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Report Highlights:

New Zealand beef production is forecast to fall by five percent in 2020 to 675,000 metric tons. This is a result of lower expected slaughter and very dry weather in the North Island, which has reduced pasture growth and is expected to lower average carcass weights. Beef exports are also forecast to fall slightly, and exports to China have been impacted by the virus outbreak. Farm-gate prices have fallen sharply to now being below the five-year average.

Executive Summary

Currently, two issues dominate the New Zealand beef sector. First, the swift elevation of China to the number one destination for New Zealand exports has hit a bump in the road. The spread of the coronavirus, Covid19, in China has stalled meat shipments and caused logistical delays. Combined with this interruption to trade, a prolonged dry spell centered in the North Island has developed into a full-scale drought in some regions. The dry weather is impacting carcass weights and increasing the number of cattle farmers are sending for slaughter earlier in the year. Because of this increased slaughter, meat processors are not having to compete for stock which has led to a significant and sharp decline in farmgate beef prices. However, in general the livestock sector believes these two issues will be relatively short-lived and the underlying demand in China is still strong. However, if the logistical delays persist for a few months trade there will drop off substantially.

The cattle slaughter for 2020 is forecast at 4.38 million head, 2.7 percent less than the actual 4.5 million head slaughtered in 2019. The reason for this is that farmers in the fourth quarter of 2019 raced to take advantage of the very high farmgate prices and to sell surplus stock early in the face of the impending dry weather, which boosted the 2019 total slaughter but will reduce 2020 slaughter. The result for 2019 was surprisingly good especially as the total cattle inventory (both dairy and beef) for 2019 increased by 169,000 head (1.7 percent) over the 2018 number.

The total cattle inventory for 2020 is now forecast at 10.28m head, essentially the same as 2019. Final data from the StatisticsNZ 2019 farm survey puts the overall total of beef and dairy cattle for 2019 at 10.28m head, which featured a 200,000 head increase in the beef herd. This is in line with farmer confidence about the beef sector and retentions of young stock.

Beef production for 2020 is now forecast at 675,000 metric tons (MT) carcass weight equivalents (CWE), 5.3 percent below 2019. The reduction is driven by the lower slaughter number and a small reduction in average carcass weights owing to the dry weather in the first quarter. Exports are now forecast at 615,000 MT CWE, which represents a 1.3 percent reduction on 2019 exports.

Actual export volumes in 2019 equate to 623,000 MT CWE, up four percent on 2018. The surge in exports to China has been astounding, with China supplanting the United States as the largest market. The volume shipped in 2019, equating to 280,499 MT CWE, was 92 percent greater than 2018. Exports to the United States, which have hovered between 44-49 percent of total volume shipped over the last decade, reduced by 30 percent to 180,149 MT CWE.

Note: The Marketing Year (MY) is the calendar year; the MY2020 marketing year is shown as 2020. Data included in this report is not official USDA data. Official USDA data is available at: https://apps.fas.usda.gov/psdonline

Conversion Rates:

As a result of continuous efforts to improve data reliability, the "New Post" trade forecasts in this report reflect new conversion rates. Historical data revisions (from 2005 onward) will be published on April 9th in the PSD database (http://www.fas.usda.gov/psdonline).

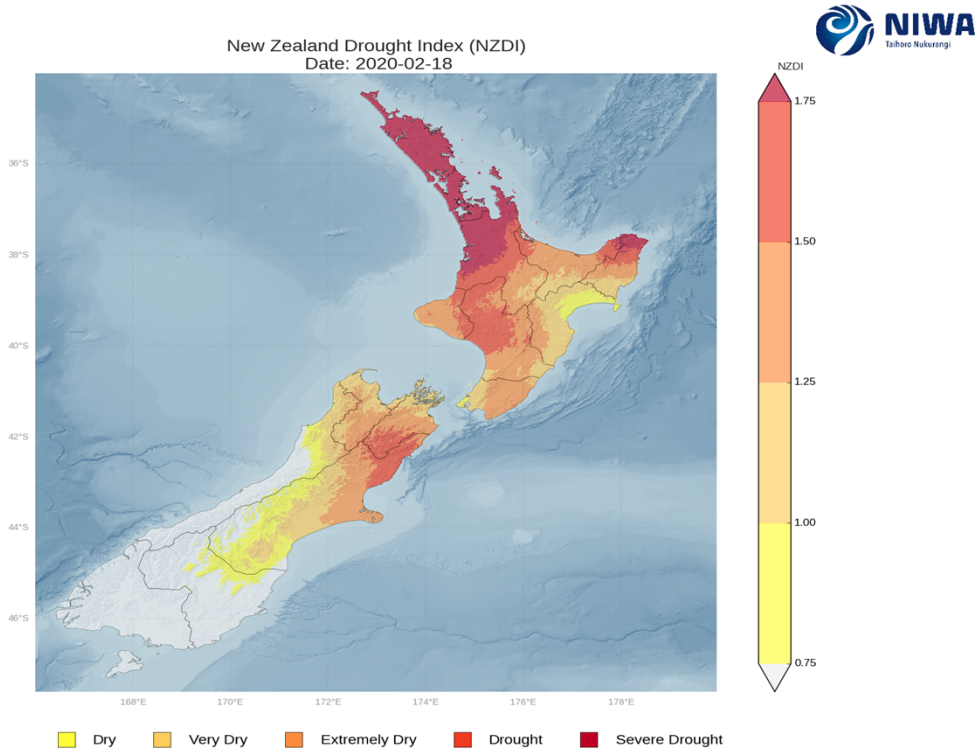
Beef and Veal Conversion Factors		
Code	Description	Conversion Rate*
020110	Bovine carcasses and half carcasses, fresh or chilled	1.0
020120	Bovine cuts bone in, fresh or chilled	1.0
020130	Bovine cuts boneless, fresh or chilled	1.36
020210	Bovine carcasses and half carcasses, frozen	1.0
020220	Bovine cuts bone in, frozen	1.0
020230	Bovine cuts boneless, frozen	1.36
021020	Bovine meat salted, dried or smoked	1.74
160250	Bovine meat, offal nes, not livers, prepared/preserve	1.79
* Exception		
Argentina - Exports of HS 160250 are excluded.		

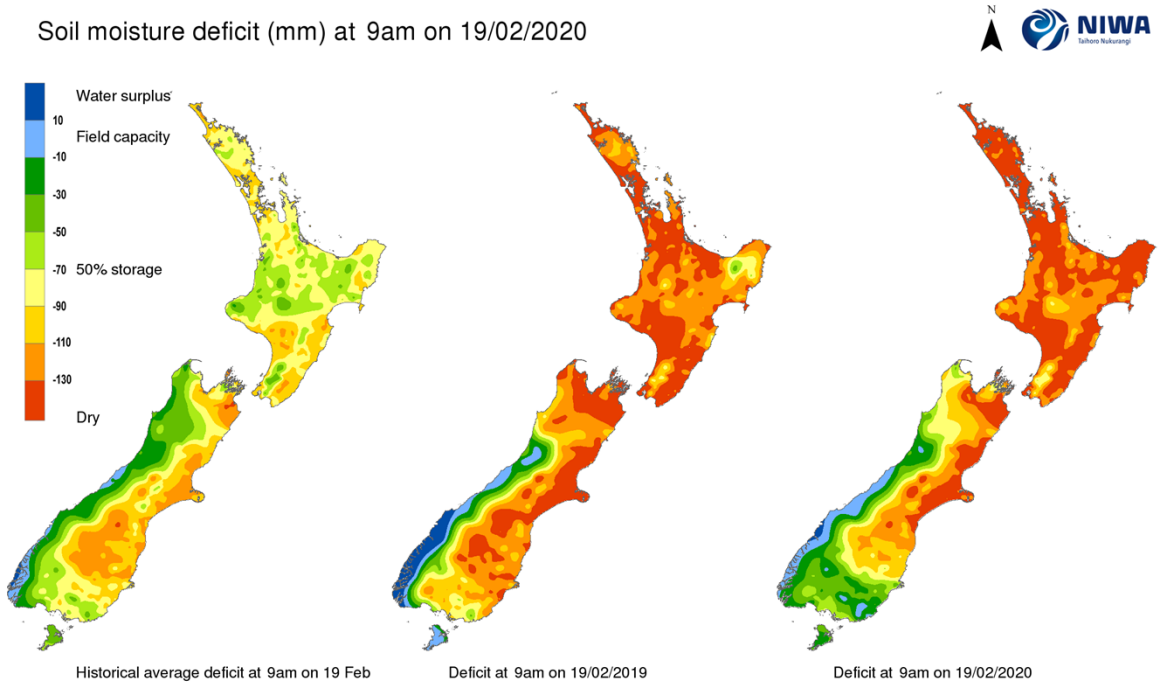
Technical Note

The definition of Carcass Weight Equivalent/Product Weight Equivalent remains the same. All quantities (beef and pork) noted are in Carcass Weight Equivalent (CWE) unless otherwise noted as Product Weight Equivalent (PWE). CWE is the weight of an animal after slaughter and removal of internal organs, head, and skin. PWE is the actual weight of the meat product exported.

Seasonal Pasture Production

After generally a very good spring in 2019 (August through November) and cattle in good condition, rainfall has been sparse and non-existent in some areas. The whole of the North Island is in drought now with some regions severely short of water even just for daily livestock needs (see maps below). There are still quantities of rough pasture grass in the hill country and there is no general talk yet of farmers reducing capital stock numbers, but some are aiming to sell surplus stock as quickly as they can at the moment. The situation is less severe in parts of the South Island, and the bottom of the South Island received a huge rainfall event early in February, which caused widespread flooding. Good pasture production is expected in this area for the next few months. The climate science group NIWA is still calling for normal rainfall through to April as being the most likely scenario and there no forecasts at the moment that the present dry conditions will affect pasture growth rates for the second half of the year.


New Zealand Drought Index (NZDI)
Date: 2020-02-18
NZDI
1.75
1.50
1.25
1.00
0.75
36°S
38°S
40°S
42°S
44°S
46°S
168°E
170°E
172°E
174°E
176°E
178°E
Dry
Very Dry
Extremely Dry
Drought
Severe Drought


Soil moisture deficit (mm) at 9am on 19/02/2020
N
Water surplus
10
Field capacity
-10
-30
-50
-70
50% storage
-90
-110
-130
Dry
Historical average deficit at 9am on 19 Feb
Deficit at 9am on 19/02/2019
Deficit at 9am on 19/02/2020

Cattle Situation

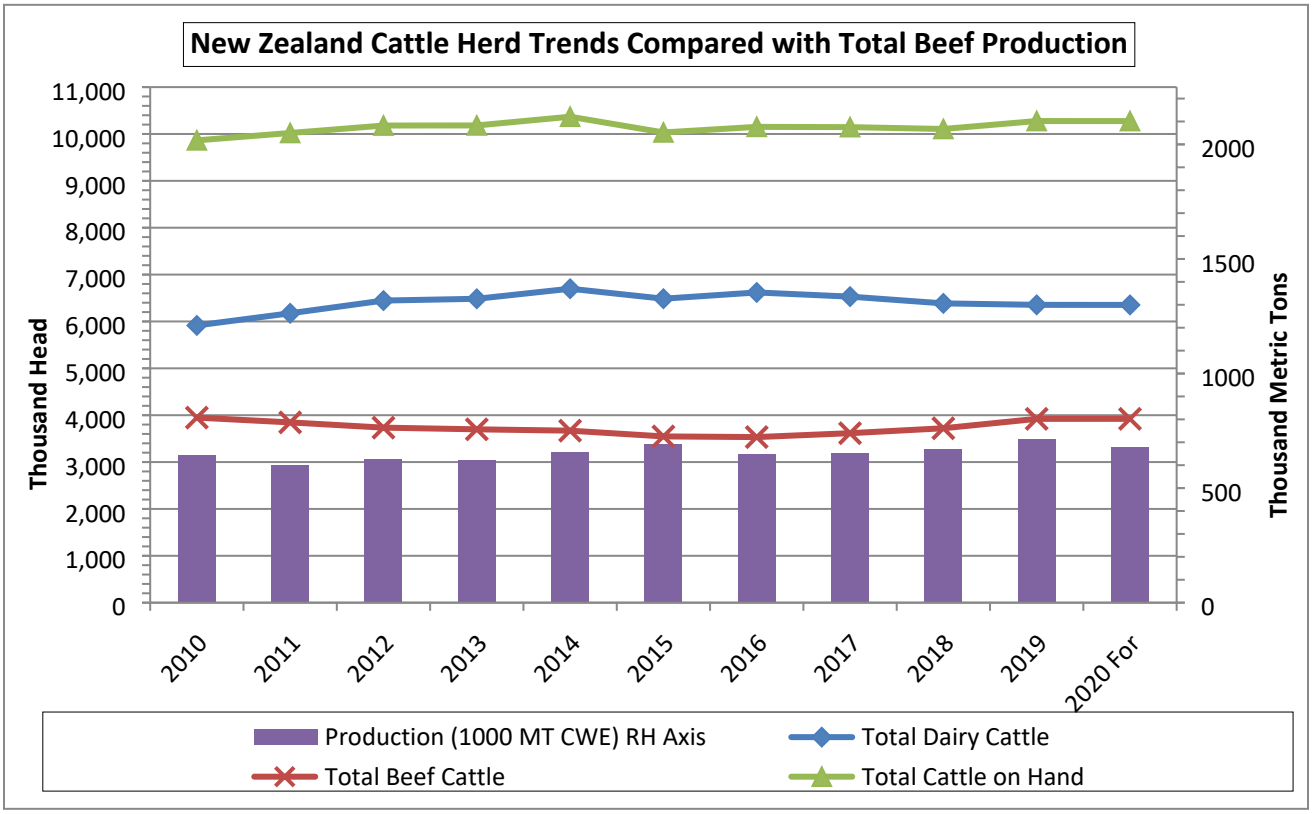
Cattle Production and Inventory Changes

2020

Total cattle slaughter for 2020 is forecast at 4.38 million (m) head, which will be 2.7 percent less than 2019. The main drivers are:

- The cow kill is expected to reduce by 32,000 head from 2019 to 980,000 head, closer to an expected level where both dairy and beef cow herd numbers would be stable. However, if the dry conditions persist into winter farmers are likely to look at trimming cow herd numbers.
- The calf kill is also expected to be stable at 1.81m head.
- An estimated 90,000 head fewer steers, bulls, and heifers are now forecast to be killed in 2020 compared with 2019. The increased rate of slaughter in the fourth quarter of 2019 reduced the inventory of saleable cattle, which will reduce the number available for slaughter during 2020.
- The effect of the dry weather is likely to cause a hastening in the slaughter rate especially for the dairy cow cull kill. However, at this stage it is thought it will not change the total slaughter for the year, but just the timing of slaughter. There is expected to be some cattle slaughtered pre-winter, however in a better pasture year these cattle may be carried through winter and killed in the spring.

The total cattle inventory for 2020 is now forecast at 10.28m head, which would be essentially the same as 2019. Farmers are still very confident about the future for farmgate beef prices even though at the moment prices have dipped below five-year averages. The combination of logistical challenges getting product into China and the dry weather hastening farmer selling, which has reduced the competition between the meat processors allowing them to reduce prices significantly, are thought to be a short-term factor. Strong farmer confidence is likely to drive farmer decision making to maintain beef herd numbers. Profitable milk price forecasts are also expected to play through to dairy farmers maintaining stable herd numbers in the short to medium term. However, in the longer-term environmental regulations are likely to impact on dairy herd animal numbers.



Source: StatsNZ, B+LNZ, FAS/Wellington estimates

2019

The actual total cattle slaughter at 4.5 million (m) head for 2019, three percent (136,000 head) greater than 2018. This was a surprisingly good result especially as the total cattle inventory for 2019 increased by 169,000 head (1.7 percent) over the 2018 number.

The total cattle kill for the first half of 2019 was two percent (30,000 head) greater than 2018. Although expectations were for cattle kill to wane toward the end of 2019, the exact opposite happened as farmers raced to take advantage of the very high farmgate prices and to sell surplus stock early in the face of the dry weather. A greater number of cattle were held over winter 2019 than had been the case for the last three to four years.

Final data from StatisticsNZ 2019 farm survey puts the overall total of beef and dairy cattle for 2019 at 10.28m head, a 169,000 head increase over 2018. This was driven principally by a 200,000 head increase in the beef herd. The dairy herd drifted down slightly 31,000 head to 6.35m head. The two beef stock classes which drove the increase were beef cows up by 100,000 head (10 percent) and beef steers up by 62,000 head (seven percent). Prolonged confidence in the beef sector is leading to higher retentions of young stock and the boosting of the beef cow herd. A high natural increase in 2019 helped provide extra young animals to retain.

Mycoplasma Bovis outbreak

The Mycoplasma Bovis disease outbreak continues to be detected on new farms, but the eradication program is continuing. Month to month the numbers of cattle being slaughtered to eliminate the disease may cause slaughter volatility, but this is not having a material effect on the overall national kill.

Production Supply & Demand – Cattle Numbers

Animal Numbers, Cattle	2018		2019		2020	
Market Begin Year	Jan 2018		Jan 2019		Jan 2020	
New Zealand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	10146	10146	10107	10107	10103	10276
Dairy Cows Beg. Stocks	5044	5044	5010	5010	4991	4928
Beef Cows Beg. Stocks	976	976	1029	1029	1036	1128
Production (Calf Crop)	4895	4895	4915	5150	4875	4970
Total Imports	0	0	0	0	0	0
Total Supply	15041	15041	15022	15257	14978	15246
Total Exports	17	17	22	40	20	20
Cow Slaughter	990	990	998	1012	995	980
Calf Slaughter	1816	1816	1815	1811	1750	1810
Other Slaughter	1561	1561	1595	1680	1585	1590
Total Slaughter	4367	4367	4408	4503	4330	4380
Loss and Residual	550	550	489	438	523	571
Ending Inventories	10107	10107	10103	10276	10105	10275
Total Distribution	15041	15041	15022	15257	14978	15246
(1000 HEAD)						

Not Official USDA Data

Beef Production

2020

For 2020, beef production is now forecast at 675,000 metric tons (MT) carcass weight equivalents (CWE), 5.3 percent below 2019. The effect of the dry weather in the first half of the year reducing pasture volume and pasture quality is forecast to reduce adult cattle average carcass weights by approximately one percent. The 2.7 percent slaughter number reduction for 2020 over 2019 is the other main driver in lower beef production.

2019

Actual total beef production for 2019 was a record 713,000 MT CWE, which is six percent above 2018. This was driven by:

- A three percent increase in slaughter numbers, and
- A three percent increase in overall average carcass weight because of generally good pasture growth for most of the year especially during the winter months in the North Island.

New Zealand Beef Production Table

Marketing Year		2018	Actual		2019	Actual		2020	Forecasts
Category	CW kgs/hd	Numbers to kill (1000's)	Total tons Beef	CW kgs/hd	Numbers to kill (1000's)	Total tons Beef	Est. CW kgs/hd	Numbers to kill (1000's)	Total tons Beef
Cow Slaughter	198.6	990	196,496	200.1	1,012	202,452	198	980	194,040
Calf Slaughter	16.3	1,816	29,573	15.9	1,811	28,713	15.5	1,810	28,055
Heifer Slaughter	241.0	489	117,911	241.8	513	124,017	239	485	115,915
Steer slaughter	311.2	548	170,515	312.5	591	184,630	310	565	175,150
Bull Slaughter	299.8	524	157,011	300.1	576	172,941	300	540	162,000
Other Adult Cattle SubTotal	285.4	1,561	445,437	286.6	1,680	481,587	285	1,590	453,065
Total Slaughter	153.8	4,366	671,507	158.3	4,503	712,752	154.1	4,380	675,160
% Change from Previous Year									
Cow Slaughter	0.1%	2.0%	2.2%	0.7%	2.3%	3.0%	-1.0%	-3.2%	-4.2%
Calf Slaughter	2.8%	8.3%	11.3%	-2.6%	-0.3%	-2.9%	-2.2%	0.0%	-2.3%
Heifer Slaughter	-0.2%	3.4%	3.1%	0.3%	4.9%	5.2%	-1.1%	-5.5%	-6.5%
Steer slaughter	-0.5%	1.5%	1.0%	0.4%	7.8%	8.3%	-0.8%	-4.4%	-5.1%
Bull Slaughter	-1.9%	5.3%	3.3%	0.1%	10.1%	10.1%	0.0%	-6.3%	-6.3%
Other Adult Cattle SubTotal	-1.0%	3.3%	2.4%	0.4%	7.7%	8.1%	-0.6%	-5.4%	-5.9%
Total Slaughter	-2%	5%	3%	2.9%	3.1%	6.1%	-2.6%	-2.7%	-5.27%

Source: StatsNZ, B+LNZ, Post Estimates

Production Supply & Demand – Beef Production

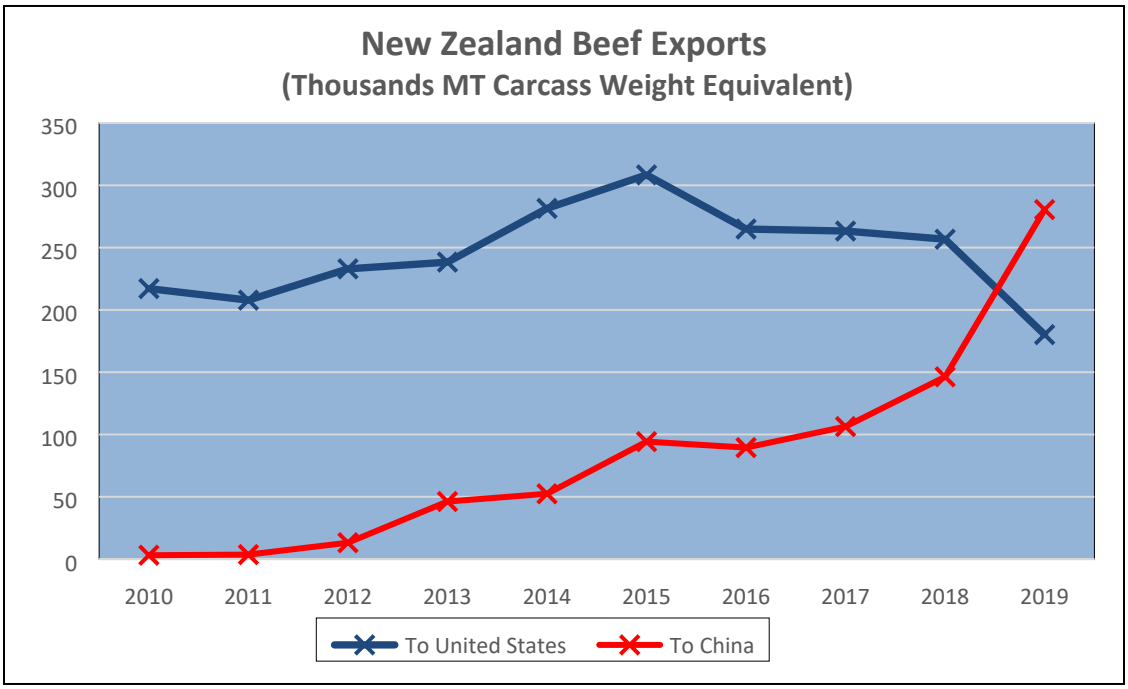
Meat, Beef and Veal	2018		2019		2020	
Market Begin Year	Jan 2018		Jan 2019		Jan 2020	
New Zealand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	4367	4367	4408	4503	4330	4380
Beginning Stocks	0	0	0	0	0	0
Production	672	672	686	713	679	675
Total Imports	12	12	13	14	13	14
Total Supply	684	684	699	727	692	689
Total Exports	633	602	649	623	642	615
Human Dom. Consumption	51	82	50	104	50	74
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	51	82	50	104	50	74
Ending Stocks	0	0	0	0	0	0
Total Distribution	684	684	699	727	692	689
(1000 HEAD) ,(1000 MT CWE)						

Not Official USDA Data

Exports and Trade

Beef Exports

The major trend of the last twelve months in terms of New Zealand beef exports has been the unprecedented increase in exports to China. The feeling among exporters in New Zealand is the outbreak of African Swine Fever has accelerated an emerging trend among Chinese middle-class consumers to eat increasing quantities of beef, and that this strong demand is expected to continue. However, the spread of the coronavirus, Covid19, in China has stalled meat shipments and caused logistical delays from mid-January through to the end February. New Zealand exporters have rushed to secure cold storage both in New Zealand and in China to ease logistical problems. Some exporters, however, expect that there will be some easing at the major choke points and trade will start to move normally again over the next few months.



Source: TDM LLB

2020

FAS/Wellington is forecasting exports reaching 615,000MT CWE in 2020, 1.3 percent below 2019. The fall in exports is primarily the result of reduced beef production as a result of lower slaughter numbers and reduced carcass weights. The extend of the fall in exports, however, is forecast to be less than the production decline. The primary reason for this is that the rush of slaughter in December 2019 resulted in a buildup of inventory in cold stores which is expected to be exported in early 2020.

The processing/exporting sector is still confident that the underlying demand in China for beef is still strong and the effect of the African Swine Fever in the pig herd is not going to wear off in the short term. During January and February 2020 there had been some diversion of product that probably would have been shipped to China to other markets, mainly the United States. This may continue for a month or two yet. If the bulk of the Autumn cow kill is brought forward by a month to six weeks this could tilt

exports even more in favor of the United States. If the logistical issues into China get resolved quickly, industry contacts expect that the volume of exports there will be close to the 2019 level. However, if the logistical delays persist for two to three months longer this could severely curtail the volume able to be shipped to China, and shipments to China could be about the same level as those to the United States.

2019

Total exports for 2019 were 623,000 MT CWE, four percent higher 2018. Strong demand from China and record beef production in New Zealand, as a result of the three percent increase in total animal slaughter and the three percent higher average carcass weight, drove this result.

The huge change for beef exports from New Zealand in 2019 was the volume changes going to specific destinations. At the expense of virtually all other markets, the volume shipped to China increased by 92 percent to 280,499 MT CWE, and China became the largest market. Exports to the United States, which have hovered between 44-49 percent of total volume shipped over the last decade and were still 42 percent in 2018, fell by 30 percent to 180,140 MT CWE for the year. China is importing a wide variety of cuts and price ranges, but trade data shows that New Zealand exports to China are primarily boneless, frozen beef, and at prices on average 12 percent higher than beef to the United States.

New Zealand beef exports to Japan were up by 7 percent for the year but slowed in the second half of the year (as volumes were up 26 percent during the first half of the year). Now that the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) trade agreement is in force, tariffs on beef into Japan faced by New Zealand are reducing. For 2019 the tariff rate will be 26.6 percent, reducing to 25.8 percent in 2020 compared to the Most Favored Nation rate of 38.5 percent. Exports to Switzerland have suddenly jumped into top ten destinations by volume, up by over 300 percent to 6,853 MT CWE.

New Zealand Beef and Veal Exports to Specific Destinations

For PSD Harmonizing Codes: 0201, 0202, 021020, 160250 by Carcass Weight Equivalent (MT) Shipped

For Calendar Years

Commodity HS Code	Commodity Product Description	Exports to United States				Exports to China			
		2018		2019		2018		2019	
		Qty	US$/MT	Qty	US$/MT	Qty	US$/MT	Qty	US$/MT
020120	Meat Of Bovine Animals, Cuts With Bone In (Other Than Half Or Whole Carcasses), Fresh Or Chilled	41	$15,971	45	$15,189	12	$10,208	238	$6,169
020130	Meat Of Bovine Animals, Boneless, Fresh Or Chilled	3,772	$7,172	4,738	$7,175	5,057	$4,344	12,957	$4,668

020210	Carcasses And Half-Carcasses Of Bovine Animals, Frozen	55	$6,669	0	$0	0	$2,696	3,198	$3,240
020220	Meat Of Bovine Animals, Cuts With Bone In (Other Than Half Or Whole Carcasses), Frozen	261	$3,870	76	$3,682	32,096	$3,043	48,756	$3,302
020230	Meat Of Bovine Animals, Boneless, Frozen	246,298	$3,297	168,499	$3,566	109,126	$3,879	215,350	$4,002
021020	Meat Of Bovine Animals, Salted, In Brine, Dried Or Smoked	0	$0	0	$0	0	$0	0	$0
160250	Meat Or Meat Offal Of Bovine Animals, Prepared Or Preserved, Nesoi	6,301	$8,941	6,781	$8,567	2	$7,541	0	$0
	Total Beef and Veal Exported	256,729	$3,496	180,140	$3,852	146,293	$3,712	280,499	$3,904

Source: TDM LLB

New Zealand Beef Export Statistics							
Harmonizing Codes: 0201, 0202, 021020, 160250 by Carcass Weight Equivalent Shipped							
Calendar Year/Marketing Year: 2017 - 2019							
Partner	Quantity in Metric Tons CWE			Market Share(%)			%Δ 2019/18
	2017	2018	2019	2017	2018	2019	
China	106,355	146,293	280,499	18.86	24.31	45.03	91.74
United States	263,300	256,729	180,140	46.69	42.66	28.92	-29.83
Japan	22,753	24,471	26,131	4.04	4.07	4.20	6.78
Taiwan	28,738	32,615	23,209	5.10	5.42	3.73	-28.84
Canada	27,138	24,948	16,124	4.81	4.15	2.59	-35.37
South Korea	25,993	27,082	15,780	4.61	4.50	2.53	-41.73
Australia	13,688	13,922	13,406	2.43	2.31	2.15	-3.71
Indonesia	8,043	8,366	7,776	1.43	1.39	1.25	-7.06
Switzerland	8	1,667	6,853	0	0.28	1.10	311.10
Malaysia	7,277	7,584	6,032	1.29	1.26	0.97	-20.47
Rest of the World	60,653	58,137	46,959	10.76	9.66	7.54	-19.23
Total for World	**563,946**	**601,814**	**622,909**	**100**	**100**	**100**	**3.51**

Source: TDM LLB

Attachments:

No Attachments