Business (MRB) to independently survey farms and estimate the costs of production for ryegrass seed crops in Canterbury for the 2026/27 season (to be harvested 2027). The purpose of the analysis is to help individual growers understand and benchmark their own costs.

MRB collected line-by-line growing costs from 19 working farms covering 356 ha of ryegrass crop and 737 t of seed. Of these farms sampled, 16 were irrigated and 3 were not. Growing costs are each grower's own budget for the 2026/27 crop, using current contractor rates and current fertiliser and diesel prices published on supplier websites. Overheads come from each farm's 2025/26 cashbook, and have been checked against Stats NZ's farm expenses price index and CPI to make sure they are reasonable.

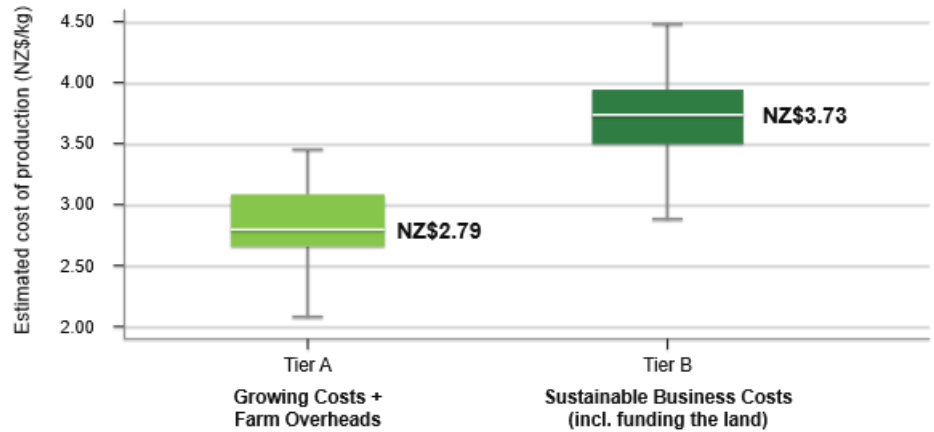
Median cost of production was estimated against two 'tiers' of farms costs – 'Tier A' and 'Tier B'. Costs included for these tiers and the estimated costs of production are shown in Table 1.

Table 1. Cost of production tiers, their inclusions and median costs of production for each

Tier	Includes	Median, NZ\$/kg
Tier A: Growing costs + Farm overheads	Seed, cultivation, sprays, fertiliser, irrigation, harvest, cleaning, certification, levies, contractor rates, credited straw and grazing income; plus Farm Overheads from 2025/26 cashbooks (incl. NZ\$150,000 a year Wages of Management) and interest on carrying the crop to the last seed payment.	2.79
Tier B: Sustainable Business Costs (incl. funding the land)	Tier A, plus Business Costs: a standard NZ\$1,875/ha a year for debt servicing & debt repayment (incl. funding the land), reinvestment, development and tax, the same for every farm; where a farm's land would rent for more, that rent is used instead.	3.73

The spread of costs of production across the 19 farms sampled for each 'tier' is shown in Figure 1 (see note below to interpret the figure).

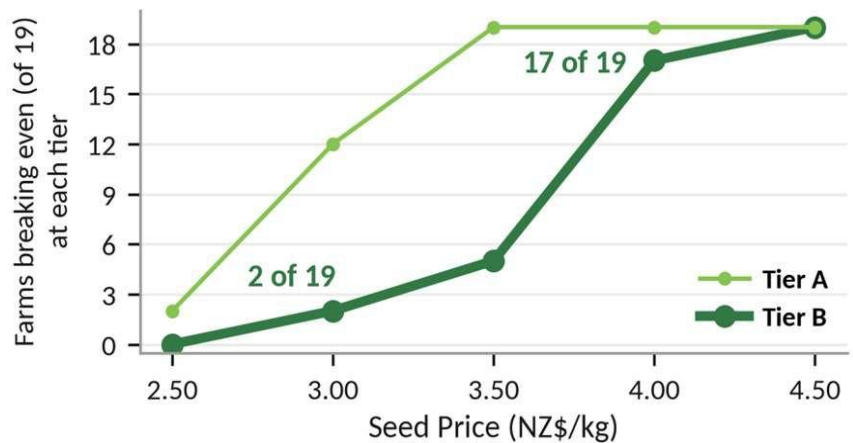
Figure 1. Spread of estimated costs of production across the sampled farms



Note: Green boxes represent the middle 50% of farms from each tier. Bars represent the median farm. Whiskers show lowest to highest farms.

Figure 2 shows how many of the surveyed farms would cover their costs under each 'tier' across a range of hypothetical seed prices. The prices shown are illustrative only, are not current market prices and are not a target or recommended price.

Figure 2. Number of farms covering their costs at a range of illustrative seed prices



Questions and answers relating to the analysis

The survey and the data

Q1 Nineteen farms is a small group. Why should we accept the results?

They are 19 working farms covering 356 ha of ryegrass crop and 737 t of seed, 16 irrigated and 3 dryland. We publish the full spread (box & whisker) across the farms, not just the middle, so no one or two farms drive the result.

Q2 Why medians, not averages?

The median is the middle farm, so one or two unusual farms cannot sway it. This enables us to show the spread.

Q3 Are these real costs or budgets?

Both. Growing costs are each grower's own budget for the 2026/27 crop, using current contractor rates and current fertiliser and diesel prices published on supplier websites. Overheads come from each farm's 2025/26 cashbook, and checked against Stats NZ's farm expenses price index and CPI to make sure they were reasonable.

Q4 Are the group's yields typical?

Yes. The group averages 2,035 kg/ha machine dressed, about 4% above the official seed certification average for Nui over the last 10 years (1,961 kg/ha).

Q5 Can we see the individual farm figures?

No. Growers gave their figures in confidence, farms are identified only by code, and results are published as group figures. The method, every standard assumption and the spread across farms are detailed here.

What the costs include

Q6 Why cost every operation at contractor rates when many growers own their machinery?

Contractor rates are the market price of doing the job, covering machinery, fuel, labour, repairs, insurance, finance and depreciation. They put every farm on the same footing, at rates anyone can check. Owning the gear does not make the work free; the same costs sit in the farm's own accounts instead. Contractor rates include a commercial margin; however, the analysis does not separately allow growers a return on the capital invested in their machinery.

Q7 Isn't machinery then counted twice, in contractor rates and in overheads?

No. Each cashbook overhead keeps only the share not already inside contractor rates: for example kept on farm 44% of staff wages, 7.5% of fuel and vehicle costs and 30% of depreciation, set farm by farm with each grower.

Q8 Why should a seed crop carry the farm's overheads?

Every hectare in the rotation has to be worthy of its share of rates, insurance, administration, general repairs and maintenance. Overheads are spread evenly per hectare across the whole farms effective hectares, then charged for the 11 months the crop occupies the land: median NZ\$1,321/ha, or NZ\$0.62/kg. The ryegrass seed crop carries no more, or less, than any other hectare.

Q9 What is Wages of Management, and why NZ\$150,000?

It pays for managing the farm business, whoever does it; a seed company growing its own seed would have to employ a manager. NZ\$150,000 a year reflects the market rate for farm managers who can handle seed production and post-harvest, with the skills for operating the entire business for an absentee owner, adjusted only where a farm's scale needs more or less management. Spread over the whole farm, the median is NZ\$345/ha a year. Owners' drawings are not included.

10 Why charge interest on the crop?

The grower funds the crop from sowing in March until the seed is paid for, usually in thirds in April, June and September of the following year: up to 22 months. Interest on that working capital, at 8.75% on most farms (today's 8% overdraft rate plus the 0.75 percentage points signaled by mainstream banks in New Zealand), is a real cost: median NZ\$0.19/kg.

Q11 Have you counted straw and grazing income?

Yes. Straw and pre-closing grazing income is credited against costs before every cost of production is worked out: median NZ\$0.60/kg (range NZ\$0.39–1.04). Without it, each farm's cost of production would be that much higher.

Q12 What period do the costs and income cover, and why not grazing after harvest?

All costs and income are presented only for the 11-month duration of a Nui-type ryegrass seed crop: from spray-out on 1 March through to bales removed on 31 January. Straw and pre-closing grazing are credited back to the crop. Grazing (income & expenses) after harvest is not credited to the seed crop. If we wanted grazing, then we would have set up a pasture without the expense (about NZ\$5,300/ha) and risk of a seed crop.

Q13 Are the seed prices in Figure 2 gross or net, and is GST included?

The illustrative prices in Figure 2 are gross prices per kg of machine-dressed seed, the weight growers are paid on. Dressing, certification and levies are separate cost lines, so nothing is deducted twice. All figures exclude GST.

Land and business sustainability

Q14 Growers own their land. Why is land a cost?

Land has to be funded: Tier B includes servicing and repaying a standard NZ\$14,000/ha of term debt. Owned land is also capital that could earn rent, for example leased out for dairy support (considerably less risk, considerably less depreciating plant & equipment, considerably less seasonal finance, monthly income throughout the year). Growing seed gives that rent up, so where it is more than the standard allowance (3 of 19 farms), Tier B uses the rent instead. A seed company growing its own seed would have to rent land. Leased land is treated the same way, at the rent paid.

Q15 How did you value the land?

On each grower's own figure for what the paddock would lease for: median NZ\$1,600/ha per annum, about 2.7% of land value, and below the NZ\$1,875/ha standard allowance on 16 of 19 farms. That is conservative: Low risk Bank Term deposits could fetch 4.75% (before tax), or NZ Government Bonds could fetch 3.75% (before tax). Fixed 3.0% or 3.33% return on land value would leave the median **Sustainable Business Costs** at NZ\$3.73/kg or lift it to NZ\$3.77/kg. It is a return on land only; no return on other capital is added at this stage.

Q16 Why include debt, tax and reinvestment in the costs?

A farm business that cannot service typical debt, pay tax and reinvest does not last. Tier B uses one standard allowance for every farm, not each farm's own position: NZ\$14,000/ha of term debt (the Canterbury mixed-cropping average) at 6.25% interest and 3% repayment, NZ\$250/ha reinvestment, NZ\$50/ha development and tax at 28%: NZ\$1,875/ha a year in all. The debt figures were confirmed by a banker and an accountant.

Q17 Depreciation is already in the overheads. Why add reinvestment as well?

Accounting depreciation allows for wear and tear on the current fleet. New equipment and technology, for work not done by contractors, is needed to gain efficiency and grow. Persistent underinvestment, or the extra borrowing to fund it, is making businesses unsustainable. Tier B allows NZ\$250/ha a year for capital investment.

Q18 Isn't the land then paid for twice?

No. On owned land the rent forgone is what would pay the bank, the tax and the reinvestment, so Tier B counts the larger of the two, never both: the standard allowance on 16 of 19 farms, the rent on the other 3.

Reading the results

Q19 Every farm has a positive gross margin. Doesn't the crop pay?

A gross margin covers growing costs only. The median gross margin is NZ\$1,487/ha and it is positive on all 19 farms. Gross margins do not capture the full cost of production, which is why this analysis also includes farm overheads and business costs.

Q20 If some farms do not cover their full business costs, why do growers keep growing the crop?

In the short run, a crop that covers its growing costs still adds to cash flow while land, staff and machinery are already in place. Over the longer term, a crop that does not cover a business's full costs is likely to lose area to other land uses. Each grower will need to assess this for their own business.

Q21 How sensitive are the results to costs and yields?

If every growing cost rose 8% again (Stats NZ's farm expenses index for the year to June 2026), the median Growing Costs + Farm Overheads (Tier A) would rise from NZ\$2.79 to NZ\$3.06/kg = another \$0.27/kg. If yields fell 10%, the median Sustainable Business Costs (Tier B) would rise from NZ\$3.73 to NZ\$4.09/kg.

Scope

Q22 Do the results apply to other cultivars?

The survey covers non-NZ-proprietary, non-endophytic diploid perennial ryegrass such as Nui and many overseas multiplications. NZ-proprietary, endophyte, tetraploid, Italian and turf cultivars have different yields, costs and prices.

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