

SITUATION AND OUTLOOK FOR PRIMARY INDUSTRIES

2014

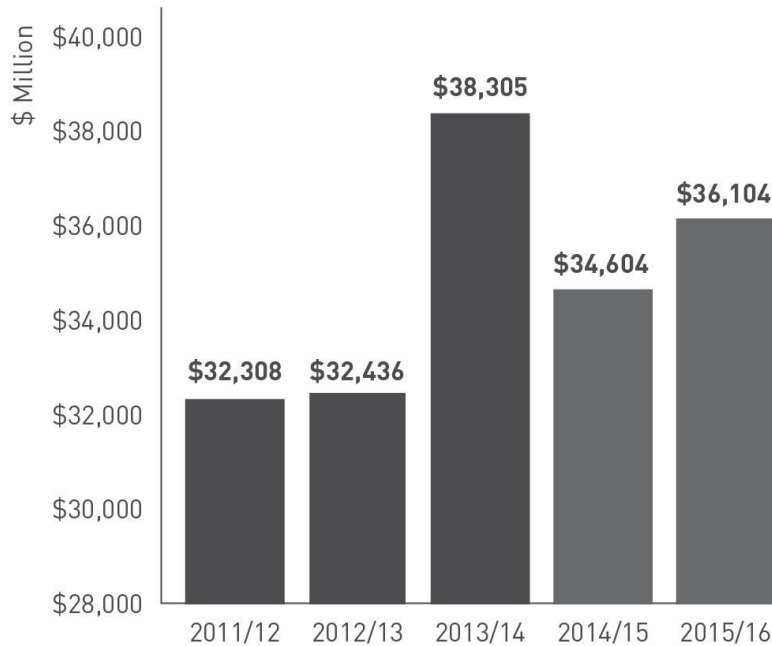
**MID-YEAR UPDATE
DECEMBER 2014**

Ministry for Primary Industries
Manatū Ahu Matua

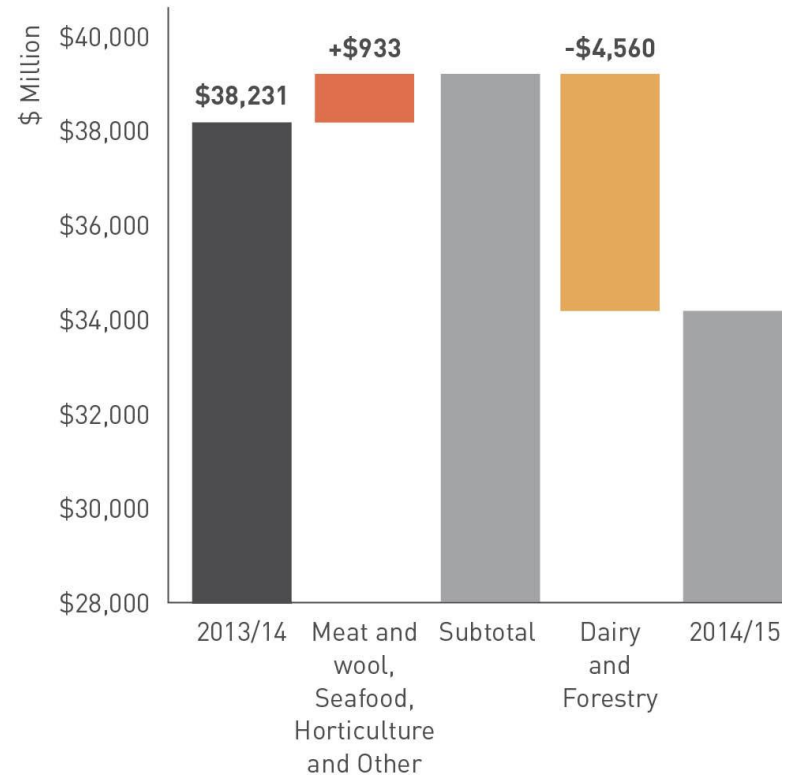


HIGHLIGHTS

TOTAL PRIMARY EXPORT REVENUE

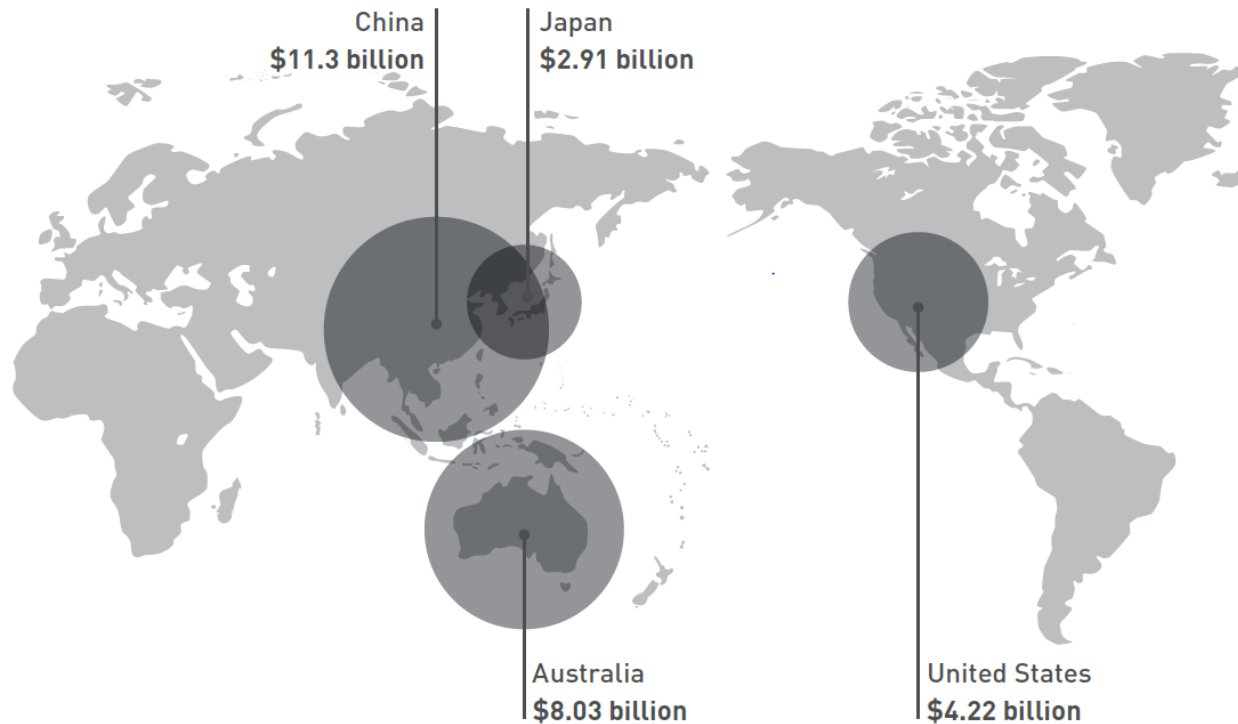


SECTOR CONTRIBUTIONS TO EXPORT REVENUE MOVEMENTS



HIGHLIGHTS

NEW ZEALAND'S TOP EXPORT DESTINATIONS FOR MERCHANDISE GOODS
IN THE YEAR ENDED SEPTEMBER 2014



Forecast farm-gate milk price at \$4.82/kgms is 12% below the long run average



Forestry exports are expected to return to growth in 2015/16.



USA beef prices are now 40 percent higher than a year ago.

DAIRY

DAIRY EXPORT REVENUE (\$ million)

\$18,068

Actual
2013/14

-23.5%

\$13,830

Forecast
2014/15

\$14,560

Forecast
2015/16

+5.3%

DRIVERS



Forecast farm-gate price
for 2014/15

▼ **37%** from 2013/14



Domestic Production of
milk solids

▲ **3%** for 2014/15

CHANGE FACTORS

Global shifts affecting demand for dairy products:



The Russian ban on imports from key dairy exporting regions is causing a temporary surge in global dairy supply.



Demand from China will grow as high inventory levels are utilised.



Global production is up this season, far exceeding growth in global demand.



Global dairy prices are expected to return to growth in the June 2015 quarter and continue to grow through the 2015/16 season.

DAIRY



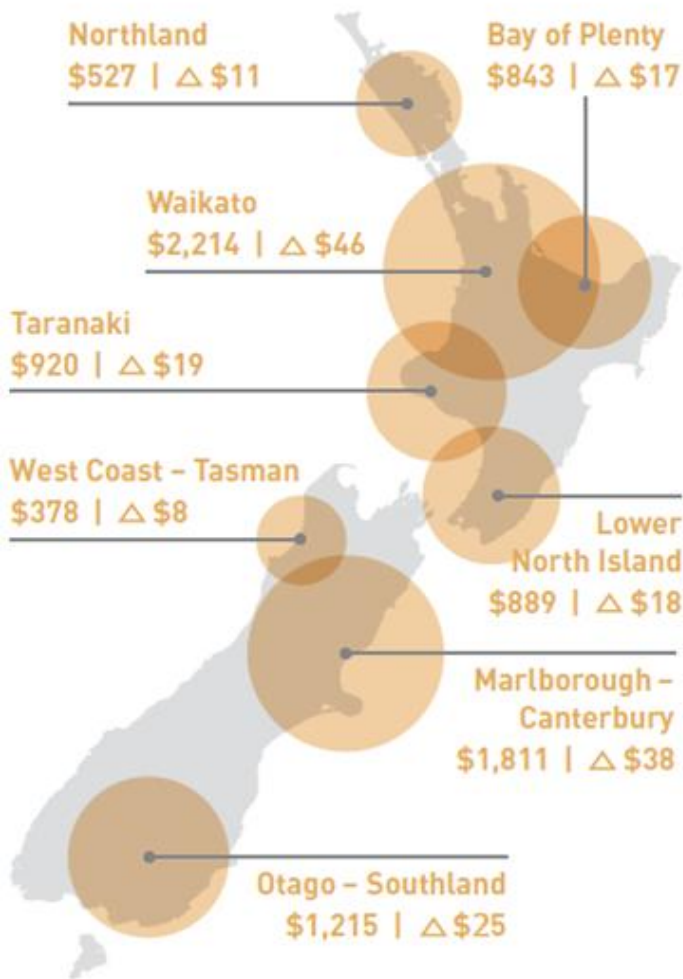
Forecast decline in
farm-gate price totals
▼ **\$4.4 billion**



A 10 cent shift in
farm-gate milk prices
= \$182 million
in revenue

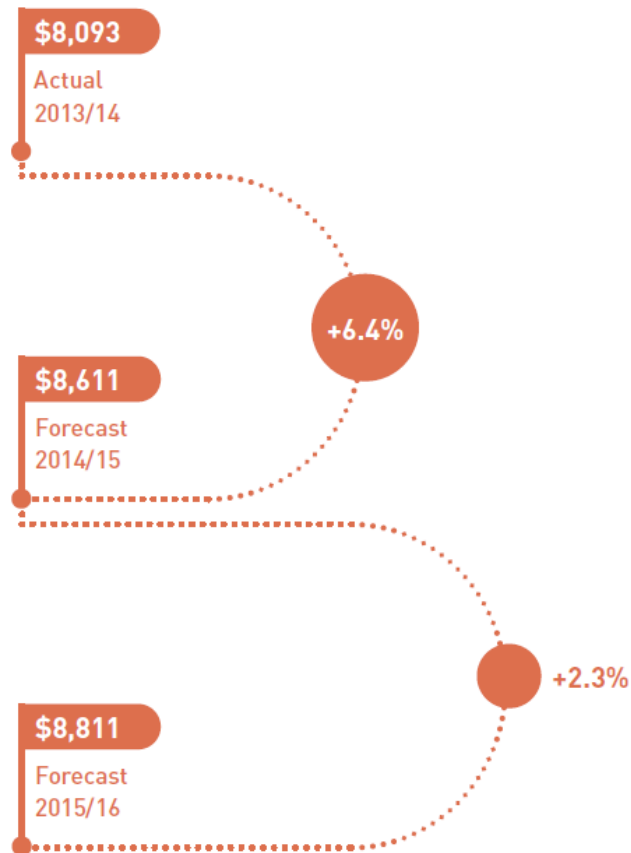
- Based on forecast farm-gate milk price \$4.82/kgMS.
- Change (Δ) represents the change in dairy farm-gate revenue (\$ million) for every 10 cents change in the farm-gate milk price.

EXPECTED DAIRY FARM-GATE REVENUE | IMPACT OF A
\$0.10 PRICE CHANGE (Δ)
2014/15 BY REGION (\$ MILLION)



MEAT & WOOL

MEAT AND WOOL EXPORT REVENUE (\$million)



DRIVERS



Demand from the USA will increase as a result of lower domestic supply.



Lamb production is forecast to be 0.5% lower than the previous year

CHANGE FACTORS



Prices are more than 40 percent higher than a year ago for boneless lean beef into the USA market.



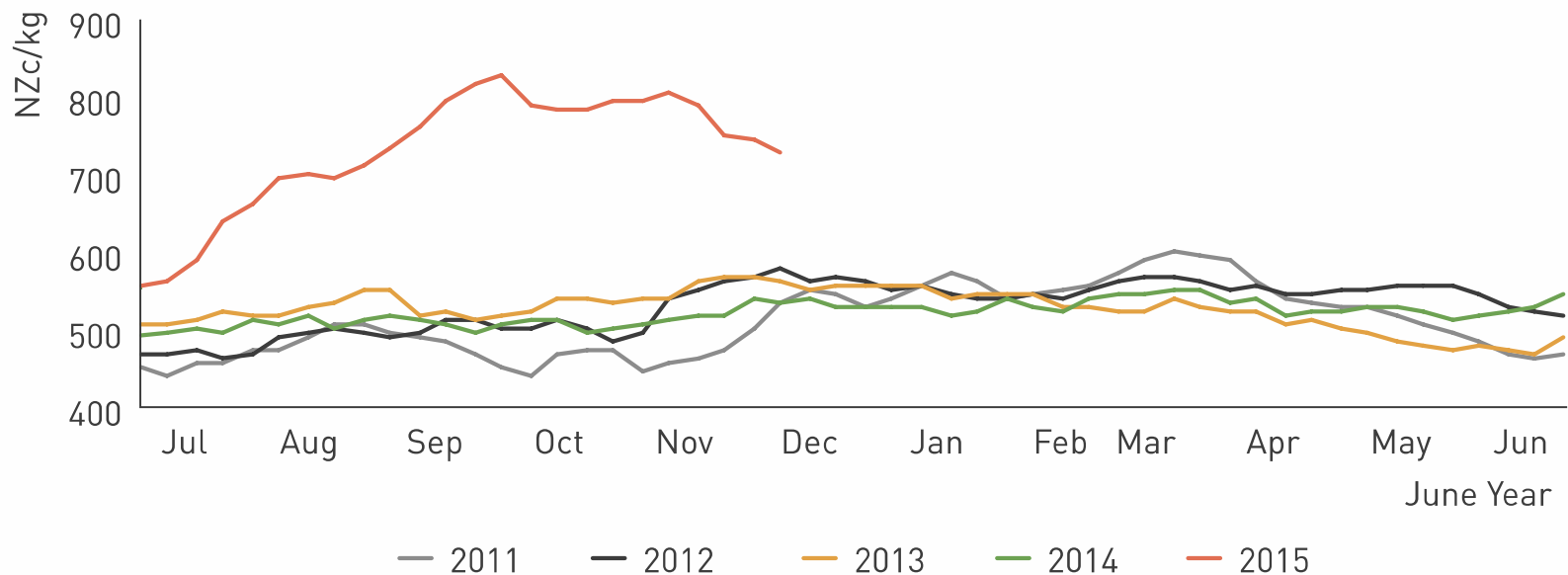
Cooler temperatures have resulted in slower lamb growth rates.



Demand from China has increased the range of wool imports from New Zealand, raising overall revenue.

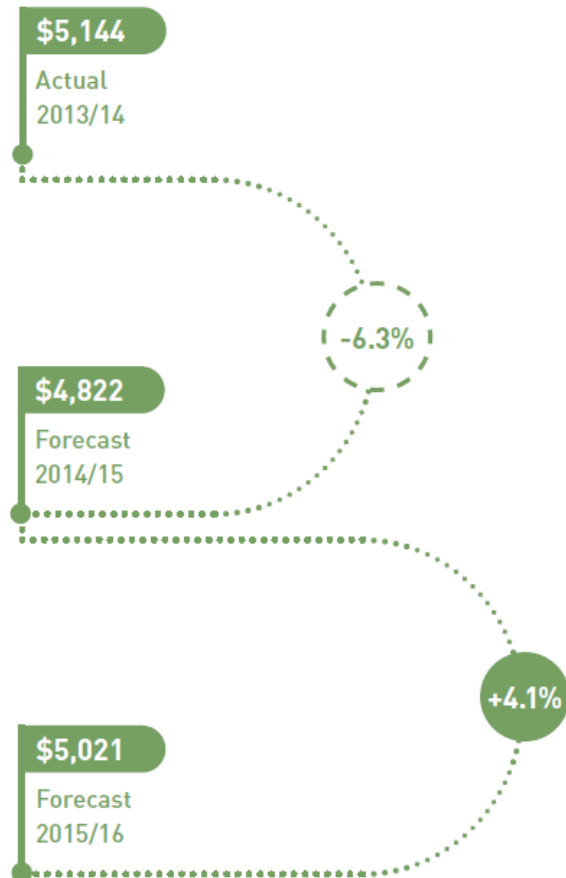
BEEF PRICES

US IMPORTED 90CL COW PRICE (NZD)



FORESTRY

FORESTRY EXPORT REVENUE (\$million)



DRIVERS



Log production will be constrained by demand until 2017



China remains a key market, while India shows potential

CHANGE FACTORS



Low demand for logs in China is expected to pick up through economic stimulus and reducing local stockpiles.



Increasing demand for new housing in Auckland as well as the Christchurch rebuild is expected to drive the domestic timber market.



Improving economic conditions in high-value markets will lift demand for processed timber products.

HORTICULTURE

HORTICULTURE EXPORT REVENUE (\$ million)

\$3,709

Actual
2013/14

+4.2%

\$3,865

Forecast
2014/15

+6.6%

\$4,120

Forecast
2015/16

DRIVERS



The impact of Psa on the Gold3 Kiwifruit cultivar has been less significant than anticipated



The UK, Australia and the USA are absorbing much of the increase in export volumes for wine

CHANGE FACTORS



Gold Kiwifruit is recovering from Psa at better than expected rates, adding a 10 percent increase to kiwifruit export revenues for 2014/15.



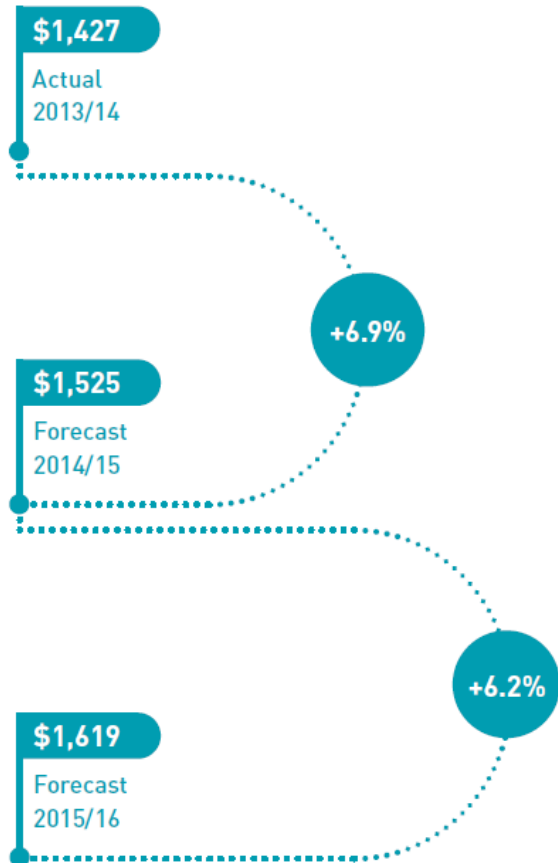
Grape production has increased by around 6 percent this year. However, a large proportion of wine will be exported in bulk versus bottled form, resulting in a relatively small value gain across the sector.



Pipfruit export earnings in 2014/15 is expected to be lower due to reduced production and prices.

SEAFOOD

SEAFOOD EXPORT REVENUE (\$million)



DRIVERS



Prices for top earning stocks such as rock lobster, hoki, mussels, and salmon are improving



A few fisheries have had their total allowable commercial catch limits revised upwards in 2014

CHANGE FACTORS



Some wild fisheries have been able to increase their maximum sustainable catch levels.



Rising prices in key international markets and lower exchange rates will continue to favour exporters.



Aquaculture production is recovering for mussels and oysters