

8 December 2023

LET'S HAVE A DEEP DIVE INTO THE NEW ZEALAND PRIMARY INDUSTRIES

1. Total food and fibre exports for the 2023 year ended: \$57.4 billion.
2. Percent of total New Zealand merchandise trade from food and fibre: 81.8%.
3. New Zealand actual export revenue for the year ended 31 March 2023:

Dairy	\$25.425 billion	(44.3%)
Meat and Wool	\$12.375 billion	(21.6%)
Forestry	\$6.685 billion	(11.6%)
Horticulture	\$7.064 billion	(12.3%)
Seafood	\$2.007 billion	(3.5%)
Arable	\$0.242 billion	(0.42%)
Processed Food and Other Products	\$3.602 billion	(6.28%)
	\$57.400 billion	(100.00%)
	=====	=====

4. Top 10 export countries in the 2023 year:

China	\$19.191 billion	(33.43%)
USA	\$5.842 billion	(10.18%)
Australia	\$4.848 billion	(8.45%)
EU (excluding UK)	\$3.709 billion	(6.46%)
Japan	\$3.099 billion	(5.40%)
South Korea	\$1.883 billion	(3.28%)
Indonesia	\$1.845 billion	(3.21%)
Taiwan	\$1.523 billion	(2.65%)
Malaysia	\$1.257 billion	(2.19%)
Thailand	\$1.206 billion	(2.10%)
Other Destinations	\$12.997 billion	(22.65%)
	\$57.400 billion	(100.00%)
	=====	=====

5. Percent of exports to China of New Zealand total in the 2023 year:

		<u>Rank</u>
Forestry	54%	(No 1)
Meat and Wool	37%	(No 1)
Seafood	36%	(No 1)
Dairy	34%	(No 1)
Processed Food	19%	(No 2)
Horticulture	14%	(No 3)
Arable	6%	(No 4)

6. Percent of exports to Australia of New Zealand total in the 2023 year:

		<u>Rank</u>
Processed Food	37%	(No 1)
Seafood	14%	(No 3)
Horticulture	13%	(No 4)
Arable	12%	(No 2)
Forestry	10%	(No 2)
Dairy	5%	(No 3)
Meat and Wool	3%	(No 5)

7. Percent of exports to USA of New Zealand total in the 2023 year:

		<u>Rank</u>
Meat and Wool	20%	(No 2)
Horticulture	16%	(No 1)
Seafood	15%	(No 2)
Arable	9%	(No 3)
Processed Food	8%	(No 3)
Forestry	6%	(No 4)
Dairy	5%	(No 4)

8. Estimated overall financial effects of Cyclone Gabrielle on food and fibre in the 2023 year:

Apples and Pears	\$875 million
Forestry	\$375 million
Vegetables	\$250 million
Sheep, Beef and Deer	\$250 million
Dairy	\$150 million
Other Fruit	\$150 million
Wine	\$50 million
	<hr/>
	\$2.1 billion
	=====

9. Estimated food and fibre export revenue for the year to end 30 June 2027:

Dairy	\$28.250 billion
Meat and Wool	\$11.920 billion
Horticulture	\$8.630 billion
Forestry	\$7.330 billion
Seafood	\$2.350 billion
Arable	\$0.260 billion
Processed Food and Other	\$3.290 billion
	<hr/>
	\$62.030 billion
	=====

Note:

This \$62.030 billion estimate is an increase on the 2023 year actual figure (\$57.4 billion) of \$4.630 billion or 8.07% - this represents over the four years an annual compound increase of 1.96%.

10. Peak New Zealand inflation rate was 7.2% at 30 September 2022 - is approximately 5.6% at 31 October 2023 - the USA at 31 October 2023 is 3.2%.
11. Number of New Zealand people employed directly and indirectly in the food and fibre sector: Approximately 360,000, which is around 12.3% of the total New Zealand labour force.
12. Increase in New Zealand consumer food prices over the year ended 30 April 2023: 12.5%.
13. Increase in New Zealand farm expenses price index from March 2022 to March 2023: 11.7%.

14. Key farm price increases were interest 51.6% and fertiliser 13.3% relative to the previous point.
15. Over the last 9.5 years the New Zealand Dollar has weakened relative to the USA Dollar by 31% - that is from \$0.8675 in April 2014 to \$0.5988 on 17 November 2023 - a \$10,000 USD holiday in the USA at the present time would cost just on \$16,000 NZD today.
16. Fonterra actual payouts for the last 15 years (per kg of milk solids):

<u>Year</u>	<u>Milk</u>	<u>Dividend</u>	<u>Total</u>
2009 year	\$4.75/kg	\$0.45/kg	\$5.20/kg
2010 year	\$6.10/kg	\$0.27/kg	\$6.37/kg
2011 year	\$7.60/kg	\$0.30/kg	\$7.90/kg
2012 year	\$6.08/kg	\$0.32/kg	\$6.40/kg
2013 year	\$5.84/kg	\$0.32/kg	\$6.16/kg
2014 year	\$8.40/kg	\$0.10/kg	\$8.50/kg
2015 year	\$4.40/kg	\$0.25/kg	\$4.65/kg
2016 year	\$3.90/kg	\$0.40/kg	\$4.30/kg
2017 year	\$6.12/kg	\$0.40/kg	\$6.52/kg
2018 year	\$6.69/kg	\$0.10/kg	\$6.79/kg
2019 year	\$6.35/kg	\$0.00/kg	\$6.35/kg
2020 year	\$7.14/kg	\$0.05/kg	\$7.19/kg
2021 year	\$7.54/kg	\$0.20/kg	\$7.74/kg
2022 year	\$9.30/kg	\$0.20/kg	\$9.50/kg
2023 year	\$8.22/kg	\$0.50/kg	\$8.72/kg
15 year Average	<u>\$6.56/kg</u> =====	<u>\$0.26/kg</u> =====	<u>\$6.82/kg</u> =====

17. Estimated dairy stock and production:

	<u>Actual</u> 30 June 2023	<u>Estimates</u> 30 June 2027
Cows and Heifers in Milk	\$4.78 million	\$4.71 million
Milk Solids Production	1,865,000 kg	1,906,000 kg
Milk Solids per Average Cows Milked	390 kg	405 kg
Milk Solids Payout	\$8.28/kg	\$9.40/kg

Notes:

- (1) An estimated drop in cows in milk of 700,000 (14.64%).
 (2) An estimated increase in production of 410,000 kg (2.2%).
 (3) An estimated increase in kilograms per average cows milked of 15 kg (3.84%).

18. New Zealand actual and estimated meat and wool exports

<u>Year Ended</u>		
30 June 2019	Actual	\$10.176 billion
30 June 2020	Actual	\$10.617 billion
30 June 2021	Actual	\$10.373 billion
30 June 2022	Actual	\$12.310 billion
30 June 2023	Estimate	\$11.940 billion
30 June 2024	Estimate	\$11.440 billion
30 June 2025	Estimate	\$11.510 billion
30 June 2026	Estimate	\$11.700 billion
30 June 2027	Estimate	\$11.920 billion

Note:

The 2027 year increase from the 2019 year is 17.13% - over the eight years this represents an annual compound increase of 2%.

19. New Zealand actual and estimated meat and wool export split:

	<u>2019 (Actual)</u>	<u>2027 (Estimate)</u>
Beef and Veal	\$3,324 million	\$4,420 million
Lamb	\$3,227 million	\$3,300 million
Mutton	\$576 million	\$590 million
Wool	\$549 million	\$450 million
Venison	\$186 million	\$160 million
Other Meat	\$610 million	\$700 million
Hides and Skins	\$354 million	\$260 million
Animal Co-Products	\$729 million	\$990 million
Animal Fats and Oils	\$115 million	\$300 million
Animal Products for Feed	\$376 million	\$650 million
Carpet and Wool Products	\$130 million	\$100 million
	<u>\$10.176 billion</u> =====	<u>\$11.920 billion</u> =====

20. Ten major New Zealand meat and wool export destinations for the year ended 31 March 2023:

China	\$4,602 million
USA	\$2,441 million
EU (excluding UK)	\$1,543 million
Japan	\$551 million
UK	\$413 million
Australia	\$381 million
South Korea	\$356 million
Taiwan	\$313 million
Canada	\$272 million
Indonesia	\$176 million
Other Destinations	\$922 million
	<u>\$11.940 billion</u> =====

21. New Zealand five year average sheep and beef farm profitability to 30 June 2022: \$162,315, estimated for 2023 year: \$146,300 per farm - will be significantly lower for the 2024 year.

22. Sheep and cattle numbers - actual and estimated:

	<u>Actual</u> <u>2019</u>	<u>Actual</u> <u>2023</u>	<u>Estimated</u> <u>2027</u>
(a) Beef Cattle	3.9 million	3.8 million	3.6 million
(b) Dairy Cattle	6.3 million	6.1 million	6.0 million
(c) Sheep	26.8 million	24.9 million	23.2 million
(d) Deer	800,000	700,000	700,000
(e) Breeding Ewes (1)	16.8 million	15.4 million	14.5 million

(Note:
(1) Included in total sheep numbers in line (c).)

23. Estimated overall sheep numbers in Australia at 30 June 2023: 79 million.

24. Estimated New Zealand shearing costs per head in 2024 year: \$6.15 per head.

25. New Zealand strong wool (above 31.4microns) constitutes 71% of New Zealand wool processed for export.

26. Estimated horticulture export revenue in the year to end 30 June 2027

Kiwifruit	\$3.75 billion
Wine	\$2.60 billion
Apples and Pears	\$0.92 billion
Fresh and Processed Vegetables	\$0.81 billion
Other Horticulture	\$0.55 billion
Total Export Value	\$8.630 billion =====

27. Comments from an accountant's desk:

- (a) New Zealand exports of technology of various kinds is now around \$11.5 billion and is around 14% of New Zealand total export income. This sector employs 63,000 people.
- (b) Another key export industry is personal and business travel.
- (c) One of New Zealand's weaknesses is its poor productivity record - working more hours is not productivity as measured but it is what many New Zealand people do - such as the writer.
- (d) The New Zealand Government tax take from dairy, sheep and beef is going to be lower than they have budgeted for in the 2024 year and probably also the 2025 year at this point.
- (e) The pathway/direction of forestry planting in New Zealand for carbon farming effectively is confusing and needs more focus and involvement of key parties in the forestry and farming camps.
- (f) The tax take from New Zealand agriculture is much smaller than might be anticipated even in a so-called normal year, but their contribution towards New Zealand exports is a quite different story.
- (g) The new New Zealand Government needs to make some hard decisions early on - deferring hard decisions is what the bottom group in every sector do.



Pita Alexander
PS Alexander & Associates Limited
DDI: 03 364 9330
M: 021 465 426
E: pita@alexanders.net.nz



Alister Stevenson
PS Alexander & Associates Limited
DDI: 03 364 9332
M: 021 843 820
E: alister@alexanders.net.nz



Karen Prue
PS Alexander & Associates Limited
DDI: 03 364 9344
M: 027 535 3191
E: karen@alexanders.net.nz