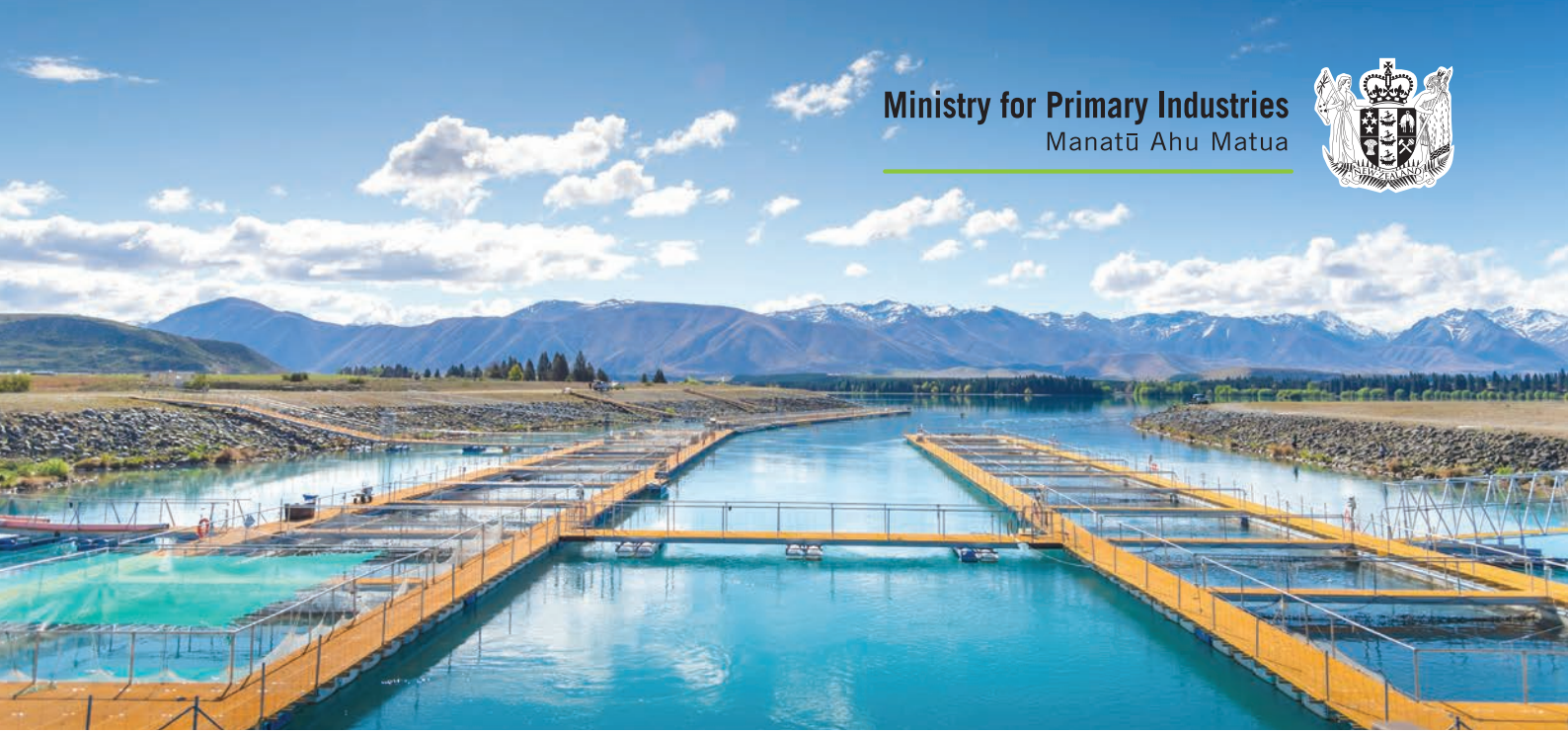


Ministry for Primary Industries
Manatū Ahu Matua

Situation and Outlook for Primary Industries

JUNE 2024

Te Kāwanatanga o Aotearoa
New Zealand Government

Acknowledgements

DJ Apparao, Paul Berentson, Paul Bolger, Christopher Bradburn, Kara Brown, Annette Carey, Chris Carson, Hillary Curnow, Matt Dilly, Loretta Dobbs, Jeremy Dombroski, Federico Duranovich, Nicola Giles, Lachlan Grimwade, Ben Harper, Matt Hayward, Selena Henry, Julia Hoddinott, Luke Kelman, Koohyar Khatami, Aditya Kusuma, James Laubscher, Laarni Joy Mandap, Roxanne Martin, Kate Morris, Hsiao-Heng (Tony) Pan, Joshua Plowman, Matthew Phillips, Claudia Riley, Wido van Lijf, Chloe White, Joshua Williams, and Brad Young.

Cover photos:
1. South Island salmon farm
2. Honey comb and mānuka flowers
3. Kiwifruit varieties.

Notes

Annual figures are for the year to 30 June unless otherwise noted. Year to 30 June refers to the 12-month period to that date.

Currency figures are in New Zealand dollars unless otherwise noted.

Some totals may not add up due to rounding.

At the time of writing, goods trade statistics for the March 2024 quarter are provisional. Late data and amendments may be included in subsequent Stats NZ data releases.

Some historic figures have been updated due to corrections made by Stats NZ.

MPI welcomes feedback on this publication via SOPI@mpi.govt.nz.

Publisher

Ministry for Primary Industries
Economic Intelligence Unit
Charles Fergusson Building, 34–38 Bowen Street
PO Box 2526, Wellington 6140, New Zealand
Tel: 0800 00 83 33

This publication is available on the Ministry for Primary Industries website at **www.mpi.govt.nz**

Further copies may be requested from SOPI@mpi.govt.nz

ISBN No. 978-1-991285-66-9 (print)
ISBN No. 978-1-991285-67-6 (online)

Disclaimer

While care has been used in compiling this document, the Ministry for Primary Industries does not give any prediction, warranty or assurance in relation to the accuracy of or fitness for any particular purpose, use or application of any information contained in this document. To the full extent permitted by law, the Ministry for Primary Industries or any of its employees shall not be liable for any cost (including legal costs), claim, liability, loss, damage, injury or the like, which may be suffered or incurred as a direct or indirect result of the reliance by any person on any information contained in this document.

Contents

Minister's foreword

I am pleased to present the June 2024 edition of the Situation and Outlook for Primary Industries (SOPI).

This SOPI forecasts food and fibre export revenue is expected to reach $54.6 billion in the year to 30 June 2024, lifting to a record $66.6 billion in the year to 30 June 2028.

This Government acknowledges the hard work and ongoing resilience of our farmers, growers, fishers, foresters, and processors across the country. It has not been an easy year due to soft commodity prices, high input costs, high inflation, and high interest rates.

We are focused on backing our farmers and growers, determined to drive more value back to the farm gate and more money into producers' pockets so the sector can continue to adapt, evolve, and innovate for the long term. The food and fibre sector is vital to our rural communities and underpins the entire New Zealand economy.

We have already begun work to get Wellington out of farming by repealing bureaucratic red tape and ensuring regulations are fit for purpose.

We have set the aspirational goal of doubling exports by value in 10 years. At the heart of this is New Zealand's world-best food and fibre sector. As Minister of Agriculture, Forestry and Trade, along with my colleagues, we have made a commitment to conduct a record number of trade missions to grow our relationships, deepen our business connections, and open doors for Kiwi exporters.

This includes increased investment in our relationships with the Gulf Cooperation Council, India, the Pacific Alliance, and partners across South East Asia. We will renew investment in our enduring trade relationships to foster conditions that spur further achievement and facilitate high-quality free trade agreements.

I have recently visited China, the European Union, the Gulf region, and India to strengthen the foundations for long-term growth with these important trade partners, with more visits expected in the near future. When offshore, it is great to see the value our trade partners place on New Zealand's high-quality and safe food and fibre exports.

Within our first 100 days, the Government worked at pace with parties across the House to bring forward the ratification and entry into force of the New Zealand-European Union Free Trade Agreement. This allowed the agreement to enter into force on 1 May 2024, months earlier than planned, and realise an additional $46 million in tariff savings for Kiwi exporters this season. This agreement includes new quota access for beef, sheep meat, butter, and cheese and an annual $100 million in tariff savings from day one.

We have also recently kicked off negotiations with the United Arab Emirates (UAE) on a Comprehensive Economic Partnership Agreement to unlock further commercial opportunities for our exporters.

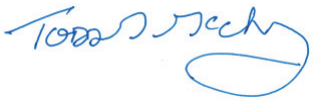
Doubling the value of New Zealand's exports requires strengthening the foundations for growth and increased investment in innovation. This includes boosting New Zealand's technology and production of low-emissions, high-value products to enhance productivity, profitability, and sustainability.

We will continue strengthening research and development of new tools and technologies that will assist farmers and growers in lowering on-farm emissions. In addition to driving the development of tools, we are investing to ensure our high-quality, sustainably produced food and fibre products can command a premium from global markets.

The Government has announced a further $26 million investment in AgriZero^{NZ}, contributing $13 million to match the industry's investment and taking the total investment in this joint venture to $191 million over its first four years.

New Zealand's food and fibre sector is responsible for over 80 percent of New Zealand's goods exports, and this Government recognises the important role it plays in driving our economic success whether this is through the jobs it provides, the rural communities it supports, or the millions of people around the world it sustainably feeds.

The Government is committed to backing our leading exporting sector's continued success, profitability, and sustainability.



Hon Todd McClay
Minister of Agriculture

Director-General's introduction

Welcome to this Situation and Outlook for Primary Industries (SOPI), which provides an update on the export performance of our food and fibre sector.

I continue to be impressed by the hard work and resilience of our farmers, growers, processors, foresters, fishers, and others in rural communities across New Zealand. I'm proud to be part of this important sector that helps drive New Zealand's economy and prosperity.

We're forecasting food and fibre sector export revenue to reach $54.6 billion in the year to 30 June 2024. This is the sector's second-highest result on record.

This dip of 5 percent from the previous year's record of $57.4 billion is driven by prices and revenue for many exports correcting in 2023/24, reflecting the cyclical nature of commodity markets with slower global growth, specifically in our key export market China.

We are expecting sustained growth in overall food and fibre export revenue reaching a record of $66.6 billion in the year to 30 June 2028. This strong performance is the result of our food and fibre sector's successful navigation of significant global events such as the pandemic and Cyclone Gabrielle and its resilience achieved through market and product diversification.

Other key factors driving our forecasts include a resilient global economy underpinned by slow and steady easing of inflation. Global trade is forecast to bounce back following economic and other shocks such as the pandemic with export orders already indicating improved conditions for trade in early 2024.

There are also early signs that China's economy is strengthening, and a stronger USD is supporting New Zealand's food and fibre sector exports. While cost pressures remain, global shipping costs have remained well below the high levels seen in 2021/22.

In addition, energy and fertiliser prices are falling faster than expected, with the latter nearing pre-pandemic levels, providing some relief for our farmers and growers. However, these prices remain elevated, which is affecting on-farm profitability.

All of these factors are expected to lift food and fibre export revenue.

High export prices, robust demand, and tight global supply are driving a forecast 5 percent increase in seafood export revenue to $2.2 billion in the year to 30 June 2024.

Arable export revenue is set to rise by an impressive 12 percent from the previous year, reaching $310 million in the year to 30 June 2024 due to favourable growing conditions and good harvests.

Climatic conditions were also favourable for most crops recovering from the impacts of the previous wet summers and cyclone damage. Kiwifruit, apples, cherries, and vegetables all saw increases in production, which is driving a forecast 1 percent increase in horticulture export revenue to $7.1 billion in the year to 30 June 2024.

In addition, the honey sector is showing signs of recovery. Export revenue is expected to grow by 11 percent to $420 million in the year to 30 June 2024 driven by higher export prices and volumes of monofloral mānuka honey.

These sectors are expected to limit the overall fall in food and fibre export revenue in some of our larger export sectors such as dairy which is expected to fall 7 percent to $24.2 billion in the year to 30 June 2024 due to lower global dairy prices.

Meat and wool exports are also expected to decrease 6 percent to $11.4 billion in the year to 30 June 2024, reflecting an expected fall in export prices due to higher global red meat production, weaker global economic conditions, and reduced consumer spending.

Lower production and demand for processed wood products is resulting in a 7 percent decrease in forestry export revenue to $5.9 billion in the year to 30 June 2024.

While we're seeing temporary dips in some sectors, the outlook is positive, and there continues to be strong demand for our high-quality food and fibre.

I'd like to thank the sector for its ongoing role in New Zealand's prosperity. As New Zealand's main export earner, the sector is at the heart of the efforts to deliver the Government's goal of doubling export value within the next 10 years.

MPI remains committed to backing the sector and playing its part in driving further success and value growth.

Ray Smith
Director-General
Ministry for Primary Industries

Food and fibre sector in the New Zealand economy

$54.6 billion in export revenue

Forecast, year to 30 June 2024.

80.9% of merchandise exports

The food and fibre sector accounted for 80.9 percent of New Zealand's merchandise exports in the year to 31 March 2024. Over the last 10 years, food and fibre exports have grown on average by 3.6 percent per year whereas other merchandise exports have grown by 1.6 percent.[1]

12.8% of employment

359,000 people were employed in New Zealand's food and fibre sector in the year to 31 March 2022,[2] representing 12.8 percent of the total workforce. Primary production employment is distributed across the country, but processing and commercialisation activities are concentrated in Auckland and other major population centres.

10.5% of GDP

The food and fibre sector accounted for 10.5 percent of New Zealand's GDP in the year to 31 March 2022. This figure presents only the direct contribution to GDP and includes both the production of primary products such as dairy cattle farming and the subsequent processing and commercialisation industries such as dairy product manufacturing.

1. Compound annual growth rate
2. www.workforceinsights.govt.nz. Most recently available data. Note that a change of methodology means this figure is not comparable to figures reported in SOPI prior to December 2022.

Sector summary

Food and fibre sector export revenue is expected to fall 5 percent from a record high to $54.6 billion in the year to 30 June 2024. Export revenue reached $57.4 billion in 2022/23 due to higher prices for the dairy, horticulture, seafood, and arable sectors. In 2023/24, a correction in prices for key commodities including dairy, beef, sheepmeat, forestry, and wine products reflects a slowdown in global growth and depressed import demand in key export markets such as China.

Revenue growth in the arable, horticulture, and seafood sectors is expected to increase, softening the fall in overall export revenue in 2023/24. The remainder of the outlook period is positive with the recovery of markets and improvements in demand forecast to drive food and fibre export revenue to reach $66.6 billion in 2027/28.

↓ 7%
(to $24.2 billion)

Dairy

Dairy export revenue is expected to decrease 7 percent to $24.2 billion in the year to 30 June 2024 due to lower global dairy prices. This is driven by a weakening of global demand and an increase in supply, specifically improved milk production in China. A weaker NZD against the USD offers some support to export revenue. Milk production is forecast to increase 0.7 percent driven by better-than-expected weather conditions. The drop in export prices is expected to lead to a lower farmgate milk price of $7.90 per kilogram of milksolids for the current season. The lower farmgate price combined with high farm expenses, especially greater debt servicing expenses, is likely to reduce farm profitability.

↓ 6%
(to $11.4 billion)

Meat and wool

Meat and wool export revenue is expected to decrease 6 percent to $11.4 billion in the year to 30 June 2024. Key meat export prices are expected to fall due to higher global red meat production and weaker global economic conditions. Lower export prices for beef, lamb, mutton, and wool are forecast to be partially offset by higher prices for petfood and venison. Higher lamb and beef export volumes are also expected to help partially offset export price falls. Sheep and beef farm profit before tax is forecast to fall 54 percent in 2023/24, following a 29 percent decline in 2022/23, due to lower revenue and higher input costs.

↓ 7%
(to $5.9 billion)

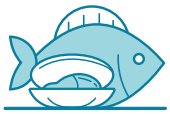
Forestry

Forestry export revenue is expected to decrease 7 percent to $5.9 billion in the year to 30 June 2024. Supply-side shocks decreasing export volumes and weak global demand for processed wood products are expected to be partially offset by an increase in log export volume and revenue. Large log export volumes mostly offset by weaker prices are expected to tip log export revenue into a slight year–on–year increase of 1 percent. Export revenue declines are expected in all processed wood product categories. In 2024/25 and 2025/26, processed wood production is forecast to recover, lifting export revenue.

↑ 1%
(to $7.1 billion)

Horticulture

Horticulture export revenue is expected to increase 1 percent to $7.1 billion in the year to 30 June 2024. Climatic conditions were favourable for most crops recovering from the impacts of the previous wet summers and cyclone damage. Kiwifruit, apples, cherries, and vegetables all saw increases in production. This was countered by weak demand for wine due to high global inventories and a poor season for avocados. Harvests have been assisted by a good supply of seasonal labour with both Recognised Seasonal Employer scheme workers and backpackers available. While fertiliser and fuel costs have declined over the past year, overall input costs are rising.



↑ 5%
(to $2.2 billion)

Seafood

Seafood export revenue is expected to increase 5 percent to reach $2.2 billion in the year to 30 June 2024. Export revenue from aquaculture is set to increase 12 percent driven by higher prices while wild capture revenue is set to increase 3 percent driven by higher volumes. Export prices of key export species are expected to remain high due to robust demand and tight global supply. Export volumes are expected to rebound from a particularly bad year for seafood production aided by a larger jack mackerel catch, improved technology, and increased workforce availability. Despite improvements in prices, high input costs remain a challenge for fishers.

↑ 12%
(to $310 million)

Arable

Arable export revenue is expected to increase 12 percent to $310 million in the year to 30 June 2024 with increased returns in all export categories led by vegetable seeds. Seasonable conditions were mostly favourable through 2023/24, finishing with a good harvest. Total tonnage for cereal crops was up 3 percent on last year due to a 4 percent increase in overall yields from a similar number of hectares as last year. Domestic grain prices have fallen over the last year, and demand for grain has been subdued.

↓ 1%
(to $3.5 billion)

Processed food and other products

Export revenue for the processed food and other products sector is expected to decrease 1 percent to $3.5 billion in the year to 30 June 2024, stemming largely from the ban on live animal exports by sea. There is strong growth in the other products sector, which is forecast to reach $1 billion in export revenue for the first time, primarily driven by upward trends in the exports of vegetable oil. The honey sector is also showing signs of recovery with export revenue expected to grow by 11 percent.

Top 10 export destinations

Year to 31 March 2024, NZ$ million

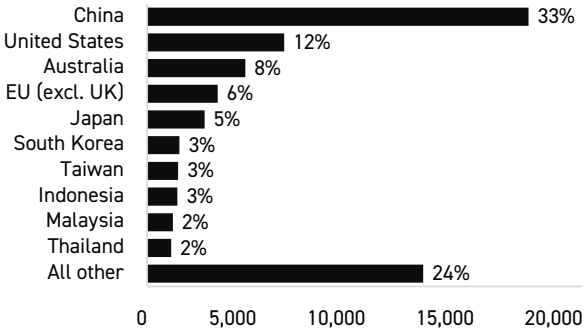
Product	Export revenue (NZ$ million)	% of total
Dairy	23,698	44%
Meat and wool	11,394	21%
Horticulture	6,673	12%
Forestry	5,876	11%
Seafood	2,163	4%
Arable	329	1%
Processed food and other products	3,446	6%
Total	**53,579**	**100%**

Totals may not add up due to rounding.
Source: Stats NZ.

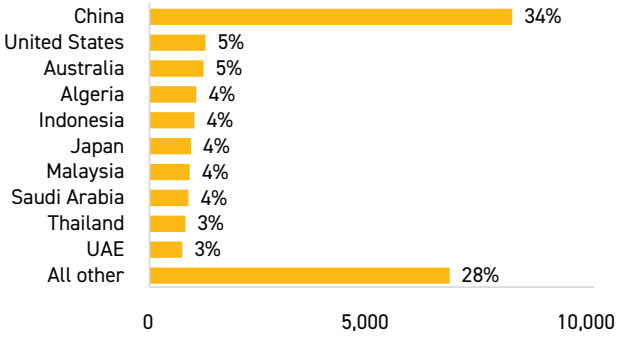
Top export markets

Year to 31 March 2024, NZ$ million and percent

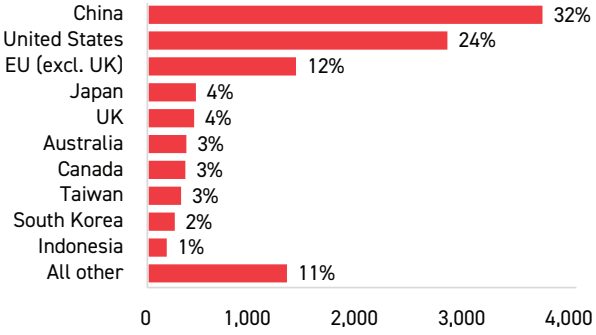
All primary industry exports



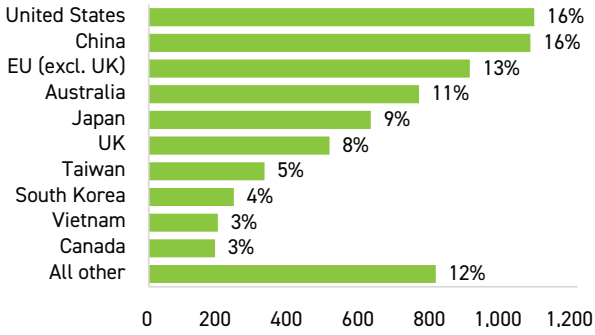
Dairy



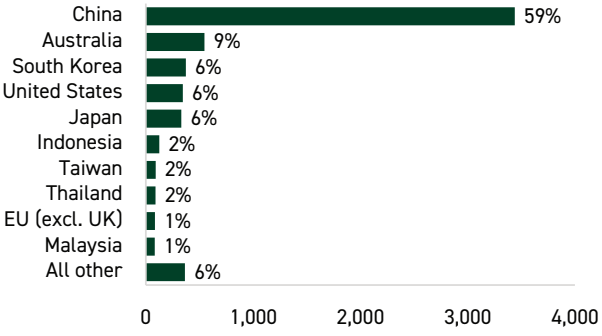
Meat and wool



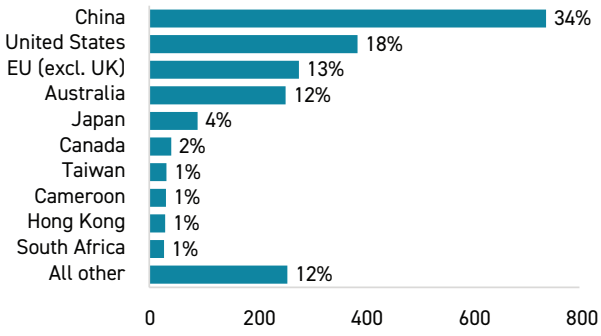
Horticulture



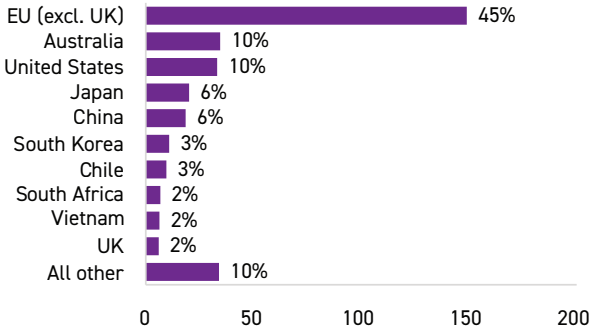
Forestry



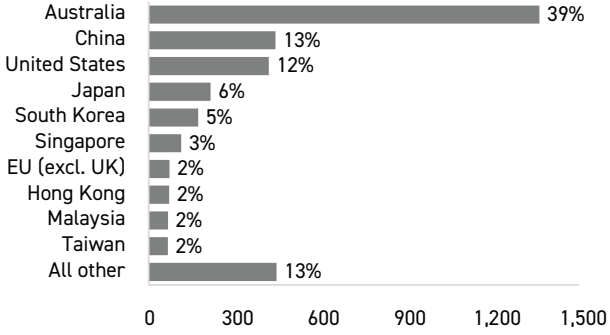
Seafood



Arable



Processed food and other products



Source: Stats NZ.

Overview

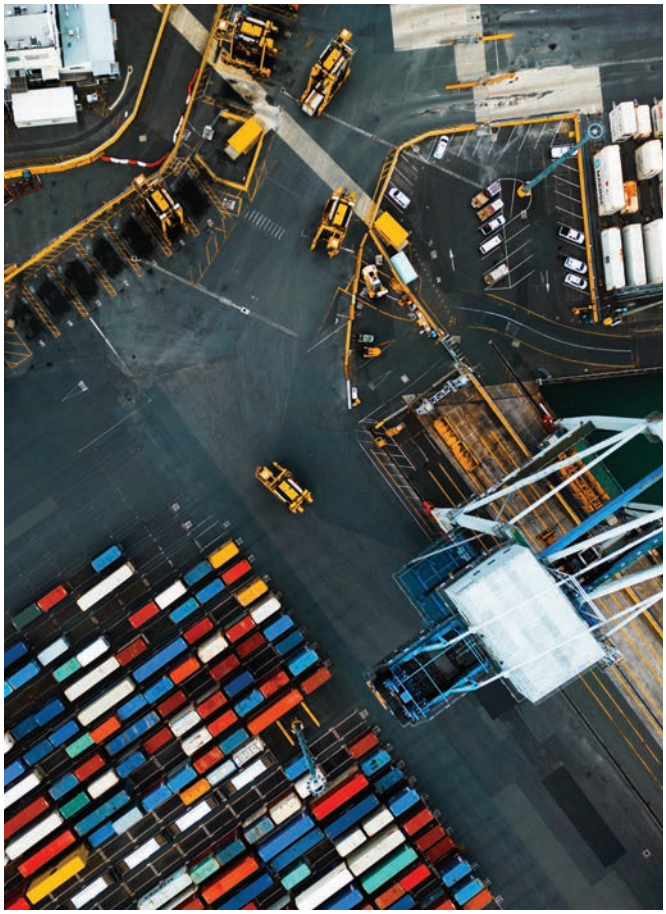
Overview

Table 1: Food and fibre sector export revenue 2020–28

Year to 30 June, NZ$ million

	Actual				Forecast				
Sector	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Dairy	20,102	19,055	21,998	26,008	24,160	25,750	27,110	28,640	30,360
Meat and wool	10,617	10,373	12,310	12,114	11,450	11,770	12,200	12,560	12,950
Forestry	5,452	6,499	6,578	6,353	5,880	6,170	6,390	6,530	6,620
Horticulture	6,541	6,579	6,815	7,066	7,110	8,020	8,630	9,180	9,700
Seafood	1,857	1,789	1,919	2,097	2,200	2,490	2,590	2,710	2,750
Arable	289	261	252	272	310	310	310	310	320
Processed food and other products*	2,988	3,087	3,228	3,491	3,450	3,550	3,650	3,760	3,860
Total export revenue	47,846	47,642	53,100	57,402	54,560	58,050	60,890	63,690	66,560
Year-on-year % change	3%	0%	11%	8%	-5%	6%	5%	5%	5%

* Includes live animals, honey, and processed food.
Totals may not add up due to rounding.
Percentages are rounded to the nearest whole percent.
Source: Stats NZ and MPI.



Food and fibre sector exports continue to make a significant contribution to the New Zealand economy with $54.6 billion in export revenue expected for the year to 30 June 2024. This represents a 5 percent dip from the previous year as revenue comes off a record high in 2022/23, which saw the price surge for some of our leading exports. Looking to 2024/25, export revenue is forecast to rebound by 6 percent to a record $58.1 billion.

In 2023/24, prices and revenue for many exports have corrected from highs in 2021/22 and 2022/23 due to the cyclical nature of commodity markets with slower global growth, specifically in our key export market China. The slowdown in global economic growth over the past two years is due to a considerable surge in inflation, tightening of monetary policy, and rising geopolitical tensions.

Additionally, higher global production and export volumes for food commodities are dampening export prices. A weaker NZD against the USD has supported export revenue in 2023/24. Export revenue is forecast to improve in 2024/25 on the back of improving market conditions and demand.

In 2023/24, a lift in revenue for some smaller and emerging sectors is expected to limit the overall fall in food and fibre export revenue. This forecast reflects the food and fibre sector's diversity, which adds a level of resilience. The food and fibre sector is well positioned to ride through this cycle and begin capitalising again when demand improves.

In 2023/24, apples and pears, arable, kiwifruit, and seafood product revenue is set to grow despite a challenging global macroeconomic landscape. Growth in these sectors is due to favourable weather conditions for most horticultural and arable crops as they recover from the impacts of the previous wet summers and cyclone damage as well as improved availability of labour for harvests. Seafood revenue growth is set to be driven by export prices remaining high due to robust demand and tight global supply.

On the other hand, the dairy, meat and wool, and forestry sectors have experienced a more difficult season due to lower global demand. In addition, higher global supplies are putting downward pressure on dairy and meat prices while domestic supply-side shocks in processed wood products are affecting forestry revenue. Sectors that were heavily impacted by Cyclone Gabrielle have continued their recovery throughout 2023/24, illustrating resilience and resourcefulness.

Looking ahead to the year to 30 June 2025, food and fibre sector export revenue is forecast to rebound 6 percent to $58.1 billion despite elevated volatility and an altered global trading landscape. Strengthening export revenue in the dairy, meat, forestry, horticulture, seafood, and processed food and other products sectors is set to drive growth while the arable sector is forecast to maintain its revenue level.

Global trade is expected to continue to be affected by elevated global geopolitical tensions as well as continued inflation in many countries in 2024/25. Regional conflicts, geopolitical tensions, and economic policy uncertainty pose downside risks to the outlook. Specifically, the resilience of global trade is being tested by disruptions on two of the world's main shipping routes.

Domestically, farm input costs are forecast to remain elevated in 2024/25, squeezing producer profitability. The pace of input cost growth has slowed and lower interest rates in the medium term will likely provide some relief. In terms of labour, pressures are forecast to remain lower than the COVID-19 period due to a sufficient supply of migrant workers.

Free trade agreements are benefiting New Zealand's exports through increased quotas and reduced tariffs. New and existing free trade agreements are set to continue to provide improved commercial opportunities and boost food and fibre export revenue over the outlook period.

In the long term, growing demand and constrained supply are likely to support price growth. Demand is set to be aided by global economic growth and rising per capita incomes, primarily in emerging economies. On the other hand, global supply is likely to be constrained by the increasing frequency and ferocity of extreme weather events, strengthening environmental and social policies, demographic shifts, and limited profitability.

Global economy has shown resilience and is expected to grow slowly but steadily

The global economy has been resilient and overcome the threat of a recession. Economic activity has grown steadily despite challenges such as supply-chain disruptions in the aftermath of the pandemic, Russia's conflict with Ukraine triggering a global energy and food crisis, and a considerable surge in inflation, followed by a globally synchronised tightening of monetary policy, fragilities in the banking system, and rising geopolitical tensions.

The pace of future global economic growth is expected to be lower than the historical level of 3.8 percent. This is due to both near-term factors such as high borrowing costs from restrictive monetary policies and withdrawal of fiscal support and longer-term factors such as those referred to above along with weak growth in productivity and increasing geoeconomic fragmentation. The International Monetary Fund (IMF) baseline forecast is for the world economy to grow at 3.2 percent during 2024 and 2025, the same pace as in 2023 (Figure 1).

The IMF forecasts a modest slowdown in emerging market and developing economies from 4.3 percent in 2023 to 4.2 percent in both 2024 and 2025. However, this is likely to be offset by a slight acceleration for advanced economies where growth is expected to rise from 1.6 percent in 2023 to 1.7 percent in 2024 and 1.8 percent in 2025.

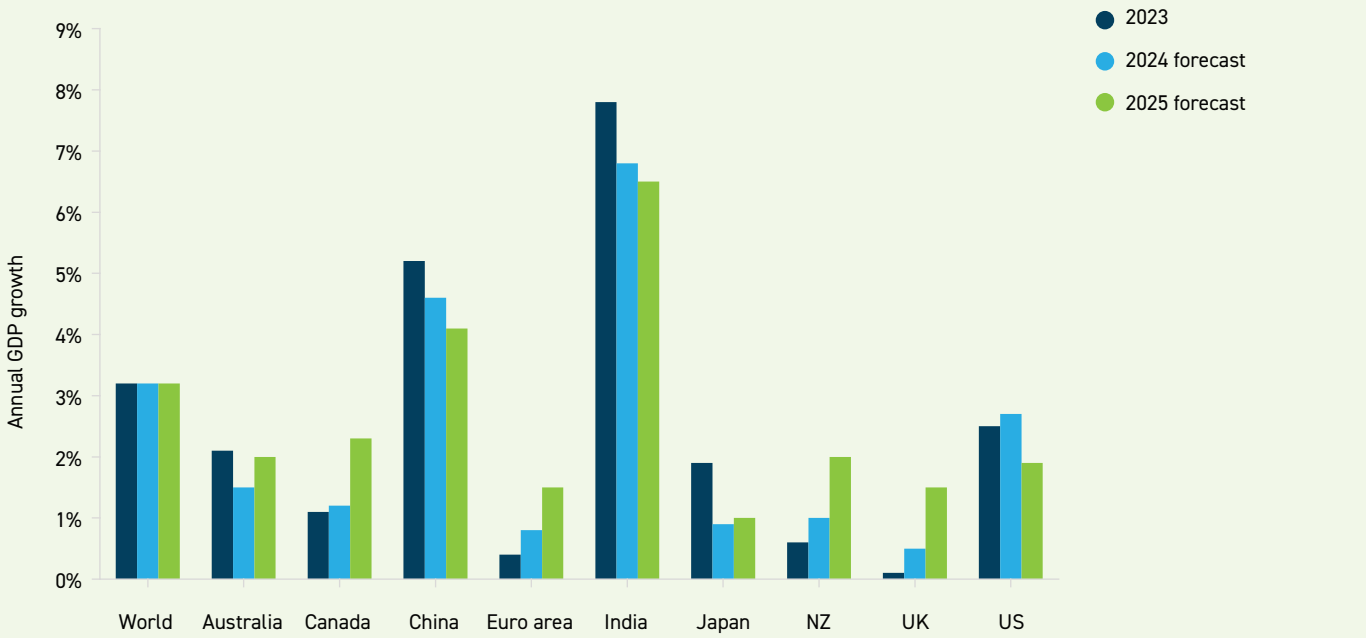
The recent performance of the US is a major driver of global growth. In the US, growth is projected to increase to 2.7 percent in 2024 before slowing to 1.9 percent in 2025 as gradual fiscal tightening and softening labour markets slow aggregate demand. In the Euro area, growth is expected to lift this year but from very low levels. Growth in the UK is projected to rise from an estimated 0.1 percent in 2023 to 0.5 percent in 2024 and then to 1.5 percent in 2025. The lift in growth reflects the lagged negative effects of high energy prices receding and disinflation allowing financial conditions to ease and real incomes to recover.

Resilient growth and faster disinflation point towards favourable supply developments, including the fading of earlier energy price shocks and the rebound in labour supply supported by strong immigration flows in many advanced economies.

Despite these positive signs, several challenges and uncertainties remain. For example, new price spikes stemming from geopolitical tensions and conflicts in Ukraine and Gaza along with persistent core inflation could raise interest rate expectations and dampen consumer confidence. Adding to uncertainty is that many countries are expected to elect their governments in 2024.

Figure 1: Global growth expected to be steady in 2024 and 2025

Year to 31 December, annual GDP growth 2023–25



Source: IMF, World Economic Outlook, April 2024.

Global inflation is declining

Supply-chain disruptions during the pandemic and Russia's conflict with Ukraine hit the global economy with a series of supply shocks. Combined with very supportive fiscal and monetary policies during the pandemic, these shocks drove inflation in many countries to multi-decade high levels in 2022. However, the inflation surge did not result in wage-price spirals despite its severity and the associated cost-of-living crisis.

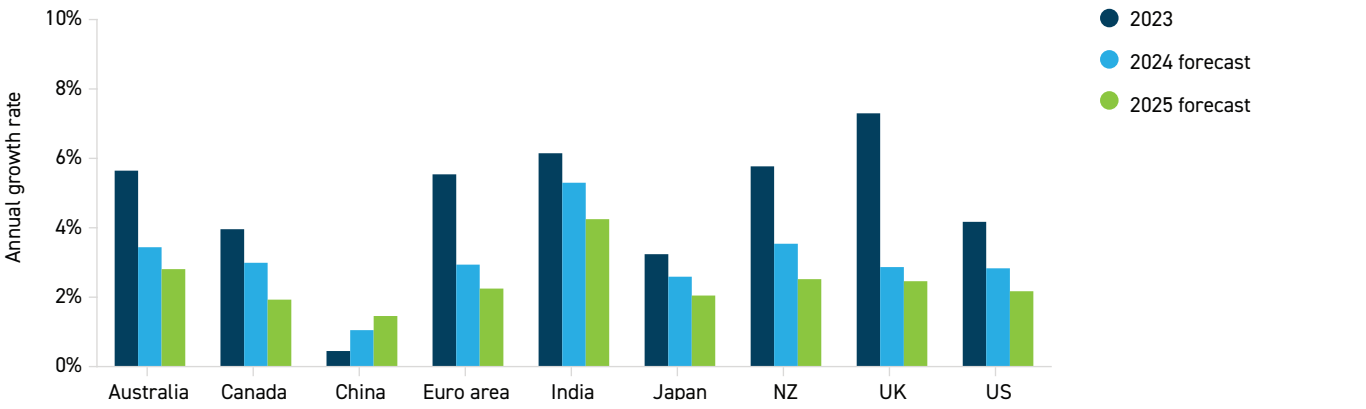
Instead, inflation has been declining in most countries. This is mainly because central banks across the world have increased interest rates to combat inflation. This has made it more expensive to borrow money and resulted in a decline in consumer spending and business investment. The IMF forecasts global inflation to decline steadily from 6.8 percent in 2023 to 5.9 percent in 2024 and 4.5 percent in 2025. Advanced economies are expected to return to their inflation targets sooner than emerging market and developing economies.

In late 2023, headline inflation neared its pre-COVID-19 levels in most economies for the first time since the start of the global inflation surge. The forecast fall in global inflation in 2024 reflects a more broad-based decline in global core inflation (Figure 2). This phenomenon differs from that in 2023 when global core inflation did not decline much and headline inflation declined mainly due to lower fuel and food price inflation.

While inflation trends are encouraging, they are still higher than target levels in many countries. For example, in the US, a tight job market and overall strong economic conditions, partly due to past government spending and people buying more, are still exerting upward pressure on prices. Therefore, bringing inflation down to target levels remains a priority.

Figure 2: Inflation is falling slowly

Year to 31 December, annual growth rate for selected countries



Source: OECD Economic Outlook.

Monetary policy is expected to remain restrictive for longer

Since late 2021, to counter rising inflation and restore price stability, most central banks around the world have raised policy interest rates at an extremely rapid rate (Figure 3). Consequently, mortgage costs have increased and credit availability is generally tight. This has caused difficulties for firms refinancing their debt, increasing the rate of corporate bankruptcies, and subdued investment in several economies.

Despite concerns, a global economic downturn caused by a sharp rise in central bank interest rates has not materialised. One of the main reasons is that households in major advanced economies were able to draw on substantial savings accumulated during the pandemic to limit the impact of higher borrowing costs on their spending.

With inflation projected to continue declining towards target levels, the IMF expects central bank interest rates in major advanced economies to start declining in the second half of 2024. For example, by the fourth quarter of 2024, the IMF expects the Federal Reserve's interest rate to have declined from its current level of about 5.4 percent to 4.6 percent, the Bank of England to have reduced its interest rate from about 5.3 percent to 4.8 percent, and the European Central Bank to have reduced its short-term interest rate from about 4.0 percent to 3.3 percent.

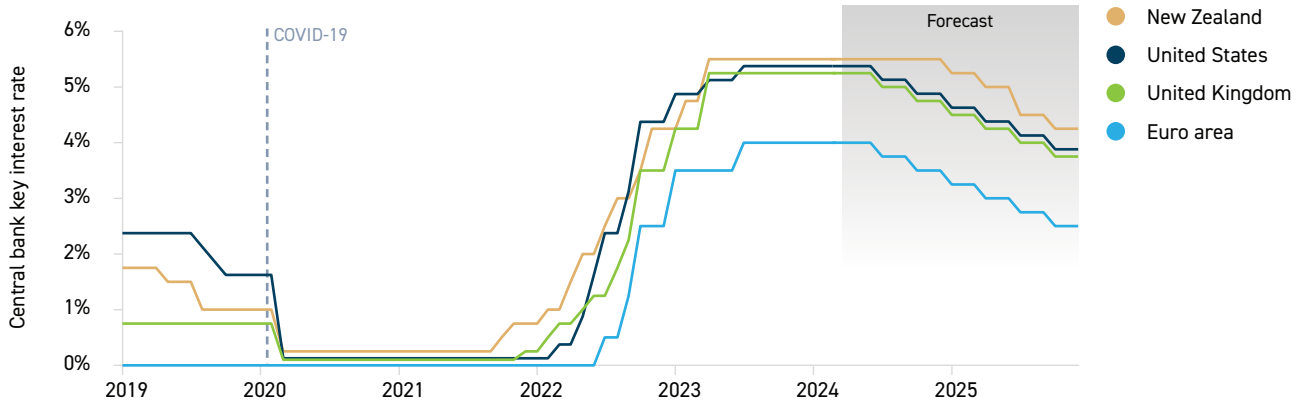
The Reserve Bank of New Zealand (RBNZ) Monetary Policy Committee agreed to hold the official cash rate (OCR) at 5.5 percent at its meeting on 22 May. Although inflation has slowed to 4.0 percent in the 12 months to 31 March 2024, it still remains outside the RBNZ's target range of 1–3 percent.

A greater-than-expected decline in inflation expectations could allow central banks to bring forward their interest rate easing plans. This would reduce borrowing costs, raise consumer confidence, and reinforce global growth. On the other hand, new price spikes from geopolitical tensions along with persistent core inflation could raise interest rate expectations. Higher interest rates could have a greater cooling effect on economic growth than expected.

As the global economy approaches a soft landing, the immediate priority for central banks is to ensure that inflation touches down smoothly by ensuring interest rates are not eased prematurely or delayed for too long.

Figure 3: Central banks expected to keep interest rates higher for longer

31 January 2019 to 31 December 2025, central bank key interest rate for selected countries



Source: OECD Economic Outlook No 115, May 2024.

Price of energy and fertiliser fell faster than expected

Crude oil prices are currently US$84 a barrel, 30 percent lower than the peak achieved in June 2022. They are expected to slide further in 2024 and will continue to fall over the outlook period. The decline in energy prices reflects increased global energy supply and the effects of tight monetary policies.

On the demand side, weaker expectations for global demand growth have contributed to downward price pressures. On the supply side, the implementation of output curbs by the Organization of the Petroleum Exporting Countries (OPEC) plus selected non-member countries, including Russia, was more than offset by strong output growth in Iran and non-OPEC countries, led by the US, Brazil, and Guyana.

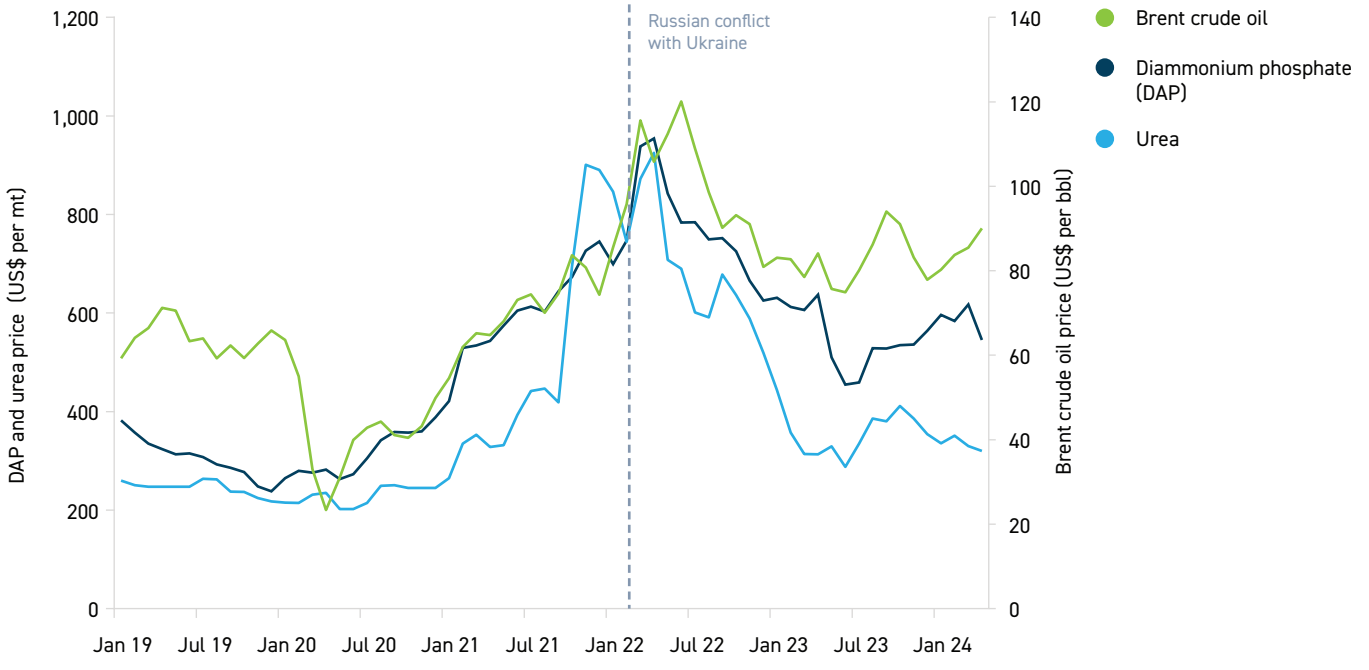
Globally, coal and natural gas prices are expected to continue declining from their earlier peaks. The supply versus demand situation in the gas market is expected to become more balanced due to new supply, dampened demand, and high storage levels.

During 2021 and 2022, fertiliser prices shot up due to several factors (Figure 4). Surging prices raised fears that fertiliser application would drop around the world, leading to lower crop production, higher food prices, and greater food insecurity. Although there were impacts, the worst-case scenarios did not eventuate, and fertiliser prices (while still high) are returning to pre-pandemic levels.

On the domestic front, natural gas production has been falling. This may increase future production costs for North Island food and fibre processors who primarily use natural gas. The cost of nitrogen-based fertiliser (which uses natural gas as a feedstock) could also increase, creating challenges for farmers and growers. These challenges have the potential to deepen if demand for natural gas further outstrips supply.

Figure 4: Fertiliser prices decline considerably from their peak in March 2022, whereas fuel price declines have been modest

Monthly, last observation is April 2024, fertiliser price in US$ per megatonne and Brent crude oil price in US$ per barrel



Source: World Bank.

Challenges remain but China's economy shows early signs of strengthening

China, the world's second-largest economy, grew 5.3 percent in the March quarter of 2024, up from the 5.2 percent expansion in the previous quarter. This growth was supported by government spending on infrastructure and high-tech manufacturing to lift the economy. The strong March-quarter growth will help achieve China's 'around 5 percent' target for the year.

However, challenges remain. Several indicators released in March suggest that consumer demand remains weak, and this could slow the pace of overall economic growth. In particular, the challenges in the property sector have been a major drag on China's economy. Property investment fell 9.5 percent year on year in the first quarter while sales have fallen 23.7 percent. The property sector challenges have rippled across the broader economy, dampening business and consumer confidence, investment plans, hiring decisions, and stock market performance. With central banks across several developed economies likely to keep interest rates higher for longer, China may also face a longer period of subdued export growth.

A further weakening in consumer confidence and spending in China will have implications for global growth. Specifically, spillovers to China's trading partners are likely to be negative due to weaker import demand.

Large emerging economies are performing well

After more than two decades of impressive growth – averaging almost 6 percent a year – the emerging markets of the Group of 20 (G20)[3] now account for about 30 percent of global economic activity and about 25 percent of global trade. At the same time, these economies have become increasingly integrated into global value chains.

Many of the large emerging market economies are performing strongly, sometimes even benefiting from a reconfiguration of global supply chains and rising trade tensions between China and the US. These countries are having an increasing influence on the global economy, and they will play a larger role in supporting global growth in years to come. For example, growth in India is projected to remain strong at 6.8 percent in 2024 and 6.5 percent in 2025, reflecting continuing strength in domestic demand and a rising working-age population.

3. The emerging markets of the G20 include Argentina, Brazil, China, India, Indonesia, Mexico, Russia, Saudi Arabia, South Africa, and Turkey.

Global trade is forecast to rebound

According to the World Trade Organization, the volume of world merchandise trade is forecast to increase by 2.6 percent in 2024 and 3.3 percent in 2025, following a contraction in 2023. In 2023, high energy prices and inflation continued to weigh heavily on demand for manufactured goods, resulting in a 1.2 percent decline in world merchandise trade volume for 2023. The decline was larger in revenue terms with merchandise exports down 5 percent to US$24 trillion.

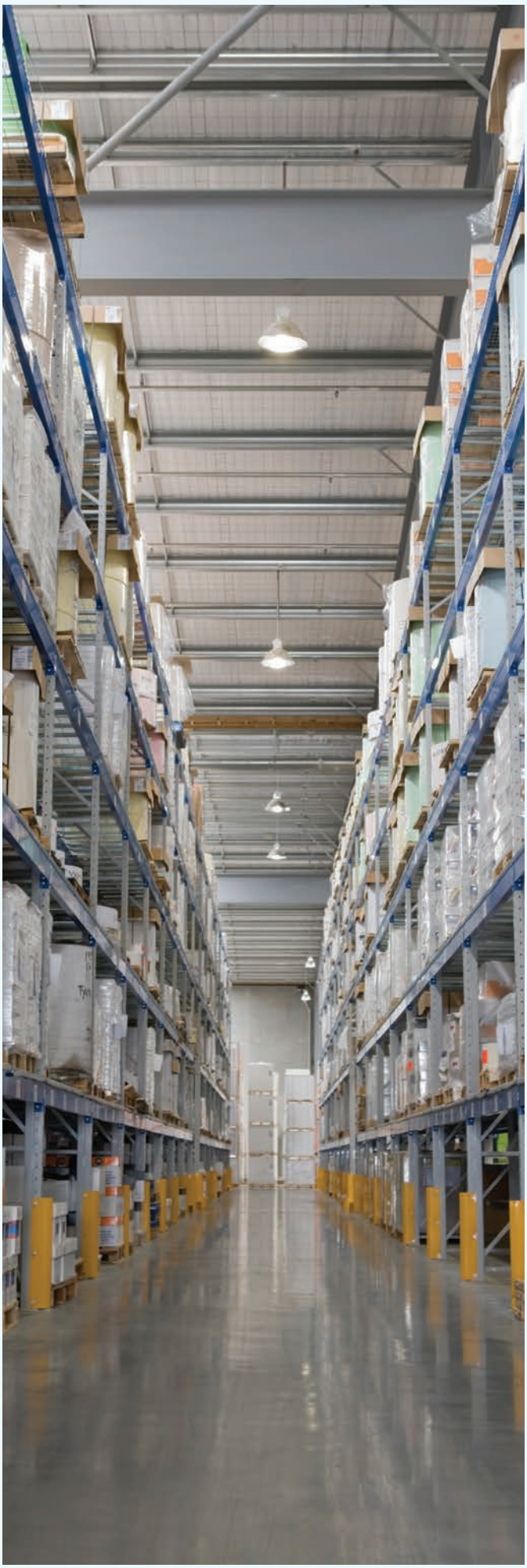
Regional conflicts, geopolitical tensions, and economic policy uncertainty pose downside risks to the trade outlook. Specifically, the resilience of global trade is being tested by disruptions on two of the world's main shipping routes – the Panama Canal, which is affected by freshwater shortages, and the diversion of traffic away from the Red Sea due to attacks on merchant and naval vessels by the Houthis.

However, world trade is expected to be resilient despite the presence of several economic shocks. A recovery of demand for tradable goods in 2024 is already evident with indices of new export orders pointing to improving conditions for trade at the start of the year. The recovery is being driven by a decline in inflation, which is providing a boost to the consumption of manufactured goods.

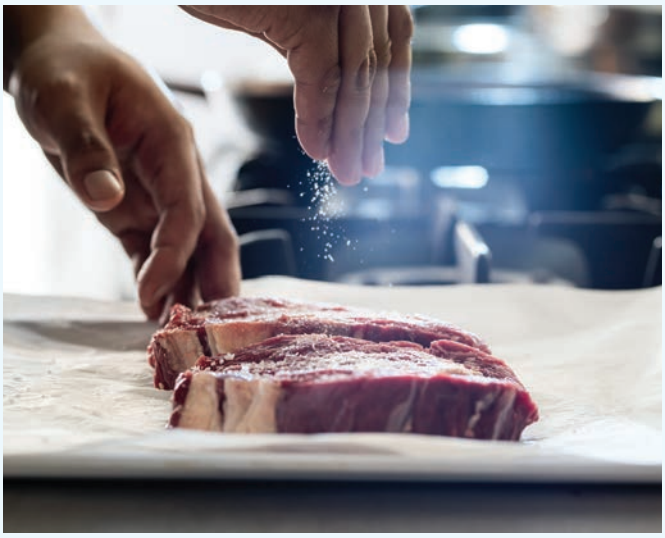
Maritime freight costs increase

The Red Sea – through which 15 percent of global trade flows – serves as an important maritime route for international trade. Attacks on commercial ships in the Red Sea and the Gulf of Aden since mid-November 2023 have had a negative impact on trade. Global transportation costs have increased, reflecting the rerouting of cargo from the Suez Canal to the Cape of Good Hope. Among the main connections affected is the route from the Middle East to Europe. Continued trade disruptions from climate extremes in the Panama Canal have also affected trade.

As a result of these disruptions, maritime freight costs have increased. The Drewry World Container Index increased to $4,072 per 40-foot container on 23 May 2024 – an increase of 142 percent compared with the same week last year. Despite the increase, global shipping costs have remained well below the extremely high levels of 2021/22. Specifically, reefer (refrigerated) container freight rates, which are particularly important for our food and fibre exports, have also declined since their peak of 2021/22 but at a slower pace than for dry freight.



Global commodity food prices have declined considerably but domestic retail food prices remain elevated



Since peaking in March 2022, global food commodity prices have declined by almost 26 percent as of April 2024 (Figure 5). Driving this decrease were strong harvests in large food-producing countries, steep declines in shipping costs, and more affordable energy and fertiliser. This easing of commodity food price pressures occurred across markets for cereals, vegetable oils, meat, and dairy products. Sugar and rice were notable exceptions, as their world market prices have risen by double digits in recent months due to production disruptions caused in part by El Niño conditions. Food commodity prices are predicted to decline by 2.2 percent in 2024 driven by expectations of abundant global supplies for wheat and maize.

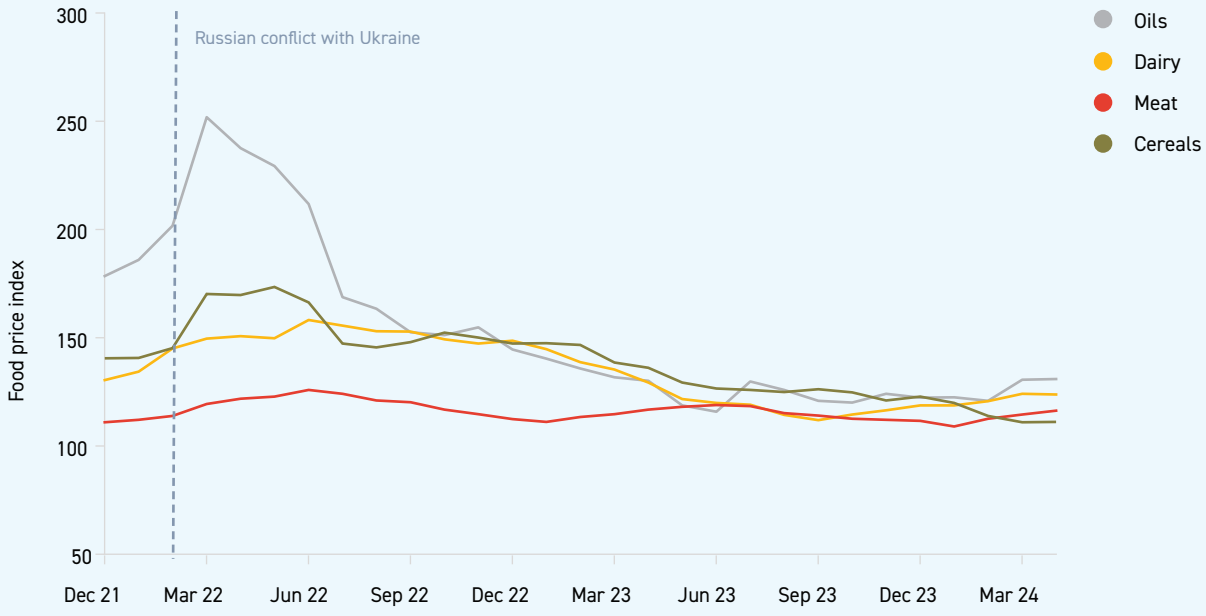
Importantly, despite external disruptions, food commodity markets remained relatively stable. Russia's conflict with Ukraine, now spanning two years, continues to have a considerable effect on global agricultural markets, posing substantial challenges to food security worldwide. Despite initial shocks, global commodity food markets have adapted to these disruptions, partly because other suppliers, including Russia, have increased exports, which has helped ease some of the impacts.

While international commodity food prices measured in USD have fallen, domestic food prices measured in national currencies (the prices that matter to consumers) remain high, fuelling a cost-of-living crisis for many households. Domestic food price inflation exceeded overall inflation in 63 percent of countries for which a food consumer price index (CPI) and overall CPI are both available. This is because global commodity price shocks only partially translate into domestic price shifts and are driven in part by the share of imported agricultural food commodities in domestic diets.

In New Zealand, food price inflation has slowed considerably, but the price of food remains elevated. Food prices increased by 0.8 percent over the 12 months to 30 April 2024, the lowest increase since April 2021. This is considerably lower when compared with the 12.5 percent increase in the 12 months to 30 April 2023. The large slowdown in food price increases was driven by a decrease in fruit and vegetable prices, down by 13.0 percent. Notably, restaurant meals and ready-to-eat food showed an increase of 5.6 percent. In comparison, the grocery food category increased by 1.8 percent over the same period.

Figure 5: Commodity food prices decline from their peak in March 2022 and remain subdued

Monthly, food price index: base 100 = 2014–16



Source: FAO.

Farm expenses remain elevated but the rate of increase has slowed considerably

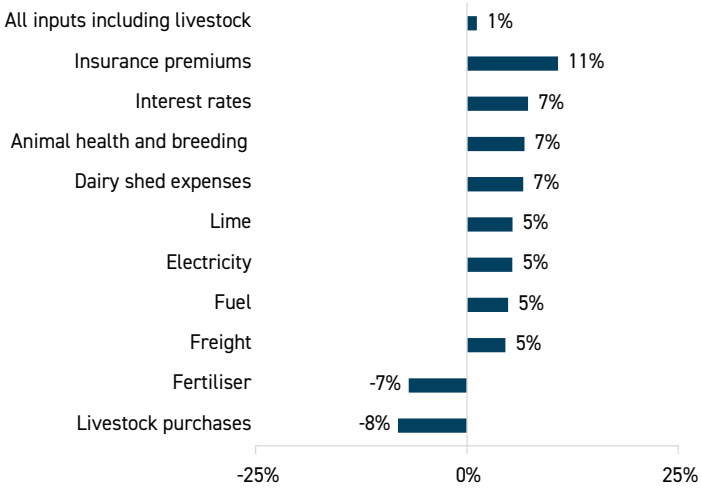
Farming businesses continue to face cost pressures as farm expenses have increased by 25 percent since December 2020. However, the rate of increase of farm expenses has slowed down considerably over the past 18 months. In the 12 months to 31 March 2024 farm expenses increased by 1 percent (Figure 6). This is much slower than the 12 percent increase experienced in the 12 months to 31 March 2023 and the 10 percent increase in the 12 months to 31 March 2022. However, low commodity prices plus elevated farm expenses will likely dampen farm profitability.

The slowdown in the rate of increase over the past 12 months to 31 March 2024 is largely driven by a decline in fertiliser expenses, down 7 percent, and livestock purchases, down 8 percent.

In the 12 months to 31 March 2024, the pace of increase of interest rate expenses has slowed down considerably, up 7 percent. In the 12 months to 31 March 2023, interest rate expenses increased by an astounding 52 percent. The rise in interest rate expenses is a result of the RBNZ raising the OCR to combat inflation. Notably, interest rate expenses declined slightly between the September and December quarters of 2023 and once again between the December quarter of 2023 and March quarter of 2024. This suggests that interest rate expenses have peaked.

Figure 6: Farm expenses increase slightly in 2023/24

March quarter 2023 versus March quarter 2024, change in farm expense price index



Source: Stats NZ and MPI.

In the 12 months to 31 March 2024, horticulture experienced the highest rate of increase in farm expenses, up 4 percent, followed by cropping and other farming, up 3 percent. Notably, dairy farm expenses increased by 0.5 percent, whereas in the 12 months to 31 March 2023, dairy farm expenses showed the highest increase across farming sectors, increasing by 13 percent.

A stronger USD continues to support New Zealand exports

New Zealand food and fibre exports over the year to 30 June 2024 so far have been slightly supported by a weaker NZD to USD. The average NZD to USD exchange rate this year has been 2 percent lower compared with last year. However, the NZD to USD exchange rate has shown quite a bit of volatility over this year. It started at 0.60 in June and strengthened fairly quickly to reach 0.64 in July 2023. It then weakened quite consistently to reach a low of 0.58 in October before strengthening to reach 0.63 in December. It has decreased once again since then and at the time of writing this report in May was around 0.60. This exchange rate volatility is a source of complexity that food and fibre sector exporting businesses must navigate.

New Zealand's labour market shows signs of easing

The food and fibre sector employs approximately 360,000 people in a wide range of roles requiring a diverse range of skills. Over 90 percent of people employed in the food and fibre sector are New Zealand citizens or residents. Temporary migrants are also an important part of the workforce, particularly for seasonal activities.

Recent indicators suggest that the New Zealand labour market has been easing. New Zealand's unemployment rate increased to 4.3 percent in the March quarter of 2024, up 0.9 percent over the previous 12 months, while the labour force participation rate has decreased 0.6 percent to 71.5 percent over the same period. Although this creates challenges for employees, it is helping cool inflation and makes it easier for employers (including in the food and fibre sector) to fill worker shortages.

Supporting this cooling of the labour market is an increase in net migration to New Zealand. There was an annual net migration gain of 111,100 in the year to 31 March 2024. Annual net migration provisionally peaked in the year ended October 2023 with a gain of 139,100.

Changes to the Accredited Employer Work Visa (AEWV), the primary visa for hiring migrant labour, could affect the food and fibre sector. The AEWV is designed to attract high-skilled, highly remunerated staff but has been used to hire low–skilled workers as well. On 7 April 2024, changes to the AEWV came into effect. The focus was on tightening requirements for low–skilled roles and were in part a response to concerns regarding the effects of high net migration on New Zealand's absorptive capacity. It will take time for the impacts of these changes to affect the food and fibre sector.

Climate situation and outlook

New Zealand experienced a warm and dry winter in 2023 where rainfall was below normal for most of the country. El Niño in 2023 brought above–average temperatures for many parts of the country. In summer, several locations in the country had record or near-record warm temperatures. More westerly winds than normal prevailed over the South Island and lower North Island. El Niño persisted through to autumn where below–normal rainfall in northern and eastern areas of both islands occurred. Looking ahead, variable rainfall patterns are likely as El Niño wanes with increased chances of heavy rainfall in the South Island. A likely switch to La Niña could bring warmer and wetter weather to parts of the country later in the year.

The effects of El Niño have compounded the challenges facing farmers and growers such as low commodity prices, inflation, and debt servicing costs. These factors have added downward pressure on farm profitability. MPI engaged with sector organisations and government agencies to assist in the coordination and management of wider drought and El Niño impacts as needed. MPI funded early interventions to increase the response and recovery of affected communities. Situation reports, support, and advice for farmers and growers on how to prepare for El Niño were also provided.

The Hawke's Bay Farming for Resilience pilot project, a joint initiative by MPI and AgFirst Pastoral Hawke's Bay, is an example of support for affected farmers. The project, running from February to June 2024, aimed to support Hawke's Bay sheep and beef farmers as they navigated ongoing economic pressures caused by Cyclone Gabrielle and help them prepare for forecast dry conditions. By utilising near real-time on-farm data and regular situational reports, the project shared information to assist business planning and provided examples of on-farm interventions across three farm system types. Monthly reports were disseminated through multiple

channels, including field days and events, MPI's On Farm Support web page, the Hawke's Bay Rural Advisory Group, and the Hawke's Bay Regional Council Farmers Hub, ensuring that farmers and rural professionals had access to the latest data and insights.

El Niño's impact has been varied. During an El Niño weather pattern, New Zealand tends to experience an increased risk of drought. The El Niño weather pattern has affected farmers and growers across the northern, central, and eastern parts of the South Island and northern and lower North Island. The adeptness of New Zealand farmers and growers has ensured that the impact of El Niño on farming businesses has been milder than expected. With El Niño forecast to ease to neutral conditions through El Niño-Southern Oscillation (ENSO) by the end of autumn, there is a risk that dry conditions may influence the growth of winter crops, diminish feed reserves, and reduce water availability. Fire risk has remained for some areas in May.

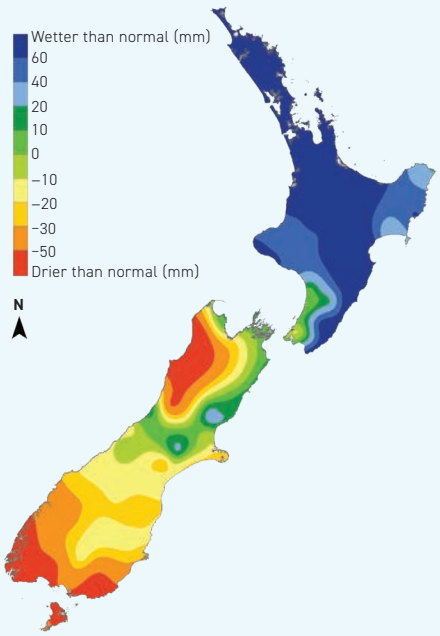
Destocking of lambs, dry dairy stock, and beef cattle has occurred in dry regions across the country. Meanwhile, the kiwifruit sector has had good volumes and yield. Dry conditions may have been ideal for fruit and vegetable growers unlike pastoral farmers. MPI classified extremely dry conditions in Otago, Canterbury, and the top of the South Island as medium-scale adverse events. This classification was extended to parts of the North Island in March. The classification enabled additional support for farmers, growers, and rural communities.

Figure 7 shows the driest soils at the end of January this year were in parts of eastern Northland and Wairarapa, while the wettest soils were found in southern Waikato and coastal Hawke's Bay. In the South Island, interior Marlborough and northern Canterbury soils were the driest while the wettest soils were found in the upper West Coast and western Tasman. In contrast to a year ago, heavy rainfall events occurred, which resulted in massive soil moisture increases across nearly all of the North Island while many parts of the South Island had dry to extremely dry conditions.

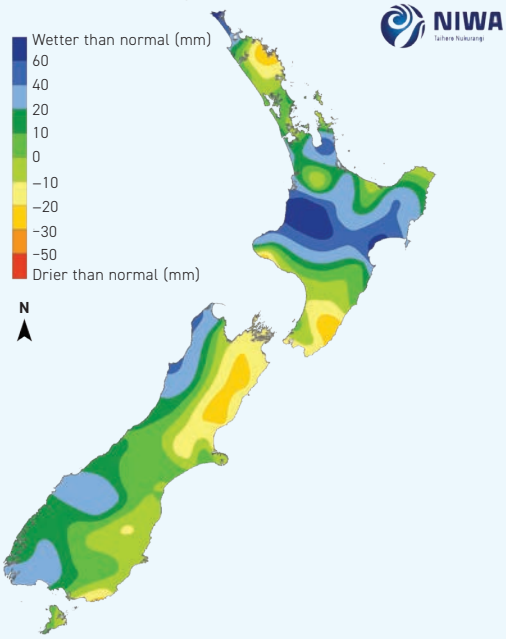
Figure 7: Dry conditions prevailed over parts of both islands compared with a year ago

Soil moisture anomaly, 1 February 2023 and 31 January 2024

Soil moisture anomaly (mm) at 9am on 01/02/2023



Soil moisture anomaly (mm) at 9am on 31/01/2024



Soil moisture anomaly shows the difference between soil moisture at a certain point in time and average historical soil moisture deficits.
Source: NIWA.

EU and UK FTA implementation

New free trade agreements with the UK and the EU are delivering benefits for New Zealand's food and fibre sectors, with improved access into the region providing businesses with new opportunities for diversification.

NZ-UK FTA is a win for New Zealand wine

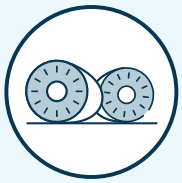
The UK is New Zealand's second–largest export destination for wine, with exports valued at NZ$461 million in 2023. Since entry into force of the New Zealand-United Kingdom Free Trade Agreement on 31 May 2023, New Zealand wine exports to the UK have benefited from immediate tariff elimination and enhanced competitiveness of New Zealand wine in the UK market.

The NZ-UK FTA includes an annex on wine and distilled spirits that provides for comprehensive recognition of New Zealand wine-making practices as well as minimising administrative burdens and costs from certification and labelling requirements. This improved access has coincided with a series of ongoing reforms to wine regulations in the UK to allow greater innovation and encourage more efficient and sustainable practices. The reforms (such as allowing a single label to cover both the EU and the UK markets) are providing the settings needed to support increased trade in wine between New Zealand and the UK. While tariffs have been removed, excise duties on wine remain in both New Zealand and the UK.

New Zealand currently commands a 51 percent value share of the Sauvignon Blanc market in the UK across grocery and major retail. New Zealand wine also attracts a premium price in the UK at £8.37 per bottle of still wine compared with the overall average of £6.74 per bottle. With consumers increasingly focused on sustainability, New Zealand winegrowers' efficient and sustainable production practices position them well to make the most of growing demand for wine in the UK.

NZ-EU FTA creates immediate benefits for mānuka honey and key horticulture crops

The New Zealand-European Union Free Trade Agreement entered into force on 1 May 2024. As New Zealand's fourth–largest trading partner, the EU is one of New Zealand's most important markets with close to 450 million consumers. New Zealand exports to the EU totalled NZ$3.2 billion in the year to 31 March 2024. The agreement provides tariff savings of $100 million per annum immediately for New Zealand's exports, reaching $110 million per annum after seven years.



For New Zealand's horticultural sector, tariffs are eliminated immediately on kiwifruit, apples, and onions, delivering savings of NZ$46 million per annum.

For mānuka honey, the 17.3 percent tariff is removed immediately, and after three years for other honey.

The NZ-EU FTA also strengthens New Zealand's engagement with the EU across key areas with a first-of-its-kind chapter on sustainable food systems creating a new platform for cooperation on topics such as food loss and waste and the environmental and climate impacts of food production. The agreement further protects and promotes Māori interests with a dedicated chapter on Māori trade and economic cooperation identifying areas to enhance the ability for Māori to access the benefits from the FTA.

Sector briefs

Dairy

- Milk production for the season to 31 May 2024 is forecast to slightly increase by 0.7 percent to 1,887 million kilograms of milksolids (kgMS) despite constraints such as high input costs, a decline in cow numbers, and El Niño weather conditions.
- Export revenue is forecast to decrease 7 percent to $24.2 billion in the year to 30 June 2024. A lift in export volumes has been offset by lower prices for most dairy products.
- Global dairy prices were lower and more volatile over 2023/24. Sluggish consumption growth and increased Chinese milk supply resulted in downward pressure on global dairy prices.
- Lower global dairy prices are likely to result in an all-company average farmgate milk price of $7.90 per kgMS for 2023/24. The lower farmgate milk price combined with high farm input costs, specifically debt servicing costs, will constrain farm profitability.

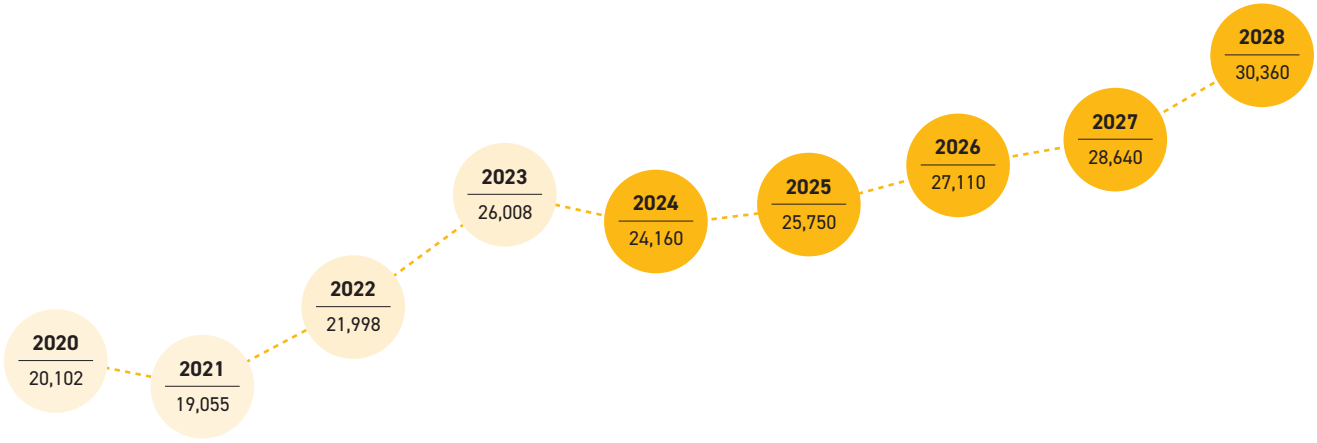


Table 2: Dairy export revenue 2020–28

Year to 30 June, NZ$ million

	Actual				Forecast				
Product	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Whole milk powder	7,555	7,542	8,304	8,274	7,990	8,850	9,340	10,110	11,010
Butter, anhydrous milk fat, and cream	3,360	2,667	3,519	4,589	4,570	4,900	5,090	5,320	5,540
Skim milk and butter milk powder	1,787	1,526	1,947	2,673	2,210	2,230	2,490	2,650	2,740
Casein and protein products	1,996	2,019	2,680	3,320	2,790	2,870	3,100	3,180	3,330
Cheese	2,072	2,065	2,199	3,039	2,760	2,910	3,050	3,160	3,310
Infant formula	1,842	1,588	1,435	1,915	1,690	1,770	1,810	1,930	2,030
Other dairy products*	1,491	1,648	1,914	2,198	2,150	2,220	2,240	2,300	2,410
Total export revenue	**20,102**	**19,055**	**21,998**	**26,008**	**24,160**	**25,750**	**27,110**	**28,640**	**30,360**
Year-on-year % change	**11%**	**-5%**	**15%**	**18%**	**-7%**	**7%**	**5%**	**6%**	**6%**

* Includes liquid milk and cream, ultra-high temperature milk, yoghurt, and ice-cream.

Totals may not add up due to rounding.

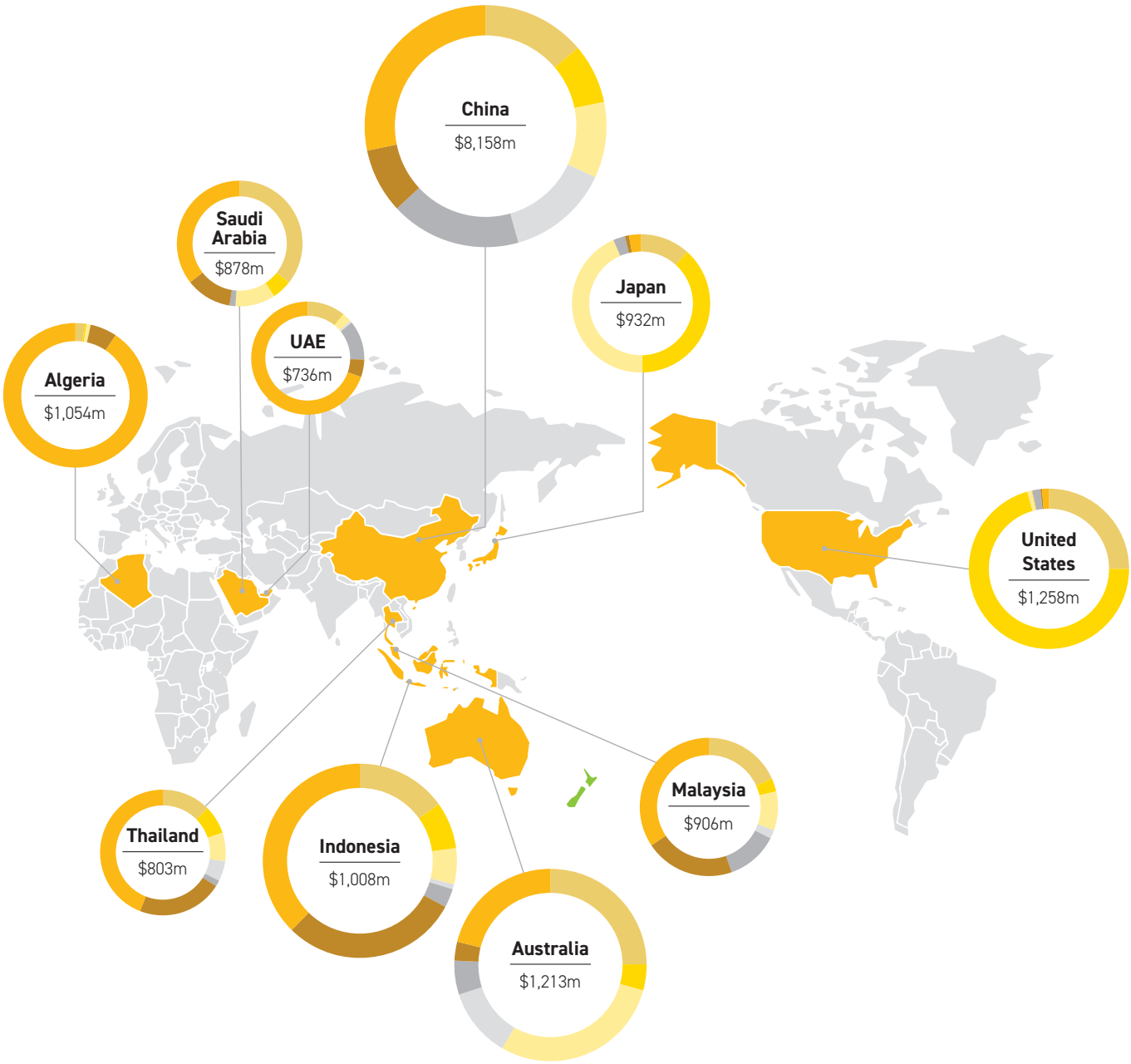
Percentages are rounded to the nearest whole percent.

Source: Stats NZ and MPI.


48

Top 10 dairy export destinations

Year to 31 March 2024, NZ$ million



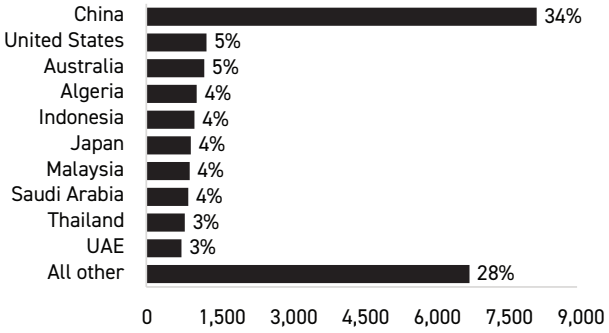
Product	Export revenue (NZ$ million)	% of total
Whole milk powder	7,763	33%
Butter, anhydrous milk fat, and cream	4,263	18%
Casein and protein products	2,880	12%
Cheese	2,748	12%
Skim milk and butter milk powder	2,191	9%
Infant formula	1,682	7%
Other dairy products	2,171	9%
Total	**23,698**	**100%**

Totals may not add up due to rounding.
Source: Stats NZ.

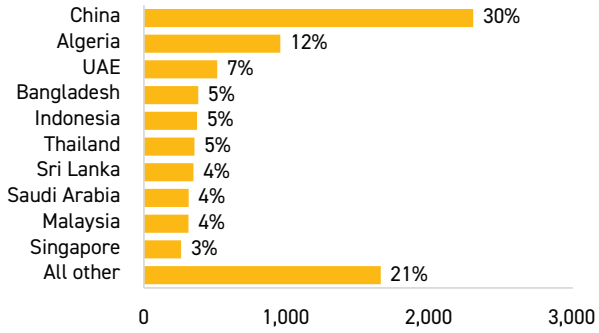
Top dairy export markets

Year to 31 March 2024, NZ$ million and percent

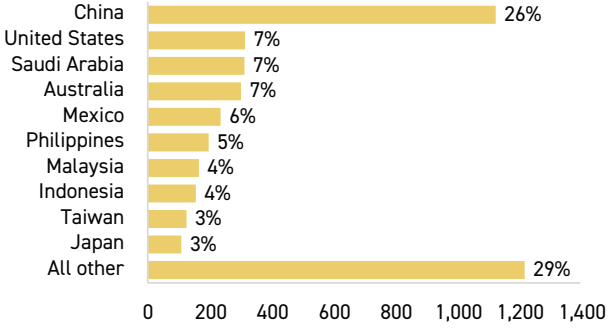
Total dairy products



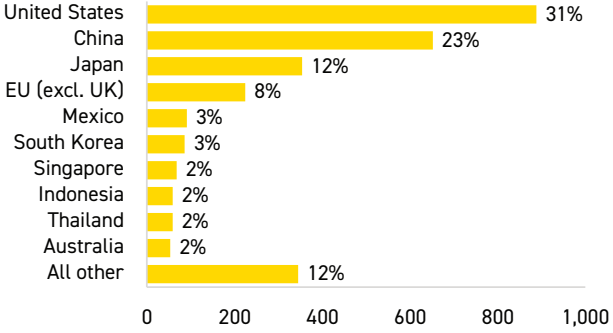
Whole milk powder



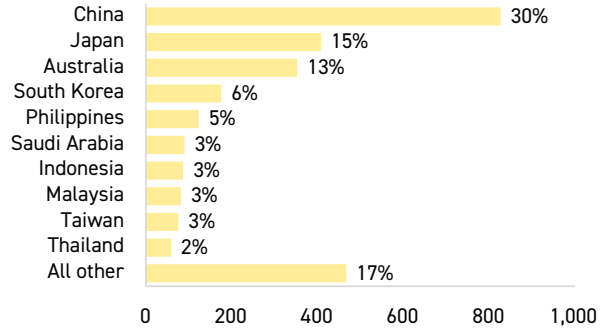
Butter, anhydrous milk fat, and cream



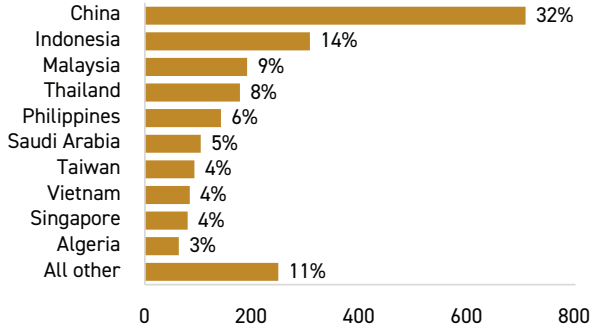
Casein and protein products



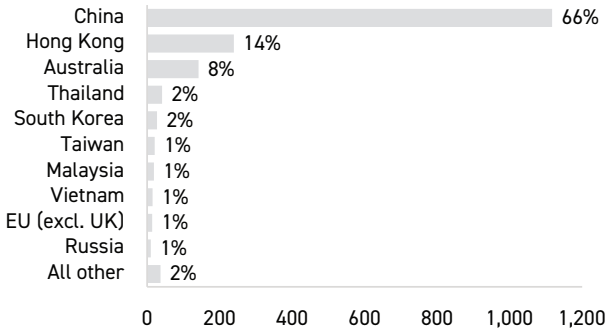
Cheese



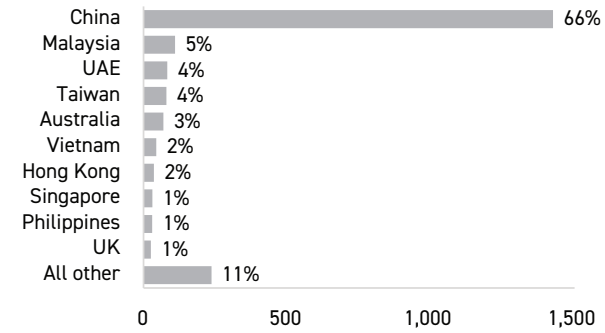
Skim milk and butter milk powder



Infant formula



Other dairy products



Source: Stats NZ.

Dairy export revenue expected to decline from the record high set in 2022/23

New Zealand dairy export revenue is expected to decrease 7 percent to $24.2 billion in the year to 30 June 2024 despite an expected 6 percent increase in export volumes. The drop in export revenue is mainly due to weakening of global demand resulting in lower global dairy prices. Despite a decline in global dairy prices in the year to 31 March 2024, prices remain at average levels as the decline follows a record high set in March 2022. Revenue for all dairy product categories is forecast to fall compared with the previous year (Figure 8). A slightly weaker NZD against the USD and an improvement in milk production is limiting the fall in dairy export revenue.

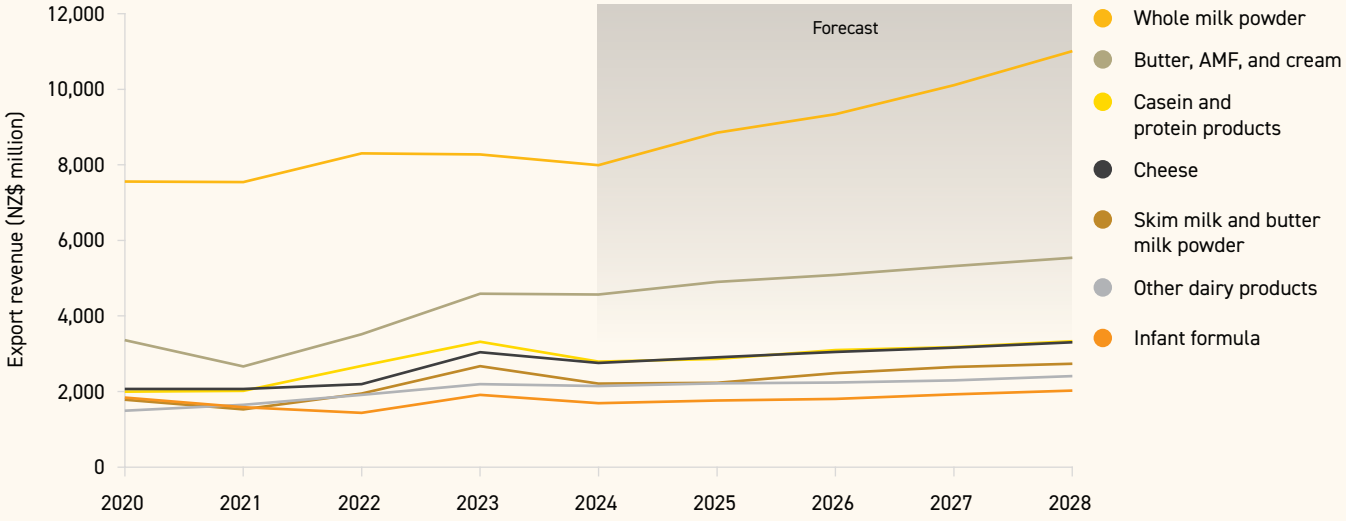
The expected decline in export revenue comes off the back of record high export earnings in 2022/23, and despite the decline, export revenue in 2023/24 is likely to be the second highest on record. This is a strong performance by the dairy sector especially given the challenges and uncertainties faced during the year. Challenges included an economic slowdown in China, New Zealand's largest export market, heightened geopolitical tensions, disruptions to global shipping routes, high inflation, and elevated uncertainty around weather conditions due to El Niño.

Global dairy commodity prices have been low and volatile over the past 12 months. Over the medium term, an increase in global prices from the average levels achieved this year and a slight increase in milk production are expected to result in an increase in export revenue. For 2024/25, export revenue is forecast to increase to $25.7 billion, an increase of 7 percent compared with the 2023/24 forecast. With demand expected to strengthen in 2025/26 and supply expected to be constrained, dairy export revenue is forecast to further increase by 5 percent to a record high of $27.1 billion in that year.

FTAs with the EU and UK provide new market access opportunities for the New Zealand dairy sector. The NZ-UK FTA in particular has opened an important dairy market that New Zealand exporters have long been effectively locked out of due to high tariffs. Now 60 percent of New Zealand's current dairy trade can enter the UK duty free immediately with 99.5 percent within five years and 100 percent within seven years.

Figure 8: New Zealand dairy exports estimated to decline before increasing once again

Year to 30 June, export revenue, NZ$ million



Source: Stats NZ and MPI.

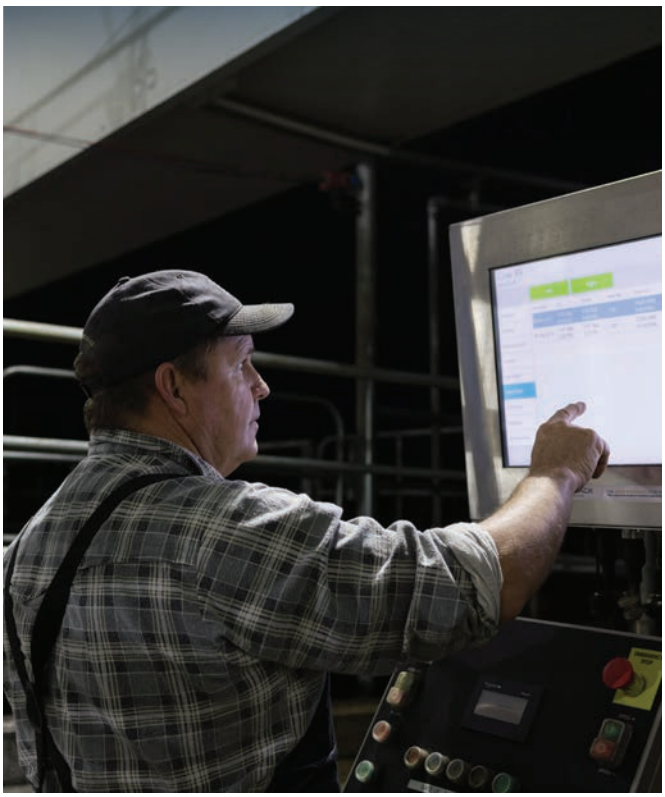
Global dairy prices decline and show increased volatility

Weakening demand among traditional dairy importing nations such as China and a slight improvement in supply conditions has resulted in a fall in global dairy prices this season. The Food and Agriculture Organization (FAO) dairy price index has decreased by 24 percent from its record high levels in June 2022. However, the average dairy price index for 2023/24 is still 0.1 percent above the average of the previous five years. Among products, international prices of skim milk powder declined the most in April due to sluggish import demand and increased export supply especially from Western Europe. By contrast, world butter prices continued to increase due to steady import demand and somewhat tighter butter supply in Western Europe.

Similar to the FAO dairy price index trends, average Global Dairy Trade (GDT) USD prices so far this season are 7 percent below their five-year average, 11 percent below the average price of last season, and 34 percent below their record high set in March 2022 (Figure 9). The drop in dairy prices is due to weaker global demand, particularly from China.

Aside from the general decline, GDT prices have also been volatile this season. This has been reflected in the farmgate milk price forecasts by dairy companies such as Fonterra, with forecasts being revised both downwards and upwards over the season. The resulting increased farmgate milk price uncertainty is yet another challenge that dairy farming businesses have had to navigate this season.

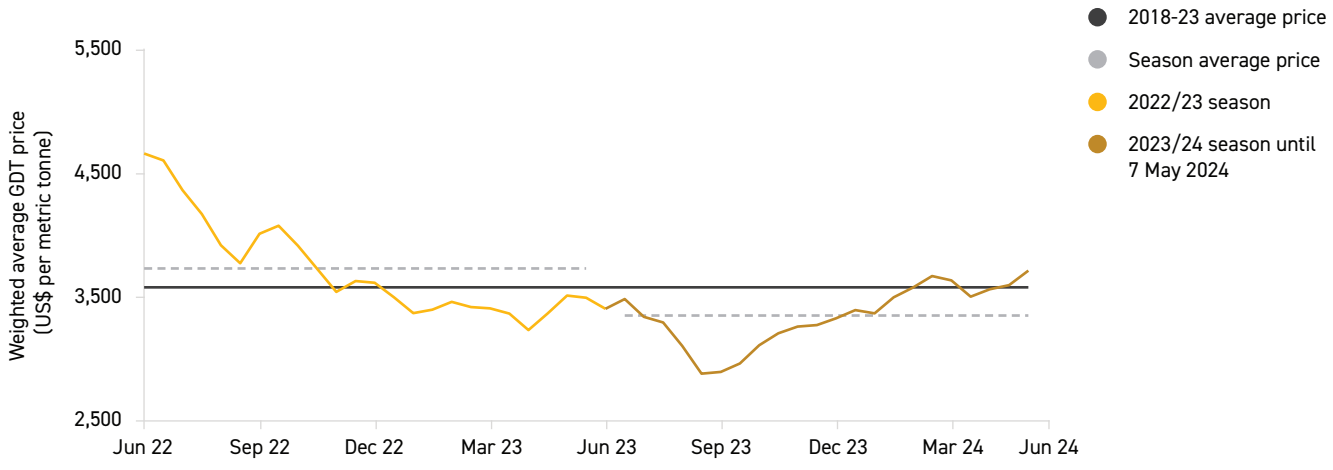
Average GDT prices started low and then dropped further to reach a low of US$2,875 in August 2023 before steadily rising to reach a high of US$3,664 in February 2024, an increase



of 27 percent. Prices weakened slightly since then but have strengthened once again in recent auction events, reaching an average price of US$3,708 at the GDT auction on 8 May 2024. The recent increase in prices is not expected to have much of an impact on the farmgate milk price this season as only a small proportion of this season's product will be sold at these prices. A further improvement in prices of key reference commodities is expected to support the farmgate milk price for next season. Average GDT prices as of 8 May 2024 are 6 percent higher than 12 months ago, reflecting a stronger outlook for farmgate milk price in 2024/25.

Figure 9: Global Dairy Trade (GDT) auction prices (all products) drops below the five-year average in 2023/24 season

Year to 31 May, weighted average GDT price, US$ per metric tonne



Source: Global Dairy Trade and MPI.

Milk production is forecast to increase in 2023/24 despite challenges

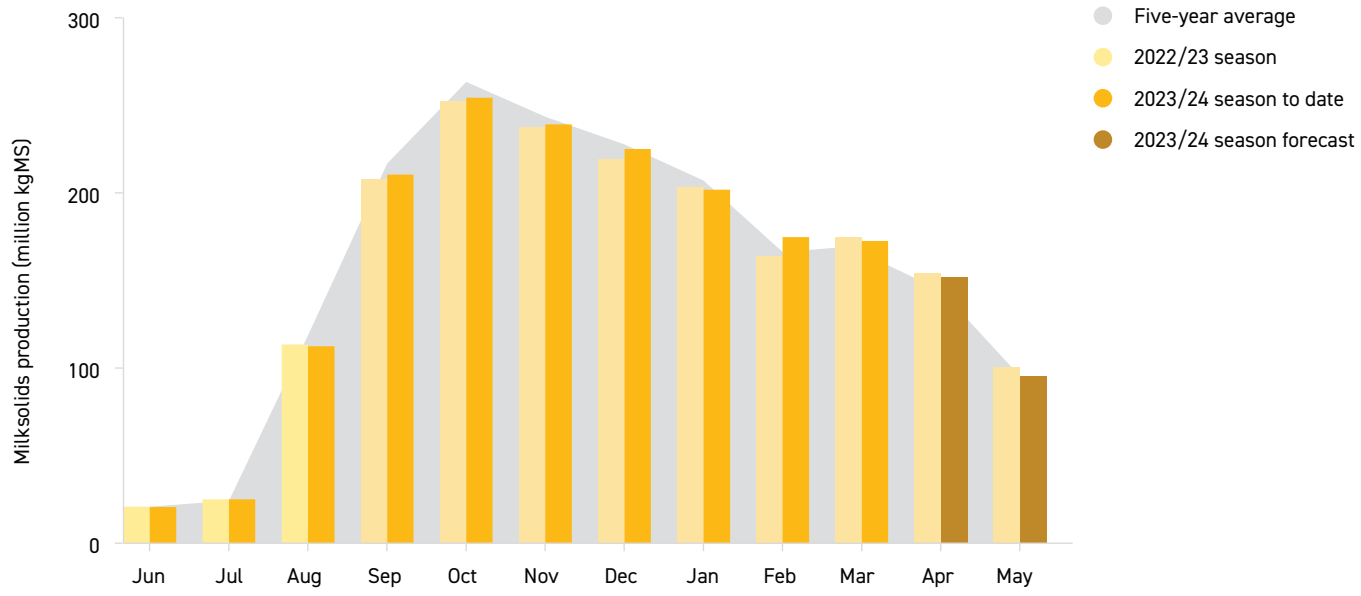
Milk production for the 2023/24 season is forecast to increase by 0.7 percent to 1,887 million kgMS despite constraints such as a lower farmgate milk price, high input costs, a decline in cow numbers, and El Niño weather conditions. The improvement in milk production is attributed to improved pasture growth conditions over spring and early summer compared with the 2022/23 season. This slight increase in milk production comes off the back of a smaller increase of 0.2 percent the previous season.

Milk production increased in each month from September to December this season (Figure 10). The impact of El Niño on milk production has also been much lower than expected. Milk production in January decreased by just 0.6 percent while milk production in February increased by a staggering 6.5 percent. Although the effects of El Niño were milder than expected, the achievement of improved milk production amidst its influence, reflects the adeptness of dairy farmers and the resilience of dairy farming systems.

Milk production in the nine months to 31 March 2024 is up by 1.1 percent. Given pasture growth conditions in April and May are likely to be less favourable this season compared with the exceptional conditions witnessed last season, it is likely that milk production later this season will lose some ground. Milk production in April and May is expected to be down by 1.5 percent and 5.5 percent respectively.

Figure 10: New Zealand milksolids production forecast to increase slightly in 2023/24 season

Year to 31 May, milksolids production, million kgMS



Source: DairyNZ, DCANZ, and MPI.

Innovation and technology-driven productivity gains expected to support future milk production

Figures from the 2022/23 New Zealand Dairy Statistics released by LIC and DairyNZ show that total dairy cow numbers were 3.5 percent lower than the previous year at 4.67 million. Similarly, the area under dairy farming has also decreased. Total effective hectares under dairy farming decreased by 42,000 hectares to 1.66 million hectares from 2021/22 to 2022/23. This downward trend in the national dairy herd and land-use area is expected to continue over the next few years due to practice change. Specifically, regulation related to freshwater, winter grazing, and fertiliser usage has made it more challenging to convert land to dairy farming and increase cow numbers. Cow numbers are expected to fall more slowly over the outlook period as individual farm systems and the sector as a whole are close to reaching refreshed optimum levels.

Improvements in dairy genetics, advances in farm management practices, and development of new technology are expected to continue increasing on-farm productivity despite falling cow numbers. DNA-verifying parentage, high breeding worth bull teams, genomically selected bulls, and sexed semen are examples of tools farmers are adopting to increase the rate of genetic gain in their herds. Technologies such as cow wearables and constructs such as precision farming are also likely to play a greater role in supporting production over the outlook period. The delivery of improved data and insights from these technologies will support better on-farm decision making and is likely to lead to gains in productivity and sustainability.

Global milk production increased at slightly faster pace in 2023

Supply-side constraints remain an important driver of global dairy prices and vital to the situation and outlook for the dairy sector. As only about 7 percent of global milk production (in a milk equivalent basis) is traded internationally, changes in milk supply conditions in leading dairy exporting nations such as New Zealand, the EU, the US, Australia, and Argentina and in large dairy importing nations such as China can have a material impact on global dairy prices.

The slight lift in global milk supply is a key reason for the decline in global dairy commodity prices in 2023. According to the FAO, global milk production in 2023 reached 965.7 million tonnes, rising by 1.5 percent from 2022.

Milk production in Asia, which accounts for 46 percent of global milk output, reached 446.9 million tonnes, up by 2.7 percent. In India alone, milk production increased by 2.5 percent to reach 236 million tonnes.

In China, milk production expanded by 6.6 percent driven by higher milk prices received by farmers together with supportive government policies that fuelled expansion in dairy cattle herds and raw milk production in earlier years. Much of the milk output growth originated in large-scale dairy farms with financial resources to cover the cost of transporting milk from northern areas, where much of the milk is produced, to consumption and processing centres elsewhere, especially in the south. Increased yields, partly driven by the culling of inefficient dairy cattle, also supported milk production growth.

In Europe, milk production increased by 0.3 percent to 233.6 million tonnes in 2023, equivalent to nearly 800,000 tonnes of additional milk. This increase was principally driven by output increases in the Russian Federation, the EU, and Belarus, partially offset by notable declines in Ukraine and Norway.

In South America, milk production reached 68 million tonnes, up 0.7 percent from 2022. However, milk production fell in Argentina, an important dairy exporting nation, due to reduced feed availability and the sharp devaluation of the national currency, which affected corn prices and reduced farmers' profit margins.

In North America, milk output reached 112.8 million tonnes, increasing by 0.3 percent from 2022. In the US, milk production showed a marginal increase, principally driven by yield growth despite farmers liquidating their dairy cows amidst lower producer margins.

In Australia, milk production recovered by 0.5 percent in 2023 to 8.5 million tonnes following two consecutive years of decline. Favourable weather conditions and softer input costs, primarily feed and water costs, towards the end of the year resulted in a lift in milk production. Higher farmgate prices paid by processors further contributed to the milk production increase.

New Zealand dairy export volumes surge but revenue falls for most products

Export revenue decreased by 6 percent in the year to 31 March 2024 (Figure 11) despite export volumes being 10 percent higher compared with the same time last year. This reflects the considerable drop in product prices over this period. Over this period, export volumes increased for all products except infant formula and export revenue decreased for all products except other dairy products, which includes products such as UHT milk and yoghurt.

Whole milk powder led the surge in export volume increases, up 15 percent. Despite the increase in export volumes, export revenue from whole milk powder decreased by 4 percent. Whole milk powder continues to remain the most dominant dairy export product from New Zealand, accounting for 41 percent of export volumes and 33 percent of export revenue.

Skim milk powder (SMP) export volumes increased considerably as well (up 14 percent), but despite this large increase, export revenue fell (down 16 percent), indicating it was the product most affected by the decline in dairy prices. Higher availability of SMP on the world market was the main reason for the large drop in prices. SMP accounted for 14 percent of export volumes and 9 percent of export revenue.

Export volumes of butter, anhydrous milk fat (AMF), and cream products increased by 5 percent but revenue decreased by 5 percent. Butter, AMF, and cream products accounted for 13 percent of export volumes and 18 percent of export revenue.

Cheese export volumes increased by 5 percent and revenue decreased by 1 percent. Cheese exports accounted for 10 percent of dairy export volumes and 12 percent of export revenue.

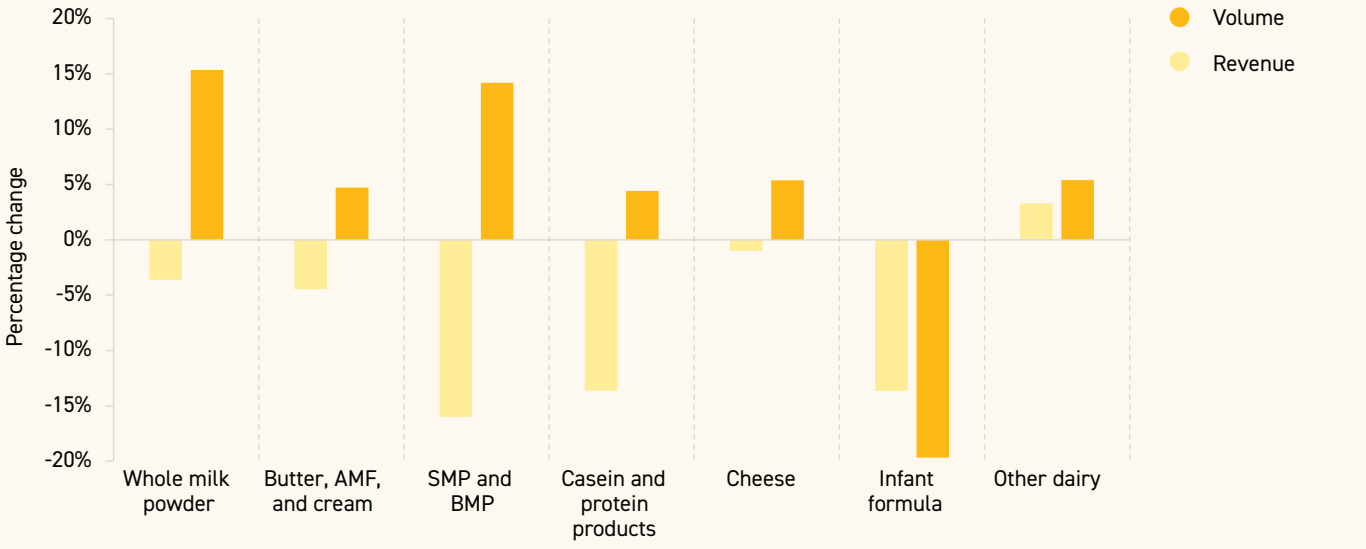
Export volumes of casein and protein products increased by 4 percent but export revenue fell by 14 percent despite this. Casein and protein products are a high-value category, accounting for only 5 percent of export volumes but 12 percent of export revenue.

Export revenue for the other dairy products category increased by 3 percent mainly due to a 5 percent increase in export volumes. However, per-unit product prices declined for other dairy products as well.

Unlike the previous year, infant formula showed a considerable drop in both export volumes (down 20 percent) and export revenue (down 14 percent). The decline in exports is mainly attributed to increased competitive pressures in the infant formula market in China. On a positive note, despite these decreases, product prices have strengthened by 8 percent. The decline in infant formula exports comes off the back of a resurgence in the previous year with both volume (up 7 percent) and revenue (up 39 percent) increasing in the year to 31 March 2023.

Figure 11: Dairy export revenue falls for most products in year to 31 March 2024 despite increases in export volumes

Year to 31 March 2023 verses year to 31 March 2024, change in export volumes and revenue



Source: Stats NZ and MPI.

Weak import demand from China drives fall in global dairy prices

A slower pace of imports by China, a leading dairy product importing nation, underpinned much of the decline in global dairy prices over 2023. The slowdown in imports is attributed to lower-than-expected demand from hotels, restaurants, and institutions despite the lifting of COVID-19 related market restrictions. Increased domestic milk production, which led to increased processing in China, also made more milk powders available in China, lowering import requirements.

Despite weakening Chinese dairy demand, import volumes from New Zealand increased considerably. Import volumes of all dairy product categories except for infant formula increased over the year to 31 March 2024 compared with the same period of the previous year, indicating that New Zealand's share of Chinese dairy imports has strengthened. Shipping routes to China from New Zealand were less affected by the disruptions caused to global shipping by incidents in the Red Sea and to a lesser degree the Panama Canal. Another factor supporting increased New Zealand export volumes to China is greater product availability from New Zealand compared with other dairy exporting nations.

Although export volumes increased for most products in the year to 31 March 2024, export revenue to China decreased for all products (Figure 12) except other dairy products such as UHT milk, yoghurt, and ice cream (up 3 percent) and cheese (up 16 percent). The surge in cheese export revenue was due to a 19 percent increase in export volumes.

A decline in product prices was noted for all products exported to China except other dairy products (up 2 percent) and infant formula (up 14 percent). Despite stronger prices, export volumes of infant formula decreased by 30 percent and export revenue decreased by 20 percent. The decline in export volumes is mainly attributed to increased competitive pressures in the infant formula market in China due to declining birth rates, tighter regulation, stronger domestic manufacturers, and increased acceptance of domestically manufactured product by Chinese consumers. This has resulted in firms exiting the industry and led to considerable consolidation of the domestic infant formula market in China. Notable exits included leading global infant formula manufacturing firms such as Abbott Nutrition and Nestlé, which shut down an infant milk formula factory in Ireland that exclusively produced formula for China.

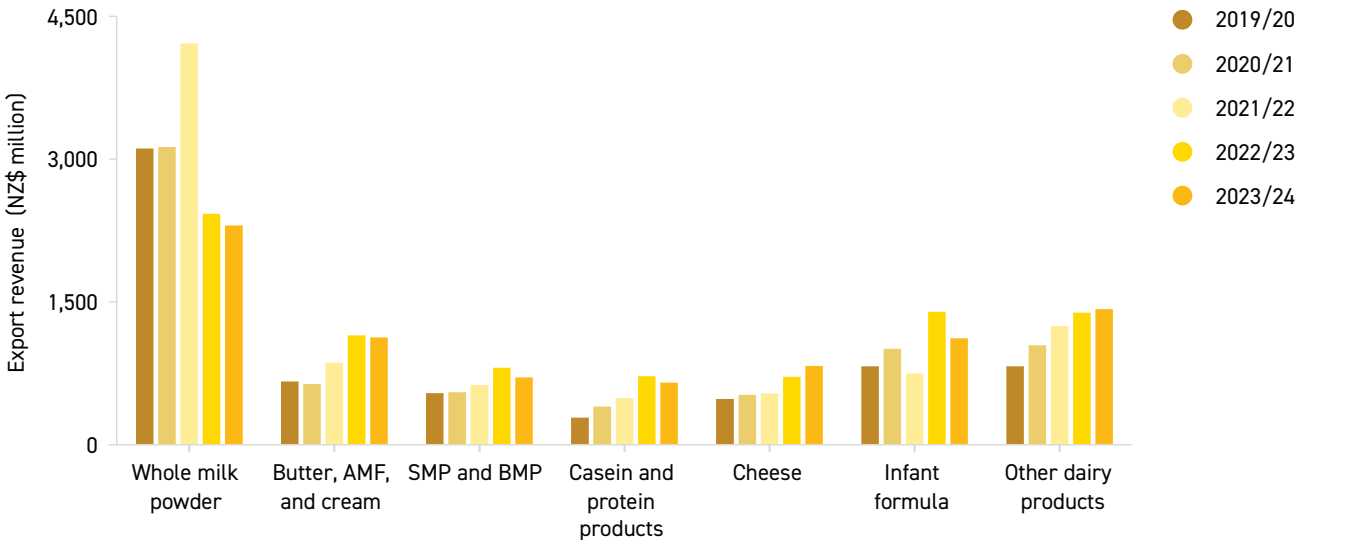
Whole milk powder, the most dominant of New Zealand's dairy export products to China, accounted for 35 percent of export volumes and 28 percent of export revenue. Despite a 13 percent increase in whole milk powder export volumes, export revenue declined by 5 percent, highlighting the 16 percent drop in import product price.

Over the outlook period, demand for New Zealand dairy products from China is likely to remain strong. In the short to medium term, with economic growth in China expected to rebound to 5.5 percent in 2024 and 2025, demand is expected to recover through the year, resulting in growing import demand over 2024/25. Strong domestic milk production in China is a possibility over 2024, which could counterbalance import demand and delay the recovery of global dairy prices.

Over the longer term, Rabobank forecasts China's dairy demand growth to average 2.4 percent annually between 2023 and 2032 with dairy consumption reaching 62.2 million metric tons liquid milk equivalent by 2032. Over the same period, domestic milk supply is expected to grow at a slightly lower rate. As a result, China will continue to have a significant role in the global dairy industry with a further widening of the import deficit expected.

Figure 12: Export revenue to China falls

Year to 31 March, export revenue, NZ$ million



Source: Stats NZ and MPI.

Farmgate milk price expected to remain higher than average in 2023/24

A decline in global dairy prices is expected to result in a fall in the farmgate milk price and dairy farm profitability this season. New Zealand's all-company average farmgate milk price payout (excluding dividends) for the 2023/24 season is forecast to be $7.90 per kgMS (Figure 13). In addition to the farmgate milk price, farmers supplying milk to dairy cooperatives they own such as Fonterra are likely to receive additional dividend payments. However, dividend payments are also expected to be lower this season as forecast earnings per share are likely to be slightly weaker.

The current forecast milk price is a considerable lift from early season predictions. On 18 August 2023, Fonterra revised its forecast milk price for 2023/24 down to a mid-point of $6.75 per kgMS with the range being $6.00 to $7.50 per kgMS. The current milk price forecast lifting above the upper end of the range indicates how strongly global dairy demand conditions and the outlook have improved. It also reflects the poor outlook farming businesses had to navigate during the early part of the 2023/24 season.

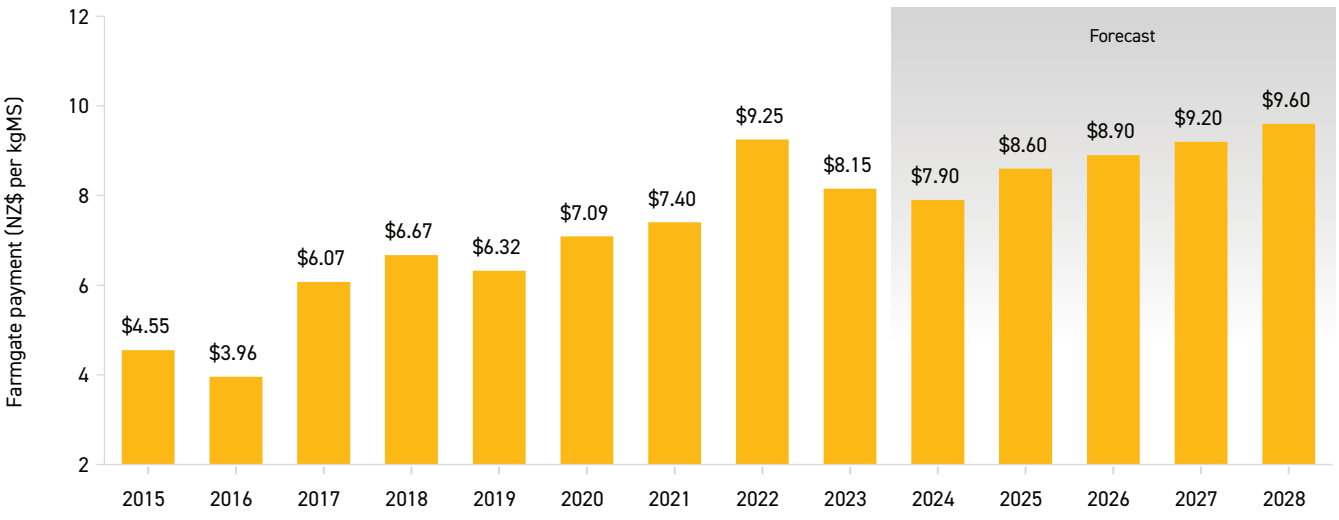
The forecast farmgate milk price of $7.90 per kgMS would be the fourth highest on record in nominal terms but the fourth lowest in the last 10 years in real terms. The lower farmgate milk price is impacting farm profitability and adds to the challenges that dairy farmers are facing. These include regulatory compliance costs, unfavourable weather events, and, most importantly, increasing input costs, especially debt servicing costs.

The farmgate milk price is forecast to increase in 2024/25 and be higher than the five-year average. This is due to an expected increase in the season average prices of the main reference dairy commodities that inform the milk price, specifically whole milk powder. However, a likely strengthening of the NZD against the USD could apply downward pressure to the farmgate milk price. The farmgate milk price for the 2024/25 season is forecast to be in the range of $8.10 to $9.10 per kgMS.

As input costs are likely to remain high, pressure on farm profitability is expected to continue next season. In response, farmers are likely to maintain a strong focus on controlling costs and to be extra cautious with their expenditure next season.

Figure 13: Farmgate milk price forecast to decline for 2023/24 season

Year to 31 May, farmgate payment, NZ$ per kgMS



Source: DairyNZ and MPI.

Elevated input costs constraining dairy profits

New Zealand dairy farmers have experienced considerable inflationary pressures over the past three seasons, but the rate of price increases has slowed significantly over the past 15 months. The dairy farm expenses price index (excluding livestock) has increased by only 1.3 percent from the March quarter of 2023 to the March quarter of 2024. The largest decreases were related to fertiliser (down 7.8 percent), cultivation harvest, and purchase of animal feed (down 7.3 percent).

While inflationary pressure on some farm expenses is easing, expenses related to debt servicing (up 7.5 percent) continued to increase over this period, but the pace of increase of debt servicing expenses has slowed down substantially. Debt servicing expenses increased by 50 percent in the 12 months to 31 March 2023. Debt servicing costs are expected to increase by 14 percent in 2023/24. This increase in debt servicing expenses is primarily a result of RBNZ monetary policy, raising the OCR to combat inflation. The OCR has steadily increased from a record low of 0.25 percent in October 2021 to 5.5 percent in May 2023 and remained unchanged since then. Despite the OCR increase, the RBNZ reported a 1.2 percent reduction in dairy sector debt in March 2024 compared with the beginning of the 2023/24 season in May. This highlights farmer resilience and financial prudence.

The RBNZ has indicated that the OCR is likely to remain elevated for a longer period. Therefore, debt servicing expenses for farmers are expected to remain high in the 2024/25 season, particularly affecting dairy farmers with higher debt levels.

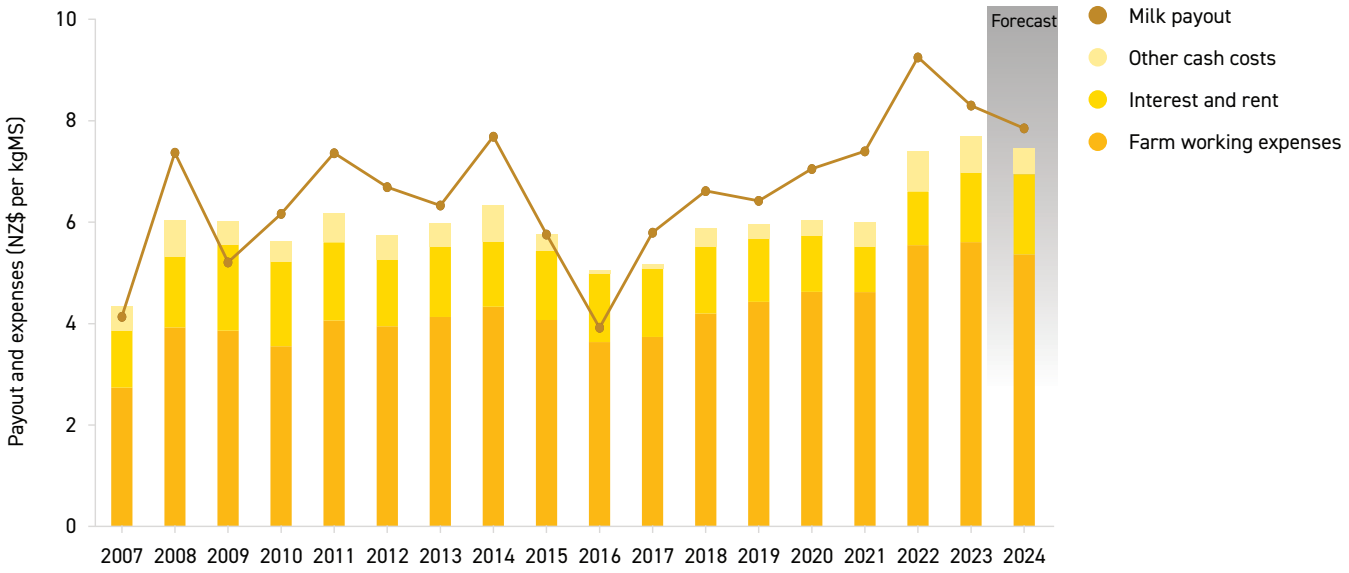
The average break-even milk price is a measure of how an average dairy farm can meet cash expenditure items. Figure 14 shows the average break-even milk price has increased from around $6.00 per KgMS in 2020/21 to about $7.70 in 2022/23. For the 2023/24 season, the break-even milk price is expected to drop by 3 percent from its peak in 2022/23 to $7.45 per kgMS. The decline in farmgate milk price combined with an elevated break-even milk price is likely to constrain dairy farm profitability in the 2023/24 season. The break-even milk price is forecast to decrease further (down 1 percent) in the 2024/25 season.

Fortunately, dairy farmers have had a couple of profitable years prior to 2023/24. If milk prices stay buoyant, dairy farmers' financial positions are expected to remain strong, but if milk prices remain low for a sustained period, financial pressure will be added to already stressed dairy farmers, particularly those with high debt levels.

The recent challenges experienced by dairy farmers have led to a cautious approach towards borrowing funds for capital expenses. Some farmers are restructuring existing loans to interest-only payments. On a positive note, New Zealand dairy farmers have proven to be innovative and resilient, and this will be required in the future to ensure dairy production remains competitive internationally.

Figure 14: Average dairy farm break-even milk price forecast to increase

Year to 31 May, payout and expenses, NZ$ per kgMS



Data for 2023 are estimates.
Source: MPI Farm Monitoring and DairyNZ.

Table 3: Cows and heifers in calf or in milk, milk prices, volumes, and revenue 2020–28

Year to 30 June

	Actual				Forecast				
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Cows and heifers in calf or in milk (millions)	4.92	4.90	4.84	4.67	4.61	4.57	4.54	4.52	4.51
Milksolids production (million kg)	1,896	1,947	1,868	1,873	1,887	1,901	1,906	1,915	1,934
Milksolids per cow (kg of milksolids)	385	397	386	390	410	416	420	424	428
Milk price (cents per kg of milksolids)	709	740	925	815	790	860	890	920	960
Total export revenue (NZ$ million)	**20,102**	**19,050**	**21,998**	**26,008**	**24,160**	**25,750**	**27,110**	**28,640**	**30,360**
Total export volume (000 tonnes)	**3,457**	**3,624**	**3,346**	**3,526**	**3,713**	**3,760**	**3,842**	**3,893**	**3,944**
Average export price ($ per kg)	**5.82**	**5.26**	**6.58**	**7.38**	**6.51**	**6.85**	**7.06**	**7.36**	**7.70**

Source: Stats NZ, DairyNZ, LIC, and MPI.

New Zealand's food and fibre sector has sustainably increased productivity

In recent years, criticism has been aimed at what is perceived to be lagging productivity in New Zealand. However, when examining the productivity of the food and fibre sector alone, it becomes clear the sector has performed well over the last few decades – with most productivity measures in the primary sectors following a clear upward trend.

Productivity is a broad concept encompassing a range of different measures. Fundamentally, measures of productivity show the efficiency with which inputs such as land area, labour, capital, and materials are used to produce desired outputs. Growth in productivity is generally seen as an important factor in improving a country's material living standards and overall wellbeing over time.

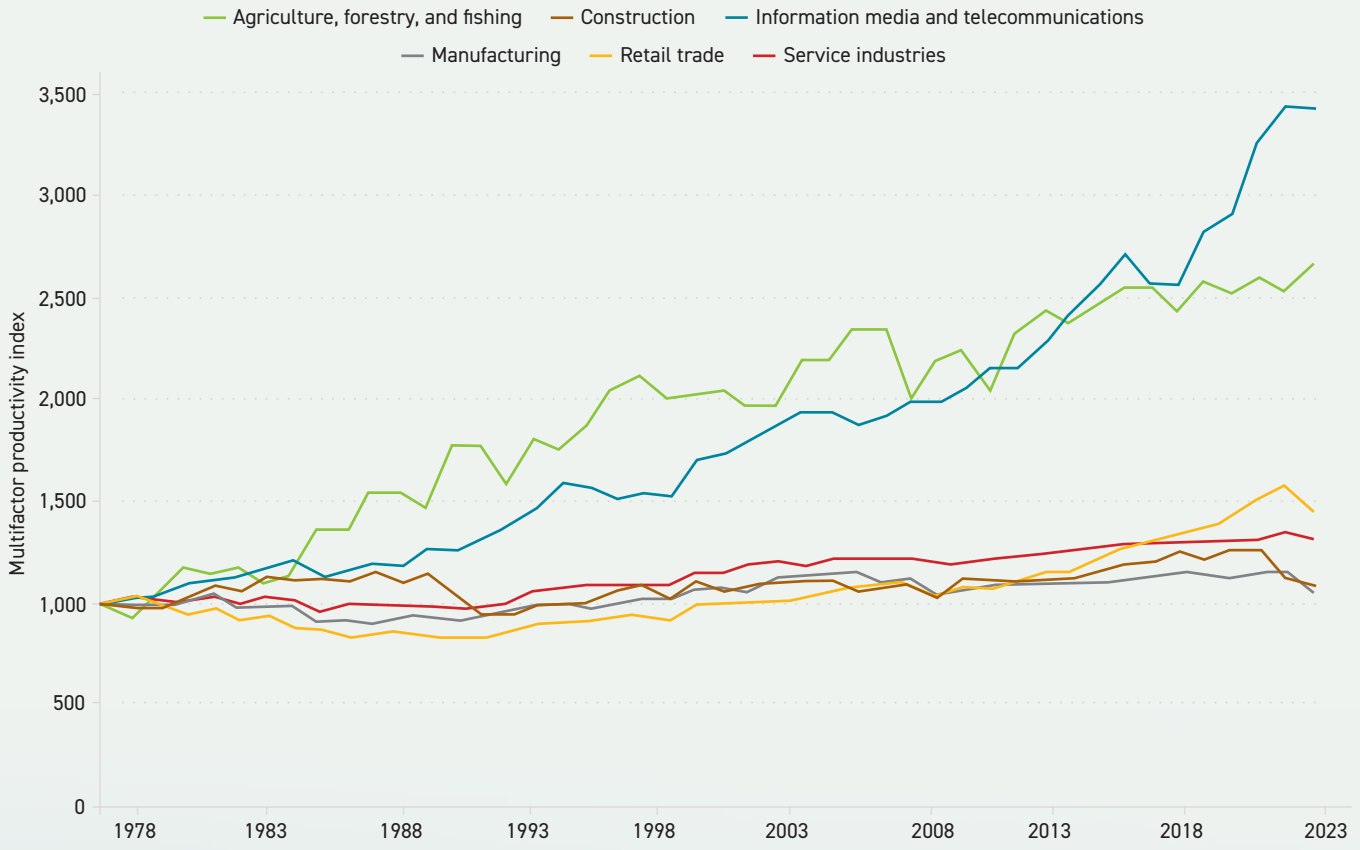
Productivity in agriculture, forestry, and fishing has consistently outperformed most other major sectors in New Zealand

Multifactor productivity (MFP) is a common productivity measure that uses select inputs (usually capital and labour) to capture any gain in production output growth that is not attributable to any increase in those inputs. Gains in MFP are therefore a reflection of improved production techniques, innovation, environmental capital, and other intangible assets influencing an increase in output.

According to Stats NZ's indices for MFP in New Zealand, productivity has consistently grown much faster in agriculture, forestry, and fishing than many other major industries in New Zealand over the past several decades (Figure 15). In contrast, productivity in construction and manufacturing has shown sluggish growth and dropped in 2023 while agricultural productivity rose.

Figure 15: MFP growth in agriculture, forestry, and fishing has consistently outpaced most other sectors since the 1980s

Year to 31 March, multifactor productivity index: base 1,000 = 1978



Source: Stats NZ.

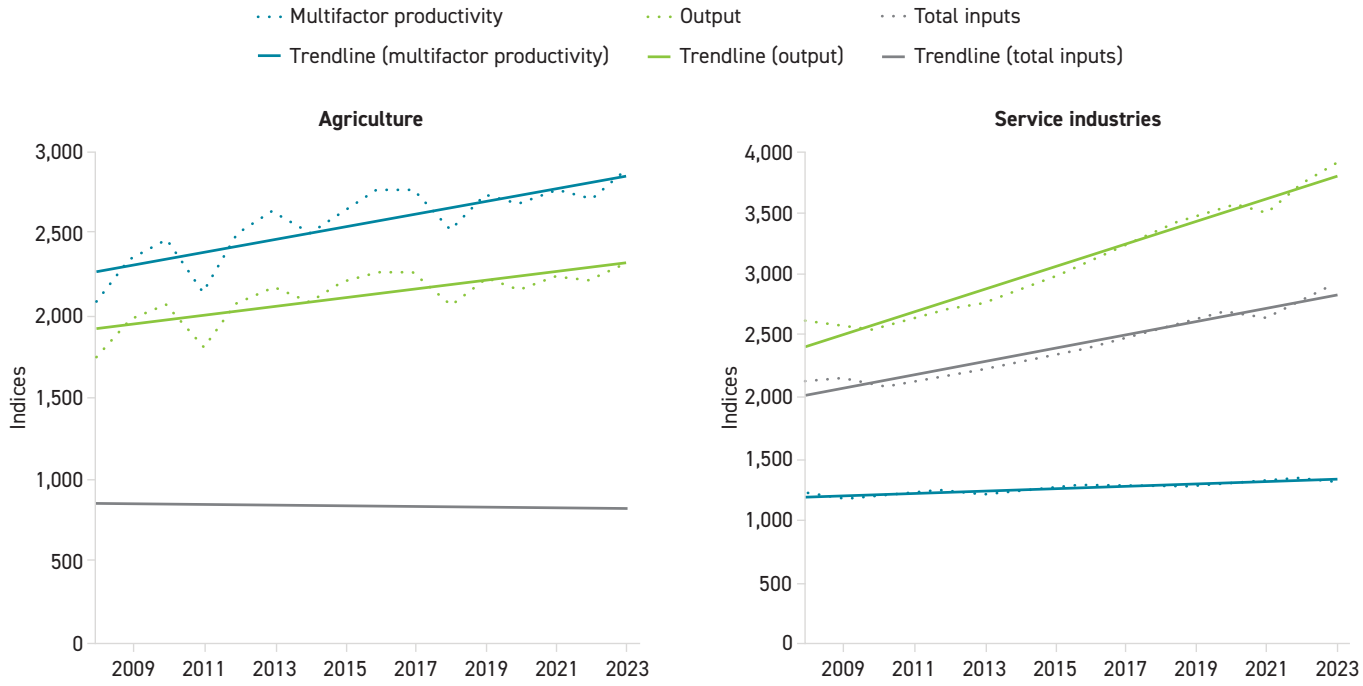
MFP in agriculture increased considerably between 2008 and 2023

Looking specifically at agriculture between 2008 and 2023, total labour and capital inputs declined by 5 percent while output (chain-volume value-added) increased by 33 percent (Figure 16). This resulted in a 39 percent increase in MFP, which reached an all-time high in 2023, and shows a sharp increase in output that is not attributable to any corresponding increase in capital and labour inputs.

MFP growth in New Zealand agriculture reflects improvements in on-farm production efficiency as well as the creation of more added value. For comparison, MFP in the service industries was only 8 percent higher in 2023 than it was in 2008, as a 49 percent increase in output was achieved through a 38 percent increase in inputs.

Figure 16: Upward trend in MFP for New Zealand agriculture while MFP has remained almost flat in the service industries

Year to 31 March, productivity indices: base 1978 = 1,000



Source: Stats NZ.

Labour productivity has increased rapidly in the food and fibre sector

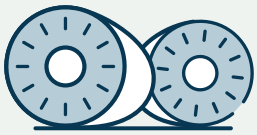
Labour productivity in terms of value added per hour worked has also been on an upward trend for the food and fibre sector with labour productivity in agriculture increasing 36 percent from 2011 to 2023. Across the same period, value added per hour worked increased 25 percent in forestry, fishing, and primary industry services.[4]

Increases in labour productivity in New Zealand's food and fibre sector reflect the adoption of technological solutions, better management practices, and more effective capabilities training over time. Labour productivity for the entire measured sector of New Zealand's economy increased by just 9 percent over the same period, and this was partially attributable to the substantial growth in the food and fibre sector.

4. This category is labelled as 'Forestry, fishing and services to agriculture, forestry and fishing' in Stats NZ's Productivity Statistics: 1978-2023 dataset.

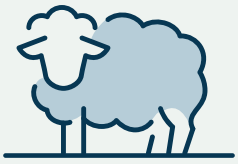
Partial productivity has increased substantially at the farm and orchard level

Land-use productivity in terms of physical output per hectare is commonly used as a partial productivity measure and has shown continuous improvement over the past decade or so across many of New Zealand's major food and fibre sectors.



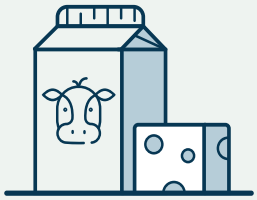
New Zealand's kiwifruit production per hectare **increased by 83 percent** between 2013 and 2023, becoming the **second-largest producer of kiwifruit** behind only China in 2018.

Innovative research and better orchard management practices have boosted kiwifruit yields and reduced crop losses. Production per hectare reached a high of nearly 50 tonnes in 2022 and has remained above 40 tonnes since 2019. In comparison, according to the FAO, China produced an estimated 12 tonnes per hectare (t/ha) in 2022, while Italy and Greece (the third and fourth-largest producers after New Zealand) produced approximately 22 t/ha and 24 t/ha respectively.



Total meat and wool production per hectare **increased by 33 percent** between 2011 and 2023. Production **increased by 5 percent** while land use for sheep, beef, and deer **declined by 20 percent**.

While the sheep breeding flock declined by 24 percent, lamb meat production per breeding ewe has grown 30 percent to 20 kilograms, largely due to improvements in sheep genetics and feeding practices. In comparison, Australia (the world's largest producer and exporter of lamb) produced around 13 kilograms of lamb per breeding ewe in 2022 while New Zealand produced over 19 kilograms per breeding ewe in the same year.



Kilograms of milksolids produced per hectare **increased by 23 percent** between 2010 and 2023. Over the same period, milksolids production per cow **increased by 24 percent.**

Practices improving milking efficiency and gradual genetic advances have increased milk production per cow. This has allowed higher levels of production to be achieved while total dairy cow numbers and land use for dairy have both been decreasing. While revenue for dairy is expected to decrease in 2023/24, productivity in the dairy sector is set to further improve with milk production increasing while the national dairy herd and land area have continued to decrease.

Sustainability has been enhanced alongside productivity improvements

The food and fibre sector has achieved these increases in production efficiency while also increasingly adopting practices at the farm level that support environmental sustainability. These dual efforts by New Zealand food and fibre producers over the last few decades have shown that practices aimed at improving sustainability outcomes and credentials do not always have to be adopted at the cost of financial performance or conventional productivity – and vice versa.

These are some of the big steps being taken towards sustainability by food and fibre sector stakeholders:

Protecting our waterways

24,000 km of dairy land had been fenced as of 2022/23, accounting for 98 percent of farms involved in the Living Water accord started in 2013 by the Department of Conservation and the dairy industry. Riparian planting and fencing along rivers and streams continues to be established on dairy farmland. As a result of these actions, ammoniacal nitrogen and phosphorous concentrations of New Zealand's streams and rivers appear to be improving.

Using fertilisers more efficiently

Aggregate nitrogen and phosphorous fertiliser use decreased 20 percent over the last five years. Improvements in efficient use of fertiliser and other nutrient sources are likely to continue as research and development evolves.

Conserving our water

By 2021/22, 92 percent of vineyards and wineries had initiatives to conserve or reduce water use with growing investment in new equipment that enables water efficiencies in the wine sector.

Reducing carbon footprint

Emissions from the sheep and beef industry decreased by 30 percent between 1990 and 2022. As of 2022, 33 percent of remaining on-farm emissions were also being offset by the native forest that has been planted on sheep and beef land over time. As a result of these efforts by sheep and beef farmers, carbon footprint per kilo in New Zealand beef and sheepmeat is among the lowest in the world.

The kiwifruit industry also reduced its carbon footprint per kilogram of kiwifruit production by over 20 percent between 2009 and 2017 while starting from a low base compared with many other food products. Looking to the future, Horticulture New Zealand is working on an energy transition strategy to move the horticulture industry away from fossil fuel use.

Reducing and recycling waste

98 percent of vineyards and wineries had waste reduction, recovery, and recycling programmes as of 2021/22, and the kiwifruit industry has been working on developing 100 percent recyclable packaging.

Fighting antibiotic resistance

Veterinary and horticultural antibiotics sales decreased 42 percent between 2017 and 2022, reducing concern over potential human health impacts of high use as well as the potential to create more antibiotic-resistant bacteria strains.

Growing organics

Organic farming, which involves avoiding or excluding the use of synthetic fertilisers, pesticides, antibiotics, growth modification, and irradiation, has been increasing. Organic agricultural and horticultural land area grew by over 563 percent between 1997 and 2022.

Agritech will be a critical enabler of future productivity growth and sustainable production

While productivity at the farm level is currently looking good in New Zealand overall, continuous improvements to productivity and sustainability will need to be made to increase the comparative and competitive advantage of food and fibre producers and future proof New Zealand's farming systems.

The adoption of emerging agritech will be essential to achieving this. Looking to the future, agritech will be a critical driver of productivity growth and an enabler of long-term sustainability in New Zealand's primary industries, helping them to remain near the front of the pack in both of these measures.

Feeding the future: the power of agritech

The emergence of the agritech sector

Agritech – short for agricultural technology – is the use of technology to enhance efficiency, productivity, and sustainability in farming and food and fibre production. It includes digital reporting, precision farming, drones, sensors, artificial intelligence, robotics, and biotechnology in agricultural practices. Agritech helps farmers and growers to optimise resource use, improve yields and per-animal productivity, reduce environmental impact, and meet the growing global demand for healthy food.

New Zealand's agritech sector has performed strongly over the last decade as another excellent example of our primary industries. New Zealand farmers and growers are renowned for their ingenuity. More recently, high-quality innovation has become more common driven by farmers and growers needing to become more competitive in a global market. At the same time, producers are challenged by an ever-increasing demand from consumers for high-quality, affordable and healthy food. Innovations like geospatial farm monitoring, new crop varieties, and AI-enabled smart cow collars are a result of a unique ecosystem of agritech researchers, innovators, investors, and enablers creating new options and capabilities for our food and fibre sector.

Agritech innovations have long been crucial to New Zealand's agricultural landscape. However, it is only recently that the industry has been acknowledged as an export sector in its own right. With a solid foundation in traditional farming practices and a growing focus on technology innovations, the agritech industry is a vehicle for new levels of agricultural performance, environmental sustainability, and value creation. The need and opportunity for increased collaboration led to the formation of AgriTechNZ, a member association that connects the collective interests of researchers, higher education, innovators, agribusiness, farmer and grower groups, investors, global scale partners, and enablers.

$1.6 billion

Total agritech revenue (2022)

Approximately **650**

New Zealand agritech companies

Approximately **5,500**

Employed in the sector[5]

$95,000 p.a.

Estimated agritech sector employee average earnings

Greater than **10%**

Agritech sector compound growth

$9.7 billion

Potential increased export earnings from agritech adoption

Growing greener: agritech and sustainable, resilient farming

Agritech innovations are crucial for tackling environmental sustainability challenges within New Zealand's agricultural sector. By enabling more precise and efficient use of resources such as water, fertilisers, and pesticides, these technologies help minimise environmental degradation and mitigate the negative impacts of farming on the environment while getting a better return on investment. For instance, adopting AI-driven predictive analytics allows farmers to optimise irrigation schedules based on weather forecasts and soil moisture levels, reducing water wastage and improving water efficiency.

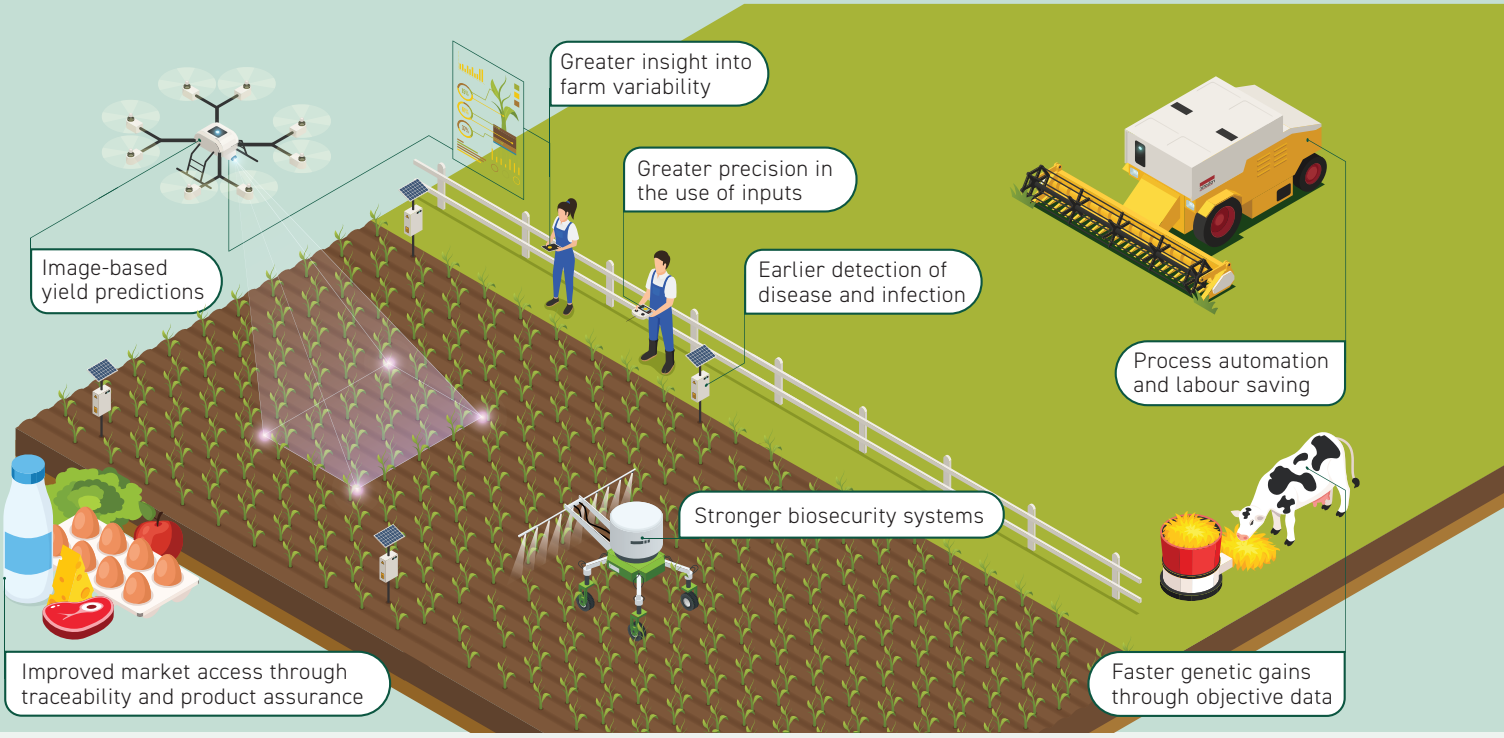
Furthermore, the integration of gene technology with agritech holds promise for developing crops with desired consumer characteristics and enhanced resilience to pests, diseases, and adverse environmental conditions. By breeding plants with desirable traits, researchers can create varieties that require fewer chemical inputs and are better adapted to local growing conditions. This not only boosts agricultural productivity but also reduces the environmental footprint of farming practices, contributing to long-term sustainability goals.

The joint venture initiative AgriZero^{NZ} is accelerating the development of tools to reduce on-farm emissions while maintaining farm profitability and productivity. AgriZero^{NZ} is a leading New Zealand example of mission-led agritech improving agricultural outcomes, fusing innovative technologies with farm management systems with global application.

5. Technology Investment Network, 2022 *New Zealand Agritech Insights Report.* https://tin100.com/reports/2022-new-zealand-agritech-insights-report/

Progress in performance

The fusion of technology with farm management practices has led to powerful results.



The range of technologies now available in New Zealand directly results from the increased investment levels justified by global opportunity. New Zealand is getting access to better technologies faster because of the alignment and connections across research, innovation, and farming systems. Increased use and development of agritech products in the sector is making the sector more attractive to new entrants, as well as providing opportunities for progression and retention of those with deep sector knowledge. It is estimated that employees in the agritech sector earn on average $95,000 per annum – significantly higher than the New Zealand average wage.

The technologies encompass various innovations to improve multiple aspects of agriculture.

Animal wearables

Animal wearables such as smart collars and ear tags equipped with sensors can be used to monitor the health, behaviour, and productivity of livestock. These devices provide real-time data on factors such as temperature, activity levels, and feeding patterns, enabling farmers to make informed decisions regarding animal welfare and management practices. By integrating such technologies into the farming system, farmers can optimise feeding regimes, detect health issues early, and enhance breeding programmes. Improving animal management in this way can improve yields, sustainability, and profitability.

Robotics and automation

2D orchard management systems have exciting potential to improve fruit cultivation practices in New Zealand. Established to improve labour productivity and allow for automation and robotics, 2D orchard systems have been associated with increased yields, improved fruit quality, and more efficient utilisation of space. Orchardists can more accurately monitor crop health, identify areas of stress or disease, and optimise irrigation and fertilisation practices. This precision agriculture approach can increase yields and quality while also reducing input costs and environmental impact, making it a win-win for both farmers and the environment.

Remote sensing, satellite imagery, and geospatial analysis

When it comes to agritech, the sky is not the limit. Existing aerial agritech innovations include drones that are used to perform precision spraying, map farms, and perform checks on animals, waterways, gates and animal health. LiDAR – often captured through drone technology – provides farmers detailed local and regional data that is particularly useful in assessing and planning water catchment management, which is critical to getting meaningful farm-specific freshwater plans. The Global Positioning Systems (GPS) has been leveraged to guide agricultural machinery and fertiliser application to optimise nutrient use and minimise losses. Geospatial applications are enabling management at a square metre resolution rather than at a farm and paddock level. More recently, agritech has entered low orbit, with satellites being used or planned to be used to monitor anything from methane emissions to pasture cover.

The digital farmhand: agritech creates great workforce opportunities

The emergence of agritech is reshaping the agricultural workforce in New Zealand, creating new opportunities for careers in agriculture and addressing workforce challenges. While automation and robotics are streamlining routine tasks and reducing the need for manual labour in some areas, they are also creating demand for workers with specialised skills in data analysis, software development, and robotics engineering. As a result, there is a growing need for workforce upskilling and education programmes to ensure that the labour force remains competitive in the digital age.

Modelling undertaken by MPI and NZIER has suggested that increased use of technology in the food and fibre sector will improve labour productivity and increase demand for workers in the industry. Increased technology uptake will provide new opportunities for more diverse skills and broader participation.

Agritech also enables greater urban participation in the sector. Those enthusiastic about the industry will not necessarily be required to live in the regions to participate in farm production systems meaningfully thereby narrowing the gap between urban and rural New Zealand.

The integration of AI and machine learning technologies into farm and orchard operations is transforming the role of farmers from traditional manual labourers to data-driven decision makers. Increasingly, farmers have access to large amounts of data generated by sensors, drones, and other devices, which they can analyse to optimise production processes, manage risks, and enhance overall farm performance. This shift towards data-driven agriculture requires farmers to develop new competencies in data analysis and technology management to fully harness the potential of agritech solutions.

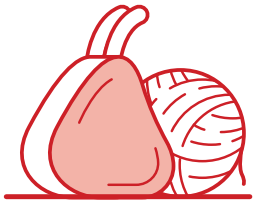
From farm to future: exploring agritech's boundless potential

The agritech sector in New Zealand represents an opportunity to revolutionise practised agriculture, driving productivity, sustainability, and innovation. By embracing technological advancements and fostering collaboration between industry stakeholders, policy makers, and research institutions, New Zealand can position itself as a global leader in agritech innovation, driving economic growth and addressing the pressing challenges facing the agricultural sector in the 21st century.

Agritech presents a significant export opportunity for New Zealand to enhance its competitive advantage in the global market. This is particularly relevant in the food and fibre sector context where agritech innovations can unlock new markets, improve product quality and traceability, and drive value-added exports.

It is important to note that the creation and adoption of agritech is not without challenges. Attracting investment can be challenging. Increased data gathering can create issues with privacy and security, and other technologies (such as genetic technologies) come with regulatory and ethical questions. These challenges need to be carefully addressed to ensure they are deployed responsibly and sustainably. Additionally, there may be concerns about the impact on rural communities, the potential displacement of traditional farming practices, and a tendency to retain the risk-averse status quo. This highlights the need for inclusive mechanisms to facilitate a transition towards a more technologically advanced agricultural sector.

Meat and wool



- Meat and wool export revenue is expected to decrease 6 percent to $11.4 billion in the year to 30 June 2024 driven by lower export prices for beef, lamb, mutton, and wool.
- High global meat production combined with a slowing Chinese economy has dampened meat prices. Venison export prices are one exception, which are expected to increase due to market diversification and strong demand. Beef and lamb export volumes are forecast to increase, partially offsetting falling prices.
- The average farm profit before tax for the 2023/24 season for all classes of sheep and beef farms is expected to fall 54 percent to $62,600 per farm according to Beef + Lamb New Zealand. Inflation-adjusted profit is expected to be at a 15-year low.
- Looking to 2024/25, export revenue is forecast to begin to recover with 3 percent growth to $11.8 billion due to improving demand and lower global beef exports bolstering prices.

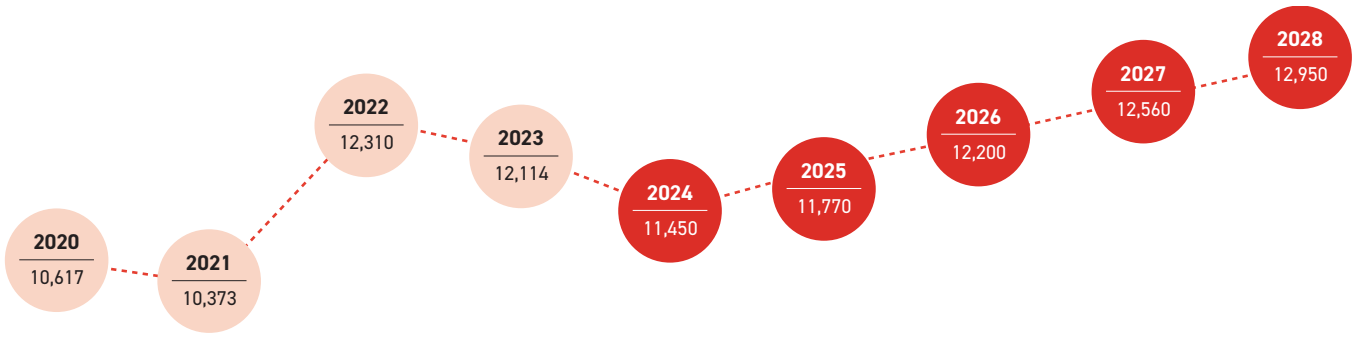


Table 4: Meat and wool export revenue 2020–28

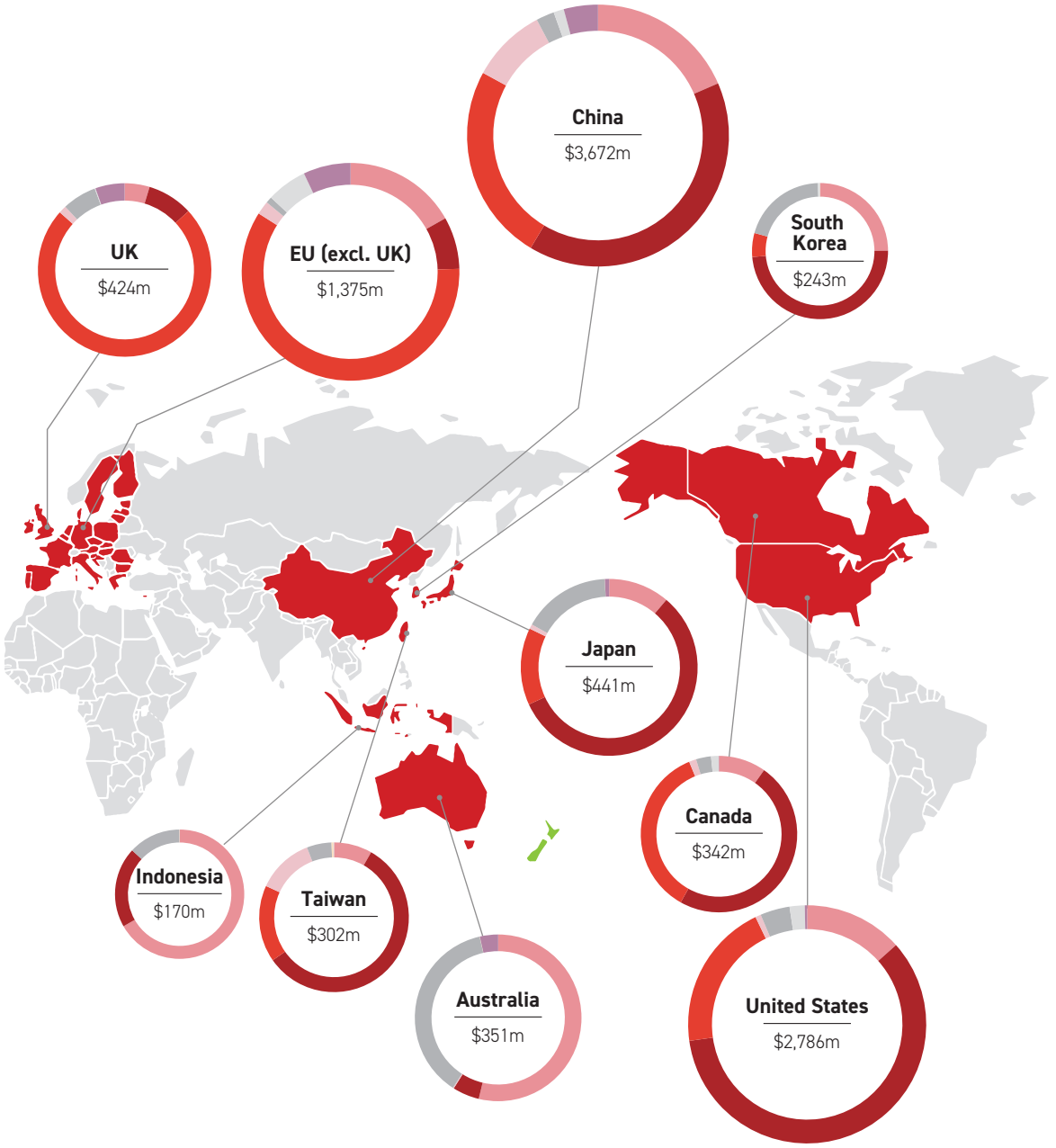
Year to 30 June, NZ$ million

	Actual				Forecast				
Product	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Beef and veal	3,801	3,596	4,581	4,597	4,410	4,570	4,800	4,860	4,920
Lamb	3,310	3,161	3,600	3,363	3,150	3,140	3,170	3,250	3,340
Mutton	639	695	703	570	430	440	440	450	460
Wool	432	395	437	400	390	390	390	380	380
Venison	151	150	170	197	200	220	210	210	220
Other meat*	589	612	701	679	710	700	720	740	760
Hides and skins	240	202	295	301	290	320	310	310	310
Animal co-products	804	824	918	1,032	980	1,060	1,130	1,200	1,280
Animal fats and oils	140	179	281	274	200	240	270	300	340
Animal products for feed	408	449	521	589	570	580	660	750	850
Carpets and other wool products	103	109	103	113	100	100	100	90	90
Total export revenue	**10,617**	**10,373**	**12,310**	**12,114**	**11,450**	**11,770**	**12,200**	**12,560**	**12,950**
Year-on-year % change	**4%**	**-2%**	**19%**	**-2%**	**-6%**	**3%**	**4%**	**3%**	**3%**

* Includes edible offal, processed meat, and poultry.
Totals may not add up due to rounding.
Percentages are rounded to the nearest whole percent.
Source: Stats NZ and MPI.

Top 10 meat and wool export destinations

Year to 31 March 2024 NZ$ million



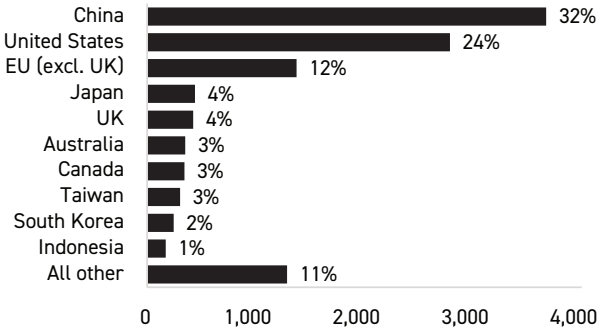
	Product	Export revenue (NZ$ million)	% of total
	Beef and veal	4,398	39%
	Lamb	3,185	28%
	Other animal products*	2,051	18%
	Mutton	460	4%
	Wool	410	4%
	Venison	205	2%
	Other meat	683	6%
	Total	**11,394**	**100%**

* Includes animal co-products, animal fats and oils, animal products for feed, carpets and other wool products, and hides, leather, and dressed skins.
Totals may not add up due to rounding.
Source: Stats NZ.

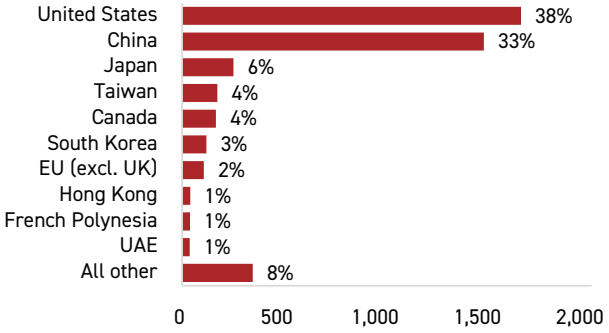
Top meat and wool export markets

Year to 31 March 2024, NZ$ million and percent

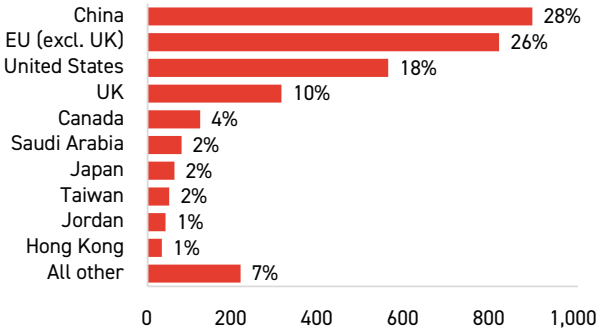
Total meat and wool products



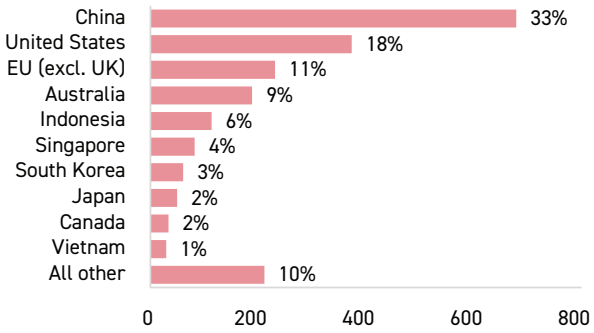
Beef and veal



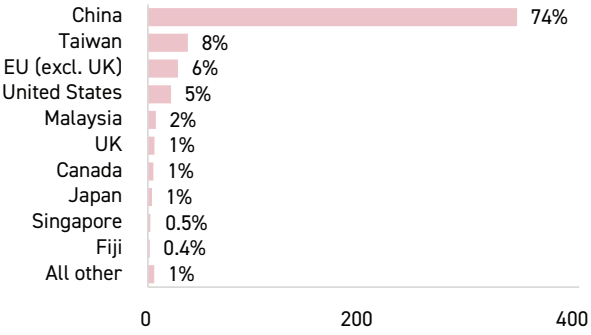
Lamb



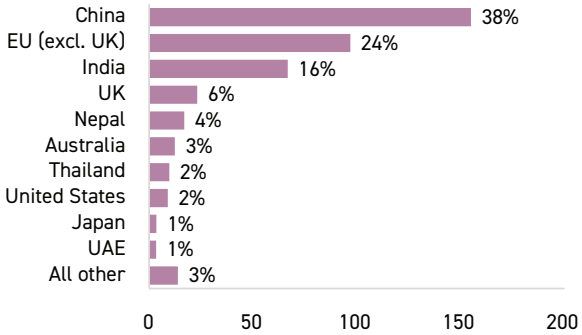
Other animal products*



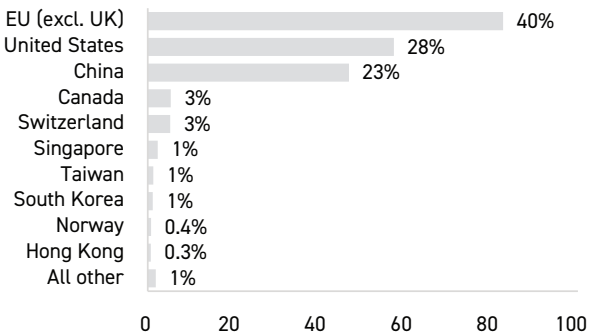
Mutton



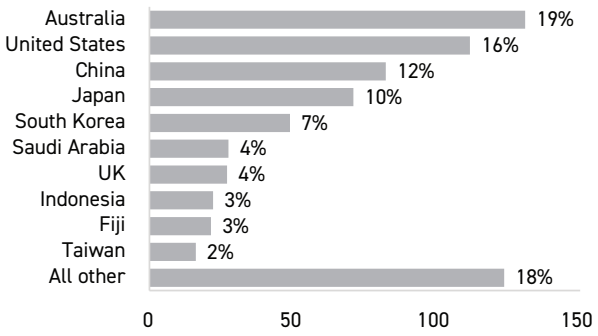
Wool



Venison



Other meat



* Includes animal co-products, animal fats and oils, animal products for feed, carpets and other wool products, and hides, leather, and dressed skins.
Source: Stats NZ.

Higher global meat production and slower economic growth are softening prices

Meat and wool export revenue is expected to decrease 6 percent to $11.4 billion in the year to 30 June 2024 despite higher beef and lamb export volumes. Export revenue has been driven lower by higher global meat production and lower meat demand, reducing prices.

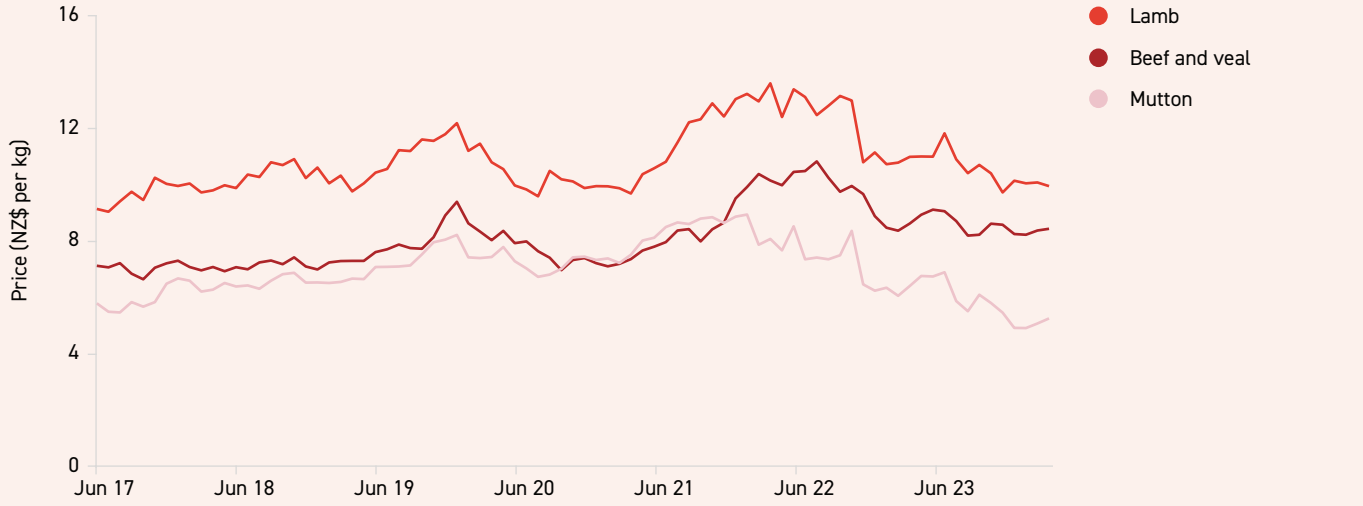
The expected fall in export revenue follows a sharp rise in global meat prices in 2021/22, and prices remaining elevated in 2022/23 (Figure 17). Headwinds in 2023/24 include higher global red meat production and exports, slower economic growth in China, elevated inflation and interest rates, geopolitical and shipping uncertainty, and rapid changes in weather conditions. In addition, China's domestic pork production volumes have recovered following African swine fever challenges, which had strengthened import demand for meat. As a result of these headwinds, export prices for beef and veal, lamb, and mutton are expected to decrease in 2023/24, followed by growth in 2024/25 due to higher demand, especially from the US.

Although global demand for meat has fallen slightly, demand for manufacturing meat products has grown due to consumers trading down to cheaper meats. In addition, the US is importing more lean manufacturing beef due to fewer cows being slaughtered domestically. At the other end of the market, elite meats such as Wagyu beef, chilled bone-in lamb cuts, and venison are less impacted by inflation due to high-end customer spending being more resilient.

New Zealand's beef and lamb export volumes are expected to increase in 2023/24 (Figure 18) due to higher lambing rates (enabled by good climatic conditions during mating). For beef, production and exports are expected to increase due to higher slaughter numbers and weights. Processing delays and wait times have been minimal so far this season with more staff and lower absenteeism rates.

Figure 17: Key meat export prices experience a correction

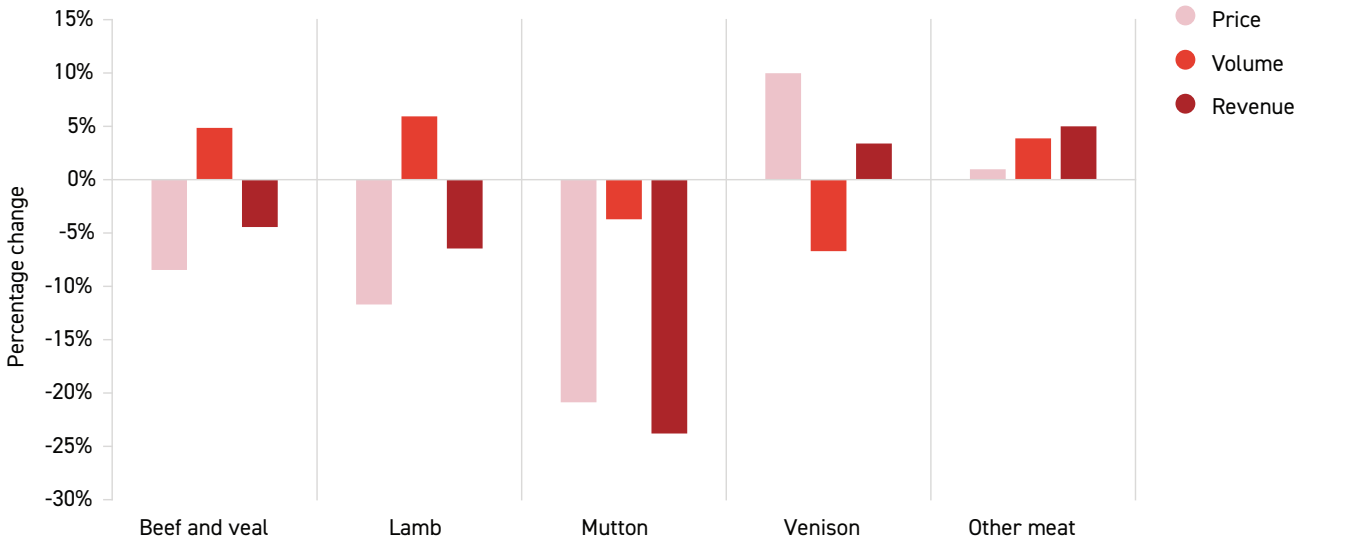
Monthly export prices, NZ$ per kg



Source: Stats NZ.

Figure 18: Export revenue expected to decrease in 2023/24 driven by lower prices for beef, lamb, and mutton

Year to 30 June, 2023 compared with 2024, forecast change in export prices, volumes, and revenue



Source: Stats NZ and MPI.

Looking to 2024/25, meat and wool export revenue is forecast to increase 3 percent to $11.8 billion due to prices increasing and volumes declining. Prices are forecast to recover with increased demand from the US due to lower domestic production as well as improvements in other key markets. Export volumes for beef, lamb, and mutton are forecast to decline in 2024/25 in line with falling livestock numbers. The longer-term outlook for meat demand and prices is strong with continued global population growth and increasing meat consumption per capita in low and medium-income categories.

Wool exports are forecast to decline due to subdued demand in key markets although the sector has shown stability in recent months. For 2024/25, export prices are forecast to rise for strong wool and fall for fine and medium micron wool.

Livestock numbers are forecast to fall in 2023/24 and over the longer term (Table 5). The decline in livestock numbers is driven by competition for farmland for afforestation (carbon farming), urbanisation, and freshwater regulations. Productivity improvements such as increased lambing rates are helping partially to offset impacts on lamb production volumes. Genetic gain within the beef industry is also set to be supported by the development of a New Zealand-based beef genetics evaluation platform.

Table 5: Livestock numbers 2020–28

As at 30 June, million head

	Actual				Forecast				
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Total cattle	**10.1**	**10.2**	**9.7**	**9.6**	**9.5**	**9.4**	**9.4**	**9.3**	**9.3**
Beef cattle	3.9	4.0	3.8	3.7	3.6	3.6	3.6	3.6	3.6
Dairy cattle	6.2	6.2	5.9	5.9	5.9	5.8	5.8	5.7	5.7
Total sheep	**26.0**	**25.7**	**25.1**	**24.4**	**24.1**	**23.7**	**23.3**	**23.0**	**22.6**
Breeding ewes	16.6	16.3	15.4	14.8	14.5	14.5	14.4	14.3	14.1
Lambs marked and/or tailed	23.2	22.9	22.0	21.0	21.5	20.9	20.5	20.5	20.4
Total deer	**0.8**	**0.8**	**0.8**	**0.7**	**0.7**	**0.7**	**0.7**	**0.7**	**0.7**

Source: Stats NZ and MPI.

Farm profitability is expected to decline

In 2023/24, the average farm profit before taxes for all classes of sheep and beef farms is expected to fall 54 percent to $62,600 per farm (Figure 19). This fall is driven by higher input prices as well as lower export and schedule prices. This expected fall in profitability follows a 29 percent fall in the season prior. Many farmers are expected to face losses this season, with those who are more dependent on sheep income and those with higher debt levels likely to be most affected. In addition, farmers that were affected by Cyclone Gabrielle are still recovering with lower livestock numbers and additional repairs to undertake. Farm profit before tax is used to meet taxation payments, personal drawings, debt repayments, and the purchase of farm capital items.

Elevated input costs continue to put downward pressure on sheep and beef farm margins and profitability. Some farmers are responding by reducing fertiliser and labour inputs as well as delaying repairs and maintenance. Reduced fertiliser application will likely affect production in the medium term. Pressure on farm profitability is forecast to remain in 2024/25 due to input costs remaining elevated.

In 2023/24, schedule prices are expected to be below the previous year due to lower export prices in key markets and a lack of procurement competition between processors. Fewer lambs being sent for slaughter in the June quarter of 2023/24 is expected to provide some upward pressure on lamb schedule prices. Mutton schedules are expected to fall the most (-44 percent to $2.20 per kilogram), followed by lamb (-12 percent to $6.70), prime beef (-2 percent to $5.90), and manufacturing beef (less than 1 percent to $5.60). Higher lambing rates and ensuing lambs available for slaughter as well as heavier average carcass weights for most animal categories are forecast partially to offset lower schedules.

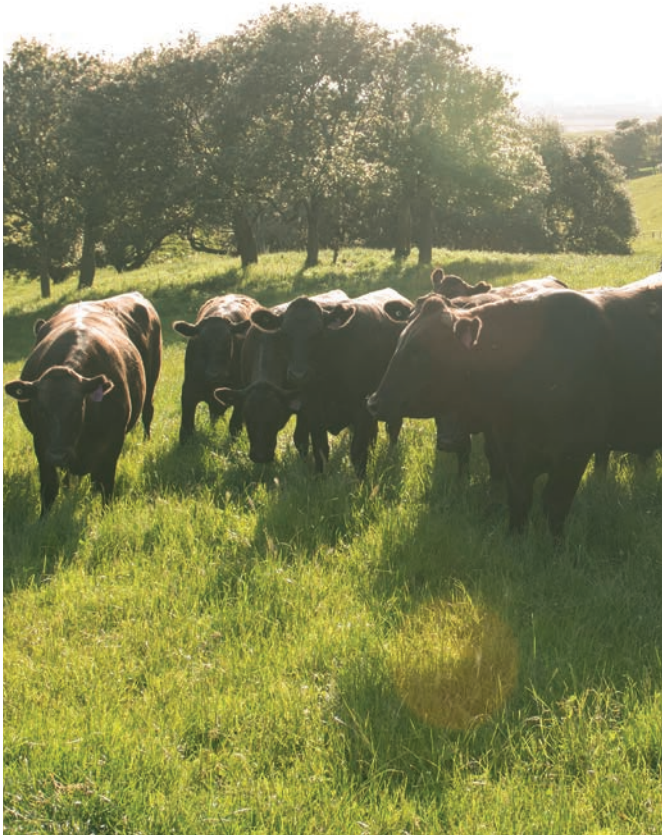
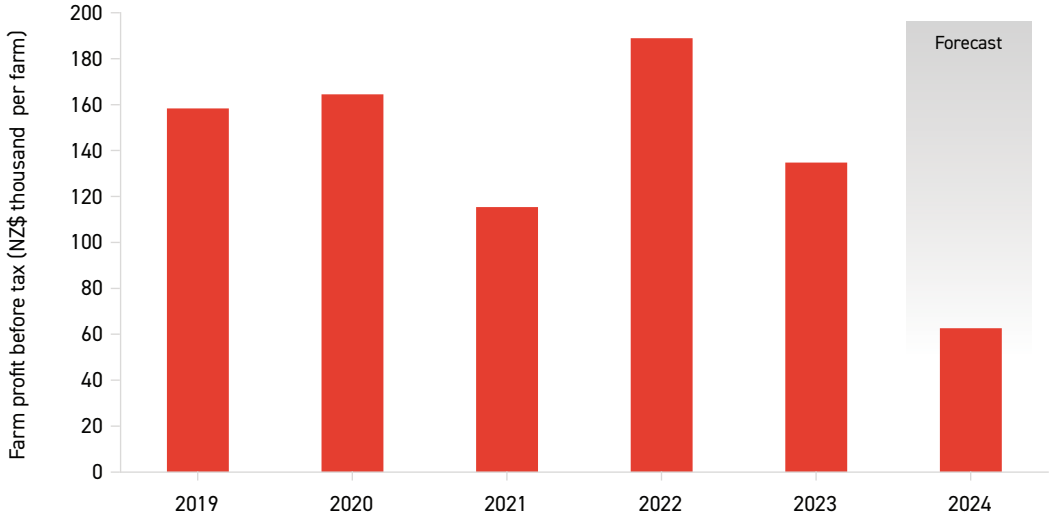


Figure 19: Sheep and beef farm profitability is expected to fall in 2023/24

Year to 30 June, NZ$ thousand per farm



Data for 2023 are provisional.
Source: B+LNZ.

Farmer preparedness and good feed conditions in early 2023/24 have enabled heavier lamb and prime beef carcass weights

Due to warm temperatures and near normal soil moisture levels during winter, feed conditions were favourable for most regions in early 2023/24 except for Northland, the southern East Coast region, Wairarapa, and the upper and central South Island. Over summer and into autumn, a lack of rain led to increased destocking in parts of the country.

New Zealand experienced a wetter El Niño than expected in the first part of 2023/24. Warmer ocean temperatures led to near normal soil moisture levels for most of the country, which supported good feed conditions. Along with farmer preparedness, this has enabled higher than expected lamb slaughter weights in the South Island and prime beef slaughter weights in both islands.

Globally, environmental and food security agendas at both government and company level are on the rise and are driving investment, production, sale, product sourcing, and consumption decisions and trends. These strengthening agendas are expected to drive the rise of environmental credentials over time. The EU Deforestation Regulation will impact processors that export beef and leather (among other products) to the EU. From the end of 2024, operators placing product on the EU market must be able to trace products to the place of production, demonstrate that the products have not contributed to deforestation after 31 December 2020, and confirm that the products were produced in compliance with relevant laws.

Alternative proteins and their potential impact on traditional food production is another global topic of interest. Alternative proteins such as plant-based meat substitutes and cultured meat substitutes to some degree continue to be present in the market but do not pose a significant threat to red meat demand over the outlook period.

There has been significant investment into alternative meat proteins, but consumer uptake has been limited due to eating experiences such as taste/flavour, texture, and smell not meeting consumer expectations. Price has also been a factor dissuading consumers from switching to alternative meat proteins. As technology improves, cultured meats are likely to fill some traditional meat supply gaps in future such as manufactured/unstructured meat products but are unlikely to replace prime and elite meats.

The NZ-UK FTA is boosting beef exports to UK from a low base

Under the NZ-UK FTA, which entered into force in May 2023, beef exports to the UK are forecast to expand due to the removal of tariffs and reduction of in-quota rents. Since the NZ-UK FTA came into force last year, beef export volumes have grown by 159 percent to 2,800 tonnes in the nine months to 31 March 2024 compared with the same period in the previous year. The UK accounted for just under 1 percent of New Zealand's beef exports by volume over this period with China (accounting for 38 percent) and the US (accounting for 34 percent) remaining the largest two export destinations. The volume of sheepmeat exports to the UK is not forecast to change because sheepmeat is well below the quota volume and already duty free.

The NZ-UK FTA includes transitional duty-free quotas for products deemed most sensitive in the UK, including sheepmeat and beef. Beef trade will be fully liberalised after 15 years. In the interim, New Zealand has access to a duty-free volume starting at 12,000 tonnes in year one and growing to 39,000 tonnes in equal instalments over 10 years. In years 11 to 15, a product-specific safeguard may apply under which a 20 percent duty on trade exceeding the safeguard volume can be applied by the UK.

On the other hand, the NZ-EU FTA, which entered into force on 1 May 2024, provides some additional beef access over time at 7.5 percent duty. The access commences at 3,333 tonnes in year one and increases year on year in equal steps up to 10,000 tonnes in the seventh and subsequent years. This NZ-EU FTA is unlikely to lead to a significant increase in red meat exports but provides improved commercial opportunities in this heavily protected market.

Beef and veal

Beef and veal export revenue is expected to decrease 4 percent to $4.4 billion for the year to 30 June 2024. This decrease is driven by 8 percent fall in prices more than offsetting 5 percent growth in export volumes. Looking to 2024/25, beef and veal export revenue is forecast to increase 4 percent due to tighter global beef production and higher global beef demand lifting prices.

Beef production volumes are expected to increase in 2023/24, followed by a decline in 2024/25

Domestically, beef and veal production in 2023/24 is expected to increase 3 percent to 765,000 tonnes due to higher prime cattle slaughter numbers, heavier average adult carcass weights, and a higher number of calves sent for slaughter more than offsetting lower cow and bull slaughter numbers (Figure 20). Favourable weather conditions in much of the country in the first half of 2023/24 supported sufficient quality feed production, enabling farmers to hold stock for longer and increase weights.

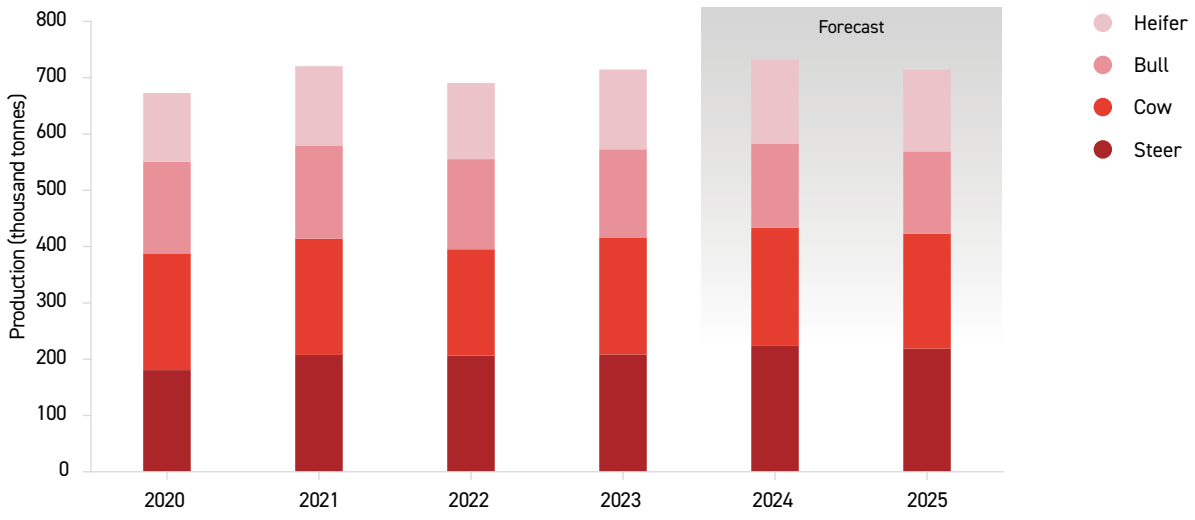
Prime beef production (sourced from beef steers and heifers) is forecast to increase by 6 percent due to higher slaughter numbers and higher carcass weights. On the other hand, beef cow and beef bull production are expected to be lower due to fewer animals being sent for slaughter. Fewer dairy-beef bulls (non-breeding bulls) are expected to be sent to slaughter in 2023/24 as some bull calf rearers choose to no longer raise dairy-beef bull calves (due to a lack of profitability and issues securing contracts with finishers).

Dairy heifer and cow slaughter is expected to be lower in 2023/24 following a 10 percent spike in dairy cow slaughter in 2022/23. Dairy cattle slaughter in 2022/23 was high due to lower submission rates and higher empty rates. Veal production is forecast to increase by 5 percent in 2023/24 due to policy changes regarding on-farm euthanasia (company policy) and live animal exports by sea (government policy).

In 2024/25, beef production is forecast to fall 2 percent due to a smaller beef cattle herd and lower cattle slaughter. Over the remainder of the outlook period, beef and veal production is forecast to decline slightly in line with a gradual fall in cattle numbers (Table 5).

Figure 20: Beef production expected to be higher in 2023/24 due to higher heifer and steer slaughter and higher slaughter weights

Year to 30 June, beef production by animal category, thousand tonnes carcass weight



Source: Stats NZ and MPI.

Beef export prices are expected to soften before beginning to recover

Beef and veal export prices are expected to decline by 8 percent to $8.50 per kilogram in 2023/24. Major demand-side drivers putting downward pressure on prices include subdued demand from China and South Korea as well as high beef inventories in key Asian markets. Meat inventories were increased in anticipation of post-COVID-19 lockdown splurge spending, and many countries are still working through these stocks. Lower import demand from Asia is affecting global prices due to less competition between importers.

Beef export prices are forecast to increase by 6 percent in 2024/25 driven by higher importer beef demand in the US as well as an improvement in economic activity and consumer confidence in other key markets such as China. Beef exports to the UK are forecast to continue to increase due to increasing duty-free access under the NZ-UK FTA as well as lower domestic production in the UK.

Global beef supplies are forecast to increase in 2023/24 before tightening in 2024/25

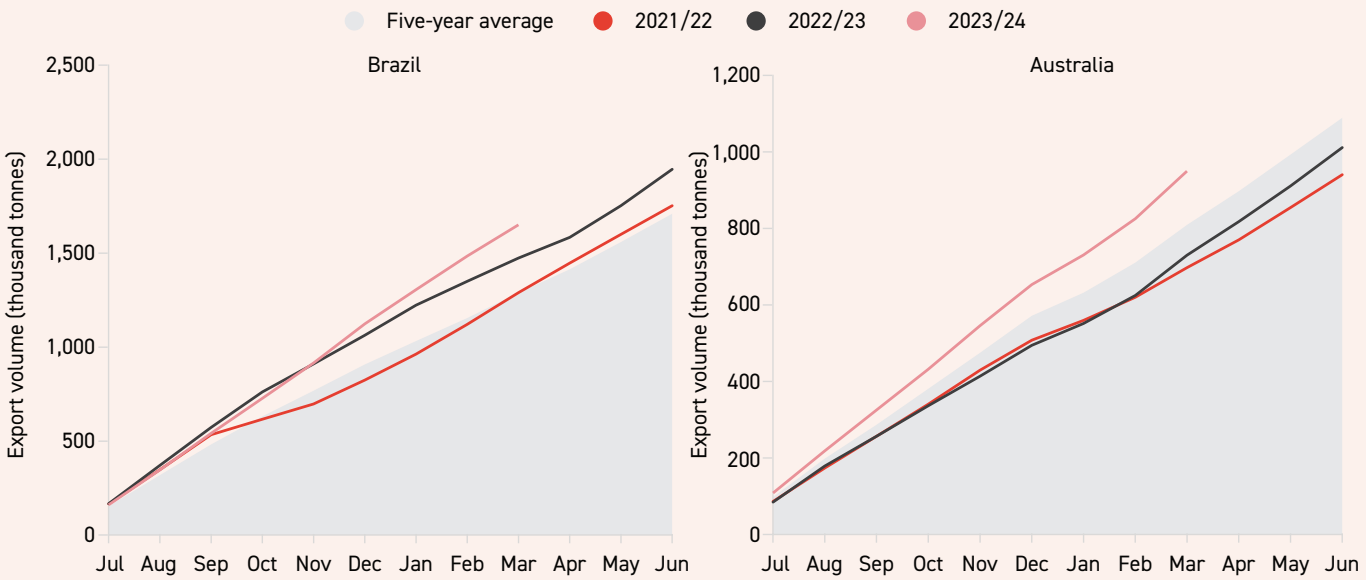
Global beef production and exports are expected to remain elevated in 2023/24 driven by dry conditions and tighter farm profit margins. Production and exports from Australia and Brazil are expected to expand in 2023/24 (Figure 21) while production in the US is expected to be slightly higher than the previous year.

Higher beef production in Brazil in 2023/24 is expected to contribute to elevated global beef supplies, increasing supply competition and putting downward pressure on global beef prices. The beef cattle herd and beef production in Brazil, the largest global beef exporter, have grown significantly over the past two decades, enabling higher export volumes, especially into China. This growth has been driven by abundant feed availability, a closer trading relationship with China, and more recently higher slaughter due to low export and farmgate prices putting financial pressure on farmers. This reduction of the herd and ensuing rate of slaughter are both expected to slow over 2024/25 as farmers rebuild their herds. Brazil continues to have limited access into the US, limiting competition in this market. On the other hand, Brazil recently declared itself free of foot-and-mouth disease without vaccine, which could enable greater access into Japan and Korea from mid-2025.

Australia's beef production and exports are also expected to increase in 2023/24 driven by dry conditions and a relatively large cattle herd. This increase in Australia's beef and dairy cattle slaughter is expected to increase competition in key export markets, especially for lean grinding beef in the US as a high proportion of the cattle culled are expected to be cows. Australia's production is forecast to lift slightly in 2024/25 and later in the year shift into a rebuild phase, which could continue for a couple of years.

Figure 21: Brazil and Australia increase beef export volumes in 2023/24

Year to 30 June, cumulative monthly export volumes, thousand tonnes



Source: Global Trade Atlas.

US beef production is expected to increase slightly in 2023/24 due to the continued contraction of its cattle herd. High feed prices are contributing to higher slaughter numbers as some US farmers send cattle for processing earlier than planned due to financial constraints. Over the next three years, a smaller US cattle herd is expected to reduce US domestic supplies and lift import demand. The US is expected to shift into a herd rebuilding phase in 2024/25, lowering domestic supplies and further increasing import demand, especially lean manufacturing beef demand due to a lower US cow kill.

In addition to lower US beef production in 2024/25, production is also forecast to fall in Brazil, Argentina, and Europe. Brazil's production is forecast to be lower due to cattle retention for herd rebuilding. Lower production in Argentina is expected to be driven by a smaller herd while Europe's production is expected to slow due to continued structural declines driven by increased environmental and animal welfare regulations as well as social pressure. Canada's herd is also forecast to enter a herd rebuilding phase (reducing production volumes) following five years of liquidation driven by drought and elevated input costs.

Although Australia's beef production is forecast to grow slightly in 2024/25, the rate of growth is forecast to be much lower than 2023/24 with the herd rebuild beginning in late 2024/25. Weather, global beef export prices, and rising input costs pose downside risk to herd rebuilding forecasts. On balance, global beef production is expected to expand slightly in 2023/24 before tightening in 2024/25 and into the medium term, supporting prices as demand rises.

Globally, ongoing animal disease outbreaks, extreme weather and related herd rebuilding, inflation and high input costs, significant changes to environmental policy, and a greater focus on food security in key markets are forecast to affect global meat supply and trade flows.

Constrained supply over the medium term combined with improving economic conditions are forecast to provide upward pressure to prices. Downside risks to prices include rising geopolitical tensions, slower than expected economic growth in key markets, subdued consumer confidence and expenditure on meat, a greater focus on food security and local production, higher supplies form key exporting countries, and freight challenges.

Table 6: Beef cattle numbers, prices, volumes, and revenue 2020–28

Year to 30 June

	Actual				Forecast				
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Total beef cattle (opening stocks in millions)	3.9	3.9	4.0	3.8	3.7	3.6	3.6	3.6	3.6
Schedule prime beef price (cents/kg)	548	515	611	606	590	665	705	720	730
Production (000 tonnes)	701	751	721	745	765	745	740	735	735
Export volume (000 tonnes CWE)*	644	677	676	690	725	705	700	700	690
Export volume (000 tonnes PW)**	459	482	483	495	520	505	500	500	495
Export price (NZ$/kg PW)	**8.28**	**7.46**	**9.49**	**9.29**	**8.50**	**9.05**	**9.55**	**9.75**	**9.90**
Export revenue (NZ$ million)	**3,801**	**3,596**	**4,581**	**4,597**	**4,410**	**4,570**	**4,800**	**4,860**	**4,920**

* Carcass weight equivalent of shipped product weight.
** Product weight as shipped.
Source: Stats NZ and MPI.

Lamb and mutton

Lamb export revenue is expected to decrease 6 percent to $3.1 billion for the year to 30 June 2024 while mutton export revenue is expected to fall 24 percent to $430 million. The fall is driven by lower export prices for both lamb and mutton more than offsetting higher lamb export volumes. Looking to 2024/25, lamb export revenue is forecast to be similar to 2023/24 due to lower lamb production slightly offsetting a lift in export prices while mutton export revenue is expected to grow slightly due to price increases.

Lamb production and exports expected to be higher in 2023/24

Lamb production in 2023/24 is expected to increase by 7 percent to 365,000 tonnes driven by higher lambing rates more than offsetting a smaller breeding flock as well as more lambs carried over from 2022/23 (Figure 22). Favourable weather conditions and pasture levels for most of the country during mating and gestation supported ewe and hogget condition, leading to a higher number of lambs born per ewe on average.

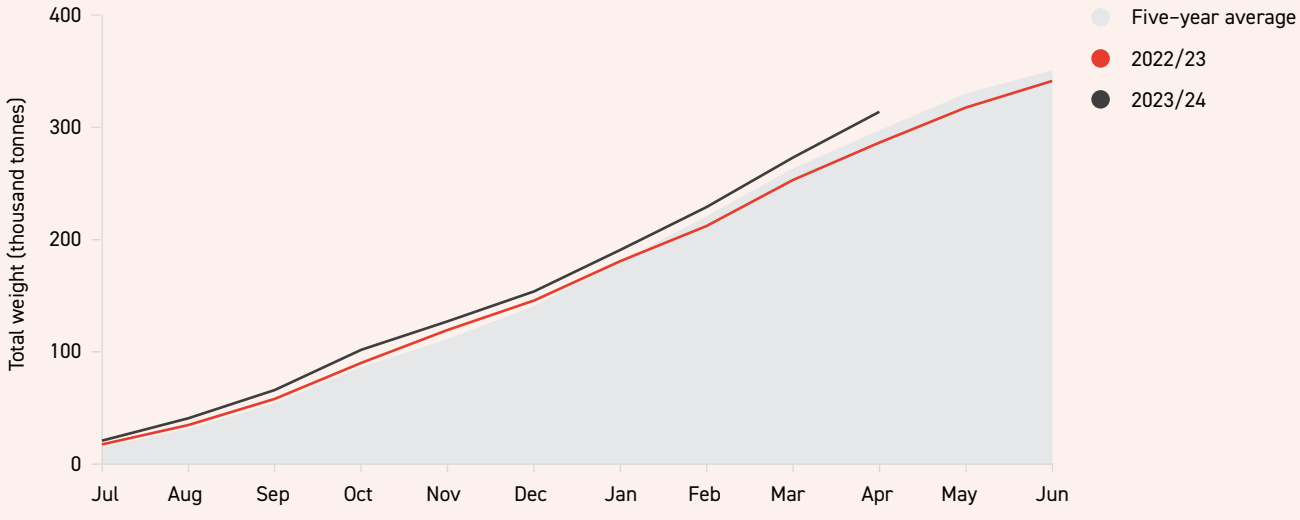
The lambing ratio for the 2023/24 season (spring 2023) is estimated to be 1.30, up 6 percent compared with the previous season. The overall number of lambs tailed in the 2023/24 season is estimated to have increased by 2 percent to 21.5 million head. Lamb survival rates in most regions were supported by limited extreme weather events, although South Island farms were still impacted by storms and floods. Timely extreme weather warnings have assisted farmers to shift stock ahead of these events, reducing the impact on their flocks.

Mutton production is expected to be 85,000 tonnes in 2023/24, down 4 percent on the previous year due to a smaller flock and very low schedule prices. Adult sheep slaughter is forecast to continue to gradually fall in line with a declining sheep flock.

Lamb export volumes are expected to increase 6 percent to 310,000 tonnes, and mutton export volumes are expected to decrease 4 percent to 82,000 tonnes in 2023/24. Over the outlook period, breeding ewes and overall sheep numbers are forecast to continue to fall (Table 5) driven by afforestation for carbon farming, an increased frequency of adverse weather events, increasing input costs, low crossbred wool prices, and productivity improvements.

Figure 22: Increase in lamb production in 2023/24 due to higher lambing rates and more old-season lambs being processed

Cumulative monthly production, thousand tonnes carcass weight



Source: Stats NZ.

Lower lamb and mutton prices due to higher global supplies and subdued demand in China

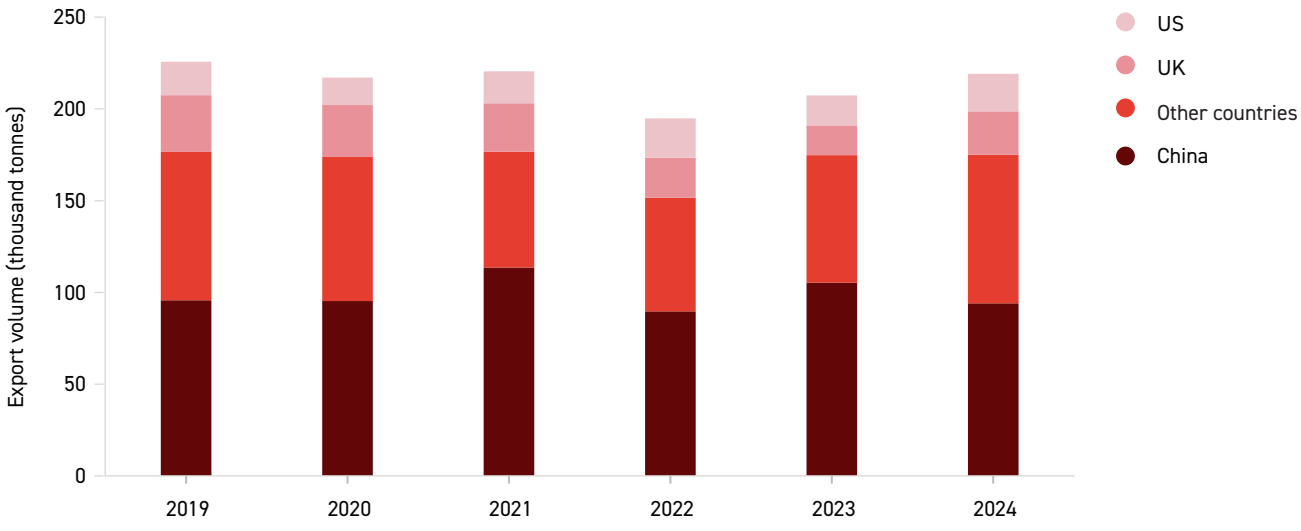
Lamb export prices are expected to decline by 12 percent to $10.20 per kilogram this year, and mutton export prices are expected to decline by 21 percent to $5.30 per kilogram, largely due to higher export volumes from Australia and softer demand in Asia. In response to lower demand and prices in China, lamb export volumes to the UK and US are expected to grow in 2023/24.

In the nine months to 31 March 2024, China accounted for 43 percent of lamb exports by volume, down from 48 percent in the same period in 2022/23 (Figure 23). The UK is now the second-largest importer of New Zealand lamb (11 percent). These shifts reflect solid meat demand as well as lower sheep inventories and production in the UK and the US in 2023/24. While export volumes to Europe and North America are expected to grow in 2023/24, prices to these markets are expected to be lower due to lower importer competition from Asia. Lamb and mutton export prices to Asia are expected to have reached their price floor with prices forecast to begin to recover in 2024/25.

Over the next couple of years, demand in Europe and North America is forecast to remain strong due to lower domestic protein production and inflation easing. While demand from China is forecast to gradually recover as its economy and consumer confidence improves on the back of stronger demand for manufactured goods, higher domestic meat production in China is expected to limit further price rises.

Figure 23: Higher volumes of lamb exported to the UK, the US, and smaller markets as volumes to China drop

Nine months to 31 March, export volume by country, thousand tonnes product weight



Source: Stats NZ.

Global lamb exports expected to increase in 2023/24 due to record Australian production

Global lamb exports are set to increase significantly in 2023/24 as Australia's sheep flock reaches its largest size in 16 years. Australian farmers have undergone extensive flock rebuilding following the 2019 drought, resulting in higher numbers of sheep available for slaughter and driving an increase in export volumes in 2023/24. The Australian national flock increased 4 percent to 79 million head as at 30 June 2023. Sheepmeat exports from Australia now account for around 50 percent of global sheepmeat exports by volume.

Over the remainder of the outlook period, Australian sheepmeat production is forecast to remain relatively stable due to a large flock and the recent shift in flock composition towards meat breeds although drier than usual conditions have the potential to cause liquidation and rebuilding cycles.

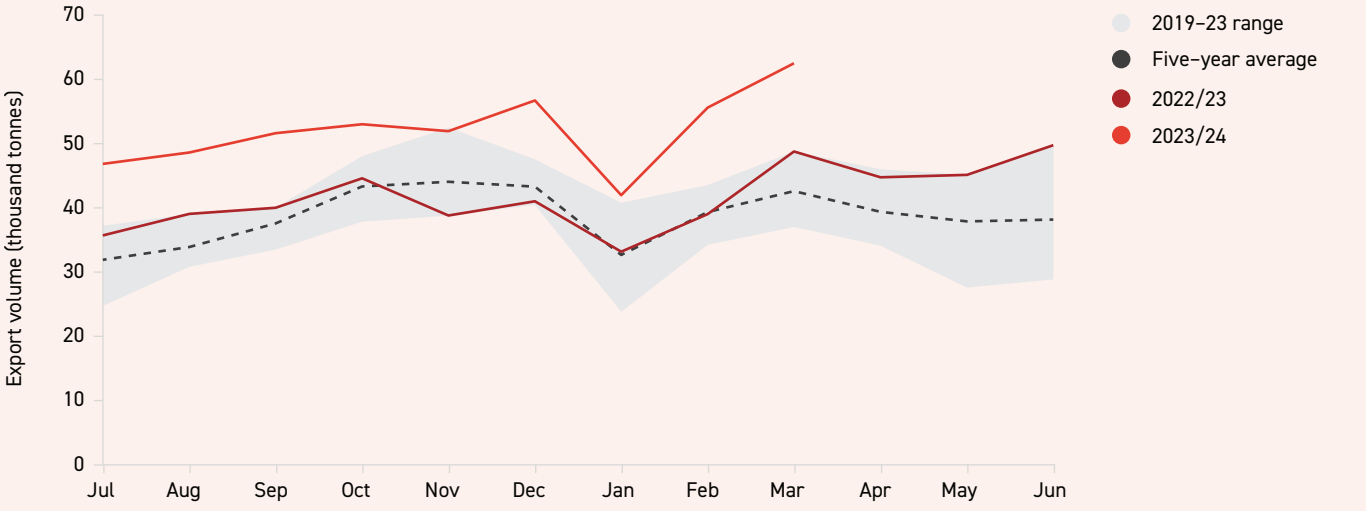
Australia's sheepmeat export volumes increased by 30 percent in the nine months to 31 March 2024 compared with the same period in 2022/23 (Figure 24). These increases follow a 12 percent increase in sheepmeat export volumes in 2022/23. Higher global sheepmeat supplies are depressing prices for all exporters, including Australia. Like New Zealand farmers, lower export and schedule prices are putting downward pressure on Australian farmer profitability.

New Zealand and Australia both export sheepmeat to China and the US, but Australia only exports low volumes to the EU and UK, limiting competition in these markets. Since the Australia-UK FTA came into force in May 2023, month-on-month imports from Australia to the UK have increased, albeit from a low base. New Zealand remains the UK's largest sheepmeat supplier, exporting more than twice as much as the second and third-largest suppliers (Ireland and Australia). New Zealand is expected to remain the UK's primary supplier of sheepmeat, even after accounting for gradual increases in exports from Australia. New Zealand is the EU's second-largest supplier of sheepmeat after the UK. Exports from New Zealand to the EU are forecast to remain stable.

Sheepmeat exports from Australia will likely be pushed higher from 2027/28 due to the Australian Government's announced ban on live sheep exports by sea, which commences on 1 May 2028. The ban will not apply to other livestock export industries such as live cattle exports, nor will it apply to live sheep exports by air.

Figure 24: Australian sheepmeat exports continue to rise in 2023/24

Year to 30 June, monthly export volumes, thousand tonnes



Source: Global Trade Atlas and MPI.

Table 7: Sheep numbers, lamb prices, volumes, and revenue 2020–28

Year to 30 June

	Actual				Forecast				
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Total sheep (opening stocks in millions)	26.8	26.0	25.7	25.1	24.4	24.1	23.7	23.3	23.0
Schedule price (cents/kg)	755	679	868	761	670	725	755	780	800
Production (000 tonnes)	366	354	334	341	365	345	340	340	340
Export volume (000 tonnes CWE)*	331	341	303	314	335	315	310	310	310
Export volume (000 tonnes PW)**	300	312	280	292	310	295	290	290	290
Export price (NZ$/kg PW)	11.05	10.13	12.84	11.52	10.20	10.60	10.95	11.20	11.45
Export revenue (NZ$ million)	3,310	3,161	3,600	3,363	3,150	3,140	3,170	3,250	3,340

* Carcass weight equivalent of shipped product weight.
** Product weight as shipped.
Source: Stats NZ and MPI.

Wool

Wool export volumes in the first nine months of 2023/24 were 15 percent higher than the same period last year due to a surge in demand in China, India, Nepal, and the UK. Despite the better-than-expected performance, wool export revenue is likely to drop 3 percent to $390 million in 2023/24 as the average export price for all wool types is expected to fall below the 2022/23 export price.

Subdued demand is likely to constrain wool export revenue in 2024/25

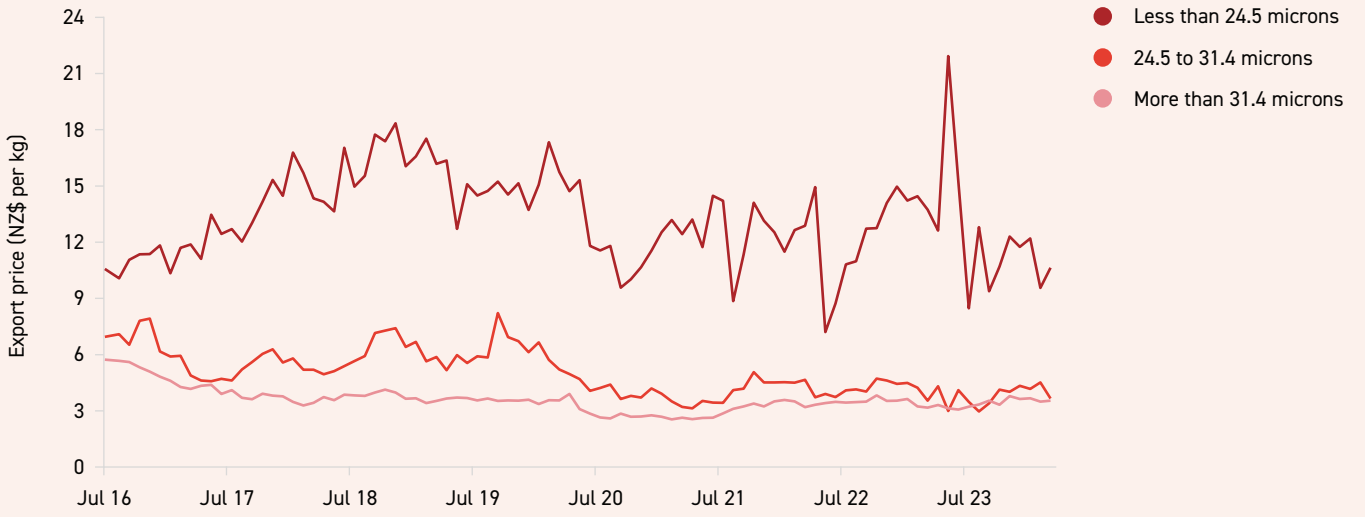
In the year to 30 June 2024, strong wool export prices are expected to rise to their highest level in four years while fine and medium wool export prices are expected to fall (Figure 25). Export revenue is projected to decline slightly in 2024/25 as subdued demand from China is likely in view of relatively weak household discretionary spending.

The sector has been pursuing initiatives to grow its export revenue. Wool Impact and Campaign for Wool forged a strategic alliance that aims to create efficiencies and promote the growth of the sector. Furthermore, breakthrough technology has been developed to create a new use for strong wool fibre and turn it into a wool keratin-based pigment, which could potentially consume 20 percent of New Zealand's strong wool clip in the future. Strong wool made up 70 percent of wool export volumes in 2022/23. Additionally, the recent reopening of the scouring facility in Hawke's Bay, which sustained extensive damage due to Cyclone Gabrielle, has significantly reduced capacity pressures and boosted buyers' confidence and is expected to lift the economic opportunities for the sector.

At the farmgate, prices are expected to fall for all wool types except strong wool, which has shown stability in recent months. Going into autumn and winter, growers are encouraged to ensure wool is well prepared to improve their returns. Beef + Lamb New Zealand forecasts shearing expenditure to increase 4 percent in 2023/24 to average $29,500 per farm. Shearing expenses are expected to account for 91 percent of wool revenue.

Figure 25: Strong wool export price has increased over the past year

Monthly export price, NZ$ per kg by micron



Source: Stats NZ.

Table 8: Wool prices, volumes, and revenue 2020–28

Year to 30 June

	Actual				Forecast				
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Average sale price (cents/kg clean)	453	347	464	440	430	440	445	450	455
Production (000 tonnes clean basis)	97	100	95	92	105	95	95	90	90
Export volume (000 tonnes clean basis)	77	96	86	77	80	80	75	75	75
Export volume (000 tonnes PW)*	84	105	94	84	85	85	80	80	80
Export price (NZ$/kg PW)	5.13	3.77	4.67	4.77	4.55	4.65	4.70	4.75	4.80
Export revenue (NZ$ million)	432	395	437	400	390	390	390	380	380

* Product weight as shipped.
Source: Stats NZ and MPI.

Venison and velvet

Venison export prices are projected to rise 10 percent, pushing revenue up by 3 percent, while export volumes are expected to be down in the year to 30 June 2024. In the nine months to 31 March 2024, export volumes to the EU were 22 percent lower than the same period last year. Looking ahead, with global consumption expected to rise, a higher venison export price and greater export volumes are forecast to result in a further increase in export revenue by 9 percent in 2024/25 with demand potentially exceeding supply.

In 2022/23, velvet returned $102 million in revenue, constituting 10 percent of animal co-products export revenue. Velvet export volume in the year to 30 June 2024 is expected to increase 47 percent on the previous year. Exports to China, which drove the significant increase, doubled in the nine months to 31 March 2024 primarily due to a change in velvet importation rules. In the year to 30 June 2024, export revenue is forecast to increase 17 percent with a positive outlook for the New Zealand velvet sector off the back of the industry's strategy to develop markets and new healthy food products.

Market diversification to push deer industry growth

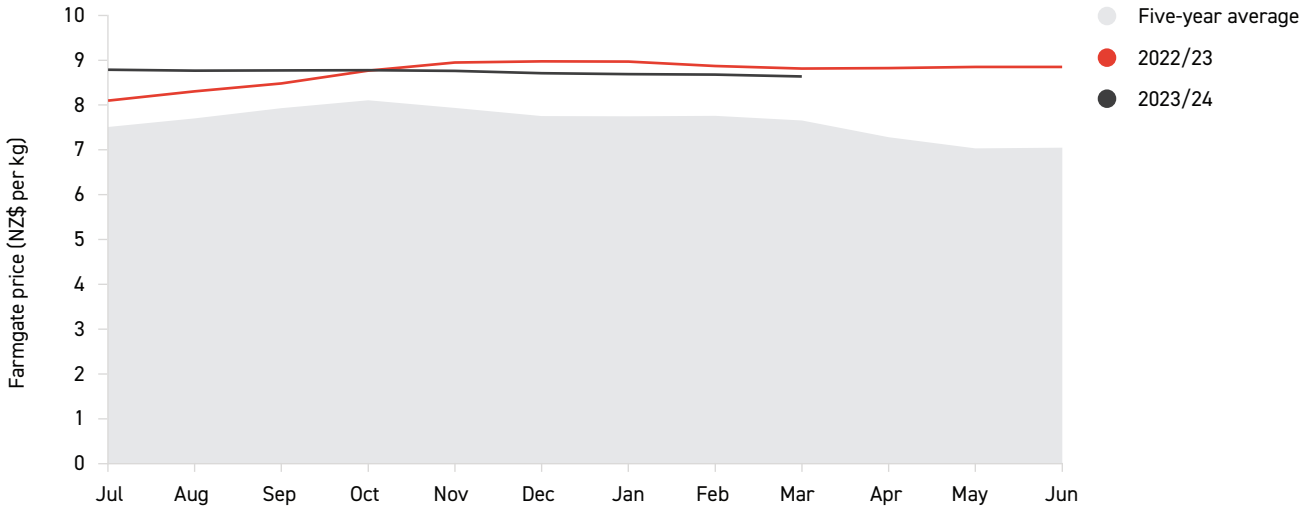
Demand for venison has been robust with the industry proactively pursuing market opportunities. The industry is working towards new product opportunities and is well positioned to capitalise on areas such as high-value cuts for premium foodservice channels. Strong demand for chilled venison has been driving higher prices for the product with the export price sitting at $28.80 per kilogram in the nine months to 31 March 2024 and 10 percent higher than the same period last year. Marketers have started negotiating contracts for chilled venison, which accounted for 17 percent of venison export revenue in 2022/23.

The venison industry has shifted its focus towards the US and emerging markets. The North American retail programme has supported companies to develop value-added retail items that will help grow demand in the US. In the nine months to 31 March 2024, export revenue to the US increased 19 percent compared with the previous year. The EU remains an important trading partner, accounting for 45 percent of export revenue in 2022/23.

The average slaughter price is estimated to be $8.70 per kilogram in the year to 30 June 2024, similar to that of the previous year (Figure 26). While exporters continue to have concerns about high on-farm inflation, farmgate prices are forecast to remain stable in the medium term. As of 30 June 2023, the country's total deer herd had decreased 7 percent to 742,000 with more hinds sent for slaughter in favour of stag retention.

Figure 26: Farmgate venison prices have been sitting above the five-year average

Year to 30 June, monthly farmgate price, NZ$ per kg



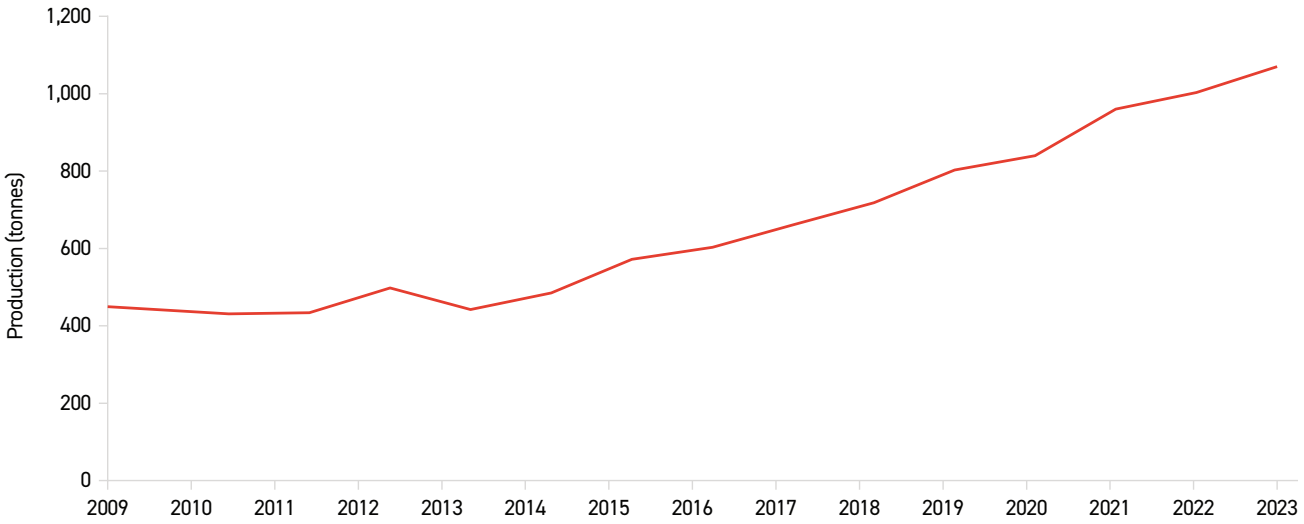
Source: AgriHQ.

Sustained demand expected to lift velvet export revenue

Demand for velvet continues to perform well in Korea, where there is strong preference for high-quality New Zealand velvet. The health and functional supplement market is an area of potential growth for New Zealand velvet exporters. Health functional food supplements, healthy foods, and traditional medicine are the three pillars of the industry's velvet strategy to increase farmgate returns and lift export revenue. Robust demand for velvet over the past decade has led to production more than doubling over this time to 1,070 tonnes (Figure 27), which is projected to grow at an annual rate of 5 to 10 percent. Velvet export price and volumes are forecast to increase 9 percent in the year to 30 June 2025.

Figure 27: Velvet production nearly doubled over the past decade

Year to 30 June, production, tonnes



Data for 2023 are provisional.
Source: Deer Industry New Zealand.

Other animal products

Rising global demand for animal fats and oils is forecast to support an increase in export revenue in the medium term

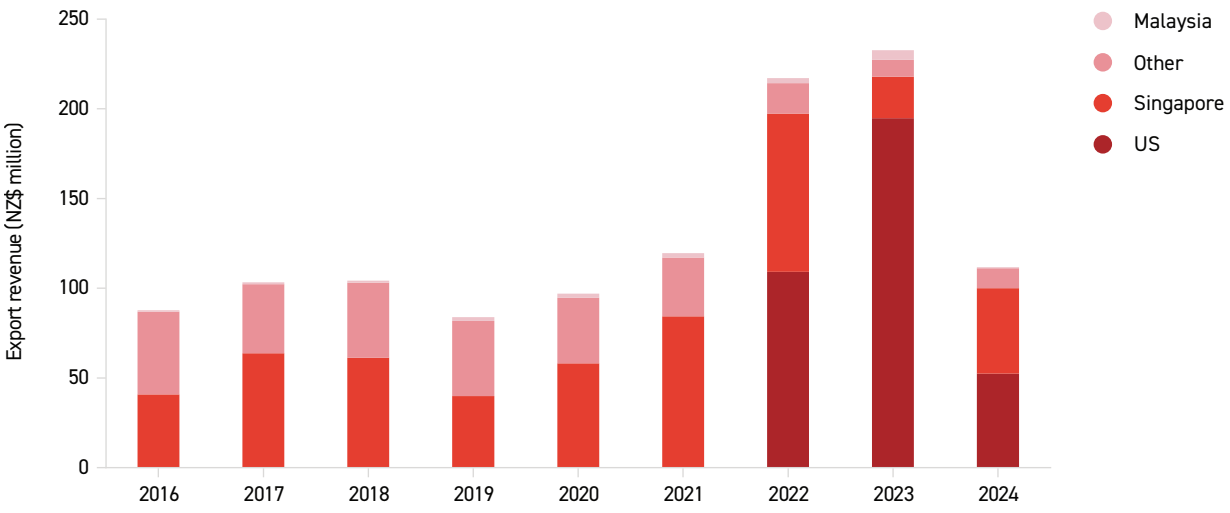
Fats and oils export revenue fell 3 percent to $274 million due to a 7 percent drop in export volumes in the year to 30 June 2023. The US and Singapore are the largest markets for New Zealand animal fats and oils accounting for about 92 percent of exports in the last two years. For 2023/24, export revenue is expected to fall further to $201 million due to lower export volumes and prices in the US. In the nine months to 31 March 2024, exports to the US were 73 percent lower compared with the same period last year (Figure 28). The sector's performance is forecast to recover in 2024/25 with demand for animal-based products projected to trend upwards. Furthermore, demand is expected to grow for animal fats and oils for use in other industries such as the biodiesel industry.

Animal co-products exports are likely to recover in 2024/25

The animal co-products sector had a record-breaking year in 2022/23 where it delivered over $1.0 billion in export revenue. However, lower export volumes in major markets in Asia and the US are likely to result in a 5 percent decline in animal co-products export revenue in the year to 30 June 2024 before an expected 8 percent lift in revenue in 2024/25. This year, several meat plants have been granted new access in China for frozen tripe. New Zealand tripe, sausage casings, and stomach products were exported to China at an average price of $18.40 per kilogram in 2022/23. These three products accounted for 43 percent of the total animal co-products export revenue in the same year.

Figure 28: Lower exports to the US drove the decline in animal fats and oils export revenue

Nine months to 31 March, export revenue by country, NZ$ million



Source: Stats NZ.

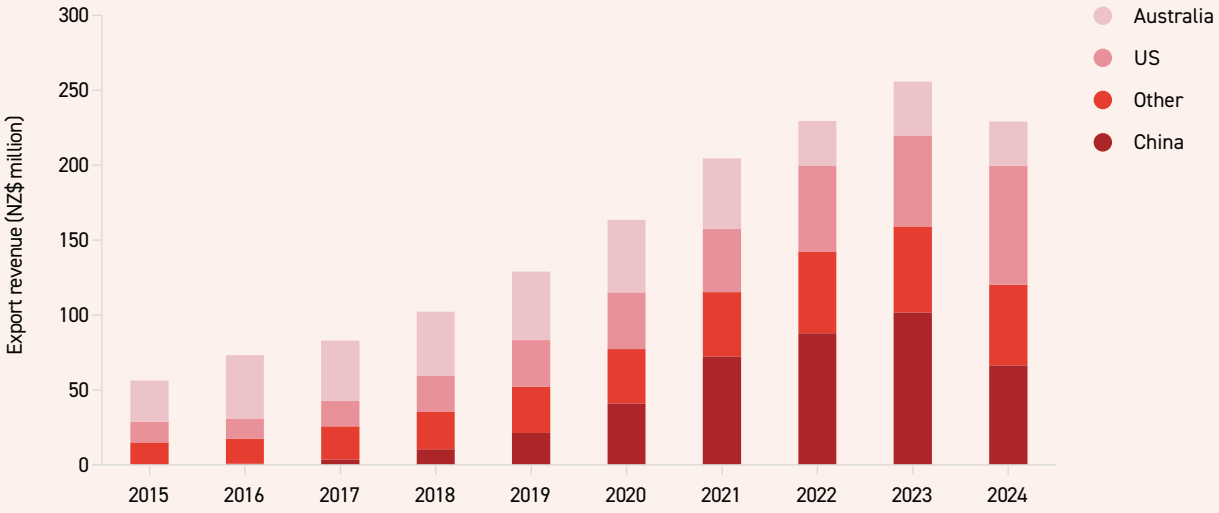
Improved capacity, market access, and innovation are key to better petfood export performance

In 2022/23, petfood contributed more than half of the export revenue for animal products for feed. Despite an increase in export prices, petfood export revenue is estimated to drop 7 percent in 2023/24, indicating soft global markets over the past year. In the first three quarters of 2023/24, petfood export volumes to China were 44 percent lower compared with the same period in 2022/23. The main drivers for the expected fall in revenue are scaled back production capacity due to Cyclone Gabrielle, elevated cost pressures, and increased competition in China, where domestic brands have also been growing. In 2024/25, robust demand is forecast to push a hike in petfood export price by 15 percent as New Zealand is likely to maintain its reputation and edge in the petfood premium market through innovation and branding initiatives.

Sustained strong spending in petfood products is expected in the long term given increasing pet ownership, particularly in Asia. China and the US are likely to remain as the steady markets for the industry (Figure 29). The Middle East region has significant export growth potential while Canada is shaping up to be an important market for New Zealand petfood products. To support the growing industry, a state-of-the-art petfood manufacturing plant has recently been opened in Christchurch. The factory uses innovative new technology to produce high-value wet canned petfood where nearly all its products are proposed to be exported. The investment is likely to ease production capacity constraints and deliver economic benefits for the sector.

Figure 29: The US and China remain as the key markets for New Zealand petfood

Nine months to 31 March, export revenue by country, NZ$ million



Source: Stats NZ.

MPI closely monitoring developments in the spread of bird flu

High pathogenicity avian influenza (HPAI) is a highly contagious viral disease that affects both domestic and wild birds and can spill over into mammal species, including rare human cases. The current likelihood of HPAI introduction is low, but this would increase if it spreads into our immediate offshore environment. Should HPAI be carried to New Zealand by wild birds, it would become an ongoing threat to commercial poultry and potentially to endangered species. It would present a significant challenge to the local poultry industry, particularly to free-range producers. It could endanger New Zealand's exports of day-old chicks and hatching eggs.

The recent US spillover into dairy cattle appears to have been a localised event with infected cattle then moved to other states. Infected cattle recover after two or three weeks, and the Food and Drug Administration considers pasteurised milk from infected herds safe to consume. MPI is working closely with the Department of Conservation, Ministry of Health, and industry partners to ensure New Zealand is ready for a HPAI incursion.

Exploring consumer demand opportunities for Māori brands

Background

MPI recently published its Māori Brand Origin Stories consumer research report. This research surveyed over 7,500 consumers from the UK, the US, China, Japan, Australia, and New Zealand to explore consumer demand opportunities for Māori brands. The report investigates consumer preferences and potential target consumer segments, and it shows how Māori brands can market themselves with authentic Māori brand origin stories.

Opportunities to communicate the value of Māori culture to global consumer markets

Māori are well placed to unlock demand opportunities through authentic consumer-facing brands. Most people in overseas markets are not knowledgeable about Māori culture. Despite this, many consumers show strong interest in Māori brands when the value of Māori culture is effectively communicated to them. To unlock demand opportunities for Māori brands, these actions are important:

Align brands to consumer demands with outstanding products that meet consumers preferences.

Target cultural consumers who already look for cultural attributes when buying food and drink.

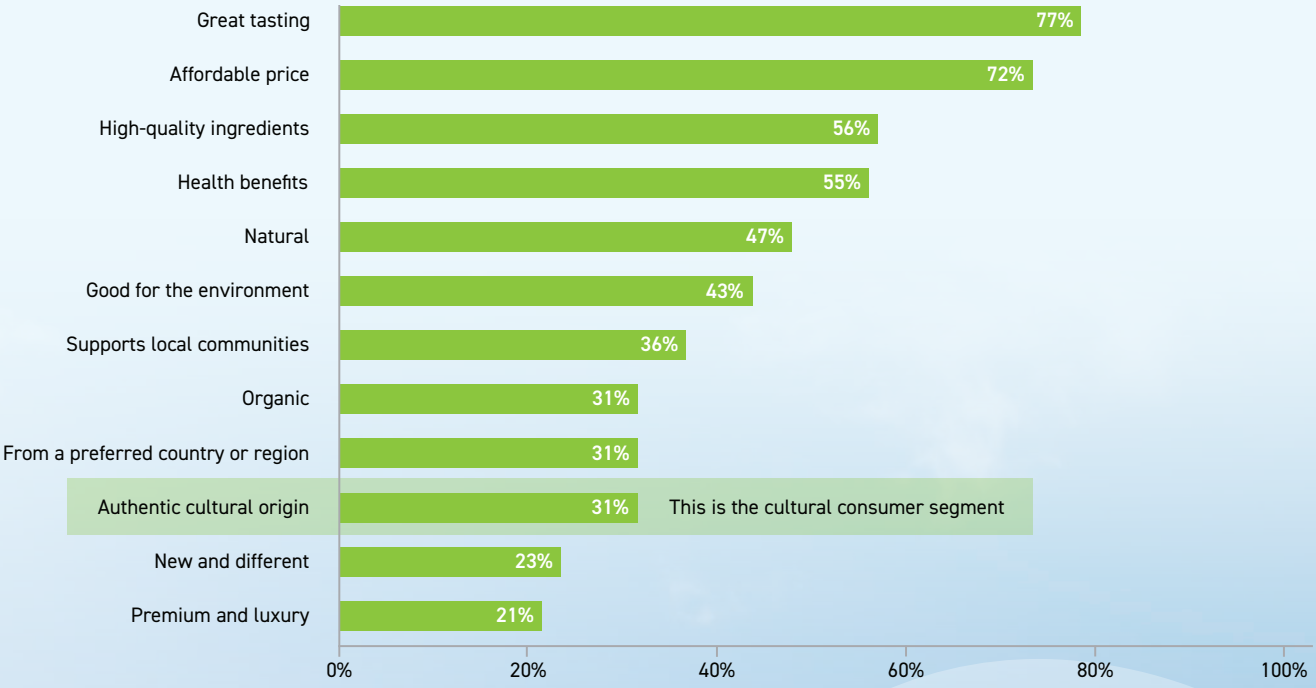
Use consumer-aligned Māori brand origin stories to communicate the value of Māori cultural brands simply and effectively in ways that appeal to consumers.

Successful brands align to consumers' preferences

Outstanding products are a strong foundation for building successful consumer-facing Māori brands. Taste and price are almost always the most important when it comes to food and drink purchases (Figure 30). Consumers then look for positioning attributes that appeal to their specific needs. Therefore, successful brands typically use a tailored combination of attributes that align to their target consumers and their brand story.

Figure 30: How important are the following factors when deciding what to buy?

In order of importance when buying food and drink products, percentage of all surveyed consumers



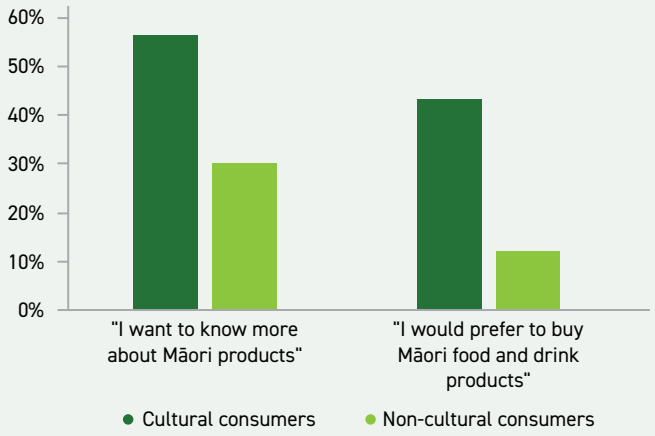
Source: MPI Market Insights, Māori Brand Origin Stories consumer survey.

Cultural consumers are an attractive target segment for Māori brands

Cultural consumers are the 31 percent of people who normally look for cultural attributes when buying food and drink products. Cultural consumers say they know more about Māori culture than non-cultural consumers and they also say they're more interested in buying from Māori brands (Figure 31). Cultural consumers also tend to be younger and more affluent. Because they perceive value in cultural attributes and show a willingness to try Māori-branded products, cultural consumers offer a viable target segment for Māori brands.

Figure 31: Purchase intention – cultural consumers versus non-cultural consumers

Percentage of all surveyed consumers who responded 'agree' or 'strongly agree'



Source: MPI Market Insights, Māori Brand Origin Stories consumer survey.

More **cultural consumers** live in export markets than in New Zealand

The number of cultural consumers varies by market. For example, in China, 42 percent of consumers say authentic cultural origins are important when buying food and drink. However, of the six markets we surveyed, New Zealand had the lowest percentage of cultural consumers. Export markets are already important for New Zealand food and fibre and are expected to grow significantly into the future. Millions of consumers in these markets show strong demand for cultural products, suggesting significant opportunities for Māori brands.

Table 9: Cultural consumers by survey market

	Percentage of cultural consumers	Approximate number of cultural consumers (million)
China	42%	394.0
United States	28%	56.9
Japan	37%	25.7
United Kingdom	28%	11.4
Australia	34%	5.4
New Zealand	18%	0.6

Source: MPI Market Insights, Māori Brand Origin Stories consumer survey.

Approximate number of cultural consumers was calculated by multiplying survey results by official demographic statistics for people aged 18 or over.

Māori brand origin stories can unlock demand for Māori brands

Māori brand origin stories are engaging, simple, and authentic narratives about Māori culture. They make it easier for consumers to appreciate and understand the value of Māori culture without overloading them with too much information.

Communicating the value of culture to consumers who have little or no prior knowledge is a common challenge for many brands. Māori brand origin stories offer an effective way to overcome this (Figure 32).

Figure 32: "I want to know more about Māori products"

Percentage of all surveyed consumers who responded 'agree' or 'strongly agree'

Source: MPI Market Insights, Māori Brand Origin Stories consumer survey.

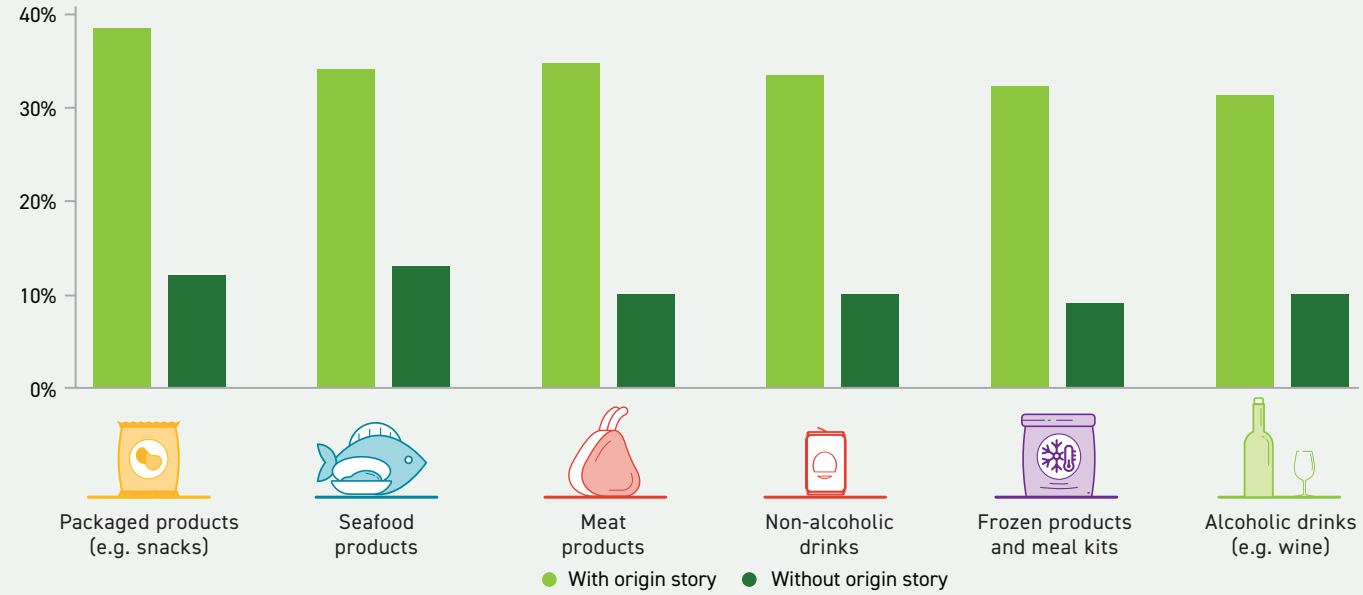
Origin stories position Māori brands for success with all types of products

Consumers show demand for all types of products from Māori brands when effective origin stories are used (Figure 33). Rather than the product category, what appears to be important is a brand's ability to use effective marketing.

With the right consumer-aligned marketing campaign, brand origin stories can position Māori brands to succeed in any product category.

Figure 33: "I would prefer to buy ... from Māori brands""

Percentage of all surveyed consumers who responded 'agree' or 'strongly agree'



Source: MPI Market Insights, Māori Brand Origin Stories consumer survey.

Read the full Māori Brand Origin Stories report on MPI's Market Insights website: www.mpi.govt.nz/eiu

Forestry

- New Zealand's forestry export revenue is forecast to decline 7 percent to $5.9 billion for the year to 30 June 2024. Low production in processed wood products coupled with weaker demand for some product categories are the primary drivers, only slightly offset by an expected increase in log export revenue.
- Log export revenue is expected to increase 1 percent as an increase in export volumes is offset by weaker log prices.
- Despite supply-side disruptions in sawn timber, pulp, and panels dragging down export revenue, underlying export demand and prices are holding up.
- Forestry export revenue is expected to increase 5 percent in 2024/25 as supply-side disruptions in processed wood products ease. This outlook is tempered by uncertainty surrounding log exports as China's weak property market continues to dampen log demand while available harvest volumes are relatively high.

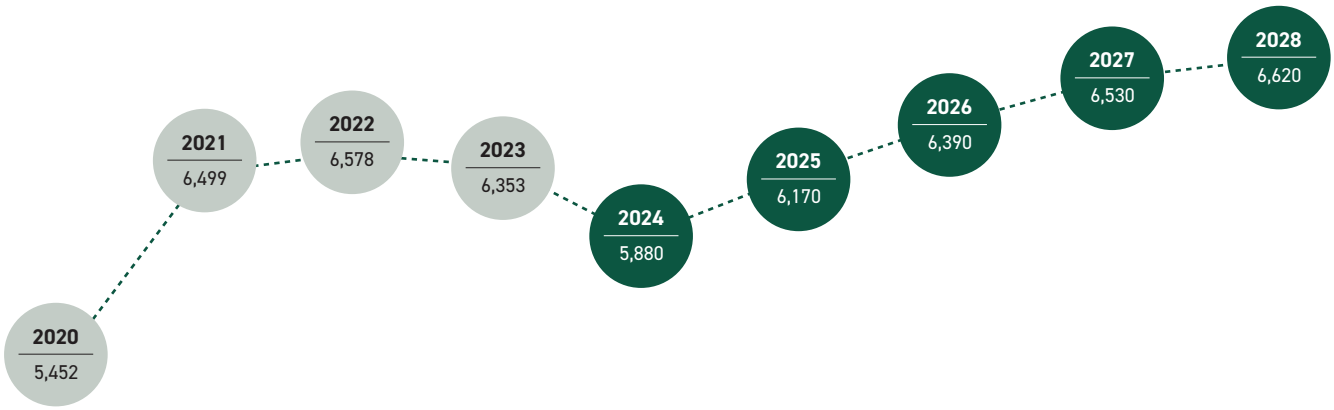


Table 10: Forestry export revenue 2020–28

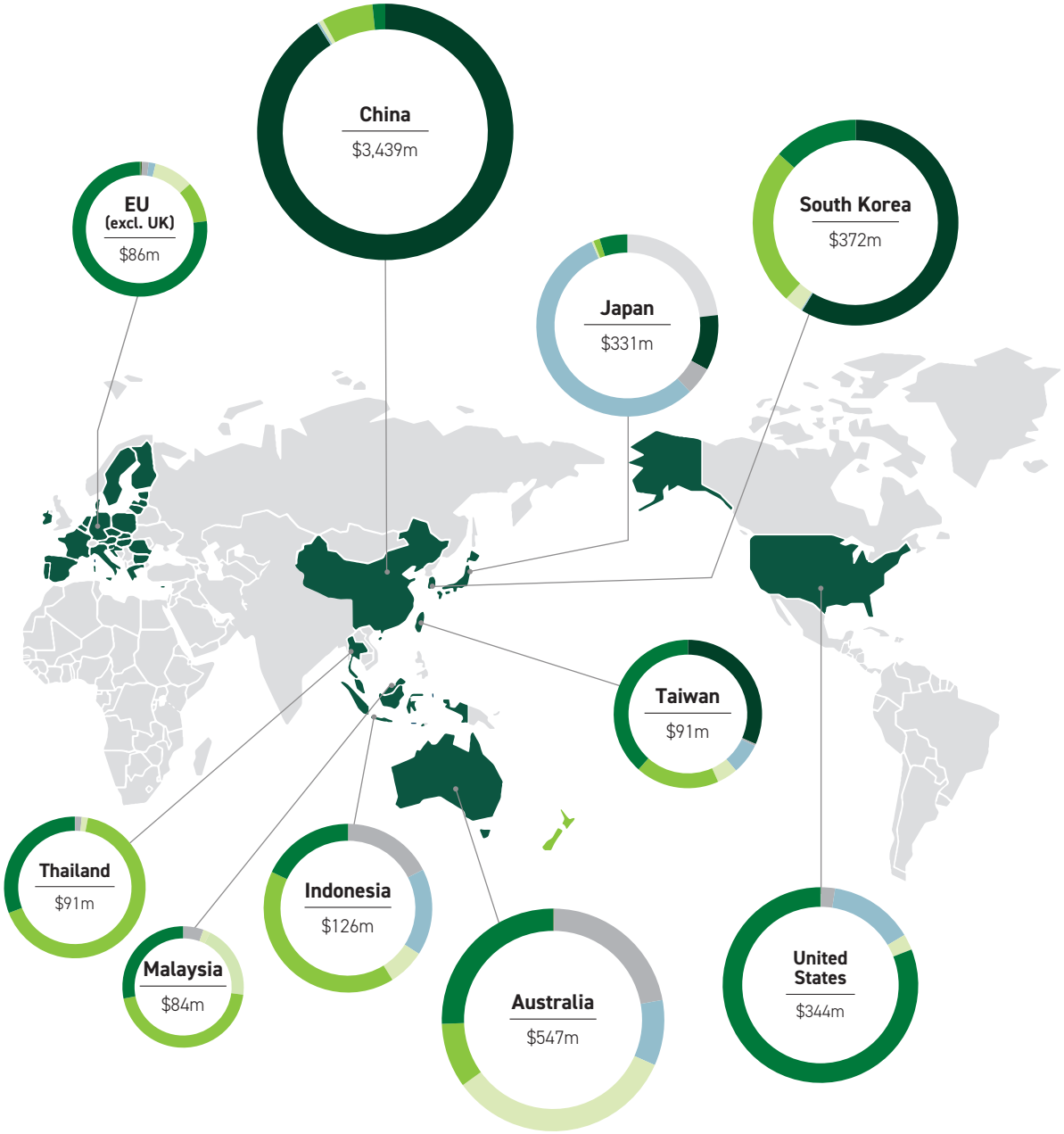
Year to 30 June, NZ$ million

	Actual				Forecast				
Product	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Logs	2,791	3,830	3,627	3,388	3,420	3,460	3,500	3,520	3,550
Sawn timber and sleepers	806	900	973	937	850	930	960	980	1,000
Pulp	651	669	816	846	610	700	790	870	910
Paper and paperboard	492	438	463	433	350	430	470	480	490
Panels	434	385	411	463	370	370	380	390	390
Woodchips	56	61	62	78	80	80	80	80	80
Other forestry products*	222	216	225	208	200	210	210	210	210
Total export revenue	**5,452**	**6,499**	**6,578**	**6,353**	**5,880**	**6,170**	**6,390**	**6,530**	**6,620**
Year-on-year % change	**-21%**	**19%**	**1%**	**-3%**	**-7%**	**5%**	**3%**	**2%**	**2%**

* Includes structural or moulded wood, furniture, and prefabricated buildings.
Totals may not add up due to rounding.
Percentages are rounded to the nearest whole percent.
Source: Stats NZ and MPI.

Top 10 forestry export destinations

Year to 31 March 2024, NZ$ million



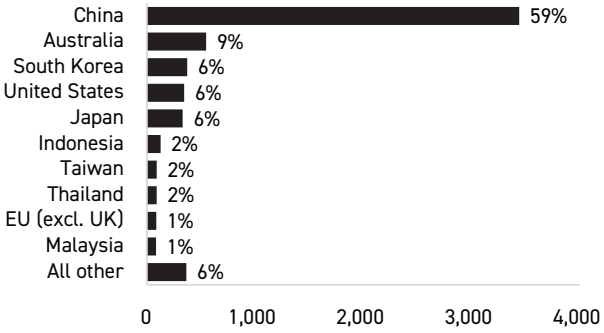
	Product	Export revenue (NZ$ million)	% of total
	Logs	3,440	59%
	Sawn timber and sleepers	840	14%
	Pulp	591	10%
	Paper and paperboard	381	6%
	Panels	347	6%
	Woodchips	77	1%
	Other forestry products	198	3%
	Total	**5,876**	**100%**

Totals may not add up due to rounding.
Source: Stats NZ.

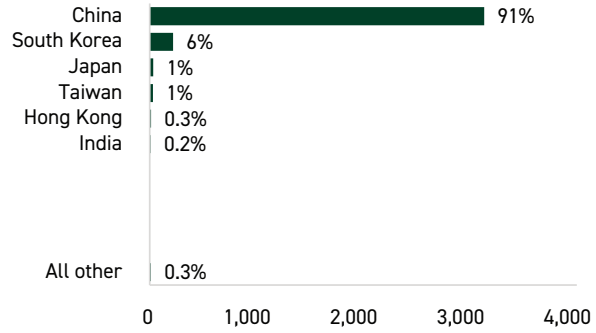
Top forestry export markets

Year to 31 March 2024, NZ$ million and percent

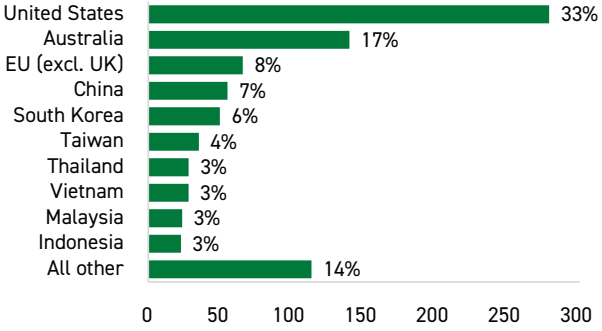
Total forestry



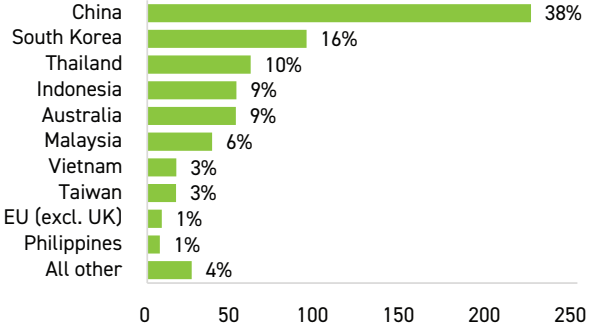
Logs



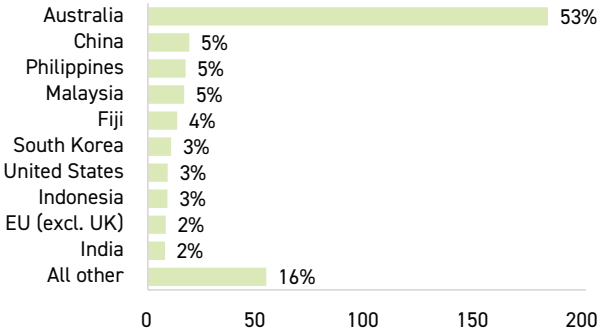
Sawn timber and sleepers



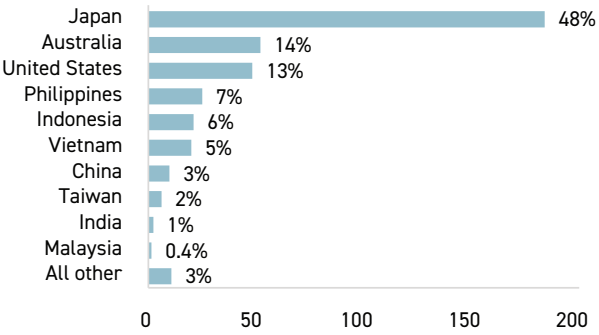
Pulp



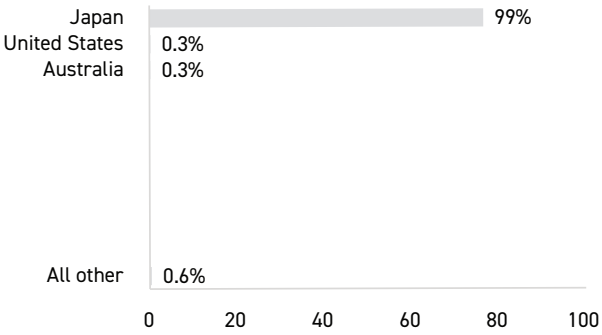
Paper and paperboard



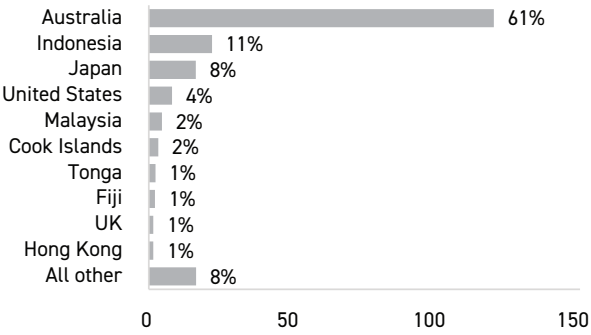
Panels



Woodchips



Other forestry products



Source: Stats NZ.

Forestry export revenue expected to decline 7 percent on supply–side shocks

Supply-side shocks in processed wood production are expected to pull forestry export revenue down 7 percent to $5.9 billion in the year to 30 June 2024. Flooding resulting from Cyclone Gabrielle caused Pan Pac's Hawke's Bay mill to temporarily shut down, reducing pulp and sawn timber production. In addition, a medium-density fibreboard (MDF) mill in Christchurch shut down a production line, reducing panel production. At the same time, high interest rates and resulting slowdowns in construction markets around the world are suppressing demand for processed wood products.

An increase in log export revenue is partly offsetting the falls in processed wood products. Log export volumes are up significantly due to high availability, driving log export revenue up an expected 1 percent to $3.4 billion in 2023/24 despite low prices.

Although high inflation and high interest rates have increased input costs such as wages and interest payments and lowered demand, which has put pressure on profitability, wood processors are making necessary adjustments such as managing throughput and expenses. Foresters remain under pressure as log prices are low and input costs are high. Domestic inflation is slowly trending down and is forecast to continue to decline with rate cuts to follow. This will eventually provide some relief to producers in terms of slowing input cost increases and raise demand as construction markets pick up domestically and overseas. Additionally, sawn timber and pulp production is coming back at Pan Pac's mill, which is expected to return pulp and sawn timber production to pre–Cyclone Gabrielle levels and should raise export revenue over the forecast period. Forestry export revenue is forecast to increase to $6.2 billion in 2024/25.

Roundwood harvests are up

The roundwood harvest in 2022/23 was 33.1 million cubic metres, a decline for the second year in a row. The lower harvest reflected weaker log export volumes to China and a decline in logs used for processed products for both domestic and export markets. In 2023/24, large log export volumes are expected to offset weak domestic processed consumption resulting in a harvest of 33.4 million, a 1 percent increase (Figure 34). The larger harvest despite lower prices indicates there are still large volumes of wood available for harvest.

Table 11: Forestry production, prices, and export volumes 2019–24

Year to 30 June, thousand cubic metres roundwood equivalent

	Actual					Forecast
	2019	2020	2021	2022	2023	2024
Harvest volume	36,852	31,759	37,193	33,973	33,138	33,400
Log export volume	22,571	18,483	23,275	20,843	20,367	22,200
Log input volume, processed wood products	14,281	13,275	13,918	13,130	13,771	11,200
Log input volume, processed wood products export	7,851	7,130	7,134	6,584	6,003	5,600
Log input volume, processed wood products domestic	6,430	6,145	6,784	6,545	6,768	5,600
A grade log export price (NZ$ per JAS m^3 FOB)	166	143	158	147	147	144

Source: Stats NZ and MPI.

Uncertainty for wood processors but finding labour no longer a big issue

Wood processors are facing uncertainty from regulations and domestic demand. The EU Deforestation Regulation comes into effect from December 2024 and means operators placing product on the EU market will have to prove their products have not contributed to deforestation and are legal. There is currently not a well-defined mechanism to prove products are deforestation free, contributing to uncertainty for wood processors. If the industry finds an efficient solution, it could prove to be an opportunity.

Market demand is another big source of uncertainty, especially in the domestic market as interest rates have risen, which has increased borrowing costs and reduced residential construction activity. Although demand is not too weak compared with long-term average levels, residential construction activity may still have further to fall. There is also uncertainty around public housing and infrastructure investments (for example, Kāinga Ora has postponed projects reflecting its ongoing review). Central government accounts for around 9 percent of residential building consents and is a large consumer of wood products.

On the plus side, labour has been noted as much less of a constraint as immigration surged in 2023. Previously, wood processors were struggling to find suitable labour to operate their manufacturing facilities.

China property market affecting New Zealand export revenue

The slump in China's property market is continuing. Since the 'three red lines' policy that imposed financial constraints on developers was introduced in 2020 to dampen an overleveraged property boom, new residential property starts by floor space have reduced 58 percent. Consequently, China's total softwood log imports in 2020–23 fell 44 percent from 49.9 million cubic metres to 28.1 million cubic metres. Despite the drop, New Zealand log export volumes to China have held steady and gained significant market share but prices are low.

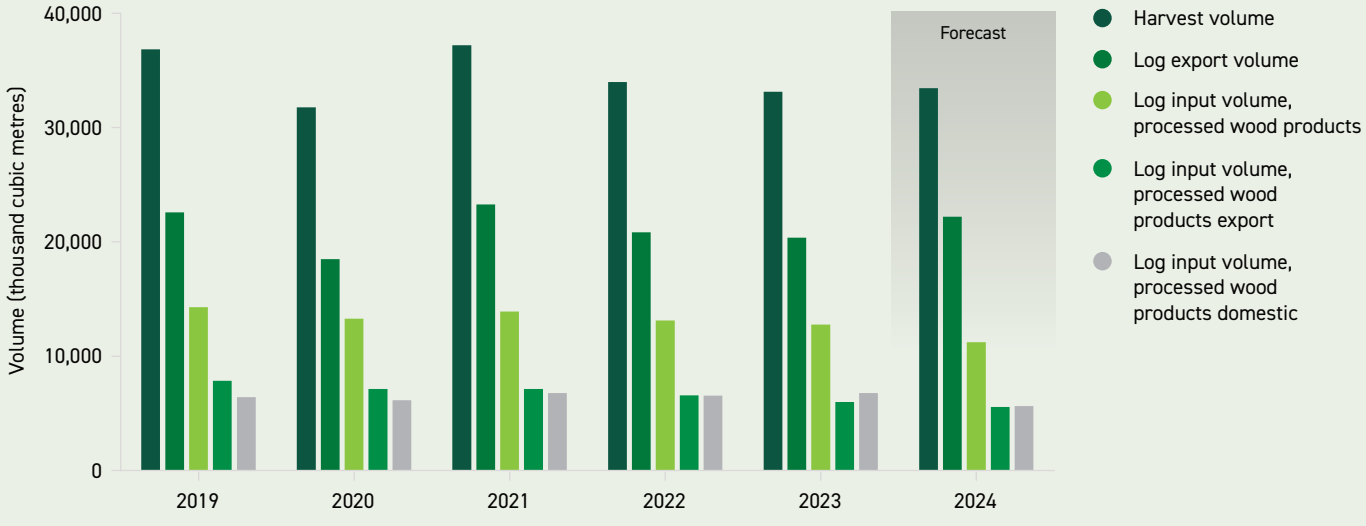
As Chinese homebuyers have lost confidence, new home sales in China have declined but they are running above property starts, which means property inventory is being run down. Once inventories reach a more normal level, construction starts should start increasing and put upward pressure on demand for construction wood and New Zealand log exports. On the other hand, projects currently under construction are supporting current New Zealand log export demand, and once these projects are finished, it will reduce construction activity, putting downward pressure on log export demand.

Recently, China announced it will cut the amount homebuyers need for a deposit and fund local governments to buy unsold homes to support affordable housing. Both these measures stimulate homes sales, which is key to reducing unsold property inventory. Despite this, there are still large uncertainties around how long it will take for property inventory and projects under construction to be run down, and demographic trends and slower urbanisation will likely mean long-run property demand growth is slower than in the past. Overall, log demand from the construction sector is expected to continue its weakness.

Sawn timber export revenue to China also declined from 2020. It dropped from $146 million to $67 million in 2023, a decline of 54 percent. While it's not clear this was a direct result of China's property deleveraging, it certainly would have contributed. Increased competition from Russia was also a notable development in the China market after Russia banned log exports in favour of exporting sawn timber and Europe imposed sanctions on Russia, blocking imports. Consequently, New Zealand sawn timber export volumes reduced. Other product categories were largely unaffected by China's property downturn and consequent spillovers.

Figure 34: Harvest by export volumes and domestic processed log volumes

Year to 30 June, volume in thousand cubic metres roundwood equivalent



Source: Stats NZ and MPI.

High log export volumes may push export revenues up, but prices remain low

Log export volumes were up 15 percent in the first three quarters of 2023/24 compared with the previous year (Figure 35). This is also a larger result than the same period for 2021/22, illustrating the high levels of roundwood supply in New Zealand due to increased planting in the 1990s. New Zealand logs as a proportion of China's total softwood log imports have now risen to 69 percent in the year to date. For comparison, that proportion was 64 percent in 2023 and 57 percent in 2022. Despite weak total softwood log imports into China, New Zealand is getting products across, assisted by reduced exports from Germany into China.

Log export price declines for April and May and high port inventory in China mean export volumes should cool for the last quarter but still end the June year much higher than 2022/23. Average export prices in the first three quarters of 2023/24 were $155.90 per cubic metre, 11 percent lower than $175.00 per cubic metre in the same period last year. This is where log exporters are feeling the pain.

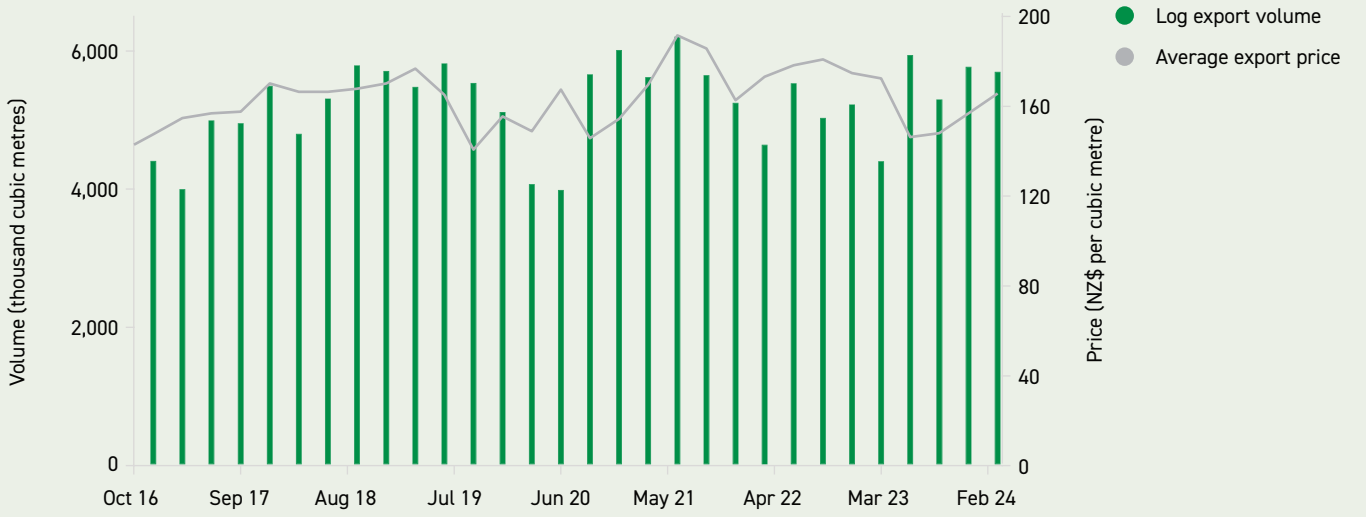
Overall, high log export volumes and favourable exchange rates are forecast to push log export revenue up 1 percent to $3.4 billion in the year to 30 June 2024 despite low prices driven by the slowdown in China's property market.

One notable development in China's wood processing industry has been the rise in production of oriented strand board (OSB). China's OSB production increased from around 1.4 million cubic metres in 2019 to 3.9 million cubic metres in 2022 with increases expected in 2023 and 2024 as well supporting demand for log inputs. It would take around 5.3 million cubic metres of logs to produce 3.9 million of OSB. Industry commentary has noted OSB mills in China are marketing their products as including imported pine because it is recognised as a premium input compared with OSB made with local logs. This is expected to support demand for New Zealand log exports along with developers completing unfinished housing projects and China's furniture exports.

From 2024 onwards, high log supply in New Zealand is expected to support log export volumes but keep log prices at relatively low levels as demand from China's construction sector is limited. A weak forecast exchange rate should also work to support export revenue, and there is upside to prices from their current low levels. However, China removed its ban on Australia's logs in 2023, and although export volumes from Australia to China are currently at low levels, they are increasing. This could provide a headwind to New Zealand log demand and may put more downward pressure on prices.

Figure 35: Log export volumes up significantly

Quarterly, export volume in thousand cubic metres and export price in NZ$ per cubic metre



Source: Stats NZ and MPI.

Negative supply shocks and weak US demand to drop sawn timber export revenue

Sawn timber export revenue is expected to decline 9 percent to $850 million in 2023/24. Export volumes to the US and Europe have declined, offset by increased volumes to Asia. This is expected to result in sawn timber export volumes of 1,340 thousand cubic metres in 2023/24, flat on last year.

High interest rates in the US and the Europe have slowed residential building starts and remodelling activity, reducing sawn timber demand. This has meant New Zealand exporters have had to compete harder to retain buyers, putting downward pressure on prices. At the same time, Cyclone Gabrielle's disruption to Pan Pac's sawn timber mill has reduced New Zealand's export supply. The net result is export volumes decreasing 35 percent to Europe and 15 percent to the US in the first three quarters of 2023/24 compared with the same time last year.

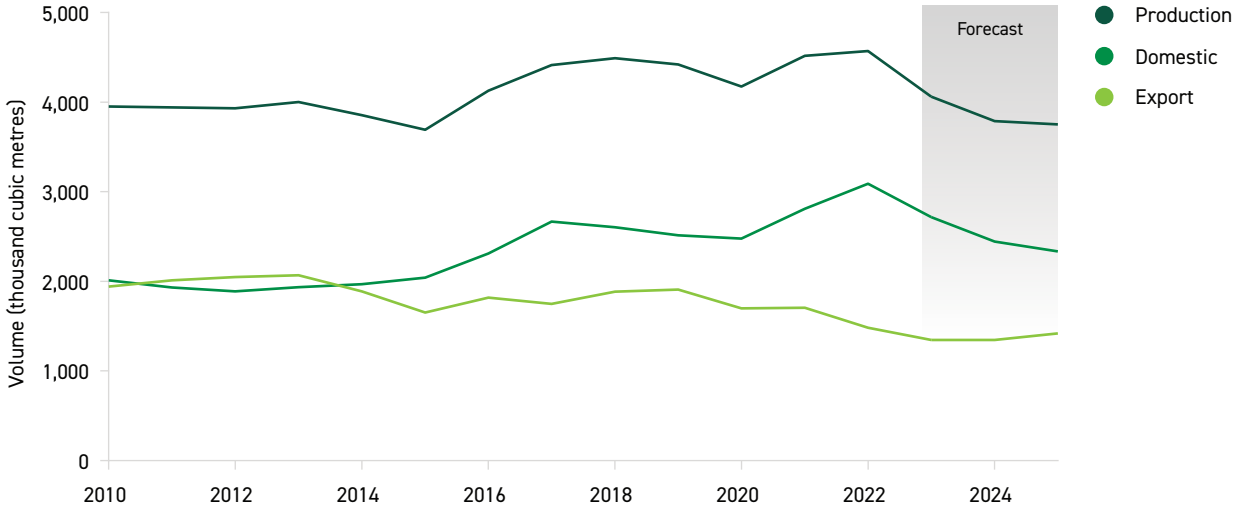
Average sawn timber export prices were down 11 percent in the first three quarters of 2023/24 compared with the same period in 2022/23. This reflects an increase in volume growth to Asia where more lower-value grades are sold, reducing average export prices. It also reflects weaker volume growth to the US where higher value appearance and structural grades are sold. Slightly weaker pricing within the US and Europe also contributed. More recently, benchmark sawn timber prices in the US have reduced on the back of weaker residential construction activity, which is expected to reduce sawn timber export prices in the near term. The US accounts for 33 percent of export revenue, Asia accounts for 33 percent, Australia accounts for 16 percent, and Europe accounts for 9 percent.

Around half of sawn timber exports go to Asia but Asia only accounts for around a third of New Zealand's export revenue. Most of the products sold to Asian customers include utility grade sawn timber, which is used in the furniture and packaging industries. The IMF is forecasting Asia to be the fastest-growing region in the world. As a lot of manufacturing supply chains are being relocated across Asia, this means export demand is expected to be strong over the forecast period. In the first three quarters of 2022/23, export volumes to Asia were up 9 percent.

As inflation eventually comes down with interest rates to follow in key markets, demand from Europe and the US should increase. Additionally, as Pan Pac increases production at its Hawke's Bay mill, export volumes will rise (Figure 36). Domestic inflation is also expected to eventually cool, which should provide some relief in the form of slower input price increases. A weak expected exchange rate should also support output prices. Sawn timber export revenue is expected to increase over the forecast period.

Figure 36: Domestic demand for sawn timber decreases

Year to 30 June, volume in thousand cubic metres



Source: Stats NZ and MPI.

Cyclone Gabrielle impacts continue to weigh on pulp export volumes but prices have risen

Pulp export revenue is expected to decrease 28 percent to $610 million in 2023/24. Lower export volumes are the main driver, which have been depressed since February 2023 after Cyclone Gabrielle damaged Pan Pac's sawn timber and pulp mill. As a result of the decreased pulp production, export volumes are expected to decline 16 percent to 660,000 tonnes in 2023/24, before increasing when Pan Pac's operations resume. Export volumes could increase around the end of this year or the beginning of next year as Pan Pac's production ramps up, but timing to return to full production remains uncertain.

New Zealand's two main pulp exports are bleached and unbleached chemical pulp and bleached chemical and mechanical combination pulp. Chemical pulp is worth more per tonne than chemical and mechanical combination pulp but is produced with a lower yield. Pan Pac produces chemical and mechanical combination pulp, which has meant average export pulp prices rose as their production declined.

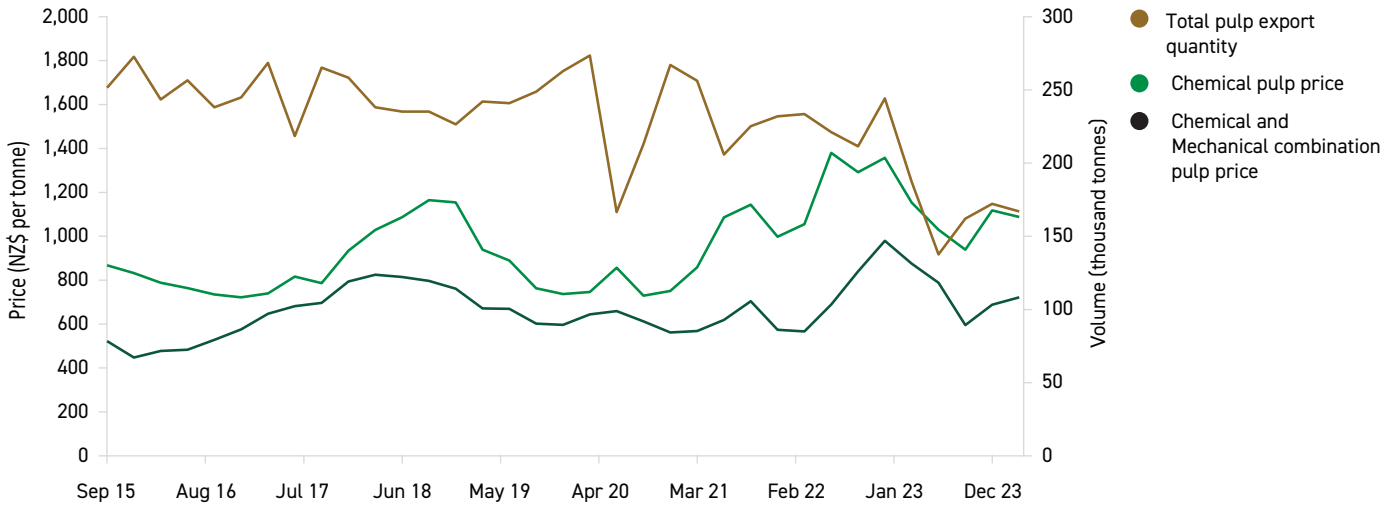
Export pulp prices bottomed out in August 2023 and have increased steadily since then (Figure 37). Large global inventories that were present in 2023 have been run down to more normal levels, supporting prices. Supply-side disruptions have also added to market tightness. Notable supply-side shocks include political strikes in Finland, which disrupted port and rail activity for four weeks, and a gas explosion at a mill in Finland, which has taken 1.3 million tonnes of global supply temporarily off the market.

On the demand side, China, which accounts for around 40 percent of New Zealand pulp export volumes (40 percent chemical and 60 percent chemical and mechanical combination), imported 7 percent more volume of chemical pulp and 24 percent more volume of chemical and mechanical combination pulp from all countries in the March quarter compared with last year. This strong level of demand is further supporting export pulp prices.

The short to medium-term outlook for export revenue is uncertain due to New Zealand supply constraints, but prices are expected to remain relatively strong. In the longer term, export volumes are expected to rise, which is expected to return export volumes back to pre-Cyclone Gabrielle levels over the forecast period.

Figure 37: Pulp volumes down, prices on the rise

Quarterly, export price in NZ$ per tonne and export volume in thousand tonnes



Source: Stats NZ and MPI.

Paper and paperboard export revenue down but volumes starting to recover

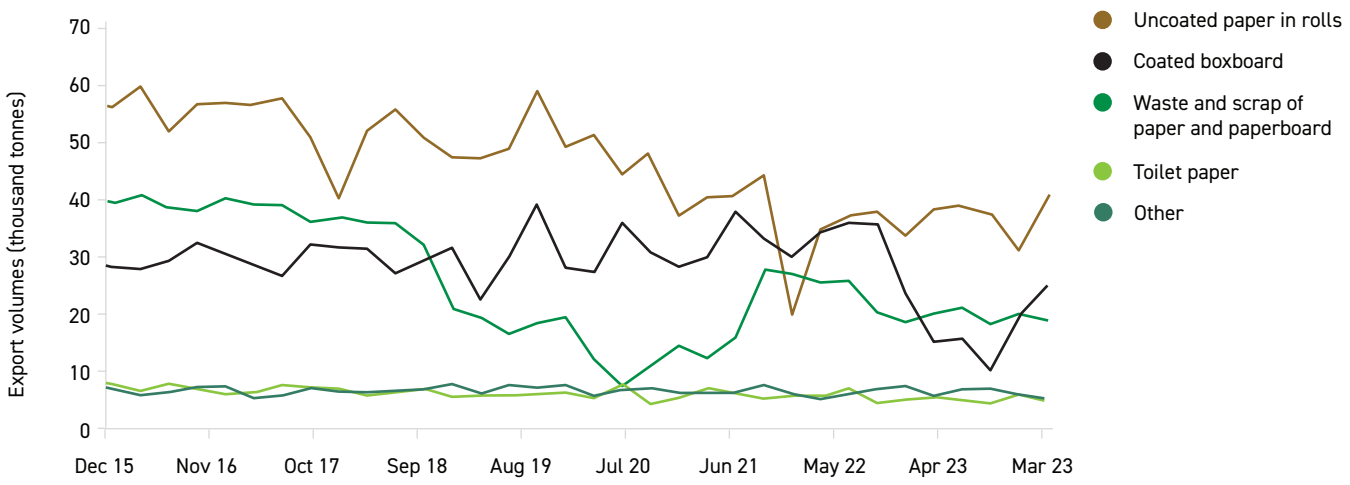
Paper and paperboard export revenue is expected to decrease 19 percent to $350 million in 2023/24. Supply–side disruptions and weak demand are the primary drivers. These factors have resulted in export volumes of paper and paperboard declining 8 percent from 271,000 tonnes to 249,000 tonnes in the first three quarters of 2023/24 compared with last year.

The drop in export volumes primarily came from a decrease in coated boxboard export volumes. In 2022, coated boxboard accounted for around 40 percent of paper and paperboard export revenue. In the March quarter of 2023, export volumes of coated boxboard declined to 14,700 tonnes, a 57 percent decrease from the same quarter the year prior. In the March quarter of 2024, export volumes have risen 68 percent year over year to reach 24,700 tonnes (Figure 38). This is still below previous levels but a large improvement. Reasons for the decrease in volumes include weak demand and an expansion project at Whakatāne Mill that disrupted operations. Demand has now picked up driven by exports to Australia.

The other key product category within the paper and paperboard category is uncoated paper in rolls. This category accounted for around 30 percent of paper and paperboard export revenue in 2022. In the March quarter of 2024, export volumes of uncoated paper in rolls shot up to their highest level since the September quarter of 2020. This likely reflects the installation of a new paper machine at Whakatāne Mill. Looking ahead, increasing export volumes of paper in rolls and coated boxboard are expected to raise export revenue.

Figure 38: Coated boxboard and paper roll export volumes increasing after drop

Quarterly, export volume in thousand tonnes by product



Source: Stats NZ and MPI.

Panels down on production line closure

Panel export revenue is expected to decrease 20 percent to $370 million in 2023/24. The closure of an MDF production line in Christchurch at the end of 2022 has driven falls in production and export volumes (Figure 39). 2022/23 is the first year when the production line has been offline for a full year, lowering export volumes to a new baseline. Lower export prices are also contributing to the expected export revenue decrease.

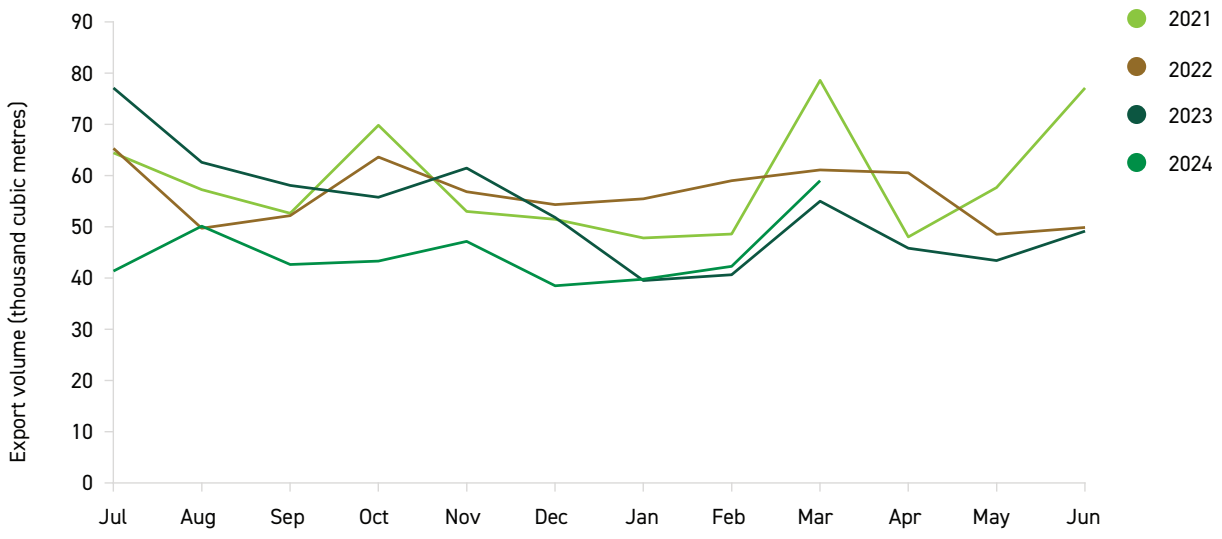
Panel export volumes are largely steady on last year after the production line closure. Increased export volumes of MDF were offset by declines in veneer sheets and particle board in the March quarter of 2024 compared with the same quarter the year prior. The increase in MDF export volumes occurred across all thickness levels indicating MDF demand is solid. MDF export volumes account for around 78 percent of panel volumes.

MDF prices have been on a slow decline since the beginning of 2023, albeit from a recent peak where average MDF prices increased 47 percent to $675 from the December quarter of 2020 to the December quarter of 2022. Prices have come down 11 percent since then to $603 in the March quarter of 2024.

Around 55 percent of MDF export volumes are sent to Japan, and while MDF prices in USD terms have not moved around as much, a weak NZD and JPY against the USD has meant prices have risen in JPY and NZD terms. The JPY is continuing to depreciate against the USD, but MDF prices have eased, indicating Japanese importers have lost too much purchasing power to handle the price increases. Looking ahead, MDF prices are expected to flatten while demand remains steady.

Figure 39: Panel export volumes at lower levels

Monthly, year to 30 June, thousand cubic metres



Source: Stats NZ and MPI.

Horticulture

- Horticulture export revenue is forecast to increase 1 percent to $7.1 billion in the year to 30 June 2024.
- Climatic conditions in 2023/24 were favourable for most crops with increased production of kiwifruit, apples, cherries, and vegetables following the impacts of the previous wet summers and cyclone damage. This was countered by weak demand for wine due to high global inventories and a poor season for avocados.
- Harvests have been assisted by a good supply of seasonal labour with both Recognised Seasonal Employer scheme workers and backpackers available, meaning picking and packing have been able to run at levels required to handle the increased crops.
- While fertiliser and fuel input costs declined over the 2023 calendar year, the farm expenses price index reports that horticulture farms are seeing increased costs across all other areas. The highest of these were interest rates and insurance premiums with overall costs rising 4 percent.

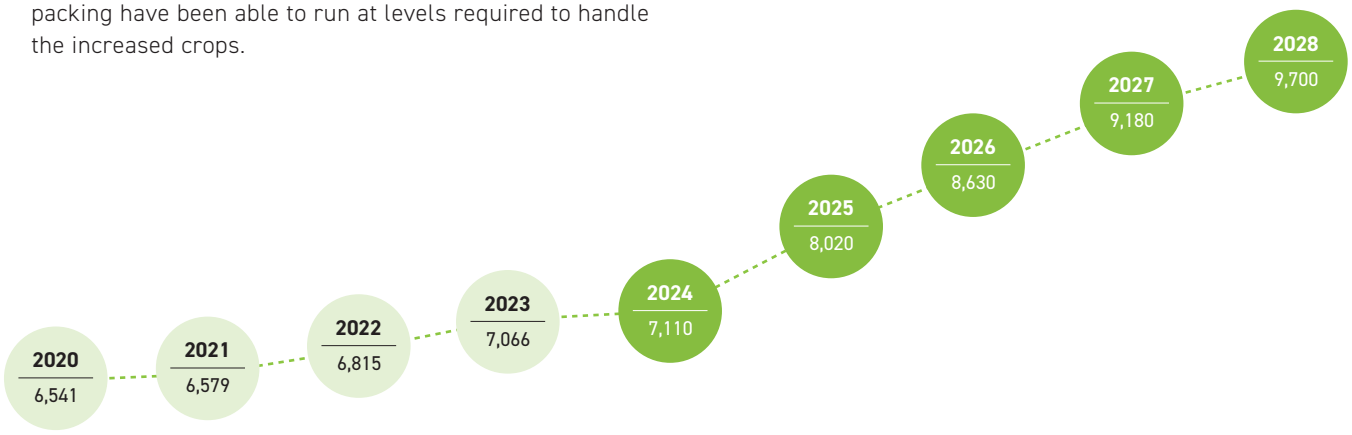


Table 12: Horticulture export revenue 2020–28

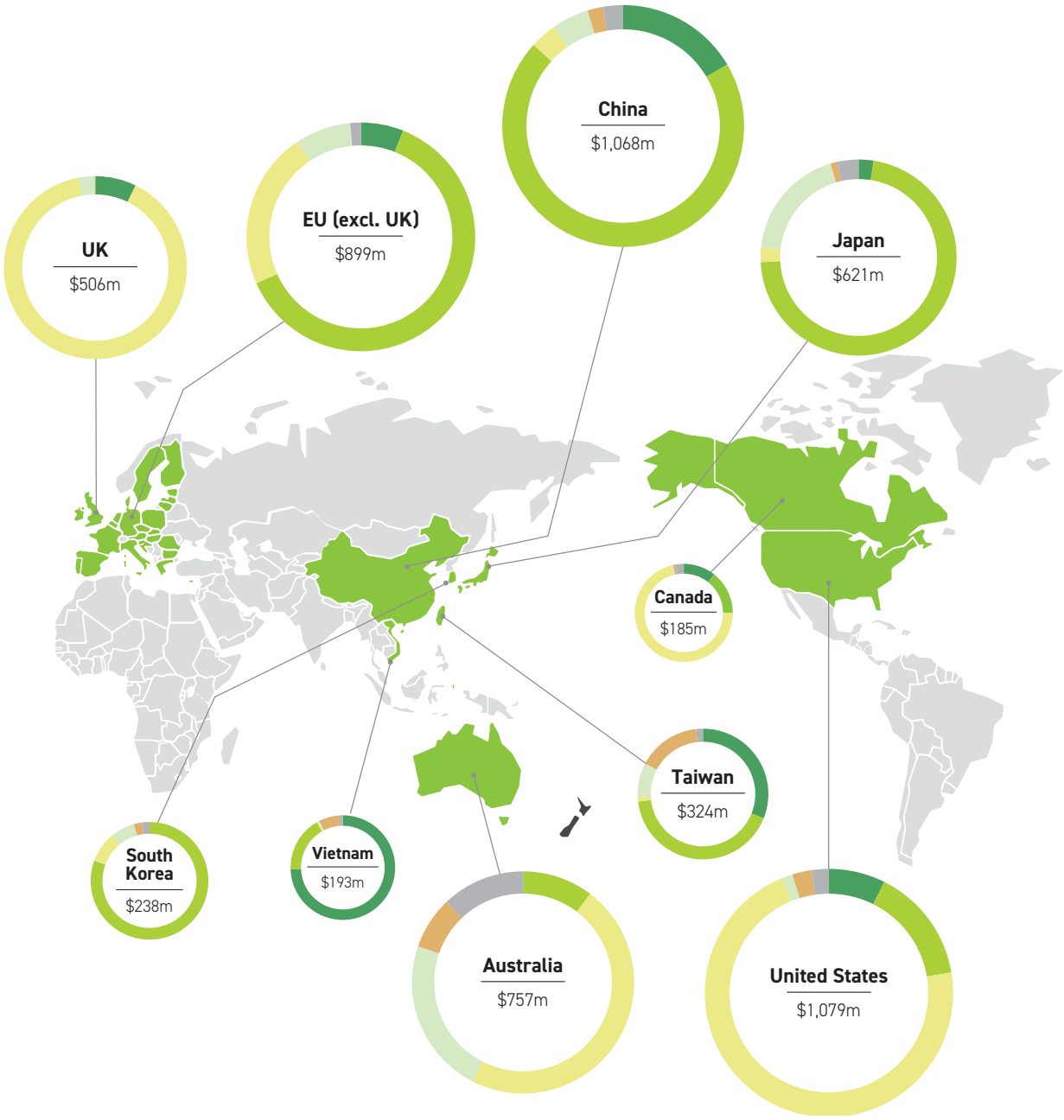
Year to 30 June, NZ$ million

	Actual				Forecast				
Product	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Kiwifruit	2,546	2,684	2,898	2,544	2,860	3,360	3,610	3,900	4,160
Wine	1,906	1,855	1,935	2,392	2,090	2,350	2,500	2,620	2,720
Apples and pears	883	823	865	892	970	1,040	1,100	1,170	1,280
Fresh* and processed** vegetables	701	629	622	737	730	770	860	900	910
Other horticulture***	505	588	494	501	470	510	570	590	630
Total export revenue	**6,541**	**6,579**	**6,815**	**7,066**	**7,110**	**8,020**	**8,630**	**9,180**	**9,700**
Year-on-year % change	**7%**	**1%**	**4%**	**4%**	**1%**	**13%**	**8%**	**6%**	**6%**

* Includes onions, squash, capsicum, potatoes, and other fresh vegetables.
** Includes frozen vegetables (including frozen potatoes, peas, sweetcorn, etc.), dried vegetables, dry legumes, prepared and/or preserved vegetables, and vegetable juices.
*** Includes other fresh fruits (including avocados, cherries, blueberries, etc.), frozen and processed fruits, fruit juices, nuts, and ornamentals.
Totals may not add up due to rounding.
Percentages are rounded to the nearest whole percent.
Source: Stats NZ and MPI.

Top 10 horticulture export destinations

Year to 31 March 2024, NZ$ million



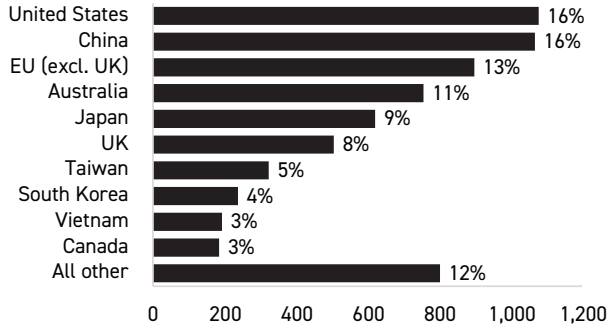
Product	Export revenue (NZ$ million)	% of total
Kiwifruit	2,549	38%
Wine	2,063	31%
Apples and pears	908	14%
Fresh and processed vegetables	711	11%
Other fruits	216	3%
Other horticulture products	225	3%
Total	**6,673**	**100%**

Totals may not add up due to rounding.
Source: Stats NZ.

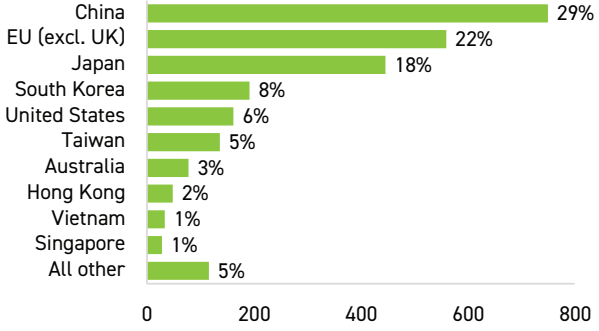
Top horticulture export markets

Year to 31 March 2024, NZ$ million and percent

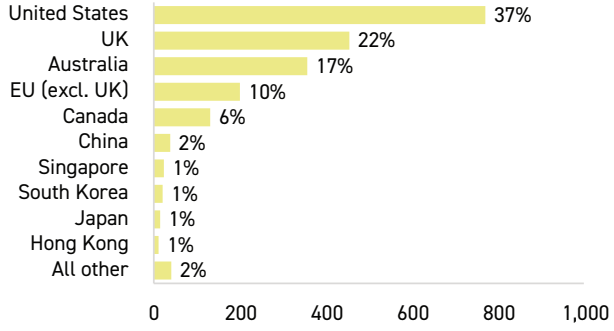
Total horticulture products



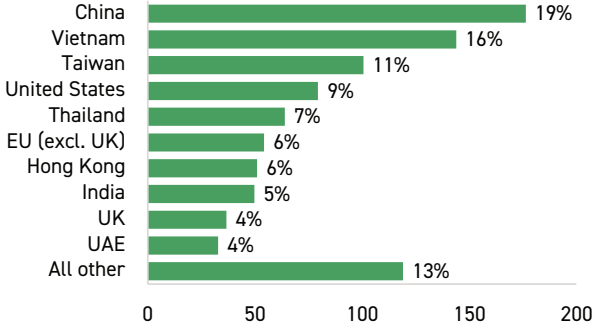
Kiwifruit



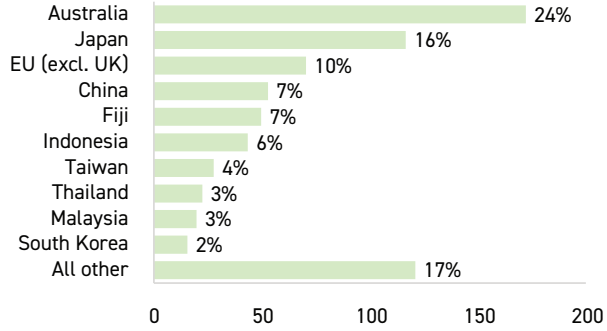
Wine



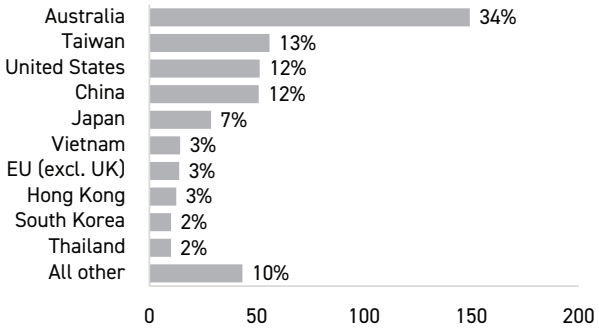
Apples and pears



Fresh and processed vegetables



Other horticulture products*



*Includes other fresh fruits (including avocados, cherries, blueberries, etc.), frozen and processed fruits, fruit juices, nuts, and ornamentals.

Source: Stats NZ.

Apples and pears

A year on from Cyclone Gabrielle, the recovery of affected orchards in the Hawke's Bay and Gisborne Tairāwhiti regions has been better than expected. Timely and intensive clean-up work and targeted tree husbandry undertaken by growers, along with more favourable climatic conditions from the El Niño climate pattern, have helped lift planted areas and production above the December 2023 SOPI forecast.

The apple and pear export volume for the 2024 national crop is expected to be 10–15 percent higher than the 2023 crop and between the export volumes for 2021 and 2022.

Growers continue to rationalise their plantings to mitigate increased production and post-harvest costs and static market returns. Those with available capital are replanting and/or investing in new robot-ready plantings of IP protected varieties.

Recovery of apple and pear orchards following Cyclone Gabrielle is better than expected

Around 50 percent of the planted area in the Hawke's Bay and Gisborne Tairāwhiti regions (70 percent of New Zealand's planted area) was directly affected by floodwaters, silt, debris, wind, and surface flooding from Cyclone Gabrielle. Significant silt removal and orchard remediation work undertaken by growers confined known orchard losses to around 10 percent of the total planted area in these regions pre-cyclone, much less than the worst-case scenario of up to 25 percent loss. The net reduction in the New Zealand planted area between 2023 and 2024 is around 3 percent overall.

Growers are investing in restoring tree health, including via nutrient management, crop protection, and reducing crop loads. It may take a few years to fully restore affected orchards with the risk that further trees may eventually be lost, or removed if production levels do not adequately recover.

Remediation of the lost orchard areas will take time with annual crops and grazing being used to build up soil fertility. Growers will take land zoning and the timeline for enhancing existing flood protection systems into account when making decisions to reinstate capital-intensive land uses such as orchards. A few flood-affected orchard blocks were replanted over winter/spring 2023 where trees of the desired variety and rootstock combination were available.

Climatic conditions for pollination and fruit set for the 2024 crop were mostly favourable, resulting in good fruit set. El Niño conditions prevailed during summer and autumn, delivering warm, dry, and settled weather for fruit ripening and harvest. Fruit quality across all varieties is reported as good to excellent, including fruit firmness, colour, and taste. Average fruit size for some apple varieties is smaller than usual, particularly in the Hawke's Bay and Gisborne Tairāwhiti regions. This is attributed to periods of cool, wet, and dull weather post-pollination in late spring (the period of cell division) and some compromised tree root systems from two consecutive years of wet soils.

Despite the drop in planted area post-cyclone, production of the 2024 apple and pear crop is forecast at 530,000 tonnes, up 9 percent on the 2023 crop. This increase has been helped by recent pre-cyclone high-density plantings ramping up production, which includes the Dazzle™, Envy™, and Rockit™ apple varieties.

Orchards pivoting further towards higher-paying varieties and increased productivity

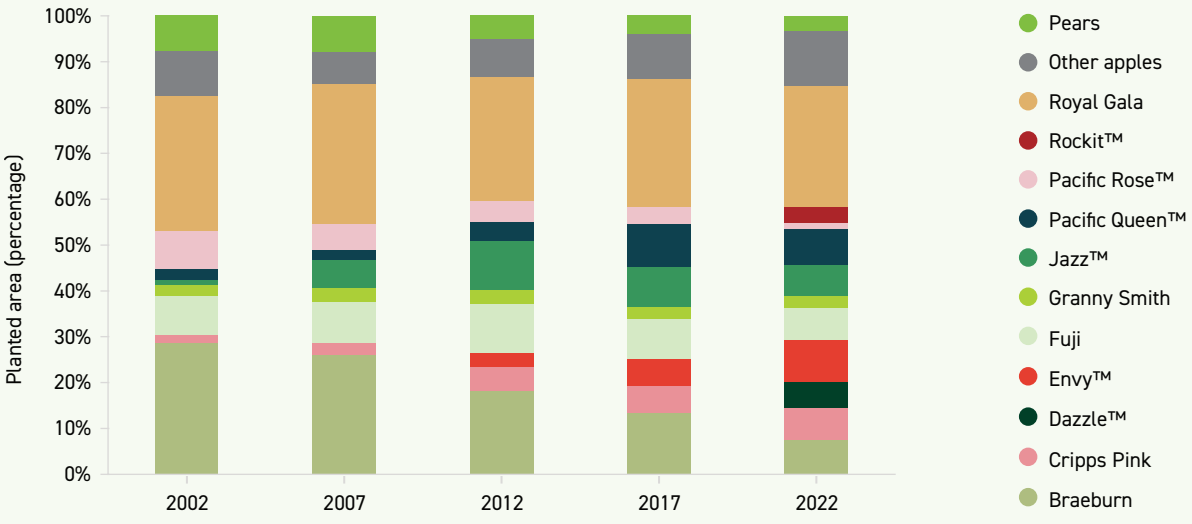
The transition to higher-returning IP protected varieties and varieties with a broader market appeal has sped up in recent years and is ongoing (Figure 40). New orchard developments and replantings are in intensive narrow-growing structures, which enable the use of autonomous vehicles, mobile platforms to assist with harvesting and, in time, robotic harvesters. These growing structures are also targeting improved light capture and fruit quality and hence higher yields and grade-outs. New plantings are being undertaken by established orchard businesses and by some new entrants from the cropping farming sector. Industry reports indicate that at least 20 percent of the New Zealand apple and pear planted area is in robot-ready growing systems.

An export volume between 342,000 and 360,000 tonnes is estimated for the 2024 crop, up by 13 percent on the 2023 export crop. There may be some downside to this forecast depending on the final fruit size profile of the main apple varieties.

Annual export volumes are expected to increase gradually over the forecast period in line with increasing production. Export revenue is forecast to top $1 billion for the 2025 crop, subject to average to good climatic conditions in the main growing regions.

Figure 40: Market demand and profitability have driven the diversification of New Zealand's apple and pear variety mix

As of 1 January, share of planted area



Source: New Zealand Apples and Pears Inc. and MPI.

Fruit quality will help maintain prices

Demand for New Zealand fruit in the early phase of the 2024 selling season from the main markets in Asia and the Middle East has been reported as steady. There is potential for increased demand from Germany, the largest European market for New Zealand apple exports, due to reduced domestic production in its 2023 harvest.

New Zealand growers and exporters are confident that the high quality of the 2024 crop will help with repeat sales and minimise losses in storage.

Export prices are expected to increase over the forecast period, influenced by an increasing proportion of higher-paying varieties in the export mix and moderate increases in export volumes.

Table 13: Apple and pear planted area, volumes, prices, and revenue 2020–28

Year to 31 December

	Actual				Forecast				
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Planted area (hectares)*	10,838	11,175	11,250	11,400	11,100	11,100	11,100	11,200	11,400
Total production (tonnes)	590,000	525,000	515,000	485,000	530,000	550,000	565,000	590,000	625,000
Export volume (tonnes)	402,809	357,897	343,167	310,674	351,000	373,500	387,000	405,000	432,000
Export volume (million cartons)**	22.38	19.88	19.06	17.26	19.50	20.75	21.50	22.50	24.00
Export price (NZ$/carton)	40.77	42.30	47.27	50.64	50.00	51.00	52.00	53.00	55.00
Total export revenue (NZ$ million)	**912**	**841**	**901**	**874**	**975**	**1,058**	**1,118**	**1,193**	**1,320**

* Planted area includes producing and newly planted non-producing orchards. The planted area for 2023 is the area prior to Cyclone Gabrielle. Impacts of the cyclone on the planted area are taken into account from 2024 onwards.

** A carton is equivalent to 18 kilograms.

Source: Stats NZ, New Zealand Apples and Pears Inc., and MPI.

Kiwifruit

Table 14: Kiwifruit production area, prices, volumes, and revenue 2020–28

Year to 31 March

	Actual					Forecast			
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Export volume (million trays)									
Green kiwifruit	73	72	81	63	44	60	60	60	60
Gold kiwifruit	77	87	95	99	98	120	130	135	145
Total export volume	**151**	**159**	**177**	**162**	**142**	**180**	**185**	**195**	**205**
Export price (NZ$/tray*)									
Green kiwifruit	11.95	12.33	11.39	11.22	12.93	12.50	13.50	14.00	14.50
Gold kiwifruit	19.19	20.34	18.90	19.34	20.18	20.50	20.50	21.00	21.50
Total export price	**15.67**	**16.70**	**15.44**	**16.19**	**17.94**	**18.00**	**18.50**	**19.00**	**19.50**
Export revenue (NZ$ million)									
Green kiwifruit	876	890	927	708	568	770	785	815	830
Gold kiwifruit	1486	1763	1802	1920	1980	2,460	2,635	2,880	3,140
Total export revenue	**2363**	**2653**	**2730**	**2627**	**2548**	**3,225**	**3,420**	**3,695**	**3,970**
Total production (million trays)	**163**	**187**	**214**	**201**	**152**	**215**	**220**	**230**	**240**
Total producing area (000 hectares)	**13**	**13**	**14**	**14**	**15**	**15**	**15**	**15**	**15**

* A tray is equivalent to 3.6 kilograms.
Totals may not add up due to rounding.
Source: Stats NZ and MPI.

Kiwifruit export revenue to recover this season

Kiwifruit export revenue is forecast to increase 28 percent in the 2024/25 season (year to 31 March) to $3.3 billion following declines of 3 percent and 4 percent in the previous two seasons. Good weather this season has seen a large quantity of good-quality fruit, which contrasts with poor growing conditions in the 2022/23 season and the quality issues affecting revenue in 2022/23. Good levels of demand in recent years and the counter-seasonal timing of New Zealand's southern hemisphere export season should see this increased volume of fruit absorbed by the main markets of the EU, China, and Japan as well as growing markets in the Asia Pacific region.

Production volume set to recover to record levels

This season's forecast is for a 38 percent increase in green and 24 percent increase in gold harvests, putting production at a record of around 180 million trays (Figure 41). The drier El Niño weather this summer has likely contributed to good growing and harvest conditions.

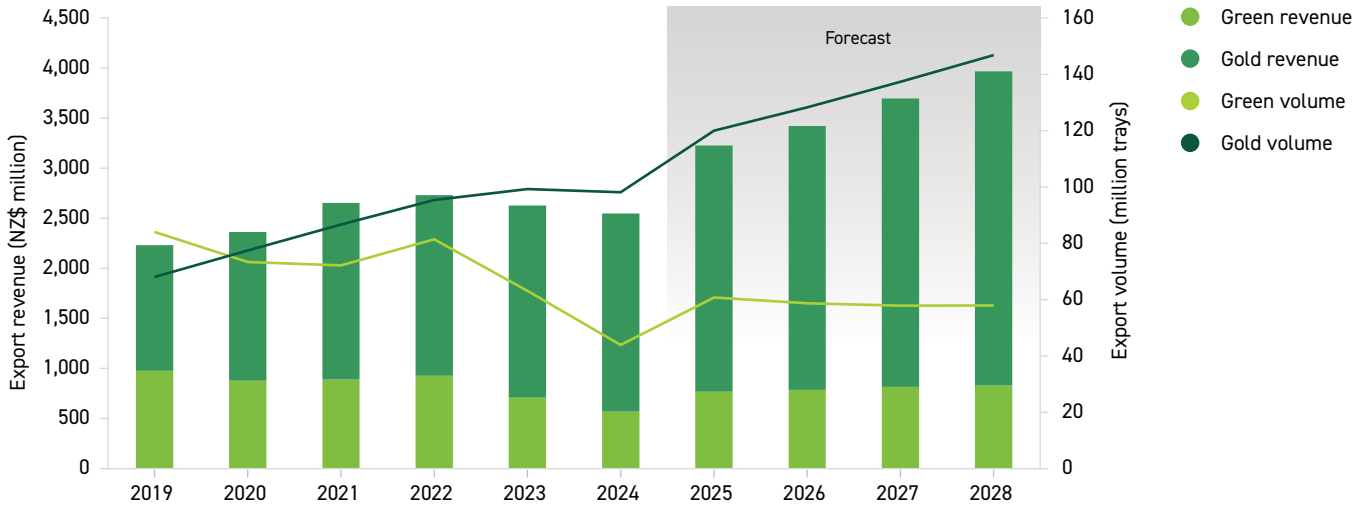
Last season (2023/24) saw the lowest yields in recent years (green was the lowest since 2006/07 and gold the lowest since 2017/18). This was caused by poor climatic conditions especially during the critical pollination period in spring. These issues affected the bottom line for post-harvest operators as well as growers. Significant investment has been made in recent years into infrastructure to process increasing volumes of fruit. With unpredictable volumes reducing the efficiency of operations as well as the reduced revenue from lower volumes, return on investment for these businesses will be reduced.

On the other hand, record crop volumes anticipated for the current season will test capacity for picking and handling of fruit with industry expecting that supply chain issues have been resolved after problems in the 2022/23 season.

Increased production is expected over the forecast period with increasing planted area, developing management practices, and technology all supporting growth. Changing climate will present challenges to growers with modelling showing the potential for winter temperatures in some areas to rise and increasing pest, disease, and weather risks.

Figure 41: Kiwifruit export revenue forecast to grow over the outlook period

Year to 31 March, revenue in NZ$ million and volume in million trays



Tray = 3.6 k.g

Source: Stats NZ and MPI.

Orchard gate returns continue to improve

Per-hectare orchard gate returns (OGRs) in the 2023/24 season for green and gold are forecast to be 13 percent and 4 percent higher respectively than the previous season. Fruit quality issues in the 2022/23 season saw per-hectare OGRs sink to the lowest level since 2017/18. While yields have been lower over the 2023/24 season, good prices have supported record per-tray OGRs.

Zespri's early guidance for the 2024/25 season based on early prices and a record crop volume indicate further recovery on per-hectare OGRs, particularly for green, though downward revisions of crop volumes as the season progresses would likely lower these numbers. In February, mid-point indications for per-hectare OGRs were up 28 percent and 8 percent for green and gold respectively, despite per-tray guidance falling 18 percent and 15 percent respectively from the previous record highs. This would put green OGR at a record high of $83,000 per hectare, but gold OGR at $155,500 is still well short of the levels seen in 2020/21 and 2021/22 that were mid $170,000s.

Early sales of gold show that prices in March 2024 are ahead of the same period last year, indicating good levels of demand.

FTA expected to help exports to Europe

Demand in the EU, New Zealand's largest market for green kiwifruit and second-largest market for gold, should be helped by the early signing of the NZ-EU FTA. The EU has taken on average a quarter of New Zealand exported kiwifruit over the last five years. Since 1 May 2024, exports no longer pay the 8.8 percent tariff previously in place, which will provide the opportunity for kiwifruit to be priced more competitively in market.

EU sales were delayed following the discovery of mice in the first shipment of fruit. However, subsequent shipments have been unaffected.

Increasing red production this season

Red production is expected to exceed 1 million trays this season, with an OGR guidance in the range of $50,000 to $56,000 per hectare. For the 2023/24 season, just 159 hectares were producing with a further 150 hectares of licence sold that year, and while per-tray OGR was higher than other varieties (forecast at $26.54), lower yields have affected the per-hectare return. With just two years since commercialisation, fruit size, yields, and storage potential for this variety are still being established, and further licence release has been paused this year. Market demand for RubyRed™ kiwifruit has been positive so far.

Licence releases continue for Gold3

Zespri released a total of 257 hectares of new Gold3 licence in May 2024, 153 hectares of which are restricted to green cutover orchards. This is a reduction from the 350 hectares released in 2023.

A reduced licence release controls the rate of expansion for this variety, allowing time for harvest and supply chain capacity to absorb future increases.

Increasing share of exports to China and other countries

Zespri forecasts a 28 percent rise in Asia Pacific market absorption this 2024/25 season, exceeding 55 million trays, driven by strong starts in Japan and Korea. The RubyRed™ variety had a strong debut in Korea and Malaysia, signalling significant market potential. The share of exports going to China reached a record 29 percent of export revenue in the 2023/24 season while the decreased green crop saw the shares to the EU and Japan drop to their lowest levels at 22 percent and 18 percent of export revenue respectively. Minor markets made up the largest share of exports since 2015 at 31 percent of export revenue. The fastest growth has been seen in South Korea, the US, Australia and Hong Kong.

Wine

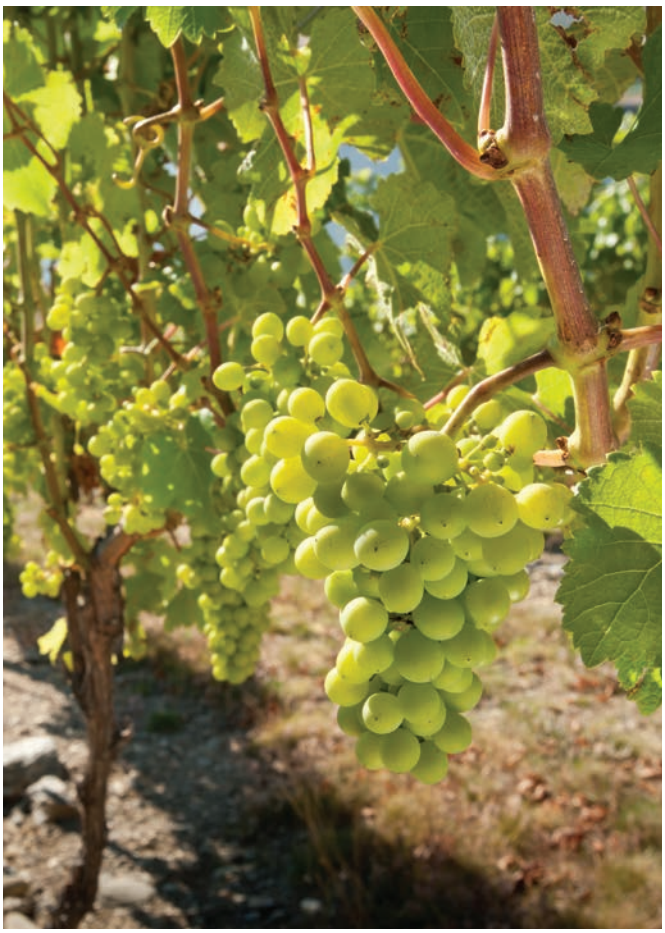
Wine export revenue is forecast to decrease 13 percent to $2.1 billion in the year to 30 June 2024. High inventories held by retailers are being destocked, resulting in weak demand and high levels of stock being held in New Zealand. A smaller vintage in 2024 will help the wine industry rebalance, but this also brings some challenges with cash flow in the short term. Wine export revenue is forecast to recover in the year to 30 June 2025, with export revenues forecast to increase 13 percent from the current season to reach $2.3 billion.

Yields for the 2024 vintage are down across New Zealand

Wine grape production is expected to reach 397,000 tonnes for the 2024 vintage. This is down 21 percent from last year's harvest, which marks two seasons in which production has fallen from the record 2022 season where grape production was 532,000 tonnes (Figure 42).

This year's lower yields are the result of cool flowering weather and frosts. In Marlborough, those conditions led to a reduction in bunches, smaller bunch sizes, and berry size variability. As a result, Marlborough's vintage quantity is expected to drop by around 20 percent compared with last season's vintage.

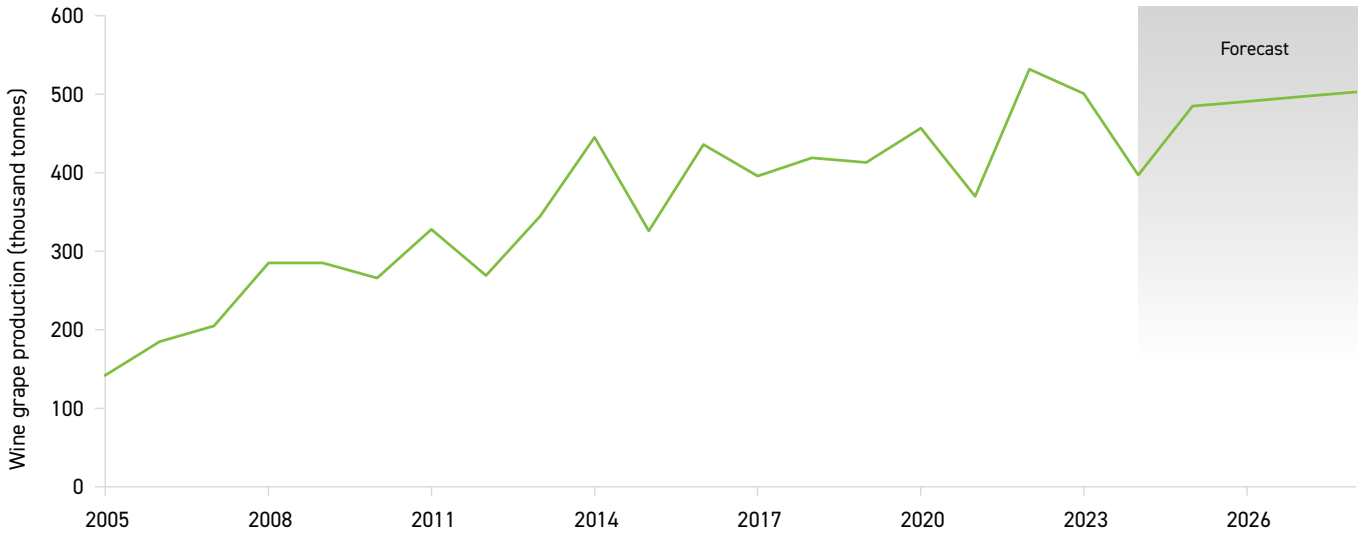
Despite lower quantities, the quality of the 2024 vintage is very good, which reflects the high standards set by New Zealand's growers and wineries. This is important as New Zealand's reputation for producing high-quality wine continues to be a key driver behind the higher prices New Zealand wine receives compared with global averages.



Profitability has been a challenge for the industry this year. Reduced sales are negatively impacting wineries' cash flow while grape growers have had to deal with reduced income due to lower yields for the 2024 vintage. All parts of the industry are facing increased operating costs, further constraining profitability.

Figure 42: Wine grape production to fall for the second consecutive season

Year to 31 December, volume, thousand tonnes



Source: New Zealand Winegrowers and MPI.

Supply chain destocking constrains export performance for the current season

The downturn in export revenue forecast for the year to 30 June 2024 is not a reflection of low consumer demand for New Zealand wine but of supply chain destocking by retailers. During COVID-19, supply chain uncertainty meant retailers would overstock using a 'just in case' method of inventory management. Post-COVID-19, retailers are reverting to 'just in time' inventory management systems, which has meant they need to destock. The smaller vintage for this current season will help reduce the pressure of higher stock levels within the sector.

The weak demand due to destocking by retailers resulted in lower export volumes to key markets such as the US, the UK, and Australia. The US, which represented 37 percent of New Zealand wine export revenue in the year to 31 March 2024, saw a decrease in export revenue of 10 percent to $771 million compared with the $861 million earned in the prior season. Despite the fall in wine exports to the US, sales of New Zealand wine within the US continued to grow. The UK, which represented 22 percent of New Zealand wine export revenue in the year to 31 March 2024, also had reduced export revenue from the previous season but growth of New Zealand wine sales within the UK. This reflects strong consumer demand for New Zealand wine, especially when global wine sales have decreased because of the cost-of-living crisis.

The strong consumer demand for New Zealand wine within markets is forecast to support growth in export revenue for the year to 30 June 2025. Once retailers' inventories return to pre-COVID-19 levels, export demand is expected to pick up. Beyond 2025, demand for Sauvignon Blanc, which represents close to 90 percent of New Zealand's wine export volume, is expected to remain strong as consumer preferences continue to shift from red wine to white wine. The NZ-EU FTA will also support New Zealand wine as the agreement is estimated to save the industry $5.5 million in annual tariff savings.

Table 15: Grape harvested area, wine prices, volumes, and revenue 2020–28

Year to 30 June

	Actual				Forecast				
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Area harvested (hectares)	39,934	40,949	41,304	41,860	42,050	42,600	43,100	43,600	44,100
Grape production (thousand tonnes)	457	370	532	501	397	486	491	497	503
Wine production (million litres)	337	273	394	371	295	360	365	370	375
Export volume (million litres)	285	283	264	315	272	295	310	320	328
Export price (NZ$/litre)	6.69	6.55	7.32	7.60	7.65	7.95	8.05	8.20	8.30
Export revenue (NZ$ million)	**1,906**	**1,855**	**1,935**	**2,392**	**2,090**	**2,350**	**2,490**	**2,620**	**2,720**

Source: MPI, New Zealand Winegrowers, and Stats NZ.

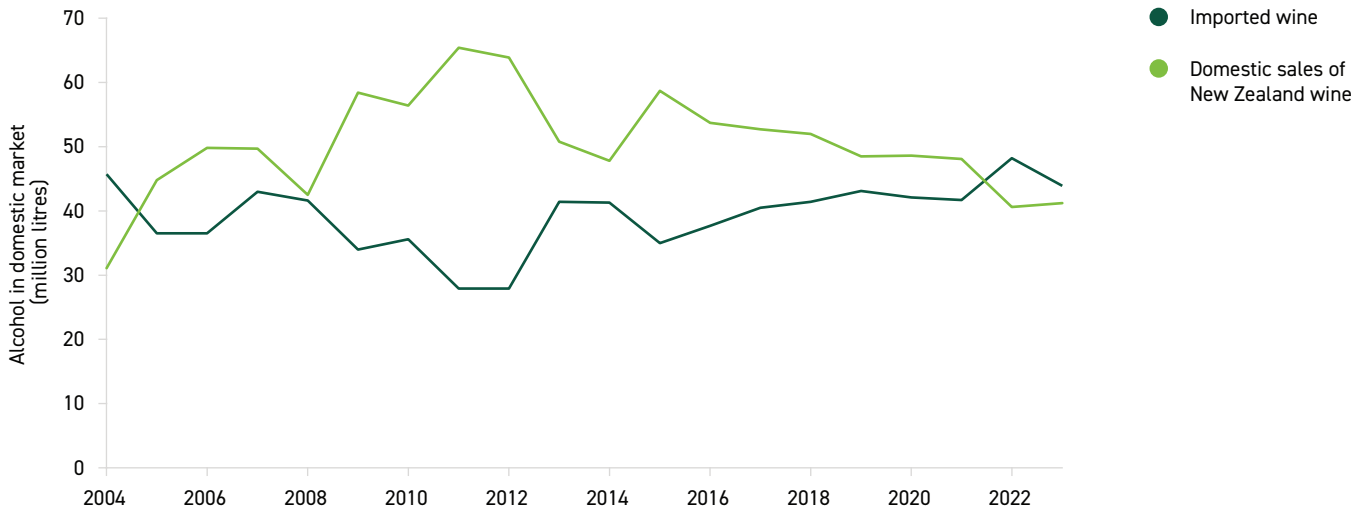
Domestic consumption continues to decrease

In New Zealand, domestic consumption of wine is forecast to decrease 6 percent in the year to 30 June 2024 to 80.4 million litres. This marks the sixth straight year domestic consumption has decreased. It peaked in 2018 at 93.8 million litres and has declined despite a growing population. This is due to consumers deciding to drink with more moderation, an increase in the popularity of ready-to-drink spirits, and constrained disposable income due to the cost-of-living crisis.

In recent years, imported wine has surpassed New Zealand wine in the domestic market (Figure 43). In the year to 30 June 2022, imported wine made up 54 percent of the domestic wine market, which was the first time the domestic market was mostly made up of imported wine since the year to 30 June 2004. This continued again in the year to 30 June 2023 where imported wine made up 52 percent of the domestic market. Most wine imports are from Australia with 73 percent coming from there in the year to 30 June 2023. This trend is concerning as the domestic market is the New Zealand's wine industry's fourth-largest market by volume and the growing regions outside of Marlborough predominantly sell to the domestic market instead of exporting.

Figure 43: Imported wine overtakes New Zealand wine in domestic market

Year to 30 June, volume, million litres



Source: Stats NZ and MPI.

Other horticulture

Avocados

2023/24 proves to be a difficult avocado season

Avocado export revenue fell to $37 million in the year to 31 March 2024, down 52 percent compared with the previous season. This marks the lowest export revenue the industry has generated in over a decade. The 2023/24 season was made particularly difficult for the New Zealand avocado industry as if dealt with lasting repercussions of the previous two seasons' La Niña weather, which caused issues for both fruit quality and quantity. The industry also faced reduced export demand from Australia due to its domestic avocado market continuing to grow.

The La Niña weather pattern over the past two seasons created significant difficulty for growers as they dealt with rainfall above historical averages and multiple cyclones. One of the more challenging repercussions of this weather was wind damage to fruit, which caused a higher portion of avocados being downgraded from export class 1 to class 2, class 3, or process grade. This meant orchard gate returns were down, creating further profitability challenges as growers also dealt with rising operating costs and interest rates.

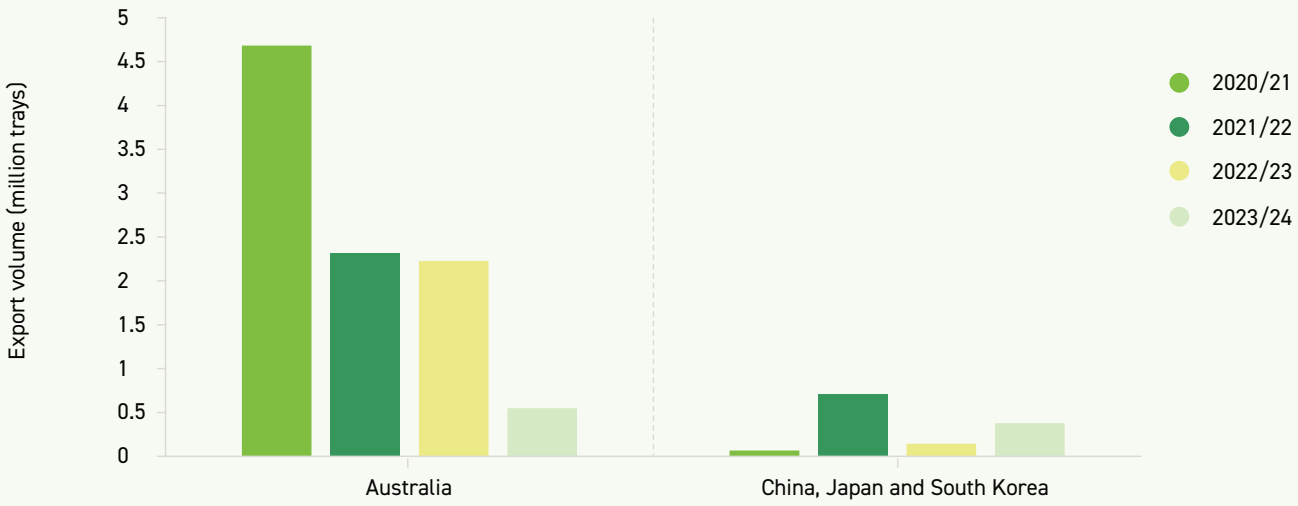
Avocado export volume to Australia continues to fall, decreasing 75 percent to 0.55 million trays in the year to 31 March 2024. This is due largely to increasing domestic production in Australia, which has historically been the primary destination for New Zealand avocados. As Australia's domestic avocado production has increased in recent years, imports of New Zealand avocados have declined. This will likely continue to be a challenge for the industry.

Despite challenges with quality and quantity this season, there was still an increase in export volume to the key Asian markets of China, Japan, and South Korea of 161 percent to 0.38 million trays in the year to 31 March 2024 (Figure 44). This shows promise that these markets could take on even higher volumes during a season with more favourable conditions for growers. Another success for New Zealand avocados this past season was exporting to Canada for the first time, where the returns were competitive with Asia.

Looking forward to next season, expected improvements in both weather and global market conditions should drive a more profitable season for avocado growers and exporters. Favourable conditions in the most recent pollination period should help revert crop quality and quantity to a normal level, which is expected to lead to stronger orchard gate returns. Freight costs and shipping times beginning to return to pre-COVID-19 levels will also help orchard gate returns as well as improving trade dynamics to the developing Asian markets. With these factors considered, New Zealand's avocado industry is set to bounce back from what has been one of its more challenging seasons.

Figure 44: Volume of New Zealand avocado exports to Australia falls again in 2024

Year to 31 March, export volume, million trays



Tray = 5.5 kg.
Source: Stats NZ and MPI.

Cherries

A record season for cherries

New Zealand cherries experienced an impressive export season, achieving a record export revenue of $92 million for the year to 31 March 2024, up 10 percent from the previous season. For most growers around New Zealand, especially those in Central Otago, this season has been a success in part because of favourable weather and sufficient airfreight availability.

Despite high winds during September and October in Central Otago that caused some wind-rub on crops, damage to netting systems, and disrupted pollination, weather conditions have been largely favourable. This season's crop was of high quality, reaching a good fruit size and a desirable taste. In addition, volumes of cherries were up around all New Zealand's growing regions except for Hawke's Bay. The growers in the Hawke's Bay region continue to deal with the lasting impact of Cyclone Gabrielle as their yields have been hindered due to tree losses and tree health issues.

The labour supply for the past season has been a boon for the industry with employers not having any difficultly recruiting their seasonal workforce. The industry has benefited from the return of international working holiday visa holders, particularly in Central Otago where local tourist attractions draw in backpackers. New Zealand cherry growers are also fortunate that the harvest period aligns with when university students are looking for work during their summer break, which further supplements the industry's labour force.

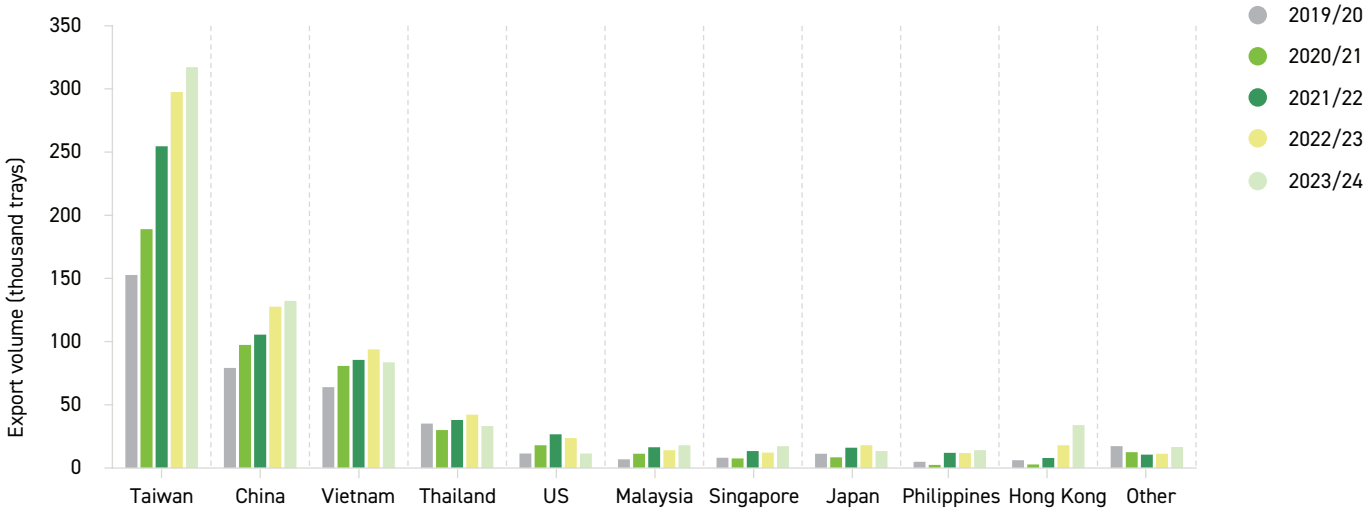
Cherry export volumes continue to be driven by markets that celebrate the Chinese New Year such as China, Hong Kong, Taiwan, and Vietnam. Export quantities to these markets aside from Vietnam have continued to grow in this past season, supported by additional airline routes from Christchurch to China and Hong Kong providing the industry with sufficient airfreight availability during the export season (Figure 45).

Although cherry industry revenue continues to grow each year, the profitability of growers continues to be squeezed by inflation, which has increased wages, interest rates, and production costs among many other factors.

The outlook for New Zealand's cherry industry is positive. New large-scale corporate blocks are coming into production, and the industry continues to look towards new technology to help strengthen productivity. An example is a new planting system being triailed in Central Otago. This system brings orchard rows closer in a two-dimensional structure to achieve good and even light penetration across the whole canopy, ensuring uniform high-quality fruit. Looking forward to next season, export quantity is forecast to grow 3 percent to 3,930 tonnes for the year to 30 June 2025.

Figure 45: Cherry export volume continue to go predominantly to Asian markets

Year to 31 March, export volume, thousand trays



Tray = 5.5 kg.
Source: Stats NZ and MPI.

Fresh and processed vegetables

Anticipating steady growth after the 2023/24 season

Total vegetable export revenue is expected to slightly decrease to $730 million for the year to 30 June 2024. Growth in fresh vegetable exports was mostly offset by a decline in processed vegetable exports. However, both fresh and processed vegetable exports are forecast to steadily increase in the coming years, with fresh exports alone to reach a new level upwards of 20 percent higher than previous years (Table 16). This bullish outlook is driven by optimistic market trends, increased planting areas, and anticipated declines in EU and US production. The global vegetable trade, valued at over $1 trillion in 2024, is expected to grow by 3 percent annually, exceeding $1.5 trillion by 2033. Stable demand in Asia Pacific and growing consumer awareness of health and sustainability largely contribute to this growth.

Growth and rebound: outlook for vegetable exports in 2024/25

Fresh vegetable exports witnessed robust growth in the first nine months of the last season whereas processed vegetable exports declined notably. The ongoing 2024/25 season is anticipated to be a period of robust exports with processed vegetables expected to rebound by 9 percent in volume, resulting in a 6 percent revenue increase compared with the previous season. Fresh vegetable exports are also expected to increase, with a 2 – 3 percent growth in both volume and revenue. Favourable weather and improved market access, such as the NZ-EU FTA for exports to Europe, will likely support this growth. Additionally, last year's wet weather in major suppliers like Europe and North America may also contribute.

Table 16: Vegetable volumes and revenue 2020–28

Year to 30 June

	Actual				Forecast				
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Fresh vegetables*									
Export volume (000 tonnes)	323	330	251	220	270	275	310	310	310
Export revenue (NZ$ million)	282	277	231	295	325	335	385	395	405
Processed vegetables**									
Export volume (000 tonnes)	221	178	202	190	165	180	195	205	205
Export revenue (NZ$ million)	420	352	391	441	405	430	475	500	505
Total fresh and processed vegetables									
Export volume (000 tonnes)	**543**	**508**	**453**	**410**	**435**	**455**	**505**	**515**	**515**
Export revenue (NZ$ million)	**701**	**629**	**622**	**737**	**730**	**770**	**860**	**900**	**910**

* Includes onions, squash, capsicum, potatoes, and other fresh vegetables.

** Includes frozen and processed vegetables (including frozen potatoes, peas, sweetcorn, etc.), dried vegetables, dry legumes, prepared and/or preserved vegetables, and vegetable juices.

Totals may not add up due to rounding.

Source: Stats NZ and MPI.

Increasing fresh vegetable exports highlight the sector's further potential

Fresh vegetable exports have shown significant growth since last season. Onions and other fresh vegetables have both increased by 10 percent in volume, and squash, in particular, experienced robust growth of over 90 percent compared with the 2022/23 season (noting that April–June 2024 data remains forecast).

In the current 2024/25 season, export volume of other fresh vegetables is forecast to grow by 14 percent, resulting in a 5 percent increase in revenue compared with last season. The production of other fresh vegetables, including leafy vegetables (cabbage, broccoli, cauliflower, silverbeet, spinach, lettuce) and root vegetables (celery, spring onions, tomatoes, kūmara), has been outstanding due to favourable weather.

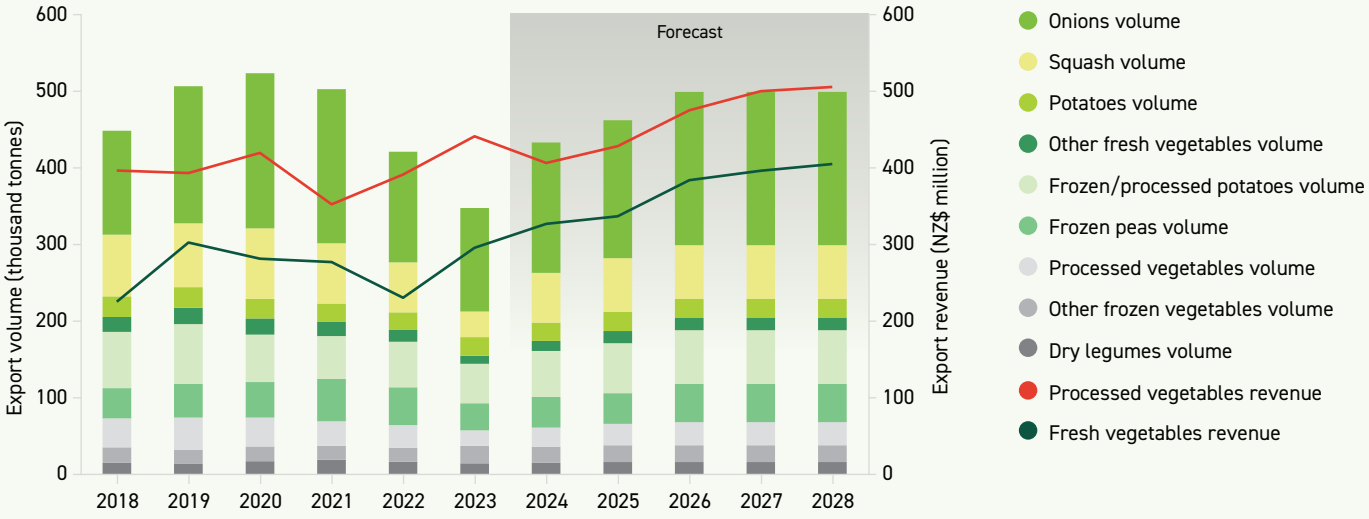
Growing opportunities – the upward trend in vegetable export revenue

Export revenue for fresh and processed vegetables is forecast to steadily grow due to an increase in export volume supported by conducive weather conditions for growing and harvesting. A weaker NZD is expected to support the vegetable sector. Importing countries' currency rates, unfavourable this season, significantly impact growers' returns.

Last season, onion planting areas expanded by 400 hectares in response to price and market demand, suggesting potential similar expansion in the current 2024/25 season if conditions remain promising. Improved squash exports are likely to encourage further plantings and efforts to access markets. Despite last season's decrease in processed vegetable export revenue due to likely limited stocks, the overall trend is upwards in several vegetable categories (Figure 46).

Figure 46: Vegetable export volume and revenue on the rise

Year to 30 June, export volume in thousand tonnes and export revenue in NZ$ million



Source: Stats NZ and MPI.

Favourable climate and fewer diseases benefited the 2023/24 vegetable growing season

Dry warm spells caused by the El Niño climate pattern have been favourable for vegetable planting and harvest in the main growing regions. Growers in the North Island welcomed the more settled weather conditions following two adverse growing seasons.

Vegetable growers in Hawke's Bay worked hard over winter/spring 2023 to clean up and remediate land affected by silt and flooding from Cyclone Gabrielle. This season, despite cold weather stress in spring 2023 causing bolting in some onion crops, favourable growing conditions over summer led to above-average yields with limited fungal diseases such as mildew and *Stemphylium*.

The current season enjoys promising weather. Higher air pressure dominates near New Zealand, especially the North Island. May brought chilly southerly winds, variable rainfall, persistent soil dryness, and fluctuating temperatures starting cold but trending milder.

Some challenges persist post-cyclone as costs stay high despite strategies

Recent exceptional weather boosted vegetable yields, but growers are still coping with financial impacts from Cyclone Gabrielle. They heavily borrowed last year to replant crops after the disaster.

Recent years have seen a steady rise in production costs for vegetable growers, as reported by Stats NZ's farm expenses price index. Cropping farm costs increased during

2023/24 but the rate of increase gradually slowed through the March quarter. While shipping and fertiliser costs decreased, labour expenses increased and debt servicing remains high, challenging grower profitability.

The industry recognises the benefits of shifting to a value-driven approach and aims to make the transition. Investments have been made to enhance product quality, innovate, and increase returns. Despite this, the market still favours cheaper products, particularly in the current inflationary climate where consumers are facing increased living expenses.

Ideal growing conditions have caused a significant drop in vegetable prices in the domestic market, down by 20 percent by March 2024 compared with last year according to Stats NZ. Campaigns like Add One More Vegetable are encouraging increased vegetable consumption. Despite ample supply and lower prices, growers struggle as returns remain below production costs, highlighting the economic challenges faced by the industry.

Opening doors – market access

New Zealand officials' efforts to facilitate market access, especially in key markets such as China and Europe and other Asian targeted markets, have been instrumental and valued by industry groups. Implementation of free trade agreements has significantly impacted vegetable exports, giving New Zealand products a competitive advantage.

Industry commits to research and development

An example of the industry's commitment to research and development is the Sustainable Food and Fibre Futures project A Lighter Touch, which equips squash growers with tools for crop protection, disease management, and profitability while emphasising agroecology. In addition, technological advancements such as autonomous weeding robots, initially designed to address labour shortages and rising wages in the US, could increase efficiency in New Zealand's horticulture sector. Improvements in covered cropping methods, particularly in energy–saving methods like thermal screens, twin-skin plastic walls, and dehumidifiers, contribute to energy reduction. Packing operations are investing in optical grading lines for cost reduction and efficiency improvement. Additionally, innovations such as driverless tractors and precision spraying/fertiliser application are emerging in the field.

Implementing new technology in the industry presents challenges such as high initial costs and the need for trained technicians, but advancements hold promise for the industry's future.

Open ocean salmon farming

Photo: New Zealand King Salmon.

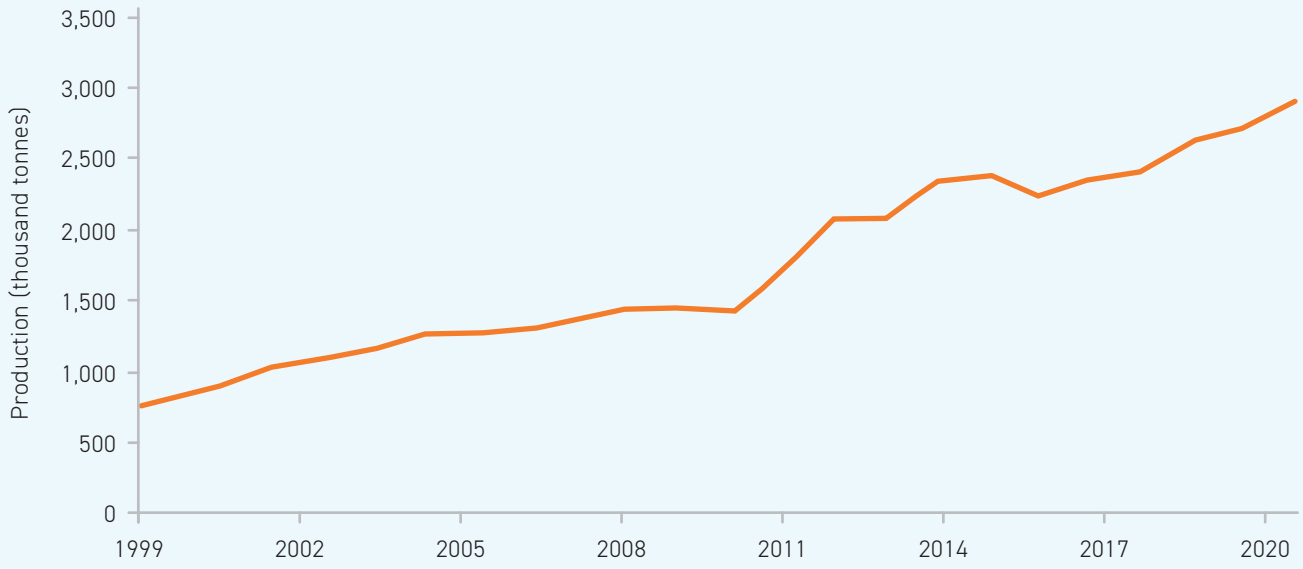
New Zealand is internationally renowned for its premium aquaculture products, including king salmon. Salmon has been experiencing a growth in global demand that is set to continue driven by the change of consumer preferences towards nutritious, sustainably produced food (Figure 47).

To keep up with this increasing demand, the industry needs to expand. Currently, marine salmon farms are close to shore, but the industry is looking towards a new opportunity: farming in the open ocean.

Expanding into the open ocean offers a unique opportunity to sustainably increase production, create new jobs, and inject earnings into local communities and the economy.

Figure 47: Global production of farmed salmon has almost tripled in the last two decades driven by strong demand

Year to 31 December, production, thousand tonnes



Source: FAO.

The New Zealand king salmon industry at a glance

Year to 31 December 2023

14,600 tonnes

King salmon are currently produced in the sheltered bays and harbours of the Marlborough Sounds, Akaroa, and Stewart Island. Salmon is also farmed in freshwater systems and canals at inland locations, including Mackenzie Country.

694 direct jobs

The industry provides work and career pathways for people in a wide range of roles in hatchery, farming, processing, and support functions.

$150 million in domestic revenue

King salmon sold in New Zealand makes up nearly half of the total revenue generated by the salmon industry.

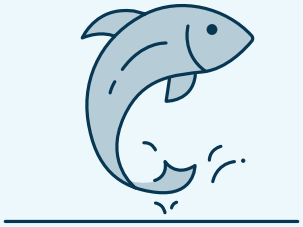
$170 million in export revenue

King salmon makes up 8 percent of New Zealand's total seafood exports by value. The US, Australia, and China together make up 78 percent of the international market.

Data for direct jobs and domestic revenue are estimates.
Source: Stats NZ, Aquaculture New Zealand, and NZIER.

King salmon – a unique product

King salmon is the only salmon species farmed commercially in New Zealand. King salmon is a unique species of salmon that makes up less than 1 percent of the world's farmed salmon production. It is often heralded as the very best salmon species in terms of flavour, texture, and nutritional quality. The industry has positioned itself at the high end of the market, and king salmon fetches a premium price.



King salmon is an excellent source of omega-3 and is packed full of nutrients essential for good health.

Key nutrients per 100g

Protein
18.2g

Vitamin B12
83%
of RDI

Phosphorus
29%
of RDI

Selenium
35%
of RDI

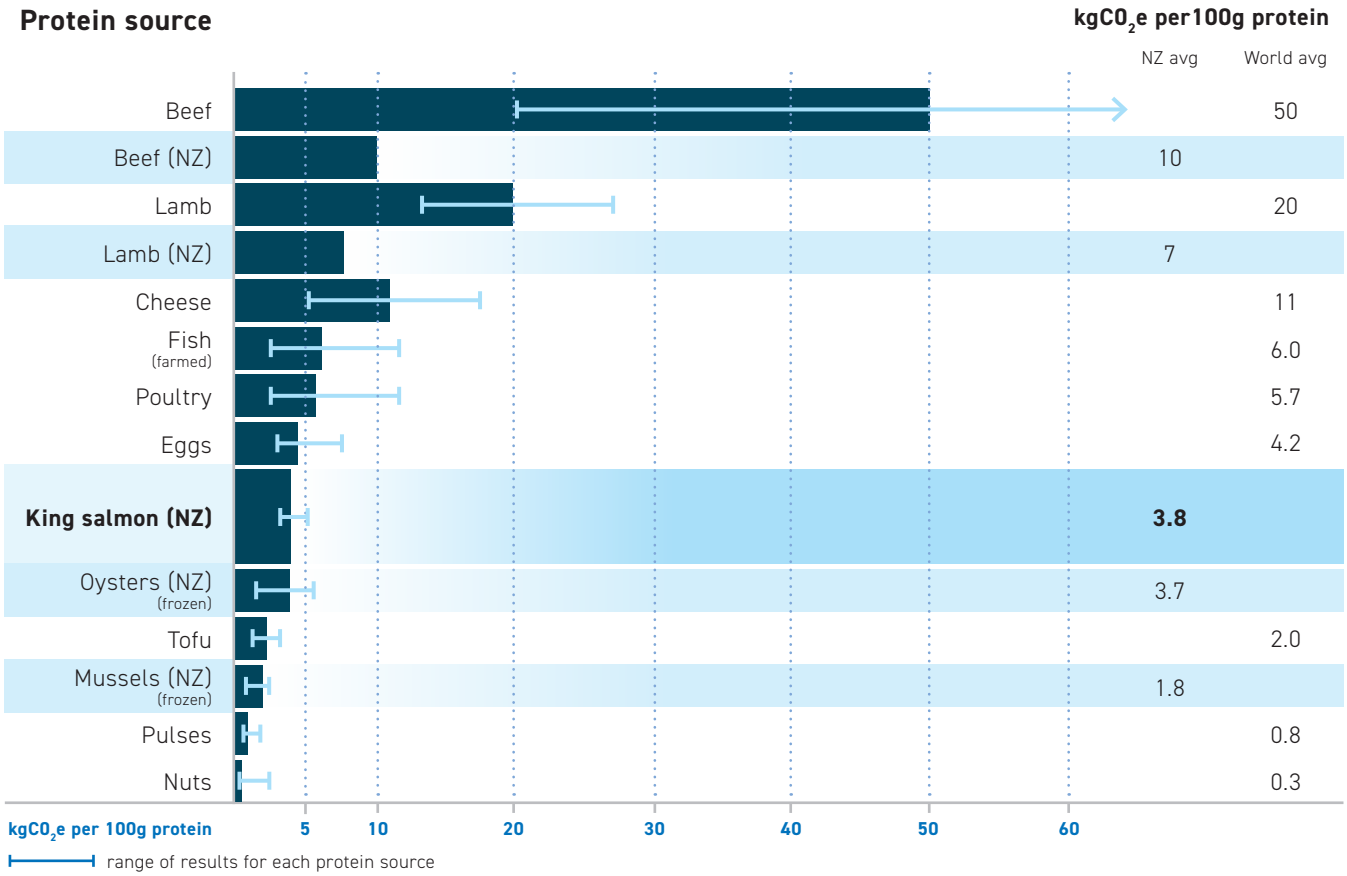
RDI = recommended daily intake.
Source: MPI.

A low-carbon source of protein

In 2023, MPI, Aquaculture New Zealand, and the New Zealand Salmon Farmers Association commissioned a life cycle assessment of New Zealand-farmed king salmon. This measured the carbon footprint of a king salmon over its entire life cycle and found that, when sold domestically, salmon has a lower carbon footprint than beef, lamb, or cheese and a similar carbon footprint to eggs, poultry, and oysters (Figure 48).

Figure 48: Carbon footprint of dietary proteins on the global market – production to retail only

Carbon footprint of different dietary proteins on the global market - production to retail only



Source: MPI.

Why open ocean salmon farming?

Globally, fisheries are already being farmed to their maximum sustainable potential. Open ocean aquaculture provides an opportunity to sustainably meet the growing global demand for nutrient-dense protein.

Developing salmon farms in the open ocean will allow the industry to grow without the need to compete with other inshore activities and will make use of New Zealand's extensive marine space.

Warming waters, extreme weather events, and marine heatwaves are disruptive to the salmon industry, and these events are expected to be more frequent as the climate changes. Developing open ocean farms will be one of the methods of adapting to these changes by making use of sites with stronger currents and cooler water.

Open ocean salmon farming is forecast to significantly contribute to the government's goal of doubling export revenue, provide year-round jobs, and increase demand for supporting infrastructure. There is a broad range of roles required for aquaculture, including on-water farm staff, skippers, barge crews, divers, hatchery technicians, researchers, engineers, seafood processors, marketers, administrators, sustainability managers, health and safety managers, and educators.

How will open ocean salmon farming work in New Zealand?

Open ocean salmon farming requires a technological shift as inshore structures are not suitable for the harsher offshore conditions of large waves and strong water currents. The technology is being used commercially overseas and is undergoing constant improvement.

The method likely to be used in New Zealand uses large net pens that are similar to existing pens currently used inshore but stronger and more flexible. Some of these offshore net pens can be submerged to avoid rough conditions on the surface and reduce strain on the structures.

Currently, for inshore farming, juvenile salmon are grown in freshwater hatcheries for eight months to a year before being transferred to the sea. However, small salmon are less suited to the open ocean environment so juveniles will need to be transferred when they are larger and more robust.

One method to achieve this is a two-stage rearing system that makes use of existing inshore marine farms (Figure 49). Sheltered inshore farms can be used as nurseries for juveniles when they leave the hatchery, rearing them inshore until they reach a size suitable for transfer to open ocean pens. Another strategy is to invest in modern land-based hatcheries capable of rearing juvenile salmon to a larger size before transferring them directly into open ocean pens.

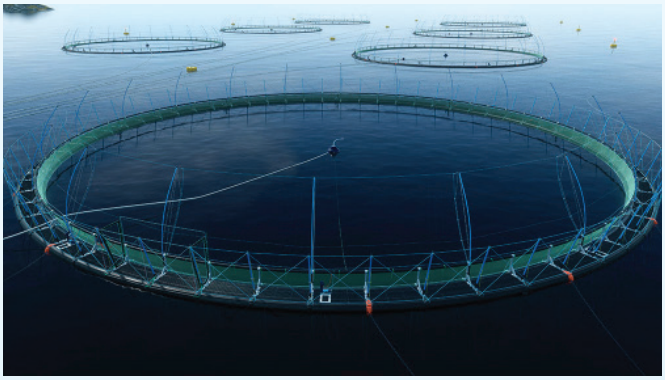
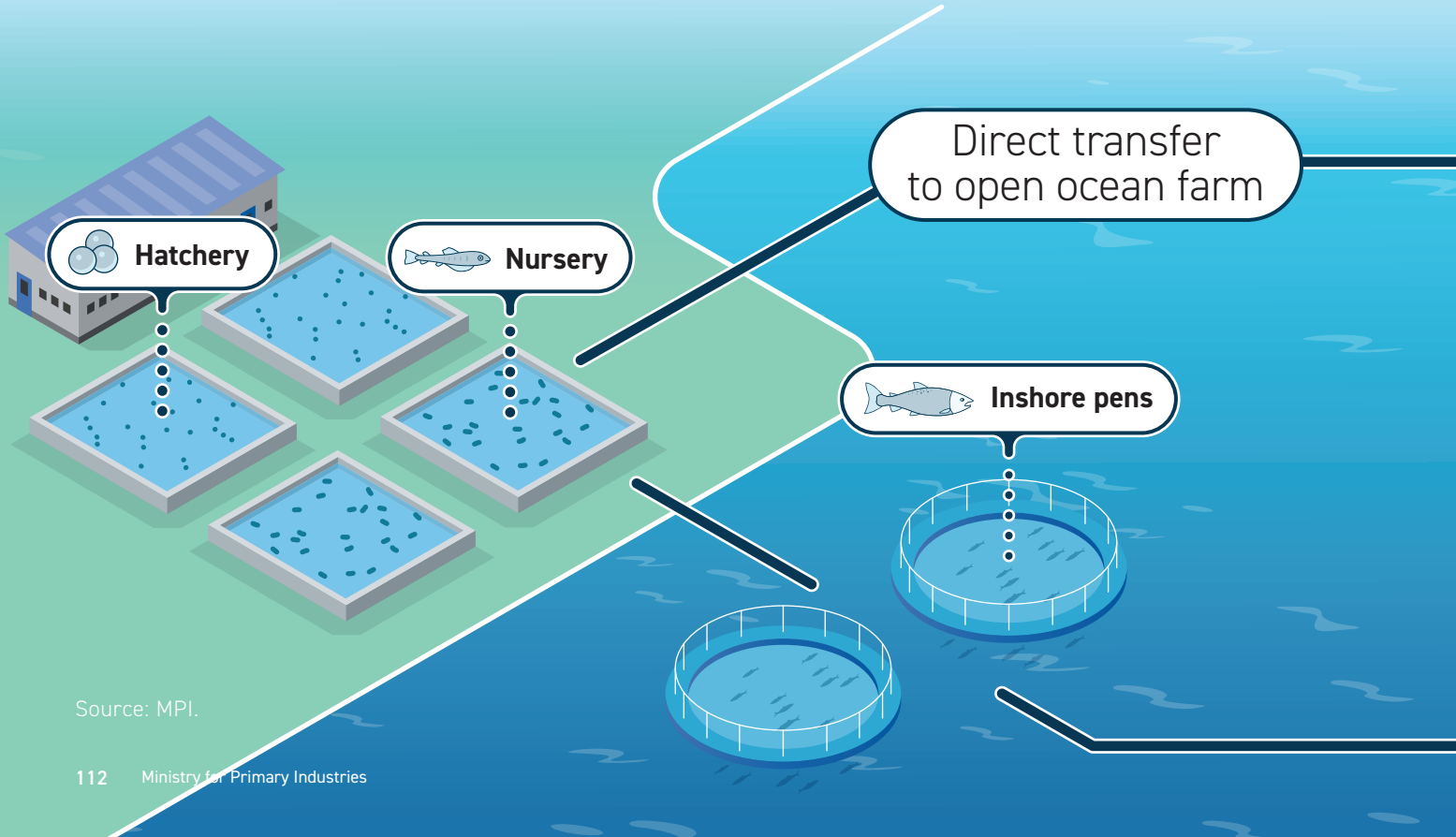


Figure 49: Two alternative production strategies for growing salmon in the ocean



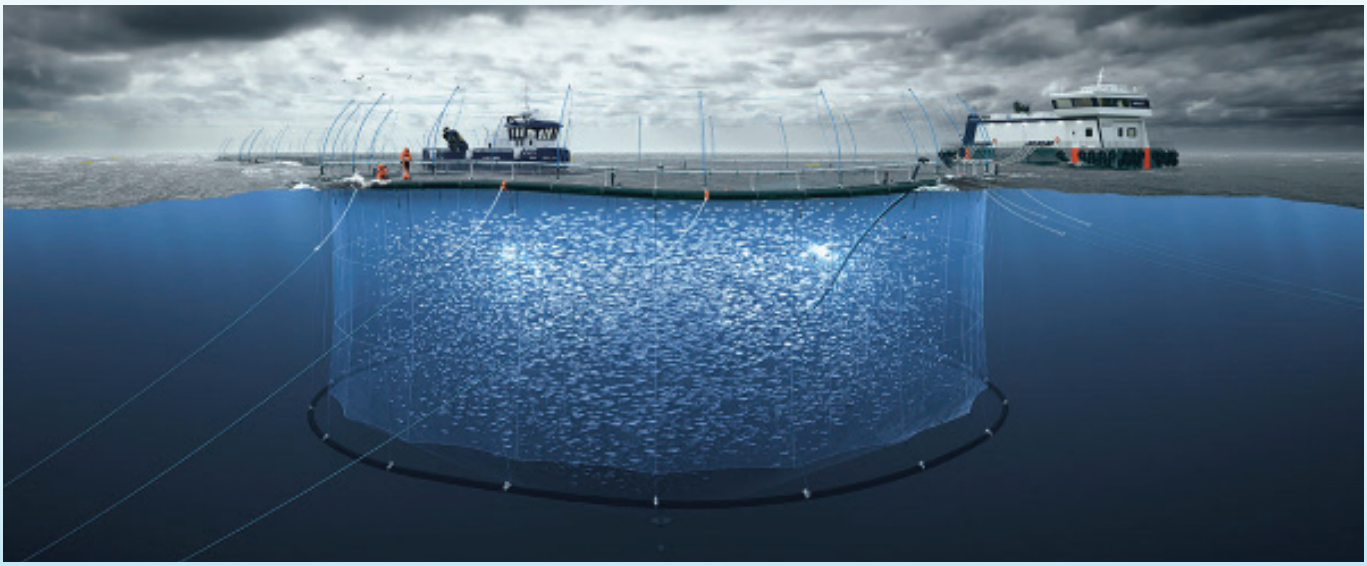
Source: MPI.

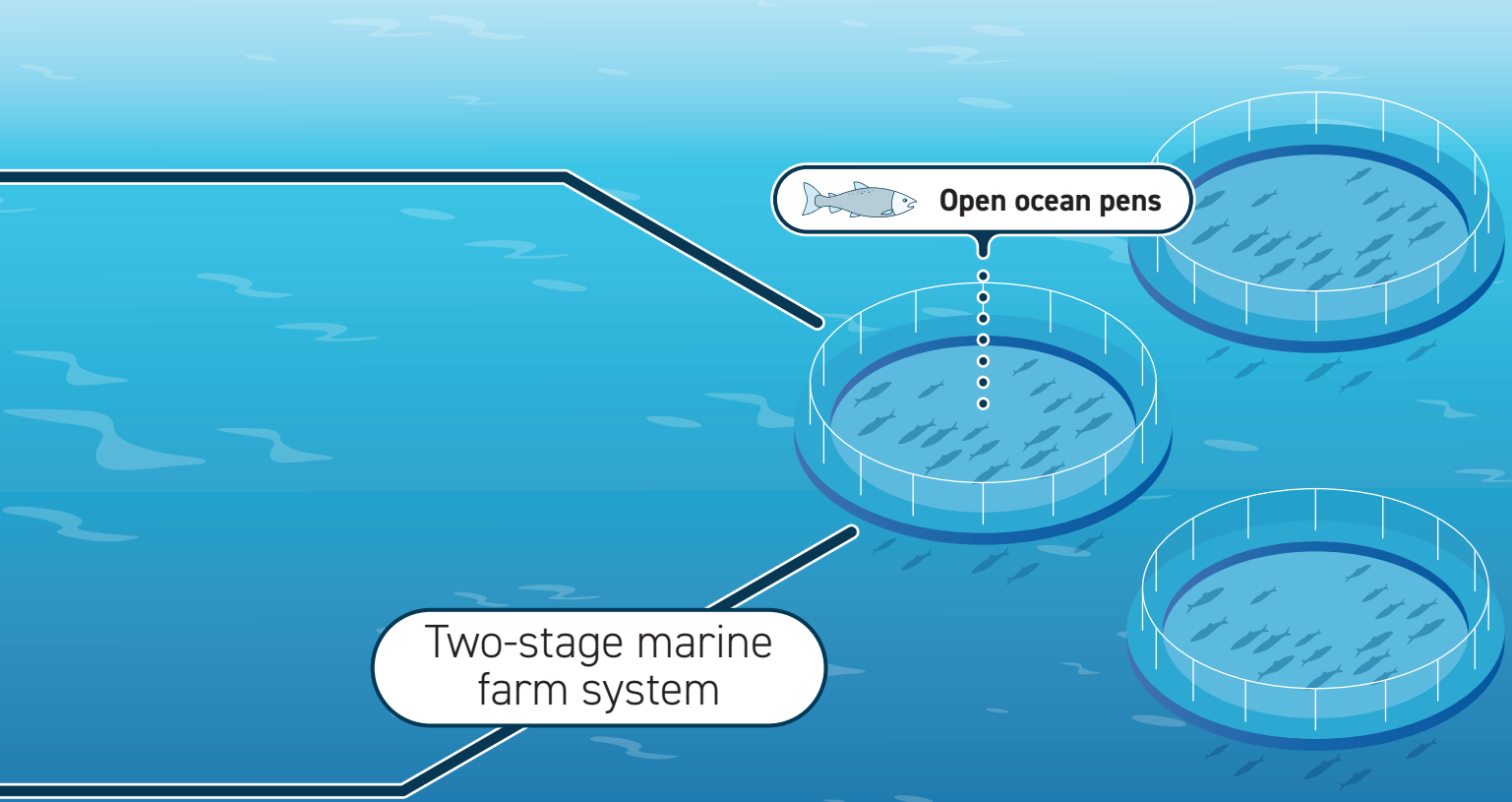
What's next for open ocean salmon farming in New Zealand?

New Zealand's first open ocean salmon farm, Blue Endeavour, received its final consent authorisation in February this year. The Blue Endeavour farm will be located 7 kilometres off Cape Lambert in Cook Strait. It will comprise two blocks of 10 circular pens, and the total farm will be less than 12 surface hectares in size. When fully operational, New Zealand King Salmon expects Blue Endeavour will have the capacity to produce 10,000 metric tonnes of king salmon and could generate $300 million in revenue per annum.

There is strong interest from industry to continue to expand into the open ocean. Additional open ocean salmon farming projects are likely to be located off the east coast of the South Island and around Stewart Island. Investment will be required right across the production chain in wharves and ports, boats, hatcheries, and processing facilities as well as the actual ocean farms.

By enabling open ocean salmon farming, New Zealand will be on the way to the Government's goal of doubling export revenue while meeting the global demand for this low-carbon, nutritious, sustainable, and premium product.





Seafood

- Seafood export revenue is forecast to rise 5 percent to $2.2 billion for the year to 30 June 2024 driven by high prices and volumes. The expected higher seafood prices are supported by tight global supply, strong demand, and a weakened NZD against the USD.
- Export volumes are expected to increase 3 percent to nearly 239,900 tonnes for the year to 30 June 2024 due to better climatic conditions, a shift in demand from domestic to international markets, and improved workforce availability.
- Despite rising seafood prices, rising input costs, specifically fuel, may be dampening the profits of fishing businesses compared with aquaculture and processing businesses.
- Future growth of the seafood industry will continue to face challenges from climate change, increasing costs, and changing trends in consumer demand. Maintaining the sustainability of wild capture resources and expanding aquaculture is crucial for industry growth.

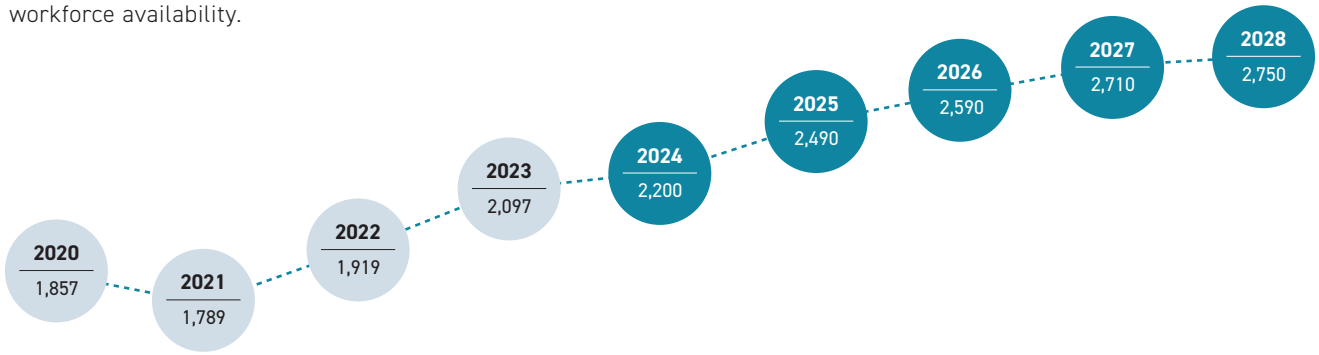


Table 17: Seafood prices, volumes, and revenue 2020–28

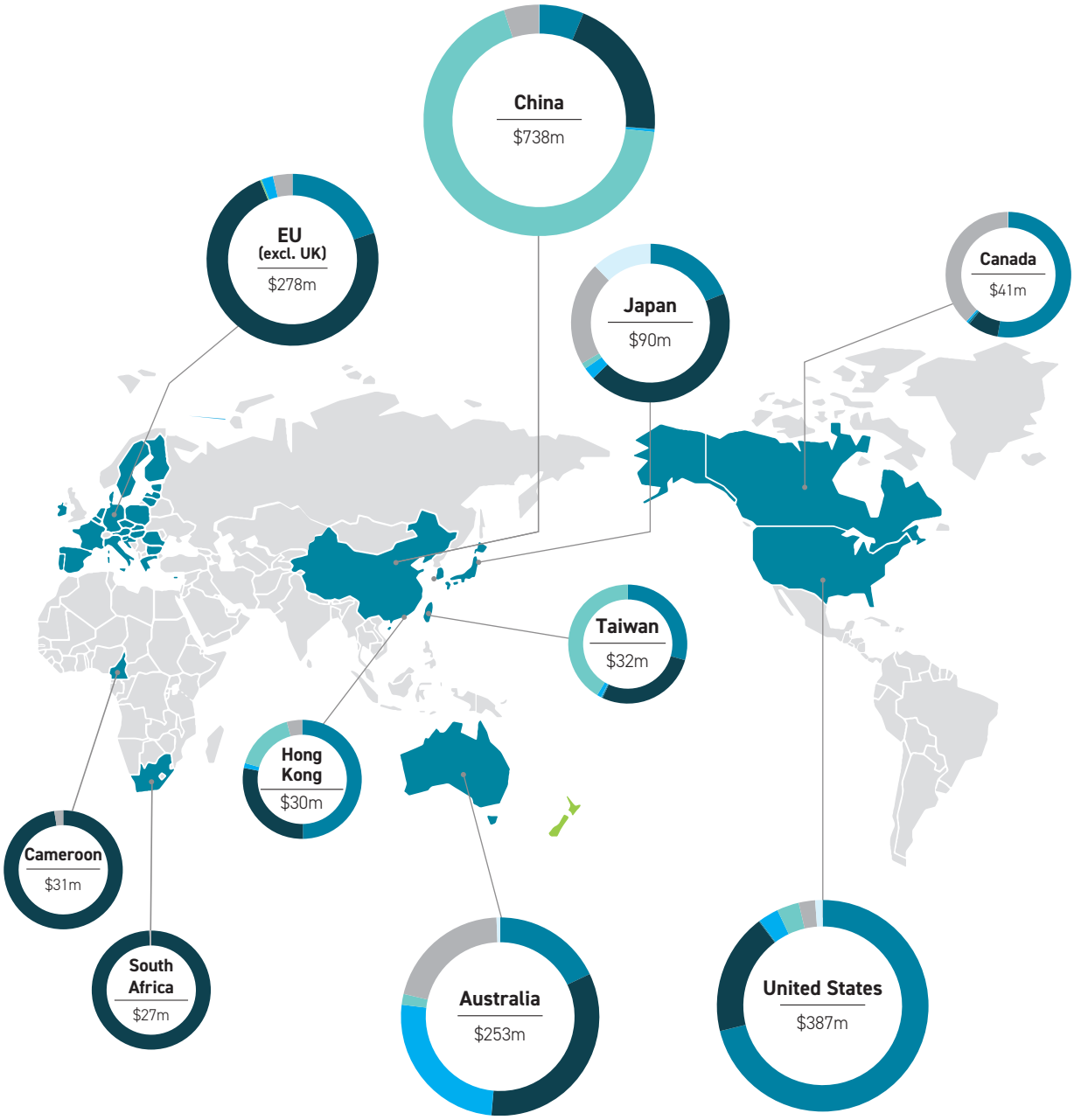
Year to 30 June

	Actual				Forecast				
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Wild capture									
Export volume (tonnes)	232,183	206,325	221,340	195,502	202,800	205,700	208,200	213,900	210,500
Average export price (NZ$/kg)	6.02	6.61	6.54	8.02	7.95	8.75	9.00	9.15	9.40
Export revenue (NZ$ million)	1,399	1,363	1,448	1,569	1,610	1,800	1,870	1,960	1,980
Aquaculture									
Export volume (tonnes)	36,178	39,163	39,279	36,916	37,100	42,300	42,900	43,600	44,200
Average export price (NZ$/kg)	12.66	10.89	11.99	14.30	16.00	16.3	16.8	17.2	17.55
Export revenue (NZ$ million)	458	426	471	528	590	690	720	750	770
Seafood									
Export volume (tonnes)	268,360	245,488	260,619	232,418	239,900	248,000	251,200	257,400	254,700
Average export revenue (NZ$/kg)	6.92	7.29	7.36	9.02	9.20	10.05	10.30	10.55	10.80
Total export revenue (NZ$ million)	**1,857**	**1,789**	**1,919**	**2,097**	**2,200**	**2,490**	**2,590**	**2,710**	**2,750**
Year-on-year % change	**-5%**	**-4%**	**7%**	**9%**	**5%**	**13%**	**4%**	**5%**	**1%**

Totals may not add up due to rounding.
Percentages are rounded to the nearest whole percent.
Source: Stats NZ and MPI.

Top 10 seafood export destinations

Year to 31 March 2024, NZ$ million

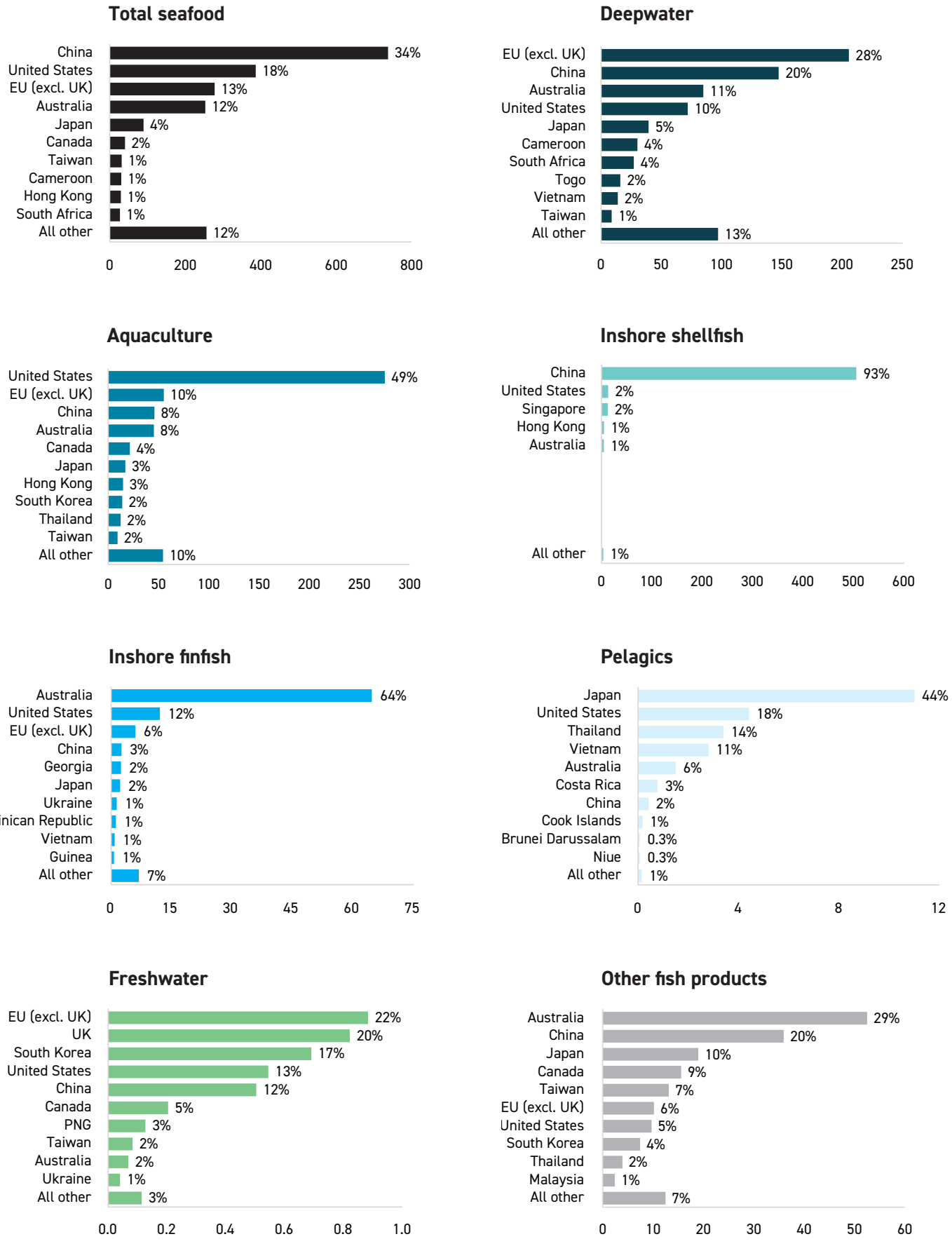


	Product	Export revenue (NZ$ million)	% of total
	Deepwater	742	34%
	Aquaculture	566	26%
	Inshore shellfish	543	25%
	Inshore finfish	101	5%
	Pelagics	25	1%
	Freshwater	4	0.2%
	Other fish products	182	8%
	Total	**2,163**	**100%**

Totals may not add up due to rounding.
Source: Stats NZ.

Top seafood export markets

Year to 31 March 2024, NZ$ million and percent



Source: Stats NZ.

Bright future ahead for seafood exports

The seafood industry continues to demonstrate success, experiencing growth for a third consecutive year. Export revenue for the year to 30 June 2024 is forecast to increase 5 percent to a record $2.2 billion driven by higher export prices and volumes.

During the 2023/24 season, average seafood export prices are forecast to rise 2 percent to $9.20 per kilogram, marking the highest figure to date. This increase in export prices is attributed to tight global supply and robust demand, the latter driven by changing consumer preferences and positive perceptions regarding the nutritional and health benefits of seafood over other sources of animal protein. A depreciation of the NZD against the USD in 2023/24 compared with last year further strengthen demand for New Zealand seafood products.

Seafood export volumes are forecast to increase 3 percent to 239,900 tonnes, an improvement on the previous year but still below the five-year average. Recent disruptions on major shipping routes have led to rising shipping costs, delays, and limited freight availability, which may hinder product delivery to affected markets. Given that about 82 percent of New Zealand's exported seafood requires refrigerated container shipping, the reliability of shipping schedules and freight availability becomes crucial. These factors introduce some uncertainty to the forecast in the short term.

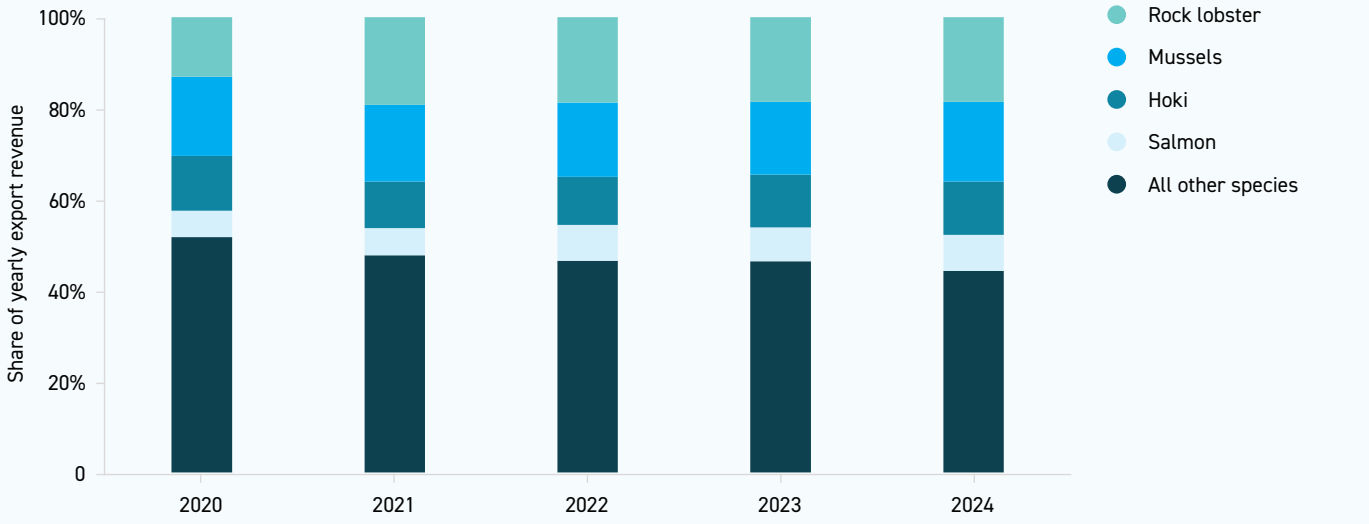
Looking beyond 2023/24, export revenue is forecast to reach over $2.7 billion in the year to 30 June 2028 further aided by rising export prices and volumes. In 2027/28, the average seafood export price is forecast to reach $10.80 per kilogram due to a continuous upward pressure on prices driven by continued demand and tight supply. Over the same period, the volume of seafood exports is forecast to increase to 254,700 tonnes.

Seafood export revenue driven by several key species

Seafood export revenue is heavily reliant on four key species: rock lobster, mussels, hoki, and salmon (Figure 50). Jointly, these species account for over 55 percent of the $2.2 billion in export revenue generated in the year to 31 March 2024, with export volumes and prices for these species having a strong effect on the overall export revenue of the seafood sector.

Figure 50: Four key seafood export species account for half of total export revenue

Year to 31 March, share of export revenue



Source: Stats NZ and MPI.

Wild capture species facing mixed performance

Wild capture export revenue is forecast to increase 3 percent to $1.6 billion in the year to 30 June 2024 driven by a 4 percent increase in export volumes. One factor driving the increase in export volumes is a rise in jack mackerel exports sustained by high catch within the Total Allowable Commercial Catch (TACC) from October to February 2023/24. The increase in jack mackerel catch is expected to offset a drop in squid catch in early 2023/24. Average seafood prices are expected to fall slightly due to an increased proportion of exports of lower-value species.

Over the medium to longterm, export revenue is forecast to grow with rising prices and mostly stable production. Export revenue is forecast to increase 13 percent in the year to 30 June 2025 as exports of high-value rock lobster are expected to increase in line with a rise in TACC of rock lobster in 2023/24. For the remainder of the forecast period, wild capture export volume is forecast to remain flat at an average of 209,575 tonnes with year-on-year fluctuations due to climatic variations impacting production. Fisheries are expected to continue to be managed within sustainable limits, and further developments in wild capture technology are expected to contribute to the improvement of the sustainability of fisheries, which is relevant to ensure access to key markets.

Rock lobster prices continue to rise

Revenue from rock lobster exports reached an all-time high of $402 million in the year to 31 March 2024 driven by a record price of $153 per kilogram. The high price received for rock lobster is driven by high demand from China. In March 2024, the TACC of the CRA 3 stock near Gisborne Tairāwhiti was reduced by 39 tonnes to allow recovery from the effects of Cyclone Gabrielle. In addition, the TACC of the CRA 8 stock was increased by 141 tonnes due to biomass being above the sustainable management target. These changes resulting in a net increase in TACC are expected to have a positive impact on exports in 2024/25.

Sustainability and resilience of hoki exports

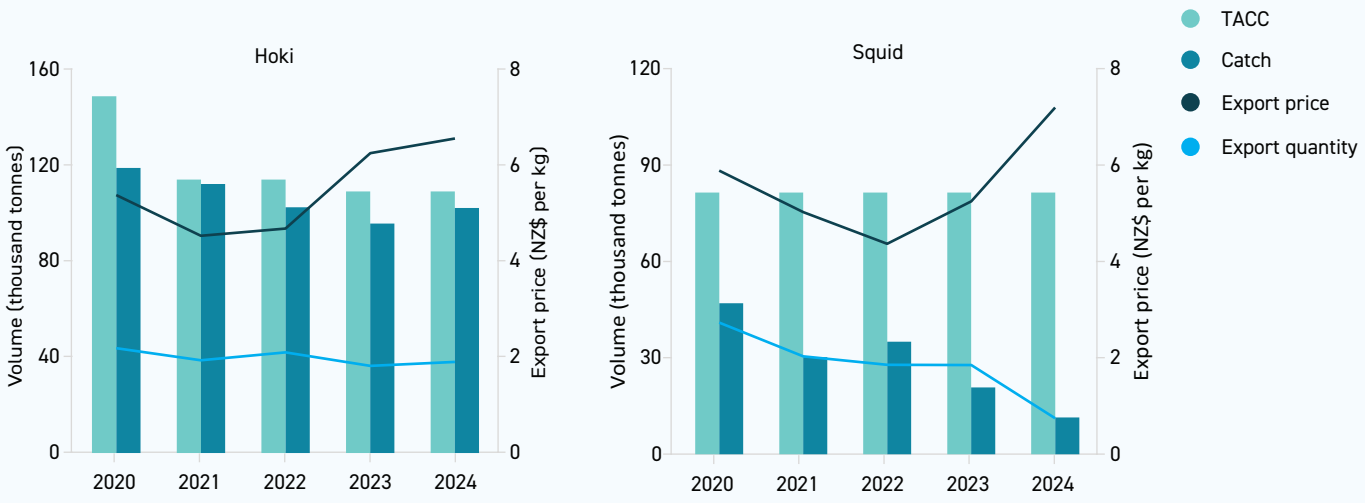
Hoki is the third-largest fishery by export revenue and second-largest fishery by volume, reaching $253 million and 38,298 tonnes in the year to 31 March 2024. In recent years, concerns over the sustainability of hoki stocks prompted consecutive reductions in TACC with immediate effects on catch (Figure 51). The two most recent hoki stock assessments indicated that the hoki biomass has returned to the target range, ensuring the sustainability and productivity of the resource. Robust local and international demand for this fish has led to high utilisation of stocks, which reached 98 percent in the year to 30 September 2023. High export prices have also resulted in export volumes exhibiting less volatility than catch volumes.

Squid has been hard to find

In the year to 31 March 2024, squid export volume dropped 60 percent to 11,277 tonnes despite export prices reaching a record $7.26 per kilogram. Squid abundance in New Zealand and overseas has recently been low, driving upward pressure on prices. Most recent data indicates a recovery of 1 percent in New Zealand squid catch when comparing the March quarter of 2024 with the same period in 2023.

Figure 51: Most of the total allowable commercial catch (TACC) of hoki was utilised, taking advantage of high export prices while squid catch plummeted

Year to 31 March, export volume in processed weight in thousand tonnes, TACC and catch volumes in green weight in thousand tonnes



Source: Stats NZ and MPI.

Aquaculture's performance is expected to increase

Aquaculture export revenue is forecast to increase 12 percent to $590 million in the year to 30 June 2024, almost entirely driven by prices. Aquaculture export prices are forecast to reach $16.00 per kilogram driven by strong demand for mussels and salmon. Improved climatic conditions and developments in aquaculture techniques are expected to result in reduced mortality rates and improved yields in salmon and mussel farms driving a small increase in export volume.

Over the longer term, investments in technology aimed at improving survival of mussel spat, open ocean infrastructure for salmon farming, progressing of oyster hatchery and nursery initiatives, and improvements in workforce availability are expected to increase aquaculture production to help satisfy the demand for these products.

Mussel export revenue increases

In the year to 31 March 2024, mussel exports increased 19 percent to $378 million. This growth was driven by a 12 percent rise in price to $12.99 per kilogram and a 6 percent increase in volume to 29,136 tonnes. Mussel prices are at historical highs (Figure 52) and trending up driven by strong demand. In addition to their use as food, mussels are used in the supplement industry as a nutraceutical ingredient combining therapeutic health benefits in addition

to nutritional value. In recent years, mussel production has decreased due to low availability and survival of wild spat as a result of environmental changes. A dependable supply of hatchery spat and suitable nursery sites are crucial measures in building resilience and unlocking growth potential for the mussel industry. In the long term, mussel export volumes are expected to increase as the sector is committed to progressing hatchery and nursery spat initiatives.

Salmon in high demand

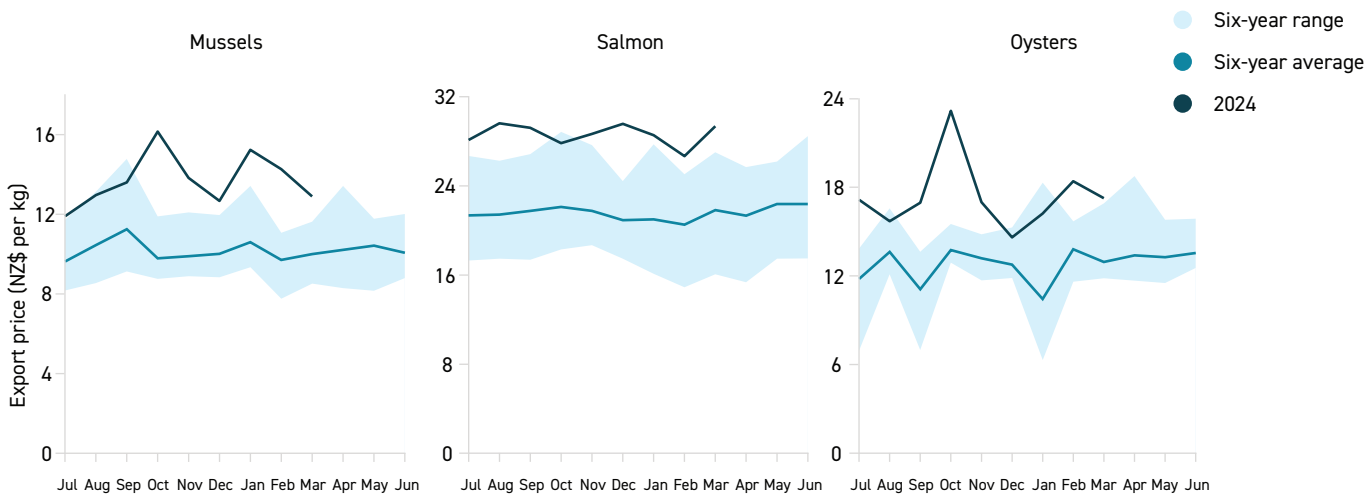
Export revenue from salmon increased 15 percent to $172 million in the year to 31 March 2024 driven by an 8 percent price increase to $28.20 per kilogram and a 6 percent volume increase to 6,094 tonnes. Demand for high-quality chilled salmon has been soaring in markets such as the US and Australia where 57 percent of New Zealand salmon is shipped. Demand has been driven by a surge in sales in the retail space after COVID-19 disrupted restaurant sales and consumers embraced salmon as a convenient and healthy food for home preparation. An improvement in farming strategies to avoid growing fish at warmer or low-flow sites over the summer months has seen a reduction in mortality contributing to the increase in export volumes.

Oyster exports decreased but optimism is high

Export revenue from oysters decreased 12 percent to $16 million in the year to 31 March 2024 driven by lower export volumes despite oysters reaching a record price of $17.06 per dozen. In recent years, oyster production has faced challenges due to adverse weather conditions. However, the current oyster season, which started in March 2024, has shown signs of improvement with higher yields bringing optimism to the sector.

Figure 52: Mussels, salmon, and oysters export prices reach new heights

Year to 30 June, six-year average and range, 2018–23



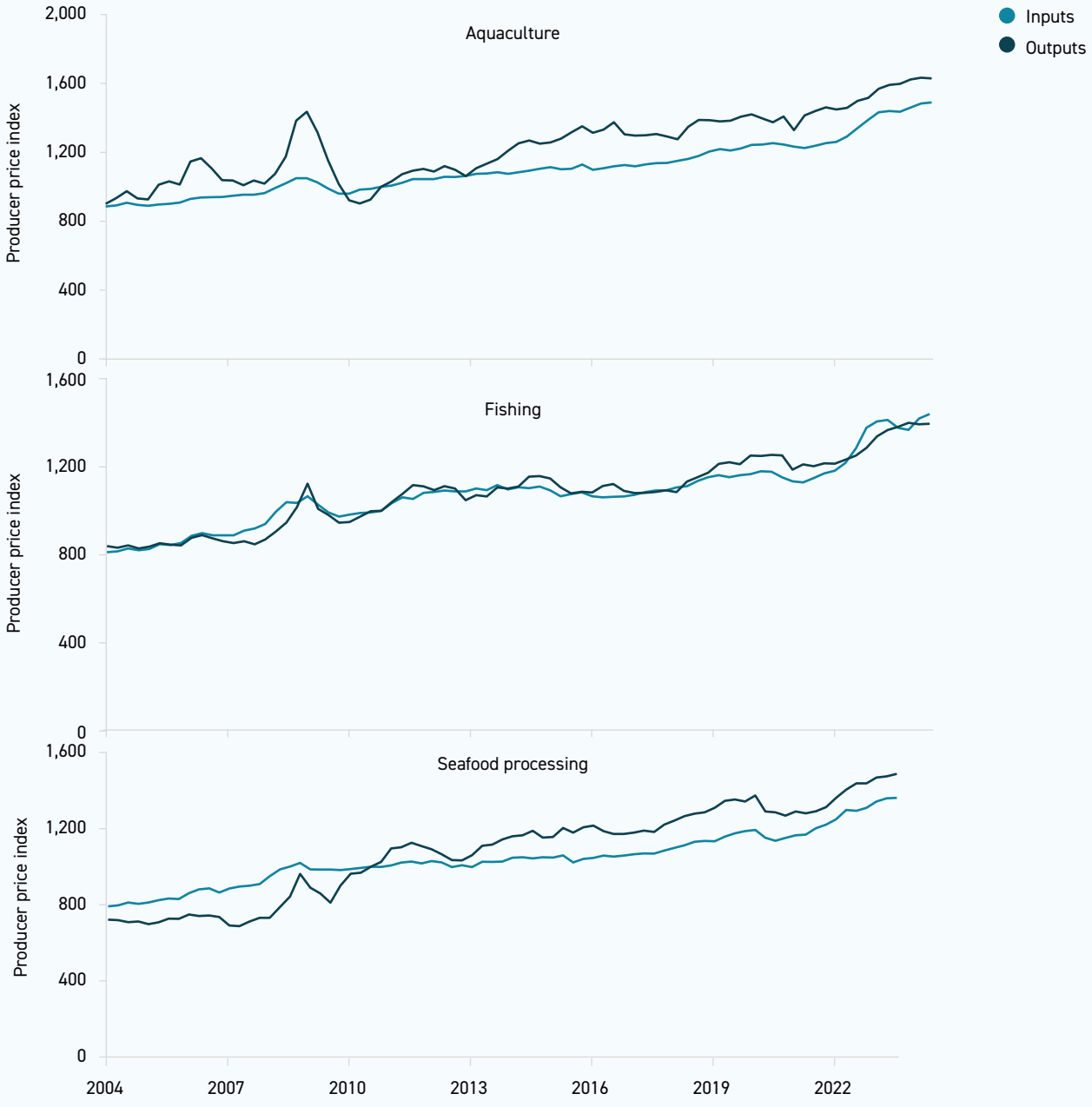
Source: Stats NZ and MPI.

Rising input prices are riskier for fishing compared with aquaculture and core processing

The recent producer price index data reveals that output prices for aquaculture and seafood processing have been increasing at a faster rate than input prices while output and input prices for fishing have been rising at a similar pace (Figure 53). This suggests that, while aquaculture and processing industry profits may be rising, fishing-only businesses are potentially falling. Our largest seafood companies are vertically integrated combining fishing and/or aquaculture and seafood processing. In the December quarter of 2023, input inflation surpassed output inflation of fishing driven by the rising price of fuel.

Figure 53: Aquaculture and processing output prices rising faster than input prices while fishing input and output prices are rising at a similar pace

Quarterly, producer price index: base 2010 Dec = 1,000



Source: Stats NZ and MPI.

Arable

- Arable export revenue is expected to increase 12 percent to $310 million for 2023/24 compared with the previous year with increased returns in all export categories. The longer-term outlook for arable export revenue is for continual growth to $320 million by 2028 based on average seasons.
- Export revenue for the first nine months of the year to 30 June 2024 was 36 percent ahead of the same period in 2022/23.
- Seasonable conditions were mostly favourable through 2023/24 finishing with a good harvest.
- Domestic grain prices have fallen over the last year with milling wheat prices down 10 percent and feed wheat and feed barley back about 18 percent and demand has been subdued.

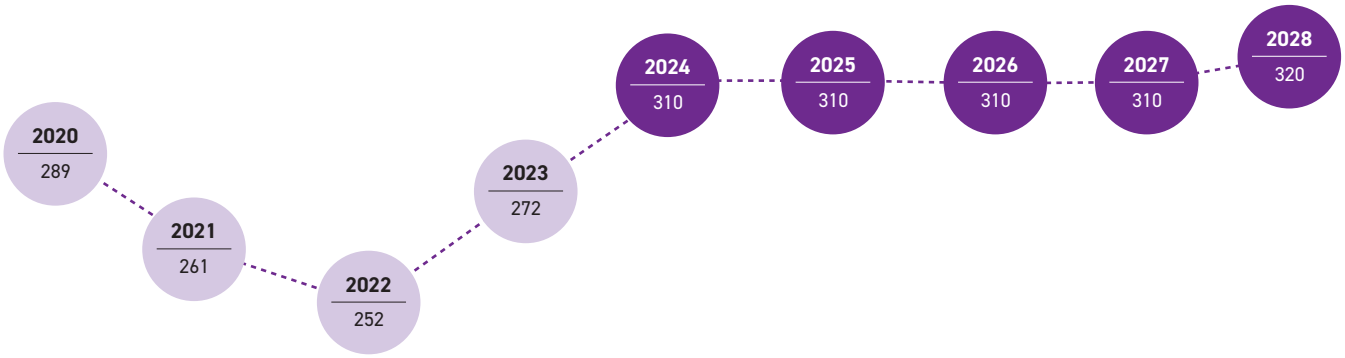


Table 18: Arable export revenue 2020–28

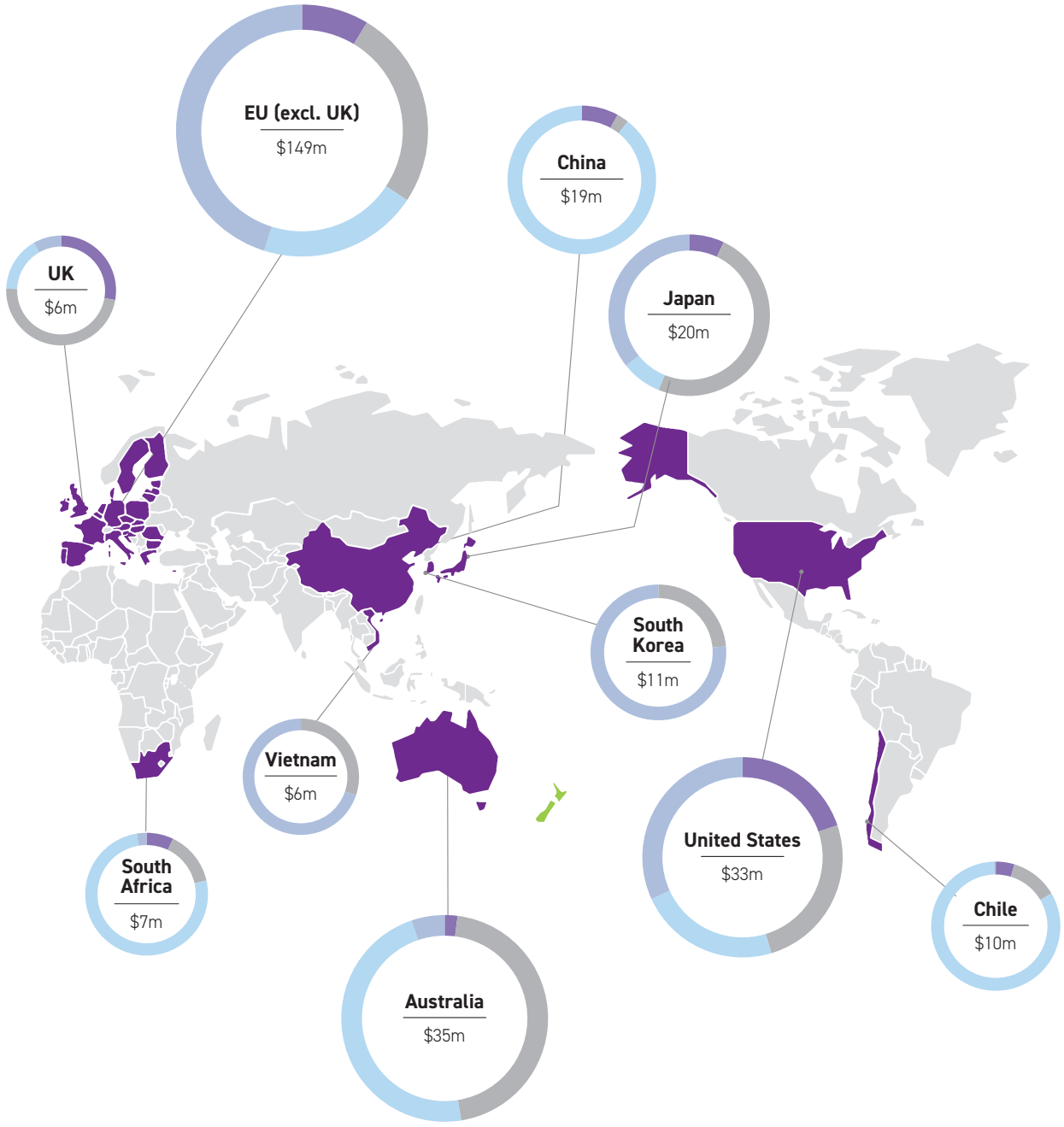
Year to 30 June, NZ$ million

	Actual				Forecast				
Product	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Vegetable seed	112	89	86	102	110	120	120	120	120
Ryegrass seed	73	80	80	75	80	80	80	80	85
Clover/legume seed	31	26	19	21	30	30	30	30	30
Other grains and seeds*	74	66	67	75	80	85	85	90	90
Total export revenue	**289**	**261**	**252**	**272**	**310**	**310**	**310**	**310**	**320**
Year-on-year % change	**22%**	**–10%**	**–4%**	**8%**	**12%**	**0%**	**1%**	**2%**	**3%**

* Includes maize, other grains, and oil seeds.
Totals may not add up due to rounding.
Percentages are rounded to the nearest whole percent.
Source: Stats NZ and MPI.

Top 10 arable export destinations

Year to 31 March 2024, NZ$ million



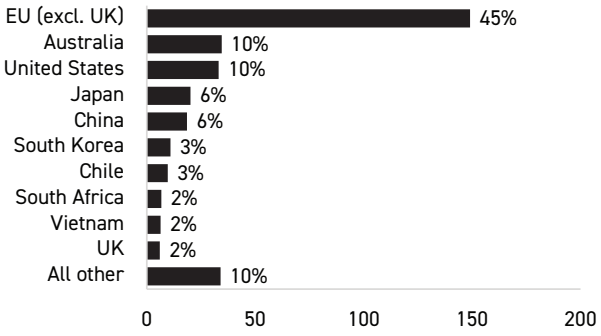
Product	Export revenue (NZ$ million)	% of total
Vegetable seed	115	35%
Ryegrass seed	95	29%
Clover seed	29	9%
Other grains and seeds*	90	27%
Total	**329**	**100%**

* Includes other arable and cereals.
Totals may not add up due to rounding.
Source: Stats NZ.

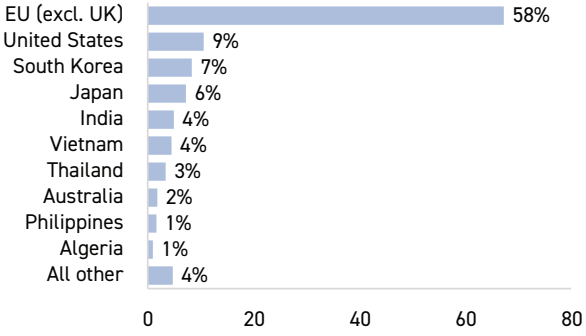
Top arable export markets

Year to 31 March 2024, NZ$ million and percent

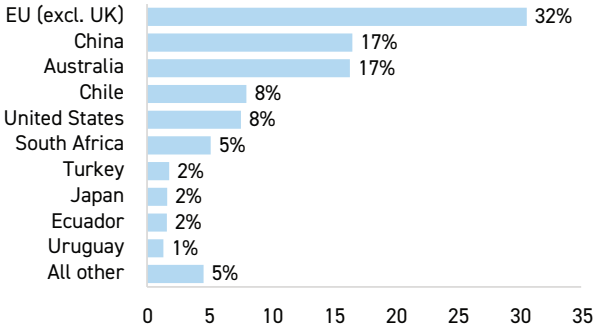
Total arable products



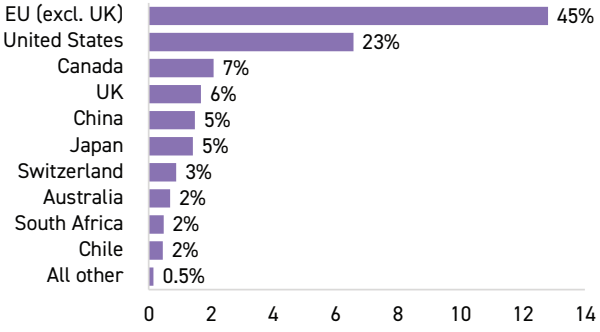
Vegetable seed



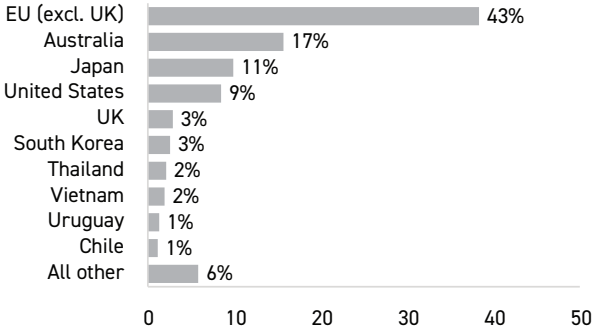
Ryegrass seed



Clover seed



Other grains and seeds



Source: Stats NZ.

Favourable season finishes with an ideal harvest

Seasonal conditions throughout the country were generally favourable for arable crops through 2023/24 with average to above-average yields of good quality.

The South Island experienced a mild winter, with autumn-sown crops doing well. The season finished with a sunshine filled 'traditional' harvest with good to above-average yields for most crops.

Following a reasonably dry winter, Canterbury received timely rain in late spring and early summer followed by hot dry weather, providing ideal harvest conditions. The mild winter had crops in South Canterbury ready for harvest a week or two earlier than normal. A hailstorm in early December struck a 2 kilometre wide belt of land from Methven through to Waimakariri badly affecting small seed and cereal crops and causing about $6 million in losses. Canterbury cereal and grass seed yields were above average with some barley yields reaching record highs. The dry conditions did cause some issues for autumn planting and the efficacy of pre-emergence herbicides.

Harvest was slower in Southland due to wet weather with a lot of grain being put through dryers. Cereal yields were around average with some autumn-sown crops slightly below due to a dry December and spring-sown crops above average. Autumn sowings have been slow due to the wet weather.

Seasonal conditions in the North Island were much improved from last year's season. Maize had a good growing season, which also benefited grass growth in the upper North Island reducing demand for maize silage and grain. At mid-April, a large amount of maize grain (10,000–15,000 tonnes) was uncontracted. In Wairarapa, rain around Christmas set the crops up for a good harvest with dry conditions eventuating from January onwards.

Biosecurity management continues for the fall armyworm plant pest and the highly invasive velvetleaf weed. By late April 2024, there had been 111 confirmed reports of fall armyworm for the 2023/24 growing season in maize crops from Northland, Auckland, Waikato, Bay of Plenty, Gisborne Tairāwhiti, Tasman, Marlborough, Westland, and Canterbury. The number of detections is down on the 139 reported by the same time in 2023. In April, new detections of velvetleaf were found on two maize properties in the Waikato. These were the first new detections in the region since 2019.

A national five-year survey[5] of herbicide resistance in weeds on arable farms found resistance is widespread and at higher levels than expected. Grass weeds, mostly ryegrass, were the most common resistant weeds. Resistance varies by region – levels are higher in the South Island with South Canterbury recording the highest resistance. The regional variation is attributed to differences in farming systems. Areas with limited crop rotation options show higher levels of resistance. Other contributing factors are the inclusion of pasture and prevalence of grass seed crops in the rotation.

5. Foundation of Arable Research: Arable Extra Issue 137

A lift in in grain yields

Total harvest tonnage (Table 19) at 31 March 2024 was estimated to be up 3 percent on 2023 from a harvest area similar to 2023. Increased tonnages of malting barley and feed wheat drove the increase. Yields were higher for feed wheat, feed barley, and feed oats. While the national barley yield was up 7 percent to 7.6 tonnes per hectare, there were reports of 13–14 tonne yields in Canterbury. Despite the yield increase, the total feed barley tonnage was back 8 percent due to smaller planted area. The malting barley tonnage was up 49 percent on the 2023 harvest from an extra 5,000 hectares planted with yields down 6 percent.

Table 19: Estimated national cereal harvest 2020–24

Year to 31 March

		Milling wheat	Feed wheat	Malting barley	Feed barley	Milling oats	Feed oats	Total
Estimated total tonnes								
2024 harvest	tonnes	110,059	298,987	104,024	261,594	19,628	11,674	805,967
2023 harvest	tonnes	110,145	281,455	73,813	284,087	21,548	8,711	779,759
2022 harvest	tonnes	75,630	326,970	42,116	287,584	17,181	15,810	765,291
2021 harvest	tonnes	103,362	337,638	57,671	266,229	16,878	12,122	793,900
2020 harvest	tonnes	102,756	350,944	75,608	262,092	12,815	10,485	814,700
Estimated total hectares								
2024 harvest	ha	12,057	28,406	15,255	34,374	2,484	1,906	94,483
2023 harvest	ha	12,105	28,395	10,304	39,796	2,701	1,534	94,835
2022 harvest	ha	8,820	34,080	5,860	40,640	2,741	2,613	94,754
2021 harvest	ha	11,706	33,394	7,201	36,599	2,358	2,242	93,500
2020 harvest	ha	11,347	34,353	11,019	34,081	2,109	1,891	94,800
Comparison of yields (t/ha) between last five harvests								
2024	t/ha	9.1	10.5	6.8	7.6	7.9	6.1	8.5
2023	t/ha	9.1	9.9	7.2	7.1	8.0	5.7	8.2
2022	t/ha	8.6	9.6	7.2	7.1	6.3	6.1	8.1
2021	t/ha	8.8	10.1	8.0	7.3	7.2	5.4	8.5
2020	t/ha	9.1	10.2	6.9	7.7	6.1	5.5	8.6

Source: Foundation for Arable Research AIMI Survey of Cereal Areas and Volumes – 1 April 2024, 1 October 2023 and 2022.

Domestic grain prices down and demand weak

Demand for grain through 2023/24 has been soft with dairy commodity prices lower in the early part of the season and farmers trying to reduce on-farm costs and turning to cheaper feed imports causing downward pricing pressure.

Domestic grain spot prices steadily declined through 2023 after peaking at the end of 2022 and levelled off from the beginning of 2024 (Figure 54). Spot prices for feed wheat and barley have fallen about $95 per tonne over the last year and milling wheat $50 per tonne. Contract prices for the 2024 harvest were back on 2023 contracts with milling wheat $520–580 per tonne compared with $600–620, feed wheat around $490 per tonne (down $65), and feed barley $440 per tonne (down $85).

The trend for maize grain prices followed a similar pattern to other grains until March 2024 when the price plummeted. An oversupply of grain following a good 2024 harvest and considerable carryover grain from 2023 contributed to the $150 per tonne fall in prices. Also contributing to the oversupply was less demand for maize silage resulting in it being harvested for grain. The current price is expected to entice the poultry industry back into the market.

Dry conditions in some regions could increase demand for grains through 2024. In drought regions, winter feed crop yields are well down and supplements have been fed earlier and at higher rates than expected in all sectors.

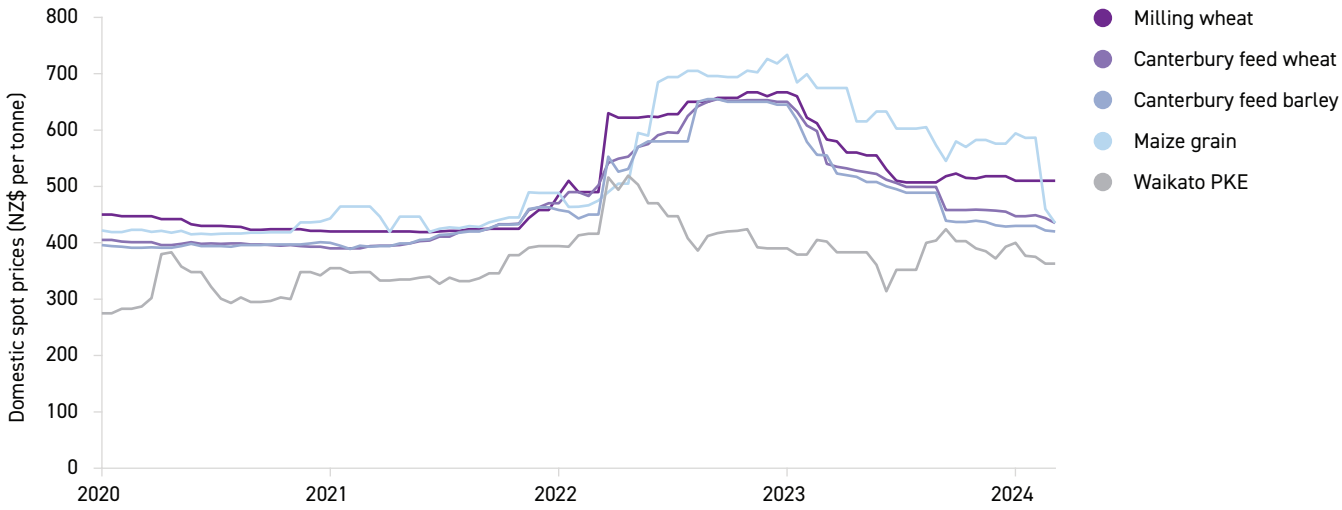
Lower revenue driving profitability down

High stocks of domestic grain following a good harvest and about 2.2 percent (17,000 tonnes) of last year's harvest still unsold are likely to constrain prices. This may be offset somewhat by the lift in global prices in the last couple of months due to unfavourable weather forecasts for wheat crops in Russia and other major exporting countries. There is also uncertainty over global maize supplies with key producers Brazil impacted by flooding and the US with less than ideal weather for planting.

Improved grain quality and yields will not offset lower prices. Softening the blow are declines in agrichemical, fertiliser, and fuel prices. Poor lamb returns and fewer ryegrass contracts have arable farmers reducing lamb finishing numbers, which have been a good income generator and a crop management tool for grass seeds. To bolster income, there has been a move to more dairy grazing.

Figure 54: Domestic grain prices levelling off after considerable falls

Year to 31 December, domestic spot prices, NZ$ per tonne



Source: NZX Grain and Feed Insight.

Two–thirds of the harvest sold

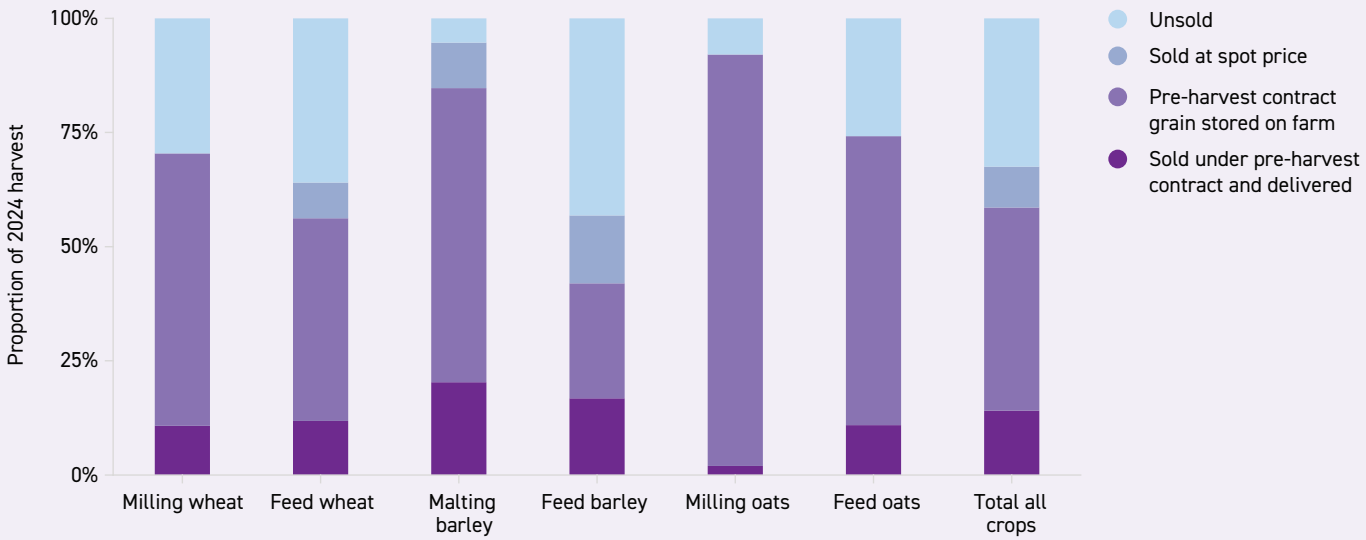
About 67 percent of the 2024 harvest had been sold by 1 April 2024 (Figure 55), less than the same time last year (73 percent). Pre-harvest, 59 percent of the harvest had been sold, of which 14 percent had been delivered by 1 April 2024. Malting barley and milling oats tonnages were almost completely contracted while 43 percent of feed barley, 36 percent of feed wheat, and 30 percent of milling wheat remained unsold.

About 4 percent of last year's harvest remained on farm causing storage issues for some farmers. Just over half of the carryover grain was unsold and the rest contracted but not yet delivered.

Autumn/winter sowing intentions for 2024 are 5,400 hectares (10 percent) less than 2023 with feed barley the main contributor.

Figure 55: Two–thirds of the harvest sold

At 1 April 2024, proportion of harvest



Source: Foundation for Arable Research AIMI Survey of Cereal Areas and Volumes – 1 April 2024.

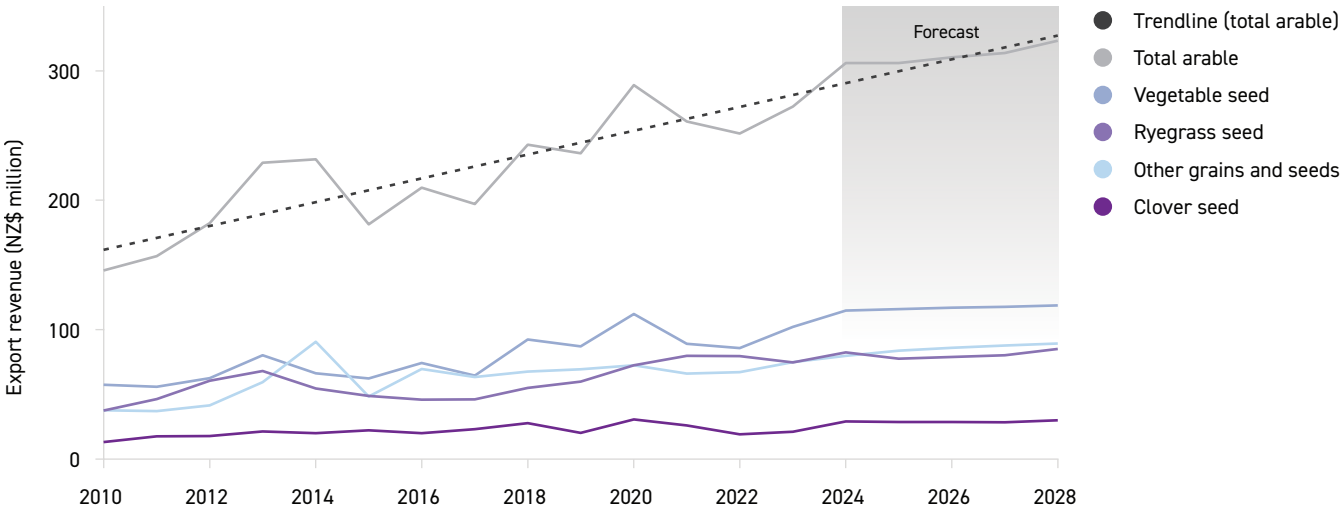
Arable export returns trending better than expected.

Arable export revenue is expected to increase 12 percent to $310 million for the year to 30 June 2024 with increased revenue in all export categories (Figure 56). The forecast to 2028 is for continued gradual growth in revenue.

Arable export revenue for the first nine months of the year to 30 June 2024 was considerably higher than expected, up $56.6 million compared with the same period in 2022/23. Higher returns were recorded across all the export categories with clover seed up 69 percent, ryegrass seed up 41 percent, vegetable seed up 28 percent, and other grains and seeds up 32 percent.

Figure 56: Arable export revenue trending up

Year to 30 June, export revenue, NZ$ million



Source: Stats NZ and MPI.

Ryegrass exports stronger than expected

Export volumes of ryegrass seed have been higher than expected, up 32 percent for the first nine months of the year to 30 June 2024 compared with the same period in 2023. High stocks held in Europe and the slowdown in the Chinese economy were expected to considerably reduce demand for New Zealand seed. While exports to Europe have fallen, exports to China have increased as well as exports to Australia and the US.

Demand is expected to remain weak from Europe and moderate from China but at low prices with Chinese buyers sourcing from several countries, which is capping prices.

Ryegrass seed stocks remain high in New Zealand with a lot of carryover seed from 2022. The planted area in 2023 was a lot smaller than 2022 with a 50 percent reduction in certified ryegrass. Yields were good in the latest harvest, and the 2024 planted area is expected to be similar to last year while inventories are run down.

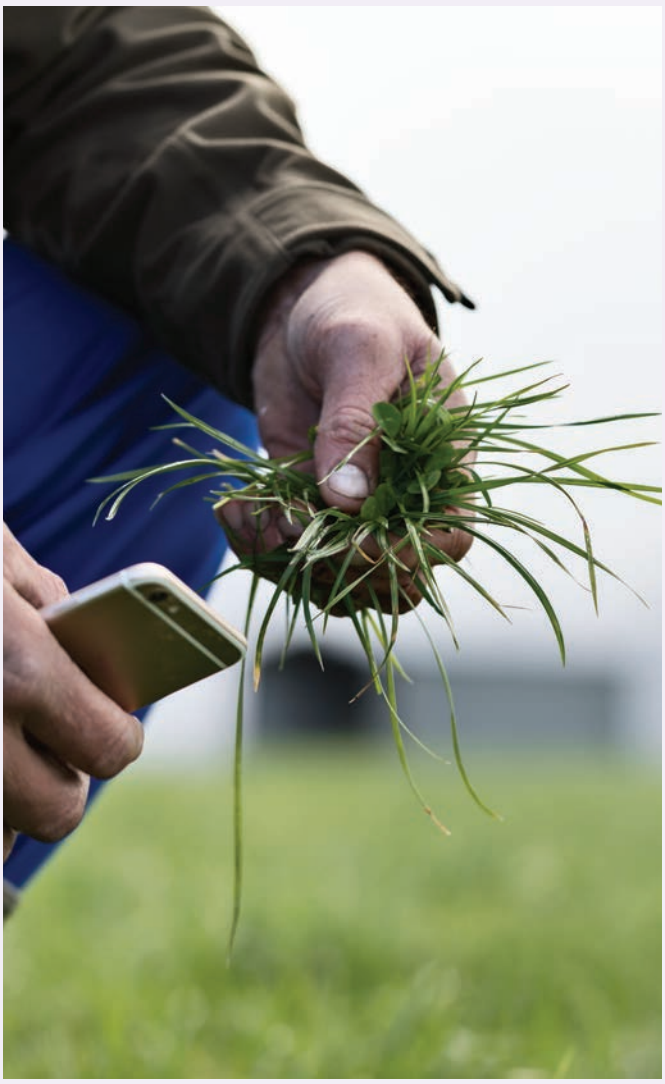
New Zealand white clover harvested well this season following two poor seasons experienced worldwide, creating an international shortage. For the first nine months of the year to 30 June 2024, export volumes were 41 percent higher and export revenue was up $7.7 million compared with the same period in 2023. Demand is expected to remain strong as buyers restock and the UK and European markets show increasing use of legumes in pasture mixtures. Prices have increased over the last year but are unlikely to increase further due to competitive pricing from other countries.

Vegetable seed and other grain and seeds performing strongly

Export returns for vegetable seed and other seeds and grains are expected to increase 8 percent and 7 percent respectively for the year to 30 June 2024 compared with 2023.

Vegetable seed crops had average yields in the 2023/24 harvest and export demand remains steady. For the first nine months of the year to 30 June 2024, export revenue was $13.2 million higher than the same period in 2023. Prices have lifted over the last 12 months and are expected to plateau for the short term.

Other grains and seeds for the first nine months of the year to 30 June 2024 were $15.3 million higher than the same period in 2023. Rape seed (for sowing) was the main contributor (up $8.2 million). Oil seed crops had good harvests and export demand has been strong from Germany and France.



Improvement in shipping services

Shipping services have improved with space more obtainable and rates reducing but not to pre-COVID-19 levels. Exports to Europe are taking an extra two weeks with the rerouting of ships from the Suez Canal to the Cape of Good Hope due to the attacks on commercial ships in the Red Sea and the Gulf of Aden. Taking the longer route costs an extra $1,200 – 1,500 per container and risks the seed missing the European planting window.

An innovative new seed certification scheme went live in March 2024 for the 2024/25 harvest season. The new online Seed Certification Information System (SCIS) is the official system for the tracking and management of seed varietal certification processes. It enables the New Zealand seed industry to meet current and future regulatory and customer requirements. The SCIS allows complete traceability from the farm through the production of certified seed crops. The platform is thought to be the first in the world to utilise digital mapping technology to verify the area, location, and paddock history of certified seed crops.

Processed food and other products

- Export revenue for the processed food and other products sector is expected to reach $3.5 billion for the year to 30 June 2024, a 1 percent decrease on last year. Other products and innovative processed food are the leading categories accounting for 54 percent of overall revenue. In the 2024/25 year, export revenue is forecast to increase over most categories with the largest increase coming from innovative processed foods. The exception is cereal products where oversupply in the current year has already driven global prices down and contributed to a forecast 21 percent decrease in export volumes in the year to 30 June 2024.
- The other products category is expected to reach record revenue due to growth in exports of vegetable oil and beverage products. This increase is expected to help offset the decrease in revenue expected from other categories, most notably live animal exports.
- Honey export revenue has been improving in 2023/24 to date driven by higher prices and volumes for monofloral mānuka retail packs. Export revenue for honey is forecast to gradually increase over the forecast period.
- Despite chocolate export revenue being expected to hit record levels in 2023/24, the medium to long-term outlook is uncertain due to the impact of rising cocoa prices.

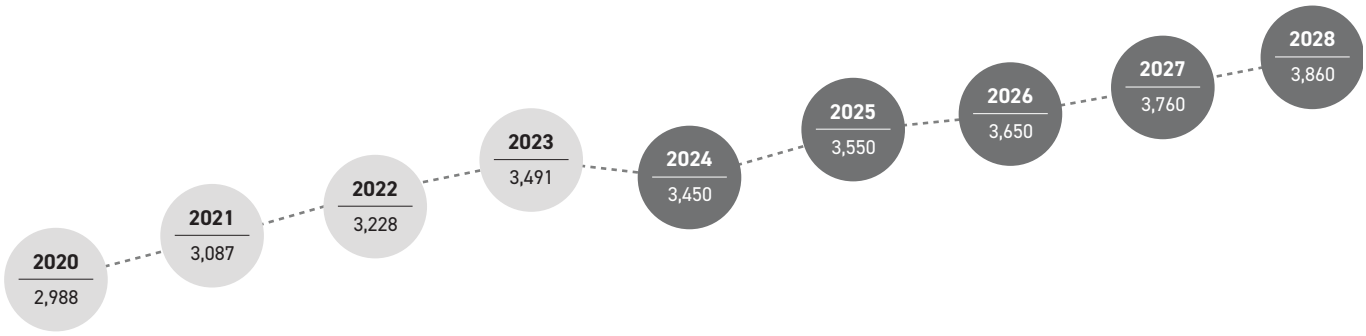


Table 20: Processed food and other products export revenue 2020–28

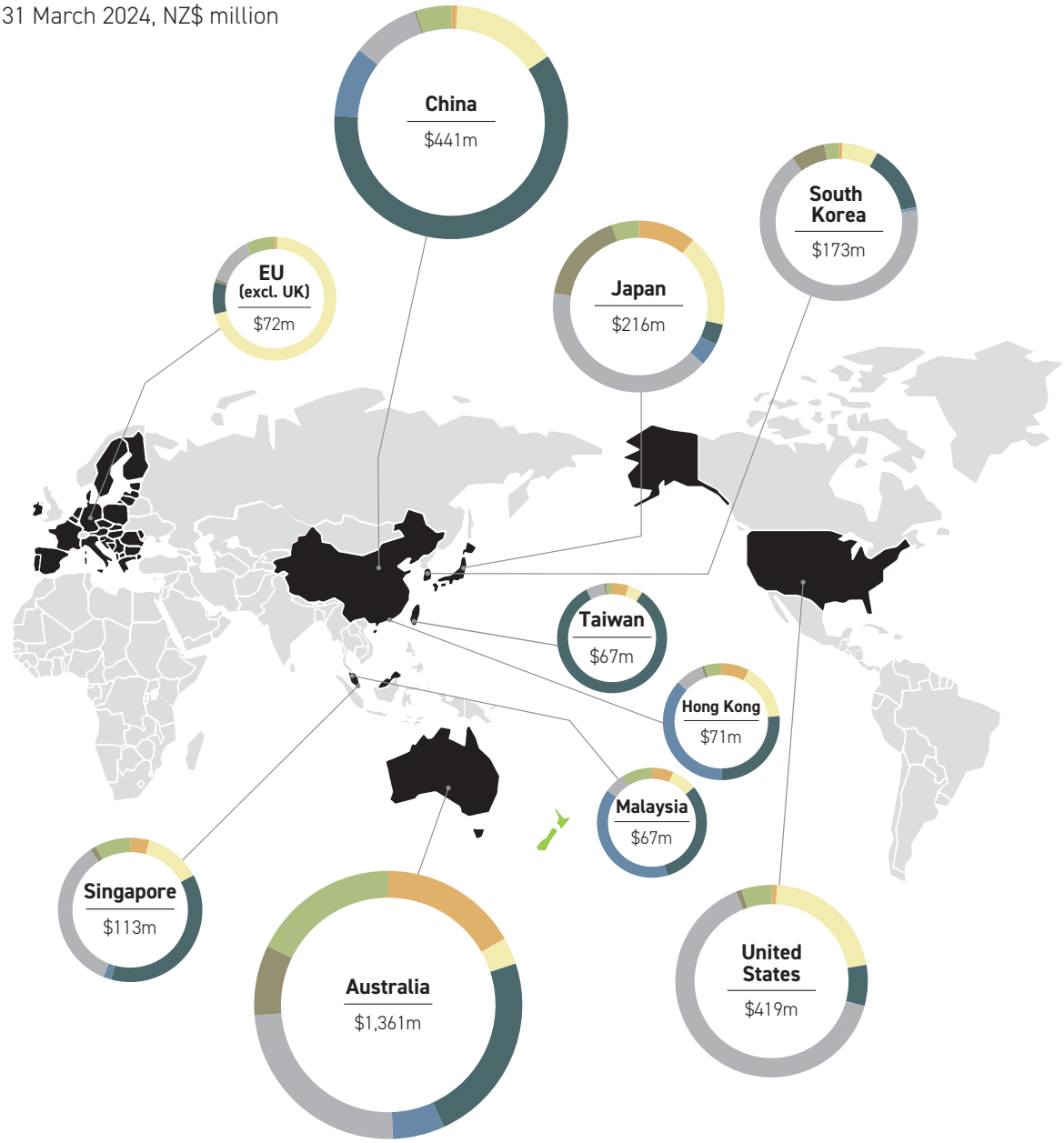
Year to 30 June, NZ$ million

	Actual				Forecast				
Product	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Innovative processed foods	785	652	680	810	840	880	930	960	970
Live animals**	273	488	474	486	250	280	290	300	300
Honey	425	481	455	379	420	440	430	450	470
Sugar and confectionery products	249	285	312	394	400	400	410	420	440
Cereal products	293	286	296	329	320	310	330	330	340
Soup and condiments	197	180	176	210	190	200	210	220	230
Other products*	766	716	835	882	1,030	1,040	1,060	1,090	1,110
Total export revenue	**2,988**	**3,087**	**3,228**	**3,491**	**3,450**	**3,550**	**3,650**	**3,760**	**3,860**
Year-on-year % change	**5%**	**3%**	**5%**	**6%**	**-1%**	**3%**	**3%**	**3%**	**3%**

* Includes beverages, vegetable-based dyes, and spices.
** Includes horses, cattle, poultry, goats, and other animals.
Totals may not add up due to rounding.
Percentages are rounded to the nearest whole percent.
Source: Stats NZ and MPI.

Top 10 processed food and other products export destinations

Year to 31 March 2024, NZ$ million



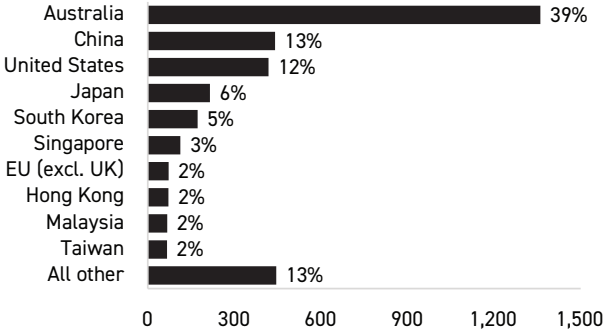
	Product	Export revenue (NZ$ million)	% of total
	Innovative processed foods	851	25%
	Honey	411	12%
	Sugar and confectionery products	399	12%
	Cereal products	321	9%
	Live animals	239	7%
	Soups and condiments	193	6%
	Other products	1,032	30%
	Total	**3,446**	**100%**

Totals may not add up due to rounding.
Source: Stats NZ.

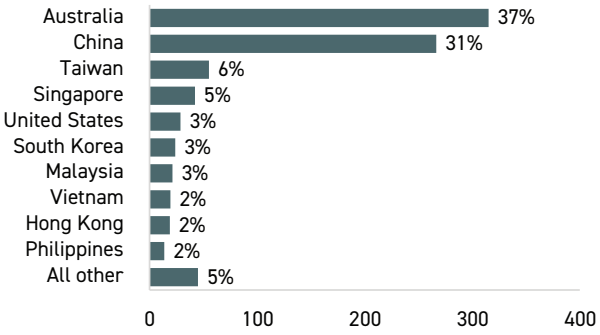
Top processed food and other products export markets

Year to 31 March 2024, NZ$ million and percent

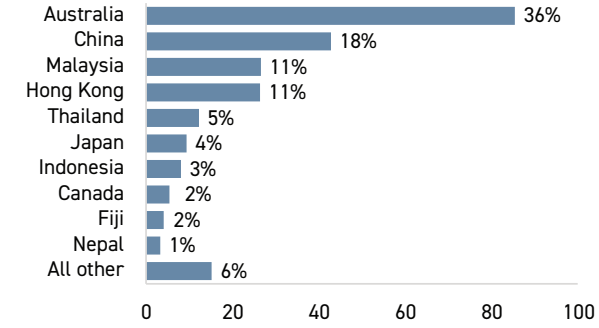
Total processed food and other products



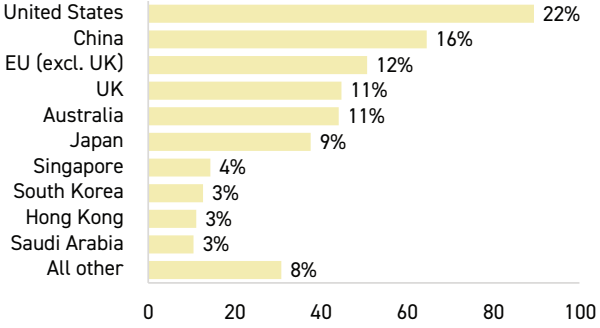
Innovative processed foods



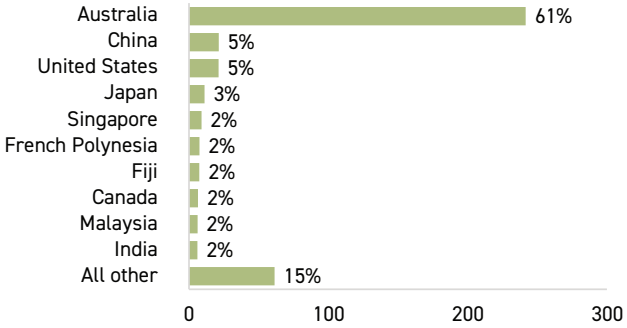
Live animals



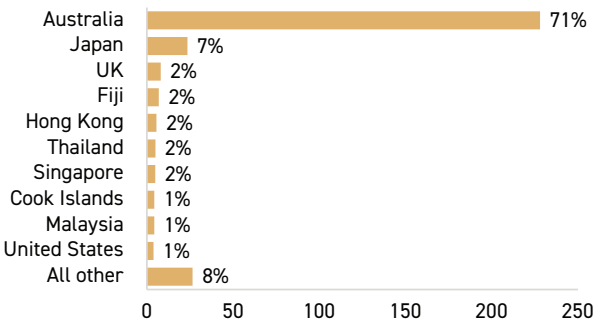
Honey



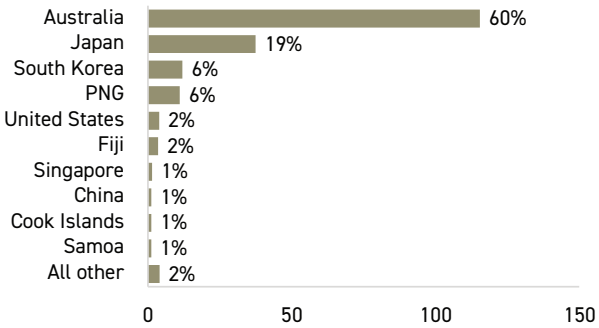
Sugar and confectionery products



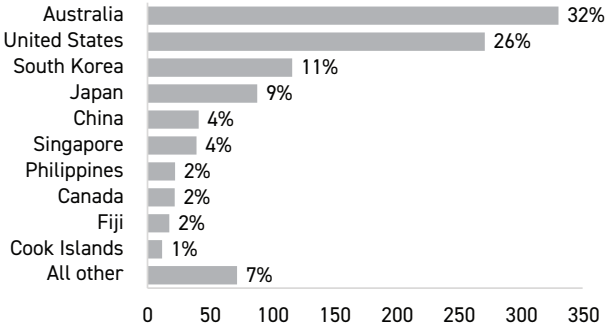
Cereal products



Soups and condiments



Other products



Source: Stats NZ.

A diverse sector that includes cereals, honey, and live animals

The processed food and other products sector encompasses a diverse set of product categories and industries, including honey, confectionery products (such as chocolate), cereal products, innovative processed foods (such as food ingredients), live animals, and other products (such as vegetable oil and soft drinks). Other products and innovative processed food are the leading categories accounting for 54 percent of overall revenue. Export revenue for this sector is forecast at $3.5 billion in the year to 30 June 2024, a 1 percent decrease on 2022/23.

Australia continues to be the largest export destination for the sector, generating $1.4 billion in export revenue in the year to 31 March 2024, a 7 percent increase on last year. The largest growth in revenue was achieved through exports into the US (the third–largest destination) where total revenue reached $419 million (up 59 percent) with monofloral mānuka honey and vegetable oil being the most popular exports.

Other products leading the way and forecast to reach $1 billion in export revenue

In the year to 30 June 2024, it is expected that other products will become the first category within this sector to reach $1 billion in export revenue. This represents a 17 percent increase on last year.

The beverages sector, which includes soft drinks and various flavoured drinks, is the largest export product within the other products category. It achieved export revenue of $283 million between March 2023 and 2024, which marks a 12 percent increase year on year and an impressive 84 percent growth over the past five years.

Vegetable oil saw the largest growth within the other products category, increasing 362 percent or $129 million to $164 million in export revenue in the year to 31 March 2024. This large increase is due to robust demand from the biofuel sector in the US as biofuels require fats as feedstock. Global prices have also been on the rise due to lower outputs in vegetable oil producing countries. Exports to the US are forecast to grow in the coming years as the biofuel sector continues to grow.

The innovative processed foods category is forecast to reach $840 million for the year to 30 June 2024, which represents a 4 percent increase on the previous year.

The sector saw its most substantial growth in export revenue to China, marking a 51 percent increase year on year equivalent to $89 million, resulting in total exports to China reaching $267 million.

The sector has also seen a significant shift in volume to value over recent years and growth in price per kilogram. Export volumes have decreased year on year since 2020 (down 37 percent) while export revenue has increased 6 percent with the price per kilogram in this same time period growing 69 percent from $16.24 in 2020 to $27.45 in 2024.

Another successful year for chocolate as exports reach $200 million in the year to 31 March 2024

Sugar and confectionery export revenue is expected to increase by 2 percent to $400 million in the year to 30 June 2024 with chocolate accounting for 50 percent of the total revenue.

Chocolate export revenue hit record levels in the year to 31 March 2024, growing 22 percent and reaching $199 million (Figure 57). This represents an impressive 169 percent increase over the last five years. Export volumes also increased an impressive 18 percent during the same time period.

However, over the past year, cocoa prices have risen by 270 percent, climbing to record levels of US$11,000 per tonne from US$3,000. This surge can be attributed to diminished production resulting from adverse weather conditions, aging trees, and crop diseases in West Africa, the region responsible for approximately 70 percent of global cocoa output.

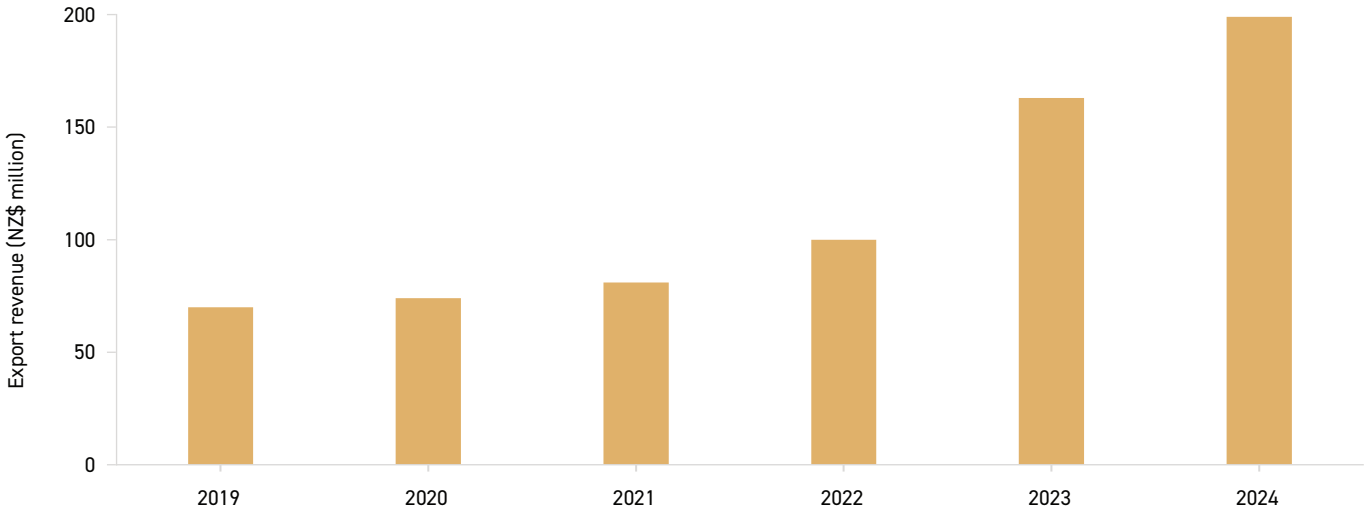
In the immediate future, New Zealand producers and exporters are shielded to some extent from these price hikes due to sourcing some cocoa from the Pacific. However, there is ambiguity regarding the mid to long-term outlook as it is expected that rises in export prices will be offset by a drop in export volume leading to only a marginal increase in export revenue from chocolate.

Export revenue for cereal products in the year to 30 June 2024 is forecast to decrease 3 percent from $329 million to $320 million. Other cereal products (such as bread and pastry) are the largest export sub-group across the cereal category and had another successful year to 31 March 2024, seeing growth of 13 percent and reaching export revenue of $117 million.

Strong international competition for exports coupled with an oversupply of cereals have driven global cereal prices to their lowest point since December 2020. This oversupply into overseas markets from international competition is already affecting the sector in New Zealand with export volumes in the year to 30 June 2024 being forecast to decrease 21 percent.

Figure 57: Record revenue for chocolate as exports reach $200 million

Year to 31 March, export revenue, NZ$ million



Source: Stats NZ and MPI.

Live animal export revenue to decline in 2023/24

Total export revenue for live animals is forecast to decrease 49 percent to $250 million for the year to 30 June 2024. This decline was expected as it is the first full year of the ban on live animal exports by sea being captured in the export statistics.

The June forecast represents an upward revision of the December forecast. This adjustment can be attributed to higher-than-expected volumes of live horse exports in the March quarter of 2023/24. This is the single-largest quarter for horse exports since 2017.

The industry has noticed increased cooperation with airfreight companies exporting live animals in recent months as the backlog from COVID-19 related logistical issues has been resolved.

Live poultry export revenue increased 32 percent ($18 million) over the last 12 months to $75 million with strong export growth and diversification into Malaysia, Japan, and Indonesia.

The planned review of live animal exports by sea policy has the potential to affect this forecast. Forecasts reflect current policy and will be revised if the legislation is substantially amended.

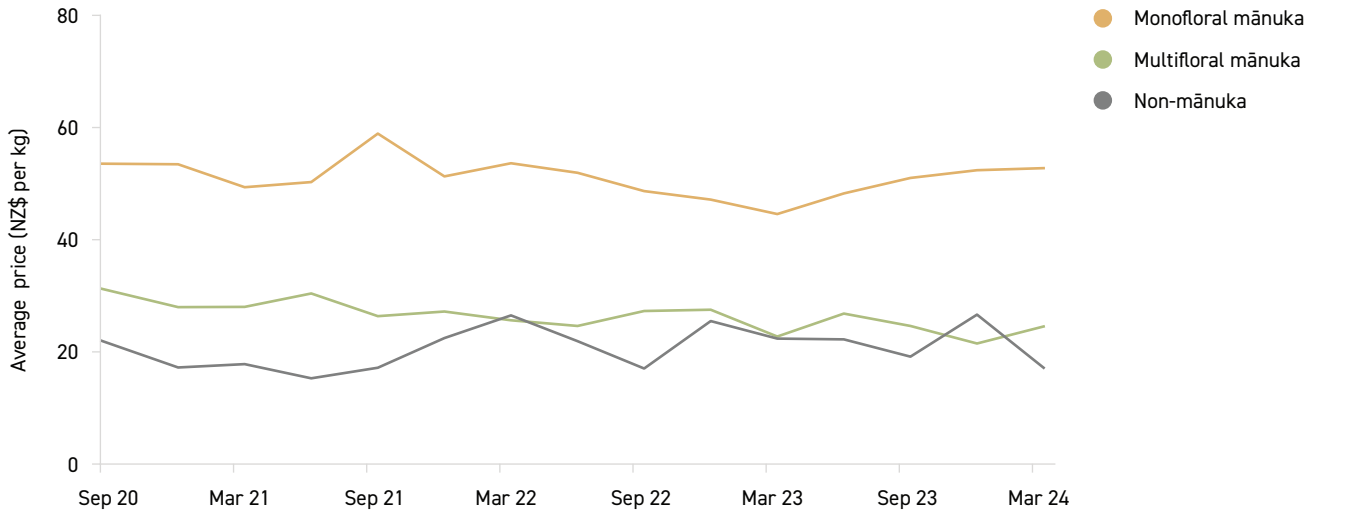
Higher export prices and volume for monofloral mānuka honey drives increased revenue in 2024

Honey export revenue is expected to increase 11 percent to $420 million for the year to 30 June 2024 driven by higher export prices and volumes of monofloral mānuka honey. The expected increase comes despite drops in revenue for other honey varieties.

Export volumes of monofloral mānuka for the year to date have increased by 10 percent compared with the same period in 2022/23 while the average price has increased by 9 percent since the June quarter of 2023, reaching a two-year high in the March quarter of 2024 (Figure 58).

Figure 58: Monofloral mānuka prices continue to improve, non-mānuka prices dip

Year to 30 June, average price, NZ$ per kg



Source: Stats NZ and MPI.

Export revenue for monofloral mānuka to the US (the top honey export destination for New Zealand) was up 34 percent for July–March 2023/24 compared with the same period in 2022/23 due largely to a 32 percent increase in volumes. Notably, the average price of monofloral mānuka to Australia has surged by 41 percent in the first three quarters of 2023/24 compared with the same time in 2022/23, spurred by strong demand and domestic price inflation. This has contributed to a 66 percent increase in revenue from monofloral mānuka to Australia for the July–March period in 2023/24 compared with 2022/23. There have also been 23 percent higher volumes of monofloral mānuka shipped to the EU with export revenue increasing by 29 percent.

Last year, there were concerns in the honey industry that finding buyers for premium-priced monofloral mānuka honey would be difficult in the current global economic conditions with ongoing raised living costs for consumers. While demand in some markets such as China remains comparatively low, increases in the US, Australia, and the EU are encouraging signs that the industry's marketing efforts in those regions are paying off. Honey export volumes to the EU will be further aided in the coming years by the NZ-EU FTA ratified on 1 May 2024, which has removed a 17.3 percent tariff on New Zealand's mānuka honey exports immediately with remaining tariffs on honey removed after three years.

The average export price for multifloral mānuka across all trade partners has decreased by 11 percent for July–March 2023/24 compared with July–March 2022/23 while volume has decreased by 13 percent. Meanwhile, the average price for non-mānuka honey has dropped 2 percent and volumes are 10 percent lower in 2023/24 when compared with the first three quarters of 2022/23. These drops for non-mānuka honey reflect an economic environment where there is much greater price competition for non-mānuka honey and export demand remains subdued.

Table 21: Honey prices, volumes, and revenue 2020–23

Year to 30 June

	2020	2021	2022	2023
Honey production (tonnes)	27,000	20,500	22,000	12,000
Export volume (tonnes)	10,278	12,690	11,320	9,880
Average export price (NZ$/kg)	41.31	37.89	40.19	38.36
Total export revenue (NZ$ thousand)	**424,607**	**480,816**	**454,968**	**379,015**
Year-on-year % change	**20%**	**13%**	**–5%**	**–17%**

Percentages are rounded to the nearest whole percent.
Source: Stats NZ and MPI.

On the production side, drier and more settled weather has made things a bit easier for beekeepers this season with the coming of El Niño, but there has been some rationalisation of the industry as the number of registered hives continues to decline from its peak in 2019. Input costs, particularly for fuel and labour, continue to put pressure on margins for beekeepers, spurring the downscaling of operations across small and large producers alike. The 2023/24 honey crop is therefore expected to be lower than 2019–22 levels but an improvement on the 2022/23 season in terms of both overall production and the average yield per hive.

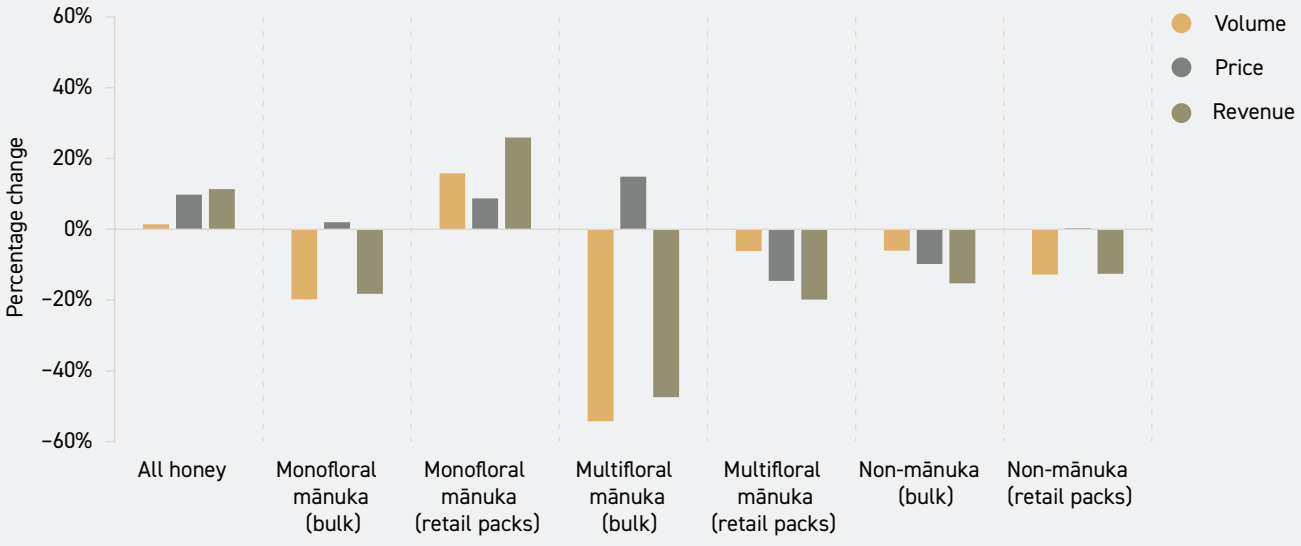
While it has been a challenging time for the industry domestically over the last few years, the outlook for honey exports is looking positive. New Zealand has been ranking first or second (behind China) in the world in terms of honey export value but exports honey at a much smaller volume than other countries that focus on the export of lower-value commodity honey such as China, Argentina, and India. The increased revenue for 2023/24 to date has been driven solely by higher prices and export sales of monofloral mānuka retail packs (Figure 59), which have accounted for 76 percent of honey revenue in 2023/24 and 63 percent of total revenue over the previous five years.

Now that honey revenue has started to recover from the dip in 2022/23 and buyers for monofloral mānuka are being found in both established and emerging markets with plenty of room for growth, New Zealand producers and exporters are well positioned to increase honey export revenue with a value-based strategy – in the first instance, by taking advantage of the growth in e-commerce in the EU and UK and the recent FTAs passed with them.

Honey export revenue is forecast to grow in the coming years with revenue forecast to reach $440 million in the year to 30 June 2025.

Figure 59: Higher price and volume for monofloral mānuka retail packs lifts overall honey revenue

Nine months to 31 March, 2024 versus 2023, percentage change



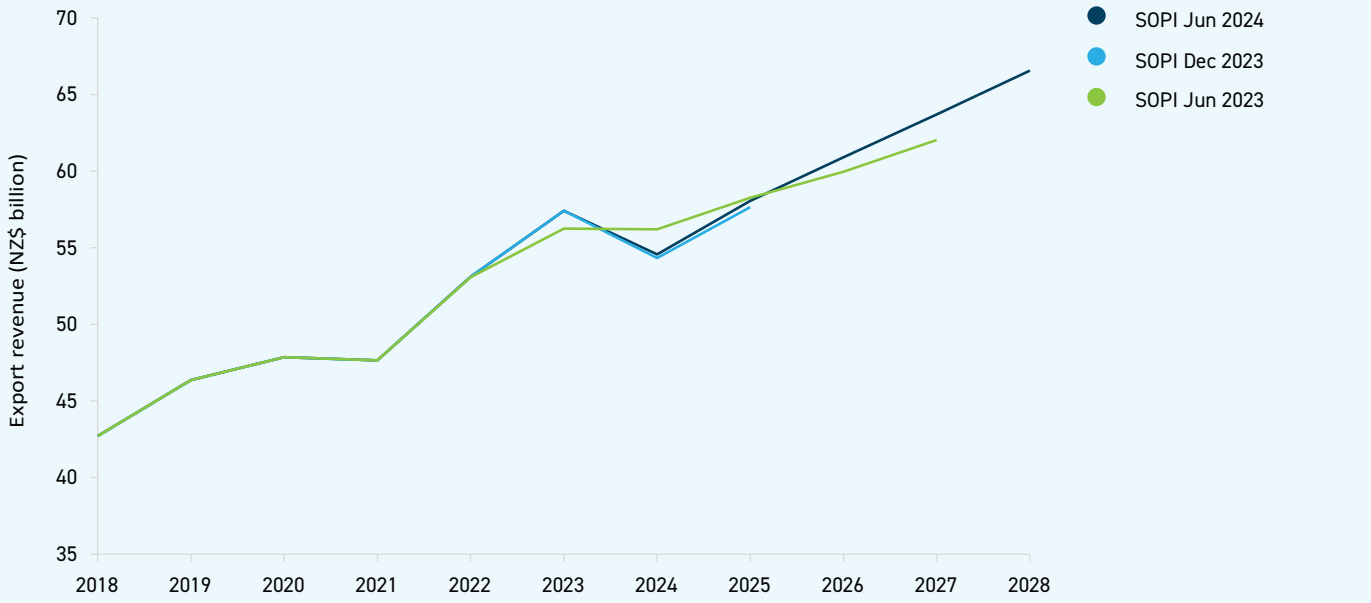
Source: Stats NZ and MPI.

Forecast tracking

Export revenue for the year to 30 June 2024 has been revised upward very slightly compared with the forecast in December 2023 (Figure 60) but remains 3 percent lower than the June 2023 forecast. Individual sector revisions are shown in Table 22.

Figure 60: MPI export revenue forecasts

Year to 30 June, export revenue, NZ$ billion



Source: Stats NZ and MPI.

Table 22: Export forecast comparison 2019–27

Year to 30 June, NZ$ million

		Actual					Forecast			
Sector	**Forecast round**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Dairy	Jun 2024	18,107	20,102	19,055	21,998	26,008	24,160	25,750	27,110	28,640
	Jun 2023	18,107	20,102	19,055	21,998	25,120	25,340	26,390	27,140	28,250
	Difference	**0%**	**0%**	**0%**	**0%**	**4%**	**–5%**	**–2%**	**0%**	**1%**
Meat and wool	Jun 2024	10,176	10,617	10,373	12,310	12,114	11,450	11,770	12,200	12,560
	Jun 2023	10,176	10,617	10,373	12,310	11,940	11,440	11,510	11,700	11,920
	Difference	**0%**	**0%**	**0%**	**0%**	**1%**	**0%**	**2%**	**4%**	**5%**
Forestry	Jun 2024	6,883	5,452	6,499	6,578	6,353	5,880	6,170	6,390	6,530
	Jun 2023	6,883	5,452	6,499	6,578	6,530	6,590	6,770	6,990	7,330
	Difference	**0%**	**0%**	**0%**	**0%**	**–3%**	**–11%**	**–9%**	**–9%**	**–11%**
Horticulture	Jun 2024	6,134	6,541	6,579	6,815	7,066	7,110	8,020	8,630	9,180
	Jun 2023	6,134	6,541	6,579	6,782	6,920	7,350	7,940	8,310	8,630
	Difference	**0%**	**0%**	**0%**	**0%**	**2%**	**–3%**	**1%**	**4%**	**6%**
Seafood	Jun 2024	1,963	1,857	1,789	1,919	2,097	2,200	2,490	2,590	2,710
	Jun 2023	1,963	1,857	1,789	1,919	2,080	2,120	2,210	2,290	2,350
	Difference	**0%**	**0%**	**0%**	**0%**	**1%**	**4%**	**13%**	**13%**	**15%**
Arable	Jun 2024	236	289	261	252	272	310	310	310	310
	Jun 2023	236	289	261	252	245	245	255	260	260
	Difference	**0%**	**0%**	**0%**	**0%**	**11%**	**27%**	**22%**	**19%**	**19%**
Processed food and other products*	Jun 2024	2,854	2,988	3,087	3,228	3,491	3,450	3,550	3,650	3,760
	Jun 2023	2,854	2,988	3,087	3,226	3,410	3,110	3,180	3,260	3,290
	Difference	**0%**	**0%**	**0%**	**0%**	**2%**	**11%**	**12%**	**12%**	**14%**
Total exports	**Jun 2024**	**46,355**	**47,846**	**47,642**	**53,100**	**57,402**	**54,560**	**58,050**	**60,890**	**63,690**
	Jun 2023	**46,355**	**47,846**	**47,642**	**53,065**	**56,245**	**56,195**	**58,255**	**59,950**	**62,030**
	Difference	**0%**	**0%**	**0%**	**0%**	**2%**	**–3%**	**0%**	**2%**	**3%**

* Includes live animals, honey, and processed food.
Values for 2022 have been updated due to corrections by Stats NZ.
Totals may not add up due to rounding.
Forecast revenue for 2028 can be found in Table 1.
Source: Stats NZ and MPI.

Gross agricultural revenue and expenditure

The food and fibre sector directly contributed $34.4 billion to national GDP in the year to 31 March 2022 . Over the past decade, core production industries made up approximately 6 percent of total GDP while related processing/ manufacturing industries added a further 5 percent to GDP (Figure 61). Contribution to GDP is the value added to the economy and is calculated as the gross revenue an industry receives less the amount spent in creating that revenue.

The food and fibre sector consists of seven core production and eight processing industries. Dairy cattle farming leads the group with an annual average contribution to the sector's GDP of 20 percent, followed by sheep, beef cattle, and grain farming and dairy product manufacturing.

The sector's contribution to the economy extends beyond the direct GDP values.

Using Stats NZ's input-output tables and the latest GDP data by detailed industry, the food and fibre sector had an estimated overall GDP contribution of $55.5 billion or a 17 percent contribution to the national GDP.

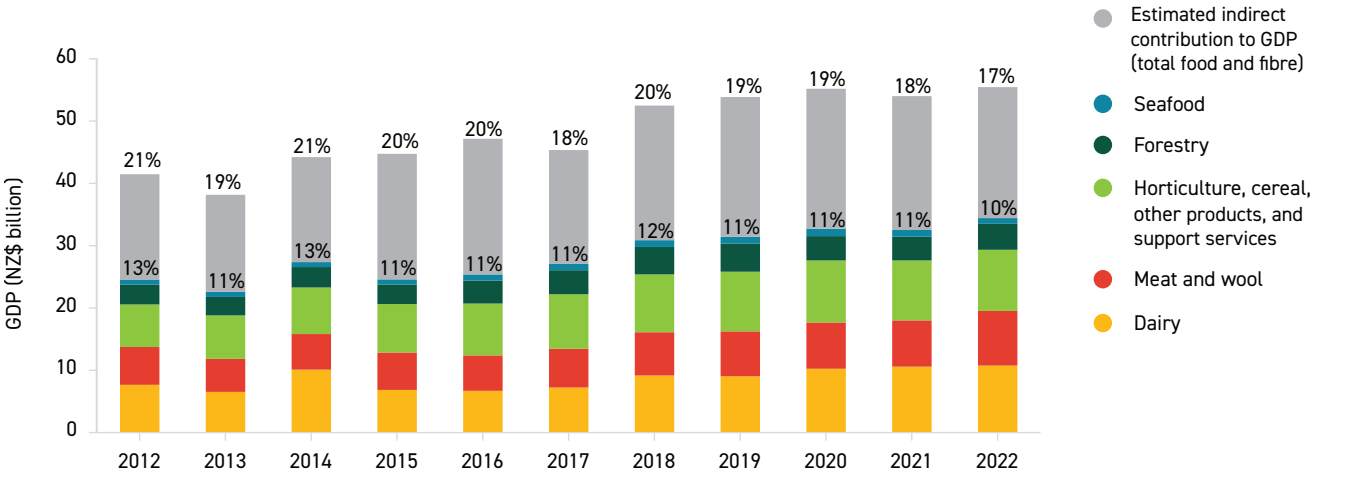
Activities in the agri-food sector have flow-on effects across the wider economy. For example, the dairy value chain includes storing, transporting, processing, packaging, and retailing milk for final consumption. The industry also affects other sectors of the economy as it uses outputs of industries such as transportation and warehousing and is supported by other services like finance, legal, and accounting.

Taking these downstream impacts into consideration, the wider contribution and influence of the industry is then expanded by way of multipliers. The multipliers are calculated using Stats NZ's input-output tables, which show the relationships between industries, the goods and services they produce, and who uses them. The latest input-output tables were released in March 2020.

The food and fibre sector tallied $21.0 billion in indirect GDP contribution, more than three-quarters of which was linked to the processing industries (77 percent). By comparison, only 40 percent of direct contribution to GDP comes from the processing industries. Forestry and logging generated the highest indirect GDP contribution among the production industries ($1.4 billion). Dairy and meat product manufacturing had a combined contribution of $7.9 billion, accounting for 39 percent of the total indirect value added from the food and fibre sector. The beverage and tobacco industry was also one of the key contributors with $2.3 billion in indirect GDP contribution.

Figure 61: Food and fibre GDP grew in 2022

Year to 31 March, GDP in NZ$ billion and percentage of total New Zealand GDP all industries



Sectors include direct contribution from production and processing.
Source: Stats NZ and MPI.

Agriculture sector revenue and expenditure

Detailed data on agricultural revenue is part of the national accounts published by Stats NZ, which include the gross revenue received by agricultural businesses and their expenditure or intermediate consumption. The latest national accounts data to 31 March 2022 (Figure 62) shows that, since 2016, the agricultural sector's gross revenue increased 64 percent to $35 billion.

Agricultural sector income is closely linked to export income, as are seafood and forestry (which are not included in the agricultural accounts). Because a high proportion of agricultural production is exported, export revenue forecasts have a direct effect on farmers' and growers' incomes and the level of wealth in the sector.

Intermediate consumption increased 37 percent to $19 billion over the same period. The largest contributor to intermediate consumption was feed and grazing at 25 percent of the total followed by fertiliser lime and seeds at 16 percent. The proportions of spending on these categories have been moving in opposite directions in the last five years. This suggests that farmers (especially for dairy) may have spent more on imported feed than fertiliser since it is a more flexible way of boosting production while milk prices remain high.

While intermediate consumption remains fairly steady, gross revenue is more variable and therefore the value added also varies in dollar terms. However, agricultural sector contribution to the total GDP of all industries remains consistent at 9–10 percent since 2016 and 10–12 percent when forestry and fisheries are included (Figure 61).

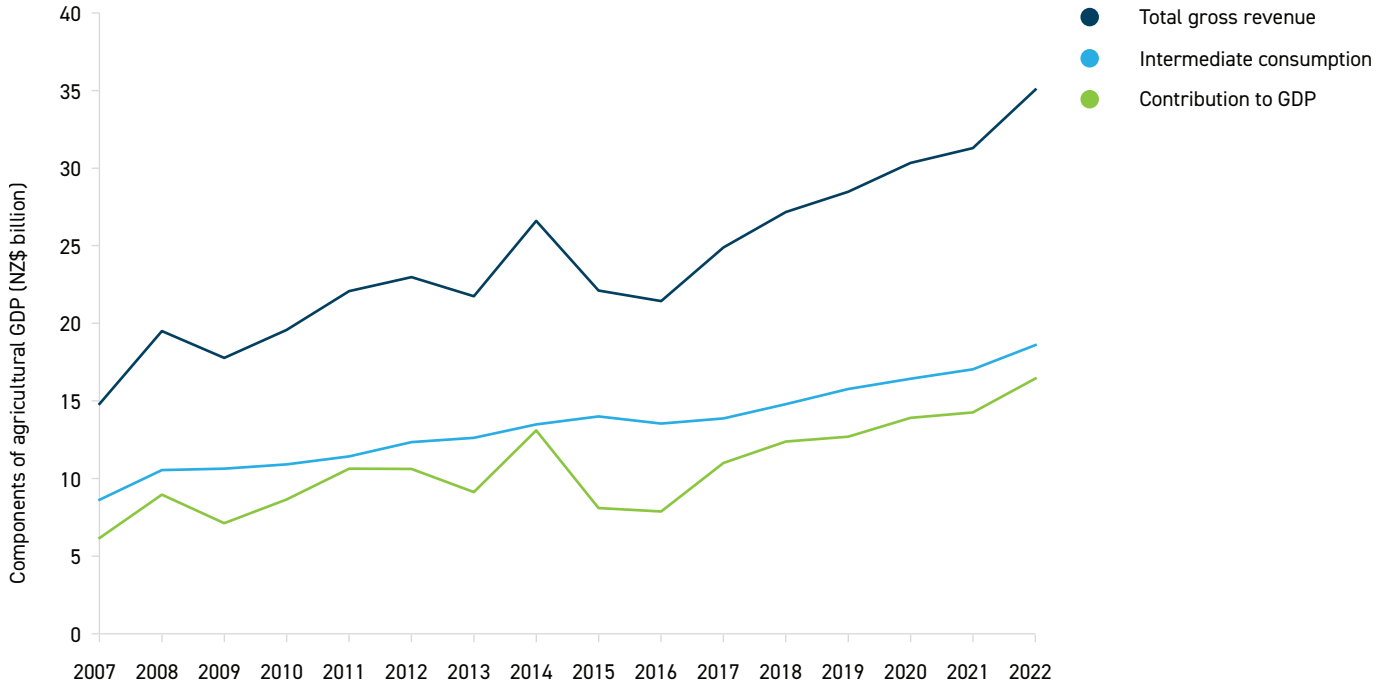
Agricultural sector net income is the difference between contribution to GDP minus wages, interest, and other costs. Agricultural sector net income has risen from $6.1 billion in 2018 to $9.8 billion in 2022.

For the year to 31 March 2023, MPI forecasts (Table 23):

- total gross agricultural revenue to have decreased 2 percent to $34 billion driven by a fall in milk payouts
- intermediate consumption to have increased 3 percent to $19 billion as costs continue to rise, particularly fuel, fertiliser, and feed
- giving a 9 percent decrease in GDP contribution compared with 2022;
- factoring in wages and interest payments, which are both expected to have increased, as well as depreciation and taxes means agricultural sector income is forecast to have fallen by 34 percent to $6.5 billion in the year to 31 March 2023. Income is expected to start to increase again from 2025 as export revenue recovers.

Figure 62: Agricultural revenue has grown faster than expenditure since 2016

Year to 31 March, components of agricultural GDP, NZ$ billion



Source: Stats NZ.

Table 23: Gross agricultural revenue and expenditure 2020–28

Year to 31 March, NZ$ million

	Actual			Estimate	Forecast				
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Dairy	13,702	14,851	17,564	16,680	15,430	16,210	17,770	18,560	19,100
Cattle	3,437	3,202	3,716	3,950	3,760	3,870	4,040	4,140	4,190
Sheepmeat	3,307	2,947	3,266	3,210	2,850	2,810	2,810	2,870	2,940
Wool	518	370	427	390	400	360	380	370	370
Deer	144	106	124	160	130	150	130	140	140
Pigs	178	180	195	200	200	200	200	200	200
Poultry/eggs	231	229	208	230	230	240	240	250	250
Other farming	292	270	307	310	290	290	300	310	310
Sales of live animals	1,075	1,188	1,313	1,350	1,240	1,260	1,290	1,320	1,340
Value of livestock change	–109	-67	-128	-50	-70	-20	-10	-20	-30
Fruit	4,242	4,705	4,499	4,460	4,350	5,340	5,670	6,110	6,560
Vegetables	1,199	1,151	1,231	1,340	1,400	1,510	1,640	1,750	1,780
Other horticulture	605	727	688	750	780	840	920	980	1000
Crops and seeds	729	741	767	680	930	860	870	880	900
Agricultural services	222	226	238	230	220	240	250	260	270
Non-farm income	518	530	567	230	220	240	250	260	270
TOTAL GROSS REVENUE	**30,290**	**31,356**	**34,982**	**34,130**	**32,370**	**34,390**	**36,770**	**38,370**	**39,600**
Intermediate consumption	16,424	17,038	18,610	19,250	19,240	19,700	20,530	21,400	22,200
CONTRIBUTION TO GDP	**13,866**	**14,318**	**16,372**	**14,880**	**13,130**	**14,690**	**16,240**	**16,970**	**17,380**
Wages	2,872	3,050	3,079	3,280	3,490	3,640	3,750	3,850	3,940
Depreciation	1,914	1,996	2,111	2,220	2,330	2,450	2,570	2,710	2,840
Net indirect taxes*	985	899	1,075	1,060	930	1,040	1,160	1,210	1,230
OPERATING SURPLUS	**9,121**	**9,440**	**11,271**	**9,420**	**7,360**	**8,650**	**9,960**	**10,460**	**10,640**
Interest paid	2,494	2,090	2,056	3,250	4,070	3,990	3,730	3,550	3,500
Interest received	444	560	630	340	270	280	320	350	370
AGRICULTURE SECTOR INCOME	**7,071**	**7,910**	**9,845**	**6,500**	**3,560**	**4,930**	**6,550**	**7,250**	**7,510**

* Net indirect taxes are indirect taxes less subsidies.

Source: Stats NZ and MPI.

Economic Intelligence Unit online resources

More primary industry data can be found on the MPI website: **www.mpi.govt.nz/EIU**

Market Insights

Reports that provide insights into consumer preferences and purchasing behaviour as well as in-depth research into the channels that supply them.

Situation and Outlook for Primary Industries

The latest update and underlying data for our outlook on the food and fibre sector plus access to previous SOPI reports.

Farm Monitoring

Data and reports on farm-level production, expenditure, and profit trends of individual primary industry sectors.

Data

A range of publicly available data covering primary industry production and trade.

www.mpi.govt.nz