New Zealand Production and Export Trends

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Presentation to AHDB Beef and Lamb Conference
3 November 2015
OVERVIEW

1. Beef + Lamb New Zealand
2. New Zealand Farming Trends
3. New Zealand Sheepmeat Exports
4. New Zealand Beef Exports
5. Co-operation
BEEF + LAMB NEW ZEALAND

• Industry-good organisation, farmer-owned

• Funded by producer levies
  
  • $NZ 25.5m in levies in 2014, plus $NZ 10.5m of other income

• Requires a referendum, last in September 2015
  
  – ~85% support per farm

  – ~85% support by production
B+LNZ PROGRAMMES

FARM
Deliver research, development and technology transfer for whole farm systems

MARKET
Deliver market strategies to improve access, demand and positioning for New Zealand meat and related products

PEOPLE
Provide leadership to improve the standing of the sheep and beef sector to attract and retain skills

INFO
Provide credible information and analysis to support better decision making

STRATEGIC OBJECTIVES (WHAT WE DELIVER)
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NEW ZEALAND PRODUCTION SYSTEMS

- Average commercial farm has 2,800 sheep and 300 beef cattle (over winter)
- Reared outdoors on pasture – ‘free range’
- Low input and unsubsidised
- Counter-seasonal
LIVESTOCK NUMBERS
1990/91 to 2014/15

% Change 1990-91 to 2014-15

Dairy +95%
Beef -20%
Sheep -48%

Source: B+LNZ Economic Service, Statistics New Zealand
SHEEP NUMBERS
As at 30 June

Source: Beef + Lamb New Zealand Economic Service | Statistics New Zealand
THE DRIVE FOR EFFICIENCY

• 1990/91
  – 57.9 million sheep
  – 420,000 tonnes of sheepmeat exported

• 2014/15
  – 28.6 million sheep
  – 375,000 tonnes of sheepmeat exported

• Lambing %, carcase weights, hogget lambing
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NEW ZEALAND SHEEPMEAT
Season Exports – Volume (tonnes)

~95% of Total Production is Exported

Source: B+LNZ Economic Service, Statistics New Zealand
NEW ZEALAND SHEEPMEAT
Global Destinations (YE 30 Sept)

NZ LAMB EXPORTS (TONNES)

Source: B+LNZ Economic Service
NEW ZEALAND SHEEPMEAT
EU Destinations – 2012-2015 (YE 30 Sept)

Source: B+LNZ Economic Service

<table>
<thead>
<tr>
<th>Country</th>
<th>2015 Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>48%</td>
</tr>
<tr>
<td>Germany</td>
<td>15%</td>
</tr>
<tr>
<td>France</td>
<td>9%</td>
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<tr>
<td>Netherlands</td>
<td>11%</td>
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<tr>
<td>Belgium</td>
<td>5%</td>
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<tr>
<td>Italy</td>
<td>2%</td>
</tr>
<tr>
<td>Others</td>
<td>10%</td>
</tr>
</tbody>
</table>

2012:
- United Kingdom: 50%
- Germany: 15%
- Netherlands: 11%
- France: 9%
- Belgium: 5%
- Italy: 2%
- Others: 10%

2013:
- United Kingdom: 48%
- Germany: 15%
- Netherlands: 11%
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2014:
- United Kingdom: 48%
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- Others: 10%
NZ EXPORT MIX TO THE UK
1 Jan to 30 Sept (Tonnes carcase weight equivalent)

2015 % Change

-Sheepmeat+6.4%
-Frozen Lamb +10%
-Chilled Lamb -10%
-Mutton +51%

Source: New Zealand Meat Board
CHILLED SHEEPMEAT EXPORTS TO EUROPE
Percentage of Total Exports to Market (to August 2015)

Source: New Zealand Meat Board
CHILLED LAMB EXPORTS TO UK BY MONTH
Tonnes product weight

Source: Global Trade Atlas
OUTLOOK FOR 2015/16
NZ Sheepmeat Production

• Lamb
  – Exports down 6.3% to 293,000 tonnes
  – Average value up 2.5% to NZ$8,661 / tonne
    • Weaker NZ dollar
• Mutton
  – Exports down 14.4% to 77,000 tonnes
    • Flock rebuilding
• El Niño…
  – Cooler temperatures
  – Wetter in West, drier in North and East
OUTLOOK FOR 2015/16
Sheepmeat Markets

- **China**
  - Domestic production up (+2.5%)
    - High prices and environmental factors
  - Consumption up (+3.4%), but inventories high
  - NZ exports likely to be similar to 2015 (-20% on 2014)

- **Europe**
  - Flock increase in UK (??)
  - Access issues for EU exports, and currency still a problem for intra-EU trade
    - Uncertainty affects both GBP and EUR: Refugees, UK referendum
  - NZ exports to EU unlikely to increase overall, but growth in some markets (e.g., Germany)
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NEW ZEALAND BEEF
Season Exports – Volume (tonnes)

~80% of Total Production is Exported

NZ BEEF EXPORTS (TONNES)
NEW ZEALAND BEEF
EU Destinations – 2012-2015 (YE 30 Sept)

Source: B+LNZ Economic Service
EU BEEF DEMAND
(‘000 TONNES C.W.E)

Source: European Commission
• Production to fall by 8.5% to 599,000 tonnes
  – 2014/15 production unusually high due to dry summer and high beef prices cf. dairy prices
• Exports likely to be down 5.3%
• Average return up 11.5%, at NZ$8,143/tonne
  – Continued weakness of NZD v USD important here
OUTLOOK FOR 2015/16
Beef Markets

• US prices to come back from 2014 highs
  – Domestic product coming back online in 2016
  – Record pork production expected (PEDv managed quicker than expected)

• In China demand growth to outstrip production growth
  – Uncertain if Brazilian direct imports will add to, or replace, grey channel imports
  – An overall increase in exports is expected to affect prices
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CO-OPERATION
Common Issues

• Environmental Impacts
  – Product Environmental Footprint for ‘Meat’
  – SAI Platform Beef Assessment
  – LEAP Partnership

• Maintaining a strong sheep industry
  – Ovinpiades/World Young Shepherds
  – Sheepmeat Forum
  – Leadership Visits