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New Zealand

Livestock and Products Annual

Beef and Cattle Annual Report for New Zealand

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Report Highlights:
With the dairy sector in the doldrums dairy cattle numbers are still being reduced to right size herds outweighing confidence in the beef sector where famers have increased numbers. By the end 2016 total cattle numbers will have dropped 130,000 head to sit at 9.9 million head which is where they are forecast to stabilize at by the end 2017. Beef production will come off the high in 2015 of 690,000 metric tons to be 649,000 metric tons in 2016. For 2017 it is forecast there will be further reduction to 635,000 metric tons.

Executive Summary

Cattle numbers in New Zealand have continued to fall. The Marketing Year (MY) 2016 ending inventory is now estimated at 9.9 million (m) head, which is 1.3% less than the MY2015 ending inventory. The reduction is primarily driven by poor financial returns in the dairy sector where the farmers have responded by cutting cow and heifer numbers. This has overridden positive sentiments among beef farmers who have increased numbers. These two drivers will continue into 2017 but the dairy herd reduction will moderate and by the end of MY2017 it is forecast the total herd will stabilize at 9.9m head.

Total cattle slaughter for MY2016 is now estimated at 4.46m head, which is 14,000 head or 0.3% ahead of the previous forecast but a full eight percent below the MY2015 year. For MY2017 it is forecast total slaughter will reduce to 4.32m head a three percent drop from MY2016. The cow kill is likely to reduce to a long run sustainable level as cow numbers stabilize. The beef herd is younger now reducing the number able to be grown out enough for slaughter in MY2017.

With over half the year, MY2016, passed it is now unlikely New Zealand beef production will reach previously forecast volumes. It is estimated beef production will be 649,000 metric tons (MT) carcass weight equivalent (CWE), six percent down on the big year in MY2015 (690,000MT). Looking forward to MY2017 the forecast is for total beef production to reduce by a further two percent to be 635,000MT CWE. Over the last ten years average beef production has been 636,000MT CWE. With the combination of the reduced cow kill and a younger beef herd producing less cattle for slaughter it is unlikely the long run average will be exceeded.

Beef exports from New Zealand in MY2016 are now estimated at 565,000MT CWE, a three percent reduction from the previous forecast in March and 12% below MY2015. A combination of reduced production, reduced imports and slightly higher domestic consumption has all conspired to drive the export volume lower.

Looking ahead to MY2017 exports from New Zealand will be forced lower as a consequence of reduced production to sit at a forecast 554,000MT CWE. This would be a two percent reduction from MY2016.

Based on the actual volume to date exported to the US, the historical average for second half of the Marketing Year tempered by industry participant expectations it is now forecast total MY2016 exports to the US will be in a range between 266,000 to 273,000MT CWE. With the reduction in exports in MY2017, especially manufacturing beef from the reduced cow kill it is forecast exports to the US will reduce again to 250,000 to 260,000MT CWE.

China is now becoming a serious alternative destination market to the US for New Zealand beef exports. In MY2012 14,687MT CWE was shipped to China. By MY2015 103,775MT CWE was shipped. For the first half of MY2016 58,474MT CWE has already been shipped. For the full year, MY2016, 115,000 to 120,000MT CWE could well be shipped up to China.

Note: the Marketing Year (MY) is the calendar year; the 2016 marketing year is shown as MY2016

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

Inventory Changes

The MY2016 ending inventory is now estimated at 9.9 million (m) head. This is 80,000 head less than anticipated last March and 1.3% less than the MY2015 ending inventory. By the end of MY2017 it is forecast the total herd will stabilize at 9.9m head.

During MY2016 there have been two main drivers behind inventory changes. One, negative: continued milk price weakness is causing dairy farmers to extend herd size reductions. In-calf dairy cows and heifers are estimated to be reduced by 106,000 head (2%) during the year and the total dairy herd, at 6.26m head, is forecast to be down by 231,000 head (3.6%). This driver is outweighing the positive driver: confidence among sheep and beef farmers in the beef sector. The total beef herd is up an estimated 101,000 head (2.8%) to 3.65m head.

There is a general reduction in the average age of the beef herd as more young stock are retained, mostly progeny from the dairy sector. Despite this level of confidence the beef cow herd has continued to decline, down by 16,000 head (1.6%) to 966,000 head in MY2016. A severe drought in the North Canterbury/Marlborough regions of the South Island is the prime reason. This has reduced farm carrying capacities right in the areas where beef breeding cow herds are common. In addition there has been a reduction in beef cow numbers in the west and central North Island owing to localized autumn drought areas and loss of farm infrastructure from storms in 2015. The high beef prices have made it a relatively easy decision for farmers to cull cows when faced with feed shortages.

The main drivers, weak dairy prices and beef price confidence (even if it is misplaced given recent off-shore market developments) are likely to continue through into MY2017 with increases to the beef herd balanced by a further reduction in the dairy herd. Beef and Lamb New Zealand are forecasting a small one percent recovery in beef cow numbers to 975,000 and an overall two percent increase to the entire beef herd to 3.72m head. Some sheep and beef farmers who formerly grazed replacement heifers for the dairy industry have lost this enterprise as dairy farmers retrenched. These sheep and beef farmers have been looking to increase their numbers of beef cattle.

Cattle Production

Total cattle slaughter for MY2016 is now estimated at 4.46m head, which is 14,000 head or 0.3% ahead of the previous forecast but a full eight percent below the MY2015 year. For MY2017 it is forecast total slaughter will reduce again to 4.32m head a three percent drop from MY2016.

With the overall cattle herd stabilizing around 9.9m head in MY2017 it is forecast the cow kill will reduce to 950,000 head which is more of a long run sustainable level given total beef and dairy cow numbers stabilizing at 5.8 to 6m head. With less calves being born and an increase in numbers being retained for the beef herd the calf slaughter is predicted to reduce by 50,000 head (3%) in MY2017. In addition with the beef herd weighted toward younger cattle it will be difficult for farmers to produce any more other adult cattle for slaughter than MY2016. This class is forecast at 1.47million head in MY2017 just 4,000 head less than MY2016 but with a higher probability of being less rather than more.

Production Supply & Demand – Cattle Numbers

Animal Numbers, Cattle New Zealand (1000hd, %)	2015 Market Year Begin: Jan 2015			2016 Market Year Begin: Jan 2016			2017 Market Year Begin: Jan 2017		% Change 2017 New Post Data from 2016 New Post Data	% Change 2016 New Post Data from 2016 last Post Est.
	Off. Data	Post Est.	New Post Data	Off. Data	Post Est.	New Post Data	Off. Data	New Post Data		
Total Cattle Beg. Stks	10,368	10,368	10,368	9,972	9,972	10,033		9,903	-1.3%	0.6%
Dairy Cows Beg. Stocks	5,176	5,176	5,005	5,003	5,003	5,056		4,950	-1.1%	1.1%
Beef Cows Beg. Stocks	1,012	1,012	1,012	996	996	982		966	-1.6%	-1.4%
Production (Calf Crop)	5,040	5,040	5,040	5,012	5,012	4,850		4,822	-0.6%	-3.2%
Total Imports	0	0	0	0	0	0		0		
Total Supply	15,408	15,408	15,408	14,984	14,984	14,883		14,725	-1.1%	-0.7%
Total Exports	21	21	21	15	15	25		25	0.0%	66.7%
Cow Slaughter	1,164	1,164	1,164	1,075	1,075	1,035		950	-8.2%	-3.7%
Calf Slaughter	2,137	2,137	2,137	1,900	1,900	1,950		1,900	-2.6%	2.6%
Other Slaughter	1,538	1,538	1,538	1,469	1,469	1,474		1,470	-0.3%	0.3%
Total Slaughter	4,839	4,839	4,839	4,444	4,444	4,459		4,320	-3.1%	0.3%
Loss	576	576	515	550	550	496		480	-3.2%	-9.8%
Ending Inventories	9,972	9,972	10,033	9,975	9,975	9,903		9,900	0.0%	-0.7%
Total Distribution	15,408	15,408	15,408	14,984	14,984	14,883		14,725	-1.1%	-0.7%
CY Imp. from U.S.	0	0	0	0	0	0		0		
CY. Exp. to U.S.	0	0	0	0	0	0		0		
Balance	0	(0)	(0)	0	0	0		0		
Inventory Balance	(396)	(396)	(335)	3	3	(130)		(3)		
Inventory Change	2	2	2	(4)	(4)	(3)		(1)		
Cow Change	3	3	0	(3)	(3)	0		(1)		
Production Change	(7)	(7)	(7)	(1)	(1)	(4)		(1)		
Production to Cows	81	81	84	84	84	80		81		
Slaughter to Inventory	47	47	47	45	45	44		44		
Slaughter to Total Supply	31	31	31	30	30	30		29		
TS=TD	0	(0)	(0)	0	0	0	0	0		

Not Official USDA Data

Beef Production

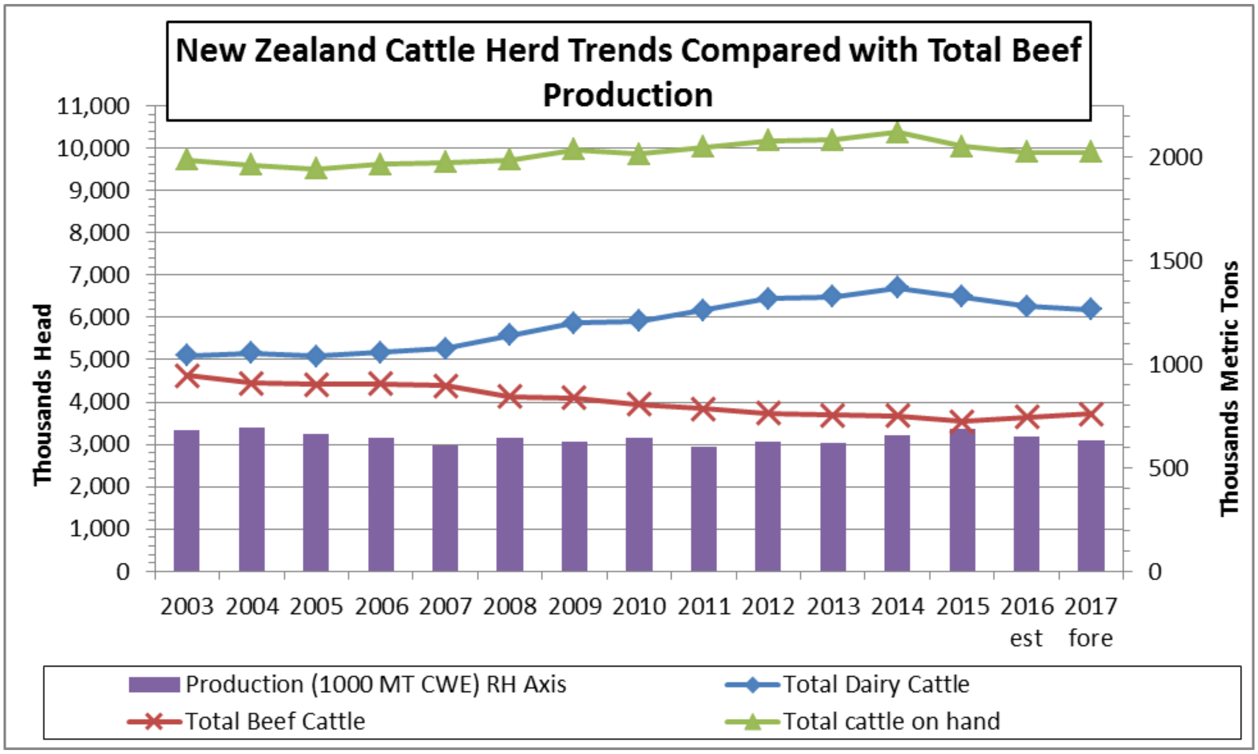
With over half the MY2016 year passed it is unlikely New Zealand beef production will reach previously forecast volumes. Now it is estimated beef production will be 649,000MT CWE, six percent down on the big year in MY2015. Looking forward to MY2017 the forecast is for total beef production to reduce by two percent to be 635,000MT CWE.

The historical average beef production for the last ten years is 636,000MT CWE per annum. Given the reduction in cattle inventory over the previous two years coupled with a reduced cow and calf kill in MY2017 and a younger beef herd it is difficult to see how the long term average will be exceeded. If generally normal weather patterns reign for most of MY2017 average carcass weights should be up slightly but not enough to materially influence total production.

New Zealand Beef Production Table

Marketing Year		**2015**	Actual		**2016**	Est.		**2017**	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	196.7	1,164	228,964	197.0	1,035	203,895	199	950	189,050
Calf Slaughter	15.8	2,137	33,846	15.9	1,950	31,005	16.0	1,900	30,400
Heifer Slaughter	232.5	492	114,472	235.0	470	110,450	235	460	108,100
Steer slaughter	301.0	555	167,039	304.0	514	156,256	306	525	160,650
Bull Slaughter	297.2	491	145,818	300.0	490	147,000	302	485	146,470
Other Adult Cattle SubTotal	277.9	1,538	427,329	280.7	1,474	413,706	282	1,470	415,220
Total Slaughter	142.6	4,839	690,139	145.5	4,459.0	648,606	146.9	4,320	634,670
% Change from Previous Year									
Cow Slaughter	-1.3%	18.9%	17.4%	0.2%	-11.1%	-10.9%	1.0%	-8.2%	-7.3%
Calf Slaughter	-1.7%	0.7%	-1.0%	0.4%	-8.7%	-8.4%	0.6%	-2.6%	-2.0%
Heifer Slaughter	-0.4%	4.5%	4.2%	1.1%	-4.5%	-3.5%	0.0%	-2.1%	-2.1%
Steer slaughter	-0.3%	-4.2%	-4.5%	1.0%	-7.4%	-6.5%	0.7%	2.1%	2.8%
Bull Slaughter	-0.5%	3.1%	2.6%	0.9%	-0.1%	0.8%	0.7%	-1.0%	-0.4%
Other Adult Cattle SubTotal	-0.7%	0.8%	0.1%	1.0%	-4.2%	-3.2%	0.6%	-0.3%	0.4%
Total Slaughter	1%	5%	5%	2.0%	-7.9%	-6.0%	1.0%	-3.1%	-2.15%

Source: StatsNZ, Post Estimates



Source: StatsNZ, B+LNZ, Post estimates

Production Supply & Demand – Beef Production

Meat, Beef & Veal New Zealand	2015			2016			2017		% Change 2017New Post Data from 2016 New Post Data	% Change 2016 New Post Data from 2016 last Post Est.
	Market Year Begin: Jan 2015			Market Year Begin: Jan 2016			Market Year Begin: Jan 2016			
(1000hd,1000 MT CWE, kg, %)	Off. Data	old Post Est.	New Post Data	Off. Data	old Post Est.	New Post Data	Off. Data	New Post Data		
Slaughter (Reference)	4,839	4,839	4,839	4,444	4,444	4,459		4,320	-3.12%	0.34%
Beginning Stocks	0	0	0	0	0	0		0		
Production	690	690	690	659	659	649		635	-2.16%	-1.52%
Total Imports	16	16	16	20	20	14		14	0.00%	-30.00%
Total Supply	706	706	706	679	679	663		649	-2.11%	-2.36%
Total Exports	639	639	639	584	584	565		554	-1.95%	-3.25%
Human Dom. Consumption	67	67	67	95	95	98		95	-3.06%	3.16%
Other Use,	0	0	0	0	0	0		0		

Losses										
Total Dom. Consumption	67	67	67	95	95	98		95	-3.06%	3.16%
Ending Stocks	0	0	0	0	0	0		0		
Total Distribution	706	706	706	679	679	663		649	-2.11%	- 2.36%
CY Imp. from U.S.	0	0	0	0	0	0		0		
CY. Exp. to U.S.	310	317	317	310	280	270		255	-5.56%	- 5.00%
Balance	0	0	0	0	0	0		0		
Inventory Balance	0	0	0	0	0	0		0		
Weights	143	143	143	148	148	146		147	0.68%	- 1.35%
Production Change %	5	5	5	(4)	(4)	(6)		(2)		
Import Change %	(11)	(11)	(11)	25	25	(13)		0		
Export Change %	10	10	10	(9)	(9)	(12)		(2)		
Consumption Change %	(29)	(29)	(29)	42	42	46		(3)		
Imports Percent Consumption	24	24	24	21	21	14		15		
Exports Percent Production	93	93	93	89	89	87		87		
Population	4438393	4438393	4401916	4474549	4470000	4438393		4470000		
Per Capita Consumption	15.1	15.1	15.2	21.2	21.3	22.1		21.3		
TS=TD	0	0	0	0	0	0	0	0		

Not Official USDA Data

Exports and Trade

Live Animal Exports

After having reduced significantly the numbers of heifers imported from New Zealand in MY2015, China appears to have become more active in the market again. On the back of China all but ceasing importations in MY2015 total live cattle exports from New Zealand fell from 77,681 head in MY2014 to 13,236 head in MY2015. For MY2016 year to date June live exports are comfortably head of the same period in MY2015. On this basis it is forecast total exports from New Zealand for MY2016 will be 25,000 head (67% head of MY2015). At this stage it is assumed the volume for MY2017 will be similar.

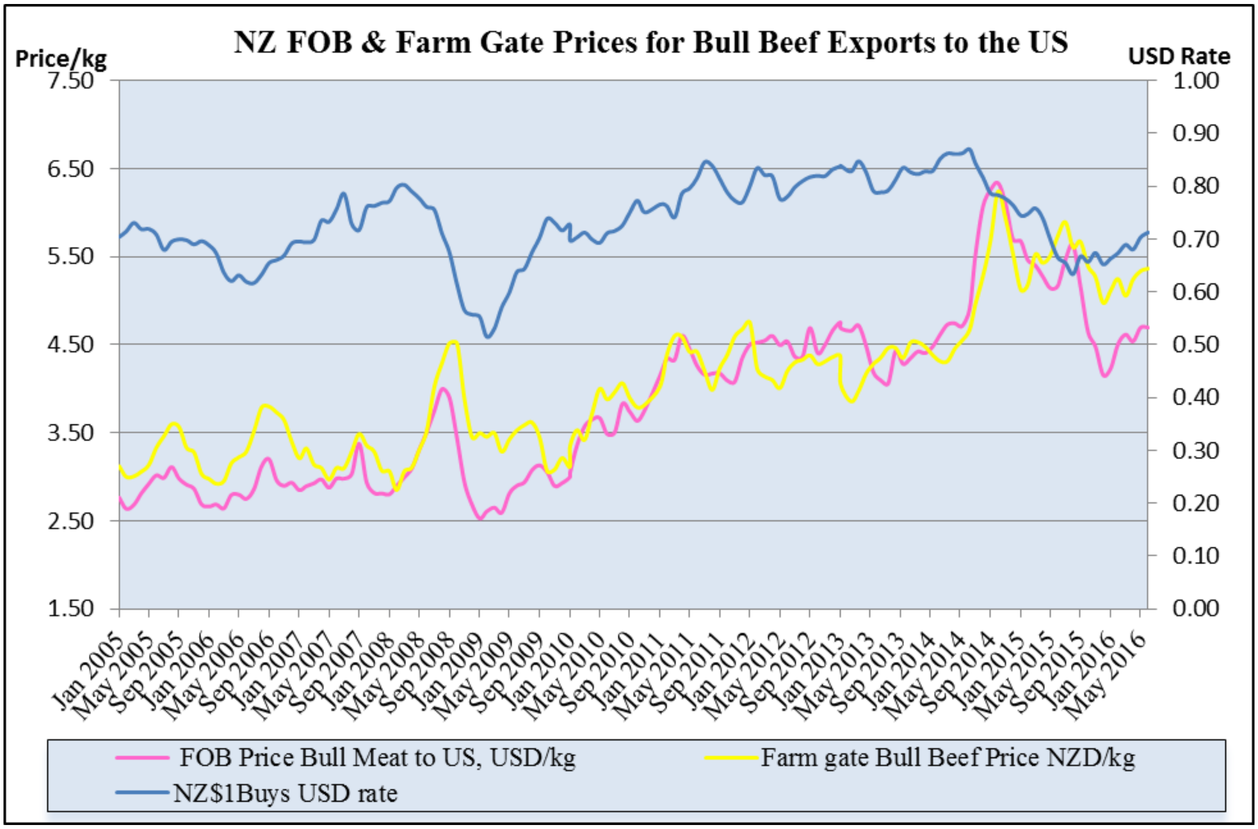
Beef Exports

Beef exports from New Zealand in MY2016 are now estimated at 565,000MT CWE, a three percent reduction from the previous forecast in March and 12% below MY2015. A combination of reduced production, reduced imports and slightly higher domestic consumption has conspired to drive the export volume lower.

Looking ahead to MY2017 exports from New Zealand will be forced lower as a consequence of reduced production to sit at a forecast 554,000MT CWE. This would be a two percent reduction from MY2016.

Based on the actual volume to date exported to the US, the historical average for second half of the MY tempered by industry participant expectations it is now forecast total MY2016 exports to the US will be in a range between 266,000 to 273,000MT CWE. With the reduction in exports in MY2017, especially manufacturing beef from the reduced cow kill it is forecast exports to the US will reduce again to 250,000 to 260,000MT CWE.

China is now becoming a serious alternative destination market to the US for New Zealand beef exports. In MY2012 14,687MT CWE was shipped to China. By MY2015 103,775MT CWE was shipped. For the first half of MY2016 58,474MT CWE has already been shipped. For the full year, MY2016, 115,000 to 120,000MT CWE could well be shipped.



Source: NZXAgri, Reserve Bank of NZ, GTA

Trade and Markets

New Zealand Beef Export Statistics			
Harmonizing Codes: 0201, 0202, 021020, 160250 by Product Weight Shipped			
Year To Date: January - June			
Partner	2014	2015	2016

Country	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	129,516	$4,574	$5,379	151,128	$5,294	$7,133	134,761	$4,419	$6,508
China	26,556	$4,838	$5,692	38,064	$5,135	$6,955	41,767	$4,559	$6,719
Taiwan	13,629	$5,860	$6,898	13,656	$5,908	$8,002	16,324	$5,537	$8,154
Japan	14,508	$5,306	$6,238	10,426	$6,455	$8,715	8,780	$6,249	$9,178
Korea South	15,199	$4,366	$5,149	13,558	$3,915	$5,266	14,290	$3,833	$5,663
Canada	8,800	$4,437	$5,222	10,938	$4,936	$6,666	9,740	$4,125	$6,080
Indonesia	9,983	$4,275	$5,047	3,709	$5,244	$7,049	6,408	$3,913	$5,755
Netherlands	1,489	$12,550	$14,759	1,680	$11,932	$16,198	1,863	$12,766	$18,775
Australia	3,215	$5,395	$6,353	3,224	$4,934	$6,675	3,176	$6,121	$8,983
French Polynesia	2,080	$7,719	$9,085	1,843	$7,518	$10,124	1,588	$7,567	$11,184
Hong Kong	2,561	$7,042	$8,269	1,353	$8,169	$11,010	1,462	$7,934	$11,723
Rest of World	27,338	$6,202	$7,326	24,635	$6,238	$8,547	20,941	$5,774	$8,605
World Total	**254,874**	**$4,965**	**$5,842**	**274,214**	**$5,414**	**$7,304**	**261,100**	**$4,745**	**$6,990**

Source: GTA

Trends in NZ Beef Production and Exporting				
Description of Trend/Year	2010	2014	2015	2016e
Cow & Bull Meat Production % of Total	47.6%	51.4%	54.3%	54.1%
Proportion of beef exports shipped to the U.S.	42%	49.9%	49.6%	47.8%
Proportion of beef exports shipped to the China	1%	10.1%	16.3%	20.8%

Source: GTA, Post estimates, B+LNZ, StatsNZ

New Zealand Beef Export Statistics									
Harmonizing Codes: 0201, 0202, 021020, 160250 by Product Weight Shipped									
Calendar Year/Marketing Year: 2013 - 2015									
Partner Country	**2013**			**2014**			**2015**		
	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	174,544	$4,511	$5,480	206,522	$4,984	$6,004	226,126	$5,174	$7,250
China	35,796	$4,367	$5,299	41,717	$4,684	$5,594	74,125	$4,937	$7,054
Taiwan	18,277	$5,774	$7,027	19,575	$5,920	$7,074	23,458	$5,695	$8,073
Canada	13,681	$4,362	$5,324	14,455	$4,740	$5,675	23,673	$4,692	$6,751
Japan	30,699	$5,144	$6,272	25,536	$5,574	$6,706	16,796	$6,469	$9,143
Korea South	24,572	$3,781	$4,601	24,143	$4,483	$5,385	20,961	$3,838	$5,378
Indonesia	9,642	$4,178	$5,084	13,248	$4,118	$4,894	7,737	$4,574	$6,506
Australia	5,375	$6,318	$7,712	6,456	$5,467	$6,607	6,444	$5,282	$7,599
Netherlands	2,169	$11,882	$14,509	2,453	$12,392	$14,795	2,828	$11,902	$16,912
Saudi Arabia	4,268	$5,526	$6,737	4,898	$4,864	$5,890	5,423	$4,760	$6,922
Rest of World	58,938	$5,723	$7,135	54,861	$6,292	$7,846	48,621	$6,082	$8,988
World Total	**377,961**	**$4,838**	**$5,885**	**413,864**	**$5,223**	**$6,278**	**456,192**	**$5,273**	**$7,452**

Source: GTA