New Zealand Update

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Beef + Lamb New Zealand
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4-8 November 2019
Overview

• Economic Conditions
• Past season performance
• Outlook 2019
• Priorities/Challenges/Opportunities
Economic/Trade Environment

- International Trade Uncertainty
  - Brexit, US/China, US/Japan, China ASF
- Global economic growth
  - Down slightly in 2019 will it be up in 2020?
- Key export markets
  - Low inflation, low unemployment, global consumption
  - Positive for NZ exports
- Exchange rate
  - Value of the NZD has a large bearing on the sector’s outlook
  - NZD expected to ease, partly due to the RBNZ lowering the official cash rate
- Risks
  - US going into recession hangs over the global economy
  - Impacts of Brexit, possible China slowdown & ongoing effects of ASF
As of 30 June 2019

- **Beef cattle** = 3.82 million
  - up 2.6% from previous period
- **Dairy cattle** almost static (-0.4%) at 6.36 million
- **Sheep** = 27.4 million again almost static (+0.4%)
“The growth in China’s red meat import demand is built on genuine demand growth as consumption has out-paced domestic production growth”  

B+LNZ Chief Economist Andrew Burtt
Exports Beef/Veal

Past Season

• Beef/veal exports
  • Total 453,000 tonne shipped weight = 5.1% increase in volume
• Average FOB value per tonne
  • saw increase of 4.4%
  • total receipts estimated at NZD 3.94 billion = 8.6% increase on previous year
• 2018 – 19 China now no.1 beef market by volume
  • 40% of total volume of exports (23% previous year)
  • Driven in the first 9 months by FOB value up 11% in China (compared to 3.7% in US & 4.5% in all mkts)
  • Chilled & Frozen ….strong increase in the demand for manufacturing cuts continues
  • The ASF outbreak is likely to have intensified the demand for these cuts
  • Average value per tonne of beef to China increased 6% to $7,730
• US slips to no.2 😞
  • Total volume = decline of 30%
  • Still 32% of total beef export by volume & 34% by value
  • Average value per tonne of beef exports to the US increased 7% to $7,050
## Export Cattle Slaughter Composition

<table>
<thead>
<tr>
<th>Sep Year</th>
<th>Steer</th>
<th>Heifer</th>
<th>Cow</th>
<th>Bull</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-16</td>
<td>515</td>
<td>436</td>
<td>1,101</td>
<td>464</td>
<td>2,516</td>
</tr>
<tr>
<td>2016-17</td>
<td>524</td>
<td>441</td>
<td>937</td>
<td>461</td>
<td>2,363</td>
</tr>
<tr>
<td>2017-18</td>
<td>535</td>
<td>454</td>
<td>1,026</td>
<td>542</td>
<td>2,556</td>
</tr>
<tr>
<td>2018-19e</td>
<td>510</td>
<td>440</td>
<td>1,016</td>
<td>548</td>
<td>2,514</td>
</tr>
<tr>
<td>2019-20f</td>
<td>536</td>
<td>465</td>
<td>1,007</td>
<td>550</td>
<td>2,557</td>
</tr>
</tbody>
</table>

| 2019-20f % change | +5.1% | +5.7% | -0.9% | +0.4% | +1.7% |

*e estimate, f forecast*

Source: Beef + Lamb New Zealand Economic Service, New Zealand Meat Board
Beef/Veal Exports: New Season Outlook 2019-20

- Beef/veal exports forecast to increase 2.0% to 463,000 tonnes (shipped weight).
- @ exchange rate of USD 0.66c, average FOB value per tonne is expected to increase 4.4%
- Total beef receipts = NZD 4.17 billion (FOB)
  - = 5.9% increase from the estimated $3.94 b over past season (a record)
- Influencing factors
  - Demand from China and the continued effect of the ASF outbreak
  - US cattle herd is entering a downward part of the herd cycle
  - Australian supply tightening
  - Exchange rate
Lamb & Mutton

Past Season

- Lamb exports estimated to **decrease 2.7%** to 305,000 tonnes (shipped weight)
- But…average FOB value per tonne up **2.9 %** (to $10,375)
- Follows strong increases in previous two seasons
- So total lamb receipts estimated to be marginally down (-0.5%) to $3.34b (FOB)
- Still, a second year in a row over $3 billion
- Historically high mutton prices continued over past year
- But total mutton export receipts expected down 9.2% to $690 m due to volume
Exports – Lamb

Oct to Jun, $m FOB

European Union
North America
Middle East
North Asia
Pacific
Other

Source: Beef + Lamb New Zealand Economic Service, New Zealand Customs, New Zealand Meat Board
## New Zealand Lamb Exports

<table>
<thead>
<tr>
<th>Sep Year</th>
<th>Lamb meat</th>
<th>Co-Products</th>
<th>Total Lamb</th>
<th>Lamb Meat</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>000 tonnes</td>
<td>$ / tonne</td>
<td>$m FOB</td>
<td>$m FOB</td>
</tr>
<tr>
<td>2015-16</td>
<td>303</td>
<td>7,907</td>
<td>2,397</td>
<td>187</td>
</tr>
<tr>
<td>2016-17</td>
<td>295</td>
<td>8,603</td>
<td>2,538</td>
<td>168</td>
</tr>
<tr>
<td>2017-18</td>
<td>313</td>
<td>10,086</td>
<td>3,156</td>
<td>199</td>
</tr>
<tr>
<td>2018-19e</td>
<td>305</td>
<td>10,375</td>
<td>3,160</td>
<td>180</td>
</tr>
<tr>
<td>2019-20f</td>
<td>305</td>
<td>10,713</td>
<td>3,262</td>
<td>189</td>
</tr>
<tr>
<td>2019-20f % change</td>
<td>-0.0%</td>
<td>+3.3%</td>
<td>+3.2%</td>
<td>+5.0%</td>
</tr>
</tbody>
</table>

* Lamb Meat value as a percentage of the value of Total Lamb exports, including Co-Products
  
  e estimate, f forecast | Source: Beef + Lamb New Zealand Economic Service, Statistics New Zealand
## New Zealand Mutton Exports

<table>
<thead>
<tr>
<th>Sep Year</th>
<th>Mutton meat</th>
<th>Co-Products</th>
<th>Total Mutton</th>
<th>Mutton Meat</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>000 tonnes</td>
<td>$ / tonne</td>
<td>$m FOB</td>
<td>$m FOB</td>
</tr>
<tr>
<td>2015-16</td>
<td>83</td>
<td>4,581</td>
<td>380</td>
<td>132</td>
</tr>
<tr>
<td>2016-17</td>
<td>81</td>
<td>5,247</td>
<td>424</td>
<td>120</td>
</tr>
<tr>
<td>2017-18</td>
<td>94</td>
<td>6,460</td>
<td>606</td>
<td>154</td>
</tr>
<tr>
<td>2018-19e</td>
<td>83</td>
<td>6,771</td>
<td>560</td>
<td>130</td>
</tr>
<tr>
<td>2019-20f</td>
<td>90</td>
<td>7,102</td>
<td>639</td>
<td>137</td>
</tr>
<tr>
<td>2019-20f % change</td>
<td>+8.7%</td>
<td>+4.9%</td>
<td>+14.0%</td>
<td>+5.5%</td>
</tr>
</tbody>
</table>

*Mutton Meat value as a percentage of the value of Total Mutton exports, including Co-Products

e estimate, f forecast | Source: Beef + Lamb New Zealand Economic Service, Statistics New Zealand
Concluding Thoughts

“Beef + Lamb New Zealand forecasts beef, lamb and mutton prices to lift from historically high levels, helped by continuing strong export demand and an expected weakening of the New Zealand dollar”.

“China’s demand for New Zealand’s beef, lamb and mutton is forecast to propel both sheepmeat and beef exports past the $4 billion mark for the first time”.

“We have forecast increases in farm-gate prices for beef, lamb and mutton in 2019-20, because small increases in in-market prices are expected to be further assisted by an easing of the New Zealand dollar,”

B+LNZ Chief Economist Andrew Burtt.
Priorities/Challenges/Opportunities

- Biosecurity
- Perceptions
- Domestic regulatory agenda
  - Environment e.g. GHG emissions & freshwater proposals
- Trade environment