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Report Highlights:

FAS/Wellington 2025 market year production forecast would be the highest annual production on record, if realized. In addition, post is forecasting that beef and veal exports in 2025 to also be the highest volume for New Zealand in a single year. This is anticipated to be driven by continued higher importer beef demand in the United States. The New Zealand national cattle herd has been decreasing year-on-year at 1 percent annually. This is anticipated to continue despite a stabilization in numbers in 2024. A primary factor contributing to the decline in recent years has been government policy impacting agriculture and land-use change. At the end of 2023, New Zealand changed its national government. The new government supported farmers strongly, removing pending policies of the previous government. Low farm profitability is causing delays in repairs and maintenance, capital improvements, and innovation, forcing farm operations to take on more debt.

Executive Summary:

The size of the overall New Zealand national cattle herd has continued to decrease. The new current government has been actively removing pending policies of the previous government that significantly impacted farmers.

Financial pressure continues to be the biggest non-climatic challenge for cattle farmers in New Zealand. The primary impacts of this are:

- High on-farm inflation
- Low farm-gate prices
- Interest rates on debt

As a result, the low farm profitability causes delays in repairs and maintenance, capital improvements and innovation, which as commented from industry forces farm operations to take on more debt.

If realized, FAS/Wellington 2025 market year production forecast would be the highest annual production on record. This is due to forecasts that prime beef from steers and heifers in the first half of 2025 is expected to be well up on carcass weight. This is due to a predicted favorable pastoral growing season and the prioritization of feed to finishing cattle, with more calves retained out of the dairy sector.

In addition, Post forecasts that beef and veal exports in 2025 to also be the highest volume for New Zealand in a single year. This is anticipated to be driven by continued higher importer beef demand in the United States as well as improved in economic activity and consumer confidence in other key markets such as China.

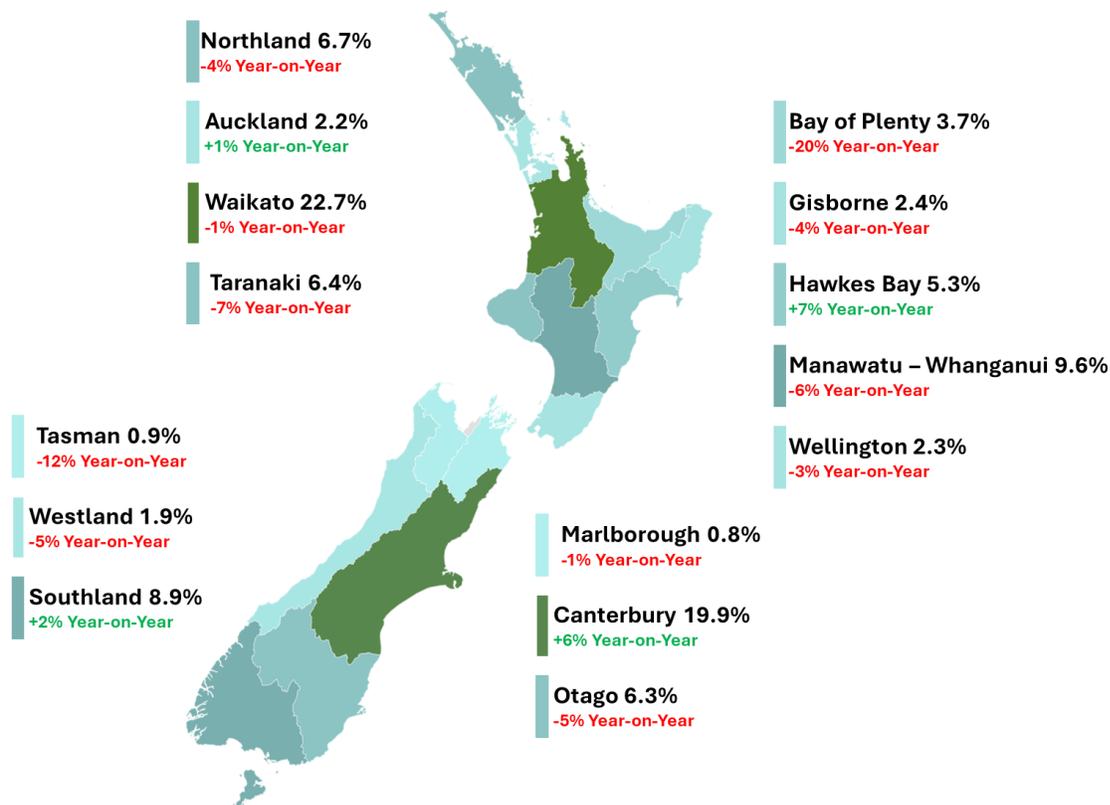
For the 2024 market year, beef and veal exports are forecasted to be strong compared to the previous years. New Zealand exporters in the first seven months of the market year already have seen increased growth in markets in the United States, Japan, Canada, and ASEAN countries. However, this growth has been offset by a 26 percent decrease in volumes exported to China, as this market has noticeably been sourcing cheaper beef and veal products from South America year to date.

Note: The GAIN Marketing Year (MY) is the same as the calendar year (CY), January 1 to December 31. For the purpose of this report always refer to MY unless otherwise stated. For foreign exchange rate between New Zealand Dollar and United States Dollar, the rate used in this report is NZ\$ 1.00 = US\$ 0.62.

Background

New Zealand is a major beef producer and exporter, typically the sixth largest exporter in the world, or 5.4 percent of world volumes. The beef herd spreads throughout the country, with 70 percent situated in the North Island and 30 percent in the South Island (see Figure 1). The New Zealand cattle sector is unique because of its integration with the huge dairy industry, and approximately 70 percent of the adult cattle slaughtered each year and 100 percent of the calves slaughtered have their origin in the dairy industry. The national dairy herd comprises 62 percent of the total national cattle herd, with beef breeds accounting for 38 percent. Figure 1 also shows that year on year, the national herd and distribution are constantly changing; most of the distribution changes result from seasonal climatic conditions.

Figure 1: Cattle by Region in 2023 and Changes from Prior Year



Source: Statistics NZ, FAS/Wellington

With New Zealand's temperate climate, beef cattle production is almost entirely from pastoral grazing, with only one major feedlot in Canterbury. As a result, most exports are grass-fed beef. Since the beef industry is pasture-based, and the dairy industry has made a huge contribution to beef production (for example, culled dairy cows), beef production and exports are highly seasonal in New Zealand. These peak before the winter in May and June and then fall sharply until recovering in November and December with the onset of summer.

Cattle Production

Table 1: Production, Supply and Distribution – Cattle Numbers

Animal Numbers, Cattle Market Year Begins New Zealand	2023		2024		2025	
	Jan 2023		Jan 2024		Jan 2025	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks (1000 HEAD)	9965	9965	9583	9583	0	9560
Dairy Cows Beg. Stocks (1000 HEAD)	4622	4725	4625	4625	0	4575
Beef Cows Beg. Stocks (1000 HEAD)	1022	1065	990	990	0	995
Production (Calf Crop) (1000 HEAD)	5120	5120	5100	5100	0	5000
Total Imports (1000 HEAD)	0	0	0	0	0	0
Total Supply (1000 HEAD)	15085	15085	14683	14683	0	14560
Total Exports (1000 HEAD)	29	29	0	0	0	0
Cow Slaughter (1000 HEAD)	1002	1002	970	970	0	965
Calf Slaughter (1000 HEAD)	1970	1970	1970	1970	0	1980
Other Slaughter (1000 HEAD)	1739	1739	1700	1700	0	1700
Total Slaughter (1000 HEAD)	4711	4711	4640	4640	0	4645
Loss and Residual (1000 HEAD)	762	762	523	483	0	505
Ending Inventories (1000 HEAD)	9583	9583	9520	9560	0	9410
Total Distribution (1000 HEAD)	15085	15085	14683	14683	0	14560

(1000 HEAD)

OFFICIAL DATA CAN BE ACCESSED AT: [PSD Online Advanced Query](#)

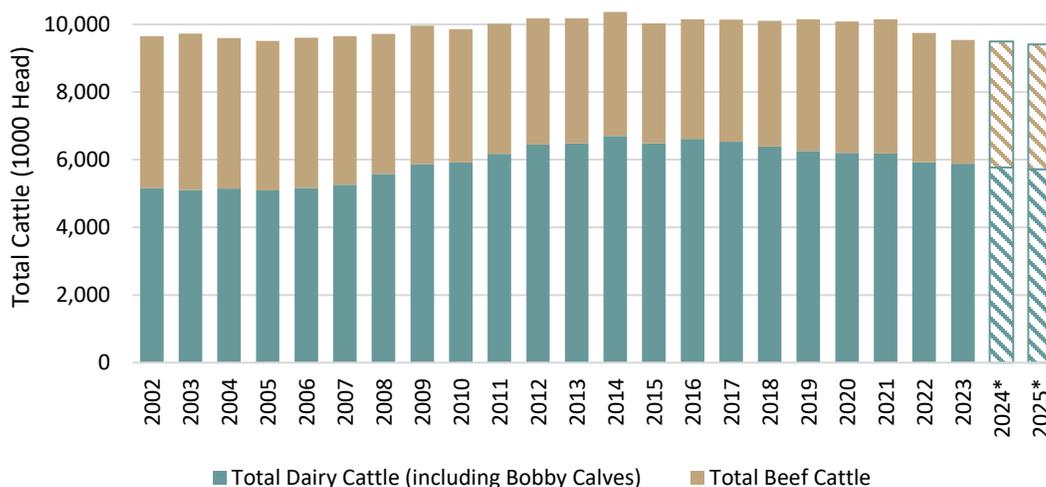
Note: Not official USDA data

FAS/Wellington forecasts cattle numbers to begin the 2025 Market Year (MY) at 9.56 million head, ending at 9.41 million. These numbers are being forecasted primarily due to the following factors impacting the sector: a decline in on farm profitability, low farm gate prices and a warmer winter leading to favourable pasture production. Explained in further detail as follows:

--National Herd Size Gradually Shrinking:

New Zealand's national cattle herd has been decreasing year-on-year at a rate of 1 percent per year. This is anticipated to continue based on forecasts by the governments Ministry for Primary Industries (MPI). Figure 1 shows regional changes between MY 2022 and MY 2023, highlighting the land-use change in regions such as Tasman and Bay of Plenty to horticulture and property developments. Figure 2 shows the total herd size and proportion of dairy and beef cattle in the national herd, also displaying that New Zealand reached peak cattle numbers ten years ago in 2014 and has slowly been declining since.

Figure 2: New Zealand Livestock Numbers



Source: USDA - Products, Supply and Distribution (PSD) & Statistics NZ. *FAS/Wellington Forecast

--Government Policy:

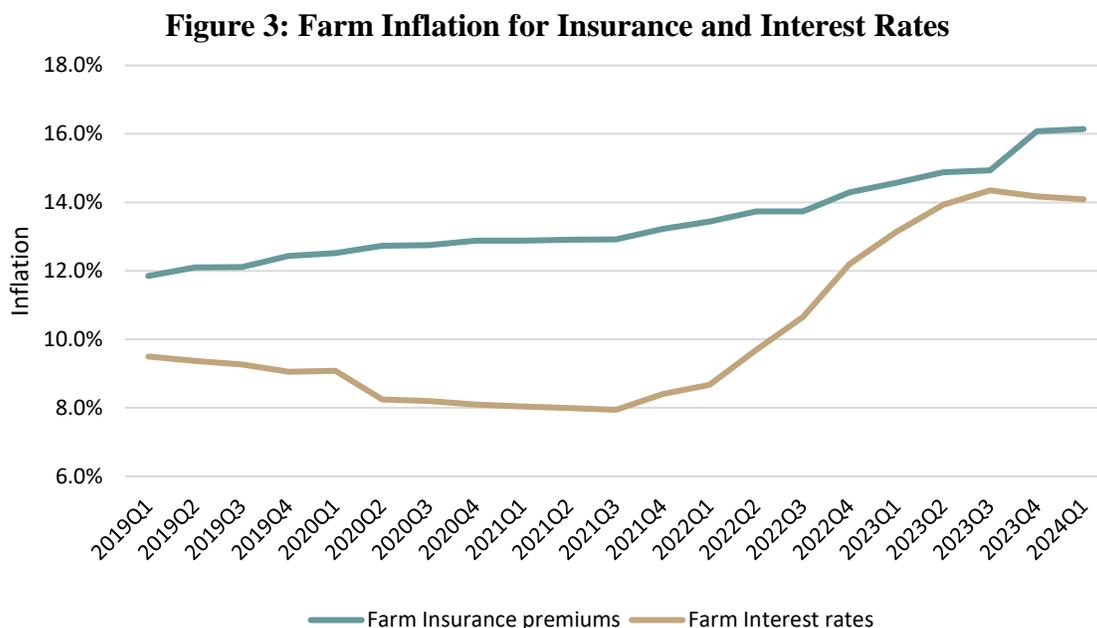
New Zealand changed government following the general election on October 14, 2023. The new three-party coalition government entered office on November 27, 2023. Since the new government’s formation, they have focused on repealing policies implemented by the previous government and in their words “remove the red tape impacting farmers’. On April 1st, 2024, the government released an updated 100-day plan focused on some policy changes effecting agriculture in the long-term. These policies relate to the following:

- Agriculture emissions pricing: The plan to implement a price on farmers for agricultural emissions, primarily methane, by 2025 was ended, with the disbandment of the industry and government partnership – “He Waka Eke Noa”. Going forward, there will be a focus on establishing a Pastoral Sector Group with representatives from the agricultural sector to find other ways to reduce biogenic methane. Currently, an independent review of the methane science and targets for consistency is being reviewed, with no additional warming from agricultural methane emissions. In addition, the government announced that it would finalize the policy to keep agriculture out of the governments Emissions Trading Scheme (ETS).
- National Policy Statement for Freshwater Management 2020 (NPSFM): The government has committed to reviewing and replacing the NPSFM. This is expected to be completed in late 2025 to early 2026. The government intends to improve Freshwater Farm Plans (FWFP), as well as remove the low-slope map in the Stock Exclusion Regulations. This means that beef cattle and deer that are not “intensively grazed” will no longer be required to be excluded from waterways under the national regulations. The winter grazing rules will be repealed in time for winter 2025. Industry feedback is that they anticipate the intent is to fold these into FWFPs.
- Reverse the ban on live export: The government has expressed its focus on reversing the ban on live cattle exports by vessel. However, this was not included in the most recent 100-day plan.

--Decline in Farm profitability:

On-farm inflation in costs and low farm gate prices are putting pressure on sheep and beef farm margins and profitability. These impacts are further explained as follows:

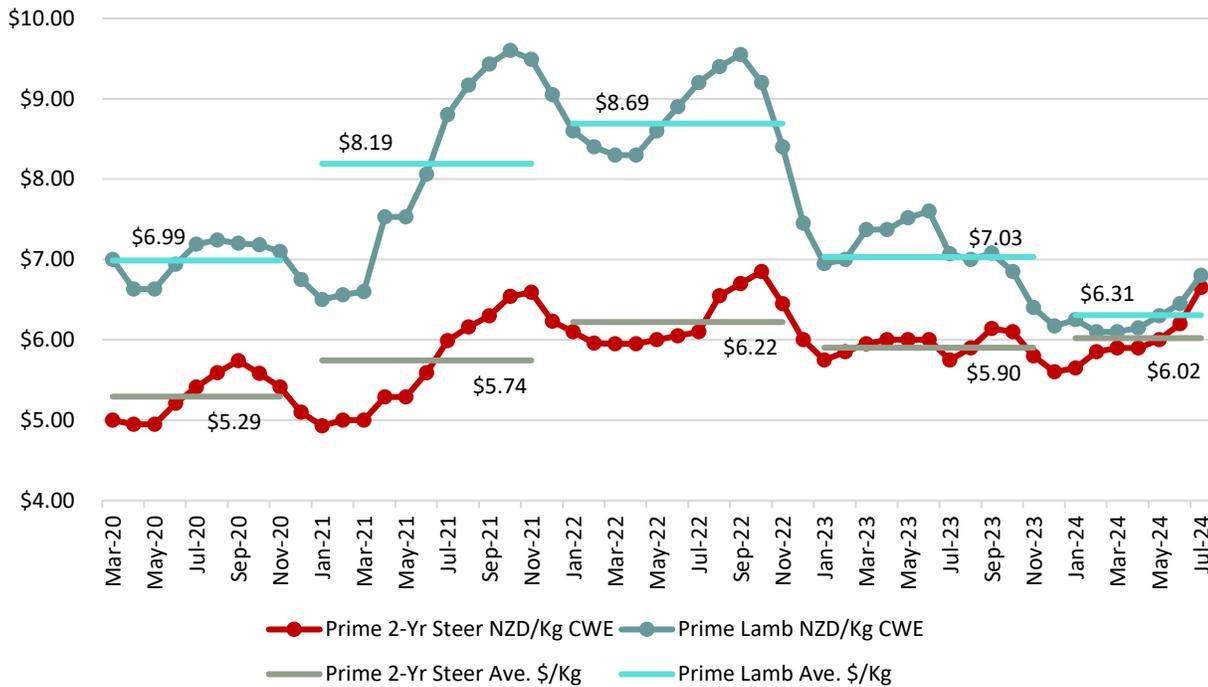
- **On-farm inflation:** Industry organization – Beef+Lamb (BLNZ) recently reported that farm inflation continues to rise, albeit slower than the outgoing year. On-farm inflation has been significant for sheep and beef farmers in recent seasons and detrimental to farm profitability. Prices for farm inputs increased 30.8 percent over the last five years. In 2023, interest rate increases had the biggest effect on on-farm inflation for all farming operations. However, recent industry reports forecast insurance premiums (Figure 3) will have a more substantial impact, which in the first quarter of 2024 has risen 11 percent on the same time last year following the impacts of Cyclone Gabrielle early in 2023.



Source: Statistics NZ

- **Low farm gate prices:** Beef cattle in New Zealand are predominantly farmed in conjunction with sheep as the seasonal timing of pastoral operations complement each other. As a result, operational cash flow is influenced by the commodity price of both species. Figure 4 shows the farm gate prices of prime lamb per kg carcass weight equivalent (CWE) for the previous 4 years compared to prime 2-year Steer price. In 2024, year-to-date, the average price between the two pricing schedules is the closest it has been in recent years, although the prime 2-year steer is in a stable position; Prime lamb in January was the lowest price in recent years. Industry feedback is that this downward pressure on the farm gate lamb price results from Australian sheep and lamb exports. In MY 2023, volumes from Australia to the world were up 25 percent on the previous year and again in the first six months of MY 2024, up 26 percent on volume.

Figure 4: New Zealand Farm Gate Price Prime Lamb and Steer



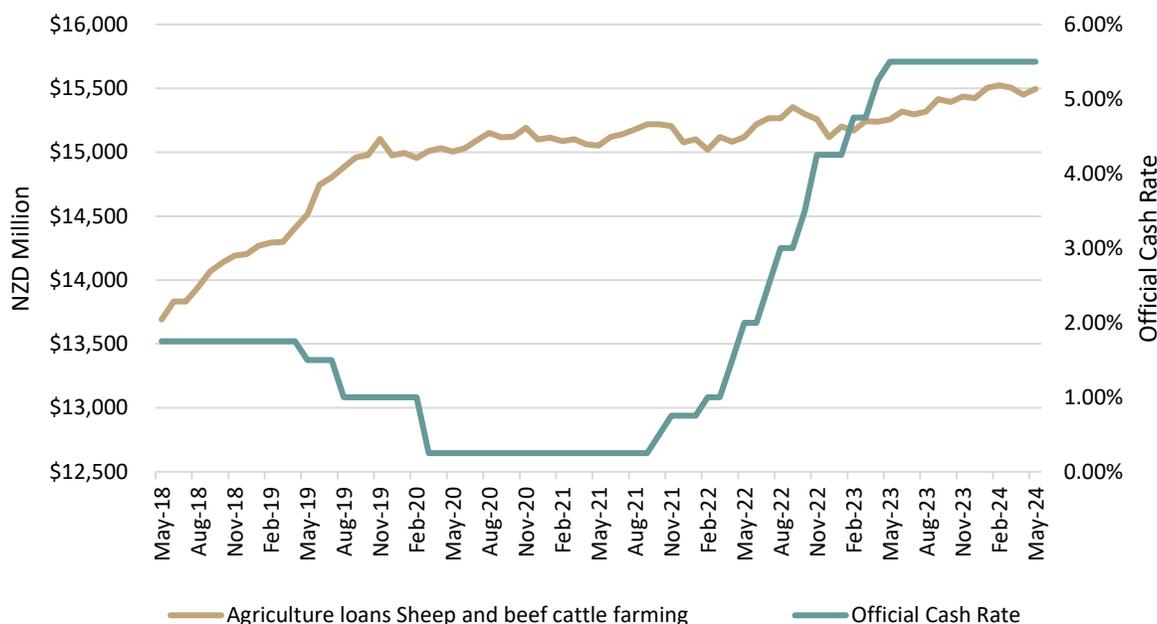
Source: BakerAg

The low farm profitability has brought about a typical response from farmers by reducing fertilizer. As reported by Statistics NZ, fertilizer use was 22 percent less nationally in MY 2023 compared to 2022 and is expected to continue into the current MY. This reduction will likely impact pastoral farming productivity in the medium to long-term. In addition, low farm profitability is causing delays in repairs and maintenance, capital improvements, and innovation, which as commented by the industry is forcing farm operations to take on more debt.

--Industry Debt:

In the previous semi-annual livestock report by FAS/Wellington, Post noted that servicing debt would be the largest non-climatic challenge for the industry in the coming season. Industry feedback is that this continues to be the case as debt has continued to rise in the sheep and beef sector over the last 6-months to the highest levels ever experienced (Figure 5). The New Zealand Reserve Bank (RBNZ) sets the nation’s commercial bank interest rates and Official Cash Rate (OCR), similar to the federal fund rate in the United States.

Figure 5: Sheep and Beef Farming Debt and Interest Rates



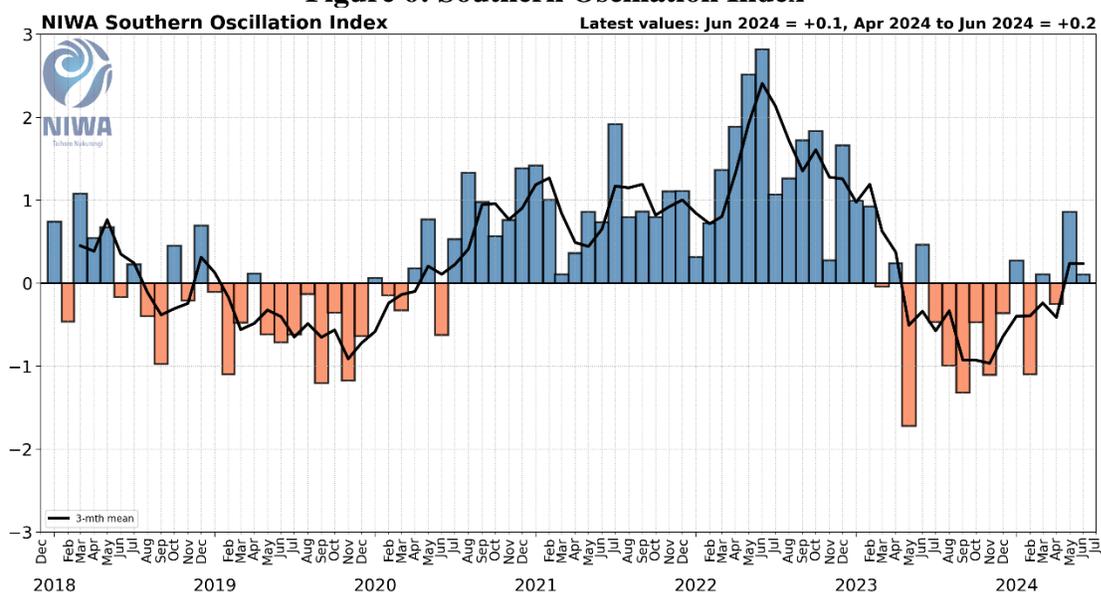
Source: Reserve Bank of New Zealand

Currently, the RBNZ reports that loans to Sheep and Beef farmers have increased to NZ\$15.5 billion (US\$9.61 billion). Industry feedback is in many scenarios: this increase results from low farm profits and the need to invest in repairs and maintenance or cover operating costs. Of these loans, 54 percent are interest only, 30 percent is revolving credit, and the remaining amount is principal and interest. This situation has exacerbated the pressure on the sector as debt increases and interest rates stay high; debt repayments remain a priority over capital investments.

--Warmer Winter Leading to Favourable Pasture Production

The New Zealand National Institute of Water and Atmospheric Research (NIWA) uses the Southern Oscillation Index (SOI) to quantify pressure differences in the atmosphere to determine El Niño or La Niña conditions and forecasts. This is important to New Zealand agriculture as different regions can be dramatically affected depending on present conditions. Figure 6 shows the most recent SOI trends, where values below -1.0 correspond to El Niño conditions throughout 3 months or more, while values above 1.0 correspond to La Niña conditions. Displaying that New Zealand has just experienced a year of El Niño and is trending back towards a La Niña weather pattern. In the three years prior to the outgoing year, La Niña conditions resulted in dry conditions in the country’s southern parts and wet conditions in the north and eastern areas. These forecasted La Niña conditions typically result in favorable pasture growth for cattle production in the North Island where a majority of the national herd is located, resulting in higher carcass weights.

Figure 6: Southern Oscillation Index



Source: National Institute of Water and Atmospheric Research (NIWA)

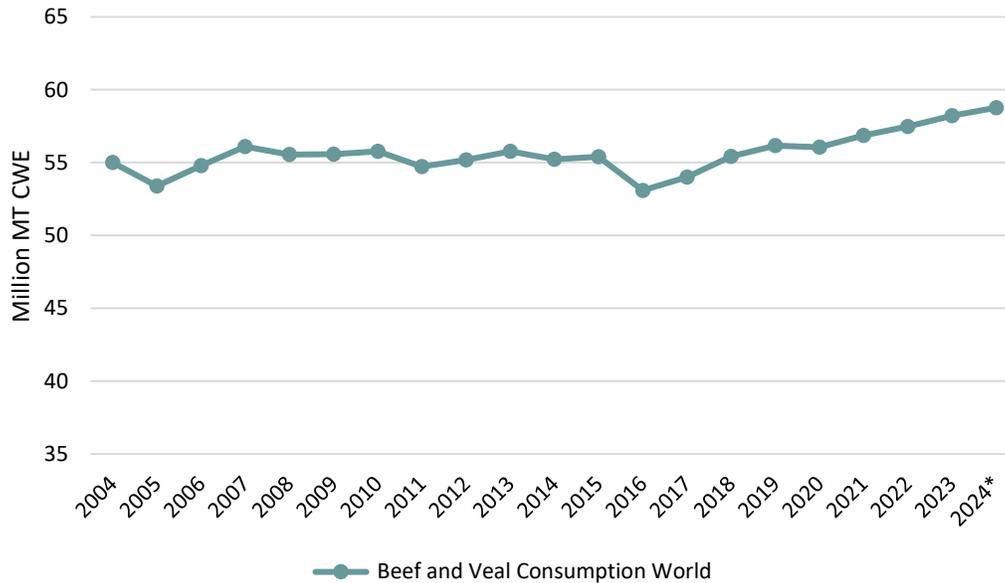
Cattle Slaughter

2025

FAS/Wellington forecasts slaughter numbers for 2025 MY to total 4.645 million head, which is just a 5,000 head increase on the current forecast for the outgoing 2024 MY. Factors causing this increase in slaughter numbers are because of the following:

- Changes to the dairy industry's approach to the retention of non-replacement calves on farms. This results in more slaughter of more heifers and steers as calves historically regarded as wastage are now being finished at a mature weight. Therefore, FAS/Wellington maintains the number of other cattle (heifers, steers, and bulls) slaughtered, despite a decrease in cow slaughter numbers. This retention strategy of calves changes the national pastoral livestock farming herd. New Zealand has a history of being heavily sheep-centric, to now, where the sheep and deer herds are decreasing at a rate more than twice that of the cattle herd. As a result, this species mix contributes to a higher average carcass weight with more prioritized feeding.
- USDA data shows a growing global demand for beef and veal at 0.3 percent per year (see Figure 6). As the world's sixth largest beef and veal exporter to the world, FAS/Wellington attributes this to the increase in slaughter numbers year-on-year. As a result, the beef cow number has stabilized according to MPI forecast, where in previous years it had been in decline year-on-year.

Figure 6: World Beef and Veal Consumption



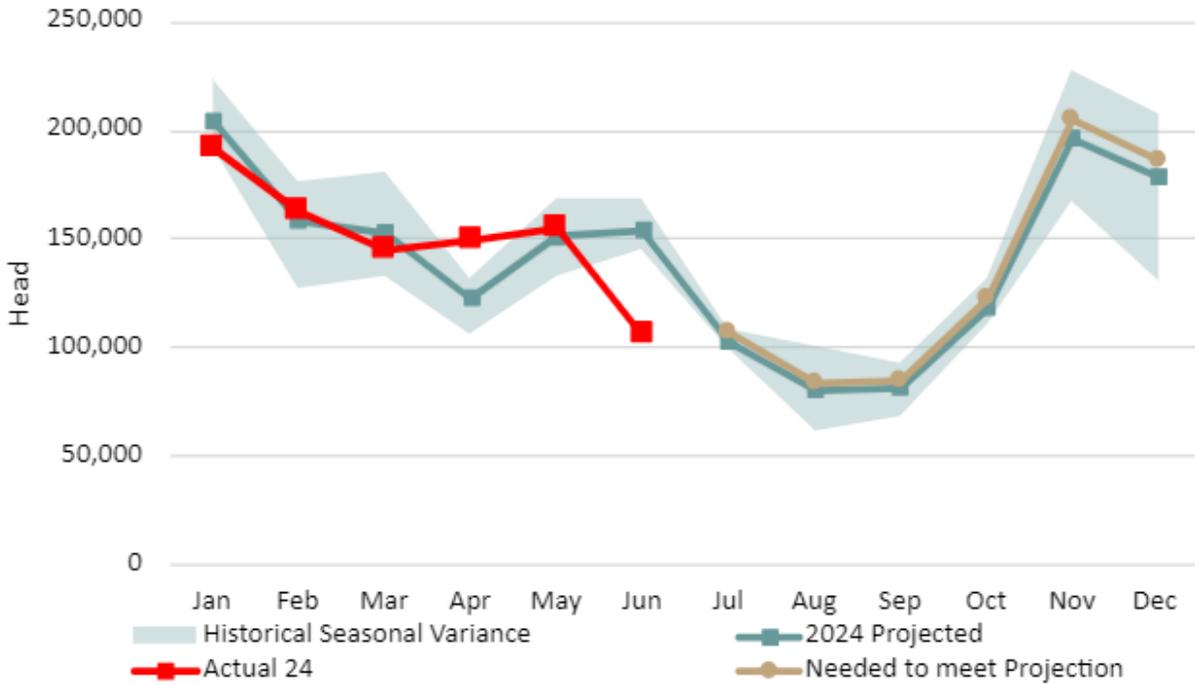
Source: USDA - Products, Supply and Distribution (PSD), *FAS Forecast

- The easing of government restrictions, already mentioned in this report with the change of government is predicted to have a slowing effect on what was a rapidly decreasing trend to the overall herd numbers. Especially with the regards to the rules associated with winter grazing and stock exclusion, making beef operations more feasible in marginal and extensive grazing areas which were being forecasted into forestry.

2024

FAS/Wellington maintains its forecast of a slaughter of 4.64 million head with the USDA Official for the 2024 MY. This is 71,000 head less than the year prior (1.5 percent less). After the first 6 months of the 2024 MY slaughter numbers are tracking 2.5 percent ahead of the same time last year, on track with the USDA official. In June, other kill fell below numbers experienced in the last 6 years. The commentary from the industry was that the procurement of cattle over June was challenging as a result of the recent upsurge in cattle prices, with farmers holding onto more finishing stock as prices climbed, primarily bulls (see Figure 7). FAS/Wellington remains optimistic that slaughter rates will meet forecasts over the remaining 6 months. Historically, ~64 percent of the total cattle slaughter occurs in the second half of the MY, primarily due to the high dairy calf slaughter in the spring.

Figure 7: New Zealand Monthly Other Slaughter



Source: Statistics NZ, FAS/Wellington

Cattle Exports

As mentioned in the report, the new incoming government has signaled an intention to reverse the ban on live export by vessel, which came into effect on April 30, 2023. The ban was following the tragic sinking of a live cattle export vessel bound for China from New Zealand in July 2021.

FAS/Wellington forecasts no cattle exports from New Zealand in MY 2024 or 2025.

Beef Production

Table 2: Production, Supply and Distribution – Meat, Beef and Veal

Meat, Beef and Veal Market Year Begins New Zealand	2023		2024		2025	
	Jan 2023		Jan 2024		Jan 2025	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference) (1000 HEAD)	4711	4711	4640	4640	0	4645
Beginning Stocks (1000 MT CWE)	0	0	0	0	0	0
Production (1000 MT CWE)	748	748	760	750	0	760
Total Imports (1000 MT CWE)	12	12	12	12	0	12
Total Supply (1000 MT CWE)	760	760	772	762	0	772
Total Exports (1000 MT CWE)	686	686	700	690	0	700
Human Dom. Consumption (1000 MT CWE)	74	74	72	72	0	72
Other Use, Losses (1000 MT CWE)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT CWE)	74	74	72	72	0	72
Ending Stocks (1000 MT CWE)	0	0	0	0	0	0
Total Distribution (1000 MT CWE)	760	760	772	762	0	772

(1000 HEAD) ,(1000 MT CWE)

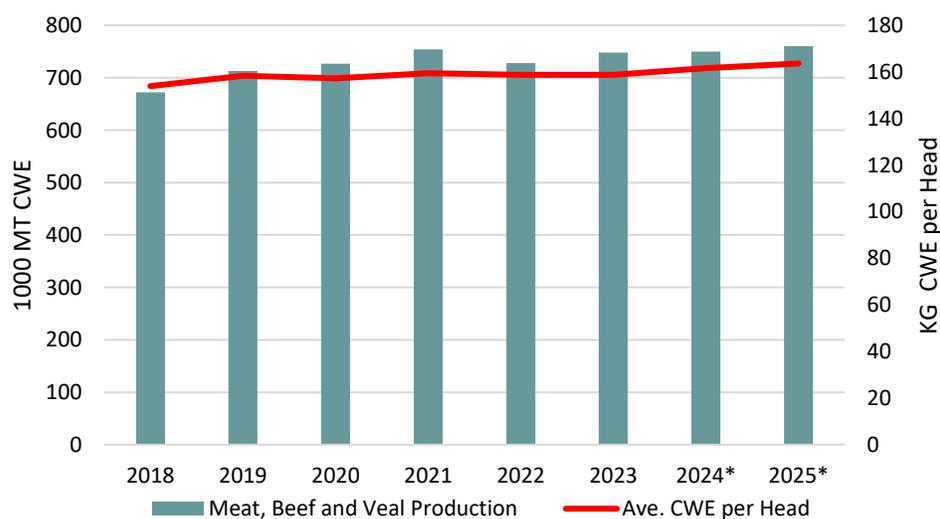
OFFICIAL DATA CAN BE ACCESSED AT: [PSD Online Advanced Query](#)

Note: Not official USDA data

2025

FAS/Wellington forecasts production for 2025 MY to increase by 1.3 percent to 760,000 metric tons (MT) carcass weight equivalent (CWE) relative to the revised 2024 MY estimate of 750,000 MT CWE. In the most recent seasonal outlook from MPI, forecasts are that prime beef from steers and heifers in the first half of 2025 MY are expected to be up on carcass weight. If the forecast is realized, it would be the highest annual production on record. The average carcass weight of animals slaughtered each year is increasing by almost 1 percent per year (see Figure 8). This results from productivity improvements in the national herd, as well as the changing composition of the national livestock herd species to more cattle over sheep and deer.

Figure 8: Average Carcass Weight and Production Trend

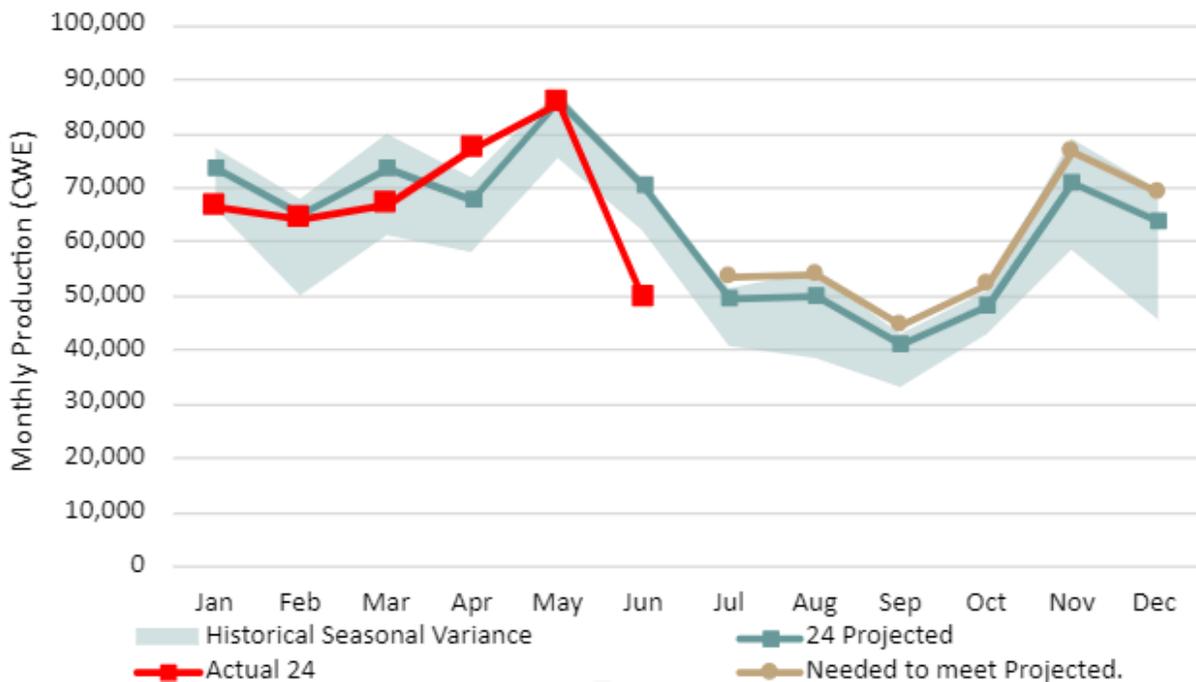


Source: USDA - Products, Supply and Distribution (PSD), *FAS Forecast

2024

FAS/Wellington revises its forecast down 10,000 MT CWE from the USDA Official to 750,000 MT CWE for the 2024 MY. In the first half of the MY, beef production is 410,292 MT CWE, almost two percent behind in the same period of the previous year. Historically, nearly 60 percent of the beef volumes slaughtered occur in the first half of the MY in New Zealand. This is due to the cow kill following weaning in the beef herd and drying off of dairy cattle in the fall. Feedback from processors is that they expect a normal slaughter for the remaining second half of the MY. However, processors experienced a very slow June. As already discussed in cattle numbers, the procuring of cattle over June was challenging because of the recent upsurge in cattle prices, with farmers holding onto more finishing stock as prices climbed (see Figure 9).

Figure 9: National Monthly Beef Production 2024



Source: Statistics NZ, FAS/Wellington

Domestic Consumption

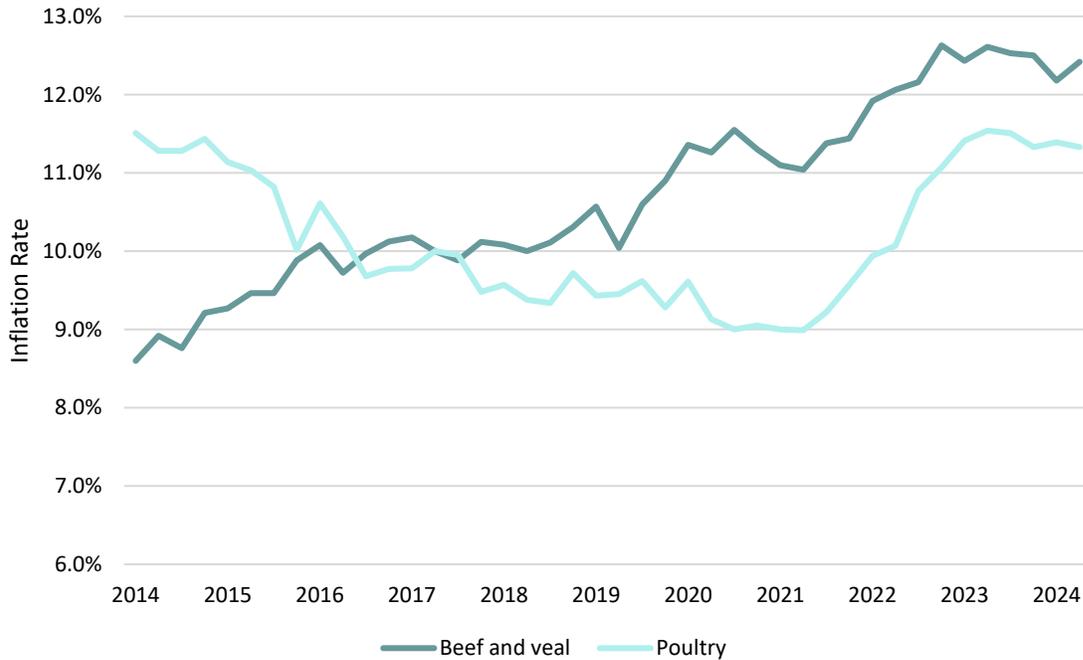
2025

FAS/Wellington forecasts Domestic consumption for 2025 MY to be consistent with the outgoing year at 72,000 MT CWE. With the continued high official cash rate and inflationary pressure on households continuing, discretionary spending remains low. In New Zealand beef is not the most consumed source of protein (~22 percent), as in recent years' consumer's preference has been shifting to chicken (~33 percent). In addition to producers putting more focus on international markets, where domestic consumption was almost 20 percent of total production a decade ago, now only represents 9.5 percent of production.

2024

FAS/Wellington maintains the USDA Official at 72,000 MT CWE. With the already highlighted fiscal challenges on domestic households brought on by food inflation (see Figure 10). Historically, consumer preference changes on meat types when inflation is high and as a result discretionary spending is low.

Figure 10: Domestic Inflation on Beef and Poultry Prices



Source: Statistics NZ

Trade

Beef Exports

2025

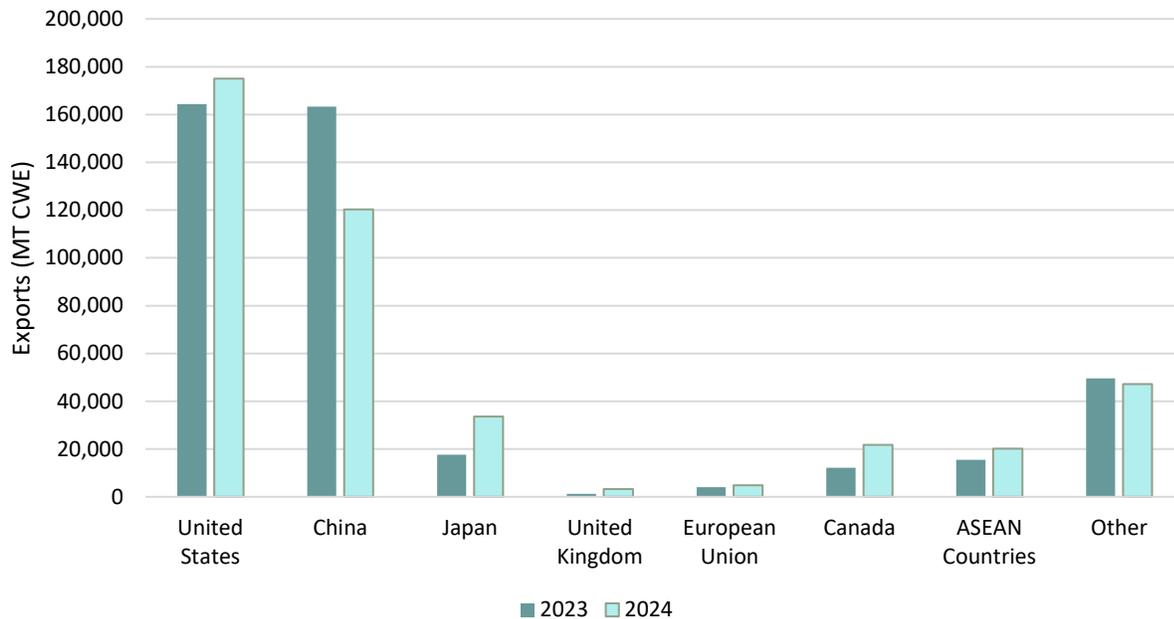
FAS/Wellington forecasts exports for 2025 MY to 700,000 MT CWE, up 10,000 MT CWE from the outgoing MY revised. If the forecast is realized, it would be the highest volume for New Zealand beef and veal exports in a year. MPI supports this situation and is expected to be driven by continued higher imported beef demand in the United States as well as an improvement in economic activity and consumer confidence in other key markets such as China. Beef exports to the United Kingdom (UK) and European Union (EU) are forecast to continue to increase due to increasing duty-free access under the NZ-UK Free Trade Agreement.

As forecasted in the August 2024 USDA World Agricultural Supply and Demand Estimate (WASDE), U.S. beef imports are projected to increase in the 2025 MY compared to the previous year by almost 1 percent. In the outgoing MY New Zealand is currently the fourth largest exporter to the U.S. for beef and veal products. As a result, the industry is optimistic regarding global export demand in MY 2025.

2024

FAS/Wellington has revised down its forecast for beef and veal exports in 2024 MY from the USDA Official to 690,000 MT CWE. This still represents the largest volume of beef and veal exported in a single year for New Zealand. The revised forecast is due to the slightly lower than anticipated beef production in the first half of the MY. In addition, exports in May and June being less than anticipated, primarily due to a decrease in demand from China for New Zealand beef (see Figure 11).

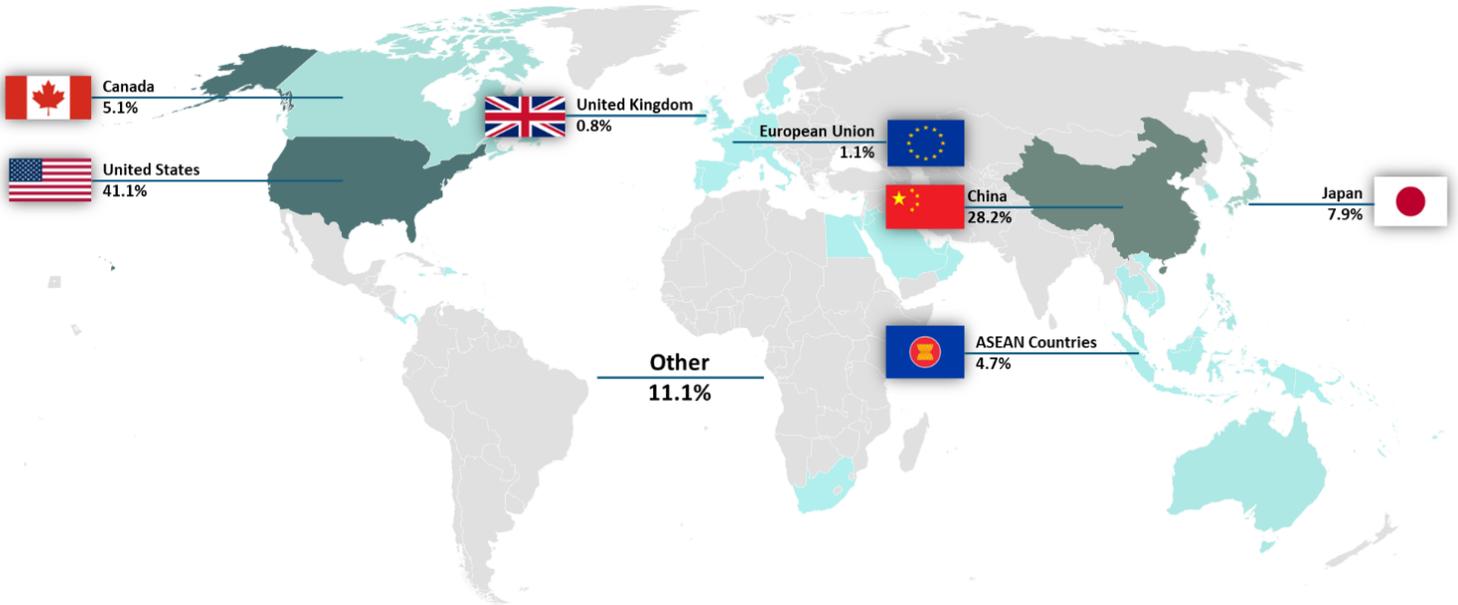
Figure 11: Beef Export Volumes by Country January to July 2023/24



Source: Trade Data Monitor LLC

In the first seven months of the 2024 MY, export volumes to China are down 26 percent year-on-year (less 42,946 MT CWE). This has had a substantial impact, as China, in 2023, was the largest customer by volume (37 percent of total volume). Feedback from the industry is that this reduction is a result of economic challenges resulting in Chinese markets sourcing cheaper beef and veal products from South America. Alternatively, New Zealand exporters in the first seven months of 2024 MY have seen growth in markets in the United States (6 percent or 10,708 MT CWE increase), Japan, Canada, and ASEAN countries. This changes the proportion of New Zealand's global beef and veal customers year-to-date, from previous years (see Figure 12).

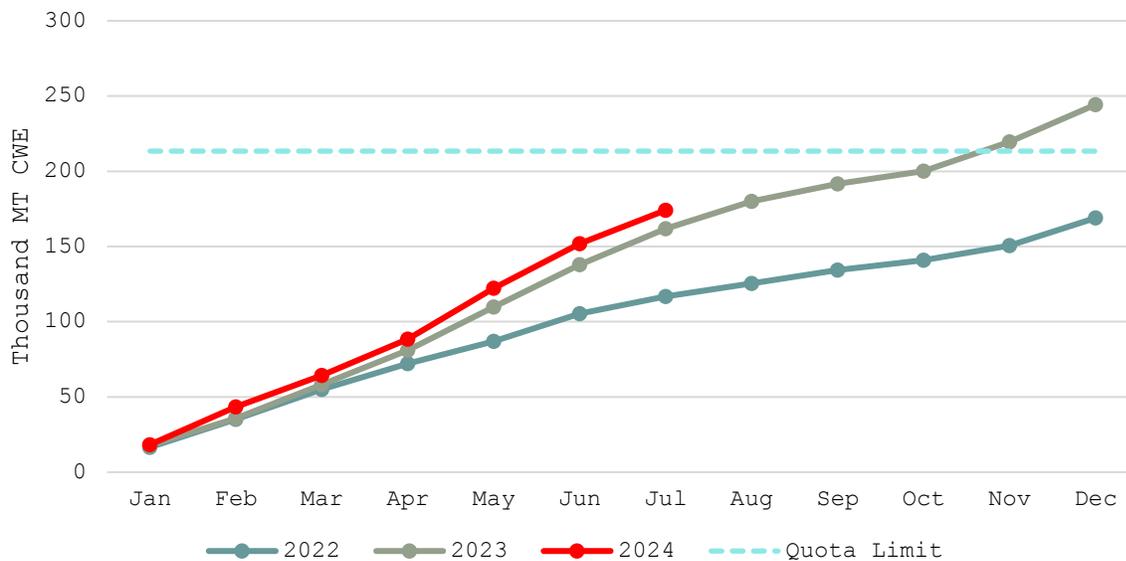
Figure 12: Beef & Veal Export Volumes January to July 2024



Source: Trade Data Monitor LLC

New Zealand has had a trade quota on volume with the United States of 213,402 MT CWE on meat, excluding offal, since amended in 2006. The Quota Year runs from January 1 to December 31. As seen in Figure 13, the current MY has seen increased volumes exported in the past seven months and is on track to reach the quota limit much faster than the previous two MY.

Figure 13: Monthly Tracking of Beef Export to United States



Source: Trade Data Monitor LLC

Free Trade Agreements – European Union

New Zealand's free trade agreement with the European Union ([NZ-EU FTA](#)) entered into force on May 1, 2024. For beef products, this would start with a duty-free quota of 12,000 MT CWE on entry, growing to 38,820 MT CWE in equal annual instalments.

Recent focus by industry has been directed at beef and veal exports to the EU, which face a significant challenge with the introduction of the European Union Deforestation-free Supply Chain Regulations (EUDR), which will start on 31 December 2024. These regulations will apply to beef and leather products, requiring exporters to the EU to demonstrate that their products are sourced from deforestation-free supply chains. New Zealand exporters must provide evidence that products from cattle are not linked to land deforested after 2020, spanning the entire lifespan of the animals. Although the EUDR aims to target at-risk exporting countries where deforestation occurs to expand cattle grazing, New Zealand faces a different issue, namely afforestation rather than deforestation. Nonetheless, the broad scope of the EUDR regulations impacts New Zealand exporters.

Beef Imports

New Zealand imports a relatively small amount of beef, almost entirely from Australia. FAS/Wellington forecasts 2025 imports at 12,000 MT CWE, the same as 2024 volumes.

Attachments:

No Attachments