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Cattle and Beef Semi-Annual Report 2019 for New Zealand

Report Categories:
Livestock and Products

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Report Highlights:
New Zealand’s 2018 beef production peaked at 670,000 metric tons (MT) carcass weight equivalent (CWE) while exports totaled 633,000 MT CWE.   Post forecasts 2019 beef production at 658,000 MT CWE and exports at 590,000 MT CWE.

Executive Summary

Beef production in 2019 is forecast at 658,000 metric tons (MT) carcass weight equivalent (CWE), two percent less than 2018. It is likely to be produced from a total slaughter of 4.18 million (m) head, four percent below 2018. A result of the cow and other adult cattle kills reducing to a longer term sustainable level together with a forecast reduced calf kill. These numbers fall back to a beef production volume in the range of 645,000 to 660,000 MT CWE that New Zealand has generally produced within since 2012.

Beef production in 2018, at 670,000 MT CWE, was three percent ahead of 2017 and the same as Post's prior estimate. This was the result of a significantly higher total slaughter at 4.36 m head, three percent above the previous forecast and five percent above 2017. All cattle classes recorded increased slaughter numbers, especially calves, which totaled 141,000 head or eight percent higher than 2017. However, the average per head carcass weight at 154 kilograms was five kilograms below expectations and three kilograms less than 2017, thereby moderating the production increase.

The reduced beef production in 2019 will likely decrease exports. Accordingly, Post forecasts exports in 2019 at 590,000 MT CWE, which will be seven percent below 2018 shipments. At 633,000 MT CWE, 2018 exports represented a three year high and is a 6.75 percent increase on 2017. Exports to the United States for 2018 were 263,000 MT CWE, three percent less than 2017, however, exports to China exceeded Post's optimistic forecast reaching 163,000 MT CWE for 2018, which was 38 percent higher than 2017.

New Zealand beef exports to the United States in 2019 are unlikely to exceed 245,000 to 260,000 MT CWE, especially because the cow and bull beef production is forecast to decline. Post forecast exports to China will be maintained at or near the 2018 volume at 150,000 MT CWE to 160,000 MT CWE.

Note: the Marketing Year (MY) is the calendar year; the MY2019 marketing year is shown as 2019.

Data included in this report is not official USDA data. Official USDA data is available at: http://www.fas.United Statesda.gov/psdonline

Cattle Situation

Pasture Production

High rainfall during December 2018 caused pasture growth rates to be abnormally high. Most farms especially in the North Island had exceptionally high pasture supplies going into January 2019, which allowed farmers to conserve greater than normal volumes of hay and silage. However, by the end of February 2019, soil moisture deficits throughout the North Island have increased and are greater than the past five year averages. Nonetheless, this development is not expected to have a material effect on cattle slaughter rates during the first half of the year.

Cattle Production and Inventory Changes

2019

Total cattle slaughter for 2019 is now forecasts at nearly 4.2 million (m) head, which will be four percent below the 2018 slaughter. Post forecasts total slaughter to fall by 188,000 head with calf slaughter comprising the majority of the decrease at 141,000 head or eight percent less than 2018. Post anticipates other adult cattle kill to be 10,000 head above the previous estimates based on extra steers and bulls to be killed in the first quarter 2019 that had been deferred from late 2018. Many farmers deferred selling cattle due to the high pasture growth rates in December 2018 and chose to utilize some of the extra pasture by increasing cattle weights prior to slaughter. Post maintains the cow kill at 970,000 head, the same as the prior forecast for 2019. This is a two percent or 19,000 head reduction from 2018. The spike in the bull kill experienced in 2018 is likely to moderate in 2019 and is forecast to be two percent below 2018.

Post forecasts the total cattle inventory to be 10.2 m head for 2019. This will be just 0.3% or 30,000 head below the 2018 inventory. Post is now expecting the dairy sector to continue right-sizing animal numbers with gradual reductions in response to increasing financial volatility, debt restrictions, and increased environmental constraints. Meanwhile, sheep and beef farmers are expected to quietly increase their beef cattle numbers, in response to better financial returns, continuing the trend upwards experienced over the past two years. This is in contrast to the last forecast six months ago where it was thought the beef herd had peaked and would stabilize or contract slightly as the spike in bull kill numbers moved through the system. However competing land uses such as new forestry planting on steeper lands and horticultural crop development will limit inventory increases.

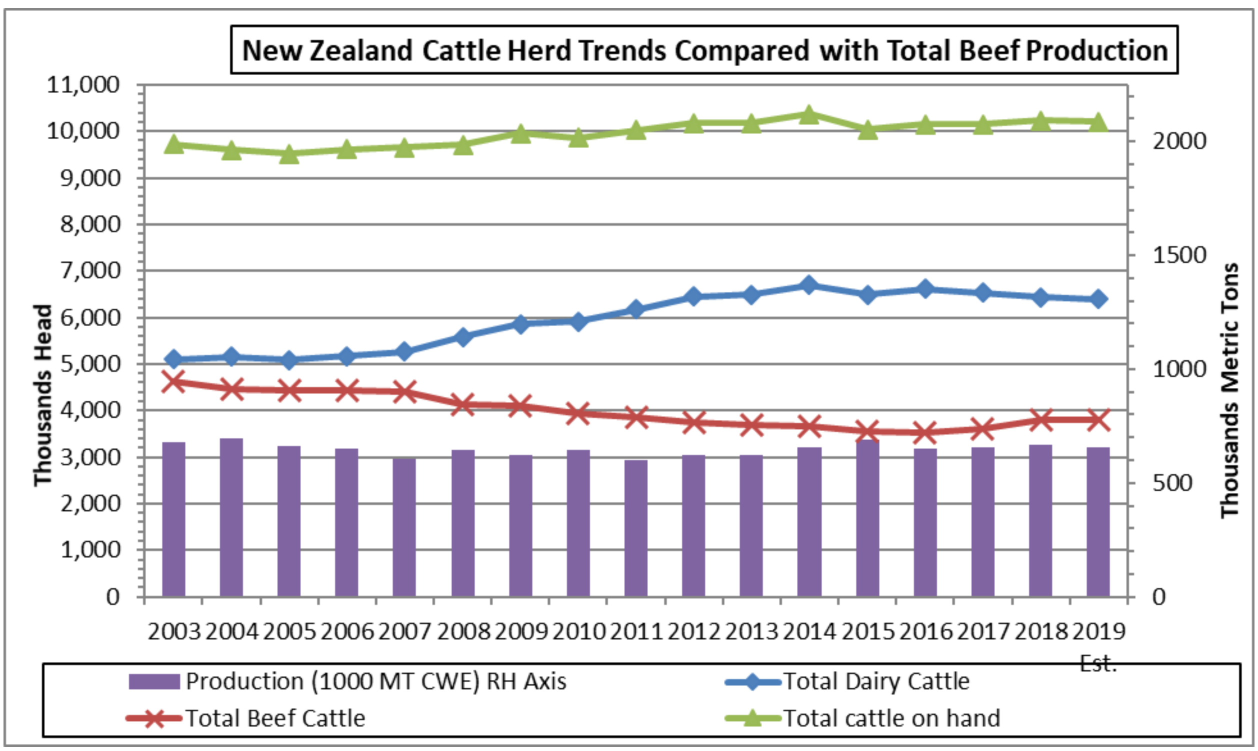
Mycoplasma Bovis outbreak

The M.Bovis disease continues to be detected on new farms although at a low rate lower than previously expected. The numbers of cattle being slaughtered to eliminate the disease are not having a material effect on the overall national kill.

2018

Even though Post significantly revised its forecast for New Zealand’s total cattle kill for 2018, the actual kill at 4.36 m head was still more than three percent ahead of the prior estimate. The main reason was the eight percent increase in the calf kill or 141,000 head. The other adult cattle group (heifers, steers, and bulls) experienced stronger slaughter numbers in the second half of 2018 (4,000 above the prior comparable period) when they surged early in the period. However, by December 2018, the kill dropped substantially as farmers capitalized on the good pasture growth rates in December and held onto cattle to grow them out to heavier weights in anticipation of higher returns.

New provisional animal statistics from StatisticsNZ (Government Agency) put the total cattle inventory for 2018 at 10.233 m head, up 87,000 head or two percent on the 2017 number and 27,000 head greater than Posts prior forecast. Total dairy cattle were 92,000 head or 1.4% less than 2017. The beef cattle herd, however, recorded the largest and only the second annual increase since 2003, up a total of five percent. This should not be too surprising given the sector has enjoyed solid profitability for the last four years. Finally beef cow numbers have increased significantly by seven percent or 68,000 head as a result of the higher prices paid for their progeny over the last three years.



Source: StatsNZ, B+LNZ, Post estimates

Beef Production

2019

Based on Post's updated forecast for 2019, cattle slaughter numbers beef production is likely to be 658,000 MT CWE for 2019. While this would be 1.8 percent less than 2018, it is 2,000 MT greater than prior forecast for 2019. The small improvement in this forecast is due to the increase in other adult cattle slaughter numbers (10,000 head) and anticipation of higher average carcass weights per head. Increased pasture supplies early in 2019 is expected to result in higher cattle weights.

2018

Total beef production for 2018 was 670,000 MT CWE, up 2.5 percent over 2017. Good pasture conditions were expected to boost average per animal carcass weights by five kilograms, however, this did not materialize but the overall slaughter number increase overcame the less than expected average kill weights.

New Zealand Beef Production Table

Marketing Year		2017	Actual		2018	Actual		2019	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	198.3	970	192,315	198.6	989	196,351	198	970	192,060
Calf Slaughter	15.8	1,677	26,564	16.3	1,816	29,573	15.8	1,675	26,465
Heifer Slaughter	241.6	473	114,318	241.0	489	117,779	241	475	114,475
Steer slaughter	312.9	540	168,899	311.2	547	170,127	313	545	170,585
Bull Slaughter	305.5	498	151,987	299.8	522	156,550	303	510	154,530
Other Adult Cattle SubTotal	288.1	1,510	435,204	285.3	1,558	444,456	287	1,530	439,590
Total Slaughter	157.3	4,157	654,084	153.7	4,362	670,380	157.6	4,175	658,115
% Change from Previous Year									
Cow Slaughter	1.5%	-9.6%	-8.3%	0.1%	2.0%	2.1%	-0.3%	-1.9%	-2.2%
Calf Slaughter	1.4%	-11.3%	-10.1%	2.8%	8.3%	11.3%	-3.0%	-7.8%	-10.5%
Heifer Slaughter	1.8%	-1.3%	0.6%	-0.3%	3.3%	3.0%	0.0%	-2.8%	-2.8%
Steer slaughter	1.1%	5.4%	6.6%	-0.6%	1.3%	0.7%	0.6%	-0.3%	0.3%
Bull Slaughter	-0.1%	11.7%	11.6%	-1.9%	5.0%	3.0%	1.1%	-2.3%	-1.3%
Other Adult Cattle SubTotal	1.4%	5.1%	6.6%	-1.0%	3.1%	2.1%	0.7%	-1.8%	-1.1%
Total Slaughter	7%	-6%	1%	-2.3%	4.9%	2.5%	2.6%	-4.3%	-1.83%

Source: StatsNZ, B+LNZ, Post Estimates

Production Supply & Demand – Cattle Numbers

Animal Numbers, Cattle New Zealand	2017	2018	2019	% Change 2019 New Post Data from 2018 New Post	% Change 2018 New Post Data from 2018 Old Post
	Market Year Begin: Jan 2017	Market Year Begin: Jan 2018	Market Year Begin: Jan 2019		

(1000hd, %)	Off. Data	New Post Data	Off. Data	New Post Data	Off. Data	New Post Data	Data	Data
Total Cattle Beg. Stks	10,152	10,152	10,146	10,146	10,200	10,233	0.9%	0.0%
Dairy Cows Beg. Stocks	5,202	5,202	5,202	5,044	4,984	4,937	-2.1%	-3.0%
Beef Cows Beg. Stocks	954	954	954	976	986	1,044	7.0%	2.3%
Production (Calf Crop)	4,728	4,728	4,850	5,050	4,766	4,765	-5.6%	4.1%
Total Imports	0	0	0	0	0	0		
Total Supply	14,880	14,880	14,996	15,196	14,966	14,998	-1.3%	1.3%
Total Exports	27	27	20	17	20	20	17.6%	13.3%
Cow Slaughter	970	970	1,000	989	970	970	-1.9%	-1.1%
Calf Slaughter	1,677	1,677	1,675	1,816	1,675	1,675	-7.8%	8.4%
Other Slaughter	1,510	1,510	1,550	1,558	1,520	1,530	-1.8%	0.5%
Total Slaughter	4,157	4,157	4,225	4,363	4,165	4,175	-4.3%	3.3%
Loss	550	550	551	583	601	600	2.9%	6.0%
Ending Inventories	10,146	10,146	10,200	10,233	10,180	10,203	-0.3%	0.3%
Total Distribution	14,880	14,880	14,996	15,196	14,966	14,998	-1.3%	1.3%

Not Official USDA Data

Production Supply & Demand – Beef Production

Meat, Beef & Veal New Zealand	2017		2018		2019		% Change 2019 New Post Data from 2018 New Post Data	% Change 2018New Post Data from 2018 last Post Est.
	Market Year Begin: Jan 2017		Market Year Begin: Jan 2018		Market Year Begin: Jan 2019			
(1000hd,1000MT CWE, kg, %)	Off. Data	New Post Data	Off. Data	New Post Data	Off. Data	New Post Data		
Slaughter (Reference)	4,157	4,157	4,225	4,363	4,165	4,175	-4.30%	3.26%
Beginning Stocks	0	0	0	0	0	0		
Production	654	654	670	670	656	658	-1.79%	0.00%
Total Imports	13	13	13	12	13	12	0.00%	-7.69%
Total Supply	667	667	683	682	669	670	-1.76%	-0.15%
Total Exports	593	593	603	633	589	590	-6.79%	4.98%
Human Dom. Consumption	74	74	80	49	80	80	63.27%	-38.75%
Other Use, Losses	0	0	0	0	0	0		
Total Dom. Consumption	74	74	80	49	80	80	63.27%	-38.75%
Ending Stocks	0	0	0	0	0	0		
Total Distribution	667	667	683	682	669	670	-1.76%	-0.15%
Balance TS = TD	0	0	0	0	0	0		
Inventory Balance	0	0	0	0	0	0		
Weights	157	157	159	154	158	158	2.60%	-3.14%

Not Official USDA Data

Domestic Consumption

2019

Beef consumption is forecast at 80,000 MT, which is close to 17 kilograms per capita. This rate would be consistent with average consumption patterns reported over the past three years.

2018

Post estimates domestic consumption at 49,000MT, which would be a 34 percent reduction from 2017. As New Zealand does not have publically available data for beef inventories it is difficult to ascertain whether this is an actual significant reduction or that there was a run-down of inventories, which has supplied the domestic market.

Exports and Trade

Beef Exports

2019

Beef exports are forecast at 590,000 MT CWE due to an anticipated rise in domestic consumption and a reduction in total beef production resulting from a smaller cattle kill. While this volume of exports is very close to the 2017 volume and in the long run sustainable range it is still seven percent below 2018. Exports to the United States are unlikely to exceed 245,000 to 260,000 MT CWE in 2019 especially because the cow and bull beef production is forecast to reduce and those classes make up the bulk of exports to the United States. Post also expects exports to China to remain at or near the 2018 volume at 150,000 MT CWE to 160,000 MT CWE.

2018

Actual beef exports surged in the latter half of 2018 and reached 633,000 MT CWE, 6.8 percent higher than the previous forecast of 603,000 MT CWE and 6.75 percent greater than 2017 as a result of the increased beef production in 2018.

Actual exports to the United States for 2018 were 263,000 MT CWE, a three percent reduction from 2017. Exports to China exceeded Post's optimistic forecast to reach 163,000MT CWE, 38 percent higher than 2017. Chinese importers now take a wide range of products from lower value beef cuts, once mainly reserved for Indonesia, through to table cuts sent in chilled form. In absolute terms exports to China of frozen, boneless cuts of heifer, steer and cow alongside frozen, boneless cuts of bull increased between 27 and 46 percent. These two classes of product are the mainstay of exports to the United States. Essentially the export volume increase in 2018 was virtually all shipped to China with only a 7,000 MT CWE reduction to the frozen, boneless cuts of heifer, steer and cow product sent to the United States. When total exports from New Zealand are reduced there may be increased competition between Chinese and United States importers to secure product.

New Zealand Beef Export Statistics									
Harmonizing Codes: 0201, 0202, 021020, 160250 by Product Weight Shipped									
Calendar Year/Marketing Year: 2016 - 2018									
Partner Country	2016			2017			2018		
	Quantity (MT)	Average FOB Price USD/MT	Average FOB Price NZD/MT	Quantity (MT)	Average FOB Price USD/MT	Average FOB Price NZD/MT	Quantity (MT)	Average FOB Price USD/MT	Average FOB Price NZD/MT
United States	194,397	$4,459	$6,461	193,097	$4,750	$6,690	187,830	$4,781	$6,834
China	71,174	$4,454	$6,429	84,428	$4,710	$6,629	116,112	$4,679	$6,740
Taiwan	25,908	$5,489	$7,931	21,306	$5,624	$7,915	24,155	$5,467	$7,861
Japan	17,673	$5,988	$8,584	16,712	$6,233	$8,769	17,876	$6,689	$9,675
Korea South	23,933	$3,946	$5,697	21,775	$3,933	$5,536	21,832	$4,251	$6,098
Canada	18,085	$4,207	$6,040	19,841	$4,414	$6,217	18,209	$4,333	$6,248
Australia	8,129	$5,694	$8,119	8,187	$5,921	$8,338	8,233	$6,072	$8,787
Netherlands	2,855	$12,448	$17,992	2,815	$13,958	$19,613	2,980	$13,110	$18,638
French Polynesia	3,305	$7,679	$11,015	3,049	$8,031	$11,281	3,414	$7,885	$11,377
UAE	2,927	$8,345	$11,968	2,982	$8,776	$12,378	3,095	$8,652	$12,552
Hong Kong	2,631	$7,924	$11,429	3,151	$8,170	$11,516	3,384	$7,420	$10,721
Rest of World	48,160	$5,338	$7,664	46,182	$5,569	$7,838	45,079	$5,645	$8,171
World Total	**419,177**	**$4,800**	**$6,929**	**423,525**	**$5,037**	**$7,092**	**452,199**	**$5,058**	**$7,267**

Source: GTA