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Report Highlights:

Following a gradual decline in the national cattle herd over the previous years, breeding cow numbers for beef and dairy are looking to stabilize in 2024. At the end of 2023, a new national coalition government was elected. Prior to the election, the main parties advocated policies to reduce the restrictive pressures on farming operations and push back the pricing of agricultural emissions to 2030. The financial strain on farmers creates the most significant non-climatic challenge in the upcoming year. The livestock sector faces challenges - the narrowing or loss of margins caused by high on-farm inflation, reduced cash flow, and servicing of debt with rising interest rates. FAS/Wellington forecast 2024 beef and veal production will slightly exceed the previous year. The 2023 Market Year closed with New Zealand exporting more beef and veal in one year than ever before, with the second-largest year for production since 2021.

Executive Summary:

Following a gradual decline in the national cattle herd over the previous years, breeding cow numbers for beef and dairy are looking to stabilize in 2024. The primary contributors to the decline in prior years have been government policies associated with waterway exclusions, winter grazing restrictions, and the mitigation of leaching from nitrogen fertilizers. There have been many of concerns from the industry following the announcement of the New Zealand Government's intent to price agricultural emissions by 2025. At the end of 2023, a new national coalition government was elected. Prior to the election the main parties advocated policies to reduce the restrictive pressures on farming operations while pushing back the pricing of agricultural emissions to 2030. As a result, the industry waits for the new government to implement its approach to the primary sector.

The financial strain on farmers creates the largest non-climatic challenge in the upcoming year. With the narrowing or loss of margins caused by:

- High on-farm inflation for agricultural inputs,
- Reduced cash flow from low commodity prices,
- Servicing of debt with rising interest rates.

As a result, due to the lower profitability industry debt reduction is unlikely, and farmers will be investing less in land use improvement. On-farm innovation is forecasted to dramatically slow or stagnate after meeting other financial obligations.

FAS/Wellington forecasts that 2024 beef and veal production will slightly exceed the previous year. This situation results from the increasing calf slaughter following the nation's largest dairy company changing its terms of supply, where all calves produced on farms must enter a value stream. In addition, the slaughter of heifers, steers, and bulls is likely to increase from 2023, as supply chains and processing are functioning well as the year begins.

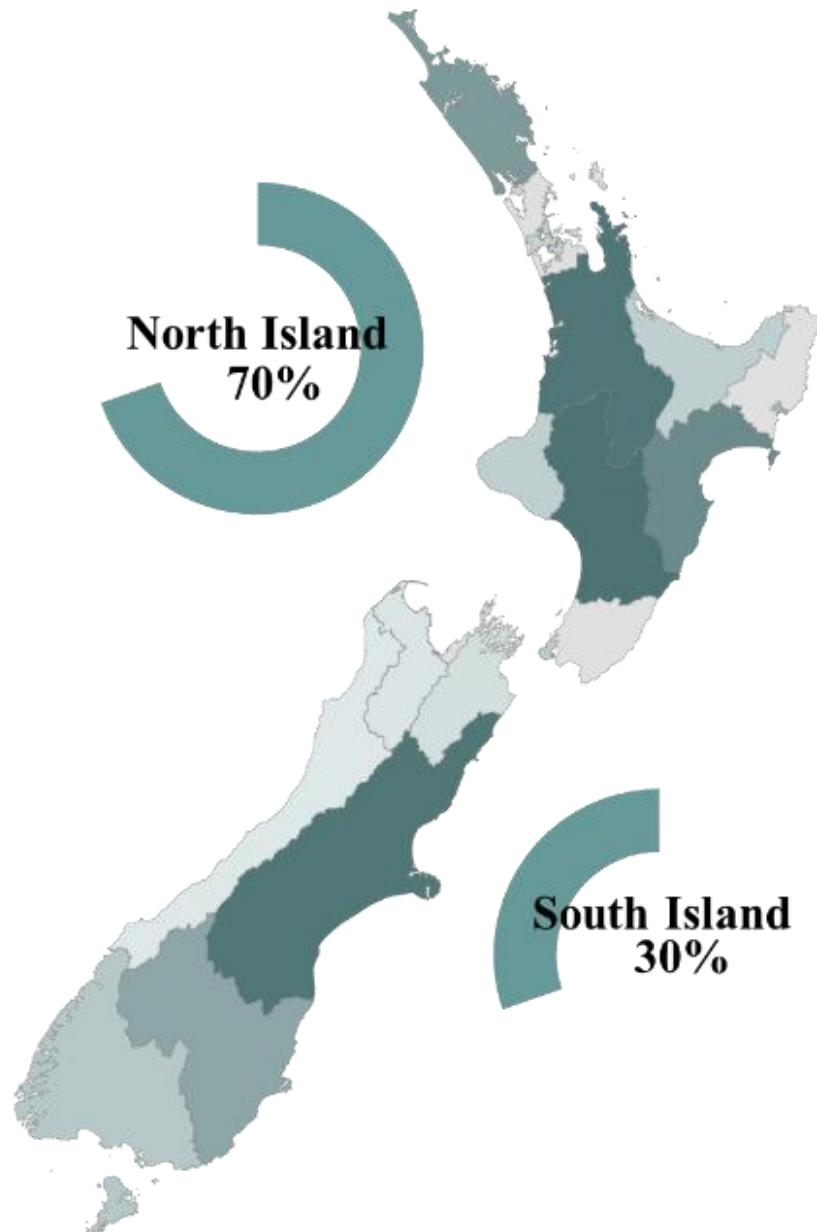
The 2023 Market Year was closed, with New Zealand exporting more beef and veal in one year than ever before, with the second-largest year for production since 2021. This situation occurred despite the challenging start to the year brought on by two cyclone events impacting farming regions and severing some supply chains for processing.

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\$ 0.61.

Background

New Zealand is a major beef producer and exporter and typically is the sixth largest in the world. 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 essentially 100 percent of the calves slaughtered) have their origin in the dairy industry. Many of the animals explicitly raised for beef are dairy breeds or crosses.

Figure 1: Beef Cattle Distribution by Region



Source: StatisticsNZ, FAS/Wellington

With New Zealand’s temperate climate, beef cattle production is almost entirely from pastoral grazing, with only one major feedlot located in Canterbury. As a result, the vast majority of exports are grass-fed beef. Because the beef industry is pasture-based, and the dairy industry has a massive contribution to beef production (for example, culled dairy cows), the result is that slaughter, beef production, and beef 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

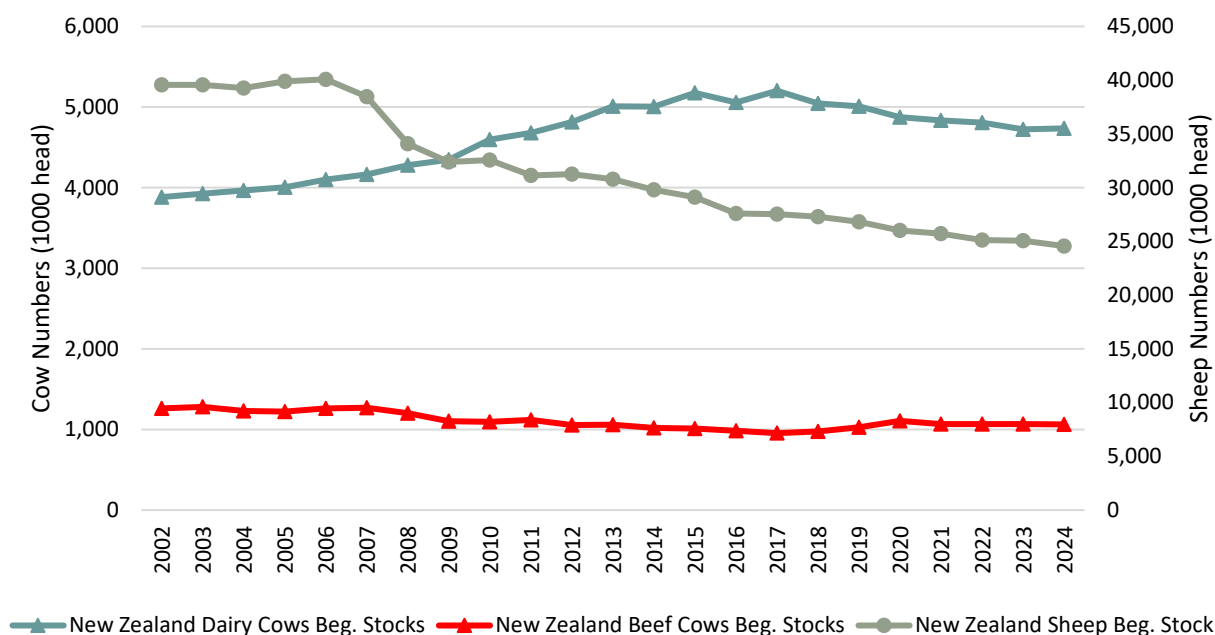
Table 1: Production, Supply and Distribution – Cattle Numbers

Animal Numbers, Cattle Market Year Begins New Zealand	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks (1000 HEAD)	10150	10150	9965	9965	9775	9800
Dairy Cows Beg. Stocks (1000 HEAD)	4805	4805	4725	4725	4710	4710
Beef Cows Beg. Stocks (1000 HEAD)	1067	1067	1065	1065	1065	1065
Production (Calf Crop) (1000 HEAD)	5159	5159	5120	5120	5100	5100
Total Imports (1000 HEAD)	0	0	0	0	0	0
Total Supply (1000 HEAD)	15309	15309	15085	15085	14875	14900
Total Exports (1000 HEAD)	138	138	30	29	15	0
Cow Slaughter (1000 HEAD)	980	980	1000	980	970	970
Calf Slaughter (1000 HEAD)	1875	1875	1875	1970	1900	1970
Other Slaughter (1000 HEAD)	1737	1737	1840	1738	1810	1800
Total Slaughter (1000 HEAD)	4592	4592	4715	4688	4680	4740
Loss and Residual (1000 HEAD)	614	614	565	568	580	460
Ending Inventories (1000 HEAD)	9965	9965	9775	9800	9600	9700
Total Distribution (1000 HEAD)	15309	15309	15085	15085	14875	14900
(1000 HEAD)						

Note: Not official USDA data

FAS/Wellington forecasts cattle numbers to open the 2024 Market Year (MY) at 9.8 million, ahead of the previous USDA Official. This is due to a lower adult cattle slaughter in the 2023 MY. The national breeding cow herd numbers for beef and dairy breeds are stabilizing. It has been declining in recent years, since peak numbers in 2016. The national sheep herd continues to decline at 1.7 percent per year (Figure 2). This decline has resulted from government policy leading to reducing or removing stock from particular land classes, predominantly more marginal land parcels.

Figure 2: New Zealand Stock Numbers



Source: USDA - Products, Supply and Distribution (PSD) & StatisticsNZ,

FAS/Wellington highlights the key factors to impact cattle numbers in the upcoming MY include:

Change in Government:

Following the general election on October 14, 2023, the national government changed. The new three-party coalition government entered office on November 27, 2023. In the lead up to election, the main parties openly stated that their objective would be to look after farmers and remove the ‘red tape’ impacting operations. As the coalition government formed, they highlighted the following agriculture-specific objectives, which would directly change key factors highlighted in previous FAS/Wellington reports, these policies are:

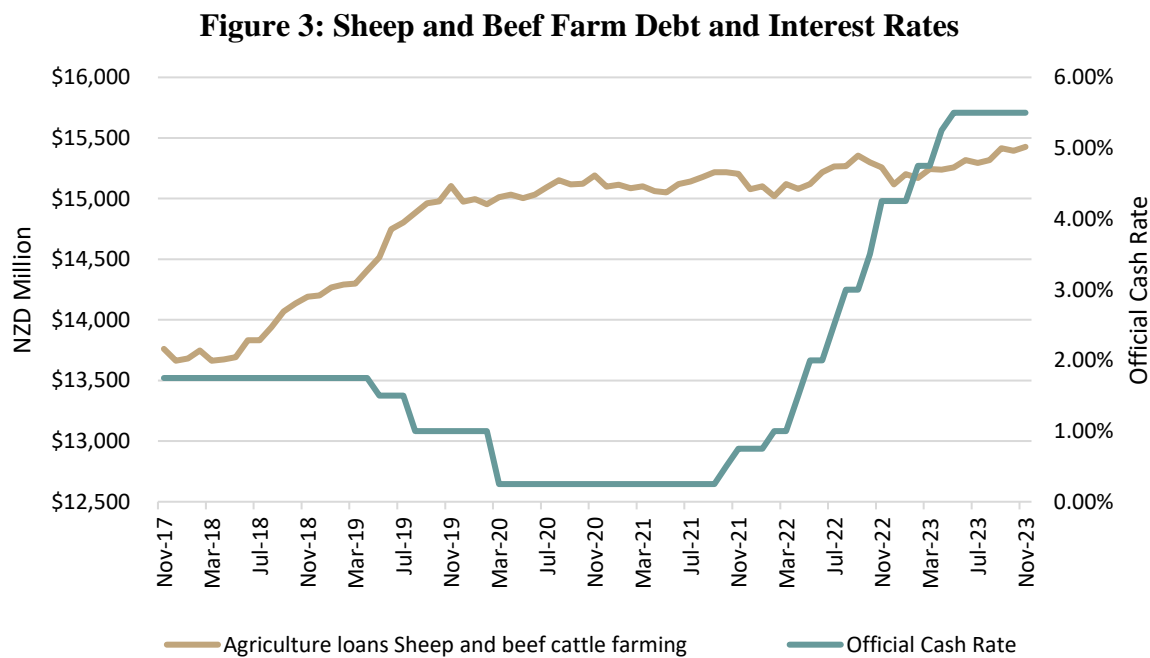
- Agriculture Emissions Pricing: On [October 11, 2022](#), New Zealand Prime Minister during this time - Jacinda Ardern - announced the government [consultation document](#) to establish a farm-level, split-gas levy to price agricultural greenhouse gas emissions. The completed modeling showed that this proposal should meet the government’s Zero Carbon Act 2030 methane reduction target. This government had planned to have farm-level pricing in place by the last quarter of 2025. When the government released the proposal, it estimated that its implementation would result in a decrease of 20 percent in national livestock production. If implemented, it would devastate rural communities and local economies. The new government agreed to maintain a split-gas approach to methane and carbon dioxide. However, push back the implementation of the farm-level pricing to 2030. The latter would allow more time to

commercialize new technologies and create ways to enable farmers and landowners to offset sequestration against their on-farm emissions.

- **National Policy Statement for Freshwater Management 2020 (NPSFM):** This statement sets out the objectives and policies for freshwater management under the Resource Management Act 1991, coming into effect on September 3, 2020. These regulations aim to mitigate the risk of sediment loss, phosphate runoff, nitrogen leaching, and E. coli. By 2025, under the Act, the government will exclude cattle from permanent and temporary waterways. The new government has agreed to replace the NPSFM to allow regional councils more flexibility in meeting environmental limits. In addition to the more flexible approach, there is an intention to support the implementation of more cost-effective Farm Environment Plans (FEP) administered by regional councils.

Industry Debt:

In the previous livestock annual from FAS/Wellington, post noted that servicing debt would be the largest non-climatic challenge for the industry in the next 18 months. Industry feedback has been that with the rise in on-farm inflation, interest rates, industry debt and reduced revenue, the availability of capital to fund debt servicing costs alone is proving a challenge for the year ahead. The Reserve Bank of New Zealand (RBNZ) is currently reporting that loans to Sheep and Beef farmers have increased to NZ\$15.4 billion (US\$9.4 billion) (see Figure 3). Of these, 54 percent is classed as interest only, 30 percent is revolving credit, and the remaining amount is principal and interest. This situation has exacerbated the pressure on the sector.

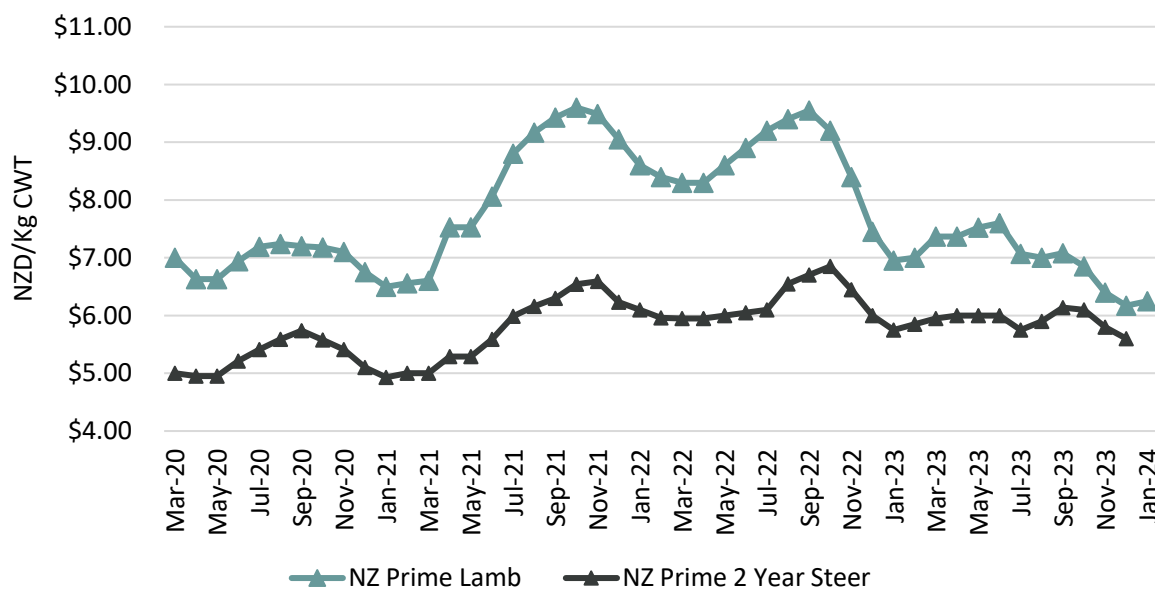


Source: Reserve Bank of New Zealand

On-Farm Cashflow:

Industry organization: Beef+Lamb NZ (BLNZ) forecasts that Farm Profit Before Tax in the upcoming year will decrease by 31 percent on average. Beef cattle in New Zealand are predominantly farmed in conjunction with sheep as the seasonal timing of operations complement each other. As a result, operational cash flow is influenced by the commodity price of both species. Displayed in Figure 4 is the average slaughter price of prime lamb per kg carcass weight equivalent (CWE) compared to prime 2-year Steer price. The figure also shows that prime lamb prices in December dipped to the lowest in over 4 years at NZ\$6.15 kg CWE (US\$3.75 kg CWE), 17 percent less than in December the previous year. Comment from the industry is that this lamb price decrease is a result of in the first 11 months of 2023. During the period, Australian sheep meat exports were ~7 percent higher in volume on the previous MY.

Figure 4: New Zealand Farm Gate Price (\$NZ/Kg)



Source: BakerAg

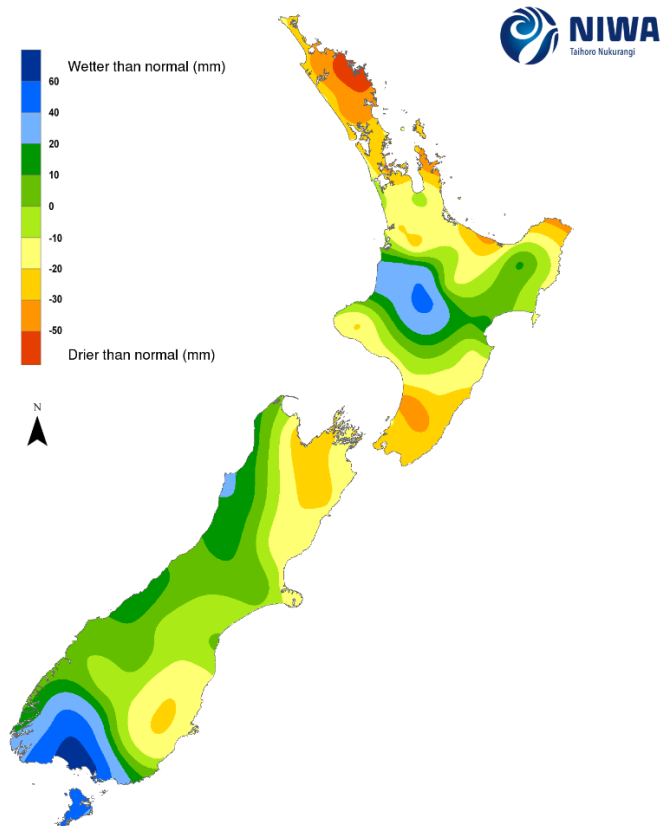
FAS/Wellington estimate that the difference in the prime lamb price has had a revenue impact for livestock farmers in 2023 of over NZ\$600 million (US\$366 million), less 17 percent compared to 2022. At a time of increased on-farm inflation and interest rates, this is proving to be a substantial challenge to the industry. As a result, due to the lower profitability and cash flow, debt reduction is unlikely, and farmers will be investing less in land use improvement. On-farm innovation is forecasted to dramatically slow or stagnate after meeting other financial obligations.

Impacts of the El Niño Weather Pattern:

At the writing of this report, the full effects of the forecasted El Niño is just starting. In this weather pattern, New Zealand typically tends to experience stronger or more frequent winds from the west in summer, which can encourage dryness in eastern areas and more rain in the west. Regional feedback from farmers begins to open over the summer months, between those districts that are getting some rain

and those that are not (see Figure 5). The Waikato across the Bay of Plenty, East Coast, and northern Hawke’s Bay, have been experiencing moisture. Meanwhile, the south of the North Island has not had significant rain since before Christmas, and the high temperatures have slowed pasture growth. The east coast of the South Island and Central Otago are in similar positions, although many farming operations in these regions do utilize on farm irrigation over summer. With the majority of the summer moisture located in regions containing most of the beef herd, this will result in cattle slaughter due to higher weight gains this season. Therefore, it increases competition in beef pricing.

Figure 5: Soil Moisture February 15, 2024



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

Cattle Slaughter

2024

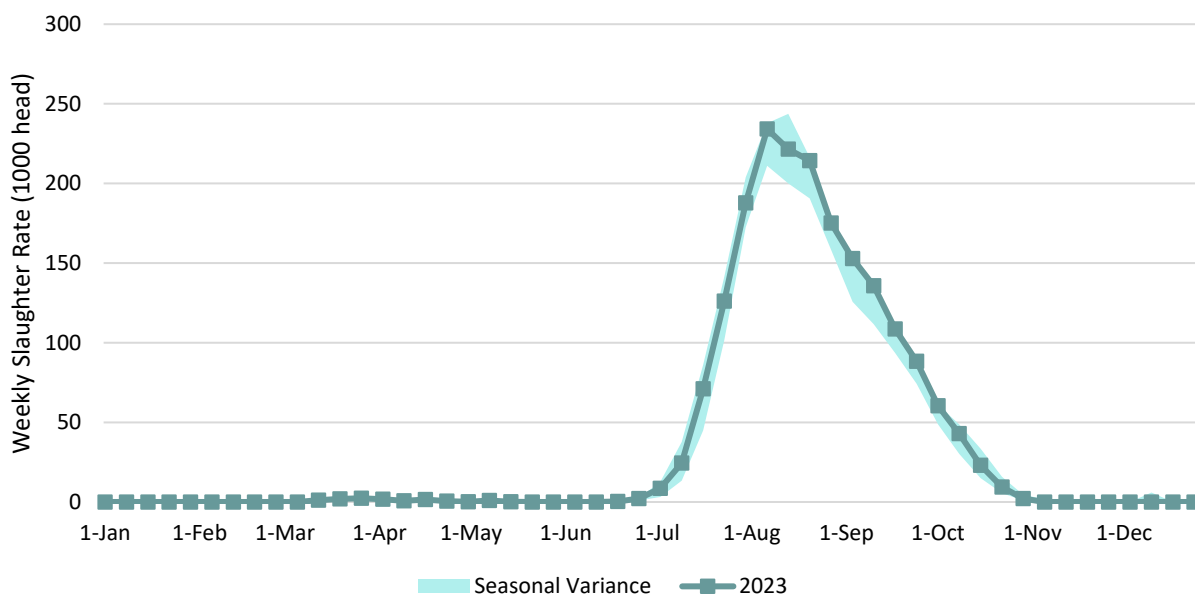
FAS/Wellington has revised the total slaughter estimate up 60,000 to 4.74 million head from the USDA Official. This situation reflects the increase in calf kill to be similar to the outgoing finalized 2023 MY. The increase in calf kill for New Zealand is a result of the nation’s largest dairy company changing its terms of supply, implementing these requirements in 2023. These terms now require calves of farmers supplying milk to this processor only to be euthanized on-farm for humane reasons. In addition, all of these farms must ensure all non-replacement calves enter a value stream - either to be grown out for beef, slaughtered for calf veal, or pet food.

FAS/Wellington has also reduced the forecast for other slaughter by 10,000 head to 1.8 million head from the USDA Official. This revision would be the highest number of annual slaughters for steers, heifers, and bulls. This situation is anticipated as more dairy-beef cattle have grown out following the recent changes to calf retention. Post does not estimate any changes to the cow slaughter forecast.

2023

At the conclusion of the MY, FAS/Wellington finalized total slaughter to be 27,000 head less than the USDA Official at ~4.69 million head of cattle. Of the animal classes slaughtered, cow slaughter was finalized at 981,144 head, almost consistent with the previous MY. In the 2023 New Zealand Livestock and Products Annual, Post discussed that calf slaughter in 2023 would be affected by the change in the terms of supply by the nation’s largest milk processor. Calf slaughter has been finalized at 1.97 million head, over a 5 percent increase in 2022 MY (Figure 6).

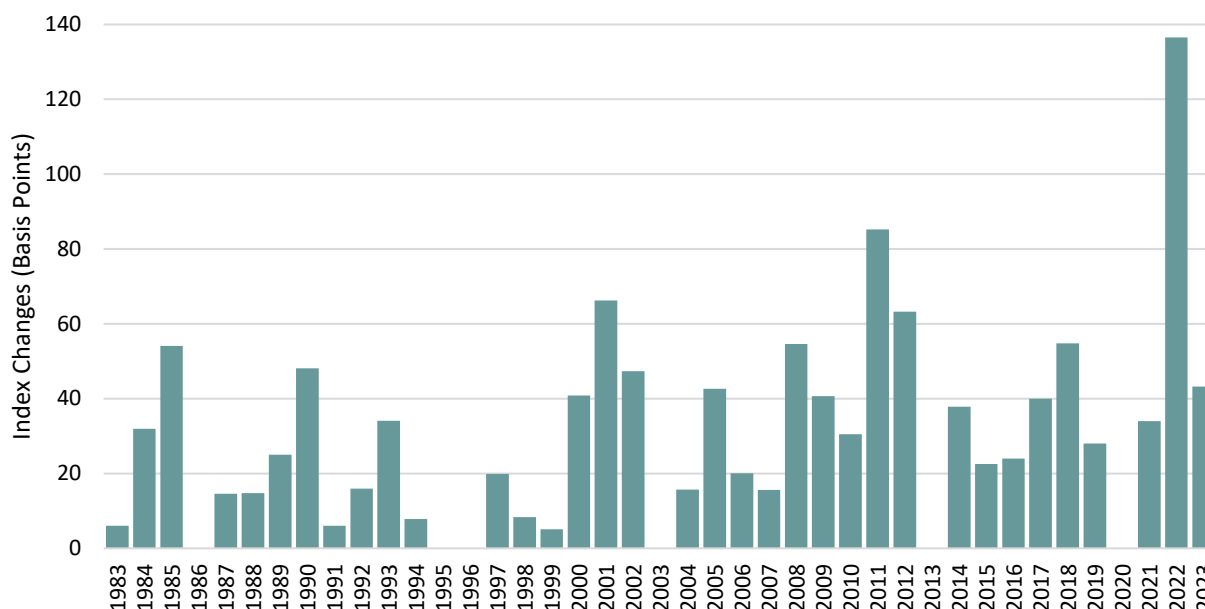
Figure 6: Weekly Calf Slaughter Numbers



Source: New Zealand Meat Board

In addition, the impacts of the on-farm inflation were forecasted to impact the slaughter rates of cows, heifers, steers, and bulls. Historically, in New Zealand, in years of high on-farm inflation, more livestock is retained on farm (Figure 7). Although on-farm inflation is still up in the 2023 MY, livestock slaughter rates (excluding calves) have improved since the retention of adult cattle seen in 2022.

Figure 7: Years of Increased On-Farm Inflation in New Zealand



Source: StatisticsNZ

Cattle Exports

2024

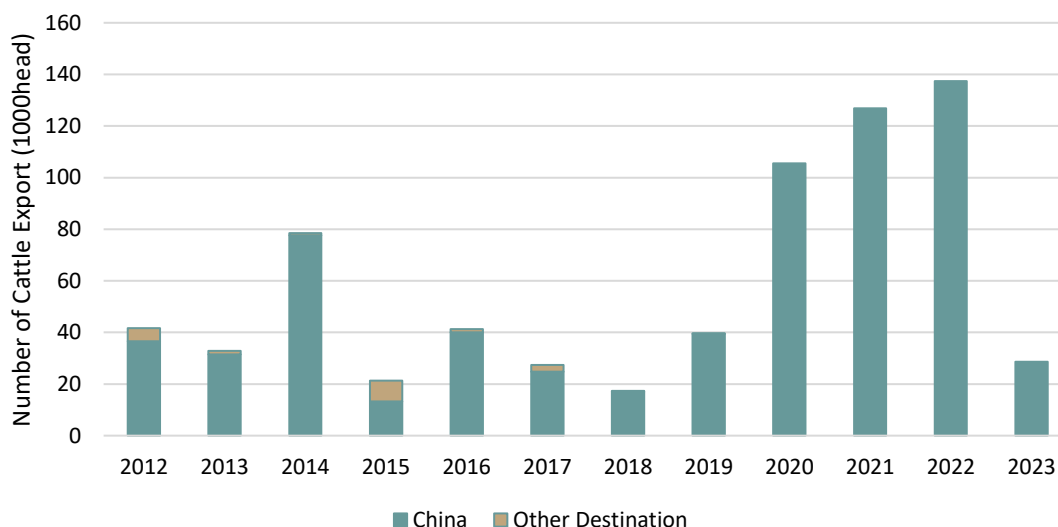
FAS/Wellington maintains the USDA official estimate that no live cattle export will take place. New Zealand’s Ministry for Primary Industries (MPI) announced in July 2021 that all livestock exports by sea would cease on April 30, 2023. This decision followed the sinking of Gulf Livestock 1 in August 2020 after departing Napier destined for China.

However, the new coalition government agreed to reverse the recent ban on live animal exports, while ensuring the highest standards of animal welfare. This action is going through the legislative process, and FAS Wellington does not anticipate this will occur in the 2024 MY.

2023

FAS/Wellington has finalized New Zealand live cattle exports in 2023, which concluded at 28,689 head in 2023 (Figure 8) -the final live cattle shipment left days before the April 30 cutoff date from Timaru port. Since January 1, 2020, the value of live cattle exports has totaled over NZ\$1billion (US\$610 million), which were all sold to Chinese customers.

Figure 8: New Zealand Live Cattle Exports by Destination



Source: Trade Data Monitor

Beef Production

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

Meat, Beef and Veal Market Year Begins New Zealand	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference) (1000 HEAD)	4592	4592	4715	4688	4680	4740
Beginning Stocks (1000 MT CWE)	0	0	0	0	0	0
Production (1000 MT CWE)	728	728	745	748	740	760
Total Imports (1000 MT CWE)	11	11	13	12	12	12
Total Supply (1000 MT CWE)	739	739	758	760	752	772
Total Exports (1000 MT CWE)	643	643	675	686	670	690
Human Dom. Consumption (1000 MT CWE)	96	96	83	74	82	82
Other Use, Losses (1000 MT CWE)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT CWE)	96	96	83	74	82	82
Ending Stocks (1000 MT CWE)	0	0	0	0	0	0
Total Distribution (1000 MT CWE)	739	739	758	760	752	772

Note: Not official USDA data

2024

FAS/Wellington is forecasting beef production in 2024 MY to be 760,000 Metric Tons of Carcass Weight Equivalent (MT CWE), an increase on the USDA Official. This reflects an increase in the total slaughter cattle numbers. Meanwhile, the national average dressing out carcass weight would be almost similar to the outgoing year at 160kg CWE. Industry feedback from processors is they currently remain

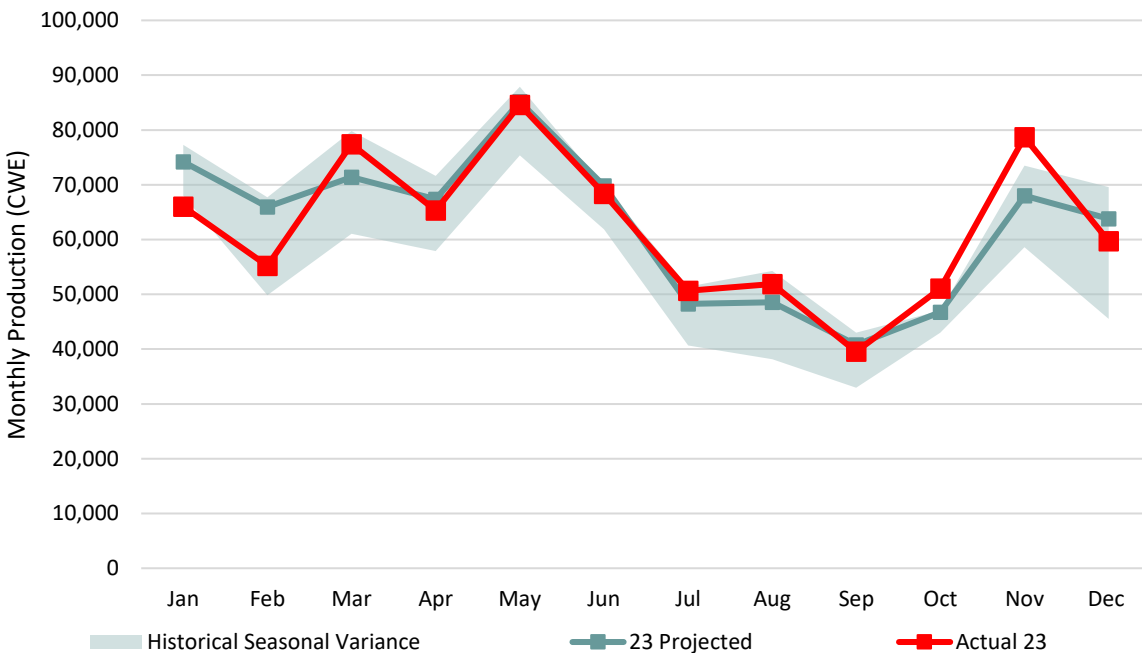
optimistic for production in the coming year, following challenging previous seasons navigating COVID-19 and natural disasters.

At the start of 2024, New Zealand has not yet experienced the extreme dry impacts predicted by NIWA for the El Niño weather. As a result, feed stocks are anticipated to be adequate as the year progresses, especially in the colder winter months in the middle of the calendar year.

2023

Beef production in 2023 concluded at 748,444 MT CWE, a slight increase on the USDA official of 745,000 MT CWE. Production began slowly in the first two months. This situation was due to adverse weather conditions in the North Island, including two cyclones – Hale and Gabrielle. These conditions severely impacted farms, supply chains, and processing, as seen in figure 9. Following the challenging start, production was quickly restored in March and tracked very close to FAS/Wellington’s forecasts - concluding with large production in November, resulting in volumes exceeding the forecast.

Figure 9: Monthly Beef and Veal Production



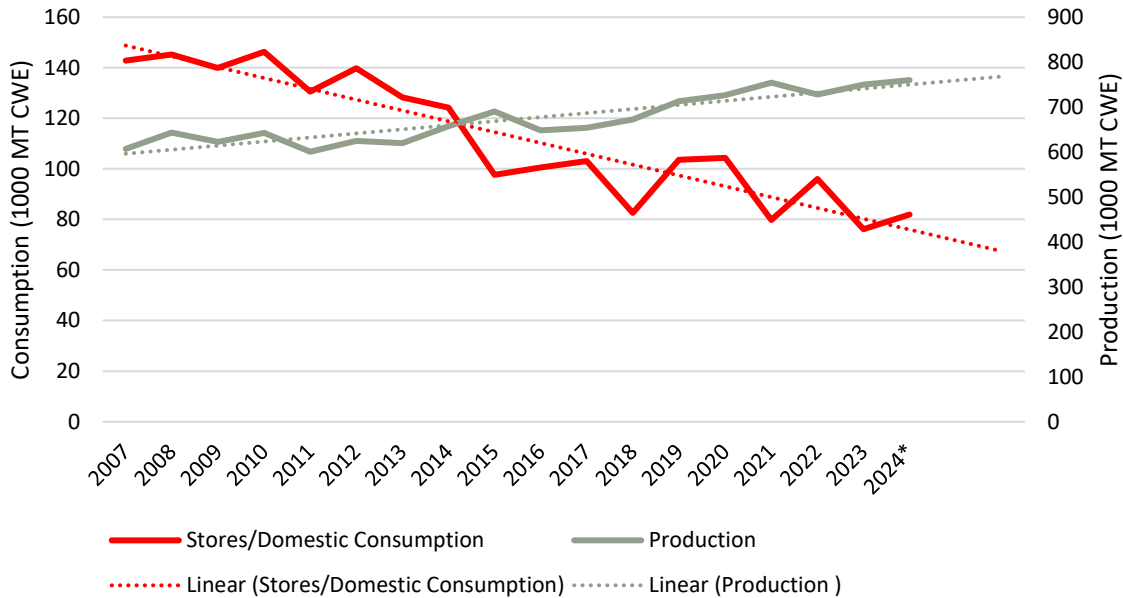
Source: Trade Data Monitor LLC

Domestic Consumption

2024

FAS/Wellington maintains the USDA Official estimate for domestic consumption at 82,000 MT CWE for the 2024 market year. Consumer discretionary spending is anticipated to increase, as inflation, and OCR is predicted to slow during the 2024 market year following the Monetary Policy changes made in the current outgoing year.

Figure 10: National Beef Production and Domestic Consumption



Source: StatisticsNZ, *FAS/Wellington

2023

FAS/Wellington has decreased the final consumption from the USDA Official estimate to 74,000 MT CWE, 22,000 MT CWE less than the previous year. With the increase in the OCR by the RBNZ and high inflation for food in New Zealand, discretionary spending is reduced, particularly around the domestic beef consumption (Figure 10).

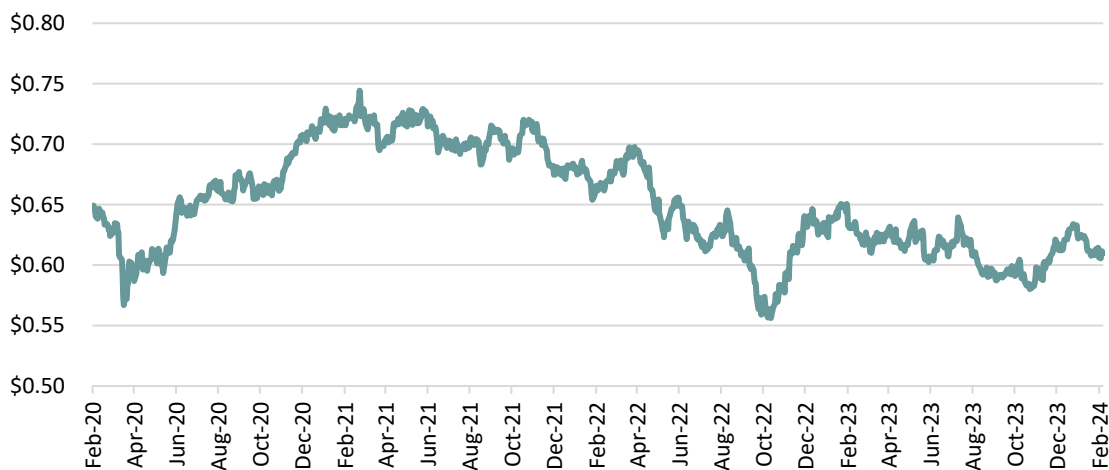
A [survey study](#) released in mid-2023 by AgResearch and Lincoln University showed that; chicken was the leading domestic meat consumed regularly, accounting for about 33 percent of the meals within an average week, followed by beef (22 percent). Also, although 9 out of 10 people in New Zealand eat meat, almost half of the population has reduced their consumption due to health concerns and financial factors.

Beef Exports

2024

FAS/Wellington increases beef export forecasts to 690,000 MT CWE, above the USDA Official of 670,000 MT CWE. This reflects the recent experience in increased volumes from the outgoing year with the higher calf slaughter. In addition, the already discussed expected increase in other slaughter adds to these volumes for the incoming market year. Industry feedback is that demand from the United States and China will continue to be strong with New Zealand's supply availability. This is consistent with commentary made in the USDA September 2023 World Agricultural Supply and Demand Estimates (WASDE), stating that beef import forecasts for 2023 and 2024 are raised on continued strength in demand and availability of supplies in Oceania. The New Zealand dollar foreign exchange has been weak against the US dollar, and this has supported competitiveness for exports (see Figure 11).

Figure 11: USD to NZD Exchange Rate



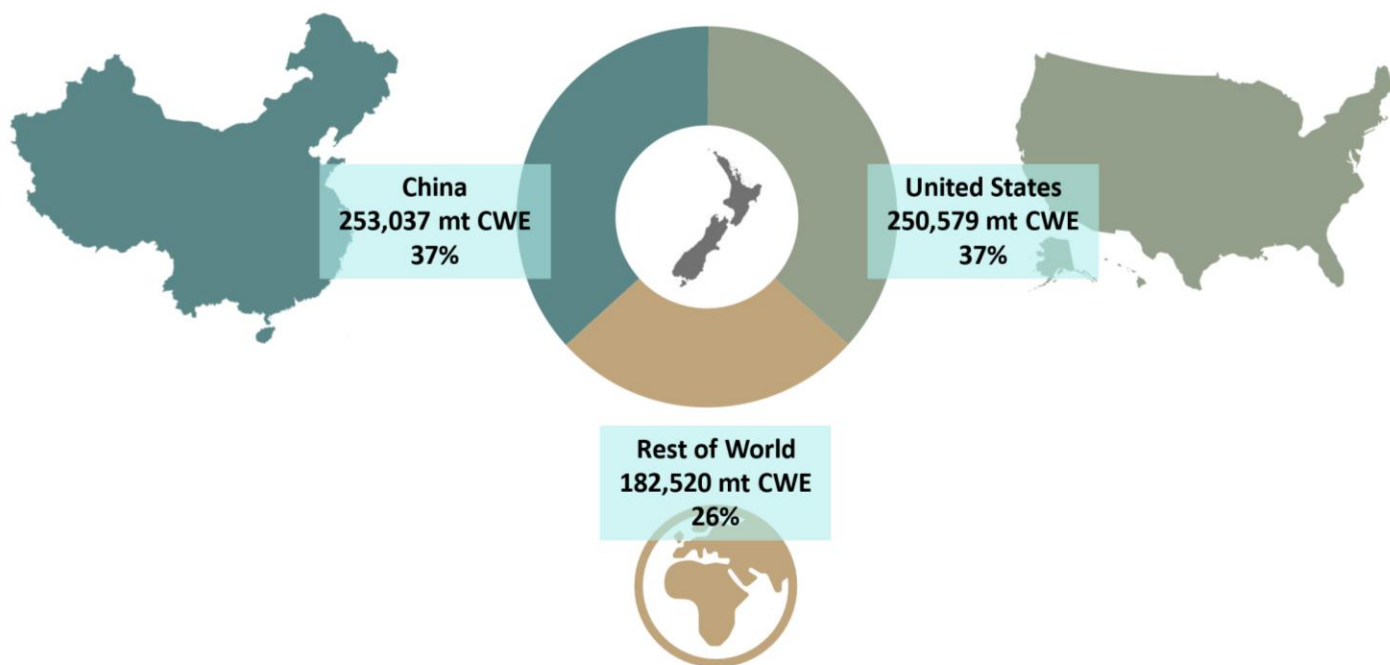
Source: Wall Street Journal

2023

FAS/Wellington concludes the 2023 MY beef and veal exports at 686,136 MT CWE, 11,000 MT CWE up on the USDA Official. Volume increased by 6.7 percent increase in the 2022 MY, exceeding volumes exported in 2021, the highest recorded. China is one of New Zealand's largest markets, consuming 37 percent of total export volumes (Figure 12). However, in 2023 demand in China was down almost 8 percent compared to the previous year.

The United States has seen a substantial shift for New Zealand beef and veal volumes, increasing 44 percent in 2023, taking 37 percent of the total export volume, which affirms the commentary from the September 2023 WASDE. The total value of beef and veal exports to the US reached NZ\$1.7 billion (US\$1 billion), NZ\$95.3 million (US\$58 million) more than exports to China. In addition, Japan was the third largest market in 2023, importing 33,060 MT CWE (4.8 percent).

Figure 12: New Zealand Beef and Veal Exports 2023



Source: Trade Data Monitor LLC

Free Trade Agreements – European Union and United Kingdom

During the first half of 2022, New Zealand concluded negotiations on two separate Free Trade Agreements (FTA), one with the United Kingdom (UK) and one with the European Union (EU). These FTAs aim to provide tariff relief and/or expanded quotas for several New Zealand agricultural products including, horticulture, seafood, dairy, and meat products. In 2023, beef and veal exports were up for both:

- UK: Increased 83 percent at 3,292 MT CWE.
- EU: Increased 7.63 percent at 6,264 MT CWE.

These exports still only represent a small proportion of New Zealand beef exports, less than one and a half percent combined. Compared to China and the United States, both at 37 percent in 2023.

Beef Imports

New Zealand imports a relatively small amount of beef, almost entirely from Australia. FAS/Wellington forecasts 2024 imports at 12,000 MT CWE, the same as 2023 volumes.

Attachments:

No Attachments