Ministry for Primary Industries
Manatū Ahu Matua

Situation and Outlook for Primary Industries

DECEMBER 2023

Te Kāwanatanga o Aotearoa
New Zealand Government

Acknowledgements

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Cover photos:
1. Dairy cows in front of Mount Taranaki.
2. Gold kiwifruit.
3. Boat entering Milford Sound in early morning.

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 September 2023 quarter are provisional. Late data and amendments may be included in subsequent Stats NZ data releases.

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

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Disclaimer

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Minister's foreword

I am pleased to present the December 2023 edition of the *Situation and Outlook for Primary Industries* (SOPI), my first as Minister of Agriculture and Trade.

Our food and fibre sector continues to underpin New Zealand's economy. This SOPI forecasts export revenue will reach $54.3 billion in the year to 30 June 2024, and build to record levels to $57.7 billion in the year to 30 June 2025.

While this year's forecast dip follows record export revenue of $57.4 billion in the year to 30 June 2023, it is a strong result and testament to the ongoing hard work of our farmers, growers, fishers, foresters and processors.

New Zealand is not immune to world events. For example, conflicts continue to cause challenges, such as pushing up input costs for our growers and farmers. But we can take some confidence knowing that the pace of these cost increases is starting to slow.

Factors such as strengthening kiwifruit prices and a rebound in our seafood exports over the last couple of years offer further promise, with the overall mid to long-term outlook for our food and fibre sector exports looking strong.

The world knows we produce exceptional food and fibre. To grow our exports and continue providing vital food and fibre here at home, we need the right settings, tools and support in place.

The Government is committed to ensuring farming regulations are fit for purpose. We'll return the management of local issues to local people through their councils, and ensure our rural communities have the tools they need to continue providing New Zealand, and the world, with high quality, low-carbon, safe food and fibre.

These are all aimed at enabling our food and fibre producers to get on with the job of running their businesses.

To grow New Zealand's prosperity and success on the world stage, the Government has set an ambitious trade target of doubling the value of our exports within 10 years, including from agriculture and forestry.

To achieve this, we will work to dismantle the trade barriers that make it difficult for our food and fibre sector to sell its high-quality products overseas.

In my roles as both Minister of Agriculture and Minister of Trade, I've made a commitment that this Government will conduct a record number of trade missions to open doors for New Zealand exporters.

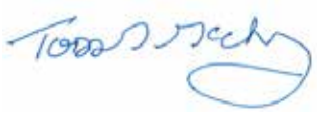
This includes investing more in our relationships with India, the Gulf Cooperation Council, and the Pacific Alliance to create the conditions that will allow high quality free trade agreements to be achieved with them. It also includes getting more from existing trade relationships including with Australia, China, the European Union, Japan, the United Kingdom, the United States, and of course the CPTPP to name a few.

I'll shortly travel to India to set the foundations to forge strong and lasting strategic relationships with this important trade partner.

This SOPI provides optimism for the future. I'd like to acknowledge the food and fibre sector's ongoing efforts and its significant contribution to New Zealand.

Recent years have been tough and confidence has taken a hit. I am committed to working alongside the sector to rebuild confidence and ensure the long-term success and sustainability of our food and fibre businesses.

Together, we'll drive further opportunities and tackle challenges together to serve our rural communities and New Zealand well into the future.



Hon Todd McClay
Minister of Agriculture

Director-General's introduction

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

I'm incredibly proud to be part of the sector, and our team at the Ministry for Primary Industries (MPI) is committed to helping ensure its ongoing success and prosperity.

Since 2012/13, food and fibre sector export revenue has grown an impressive 75 percent to a record $57.4 billion in the year to 30 June 2023. After years of consistent growth, we are forecasting export revenue to temporarily dip to $54.3 billion in the year to 30 June 2024, with exports returning to a record $57.7 billion in the year to 30 June 2025.

This forecast growth is a testament to the ongoing hard work, commitment, and resilience of our food and fibre producers.

This year, the sector has navigated a confluence of global events. The pandemic and conflicts overseas have caused significant challenges for our producers, including raising inflation and costs of living, supressing consumer demand, and causing a slowdown in China.

Earlier this year, many North Island producers were also hit by significant adverse weather events, with many of our producers in the cyclone-affected regions still on the road to recovery. MPI is committed to supporting recovery and rebuild efforts, including through our teams on the ground, such as On Farm Support.

We are seeing the effects of recent challenges on our largest sectors, including dairy, red meat and wool, and forestry, with export revenue expected to fall this year. However, revenue growth for other significant sectors such as horticulture, seafood, and arable is set to limit the overall fall in export revenues in 2023/24. This is a good illustration of the resilience our producers have achieved through market and product diversification.

Key points in this SOPI include ongoing demand for our top-quality seafood such as rock lobster, which continues to drive up export prices, with forecast record seafood export revenue of $2.3 billion this year, an impressive increase of 8 percent on the previous year.

Global dairy prices have bounced back by about 12 percent from their lows in mid-August, but overall revenue is expected to dip 7 percent to $24.1 billion in the year to 30 June 2024, reflecting weakened demand and an expected decline in domestic milk production with fewer cows and warmer weather from El Niño.

Export revenue from our high-quality horticulture products is expected to reduce 1 percent to $7.0 billion in the year to 30 June 2024. Wine and cherry exports are all forecast to grow on the previous year, with overall horticulture export revenue expected to build back to a record forecast of $8.2 billion in the year to 30 June 2025.

Our red meat and wool exports are expected to dip 5 percent to $11.6 billion due to weaker demand and prices in key markets driven by cost-of-living pressures globally.

As this SOPI shows, while we're seeing temporary dips in some sectors, the outlook is positive, and people around the world continue to want our high-quality food and fibre.

I'd like to thank the food and fibre sector for all its work and acknowledge the major role it plays in New Zealand's economy.

Ray Smith
Director-General
Ministry for Primary Industries

Food and fibre sector in the New Zealand economy

$54.3 billion in export revenue

Forecast, year to 30 June 2024.

Food and fibre sector export revenues reached a record high of $57.4 billion in the year to 30 June 2023.

81.9% of trade

The food and fibre sector accounted for 81.9 percent of New Zealand's merchandise exports in the year to 30 June 2023. Food and fibre sector export growth exceeded that of non-primary industries for seven of the past 10 years.

10.5% of GDP

The food and fibre sector accounted for 10.5 percent of New Zealand's gross domestic product (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.

13.1% of employment

358,000 people were employed in New Zealand's food and fibre sector in the year to 31 March 2021,[1] representing 13.1 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.

1. https://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 continued to outpace expectations in the year to 30 June 2023, increasing 8 percent to $57.4 billion and illustrating the sector's successful navigation of the increasingly complex global trade situation. Looking ahead to the year to 30 June 2024, food and fibre sector export revenue is forecast to decline 5 percent to $54.3 billion with weakening export revenue in the dairy, meat and wool, forestry, horticulture, and processed food and other products sectors overshadowing strengthening export revenue in the seafood and arable sectors.

Dairy

Dairy export revenue is forecast to decrease 7 percent to $24.1 billion in the year to 30 June 2024. This is driven by a combination of weakening demand resulting in lower global dairy prices and a likely drop in export volumes due to a decline in milk production. A possible weaker NZD against the USD will offer some support to export revenues. The drop in export prices is expected to lead to a lower farmgate milk price of $7.60 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.

Meat and wool

Meat and wool export revenue is forecast to decrease 5 percent to $11.6 billion in the year to 30 June 2024. Key meat export prices are expected to fall due to weaker purchasing power and consumer confidence in key markets. Lower export prices for beef, lamb, mutton, and wool are forecast to be partially offset by higher prices for pet food and venison. Export volumes for lamb and mutton are forecast to increase in 2023/24 while beef volumes are forecast to decrease. Sheep and beef farm profit before tax is forecast to fall 31 percent in 2023/24, following a 32 percent decline in 2022/23, due to lower revenue and higher input costs.

Forestry

Forestry export revenue is forecast to decrease 9 percent to $5.8 billion in the year to 30 June 2024. This updated forecast reflects weakened log prices and a less favourable 2023/24 outlook for pulp and paper. Log exports are forecast to decrease due to weak confidence in China, resulting in lower prices. In 2024/25, the reopening and increased capacity of wood processing plants are expected to increase pulp and paper export revenue. Foresters and wood processors are expected to face pressure due to decreasing output prices alongside high input costs.

Horticulture

Horticulture export revenue is forecast to decrease 1 percent to $7.0 billion in the year to 30 June 2024. While the fall is primarily driven by lower volumes of wine and vegetables, export prices are forecast to be supported by strong global demand and constrained global supply. Recovering yields in 2024 are expected to offset lower volumes for some crops largely resulting from the tail end of weather-affected 2023 harvests. Increased yields should see a lift in kiwifruit revenue, and while wine exports are affected by lower demand driven by rebalancing of wholesale inventories, strong consumer demand should support prices. The 2023 apple crop was reduced by poor growing conditions and by flooding in Cyclone Gabrielle, but production should improve in 2024.

Seafood

Seafood export revenue is forecast to increase 8 percent to reach $2.3 billion in the year to 30 June 2024. Export prices are expected to remain high due to robust demand and tight supply. Export volumes are expected to rebound from a particularly bad year for seafood production aided by better production conditions for aquaculture due to El Niño and increased workforce availability. Despite improvements in prices, high input costs remain a challenge for some fishers and seafood farming businesses.

Arable

Arable export revenue is forecast to increase 7 percent to $290 million in the year to 30 June 2024 driven by increased prices for vegetable seed and increased volumes of clover seed. Export revenue in the year to 30 June 2023 was stronger than estimated, increasing 8 percent to $272 million after two years of falling revenue. The domestic grain market is facing challenges with prices falling and weak demand.

Processed food and other products

Export revenue for the processed food and other products sector is forecast to decrease 5 percent to reach $3.3 billion in the year to 30 June 2024, stemming largely from the ban on live animal exports by sea. This decrease is expected despite upward trends in exports of vegetable oil, innovative processed foods, and doughs and mixes as well as an expected 8 percent recovery in honey export revenue.

Overview

Overview

Table 1: Food and fibre sector export revenue 2019–25
Year to 30 June, NZ$ million

	Actual					Forecast	
Sector	2019	2020	2021	2022	2023	2024	2025
Dairy	18,107	20,102	19,055	21,998	26,008	24,090	25,520
Meat and wool	10,176	10,617	10,373	12,310	12,114	11,560	11,830
Forestry	6,883	5,452	6,499	6,578	6,353	5,810	6,100
Horticulture	6,134	6,541	6,579	6,815	7,066	7,000	8,190
Seafood	1,963	1,857	1,789	1,919	2,097	2,260	2,400
Arable	236	289	261	252	272	290	300
Processed food and other products*	2,854	2,988	3,087	3,228	3,491	3,310	3,310
Total export value	**46,355**	**47,846**	**47,642**	**53,100**	**57,402**	**54,320**	**57,650**
Year-on-year % change	**9%**	**3%**	**0%**	**11%**	**8%**	**–5%**	**6%**

* 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 export revenue outperformed expectations, increasing 8 percent to hit a record high of $57.4 billion in the year to 30 June 2023. Driving this increase was a lift in prices for dairy, horticulture, seafood, arable, and processed food and other products, overshadowing declines in meat and wool and forestry sectors. This result was supported by a weaker NZD against the USD.

Farmers, growers, fishers, foresters, and processors have continued to produce high-quality products despite multiple headwinds and heightened volatility. At the global level, this includes a weaker global economy, high inflation and associated costs of living, changes in central bank rates affecting lending rates and exchange rates, and increased uncertainty. Extreme weather events, geopolitical tensions, and an increased focus on food security has led to large swings in global supply, input availability, and trade dynamics.

Domestically, sectors continue to manage the effects of Cyclones Gabrielle and Hale in the North Island as well as dry weather followed by flooding in the lower South Island. In addition, sectors face constrained demand and resulting lower output prices, elevated input costs, and a tight labour market.

Looking ahead to the year to 30 June 2024, food and fibre sector export revenue is forecast to dip 5 percent to $54.3 billion. This is due to weaker export revenue for our three largest sectors: dairy, meat and wool, and forestry.

However, revenue growth for some smaller and emerging sectors is set to limit the overall fall in export revenues. This forecast illustrates the resilience the food and fibre sector has achieved through sector and product diversification, which is set to limit the overall fall in revenue in 2023/24.

Seafood, kiwifruit, apples and pears, cherries, and arable products are forecast to grow export revenue despite headwinds. Growth in these sectors is driven by firms working in niche markets to deliver high-value products as well as strong demand and prices for fruit and seeds.

Dairy and meat and wool revenues are forecast to decline from record highs reached over the past two years, driven by a correction in commodity prices as well as lower export volumes. Living cost pressures and a weak economic outlook for our main markets are expected to dampen demand and therefore export prices. Forestry revenue is forecast to decline due to weaker property market confidence in China subduing demand for logs while processed food and other products revenue is forecast to decline due to the recent ban on livestock exports by sea. In 2024/25, food and fibre sector export revenue is expected to pick up again, increasing 6 percent to reach a record $57.7 billion.

Producers are likely to experience downward pressure on profitability in 2023/24 due to high and increasing input costs for all sectors and falls in prices for some outputs such as milk, meat, and logs. Producers and processors have been managing higher input costs since 2020. The farm expense

price index increased by 20 percent from the September 2021 quarter to the September 2023 quarter with debt servicing experiencing the largest increase. In response, producers are reducing expenditure wherever possible. Most producers and processors are well prepared to weather this temporary economic storm, with the exception being some businesses with high debt levels.

Producer and processor balance sheets are generally in good shape for most sectors going into 2023/24 due to record prices over the last couple of years, allowing for debt reduction. As the food and fibre sector navigates lower commodity prices and higher input costs, and as we shift to a warmer and drier El Niño weather pattern, sectors will further adjust their operations to improve business and sector outcomes.

Climate outlook

New Zealand experienced a warm and dry winter in 2023 where temperatures were above average for western parts of Southland, coastal Otago, eastern and inland parts of southern and central Canterbury, Nelson, Tasman, and coastal Hawke's Bay. Rainfall was below normal in parts of the North Island, Tasman, Nelson, West Coast, Marlborough, inland Canterbury, and inland Otago. The southern parts of Southland, eastern Otago, eastern Canterbury, and southern parts of Gisborne Tairāwhiti experienced above normal or well above normal rainfall. At the end of winter, soil moisture levels were near normal for most of the country.[2] Unsuitable soil moisture affects plant growth and production, and likely decreases output.

September 2023 was New Zealand's warmest September on record with temperatures above or well above average throughout the country and a nationwide average temperature of 11.9°C.

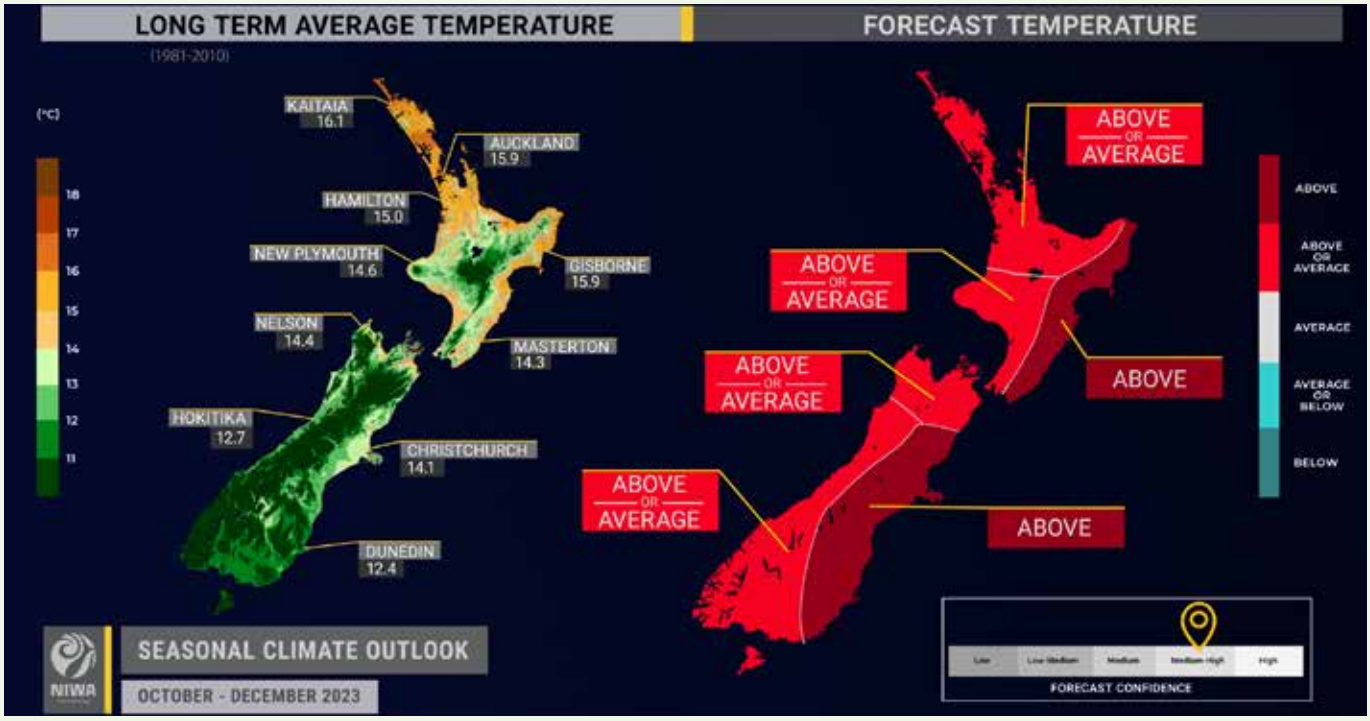
El Niño has arrived in New Zealand

El Niño occurs when ocean waters from off the coast of South America to the central Pacific are warmer than average. During an El Niño event, there is an increased risk for abnormally dry conditions. The forecast dry weather pattern is likely to result in a decline in milk production, reduce late season lamb slaughter weights and increase slaughter numbers due to feed constraints, and reduce farm gate schedule prices. However, it is also likely to sustain high prices for fresh and processed vegetables and lift demand for grain. El Niño is also expected to improve the survival and growth of salmon and mussels due to nutrient-rich cooler waters, thereby increasing aquaculture production. The two most recent strong El Niño phases were in 2015/16 and 1997/98.

It is very likely that this season's El Niño will continue through summer. NIWA projects temperatures to be above average in the eastern part of the country and near average or above average in all other regions (Figure 1). The country is expected to be exposed to extreme temperature swings.

Farmers and growers are encouraged to make good early decisions, especially in terms of pasture growth, feed requirements, irrigation water management, and planting programmes.

Figure 1: Above-average temperatures in the east of both islands are likely to persist through to December
Seasonal climate outlook, October–December 2023



Source: NIWA.

2. NIWA.

NIWA and MPI have launched a drought forecasting tool

The new drought forecasting dashboard[3] aims to enhance the resilience of the agriculture sector and help farmers and growers better prepare for adverse weather conditions. The free tool uses artificial intelligence and long-range weather modelling. It provides a weekly and 35-day outlook on the risk of areas experiencing dryness or drought. Additionally, the dashboard offers useful information on soil moisture anomaly, data on the last 15 days' rain and temperature, and Standardised Precipitation Index.[4] The tool also makes available district-level sub-seasonal forecasts.

Macro-economic situation and outlook

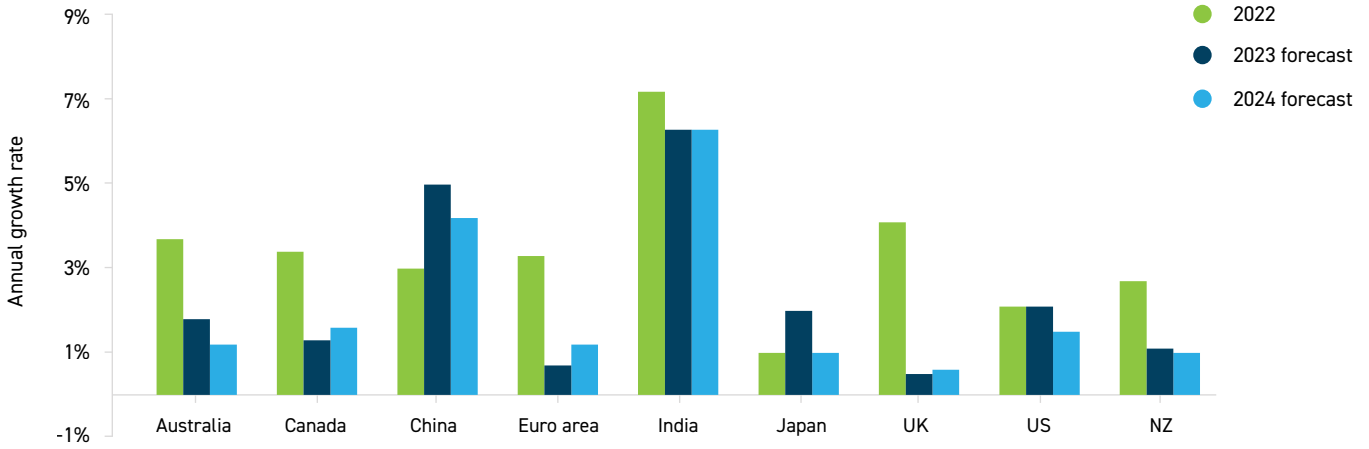
The global economy and world trade is amid a slowdown

The world economy continues to face challenges. These include policy measures to contain inflation, the slowdown in the Chinese economy, the repercussions of the recent increase in financial sector turbulence, the ongoing conflicts in Ukraine and Gaza, and geoeconomic tensions.

The International Monetary Fund (IMF) forecast is for global economic growth to fall from an estimated 3.5 percent in 2022 to 3.0 percent in both 2023 and 2024 (Figure 2). Advanced economies continue to drive the decline in growth from 2022 to 2023, with weaker manufacturing offsetting stronger services activity. For advanced economies, the growth slowdown projected for 2023 remains significant – from 2.7 percent in 2022 to 1.5 percent in 2023.

As a result of the slowdown, the IMF expects world trade growth to decline from 5.2 percent in 2022 to 2.0 percent in 2023 before rising to 3.7 percent in 2024, well below the 2000–19 average of 4.9 percent. The decline in 2023 reflects not only a slowdown in global demand but also shifts in consumption towards domestically produced goods and services, the lagged effects of USD appreciation (which slows trade as it makes imports more expensive), and rising trade barriers.

Figure 2: Global economic growth is expected to remain subdued in 2023 and 2024
Year to 31 December, annual GDP growth 2022-24, selected countries



Source: IMF, World Economic Outlook, October 2023.

3. https://shiny.niwa.co.nz/drought-forecast/

4. NIWA defines the Standardised Precipitation Index (SPI) as a simple measure of drought (and also of very wet conditions) and is based solely on the accumulated precipitation for a given time period compared with the long-term average precipitation for that period.

Inflation has declined globally

Inflation in many economies reached multi-decade highs in 2022 due to pent-up demand following COVID-19 lockdowns, supply disruptions, policy support during the pandemic, labour shortages, and commodity price spikes (Figure 3). The combination of these factors has led to a material increase in cost of living in several countries.

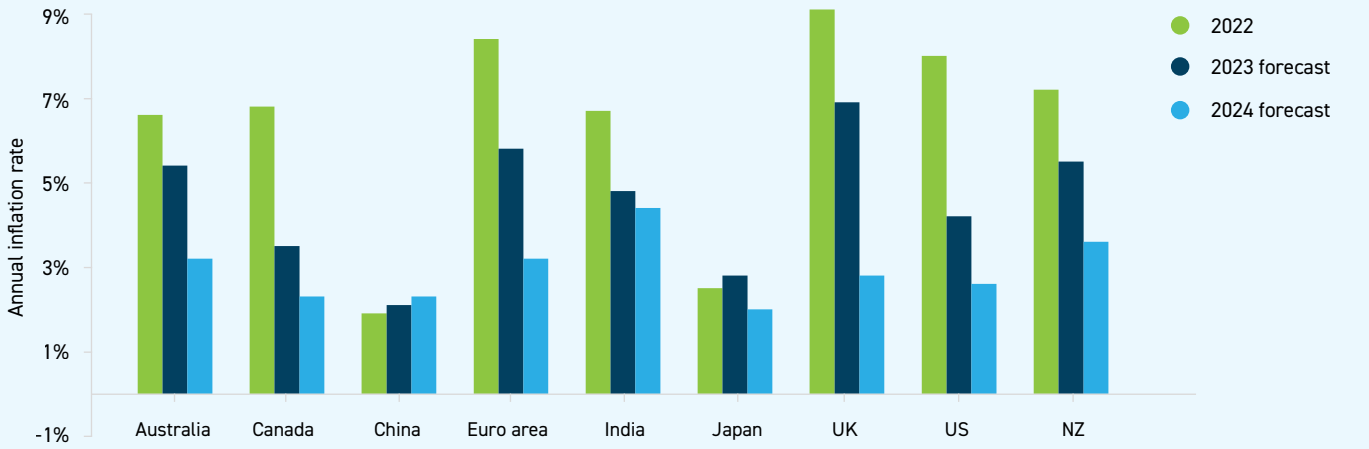
To combat inflation, central banks across the world have increased key interest rates (Figure 4). This has made it more expensive to borrow money and resulted in a decline in consumer spending and business investment. As a result of the rise in central bank policy rates, inflation has been easing. IMF expects global headline inflation to fall from 8.7 percent in 2022 to 6.8 percent in 2023 and 5.2 percent in 2024.

However, underlying (core) inflation is projected to decline more gradually. Globally, it is set to decline from an annual average of 6.5 percent in 2022 to 6.0 percent in 2023 and 4.7 percent in 2024.

In most economies, the priority continues to be lowering inflation to an acceptable level while safeguarding financial stability. Central banks are likely to remain focused on restoring price stability, and high central bank interest rates to fight inflation will continue to weigh on economic activity. Tight monetary policy may persist longer as the recent conflict in Gaza has the potential to disrupt the global oil market and push oil prices up, making it harder for policy makers to bring inflation down.

Figure 3: Inflation expected to decline further in 2024

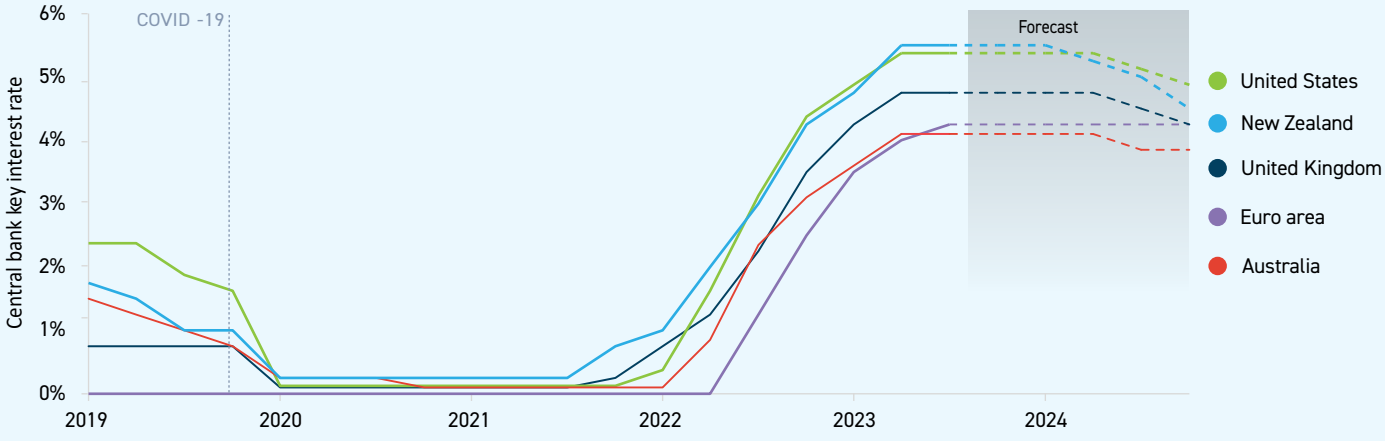
Year to 31 December, annual inflation rate, selected countries



Source: OECD Economic Outlook.

Figure 4: Central banks across the world have increased interest rates

March quarter 2019 to December quarter 2024, central bank key interest rate for selected countries



Source: OECD Economic Outlook.

The economic slowdown in China has affected the global economy and world trade

The spread of COVID-19 variants led to a surge in infections globally in 2022. While China was able to avoid much of the disease's spread through stringent containment measures, this success appears to have come at an economic cost and has been one of the contributing factors to an economic slowdown in China.

After lifting of COVID-19 restrictions in China, the country experienced several large outbreaks in the fourth quarter of 2022. These outbreaks caused declines in economic activity and mobility due to direct impacts on human health and increased fears of contagion. After COVID-19 waves subsided in January 2023, mobility levels returned to near normal. Manufacturing activity and consumption of services in China picked up at the beginning of the year when Chinese authorities removed the remainder of the country's COVID-19 policies.

However, following the reopening boost, China's recovery is now stalling. China's economy is facing a number of challenges such as:

- real estate challenges
- high levels of local government debt
- decline in investment
- deflation
- youth unemployment increases
- falls in exports.

China's position as a major importer also means its sluggish economic and trade performance is likely to have a knock-on effect on the global economy. The effect will be greater on nations and sectors that are more exposed to China's economy and import demand.

If China is able to rebuild confidence in the private sector, households are expected to increase spending (rather than saving) and businesses are expected to start investing. This should result in an increase in import demand once again.

Globally, consumer food prices increased rapidly in 2022 but the rate of increase slowed in 2023

Although major food commodity prices are falling (see next section), the price of food at the retail end has remained elevated or has been increasing in most countries.

For example, food prices in the US increased by 11.2 percent in September 2022 versus the same time a year prior. Since then, food price inflation has shown signs of easing with the rate of increase declining to a low of 3.3 percent year on year in October 2023.

Globally, these high rates of food price inflation reflect in part the indirect and lagged effects of high fertiliser, energy, and commodity food prices. Even if commodity prices fall, farmgate prices typically only make up 20 percent of the consumer price.

With most countries actively pursuing policies aimed at combating inflation, consumer food prices will likely show signs of stabilising in the short to medium term.

Similar to the US and several other countries, food price inflation in New Zealand has shown signs of easing, but at a slower pace. After peaking at 12.5 percent in April 2023, New Zealand food prices increased by 6.3 percent in the year to October 2023.

The impact of Cyclone Gabrielle on the domestic food market, specifically the supply of fruit and vegetables, is the major reason for high food prices in recent months. Fruit and vegetable prices increased 22.0 percent in the 12 months to June 2023. This rate of rise has shown signs of easing, increasing by a much slower rate of 1.4 percent in the year to September 2023.

Commodity food prices have weakened over recent months

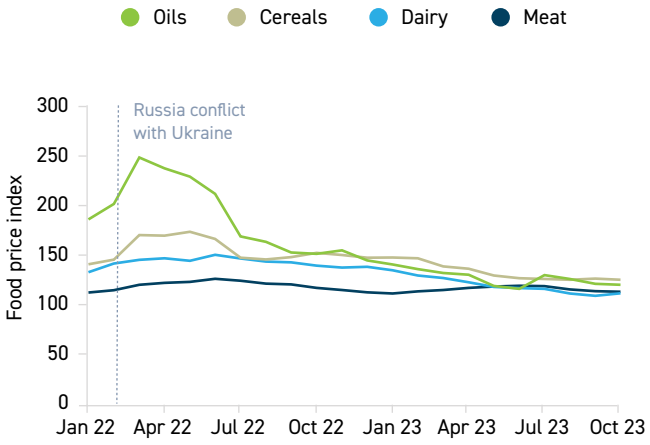
World commodity food prices continue on a downward trend, declining steadily from their record high in March 2022 (Figure 5). Commodity food prices surged in March 2022 due to the shock caused to global agriculture markets by Russia's conflict with Ukraine. The conflict reduced food exports from Ukraine and Russia, particularly wheat, maize, and sunflower oil, increasing the price of these commodities.

The United Nations Food and Agriculture Organization (FAO) Food Price Index (FPI) averaged 120.6 points in October 2023, a decline of 14.7 points (10.9 percent) since October 2022.

Despite the decline, world commodity food prices in the 12 months to October 2023 were 14.5 percent higher than their five-year average (October 2017 – October 2022). Global dairy and meat prices were up 7.7 percent and 11.9 percent respectively compared with their five-year average. The above-average prices of food commodities over the 2022/23 year have supported New Zealand food and fibre sector export revenues such as dairy and meat.

Figure 5: Commodity food prices remain well below their peak in March 2022

Monthly, food price index: base 100 = 2014–2016



Source: FAO.

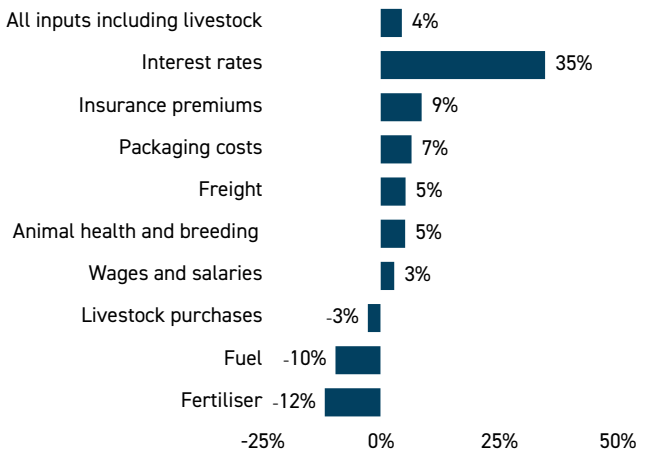
Since June 2023, commodity food prices have declined further, especially for New Zealand's leading export sector dairy. Global dairy trade prices dropped by 15 percent over the six auction events from early June to mid-August 2023 but have since recovered to June levels.

Rising farm input costs have dampened profitability

Farmers globally have been facing rising farm input costs, largely fertiliser, animal feed, energy, and debt servicing. In addition to COVID-19 related disruptions and rising interest rates, a major factor driving this rise in input costs was Russia's conflict with Ukraine. The conflict resulted in reduced fertiliser exports and, combined with the high energy costs resulting from the conflict, added upward pressure to fertiliser and fuel prices. While the rise in farm input costs is expected to slow considerably in 2023, they are still expected to remain elevated.

In New Zealand, the farm expenses price index has increased by 4.5 percent from the September quarter of 2022 to the September quarter of 2023. Although the rate of increase has slowed from the 15.0 percent increase in the 12 months to September quarter of 2022, farm expenses remain high.

Figure 6: Farm expenses continue to increase in 2023
September quarter 2022 versus September quarter 2023, percent change in farm expense price index



Source: Stats NZ and MPI.

The profile of expenses that are driving the rise in farm expenses has changed over the past 24 months. In the 12 months to September 2022, the largest increases were in expenses related to fuel (up 53.2 percent) and fertiliser (up 36.8 percent). Fuel comprises 2.4 percent of expenses and fertiliser 9 percent of farm expenses.

In the 12 months to September 2023, fertiliser and fuel expenses fell by 11.8 percent and 9.5 percent (Figure 6). In contrast, interest rate expenses increased by 34.7 percent over the same period. The increase follows a 34.1 percent rise in the 12 months to September 2022. This is quite significant because interest rates make up 14.6 percent of farm expenses.

The rise in interest rate expenses is largely a consequence of the Reserve Bank of New Zealand (RBNZ) increasing the official cash rate (OCR) to combat inflation (monetary policy). The RBNZ consistently raised its OCR from a record low of 0.25 percent in October 2021 to 5.5 percent in May 2023.

With the OCR likely to stay higher for longer (as inflation has been stubbornly high), debt servicing expenses for farmers are also likely to remain elevated in the short to medium term. This is likely to affect farmers with higher debt levels.

A strengthening USD cushions the fall in food commodity prices and supports export revenues

Movements in the NZD against the USD exchange rate can have a material impact on export revenue. The NZD/USD exchange rate has varied considerably over the past 12 months. The NZD strengthened quite consistently from October 2022 to January this year, rising from 0.56 to 0.64 over that period. Between February and July, the NZD/USD was volatile, but the USD has strengthened quite consistently since July of this year, resulting in the NZD falling from 0.62 to 0.59 cents.

The USD gains have been off the back of generally stronger than expected US economic performance. The resulting weaker NZD will to some degree cushion the food and fibre sector from the fall in commodity food prices and support export revenues. However, a weak NZD also pushes up prices for imported goods and adds to inflationary pressures.

Top 10 export destinations

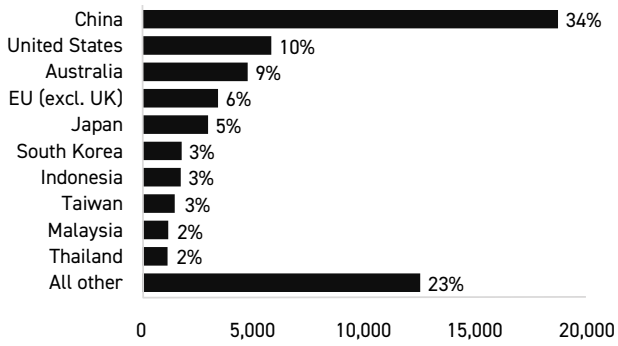
Year to 30 June 2023, NZ$ million

	Product	Export revenue (NZ$ million)	% of total
	Dairy	26,008	45%
	Meat and wool	12,114	21%
	Forestry	6,353	11%
	Horticulture	7,066	12%
	Seafood	2,097	4%
	Arable	272	0.5%
	Processed food and other products	3,491	6%
	Total	**57,402**	**100%**

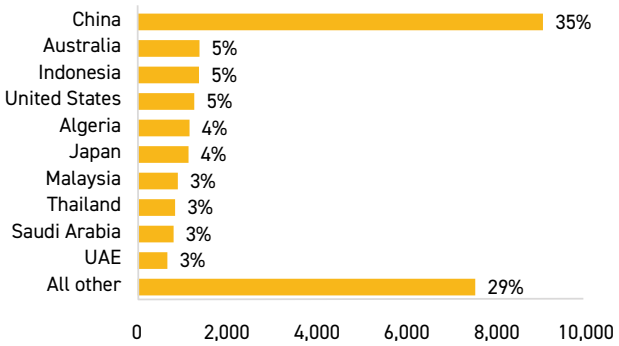
Top export markets

Year to 30 June 2023, NZ$ million and percent

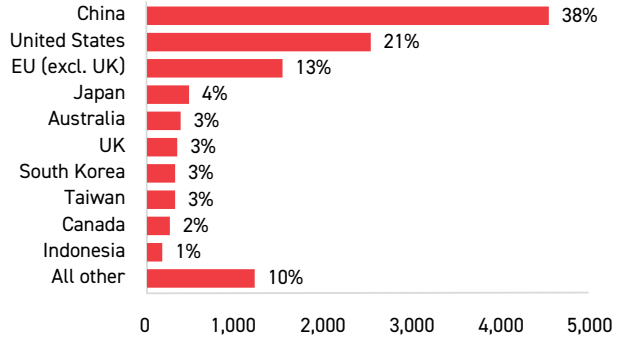
All primary industry



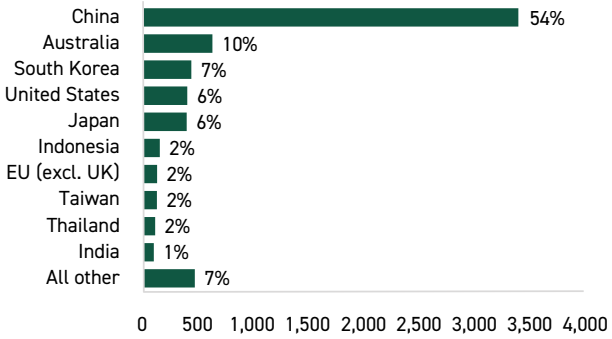
Dairy



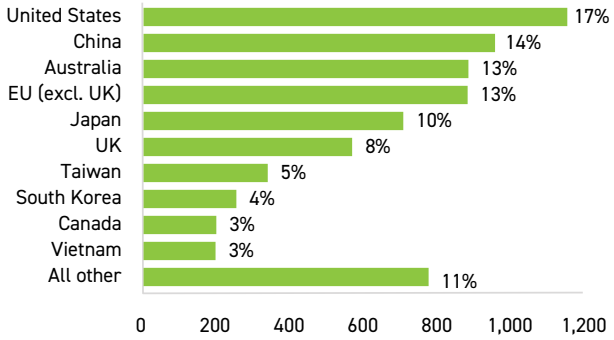
Meat and wool



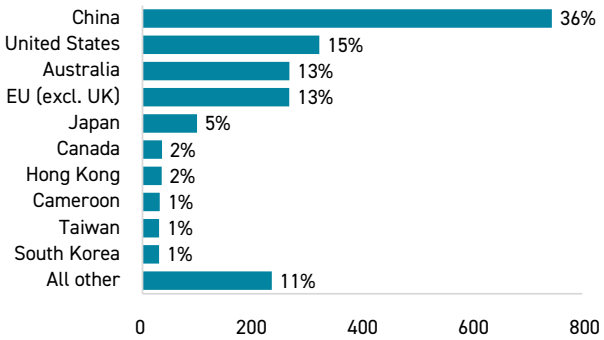
Forestry



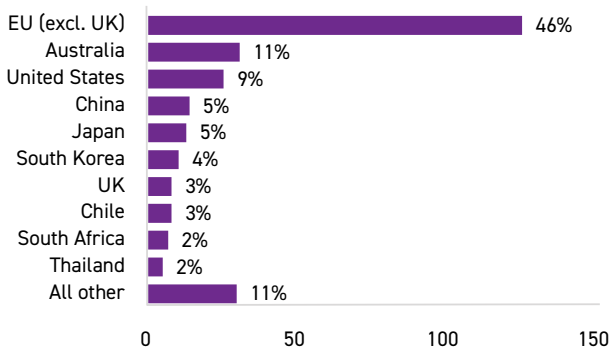
Horticulture



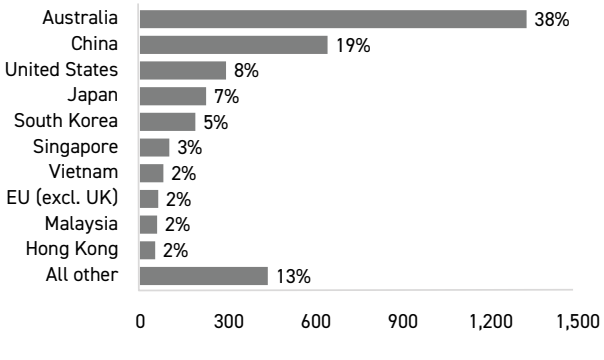
Seafood



Arable



Processed food and other products



Source: Stats NZ.

The food and fibre sector plays a significant role in New Zealand's economy

The food and fibre sector makes up about 82 percent of New Zealand's merchandise exports and delivered $57.4 billion in export earnings in the year to 30 June 2023.

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 7).

The food and fibre sector contributed

$57.4 billion

in export earnings

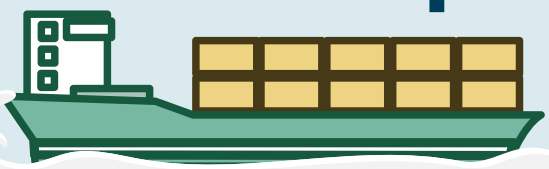
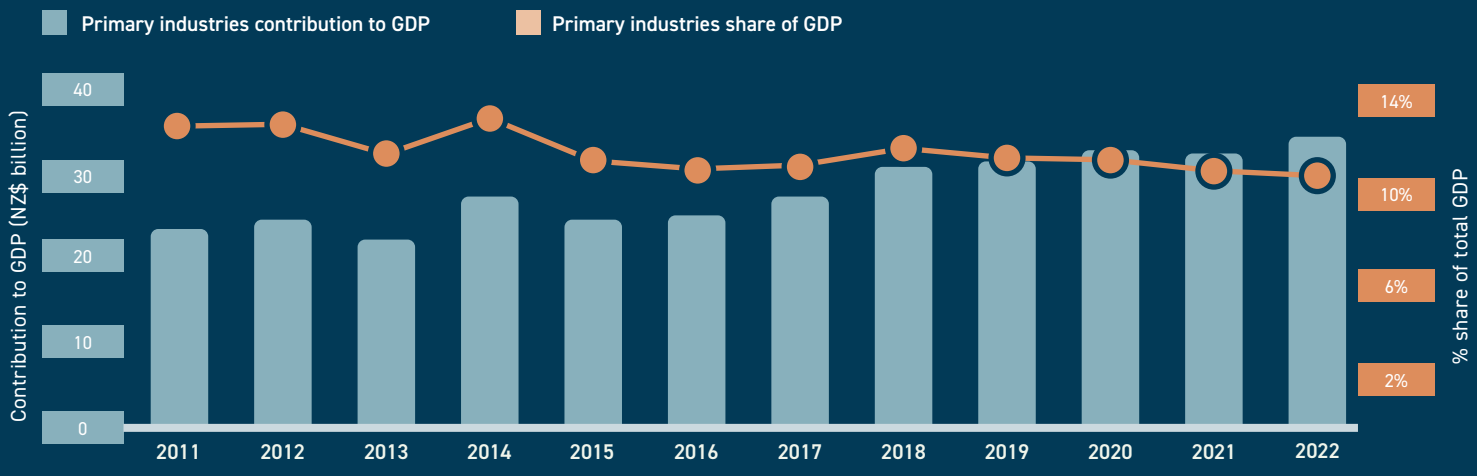


Figure 7: The food and fibre sector has continuously played a key role in New Zealand's economic growth[5]
Year to 31 March, GDP contribution of the food and fibre sector in NZ$ billion, and percent share of New Zealand GDP



Source: Stats NZ and MPI.

5. The share of GDP is in relation to the whole New Zealand economy. The food and fibre sector's GDP contribution and New Zealand's total GDP have been growing, with the latter at a slightly higher rate.

70,000

enterprises engaged in the food and fibre sector

A large number of businesses operate in the food and fibre sector

In the year to February 2023, there were about 70,000 enterprises engaged in the food and fibre sector in New Zealand with 90 percent operating in the agriculture, forestry, and fishing sectors. About 3,400 businesses were registered under food manufacturing and 1,700 in wood processing.[6]

358,000

people employed in the food and fibre sector

The sector supports jobs and employment

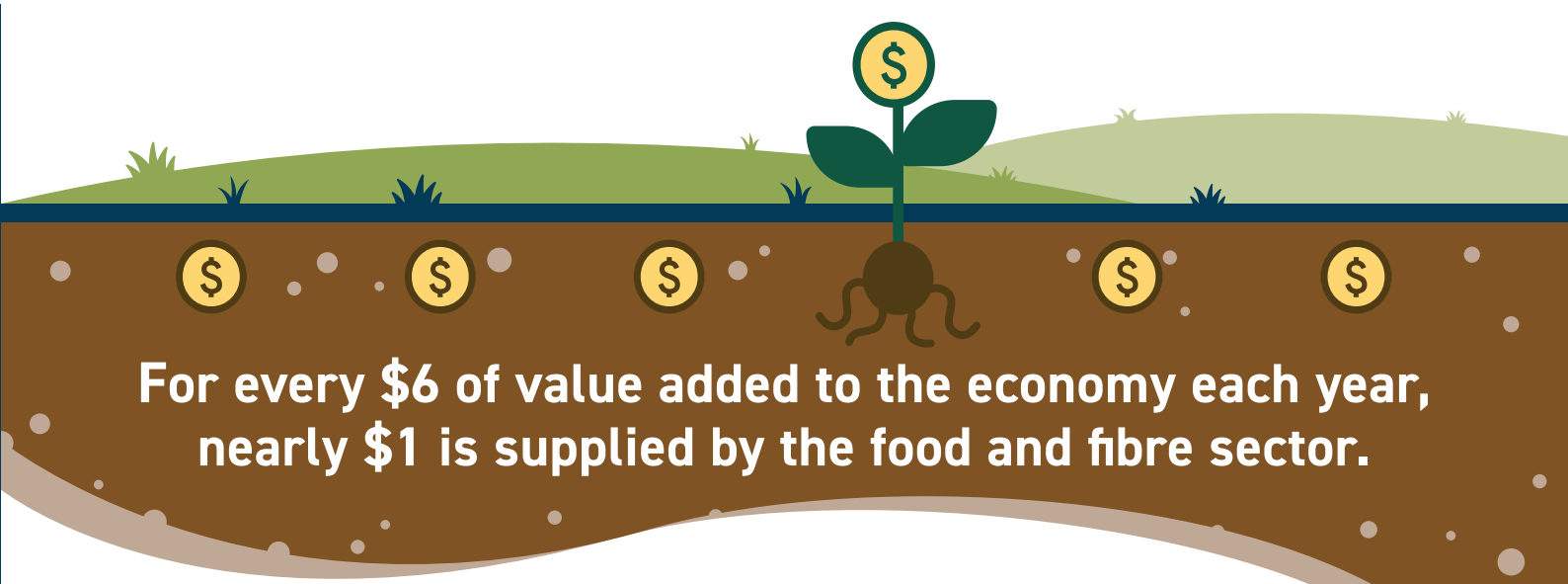
Employment in the sector totalled 358,000 in the year to 31 March 2021, representing 13 percent of total jobs in New Zealand. The red meat and wool industry accounted for about 21 percent of the food and fibre sector's workforce while horticulture and dairy had shares of 18 percent and 15 percent respectively.[7]

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. The Agribusiness and Economics Research Unit (AERU) at Lincoln University published *The Land and the Brand*[8] in 2016, which presented the sector's direct, indirect, and induced economic contributions with the latter resulting from incomes generated in the sector. The study found the agri-food sector's total GDP contribution came to 25 percent of New Zealand's GDP.

Direct contribution

The direct value added from the food and fibre sector was estimated to measure $36.6 billion, a 10 percent share of the whole economy. The production industries accounted for a direct GDP impact of $22.4 billion while the processing industries contributed $14.3 billion. Dairy cattle farming and sheep, beef cattle, and grain farming had a total share of nearly 40 percent of the total direct GDP contribution of the sector.



For every $6 of value added to the economy each year, nearly $1 is supplied by the food and fibre sector.

Using Stats NZ's input-output tables and the latest GDP data by detailed industry,[9] the food and fibre sector had an estimated overall GDP contribution of $59.0 billion or a 16 percent contribution to the national GDP (Figure 9).[10]

6. Source: Stats NZ.

7. Source: *Mana tangata: Food and fibre workforce insights.* Licensed for reuse under creative commons attribution 4.0 international licence.

8. Saunders, Caroline, Paul Dalziel, Meike Guenther, John Saunders and Paul Rutherford (2016). *The Land and the Brand.* AERU Research Report No. 339, prepared for AGMARDT, ANZCO Foods, Beef and Lamb New Zealand, Fonterra, and Zespri. Lincoln University: Agribusiness and Economics Research Unit.

9. The latest published GDP data by detailed industry at the time of writing this report is for 2020/21. The next release for 2021/22 is expected to have been published on 17 November 2023.

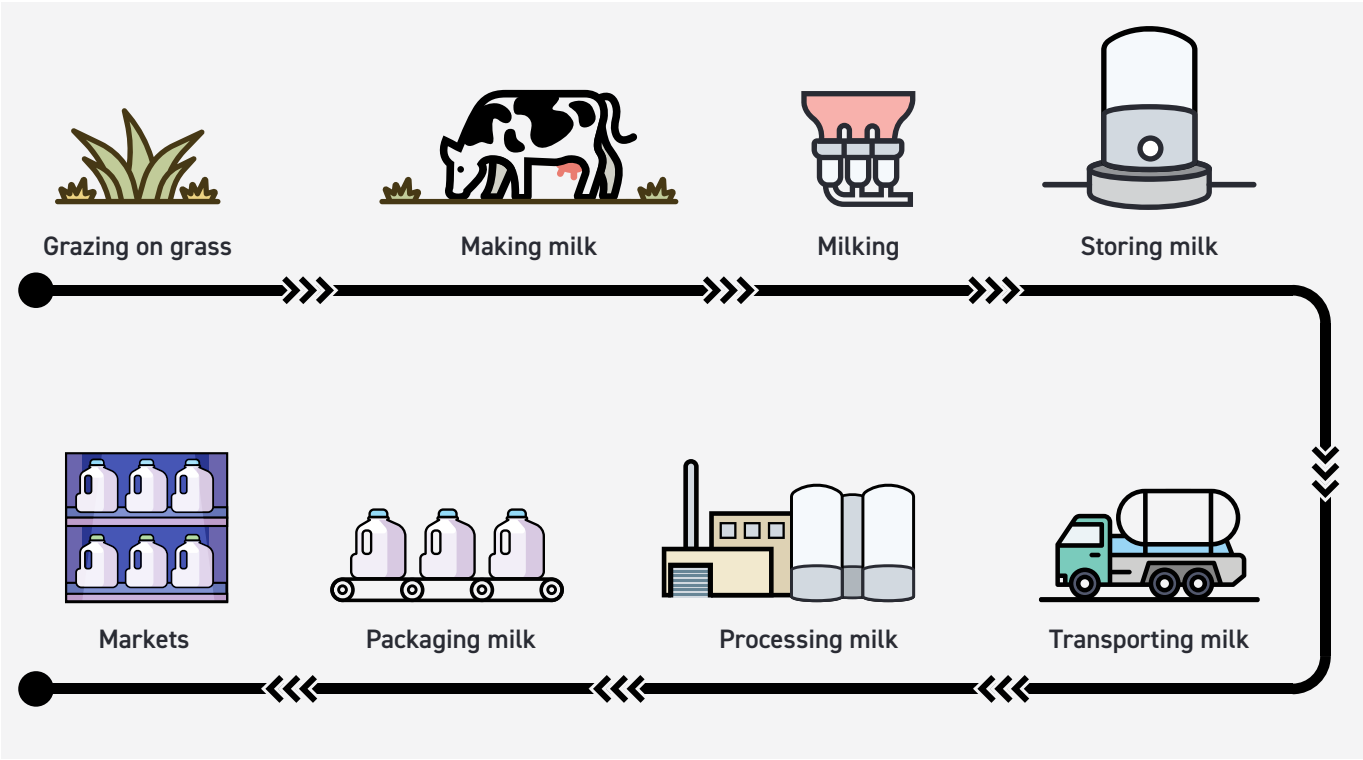
10. For purposes of this report, the overall GDP contribution of the food and fibre sector includes the direct value added plus the estimated indirect contribution of the sector and excludes induced effects. (Note: The AERU report includes induced effects).

Adding the downstream indirect effects brings the total contribution of the food and fibre sector to around 16 percent of New Zealand's GDP

Activities in the agri-food sector have flow-on effects across the wider economy. To illustrate, Figure 8 shows Fonterra's From Grass to Glass value chain from grazing to storing, transporting, processing, packaging, and retailing milk for final consumption. It indicates how dairy farming, as a core production industry, results in the creation of additional value further down the value chain. The industry 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 magnified 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.

Figure 8: Fonterra's From Grass to Glass value chain



Source: Fonterra Co-operative Group Limited.

Indirect contribution

The food and fibre sector tallied $22.4 billion in indirect GDP contribution, more than three-quarters of which was linked to the processing industries (77 percent). Forestry and logging ($1.6 billion) generated the highest indirect GDP contribution among the production industries. Dairy and meat product manufacturing had a combined contribution of $7.9 billion, accounting for 35 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 $3.0 billion in indirect GDP contribution.

Figure 9: Total GDP contribution of the food and fibre sector

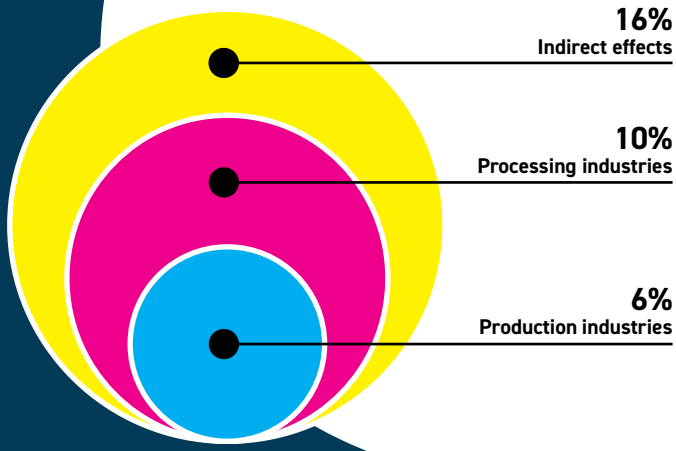
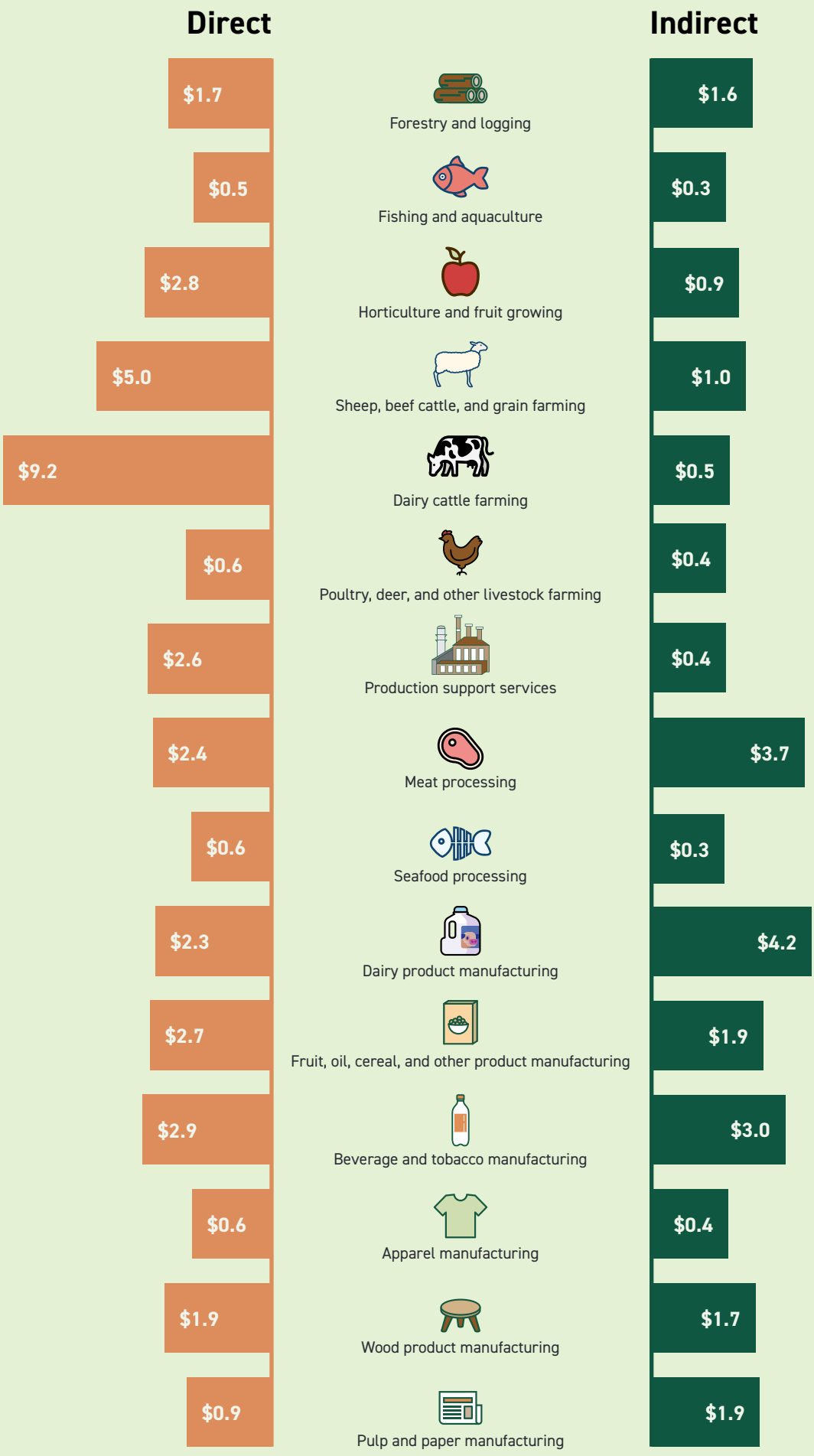


Figure 10: Direct and indirect GDP contribution of the food and fibre sector
Year to 31 March 2022, NZ$ billion



Sector briefs

Dairy

Export revenue is forecast to decrease 7 percent to $24.1 billion in the year to 30 June 2024. This decrease comes off the back of record high export revenue of $26.0 billion in 2022/23. Global dairy prices are expected to be lower in 2023/24 due to weak global demand, especially from China, New Zealand's largest export market. Export volumes are likely to decline as well, because milk production for the 2023/24 season is forecast to decrease 1.5 percent due to a decline in cow numbers, unfavourable weather conditions, and high input costs. Lower global dairy prices are likely to result in an all-company average farmgate milk price of $7.60. This lower milk price combined with higher farm expenses will lead to a substantial decline in profitability for this season.

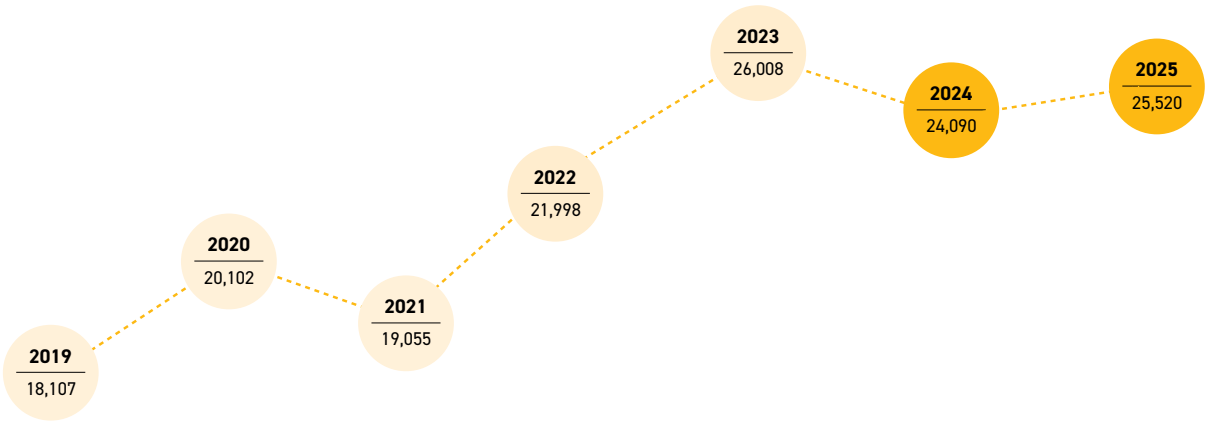


Table 2: Dairy export revenue 2019–25

Year to 30 June, NZ$ million

	Actual					Forecast	
	2019	2020	2021	2022	2023	2024	2025
Whole milk powder	6,675	7,555	7,542	8,304	8,274	7,450	7,860
Butter, anhydrous milk fat, and cream	3,612	3,360	2,667	3,519	4,589	4,320	4,550
Skim milk and butter milk powder	1,323	1,787	1,526	1,947	2,673	2,250	2,400
Casein and protein products	1,574	1,996	2,019	2,680	3,320	3,370	3,510
Cheese	1,965	2,072	2,065	2,199	3,039	3,000	3,180
Infant formula	1,641	1,842	1,588	1,435	1,915	1,530	1,770
Other dairy products*	1,318	1,491	1,648	1,914	2,198	2,180	2,250
Total export value	**18,107**	**20,102**	**19,055**	**21,998**	**26,008**	**24,090**	**25,520**
Year-on-year % change	**9%**	**11%**	**–5%**	**15%**	**18%**	**–7%**	**6%**

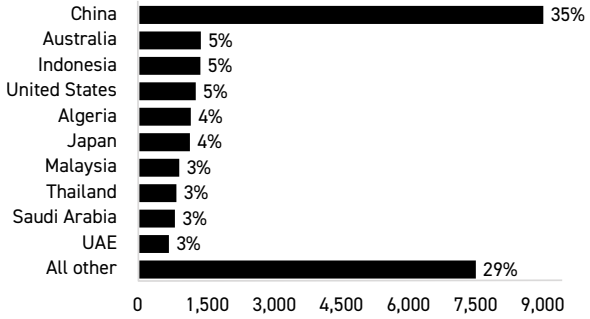
* Includes liquid milk and cream, ultra-high temperature milk, yogurt, and ice-cream.
Totals may not add up due to rounding.
Percentages are rounded to the nearest whole percent.

Source: Stats NZ and MPI.

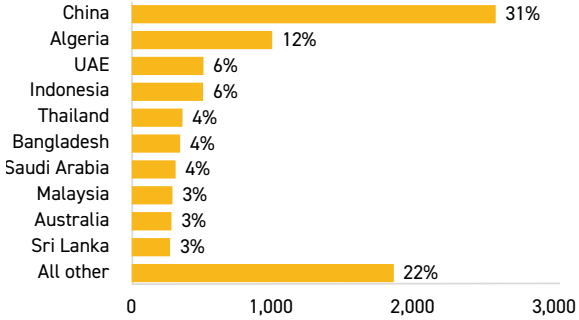
Top dairy export markets

Year to 30 June 2023, NZ$ million and percent

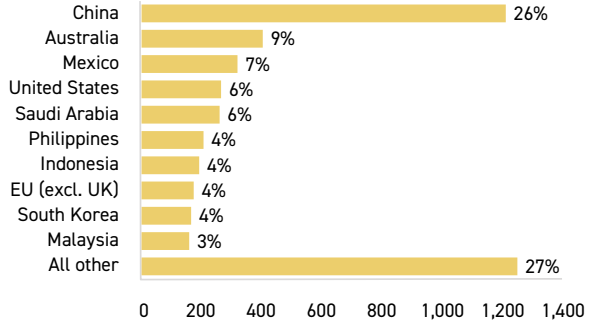
Total dairy



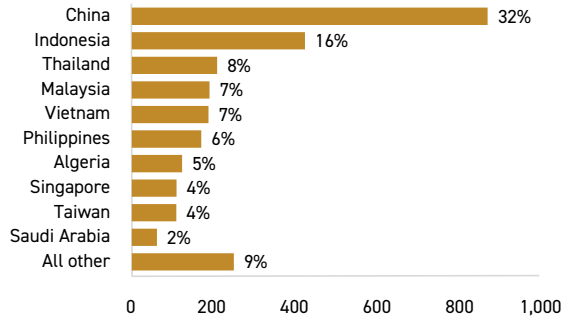
Whole milk powder



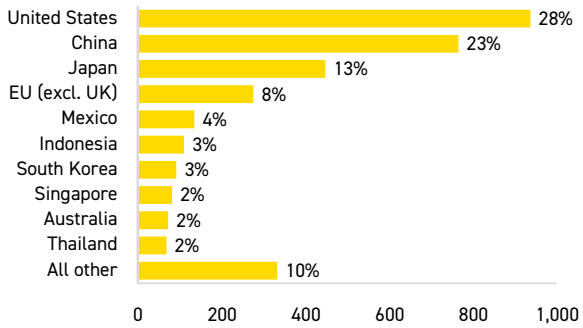
Butter, anhydrous milk fat, and cream



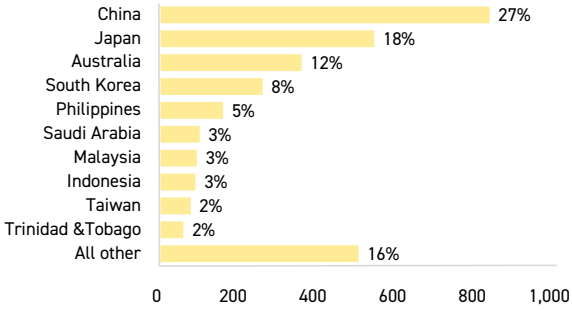
Skim milk and butter milk powder



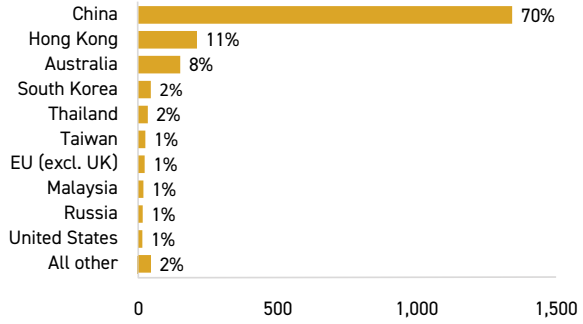
Casein and protein products



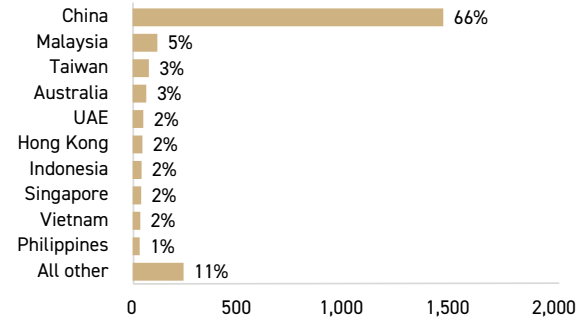
Cheese



Infant formula



Other dairy products



Source: Stats NZ.

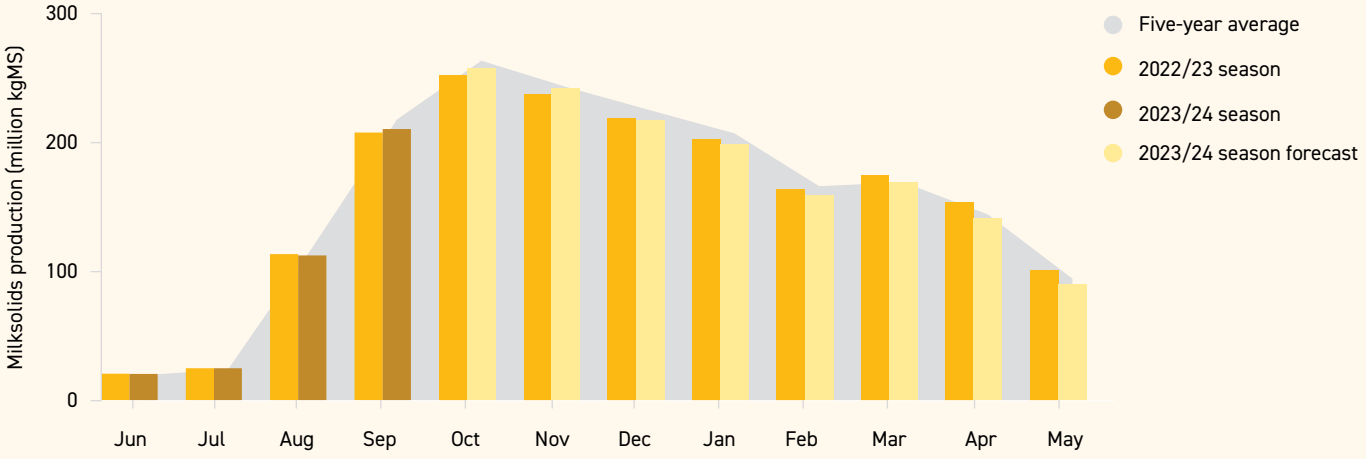
Milk production in New Zealand is forecast to decline in 2023/24

Milk production in New Zealand is likely to decline by 1.5 percent in the season to 31 May 2024 driven by a lower number of cows and a likely drier summer in the key dairy production regions of Waikato and parts of Taranaki due to El Niño (Figure 11). The decline in cow numbers in 2023/24 is mainly attributed to a greater rate of culling due to higher empty rates. A wet and unfavourable spring in 2022/23 resulted in suboptimal breeding outcomes and a higher rate of empty cows. Additionally, with profits being squeezed due to high input costs and a lower farmgate milk price, farmers have been more focused on managing costs, which includes culling less-efficient cows.

Milk production in the first four months of the 2023/24 season has increased by 0.4 percent compared with 2022/23. However, milk production from June to September 2023/24 remains 3.1 percent below the five-year average. Milk production in the first half of the 2022/23 season was weak due to unfavourable weather conditions. Milk production picked up during the second half of the season with production increasing by 7.3 percent and 8.5 percent in April and May 2023 compared with the previous year. This late season surge resulted in a slight (0.2 percent) increase in milk production to 1,873 kilograms of milksolids (kgMS) in the 2022/23 season.

With El Niño likely to affect milk production in the second half of the 2023/24 season, a strong finish similar to 2022/23 is unlikely. Moreover, there has been a drop in milk production on a liquid milk basis but an increase in milksolids over the first four months of the 2023/24 season. This could affect product mix in the near future towards the dairy fat complex. Similar to New Zealand, milk production in major dairy exporting regions across the world is also expected to be weak. Milk production in Australia has been affected by unfavourable weather while high input costs and lower output prices are constraining milk production in the US and EU.

Figure 11: New Zealand milksolids production forecast to decline in 2023/24 season
Year to 31 May, million kgMS



Source: DairyNZ and MPI.

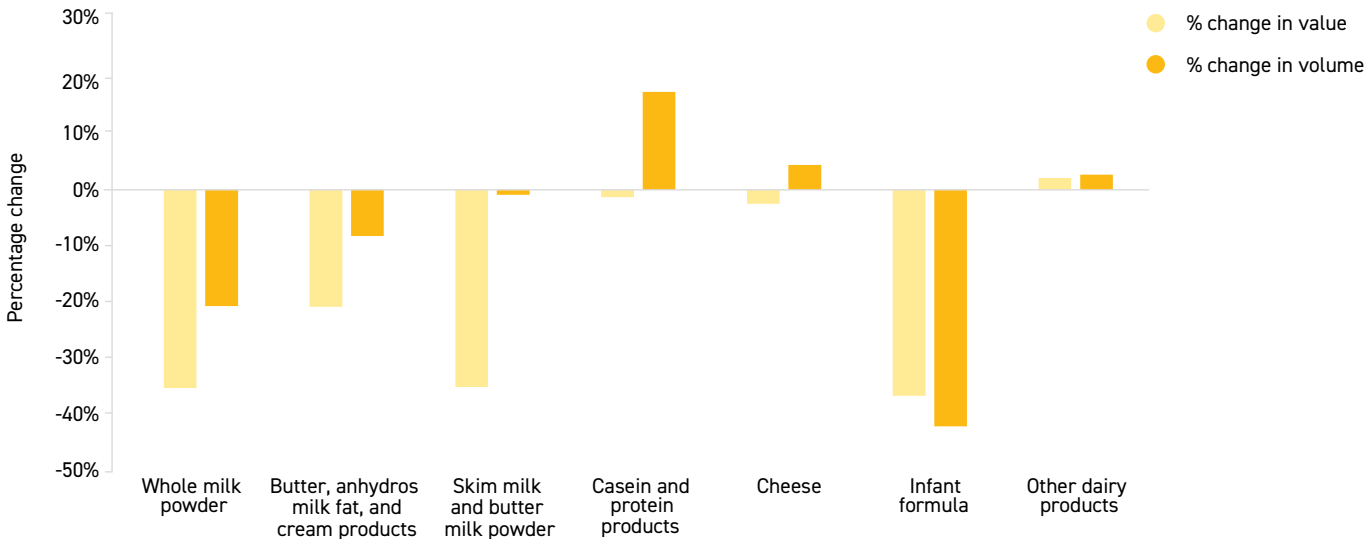
Dairy export volumes and values decrease in the September quarter of 2023

Dairy export revenues and volumes declined by 9 percent and 21 percent respectively in the September quarter of 2023/24 compared with the same quarter a year ago. Last season, export volumes in the September quarter of 2022 were boosted by a material increase in inventory (product) from 2021/22 being shipped during 2022/23. Since the sale prices for these dairy products were set when global dairy prices were much higher (and close to when dairy prices were at their peak in March 2022), export revenues in the September quarter of 2022 were substantially higher than average.

Dairy export revenues declined for all products except other dairy products in the September quarter of 2023 compared with the same quarter of 2022 (Figure 12). In addition to previous seasons' product boosting export revenues in the September quarter of 2022, the weaker performance in the September quarter of 2023 can be attributed to sluggish demand from China, New Zealand's largest dairy export market. A slowdown in the Chinese economy and good levels of domestic milk production and processing resulted in subdued import demand for dairy products from China. This particularly affected Chinese whole milk powder imports, which decreased by 41 percent in value with both export volume (down 30 percent) and export price (down 17 percent) being below the September quarter of 2022.

Figure 12: Dairy export revenues decreased substantially in the September quarter of 2023

September quarter 2022 vs September quarter 2023, percentage change in export volumes and revenues



Source: Stats NZ and MPI.

Global Dairy Trade prices have declined considerably over the past 12 months

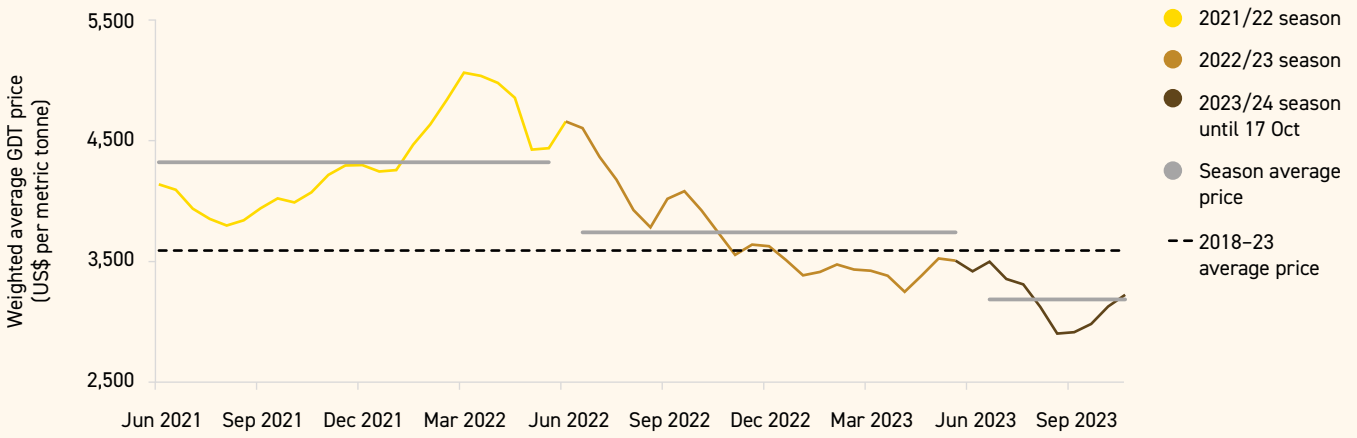
Strong demand and weak supply combined with the shock to agricultural markets caused by Russia's conflict with Ukraine resulted in average Global Dairy Trade (GDT) prices reaching a record high of US$5,065 per tonne in March 2022 (Figure 13). Since the peak in March 2022, dairy prices have declined. As at 21 November 2023, average dairy prices were US$3,268 per tonne, a 35 percent decrease from its peak. Despite the drop, dairy prices for the 2022/23 season were above the five-year average and resulted in a strong farmgate milk price of $8.15 per kgMS.

Dairy prices in the 2023/24 season started slightly below the five-year average and declined consistently over the first six auctions of this season. The drop in dairy prices is mainly attributed to weaker global demand, particularly from China, New Zealand's largest export market. A slowdown in the Chinese economy along with a good level of domestic milk production has resulted in subdued demand for dairy imports. Although prices have weakened in USD terms, a relatively weaker NZD is helping support dairy prices in NZD terms.

Overall, export revenue is forecast to decrease 7 percent to $24.1 billion in 2023/24 and then increase by 6 percent to $25.5 billion in 2024/25. A slowdown in global milk production driven largely by the EU and New Zealand should support prices for dairy products, particularly in the second half of the 2023/24 dairy season. Dairy prices will also be supported by a likely slowdown in domestic milk production in China due to El Niño. Moreover, if El Niño has a greater dampening effect on milk production in New Zealand, other key dairy exporting regions, and China than currently forecast, global dairy prices could be boosted further.

Figure 13: Global Dairy Trade (GDT) auction prices (all products) lower in 2023/24 season

Year to 31 May, US$ per metric tonne



Source: Global Dairy Trade and MPI.

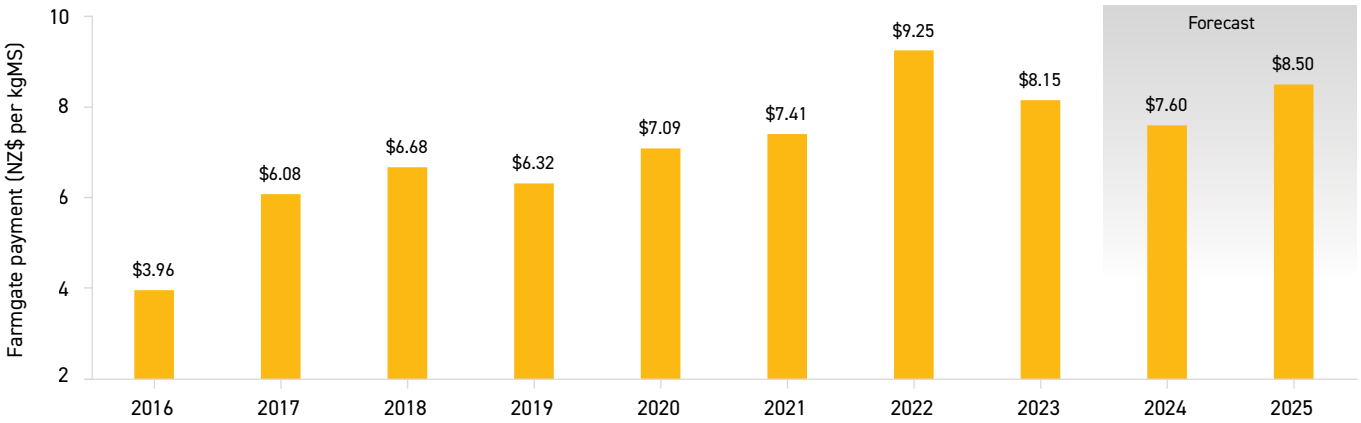
Lower farmgate milk price expected to affect farm profits this season

The below-average global dairy prices are expected to result in a lower farmgate milk price this season. New Zealand's all-company average milksolids pay-out for the 2023/24 season is forecast to be $7.60 per kgMS (Figure 14). This is a decline from the previous season's high farmgate milk price of $8.15 per kgMS.

This drop in farmgate milk price is affecting farmer confidence and profits as farming businesses are facing high input costs. Dairy farm expenses are estimated to have increased by 4 percent in the 12 months to September 2023. This follows a 17 percent increase in the 12 months to September 2022. Fuel and fertiliser showed the highest rate of increase in the 12 months to September 2022, increasing by 47 percent and 38 percent respectively. However, in the 12 months to September 2023, interest rate-related expenses showed the highest increase, increasing by 35 percent. This follows a 34 percent increase in interest rate expenses in the 12 months to September 2022.

This surge in interest rate expenses is largely a consequence of the RBNZ (monetary policy) pushing up the official cash rate (OCR) to combat inflation. The RBNZ consistently raised the OCR from a record low of 0.25 percent in October 2021 to 5.5 percent in May 2023. With the OCR likely to stay higher for longer than expected (as inflation has been stubbornly high), debt servicing expenses for farmers are also likely to remain elevated in the short to medium term. This is likely to particularly affect dairy farmers with higher debt levels.

Figure 14: Farmgate milk price lower in 2023/24 season
Year to 31 May, NZ$ per kgMS



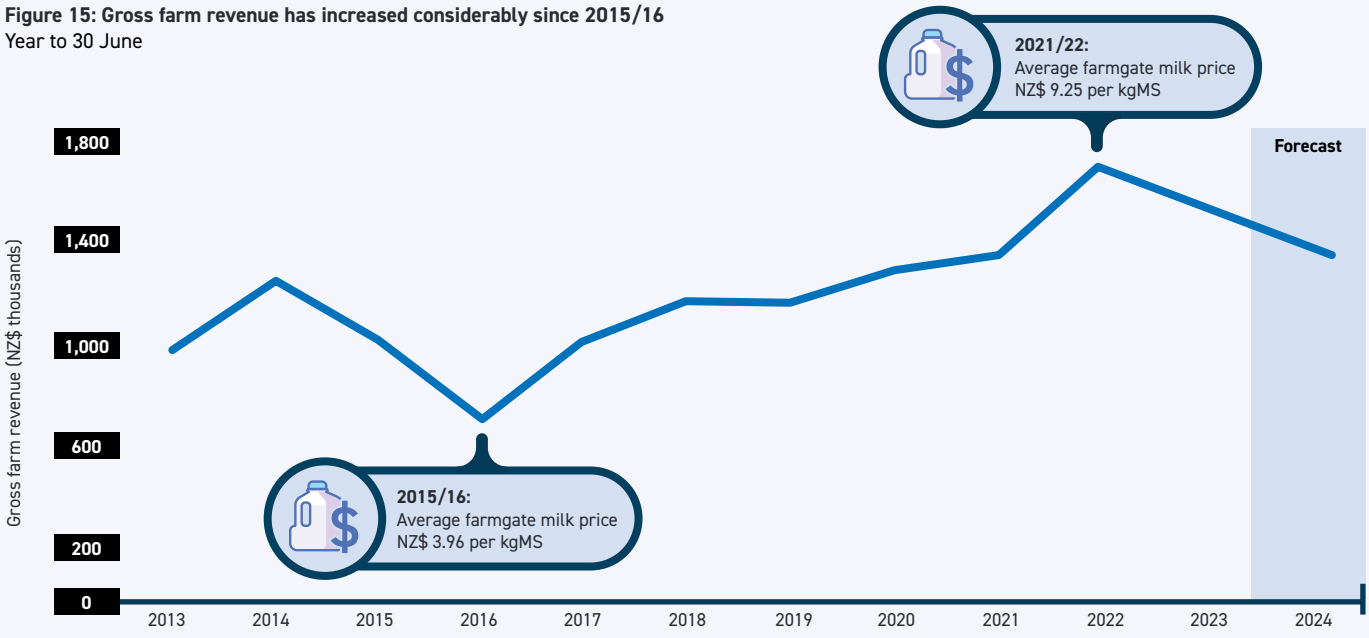
Farmgate milk price does not include dividend and capital repayments.
Source: DairyNZ and MPI.

Most dairy farms are well positioned to weather current profitability pressure

New Zealand's dairy sector has performed well in recent years

Seven consecutive seasons of positive net profits have left our dairy farmers in a good position to ride out current pressures brought on by rising input costs and unfavourable weather. A record high milk price of $9.25 in the 2022 season was followed by another high milk price of $8.15 last season, leaving farmers able to improve their business resilience by strengthening their balance sheets (Figure 15). This shows in the high level of debt repayment that has occurred in the dairy sector over the past few years. The improved resilience and balance sheet position should enable most farming businesses to withstand the forecast challenge to their profitability in 2023/24.

Figure 15: Gross farm revenue has increased considerably since 2015/16
Year to 30 June



Sample includes only owner operated dairy farms (owner operated farms accounted for 56 percent of dairy herds in 2021/22).
Data for 2022/23 are estimates.
Source: MPI Farm Monitoring and Benchmarking.

Additional non-milk price returns have been strong

Strong dairy company performance, specifically Fonterra, has resulted in further returns to farmers in the form of dividends. For the season to 31 May 2023, farmers received a dividend of 50c per share and a one-off capital repayment of 50c per share. This additional $1 per kgMS on top of the $8.22 milk price and the timing of this payment will help offset the cost pressures and cash flow challenges that Fonterra's farmers are facing. Farming businesses that don't supply Fonterra account for about 20 percent of milk production, and most of these businesses will not receive such additional payments.

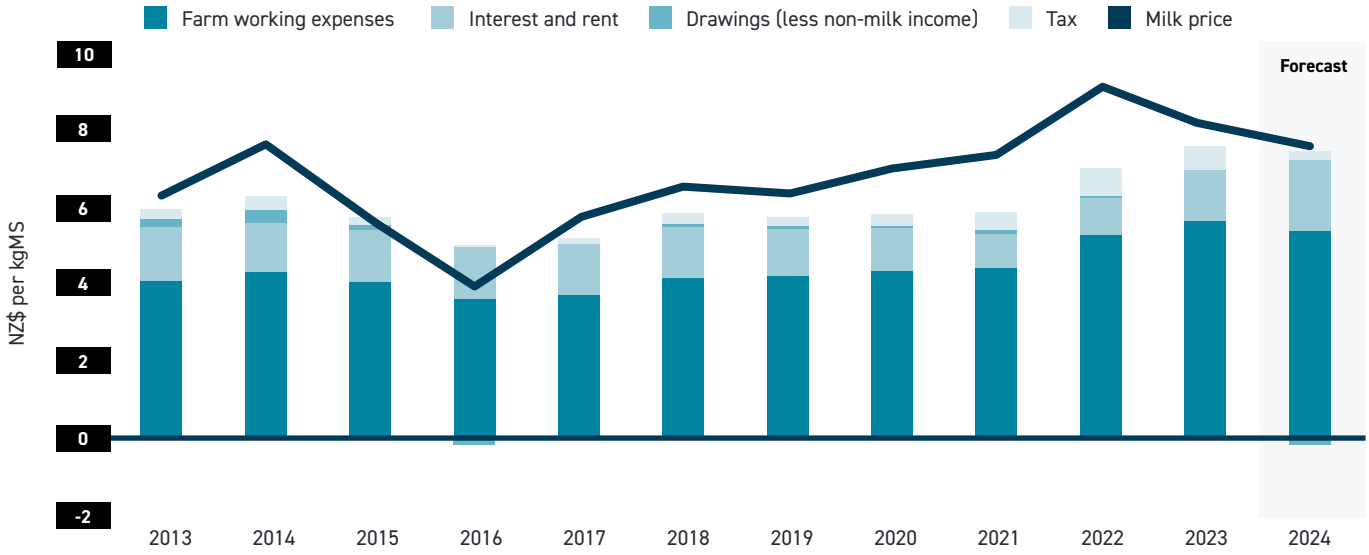
The current 2023/24 season will be challenging

A weaker milk price outlook for the season to 31 May 2024 combined with elevated farm expenses suggests dairy farm profitability will fall considerably this season. The farmgate milk price (excluding dividends) is forecast[11] to drop to $7.60 for the 2023/24 season due to weaker global demand for key reference dairy products such as whole milk powder.

At the same time, there has been a material increase in farm working expenses and, in particular, interest rate expenses over the past two years. For example, debt servicing costs are forecast[12] to have increased by 110 percent from $0.82 per kgMS in 2020/21 to a forecast $1.74 per kgMS in 2023/24.

As a result, the breakeven milk price for an average farming business has increased over the past two years (Figure 16).

Figure 16: The breakeven milk price has increased in past seasons
Year to 30 June, NZ$ per kgMS



Data for 2022/23 are estimates.
Source: MPI Farm Monitoring and Benchmarking.

11. MPI's SOPI farmgate milk price forecast is based off expected prices in USD for key reference dairy commodities and an exchange rate of 0.60.

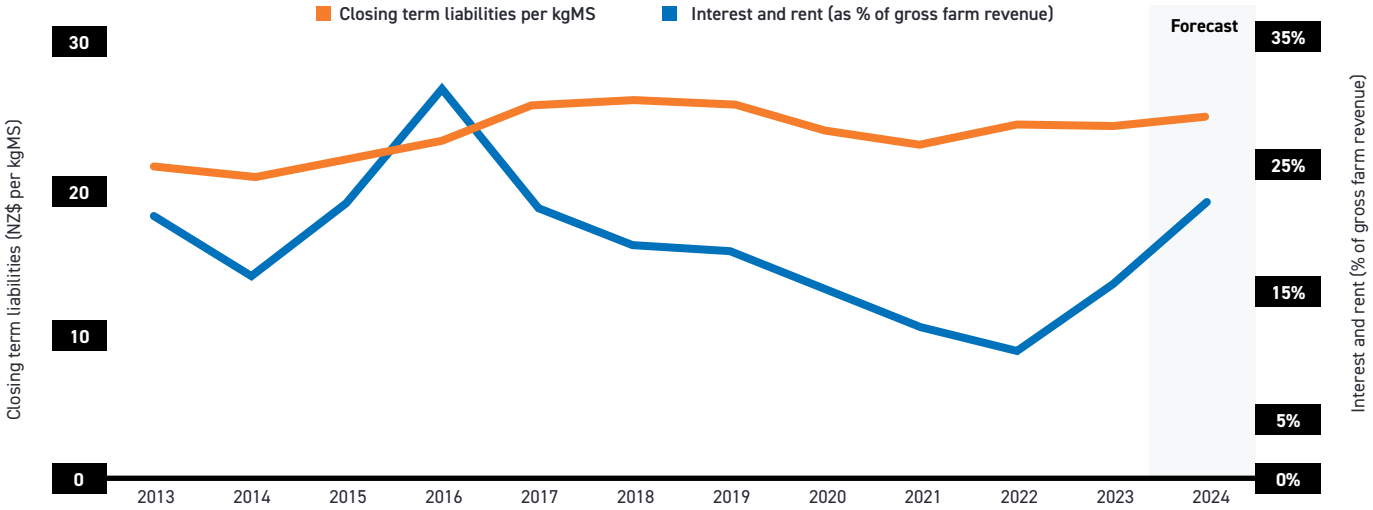
12. MPI's farm monitoring and benchmarking (FMB) forecast is based off data supplied by DairyNZ.

Ability to service debt could be impacted for heavily indebted farmers

Debt levels are expected to increase in 2023/24 after trending down for several years as farmers are likely to increase borrowing to help with cash flow and working capital expenses in an environment of falling output prices and rising costs.

With interest expenditure increasing and revenues decreasing, the capacity of dairy farming businesses to service debt (a measure of risk) is likely to decrease significantly over 2023/24 after a steady increase since 2015/16. Importantly, despite this fall, most farms are still expected to be in a better debt servicing position than they were during the 2014/15 and 2015/16 seasons (Figure 17).

Figure 17: The ability to service debt costs is likely to decrease in 2023/24
Year to 30 June, closing term liabilities in NZ$ per kgMS and interest and rent as a percentage of gross farm revenue (GFR)



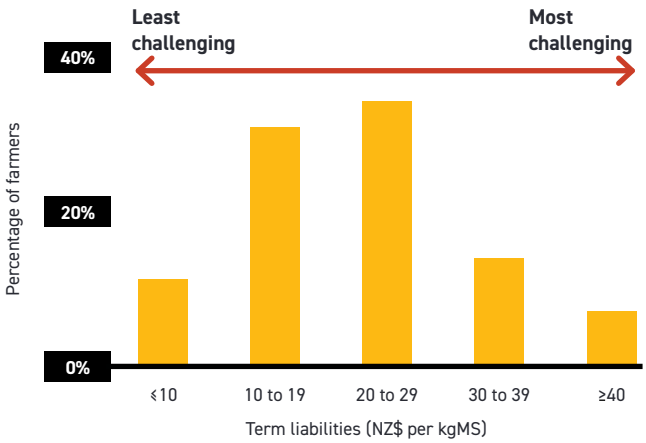
Farm indebtedness varies across dairy farms, and increased interest rates will have a particularly significant impact on highly indebted farms.
Data for 2022/23 are estimates.
Source: MPI Farm Monitoring and Benchmarking.

Farms with higher levels of debt will be more impacted

Not all farming business will feel these impacts equally. As interest rates rise, farms with lower levels of debt are likely to have lower breakeven milk prices compared with farms with higher levels of debt and will find the 2023/24 season less challenging (Figure 18).

Note that most dairy businesses have actively paid down debt over the past few seasons, lessening their overall exposure to higher debt servicing costs.

Figure 18: The majority of farms have manageable levels of debt
Year to 30 June 2022, percentage of farms, term liabilities in NZ$ per kgMS



Term liabilities are liabilities due outside of the current financial year.
Source: MPI Farm Monitoring and Benchmarking.

The challenges are temporary, and the medium-to-long-term outlook is positive

The current declining output prices and high input costs are expected to be a short-term challenge. In the medium to long term, improved global economic growth should support an increase in demand for dairy products. Meanwhile global supply of dairy products is likely to be constrained by several factors, particularly climate change and increased frequency of adverse events. Improved demand and weak supply should result in an increase in global dairy prices, which in turn will support a strong farmgate milk price.

On the input cost side, the rise in interest rates to combat inflation is beginning to have an effect, with the pace of cost increases slowing down in recent quarters. Once inflation is reined in, debt servicing costs are expected to decline, supporting a lift in farm profitability in the medium to long term.

The dominance of agribusiness co-operatives ensures that farm profitability is closely linked to processor performance

The downstream (post farm gate) areas of New Zealand's food and fibre sector value chain such as processing/ manufacturing and distribution of food products is dominated by co-operatives. These co-operatives are owned and controlled by farmers and therefore the purpose of the co-operatives is to ensure benefits to its farmer owners are maximised.

For example, a co-operative operates with the lens of paying the highest possible price for the milk being supplied, despite it still being a major input cost. As a result, there is a strong link between farm profitability and the performance of co-operatives. More importantly, the (balance sheet) position of the co-operatives has a strong bearing on the farming sector.

Strong financial performance indicates major exporters are well placed for the future

Supply chain disruptions, inflation, and a slowing global economy have challenged firms' ability to compete in global markets. Despite these challenges, many of New Zealand's major primary sector exporters have continued to succeed in international markets.

Financial performances varied across companies and sectors but New Zealand's three largest primary sector exporters - Fonterra, Zespri, and Silver Fern Farms - all posted strong results. Revenues and profitability were similar or higher than historical levels and despite recent challenges, these companies strengthened their balance sheets, increasing their ability to face future challenges.

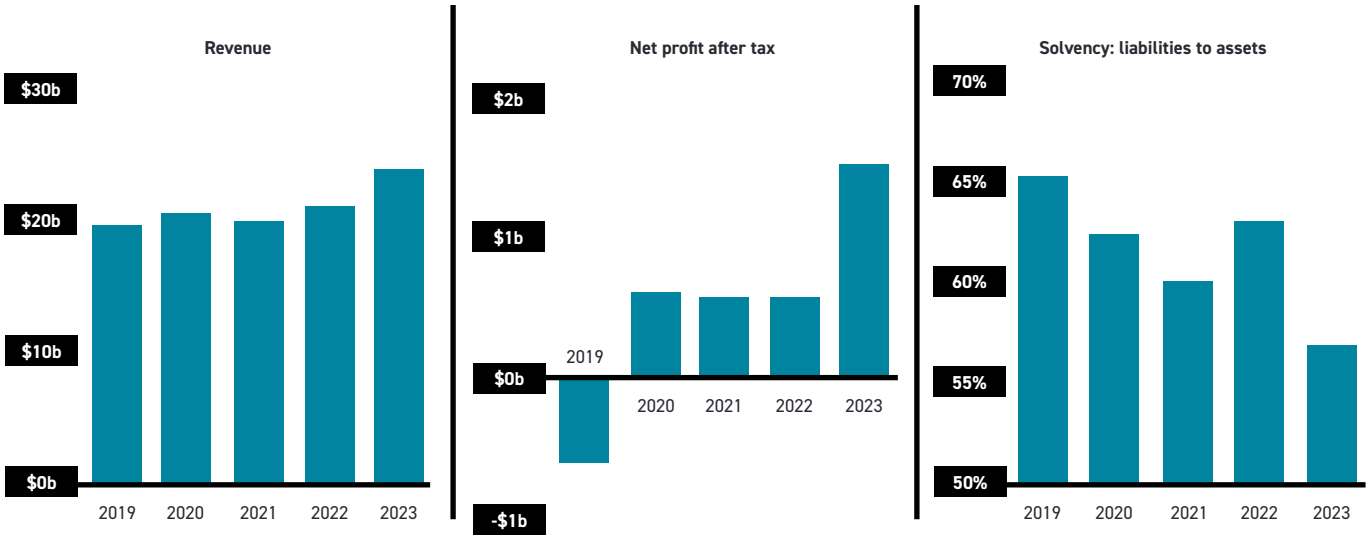
12% rise in revenues to $24.6 billion

Fonterra is well prepared after record year

Fonterra, New Zealand's largest dairy exporter, posted a positive financial performance for the year to 31 July 2023 (Figure 19). Strong commodity demand, particularly for proteins and cheese, a 16 percent decrease in inventories, and favourable exchange rates supported a 12 percent rise in revenues from continuing operations to $24.6 billion. Despite inflationary pressures driving up operating costs, strong revenue growth and higher product margins supported a lift in operating margins from 13.3 percent to 17.0 percent. This resulted in a total group net profit after tax of 1.6 billion, up 170 percent from 2022.

Fonterra divested its operations in Chile, which supported balance sheet health with net debt decreasing by 40 percent to $3.2 billion in 2023. Lower debt and stronger earnings supported Fonterra's decision to pay a full-year dividend of 50 cents per share, the highest since 2007. However, weakening global commodity demand is expected to reduce profitability in 2023/24, although lower prices will be partially offset by lower input costs. Despite a challenging outlook, Fonterra appears well positioned for the year ahead.

Figure 19: Fonterra's key financial metrics
Year to 31 July, revenue in NZ$ billion, solvency as a percentage, net profit in NZ$ billion



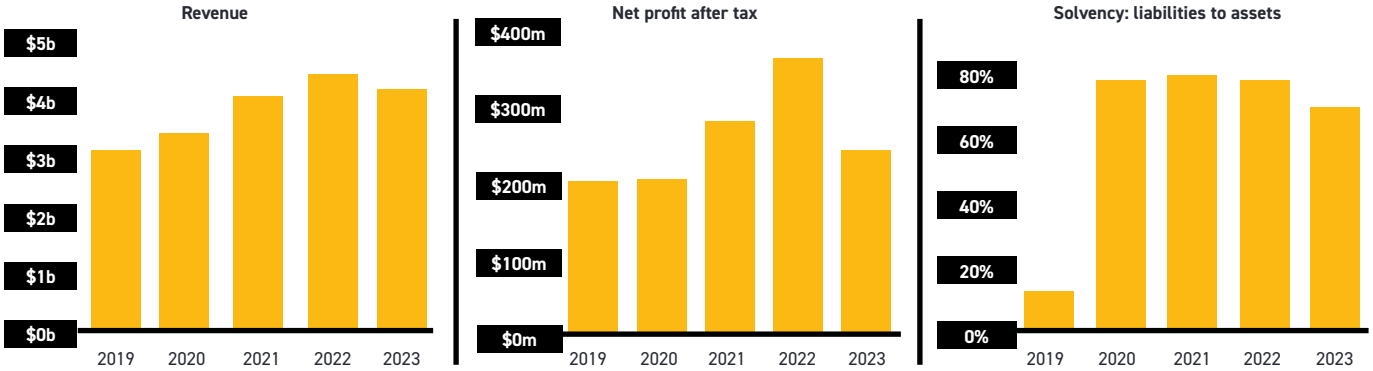
Source: Fonterra Co-operative Group Limited, Financial Statements.
Note: Net profit after tax is for the total group.

Zespri affected by weather events but remains strong

Zespri, New Zealand's multinational kiwifruit exporter, reported a fair performance for the year to 31 March 2023, albeit down from a record financial performance in 2021/22 (Figure 20). Long-term investments in building brand equity supported strong overseas demand for Zespri's produce, especially SunGold kiwifruit. However, adverse weather events and a tight labour market reduced the volume and quality of kiwifruit available for export, adding an estimated $530 million in quality costs across the industry. This was reflected by a 6 percent decrease in revenues to $4.1 billion and a slip in operating margins from 7.7 percent to 3.7 percent. Despite the year's challenges, Zespri posted a strong net profit after tax of $239 million.

Zespri's balance sheet health improved during 2022/23. Liabilities are high relative to assets, but low interest-bearing debt and high cash reserves present little cause for concern in the company's ability to meet its financial obligations. Following a challenging start to the 2023/24 production season, export volumes are expected to decrease in the year ahead but are poised for recovery in 2024/25. Although rebuilding from adverse weather events will take time, the company remains resilient and profitable.

Figure 20: Zespri's key financial metrics
Year to 31 March, revenue in NZ$ billion, solvency as a percentage, net profit in NZ$ million



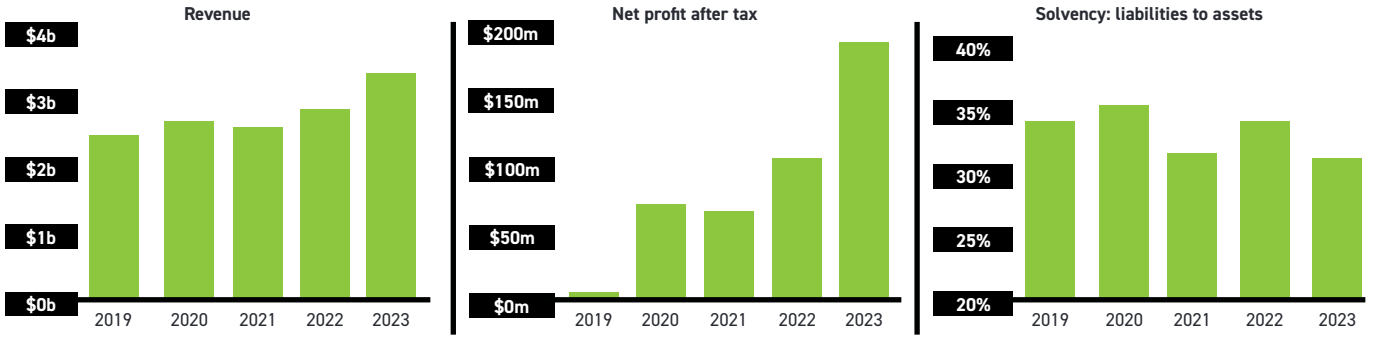
Source: Zespri Group Limited, Financial Statements.

Silver Fern Farms posts record profit on the back of high prices

Silver Fern Farms, New Zealand's largest meat processor, posted a record result for the year to 31 December 2022 (Figure 21). Constrained global protein supplies and strong post- COVID-19 demand supported high prices in international markets. Incremental upgrades to outdated processing assets and efforts to grow its consumer-facing products such as its Net Carbon Zero beef also supported Silver Fern Farms' performance. Revenues increased by 19 percent to $3.3 billion, while operating margins rose from 29.9 percent to 31.8 percent. This performance culminated in a record high net profit after tax of $189 million in 2022, up 82 percent from the previous year.

A growing asset base, higher receivables, and a decrease in interest-bearing debt strengthened Silver Fern Farms' balance sheet in 2022. However, recovering global supplies and slower demand growth has led to a decline in meat prices from recent highs. But following its record result in 2022, Silver Fern Farms appears well prepared for the year ahead.

Figure 21: Silver Fern Farms' key financial metrics
Year to 31 December, revenue in NZ$ billion, solvency as a percentage, net profit in NZ$ million



Source: Silver Fern Farms Limited, Financial Statements.

Meat and wool

Export revenue is forecast to decrease 5 percent to $11.6 billion in the year to 30 June 2024 driven by weaker demand for beef and sheepmeat being partially offset by strong demand for pet food and venison. Beef, lamb, mutton, and wool prices are forecast to remain soft due to downward pressure caused by weaker purchasing power and consumer confidence in key markets. Farm and processor profitability are forecast to fall in 2023/24 due to lower prices and elevated input costs.

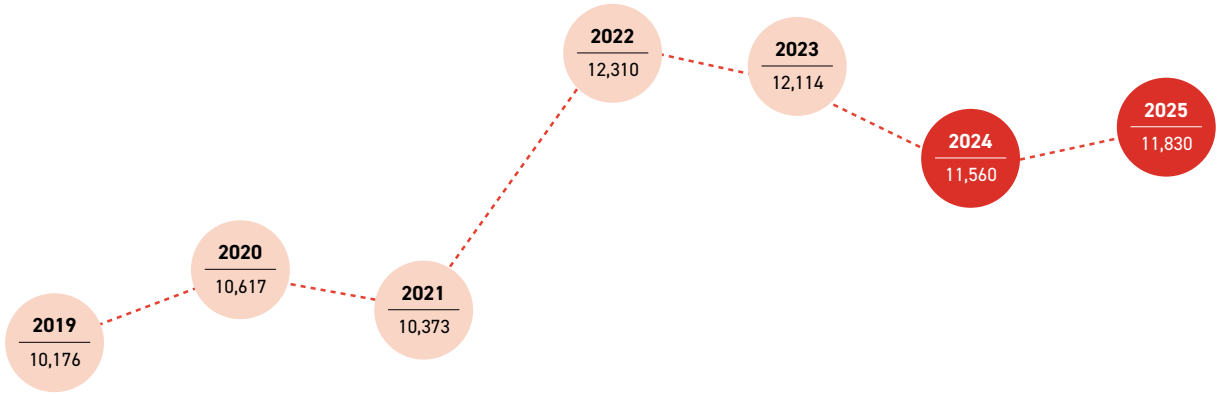


Table 3: Meat and wool export revenue 2019—25
Year to 30 June, NZ$ million

	Actual					Forecast	
Product	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Beef and veal	3,324	3,801	3,596	4,581	4,597	4,240	4,400
Lamb	3,227	3,310	3,161	3,600	3,363	3,200	3,200
Mutton	576	639	695	703	570	530	520
Wool	549	432	395	437	400	390	380
Venison	186	151	150	170	197	190	190
Other meat*	610	589	612	701	679	670	660
Hides and skins	354	240	202	295	301	290	300
Animal co-products	729	804	824	918	1,032	1,080	1,130
Animal fats and oils	115	140	179	281	274	230	250
Animal products for feed	376	408	449	521	589	640	700
Carpets and other wool products	130	103	109	103	113	110	100
Total export value	**10,176**	**10,617**	**10,373**	**12,310**	**12,114**	**11,560**	**11,830**
Year-on-year % change	**7%**	**4%**	**-2%**	**19%**	**-2%**	**-5%**	**2%**

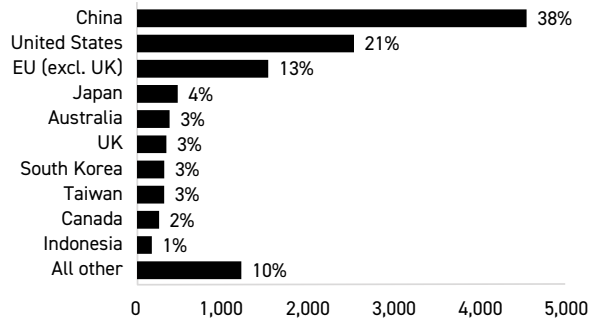
* Includes edible offal, processed meat, and poultry.
Totals may not add up due to rounding.
Percentages are rounded to the nearest whole percent

Source: Stats NZ and MPI.

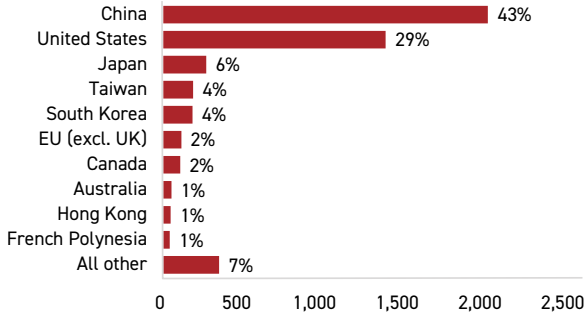
Top meat and wool export markets

Year to 30 June 2023, NZ$ million and percent

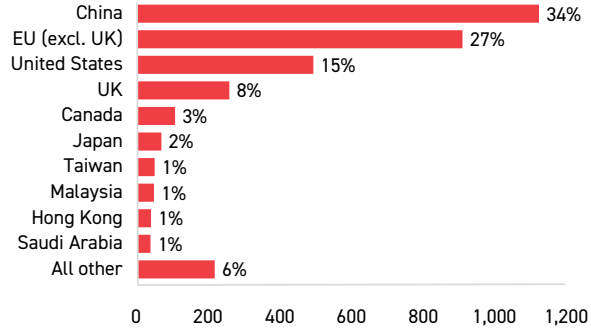
Total meat and wool products



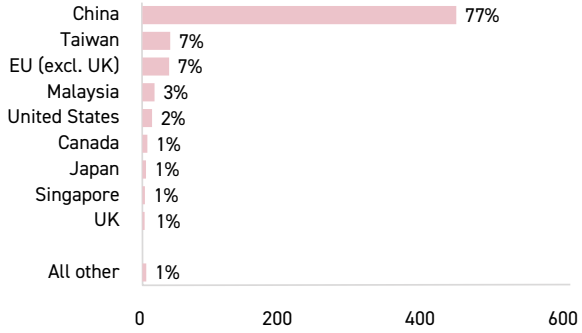
Beef and veal



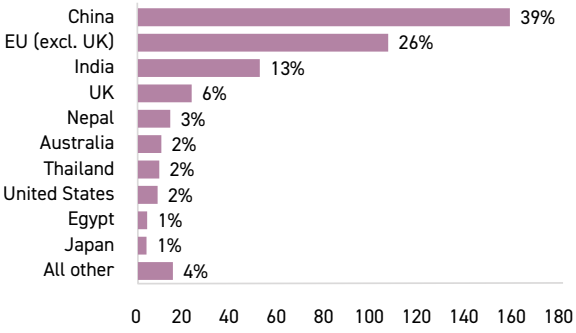
Lamb



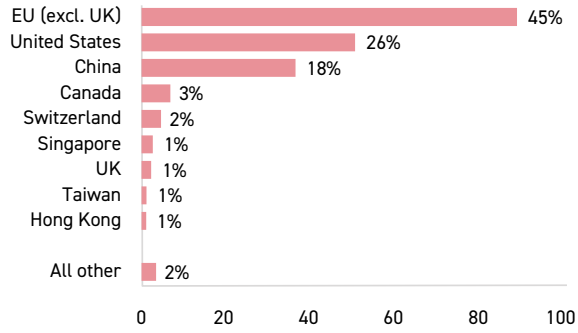
Mutton



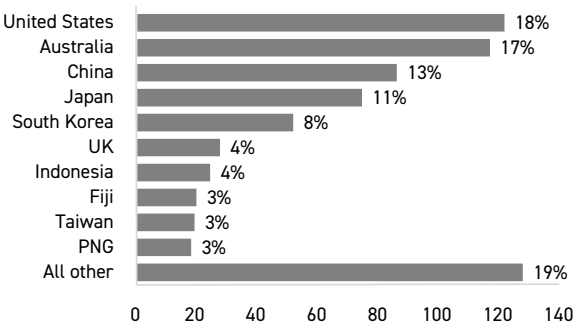
Wool



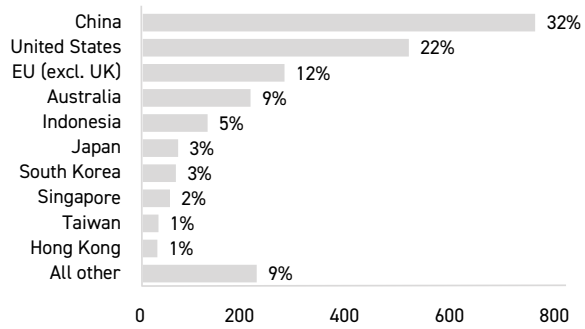
Venison



Other meat



Other animal products*



* 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.

Lower demand due to economic challenges in export markets

Meat and wool export revenue is forecast to decline 5 percent to $11.6 billion in the year to 30 June 2024 due to subdued discretionary spending resulting from the continued high cost of living and higher global sheepmeat export volumes putting downward pressure on prices. This decline follows an export price-driven fall of 2 percent in 2022/23 from a record high of $12.3 billion in 2021/22. Wider economic challenges in China, which are expected to continue affecting consumer and business confidence and ensuing demand over the next two years, are also contributing to this decline.

Globally, middle and lower-income consumers are expected to continue to trade down from lamb and prime beef products to lower-priced proteins such as chicken and ground beef due to weak sentiment and constrained incomes. In contrast, venison prices are expected to perform better than other prime meats given venison's niche nature. Higher meat inventories in Asia are also expected to continue to dampen importer demand for beef and sheepmeat in the short term. Export prices for key meat products are forecast to improve in 2024/25 and over the long term as economies stabilise and demand recovers (Figure 22).

Beef export price falls to be cushioned by robust demand for ground beef

Beef export prices are expected to fall by 4 percent to $8.90 per kilogram in the year to 30 June 2024 due to weaker demand from Asia. Higher demand for manufactured beef products in North America is expected to limit the overall fall in beef prices as consumers substitute higher-priced meats for cheaper alternatives such as ground beef.

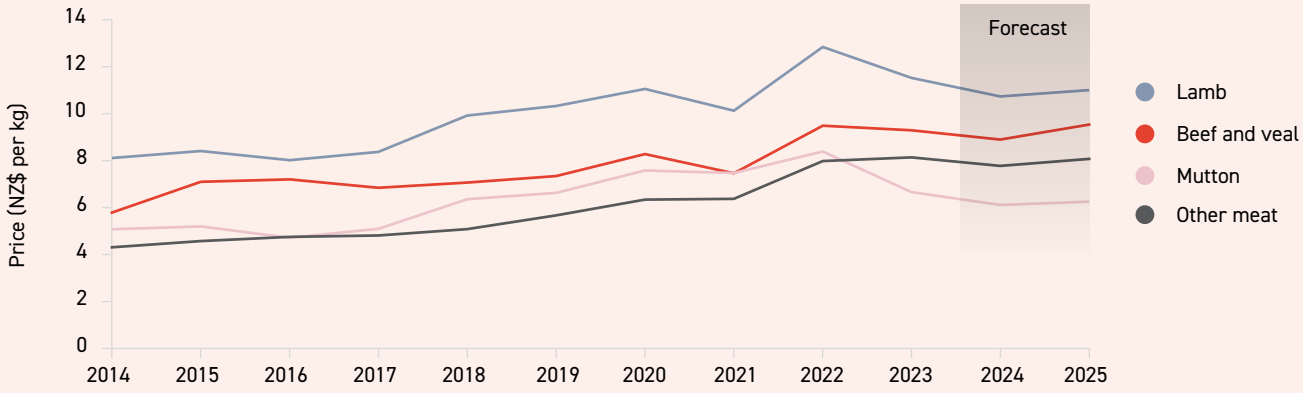
Overall, the constrained global beef supply is forecast to continue to support beef prices in 2023/24. Production decreases in Argentina, the EU, and North America are forecast to slightly offset increases in Australia, Brazil, China, and India. Further slowing of cattle slaughter in the US and the commencement of herd rebuilding in Brazil and the US are forecast to provide price support in the medium term.

In early 2023/24, reasonably strong beef demand in the US and Canada limited the fall in beef export prices and helped offset much lower demand from China. Over the remainder of the year, beef export prices to China are forecast to remain soft due to temporary instability in its property market and lower global demand for manufactured goods affecting consumer confidence and demand for higher-priced protein products. Demand from the US and Canada is forecast to remain relatively strong due to lower domestic cattle slaughter compared with 2022/23 and higher demand for ground beef due to its lower price point.

Beef and veal export volumes are forecast to decrease 4 percent to 476,000 tonnes in the year to 30 June 2024 due to lower prime beef and cow production. Farmers retaining beef heifers as well as dairy farmers sending fewer dairy cows for slaughter (following a high cull in 2022/23 due to higher empty rates) are forecast to lower beef production.

The beef herd is expected to have fallen slightly to 3.8 million head as at 30 June 2023 with higher breeding cattle numbers being offset by fewer weaners. In 2023/24, the beef herd is expected to expand slightly as farmers continue to shift from sheep to beef cattle.

Figure 22: Key meat export prices forecast to dip in 2023/24 before improving in 2024/25
Year to 30 June, NZ$ per kg



Source: Stats NZ and MPI.

Lamb and mutton prices dampened due to subdued demand and higher global supplies

Sheepmeat export prices are forecast to decrease 7 percent to $10.70 per kilogram for lamb and 8 percent to $6.10 per kilogram for mutton in the year to 30 June 2024. Lamb export prices are forecast to track 4 percent below the five-year average due to higher global supplies and weaker importer demand in China and Europe.

Global sheepmeat exports have significantly increased due to successful flock rebuilding and productivity improvements. In addition, dry conditions in Australia, which comprises almost 40 percent of global sheepmeat exports (Figure 23) have led to increased flock culling. The abundance of lower-priced Australian sheepmeat is reducing prices received by both Australian and New Zealand exporters, especially in China and the UK.

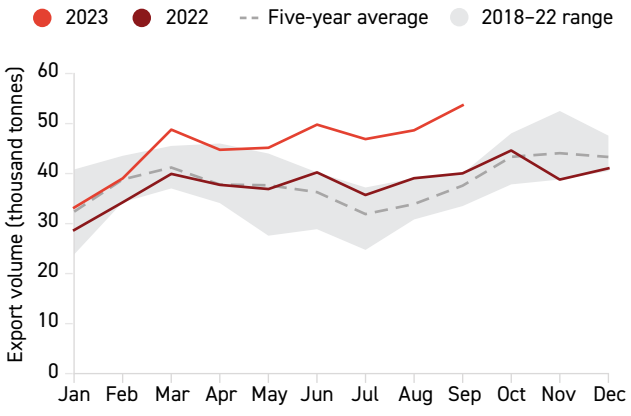
Over the next year, a combination of higher global exports, higher importer inventories, and weak economic sentiment are forecast to reduce sheepmeat demand from China. Lamb export prices to the EU, UK, and US are also forecast to remain subdued over 2023/24 due to the high cost of living affecting demand for higher-priced proteins. Prices are forecast to begin to improve in 2024/25 as demand starts to recover, although higher global export supplies from Australia are forecast to limit price growth.

Lamb export volumes are expected to increase 2 percent to 298,000 tonnes due to higher lambing rates, lamb survival, and higher lamb slaughter. Mutton export volumes are forecast to increase 1 percent to 86,000 tonnes due to farmers sending slightly more adult sheep for slaughter driven by a shift to beef cattle and dry conditions limiting feed availability.

As at 30 June 2023, sheep numbers are estimated to have remained similar to the previous year at 25.1 million head. In 2023/24, breeding ewe and hogget numbers are forecast to decline slightly in line with the long-term trend of gradually declining sheep numbers. A higher lamb crop in 2023/24 (spring 2023) is expected due to favourable conditions during mating and lambing and higher estimated lambing percentages. Higher lambing percentages are expected to offset lower lamb weights (due to more multiples born) and result in higher lamb production later in 2023/24.

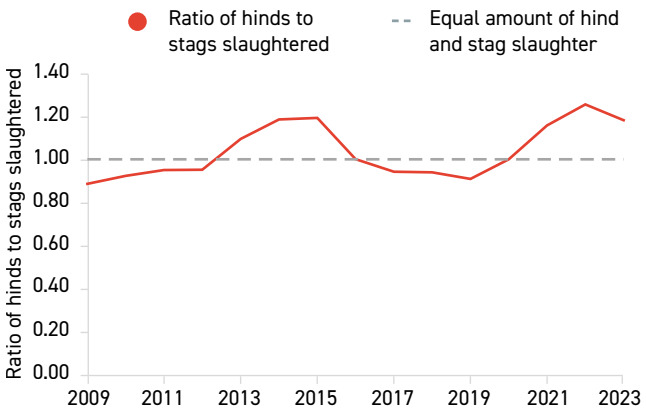
The forecast warmer El Niño weather pattern is likely to reduce late season slaughter weights and increase slaughter numbers due to feed constraints. Farmers are expected to prioritise the retention of breeding cattle over sheep. The expected increase in the number of sheep being sent for processing is likely to put downward pressure on farm gate schedule prices.

Figure 23: Australian sheepmeat exports hit record volumes
Year to 31 December, monthly export volumes, thousand tonnes



Source: Global Trade Atlas and MPI.

Figure 24: Hind to stag slaughter ratio remains high as farmers retain stags for velvet production
Year to 30 September, ratio of hinds to stags slaughtered



Source: Deer Industry New Zealand and MPI.

Diversification for venison products forecast to support export growth

Venison export prices are forecast to increase 3 percent to $14.70 per kilogram in 2023/24 due to strong demand for venison products, reflecting its elite premium nature. Exporters are focusing on increasing venison exports to the US and China to drive further growth. Looking ahead, the deer industry intends to pursue more diversification activities such as expanding retail volumes and developing new market channels to improve profitability.

As at 30 June 2023, the deer herd is estimated to have decreased by 4 percent to 762,000. In 2023/24, the deer herd is forecast to decrease 2 percent on the back of farmers continuing to send more hinds for slaughter in favour of stag retention due to stable velvet demand and prices (Figure 24).

Wool export revenues are forecast to continue to soften

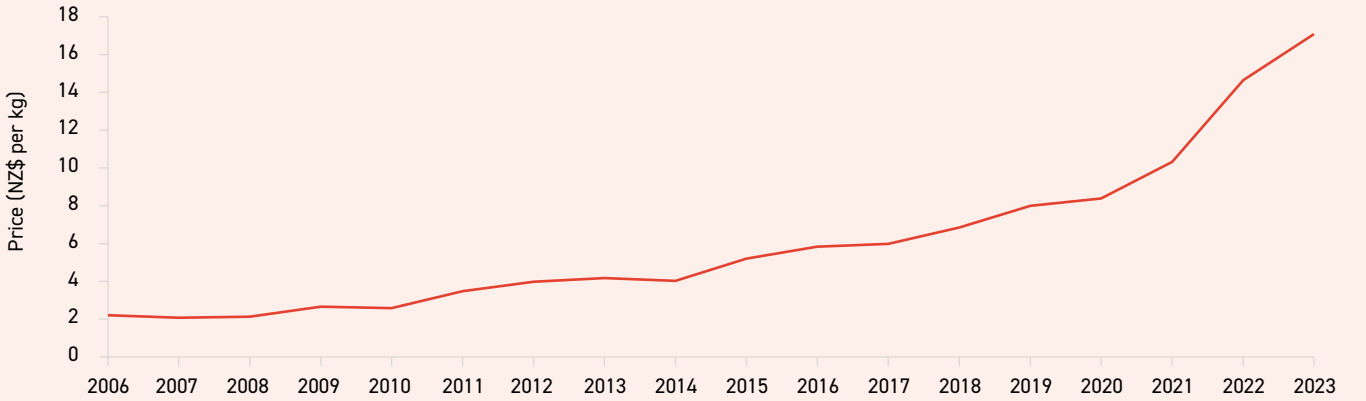
Lower export revenues attributable to India, Italy, and the UK drove an 8 percent decline in total revenues in the year to 30 June 2023 following an 11 percent increase in 2021/22. China remains the biggest market for New Zealand wool, accounting for almost 40 percent of export receipts. In 2022/23, export prices lifted 2 percent while volumes fell 10 percent from their levels a year ago. Scouring capacity has been restricted due to the effect of Cyclone Gabrielle on the Awatoto scouring plant in Napier, but operations are scheduled to be restored by December 2023. In 2023/24, a weak global economic outlook is likely to lead to lower prices with wool revenues forecast to soften by 2 percent.

Export growth in the pet food industry is likely to continue

Strong growth in pet food exports drove a 13 percent increase in animal products for feed export revenue in the year to 30 June 2023. Following a 17 percent increase in pet food export prices in 2022/23, prices are forecast to increase a further 11 percent in 2023/24 (Figure 25). Because New Zealand pet food production is generally at the premium end of the market, the trend of humanisation of pets is boosting demand and prices for New Zealand pet food.

Figure 25: Pet food export prices have experienced substantial growth due to an increase in pet ownership during COVID-19

Year to 30 June, pet food export prices, NZ$ per kg

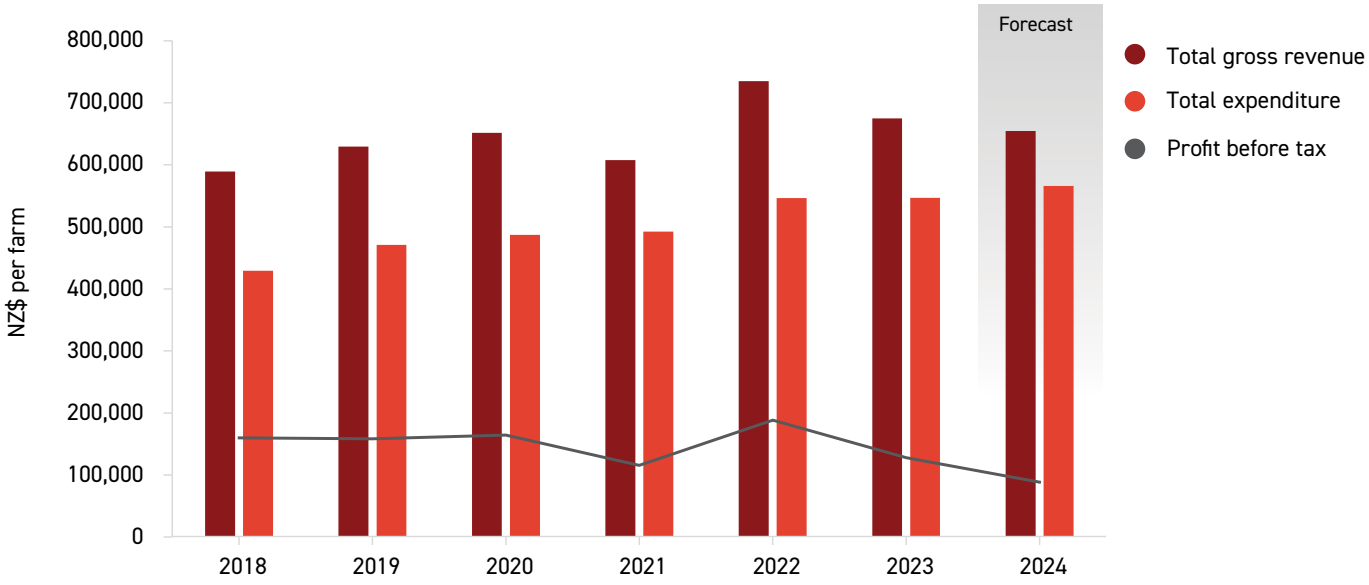


Source: Stats NZ.

Lower revenue and higher input costs are forecast to affect farmer profits in 2023/24

Falling revenue and rising input costs are forecast to affect farm profits in the year to 30 June 2024. Following a 32 percent decline in 2022/23, average farm profit before tax for all classes of sheep and beef farms is forecast to fall a further 31 percent to $88,600 in 2023/24 (Figure 26). Weak demand is suppressing schedule prices while total farm expenditure is expected to increase by 3 percent in 2023/24 due to further rising farm input prices (albeit more slowly). Farmers have been reducing inputs and delaying expenditure where possible to reduce short-term operating costs. In 2024/25, profitability is likely to improve as schedule prices recover and input costs stabilise.

Figure 26: A further fall in farm profitability forecast for 2023/24
Year to 30 June, NZ$ per farm



Data for 2022/23 are provisional.

Source: B+LNZ.

Forestry

Forestry export revenue is forecast to decrease 9 percent to $5.8 billion in the year to 30 June 2024. This updated forecast reflects weakened log prices and a less favourable 2023/24 outlook for pulp and paper. Log exports are forecast to decrease due to weak confidence in China, resulting in lower prices. In 2024/25, the reopening and increased capacity of wood processing plants are expected to increase pulp and paper export revenue. Foresters and wood processors are expected to face pressure due to decreasing output prices alongside high input costs.

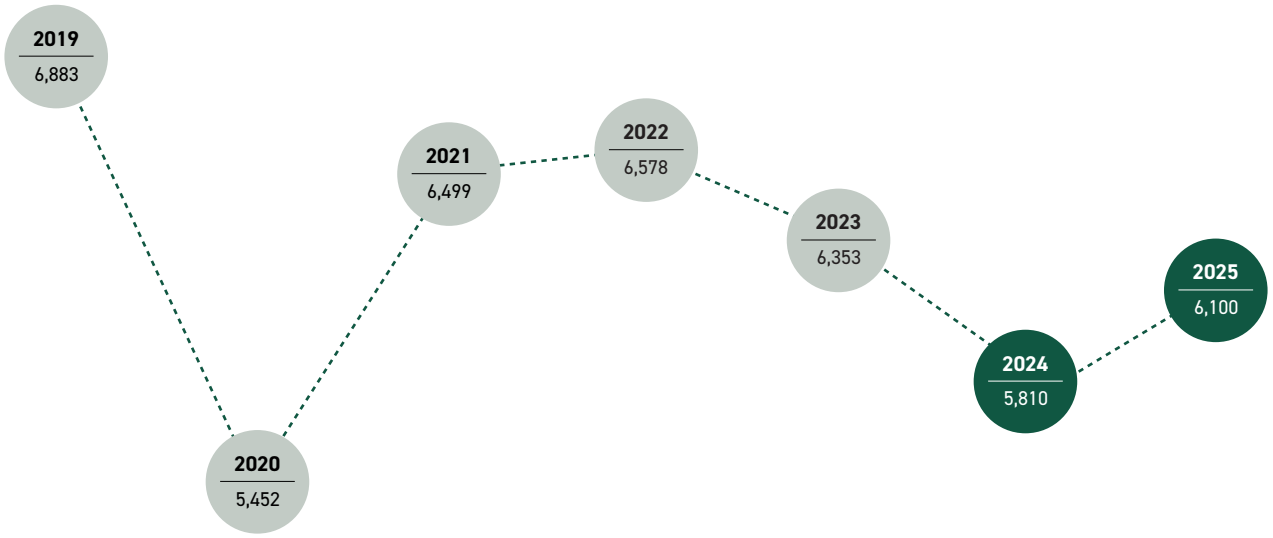


Table 4: Forestry export revenue 2019–25
Year to 30 June, NZ$ million

	Actual					Forecast	
Product	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Logs	3,806	2,791	3,830	3,627	3,388	3,160	3,190
Sawn timber and sleepers	936	806	900	973	937	900	930
Pulp	812	651	669	816	846	660	790
Paper and paperboard	491	492	438	463	433	410	480
Panels	514	434	385	411	463	400	420
Woodchips	67	56	61	62	78	80	70
Other forestry products*	257	222	216	225	208	200	210
Total export value	**6,883**	**5,452**	**6,499**	**6,578**	**6,353**	**5,810**	**6,100**
Year-on-year % change	**8%**	**–21%**	**19%**	**1%**	**–3%**	**–9%**	**5%**

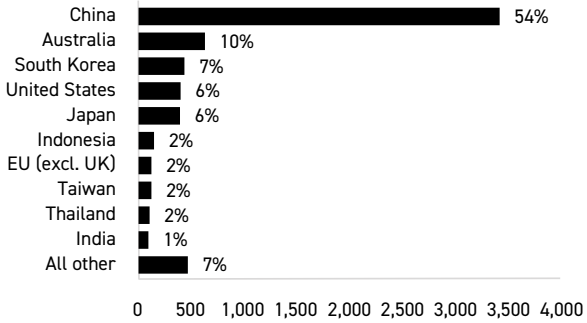
* Includes structural or moulded wood, furniture, and prefabricated buildings.
Totals may not add up due to rounding.
Percentages are rounded to the nearest whole percent.

Source: Stats NZ and MPI.

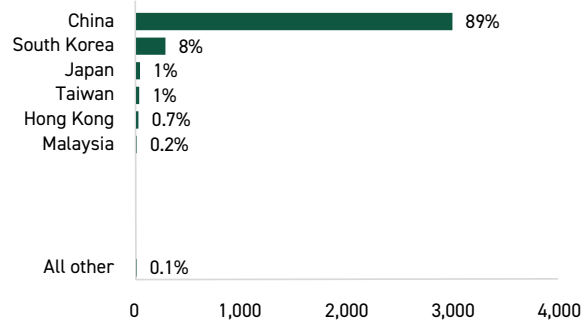
Top forestry export markets

Year to 30 June 2023, NZ$ million and percent

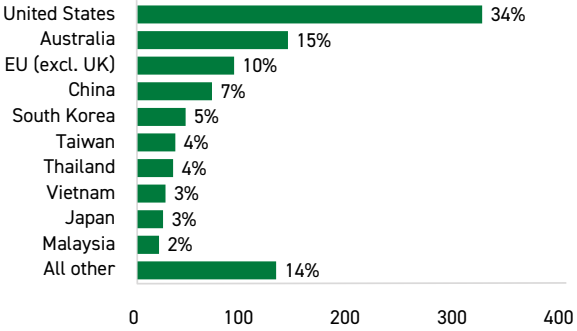
Total forestry



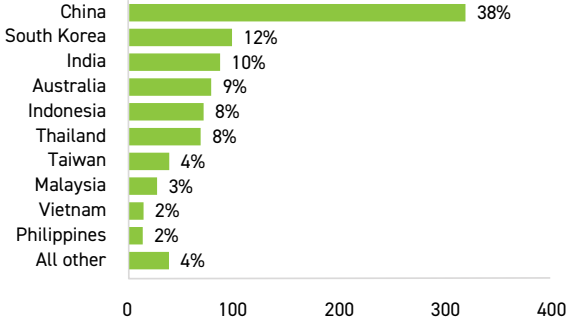
Logs



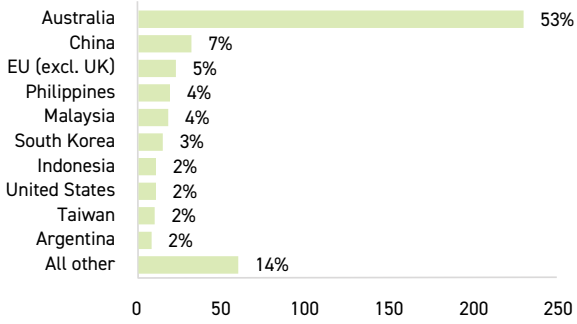
Sawn timber and sleepers



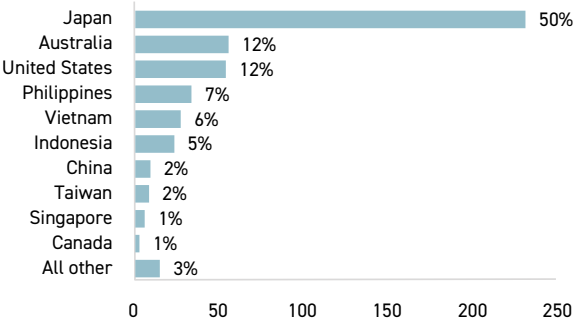
Pulp



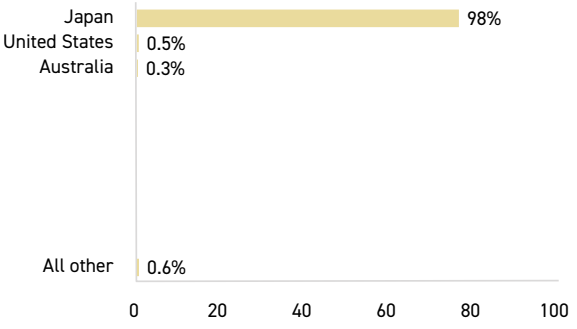
Paper and paperboard



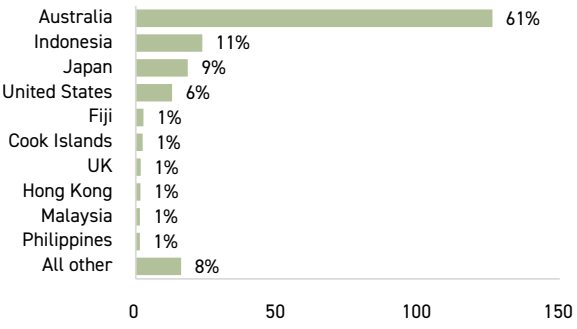
Panels



Woodchips



Other forestry products



Source: Stats NZ.

Log export revenue has declined in 2022 and 2023

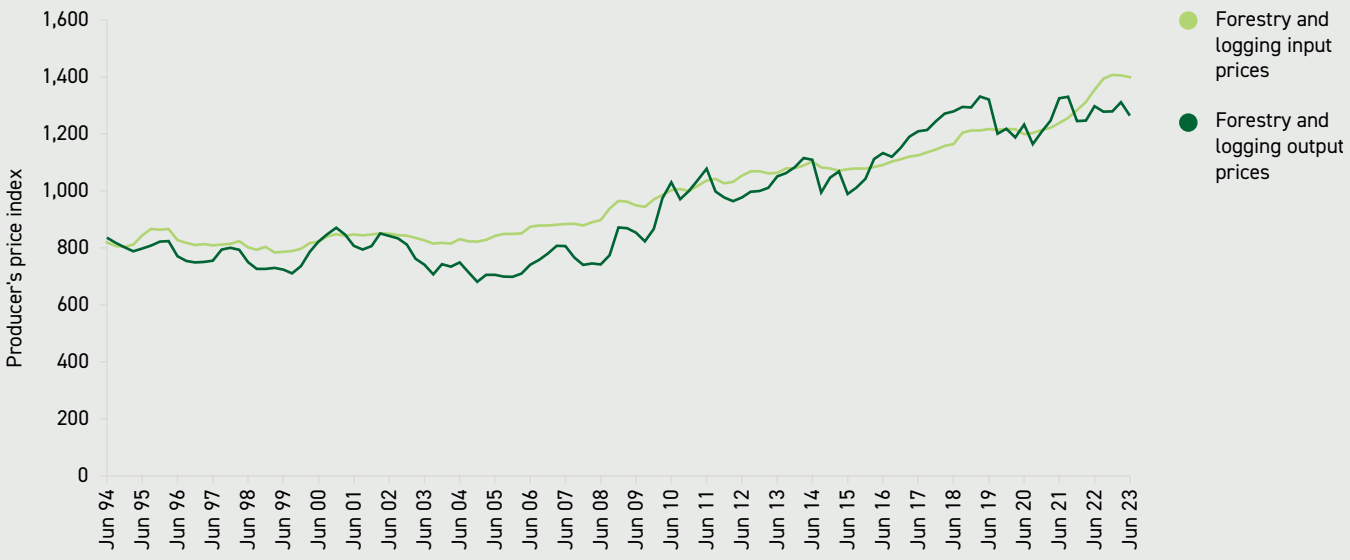
Log export revenue in the year to 30 June 2023 decreased 7 percent to $3.4 billion on the back of a 2 percent fall in volumes and a 4 percent fall in prices. Weak confidence and end-use demand in China is putting downward pressure on prices. At the same time, inflation has driven up input prices. The difference between input and output prices for forestry and logging is the largest it has been since 2008 (Figure 27). Domestic inflation is cooling, but there is uncertainty around future output prices given the low confidence in China.

China's property deleveraging continues, lowering construction activity

Average free on board log export prices were US$98 per cubic metre in the September quarter, down 11 percent on the year to 30 June 2022 average. Prices are expected to rise from there but to still end the 2023/24 year at low average levels and lower than previously forecast. Confidence is weak, especially in the property market after more high-profile defaults on foreign debt. Despite the Chinese Government's attempts to support the construction and property sector, construction activity remains low.

Log export revenue is forecast to end the year to 30 June 2024 down 7 percent to $3.2 billion, its third year-over-year decline in a row. Export volumes are forecast to remain steady in the year to 30 June 2024. This reflects current low port inventories in China and decreased competition from Germany offset by increased harvesting in China and weak China softwood log demand. Prices are expected to stay at lower levels, but a weaker expected exchange rate may give some relief.

Figure 27: Logging input/ouput costs difference biggest since 2008
Quarterly, producer's price index: base 2010 Dec = 1,000



Source: Stats NZ and MPI.

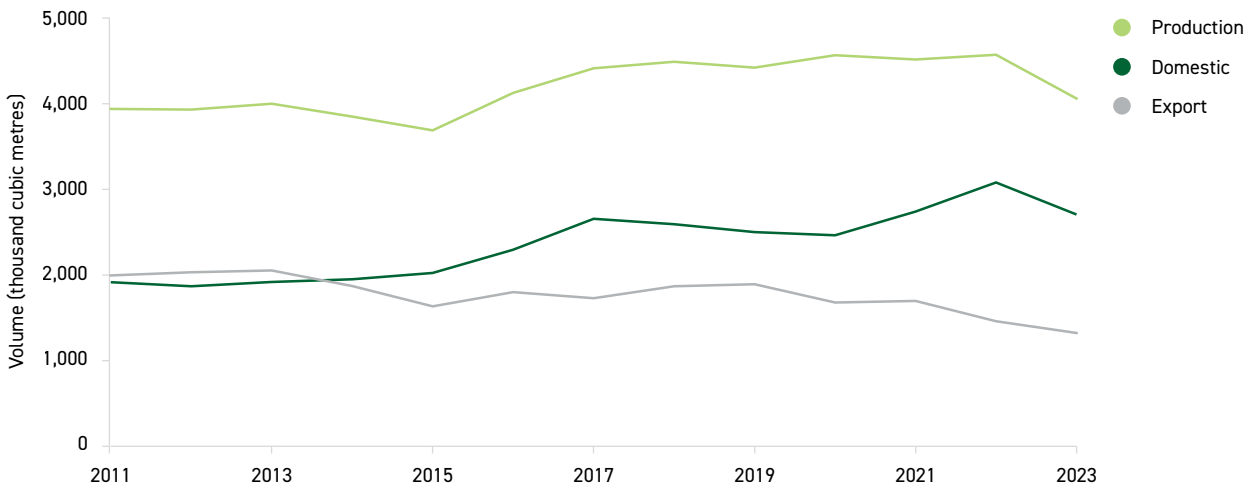
Strong demand from the US for sawn timber partially offsets revenue decline

Sawn timber export revenue decreased 4 percent to $936 million in the year to 30 June 2023. This was driven by a 9 percent fall in export volumes that was partially offset by rising prices (Figure 28). Higher interest rates, which increase the cost of borrowing for prospective home buyers and property developers, continue to affect building consent numbers both domestically and overseas. This reduces demand for construction materials, which includes sawn timber. On the supply side, wood processors are continuing to navigate high input costs and damaged roading infrastructure in getting products to port.

The US, New Zealand's largest sawn timber export market, was strong in the 2022/23 year. Export values were up 27 percent driven by increased export volumes and prices as well as supported by decreased supply from Canada. New Zealand export volumes were down to other big markets, including Vietnam, Taiwan, and Saudi Arabia.

Looking ahead, the US market is expected to soften to drive an overall fall in sawn timber export revenue. Average export prices are expected to be lower than the 2021/22 year. This is forecast to result in an export revenue decline of 4 percent to $900 million for the year to 30 June 2024.

Figure 28: Sawn timber volumes down
Year to 30 June, thousand cubic metres



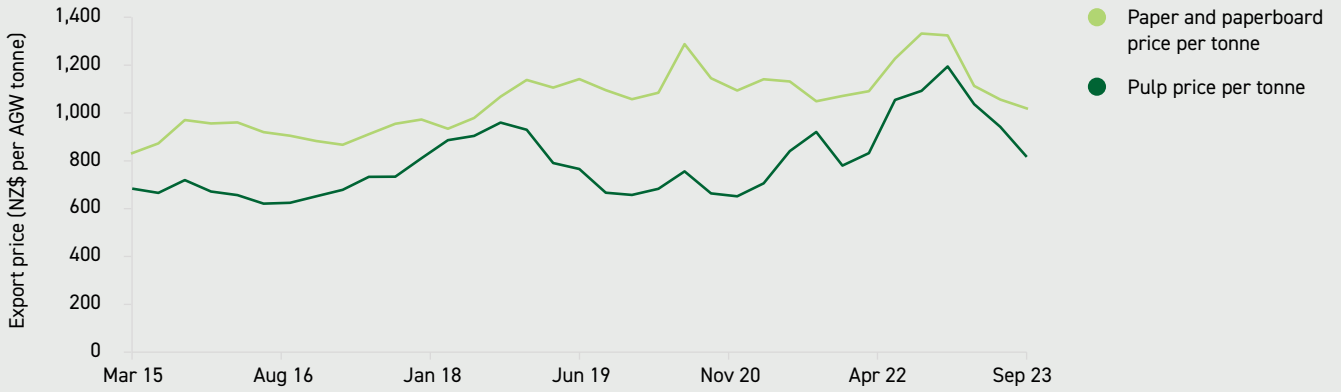
Source: Stats NZ and MPI.

High prices for pulp come to an end

Pulp export revenue in the year to 30 June 2023 rose 4 percent to $846 million as export prices climbed 21 percent from already high levels in 2021/22. Export volumes ended the year down 14 percent, largely due to Cyclone Gabrielle's impact on Pan Pac's Napier pulp mill. Export volumes are forecast to decrease again in the year to 30 June 2024 as the Pan Pac mill remains offline. Increased production is forecast in the year to 30 June 2025 which is expected to increase export volumes.

Export pulp prices have come down since their peak in the September quarter last year. They have shown support at their current level of $1,016 per tonne in this year's September quarter (Figure 29). Prices are forecast to remain near current levels. Slowing growth in China and added supply coming into the global market are expected to affect export demand. Export revenue in the year to 30 June 2024 is therefore forecast to decrease 22 percent to $660 million.

Figure 29: Pulp, paper, and paperboard prices down
Export price in NZ$ per apportioned gross weight (AGW) tonne



Source: Stats NZ and MPI.

Paper and paperboard prices down, production expected to increase

Paper and paperboard export volumes were down 14 percent in the year to 30 June 2023. This was caused by weak demand and disruptions caused by an expansion project at Whakatāne Mill. However, increased New Zealand mill capacity coming online is forecast to increase export volumes in 2024 and then again in 2025 as a full year of production increases come through. Despite this, lower prices are expected to result in a revenue decrease of 5 percent to $410 million in the year to 30 June 2024 (Figure 29). Weaker consumer demand for end products is also expected to be a headwind for export volumes.

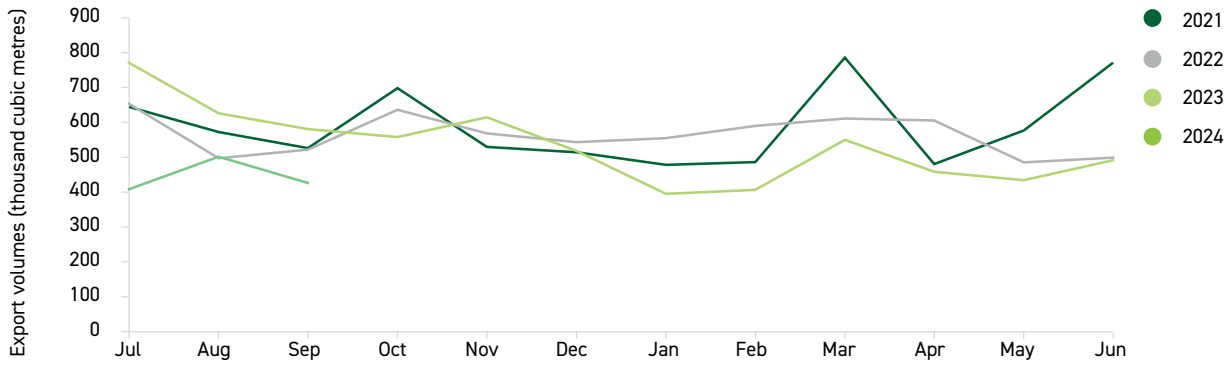
Panel prices are up but offset by lower export volumes

Panel export revenue increased 13 percent to $463 million in the year to 30 June 2023. The increase was driven by price hikes on the 2021/22 year for medium-density fibreboard (MDF), particleboard, veneer, and plywood, which more than offset declining export volumes. The decline in export volumes was primarily due to the closure of a production line at a plant in Sefton in November last year (Figure 30). This closure is expected to flow through to decrease export volumes again by 15 percent in the year to 30 June 2024. Particleboard and plywood export volumes have also trended down.

Export prices for MDF, which accounts for around 75 percent of export volumes, have started to soften but are being supported by a weaker NZD. Japan, New Zealand's largest export market, is also currently experiencing a historically weak exchange rate. This reduces its purchasing power and provides an additional headwind for both export demand and prices received by New Zealand processors. As a result, panel export revenue is forecast to decrease 14 percent to $400 million in the year to 30 June 2024.

Figure 30: Panel export volumes at lower levels

Year to 30 June, thousand cubic metres



Source: Stats NZ and MPI.

Horticulture

Horticulture export revenue is forecast to decrease 1 percent to $7.0 billion in the year to 30 June 2024. While the fall is primarily driven by lower volumes of wine and vegetables, export prices are forecast to be supported by strong global demand and constrained global supply. Recovering yields in 2024 are expected to offset lower volumes for some crops largely resulting from the tail end of weather-affected 2023 harvests. Increased yields should see a lift in kiwifruit revenue, and while wine exports are affected by lower demand driven by rebalancing of wholesale inventories, strong consumer demand should support prices. The 2023 apple crop was reduced by poor growing conditions and by flooding in Cyclone Gabrielle, but production should improve in 2024.

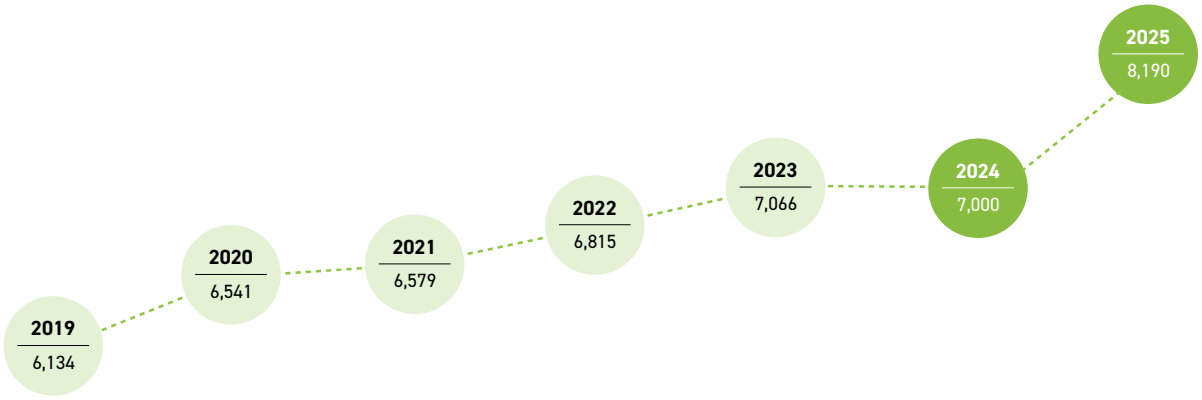


Table 5: Horticulture export revenue 2019–25
Year to 30 June, NZ$ million

	Actual					Forecast	
Product	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Kiwifruit	2,302	2,546	2,684	2,898	2,544	2,690	3,300
Wine	1,807	1,906	1,855	1,935	2,392	2,260	2,670
Apples and pears	839	883	823	865	892	910	940
Fresh* and processed** vegetables	696	701	629	622	737	680	770
Other horticulture***	490	505	588	494	501	460	510
Total export value	**6,134**	**6,541**	**6,579**	**6,815**	**7,066**	**7,000**	**8,190**
Year-on-year % change	**14%**	**7%**	**1%**	**4%**	**4%**	**–1%**	**17%**

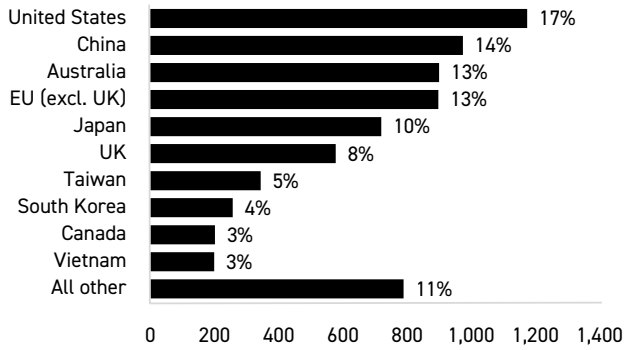
* Includes onions, squash, capsicum, potatoes, and other fresh vegetables.
** Includes frozen vegetables (including frozen potatoes, peas, sweetcorn, etc.), dried vegetables, dry legumes, prepared and/or preserved vegetables, and vegetable juices.
*** Includes other fresh fruits (including avocados, 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.

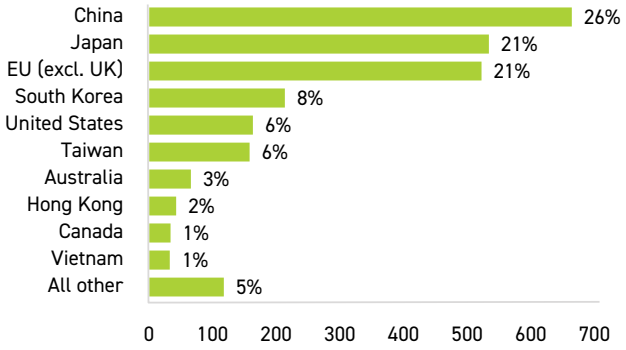
Top horticulture export markets

Year to 30 June 2023, NZ$ million and percent

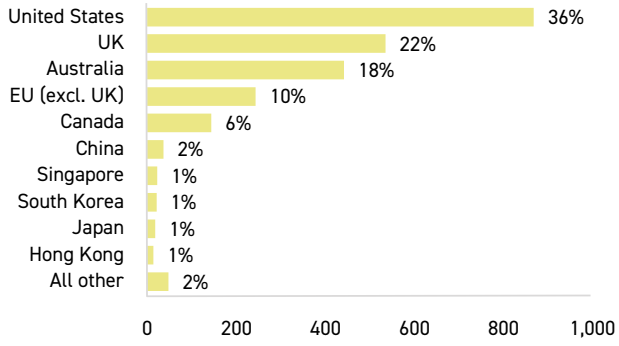
Total horticulture



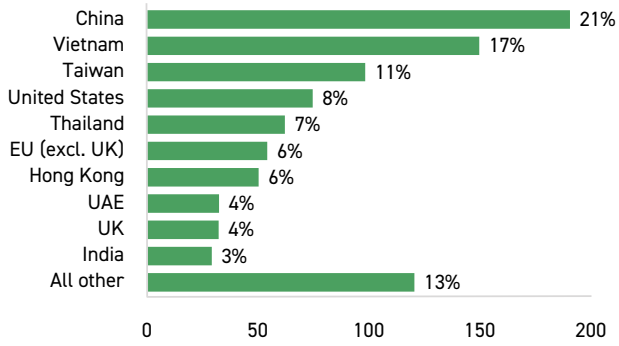
Kiwifruit



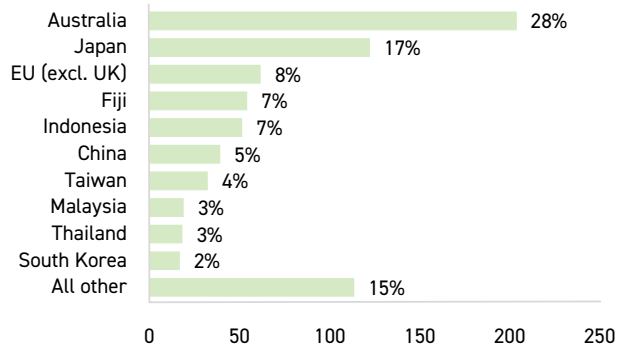
Wine



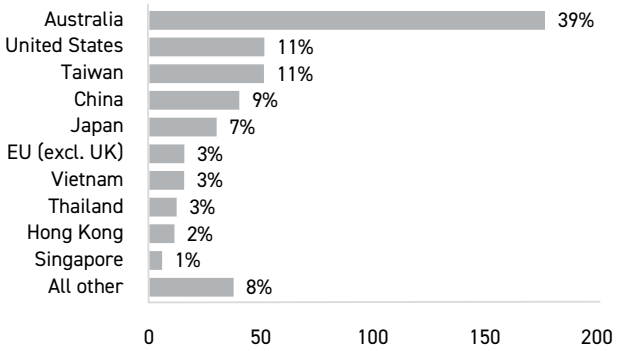
Apples and pears



Fresh and processed vegetables



Other horticulture



Source: Stats NZ.

Apple and pear production will recover following Cyclone Gabrielle but pace uncertain

The 2023 apple and pear export season is near completion with export volumes higher than mid-year forecasts. Exports are expected to reach around 310,000 tonnes (17.2 million cartons) and $855 million in the year to 31 December 2023.

The reduction in export volumes (down 10 percent on the prior year and the lowest since 2012) was due to a wet and cloudy growing season prior to harvest and damage at the start of harvest to orchards in Hawke's Bay and Gisborne Tairāwhiti from Cyclone Gabrielle.

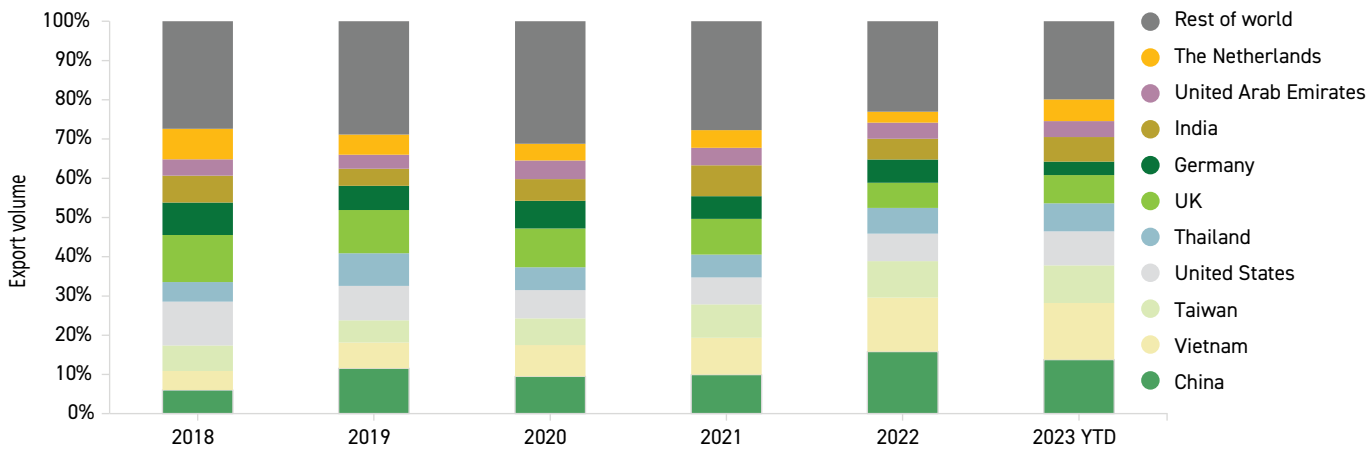
Export returns to growers for the 2023 crop are expected to increase for most varieties compared with 2022 assisted by a reduced New Zealand crop and lower exchange rate. There was strong early demand from markets in Asia, in particular Taiwan. Increased demand for New Zealand apples from Taiwan was attributed in part to reduced exports from the US, Chile and South Africa to Taiwan. Asian markets continue to rank among the top export destinations for New Zealand apples and pears (Figure 31).

While prices have improved for some varieties in 2023, lower yields, increased costs of production and post-harvest, and damage from Cyclone Gabrielle will affect grower profitability in Hawke's Bay and Gisborne Tairāwhiti in the short to medium term. Growers in the Nelson-Tasman region are anticipating an improved financial outcome in 2023 driven by higher production and prices.

Climatic conditions for pollination and fruit set in spring 2023 (for the 2024 crop) have been mostly favourable with good fruit set reported. In Hawke's Bay and Gisborne Tairāwhiti, growers and sector experts are cautious about how flood-affected trees will perform into summer and what crop loads might be carried through to harvest. Acknowledging this uncertainty, production for the 2024 apple and pear crop is forecast at around 500,000 tonnes (up 5 percent) assuming favourable climatic conditions from the El Niño weather system. More information will become available via the industry's pre-harvest crop estimate anticipated in early 2024.

The average export price for New Zealand apples and pears in the year to 31 December 2024 is expected to be similar to the prior year. Influencing factors include an increasing proportion of premium apple varieties in the export mix, more competitive shipping rates, and a weaker NZD compared with the 2023 export season.

Figure 31: Asian markets rank high in the top 10 destinations for New Zealand apple and pear exports, 2018–23
Year to 31 December, share of export volume



Source: Stats NZ and MPI.

Kiwifruit optimistic of a better season in 2024

The kiwifruit industry has faced two challenging export seasons from the 2022 and 2023 harvests. Export revenue for the year to 31 March 2024 is forecast down 7 percent off the back of a 16 percent reduction in crop volume (Figure 32) due to poor growing conditions. This follows a drop in export revenue the previous year to 31 March 2023 of 4 percent when quality issues affected the amount of fruit reaching market. In response to the reduced 2023 crop, the industry has focused on improving fruit quality and advancing export schedules to maximise in-market returns.

Early indications suggest that there is a good level of on-orchard growth for both green and gold varieties for the upcoming harvest beginning in March 2024. Weather over spring and summer will be key to determining whether yields return to more normal levels. If they do, production is forecast to increase 29 percent for the year to 31 March 2025. With around 60 percent of the crop exported in the first half of the year, this contributes to the 6 percent rise in export revenue forecast in the year to 30 June 2024 followed by a further 23 percent rise in the year to 30 June 2025 (Table 5). This increase returns revenue to longer-term growth trends, which are expected to continue to be well supported by markets and industry planning.

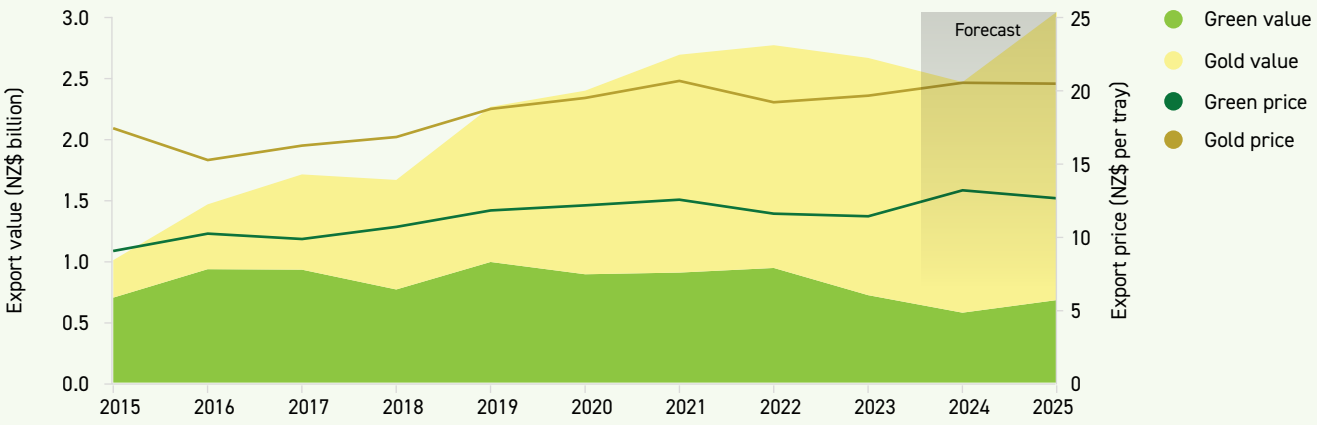
Grower returns over the last two seasons have suffered due to the reduced exports. Increasing export prices have helped lift Zespri's forecast orchard gate return (OGR) per hectare for green and gold by 7 percent and 2 percent respectively for 2023/24, however, these are still 18 percent and 20 percent down respectively on the 2021/22 OGR (Figure 33). Industry will be focused on maximising returns this coming season to lift profitability as expenses have increased at the same time as the fall in revenue. This has been felt especially by some growers of green kiwifruit, which has lower average yields and pricing than gold. Reduced yields and quality issues

have affected picking and packing businesses across the supply chain, hampering planning for volumes and increasing handling costs.

At time of writing, Zespri was reviewing licence releases for 2024 with dual aims: balancing supply growth with ensuring ongoing quality and pricing and enabling the transition of green orchards to the more lucrative Gold3 variety. RubyRed™ orchards are showing potential for high returns with good export demand for the current limited production. Growers are closely monitoring orchards as they start to mature and the yields and market for this variety become established.

Exports to China have grown, and this is now the largest single country for New Zealand kiwifruit with 28 percent of total export earnings in the year to date. In contrast, the EU, traditionally the largest market for green kiwifruit, has seen the largest fall in exports this year due to the much smaller green harvest.

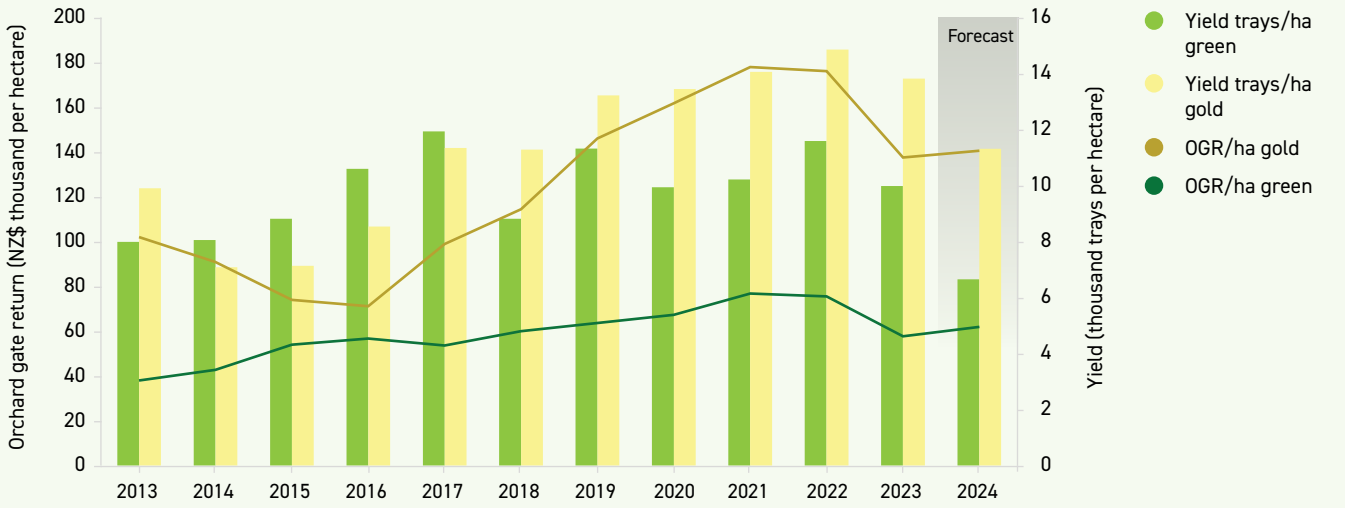
Figure 32: Forecast export revenue growth impacted by fruit loss and frosts
Year to 31 March, export revenue in NZ$ billion and price in NZ$ per tray



Tray = 3.6 kg.
Source: Stats NZ and MPI.

Figure 33: Lower yields have impacted orchard gate returns

Year to 31 March, orchard gate returns (OGR) in NZ$ thousand per hectare and yields in thousand trays per hectare



Forecast is based on Zespri OGR forecast at time of writing.
Tray = 3.6 kg.

Source: Zespri and MPI.

Wine export volume temporarily slower than expected

Wine export revenue is forecast to fall 5 percent to $2.3 billion in the year to 30 June 2024. A smaller (but still above-average) 2023 vintage has been compounded by supply chain rationalisation to push export volumes lower. However, this year's forecast drop in export revenue is sandwiched between last year's 24 percent growth and expectations for the 2025 export revenue to increase by 18 percent.

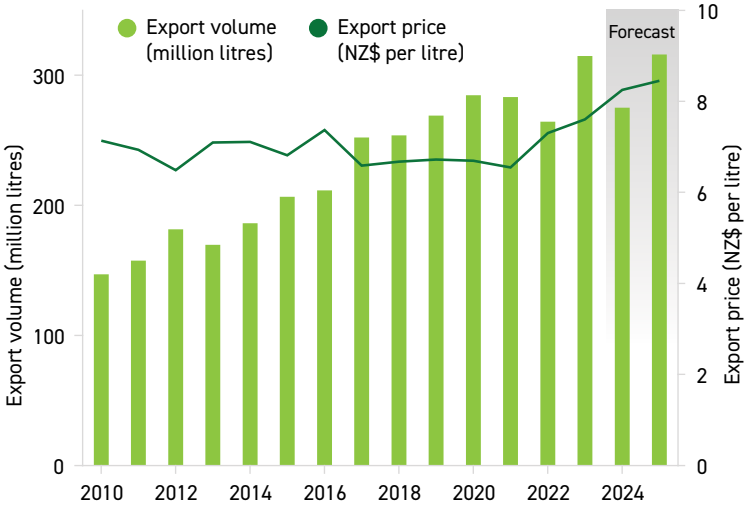
Export volumes have slowed more than expected over the past six months. While it appears that overseas consumer demand is holding up against lower economic growth, wholesalers are slowing purchases. There are two main contributing factors. First, last year's surge in exports refilled inventories throughout the supply chain, so there is less procurement urgency this year. Second, intermediaries across the supply chain are operating with lower inventory levels in response to higher interest rates pushing the cost of capital higher. In the two previous years, wholesalers had been incentivised to build up inventories as a buffer for COVID-19 related supply chain disruptions, but this now appears to have been short lived. As a result, domestic wine inventories are starting to build, but sales are expected to pick up in the coming months once the supply chain adjusts to this new dynamic.

On the other hand, wine export prices are forecast to increase 8 percent in the year to 30 June 2024, indicating that underlying consumer demand remains strong and provides some confidence that export volumes will recover in early 2024.

Over a longer timeframe, wine prices have been growing strongly over the past three years following a decade of stagnant prices (Figure 34). In turn, these higher export prices are flowing through to grape prices and vineyard returns.

Figure 34: Wine export prices trending up after a decade of stagnation

Year to 30 June, export volume in million litres and export price in NZ$ per litre



Source: New Zealand Winegrowers and MPI.

The 2023 Marlborough Vineyard Monitoring Report was recently published by MPI and New Zealand Winegrowers. The report shows the 2022/23 season delivering a second consecutive year of good profitability with an economic vineyard surplus of nearly $17,000 per hectare. Rising grape prices and above-average yields partially offset a 9 percent increase in vineyard working expenses.

Working expenses have increased 19 percent over the past two years with notable increases in labour and agricultural chemical expenses. Growers are increasingly looking to mechanise pruning and harvesting activities to help control labour costs.

Looking ahead to the 2024 vintage, yields in line with the long-term average would point towards a crop of 480,000–485,000 tonnes. For Marlborough, El Niño conditions are likely to result in below-average rainfall and westerly winds increasing evapotranspiration and adding to irrigation demand. A good 2024 vintage can still result, but the outcome may depend on water availability, noting irrigation restrictions contributed to lower yields in 2019 and 2021. Export revenue is forecast to increase to $2.7 billion in the year to 30 June 2025 assuming average yields for the upcoming harvest and an uptick in export demand.

Table 6: Wine production and trade 2019–25
Year to 30 June

	Actual					Forecast	
	2019	2020	2021	2022	2023	2024	2025
Area harvested (hectares)	39,061	39,934	40,950	41,300	41,860	42,350	43,200
Grape production (thousand tonnes)	413	457	370	532	501	483	492
Wine production (million litres)	305	337	275	395	370	355	365
Export volume (million litres)	269	285	283	264	315	275	316
Export price (NZ$/litre)	6.72	6.69	6.55	7.30	7.60	8.25	8.45
Export value (NZ$ million)	**1,807**	**1,906**	**1,850**	**1,940**	**2,390**	**2,260**	**2,670**

Source: MPI, New Zealand Winegrowers, and Stats NZ

Other horticulture growth led by cherries with mixed results for other fruit and vegetables

Avocados

Avocado export revenue fell 3 percent to $77 million in the year to 30 June 2023. Growers faced a challenging season as key regions were hit by Cyclone Dovi in February 2022 and Cyclone Gabrielle in February 2023. Combined with reduced demand in Asia and an oversupplied market in Australia, total export volume reduced by 27 percent to 2.9 million trays in the year to 30 June 2023.

The Bay of Plenty and Northland regions are expecting a reduced crop in 2023/24 due to damage caused by Cyclone Gabrielle. As both regions are significant for New Zealand's avocado production, export volumes are forecast to fall 35 percent to 1.9 million trays in the year to 30 June 2024 (Figure 35).

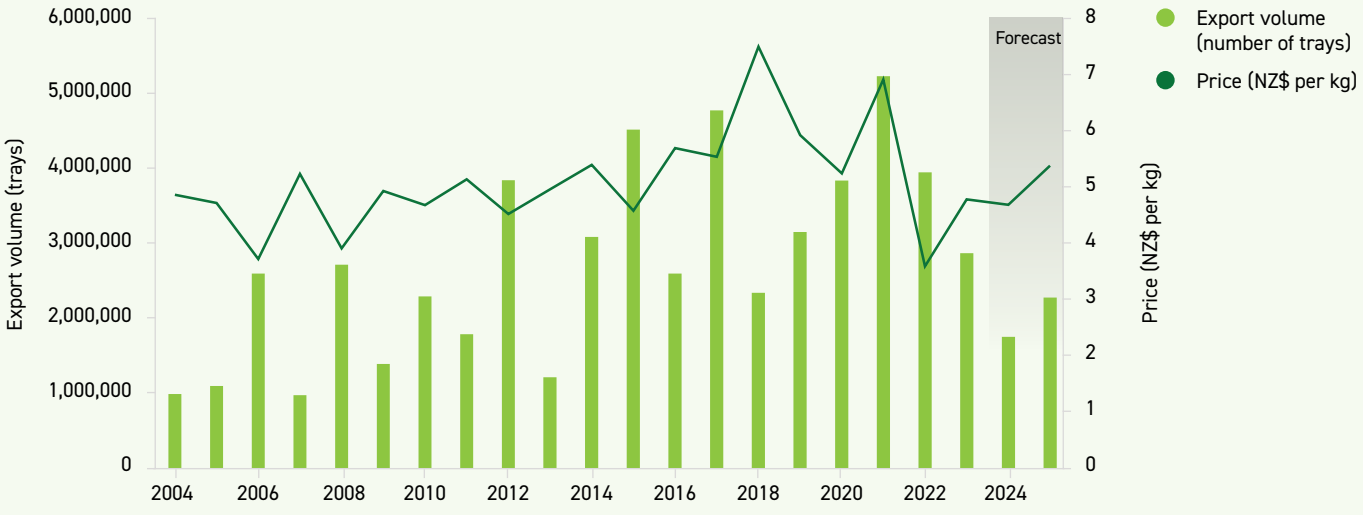
An oversupply in the Australian market due to strong domestic production is expected to decrease demand and subdue prices for New Zealand avocados in the 2023/24 season. Australia historically imports the majority of New Zealand avocados. However, demand is anticipated to increase in Asian markets as quality challenges from South American suppliers have been reported. Looking forward, exporters will continue to build relationships in Asian markets and diversify export opportunities.

Cherries

Cherry export revenue increased 8 percent to $84 million in the year to 30 June 2023. Increasing planted hectares due to industry expansion drove higher export volumes, which increased 14 percent to 3,685 tonnes. Despite higher volumes, revenue growth was constrained by a lower average price for the season. Quality issues during the season were the cause of lower prices, including pitting and softness that prevented cherries from reaching the desired size profile.

With a later Chinese New Year falling on 10 February this season, there will be a longer window for growers to make the most of the key markets who are apart of these celebrations and receive premium prices. This should ease some of the pressure that growers faced last season. Additional airline routes from Christchurch to China and Hong Kong during the cherry export season will also be favourable to Central Otago growers. Cherry exports are forecast to grow 14 percent to $96 million in the year to 30 June 2024.

Figure 35: Avocado export volumes expected to take a hit in short term
Year to 30 June, export volume in trays and export price in NZ$ per kg



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

Fresh and processed vegetables

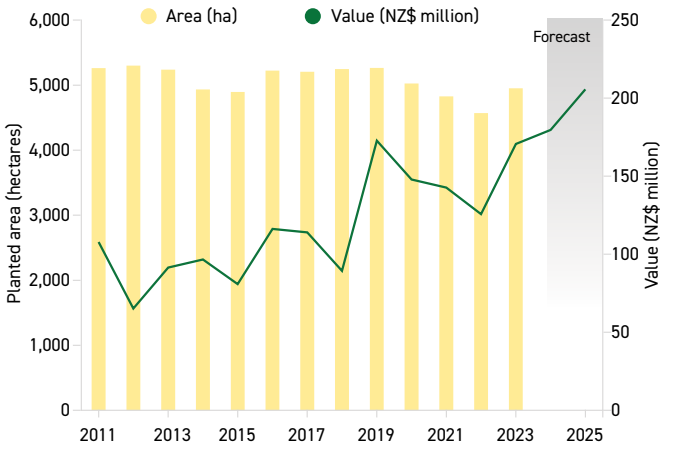
Export revenue for fresh and processed vegetables grew 18 percent to a record $737 million in the year to 30 June 2023. This growth was largely attributed to elevated export prices, which more than offset a large drop in export quantities caused by disruptions resulting from Cyclone Gabrielle. Frozen and processed horticulture products mainly contributed to the 2023 export value with onions, nuts, and potatoes reaching their highest export values in decades. Further export growth for onions is forecast with an additional 400 hectares of planted area (Figure 36). The recently negotiated free trade agreement with the EU, currently in the ratification stage, is expected to boost vegetable exports.

Export prices surged during 2022/23 in response to low supply due to reduced areas and yields in regions like Europe, the US, and Central Asia. The yields were particularly affected by the occurrence of severe and irregular weather events such as floods, droughts, and temperature spikes.and temperature spikes. Looking ahead, the prediction of El Niño for 2023/24 is expected to sustain high prices due to ongoing adverse weather conditions in key producing regions.

Fresh and processed vegetable exports are forecast to decrease by 8 percent, reaching $676 million in 2023/24. The decline is primarily due to a decrease in volume, except for a potentially robust onion yield. Nonetheless, prices are expected to stay high for onions, frozen potatoes, and other processed vegetables due to reduced global output potentially caused by weather events and lowered yields in key production countries. The sector cautiously maintains optimism while proactively addressing rising production costs and overcoming trade barriers in existing and potential markets.

Figure 36: A new record for onion export revenue was achieved and forecast is promising with new planted area

Year to 30 September, planted area in hectares and value in NZ$ million



Source: Stats NZ, Onions NZ, and MPI.

Seafood

Seafood export revenue is forecast to increase 8 percent to $2.3 billion in the year to 30 June 2024 driven by higher export prices and volumes. Continued strong demand, tight global supply, and expectations of a weakened NZD are expected to drive higher export prices for key New Zealand seafood products in main markets. In addition, improved workforce availability, improved shipping, and better environmental conditions for aquaculture are expected to drive a rebound in export volumes.

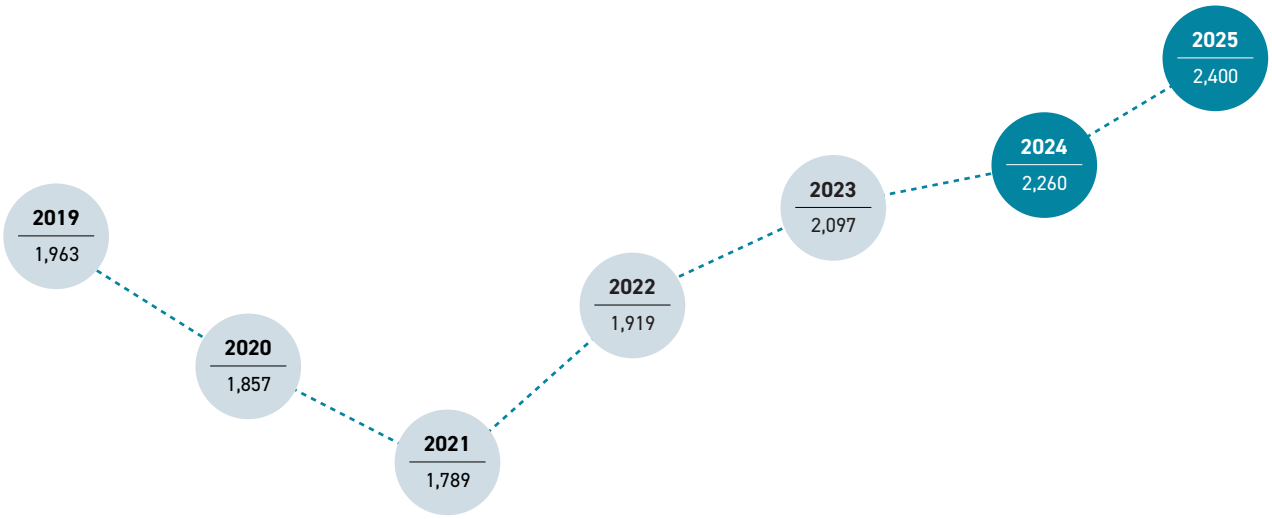


Table 7: Seafood export revenue 2019-25
Year to 30 June, NZ$ million

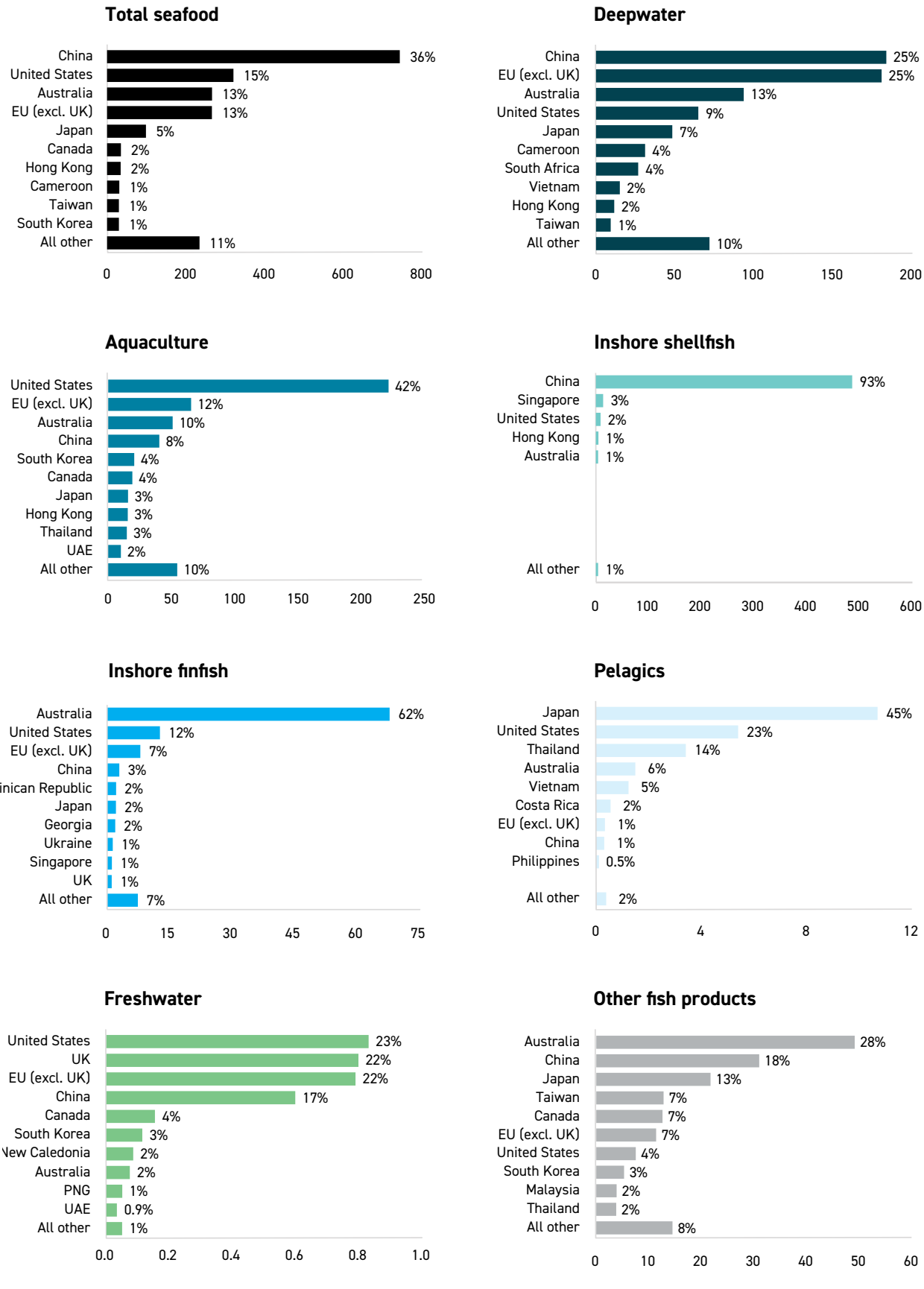
	Actual					Forecast	
Product	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Wild capture	1,509	1,399	1,363	1,448	1,569	1,650	1,750
Aquaculture	454	458	426	471	528	610	650
Total export value	**1,963**	**1,857**	**1,789**	**1,919**	**2,097**	**2,260**	**2,400**
Year-on-year % change	**10%**	**-5%**	**-4%**	**8%**	**9%**	**8%**	**6%**

Totals may not add up due to rounding.
Percentages are rounded to the nearest whole percent.

Source: Stats NZ and MPI.

Top seafood export markets

Year to 30 June 2023, NZ$ million and percent



Source: Stats NZ.

Over the past two decades, the seafood sector displayed a trend to increasing export revenues and decreasing export volumes. Last year, export revenue rose 9 percent to a record $2.1 billion and export volumes fell 11 percent to the lowest quantity on record. This trend denotes a structural change in the industry towards growth through higher value rather than sheer volumes. There is also a high degree of concentration in the sector where products from five species account for 61 percent of export revenue (Figure 37).

Wild capture revenue growth defies volume decline

Despite a 12 percent drop in export volume, wild capture export revenue increased by 8 percent to $1.6 billion in the year to 30 June 2023. The rise in revenue was driven by strong demand and prices for key species such as rock lobster, hoki, and squid that offset drops in export volumes for most species. The drop in wild capture average export volumes was mainly attributed to declines in squid and hoki exports driven by cyclically low squid stocks that reduced catch and a reduced processing workforce affecting exports of both species.

In 2023/24, wild capture export revenue is forecast to increase 5 percent. This increase is driven by a partial recovery of 4 percent in export volumes and a 1 percent increase in export prices.

Increasing export volumes are expected to be underpinned by an easing in labour shortages due to increasing migration, higher squid catch due to recovery of stocks, and improved shipping after some operations were partially suspended in 2022/23. The increase in wild caught average export prices is expected to be modest compared with 2022/23 due to a higher contribution of low price species in the wild capture export product mix amidst strong demand due to tight wild capture supply.

Wild capture export revenue is increasingly reliant on high-value products. Rock lobster, New Zealand's largest seafood export revenue earner, is a good example of the surge of a high-value seafood product that has seen increased demand from China where produce is sent by air directly to consumers who are willing to pay high prices for a high-quality product. In the year to 30 September 2023, the export price for rock lobster reached a new high of $146.36 per kilogram, and there is no evidence of a decrease in demand amid a slowdown in the Chinese economy. New Zealand rock lobster prices are further aided by China's ongoing ban on Australian rock lobster imports.

Aquaculture defies challenges ahead

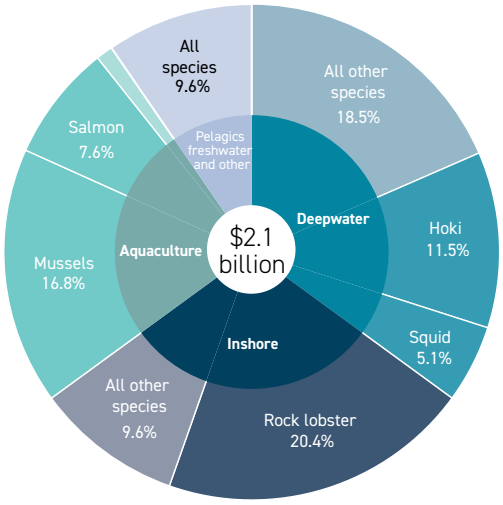
Aquaculture export revenue increased 12 percent in the year to 30 June 2023 driven by robust demand that drove export prices upwards. Over the same period, export volumes were down 6 percent driven by lower production due to warming water temperatures and workforce shortages affecting the salmon and mussel industries.

Export revenue is forecast to increase 15 percent to $610 million in the year to 30 June 2024 driven almost equally by rising prices and volumes. The El Niño climate phase is expected to bring cooler, nutrient-rich waters, which are expected to increase survival and growth of fish and mussels. Similarly to wild capture fisheries, workforce shortages in aquaculture production and processing are expected to ease, leading to an increase in productivity. As a result, in 2023/24, aquaculture export volumes are expected to rebound to levels seen in 2020–22.

Figure 37: Five key species account for 61 percent of export revenue

Year to 30 June 2023, revenue in NZ$, revenue percent annual change, volume in tonnes, volume percent annual change, and revenue share in percent

Rock lobster	$429 million ▲ 36.9%	2,997 tonnes ▲ 24.5%
Mussels	$352 million ▲ 15.8%	29,456 tonnes ▼ -4.8%
Hoki	$241 million ▲ 17.3%	37,878 tonnes ▼ -9.8%
Salmon	$158 million ▲ 6.1%	5,928 tonnes ▼ -16.1%
Squid	$107 million ▼ -34.6%	16,768 tonnes ▼ -52.0%



Source: Stats NZ.

Fishing and aquaculture output prices are growing faster than input prices

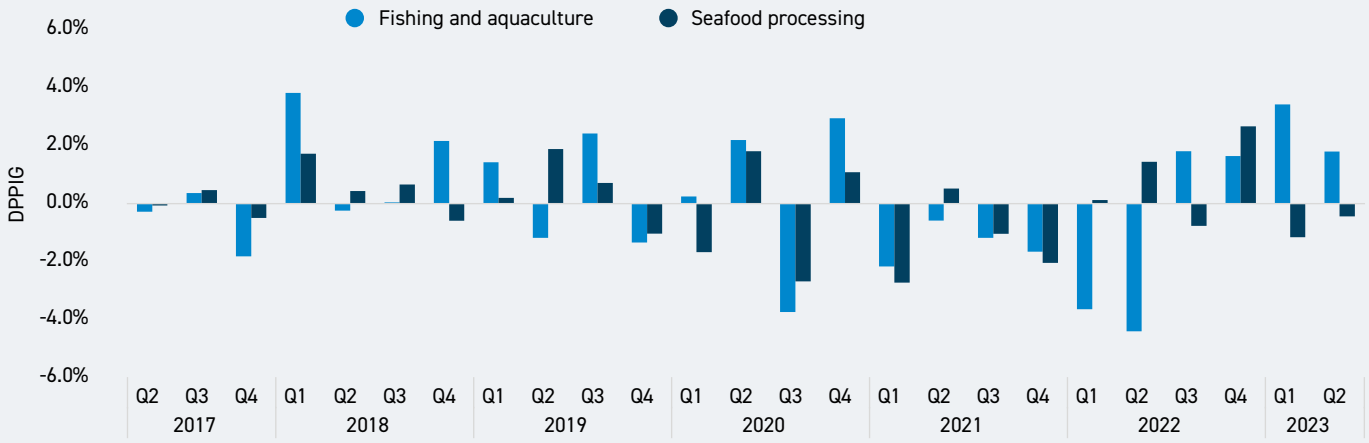
Much like land-based industries, the seafood sector has been navigating rising input costs that are putting downward pressure on profit margins. The most recent producer's price index for seafood-related sectors shows that the differential producer's price index growth (DPPIG) has been highly volatile (Figure 38). The DPPIG measure shows that the difference between output price growth and input price growth has been smaller and has moved from positive to negative more frequently for processors than for core production businesses. Core production businesses exhibited positive DPPIG for a fourth consecutive quarter since the end of 2020 while processing exhibited more frequent shifts of smaller positive and negative DPPIG over the same period. The recent trend indicates some easing pressure on the profits of core production relative to processing. In contrast, the fluctuating DPPIG may show the higher capability of the processing sector to respond to input price volatility by controlling output prices and maintaining profits.

High prices drive strong revenue growth for seafood companies

Strong demand for seafood has resulted in increased revenues for companies that were able to capitalise on the high prices. For instance, leading company Sanford reported a 4 percent increase in revenue to $553 million for the year to 30 September 2023,[11] its highest revenue in the last five years. This increase was despite a 2 percent increase in costs, lower catch of squid, and lower mussel sales volumes. The company is transitioning its inshore business, investing in infrastructure and technology with a focus on growing its salmon and mussel business units while strengthening its position on deepwater fisheries.

Figure 38: Fishing and aquaculture output prices are growing faster than input prices

Year to 31 December, differential producer's price index growth (DPPIG) is the difference between the quarterly percent change of producer's price indexes of outputs and inputs



Source: Stats NZ.

11. Sanford. (2023). A Clear View: Integrated Report 2023. https://www.sanford.co.nz/investors/reports-1/company-reports/2023/2023-annual-report/

Arable

Arable export revenue is forecast to increase 7 percent to $290 million in the year to 30 June 2024 driven by increased prices for vegetable seed and increased volumes of clover seed. Arable export revenue in the year to 30 June 2023 was stronger than estimated, increasing 8 percent to $272 million after two years of falling revenue. The domestic grain market is challenged with lower prices and weak demand.

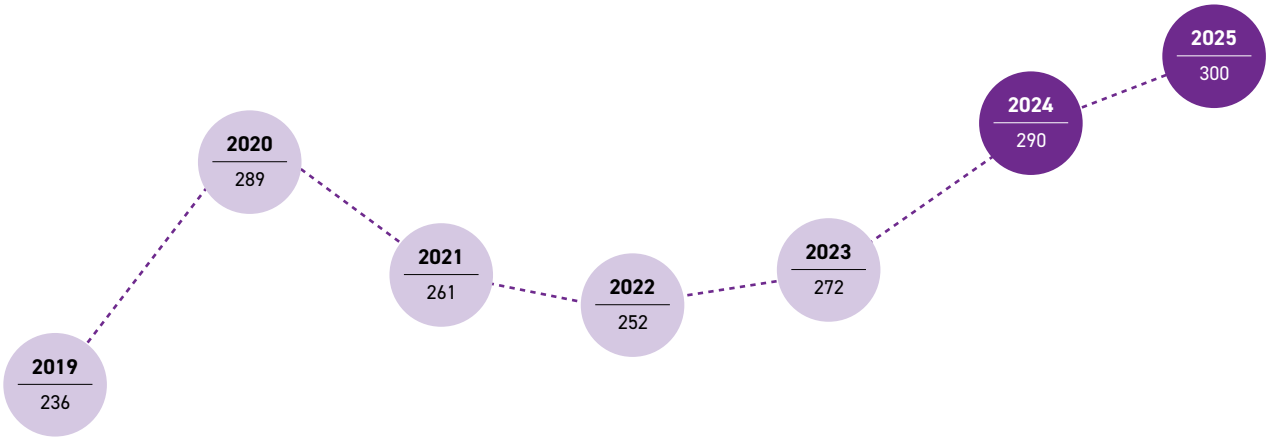


Table 8: Arable export revenue 2019–25
Year to 30 June, NZ$ million

	Actual					Forecast	
Product	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Vegetable seed	87	112	89	86	102	110	110
Ryegrass seed	60	73	80	80	75	75	75
Clover seed	20	31	26	19	21	30	30
Other grains and seeds*	69	74	66	67	75	80	80
Total export value	**236**	**289**	**261**	**252**	**272**	**290**	**300**
Year-on-year % change	**-3%**	**22%**	**-10%**	**-3%**	**8%**	**7%**	**3%**

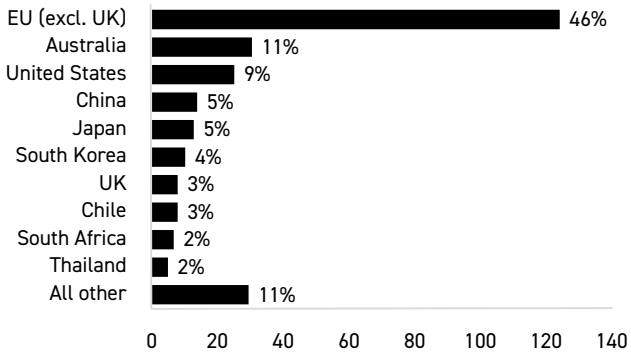
* Includes maize, other grains, and oil seeds.
Totals may not add up due to rounding.
Percentages are rounded to the nearest whole percent.

Source: Stats NZ and MPI.

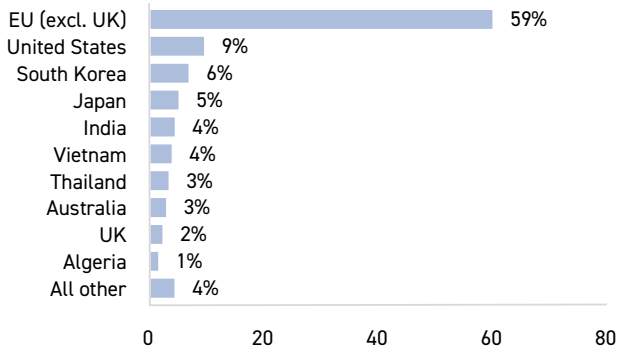
Top arable export markets

Year to 30 June 2023, NZ$ million and percent

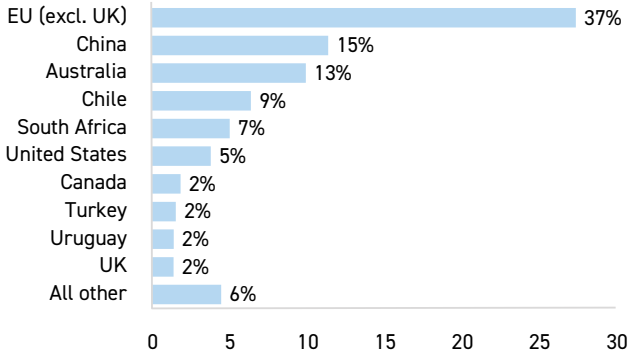
Total arable products



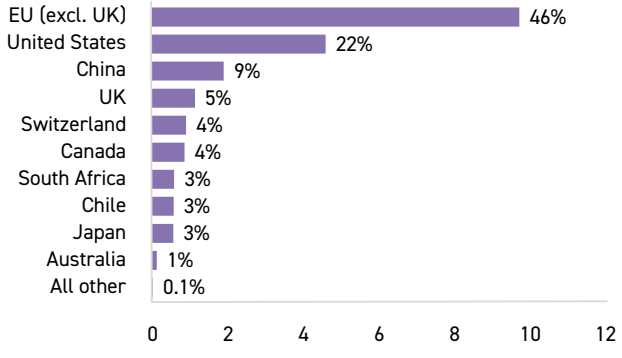
Vegetable seed



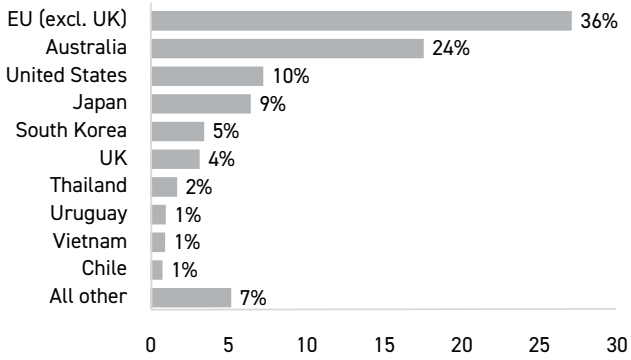
Ryegrass seed



Clover seed



Other grains and seeds



Source: Stats NZ.

Mixed seasonal conditions so far

A mild winter in the South Island allowed strong crop growth in autumn-sown crops while ongoing rain events in the North Island made it difficult to get crops in the ground. Spring has been wet and cool, slowing growth and delaying spring sowings across most regions. Crops are generally growing well now that temperatures have lifted.

Arable farmers, particularly those with systems based on cereals and lamb trading, will struggle to be profitable. Production costs have increased considerably, grain and lamb prices have fallen, and demand for grain is subdued.

Higher yields in 2023 have increased grain in storage

Higher yields in the 2023 harvest resulted in a 9 percent increase in total tonnage across wheat, barley, and oat crops compared with 2022. Significant increases were seen for milling wheat (up 43,000 tonnes) and malting barley (up 33,000 tonnes) from increased harvest areas as well as yields while other crop areas remained similar to 2022. About 13 percent of the total crop remained unsold as of 10 October 2023, double that for the same time last year, and about a third of sold grain was still stored on farm.

The cereal harvest area for the 2024 harvest is estimated to be 3 percent less (2,900 hectares) than 2023 with reduced areas for feed barley (down 9 percent) and feed wheat (down 5 percent).

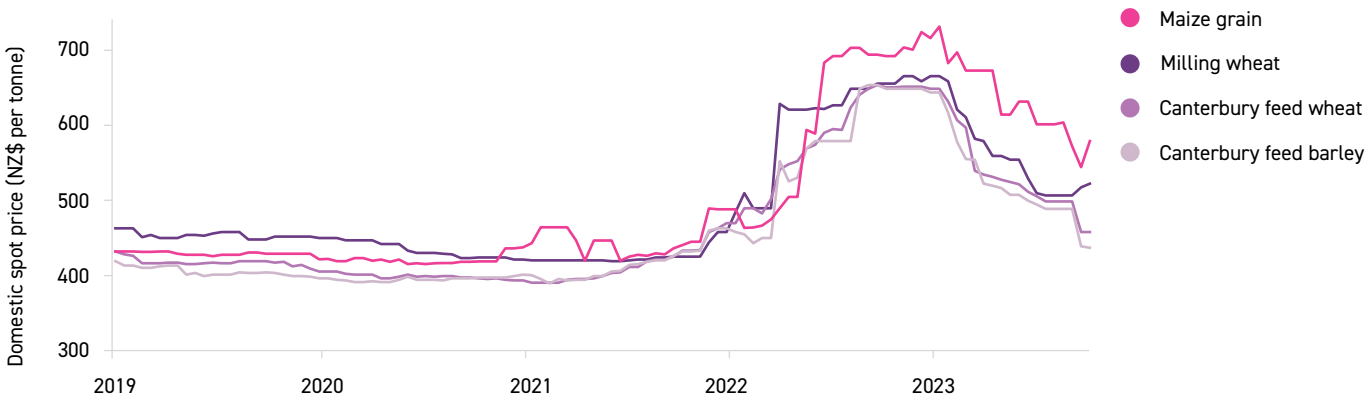
Tonnages were back for the 2023 maize harvest with maize grain yields down 16 percent and maize silage yields down 9 percent. North Island maize growers faced considerable weather challenges throughout the season with extreme weather events wiping out crops in some areas. Persistent rain delayed drilling while flooded crops needed redrilling. Higher production costs and falling prices dented growers' confidence and reduced sowing intentions for the 2024 harvest.

Domestic grain market challenged by falling prices and weak demand

Domestic spot grain prices have been declining throughout the year (Figure 39). Global prices, while still volatile, have softened with supply continuing to come out of the Black Sea region despite Russia's conflict with Ukraine. Dry conditions are threatening yields in Australia and Argentina, which may help lift global prices. Domestically, demand from the dairy sector has fallen off as margins tighten with rising interest rates and input prices and a fall in milk prices. If dry conditions eventuate in New Zealand, demand for grain may lift, particularly while PKE (normally a cheaper supplementary feed option) is priced close to spot grain prices.

Contract prices (per tonne) for the 2024 harvest are back on 2023 levels with milling wheat $520–580 compared with $600–620, feed wheat $490 delivered compared with $555, and feed barley about $440 compared with $535. Contracted sales of feed wheat and feed barley are estimated at 50 percent and 30 percent of the 2024 harvest areas. The fall in prices has created interest in growing non-cereal type crops next season.

Figure 39: Domestic grain prices on downward slide for most of the year
Year to 31 December, NZ$ per tonne



Source: NZX Grain and Feed Insight.

Export revenue lifts after declining for last two years

Arable export revenue in the year to 30 June 2023 was considerably better than forecast, increasing $21 million to $272 million compared with 2021/22. The increase in export revenue followed two years of declining returns (Figure 40). A $16 million increase in vegetable seed revenue was the main contributor to this growth driven by higher prices while volumes remained at a similar level to 2021/22.

Demand for vegetable seed remains strong, further aided by a poor 2023 harvest in Italy. Higher production costs throughout the supply chain have driven the lift in export prices. Interest in growing vegetable seed has increased with the falling margins for cereal and ryegrass seed.

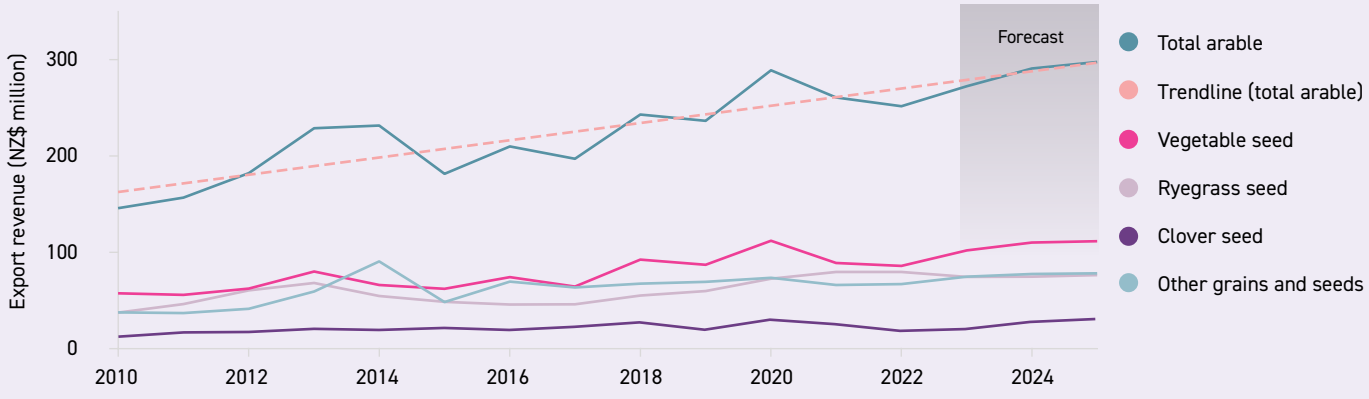
The ryegrass seed market remains depressed with high stocks held worldwide. Demand has fallen from the high levels seen following the 2018 drought in Europe and during the COVID-19 lockdowns when people worked on their lawns. The slowdown of the Chinese economy has also affected demand. Perhaps fortuitously, northern hemisphere production from the 2023 harvest is relatively low as increased production costs caused a decrease in grass-seed production areas and drought and floods reduced yields well below the five-year average. A further decrease in the northern hemisphere production area is expected for the 2024 crop. As at mid-September, the New Zealand planted area for certified ryegrass seed was 17,176 hectares compared with 31,186 hectares last year.

Demand for white clover seed is strong due to an international shortage following two poor seasons in both hemispheres. This has driven up prices, contributing to a 10 percent increase in clover export returns for 2022/23. The price is not expected to increase further with some buyer resistance at the current level. Large plantings in the US may temper demand in the new year as buyers anticipate price reductions off the back of the forthcoming US crop.

Rapeseed was the main contributor to the 12 percent increase in export revenue from other grains and seeds, increasing $6.5 million in the year to 30 June 2023 with increases in volumes and prices.

Based on an average production season, export revenue is forecast to increase 7 percent to $290 million in the year to 30 June 2024 driven by higher vegetable seed prices and increased clover seed volumes.

Figure 40: Arable export revenue lifts
Year to 30 June, NZ$ million



Source: Stats NZ and MPI.

Processed food and other products

Following a record high export revenue of $3.5 billion in the year to 30 June 2023, total revenue for processed food and other products is forecast to decline by 5 percent to $3.3 billion in 2023/24. The forecast decline is due to the ban on livestock exports by sea, which came into effect in April 2023. This overall decrease is expected despite upward trends in exports of vegetable oil, innovative processed foods, and doughs and mixes as well as an expected 8 percent recovery in honey export revenue.

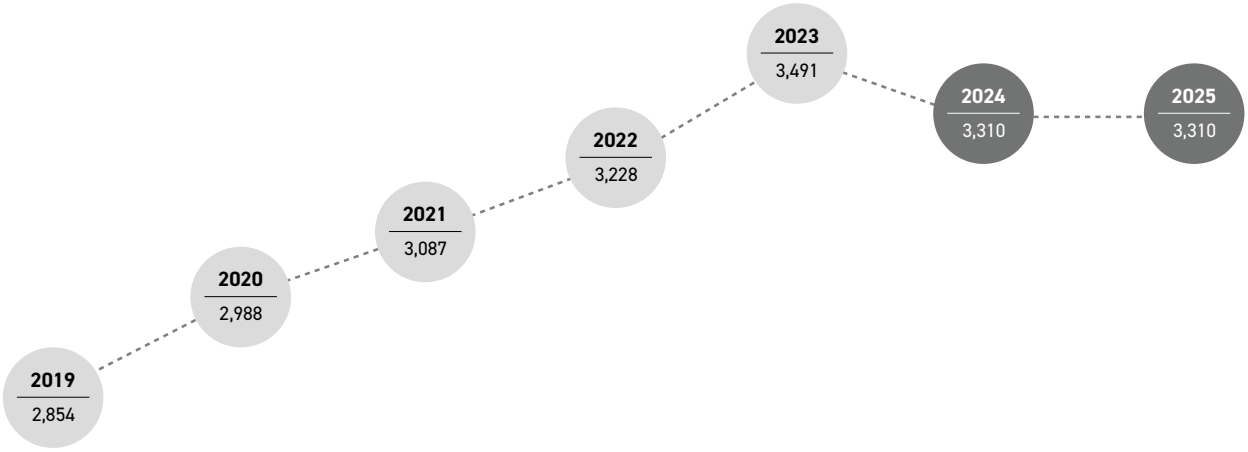


Table 9: Processed food and other products export revenue 2019–25
Year to 30 June, NZ$ million

	Actual					Forecast	
Product	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Innovative processed foods	788	785	652	680	810	840	840
Honey	355	425	481	455	379	410	400
Sugar and confectionery products	225	249	285	312	394	400	400
Cereal products	306	293	286	296	329	330	320
Live animals*	239	273	488	474	486	190	190
Soup and condiments	196	197	180	176	210	210	210
Other products**	746	766	716	835	882	930	950
Total export value	**2,854**	**2,988**	**3,087**	**3,228**	**3,491**	**3,310**	**3,310**
Year-on-year % change	**5%**	**5%**	**3%**	**5%**	**8%**	**–5%**	**0%**

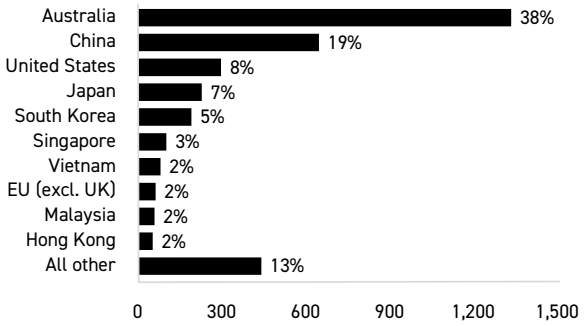
* Includes horses, cattle, poultry, goats, and other animals.
** Includes beverages, vegetable-based dyes, and spices.
Totals may not add up due to rounding.
Percentages are rounded to the nearest whole percent.

Source: Stats NZ and MPI.

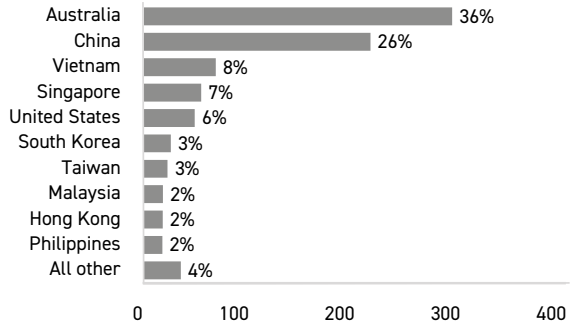
Top processed food and other products export markets

Year to 30 June 2023, NZ$ million and percent

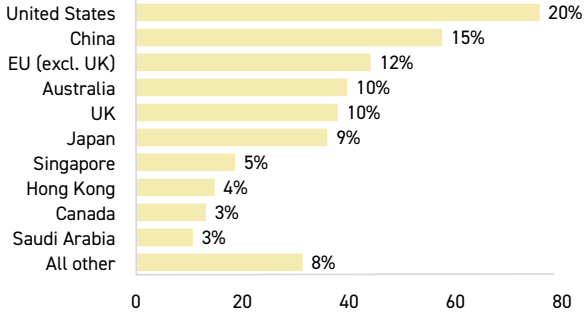
Total processed food and other products



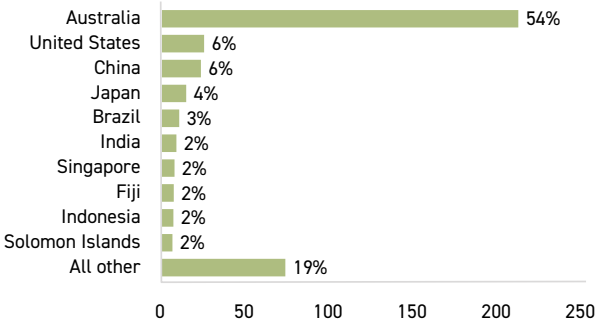
Innovative processed foods



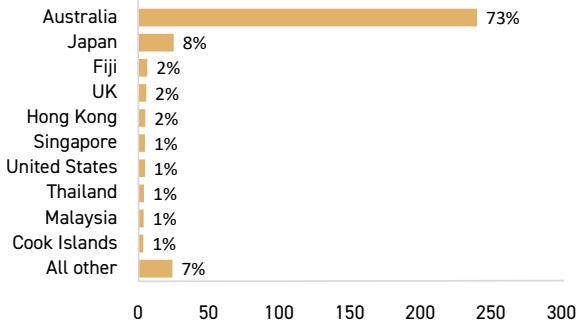
Honey



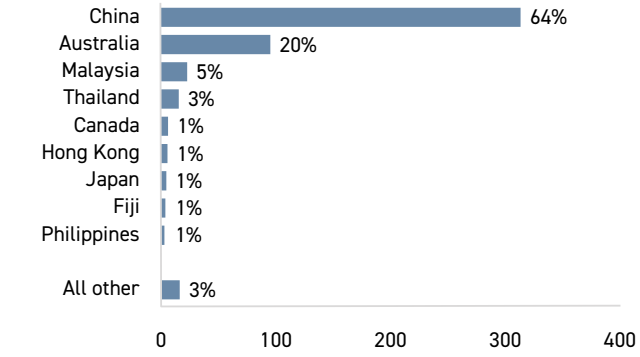
Sugar and confectionery products



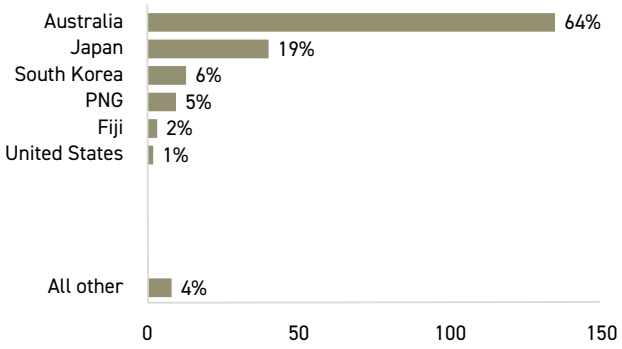
Cereal products



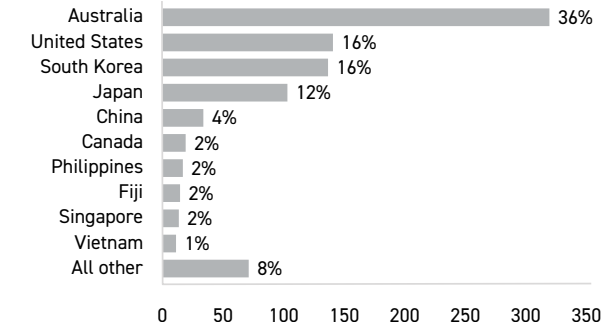
Live animals



Soups and condiments



Other products



Source: Stats NZ.

Honey export and production volumes decline, stocks remain high

New Zealand's honey exports reached $379 million in the year to 30 June 2023, a 17 percent decrease in revenue compared with 2021/22. Export volumes decreased by 13 percent to 9,880 tonnes while average export prices fell by 5 percent (Figure 41).

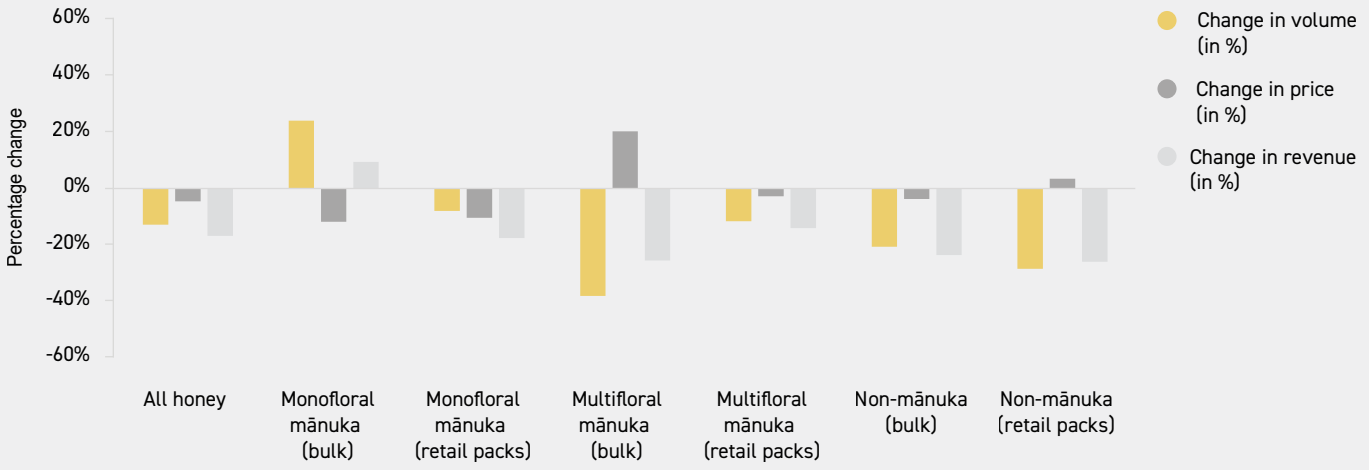
Honey production for the 2022/23 season was estimated at 12,000 tonnes, a drop of 45 percent from the previous year's harvest. The large fall in production was due to the persistently wet weather in the North Island over the summer and autumn months affecting nectar collection throughout.

Higher operational and input costs are also prompting many apiarists (from hobbyists to large-scale producers) to reduce hive numbers while there has been comparatively subdued demand for most honey types. This also affected the production volume for 2022/23. Large (20,000 tonnes plus) harvests in previous seasons resulted in substantial inventories building up, which honey exporters are now focusing on selling.

Export volumes of monofloral mānuka honey stayed relatively stable (down 4 percent), but the average price fell 12 percent compared with 2021/22. This decline reflects subdued demand for the more higher-priced mānuka honey due to inflation and cost-of-living concerns globally. However, the average price has shown signs of recovery in the June quarter of 2022/23 and September quarter of 2023/24 (Figure 42).

Figure 41: Average honey prices and volumes down in 2022/23

Year to 30 June 2022 compared with year to 30 June 2023, percentage change

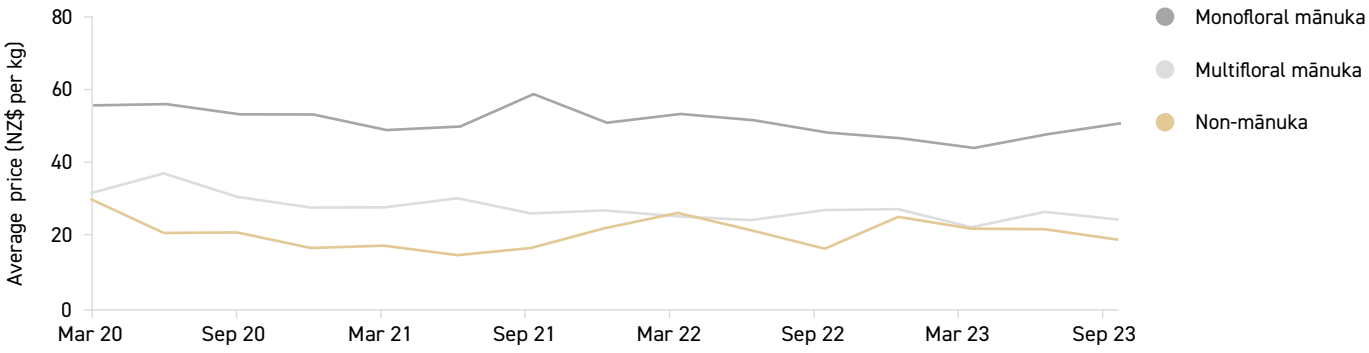


Source: Stats NZ and MPI.

Volumes of multifloral mānuka types fell by 16 percent with a particularly marked decline in export volumes to China (63 percent). This drop was in part due to the COVID-19 lockdowns in China and trade disruptions in the latter half of 2022. Non-mānuka honey volumes dropped by 26 percent, reflecting a more general decrease in demand across all trade partners. In contrast to monofloral mānuka, average export prices for the other two honey types did not change markedly, both increasing by 1 percent.

The hotter and drier El Niño weather pattern should prove to be more favourable overall for honey production in the 2023/24 season. However, due to the existing inventories, this will have little impact on export volumes. Export revenue for honey is forecast to bounce back up by 8 percent to $410 million in the year to 30 June 2024 driven by a slight recovery in export volumes and a higher average price for monofloral mānuka honey.

Figure 42: Monofloral mānuka honey price showing signs of recovery
Year to 30 June, NZ$ per kg



Source: Stats NZ and MPI.

Exports via air revenue to continue to grow

Total live animal export revenue for the year to 30 June 2023 amounted to $486 million, a 3 percent increase on 2022. Exports by air increased 21 percent to $181 million with poultry (58 percent increase to $66 million) and bees (123 percent increase to $6 million) seeing the largest increases.

Poultry shortages in Malaysia allowed New Zealand exporters to increase exports to Malaysia with a 200 percent increase to $22 million in revenue. While poultry supplies have started to stabilise, exports into Malaysia are forecast to continue.

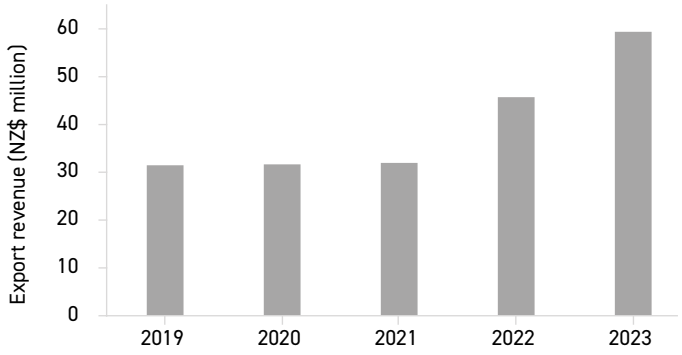
Major colony losses in Canada and subsequent rebuild has resulted in New Zealand increasing its exports of live bees into Canada, and this is forecast to continue into 2024.

Due to the ban on livestock exports by sea that came into effect at the end of April 2023, export revenue is expected to fall 60 percent to $190 million in 2023/2024.

Other products expected to lead revenue growth in 2023/24

In the year to 30 June 2023, export revenue in other categories (excluding honey and live animals) reached $2.6 billion, a 14 percent increase from 2021/22. Growth was largest among innovative processed foods (19 percent to $810 million) and sugar and confectionery products (26 percent to $394 million). Chocolate exports continued to increase and achieved record revenues of $177 million, a 61 percent increase.

Figure 43: Exports of dough and mixes on the rise
Year to 30 June 2023, NZ$ million



Source: Stats NZ and MPI.

Other products such as soft drinks, vegetable oil, and food preparations increased 6 percent to $882 million. In this category, exports of vegetable oil increased 156 percent to $72 million. The US became the largest importer accounting for $44 million of this. The US has rapidly increased imports of vegetable oil over the last few years due to increasing production of biofuels that require fats as feedstock. Exports to the US are forecast to continue to grow in coming years.

Cereal product export volumes fell by 3 percent but export revenues increased 11 percent to $329 million. Within this category, doughs and mixes continued their upward trajectory registering a 30 percent revenue increase. Exports of doughs and mixes have risen 89 percent ($28 million) over the past five years (Figure 43).

Cookie Time has experienced an increase in product exports to Japan, notably to Costco Japan. This uptick in demand has led to Cookie Time expanding its workforce and introducing an additional production shift. The company's export of frozen dough to Japan has also seen growth with this dough being baked into cookies and sold at the Cookie Time physical store in Tokyo.

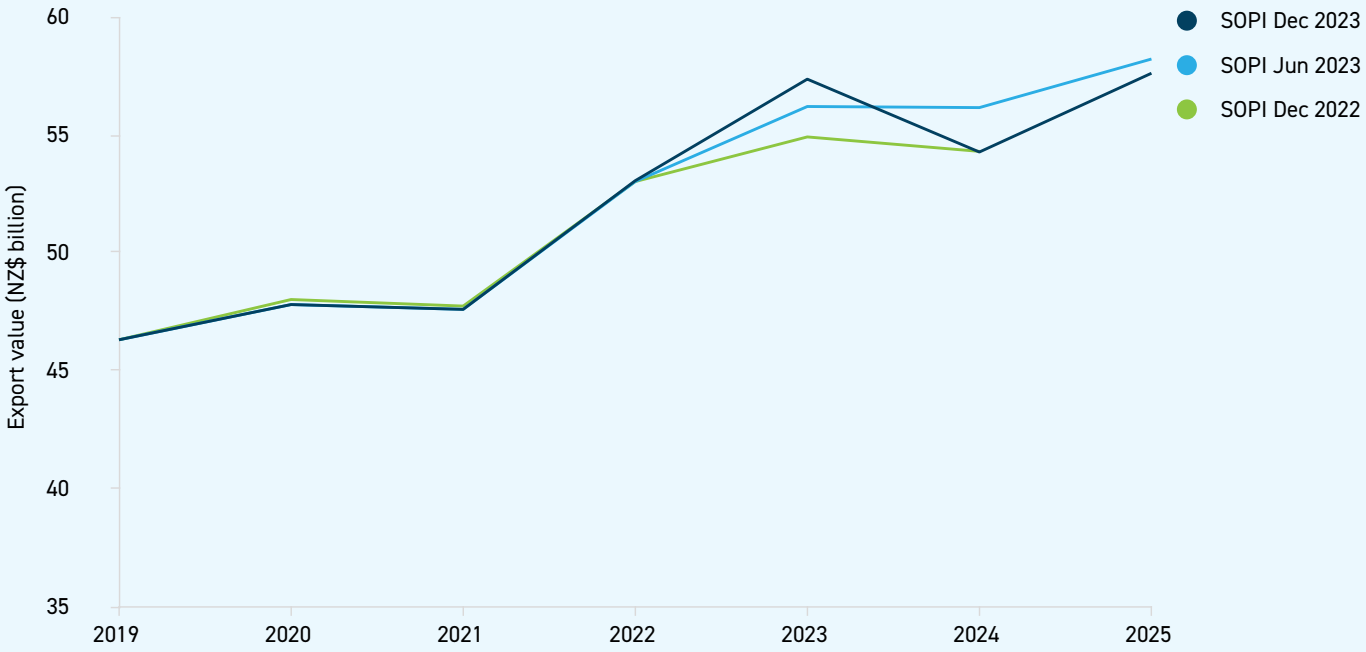
Other categories in 2023/24 are expected to reach $2.7 billion, a 3 percent increase. Other products, particularly vegetable oil and various niche food products, are expected to lead this growth as this category reaches $930 million (a 6 percent increase).

Forecast tracking

Export revenue for the year to 30 June 2024 has been revised downwards compared with the forecast in June 2023 (Figure 44) with weaker than expected prices due to a global economic slowdown. Individual sector revisions are shown in Table 10.

Figure 44: MPI export revenue forecast

Year to 30 June, 2019–2025, NZ$ billion



Source: Stats NZ and MPI.

Table 10: Export forecast comparison 2019–25

Year to 30 June, NZ$ million

		Actual					Forecast	
Sector	Forecast round	2019	2020	2021	2022	2023	2024	2025
Dairy	Dec 2023	18,107	20,102	19,055	21,998	26,008	24,090	25,520
	Jun 2023	18,107	20,102	19,055	21,998	25,102	25,340	26,390
	Difference	0%	0%	0%	0%	4%	-5%	-3%
Meat and wool	Dec 2023	10,176	10,617	10,373	12,310	12,114	11,560	11,830
	Jun 2023	10,176	10,617	10,373	12,310	11,940	11,440	11,510
	Difference	0%	0%	0%	0%	1%	1%	3%
Forestry	Dec 2023	6,883	5,452	6,499	6,578	6,353	5,810	6,100
	Jun 2023	6,883	5,452	6,499	6,578	6,530	6,590	6,770
	Difference	0%	0%	0%	0%	-3%	-12%	-10%
Horticulture	Dec 2023	6,134	6,541	6,579	6,815	7,066	7,000	8,190
	Jun 2023	6,134	6,541	6,579	6,782	6,920	7,350	7,940
	Difference	0%	0%	0%	0%	2%	-5%	3%
Seafood	Dec 2023	1,963	1,857	1,789	1,919	2,097	2,260	2,400
	Jun 2023	1,963	1,857	1,789	1,919	2,080	2,120	2,210
	Difference	0%	0%	0%	0%	1%	7%	9%
Arable	Dec 2023	236	289	261	252	272	290	300
	Jun 2023	236	289	261	252	245	245	255
	Difference	0%	0%	0%	0%	11%	18%	18%
Processed food and other products*	Dec 2023	2,854	2,988	3,087	3,228	3,491	3,310	3,310
	Jun 2023	2,854	2,988	3,087	3,226	3,410	3,110	3,180
	Difference	0%	0%	0%	0%	2%	6%	4%
Total exports	**Dec 2023**	**46,355**	**47,846**	**47,642**	**53,100**	**57,402**	**54,320**	**57,650**
	Jun 2023	**46,355**	**47,846**	**47,642**	**53,065**	**56,245**	**56,195**	**58,255**
	Difference	**0%**	**0%**	**0%**	**0%**	**2%**	**-3%**	**-1%**

* Includes live animals, honey, and processed food.
Totals may not add up due to rounding.
Percentages are rounded to the nearest whole percent.
Some values for 2021/22 have been updated due to corrections made by Stats NZ.

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**

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

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