New Season Outlook 2014-15

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Executive Summary - Outlook 2014-15

Economic conditions

After several years of weakness, global investment and trade have started to rebound but unemployment remains at high levels. Growth in emerging economies is moderating, but quickening in developed economies. Global growth is expected to expand by 3.4 per cent in 2014 and 4.0 per cent in 2015. However, geopolitical risks over the Ukraine crisis could put pressure on global growth.

In 2014, the New Zealand economy entered its fourth year of expansion. The economic recovery is broadening across sectors and regions.

For the year to September 2015, the three major currencies in which New Zealand agricultural products are traded - USD, EUR and GBP - are estimated to strengthen against the New Zealand dollar (NZD). After reaching record highs in 2013-14, the NZD/USD exchange rate is expected to average USD 0.78 in 2014-15.

Livestock Numbers

Total sheep numbers for the year to 30 June 2014 at 29.8 million head were down 3.2 per cent on the previous season, reflecting a decrease in both hogget numbers and breeding ewe numbers.

The number of beef cattle at 30 June 2014 increased 1.6 per cent to 3.76 million head on the previous season, driven by a carry-over of older cattle particularly in the North Island.

Total dairy cattle numbers increased slightly (+0.7%) to 6.53 million head at 30 June 2014 on the previous season, reflecting dairy conversions, particularly within lower South Island regions.

Lamb and Mutton

The number of lambs tailed in spring 2014 estimated at 25.6 million head is almost static (+0.3%) compared with the previous spring. This reflects good climatic conditions partly offset by a decrease in the breeding ewe flock due to the dairy herd expansion. Export lamb production is forecast to decrease by 2.6 per cent in 2014-15, reflecting a decrease in numbers processed (-3.3%), driven by hogget retentions.

The export mutton slaughter is forecast to fall by 21 per cent for the year ending 30 September 2015, reflecting high mutton slaughter in 2013-14 due to dry conditions in northern parts of the North Island for the second year in a row and the dairy herd expansion in the South Island.

For 2014-15, total lamb receipts are estimated to reach $2.84 billion FOB, up 0.6 per cent on the previous season, reflecting an improvement in lamb meat export receipts partly offset by a drop in co-products receipts.

In 2014-15, the farm-gate prices for lamb and mutton are expected to average $103 and $79 respectively, up $3 each on the provisional prices for 2013-14.

Beef and Veal

In 2014-15, total beef and veal export receipts are expected to increase 2.4 per cent on 2013-14. The volume of beef and veal meat exported is projected to be down 3.6 per cent, while the average FOB value per tonne is forecast to increase 9.4 per cent from expected high international prices and a more favourable exchange rate.

For 2014-15, the export cattle slaughter outlook is for a 4.3 per cent decrease to 2.20 million head, largely due to a reduction in cull cow slaughter, which was boosted by drought in 2013-14. The overall average carcase weight is expected to be up 0.7 per cent to 255 kilograms per head.

Bull, steer and heifer farm-gate prices per kilogram are forecast to increase by 8.5 per cent.

Wool

Total wool production for 2014-15 estimated at 156,300 tonnes greasy, is down 4.7 per cent on 2013-14.

Wool export receipts for 2014-15 are estimated to decline 13 per cent, reflecting a decline in both average FOB value and volume of wool exported.

The outlook for 2014-15 is for prices for all wool types to decrease as a result of softer demand.

Sheep and Beef Farms

Total gross farm revenue for 2014-15 is estimated to increase 3.5 per cent to $475,500 for the All Classes Sheep and Beef Farm. This is due to a 6.3 per cent increase in sheep revenue to $215,500 compared with 2013-14, resulting from a higher lamb and mutton price.

Total expenditure for the All Classes Sheep and Beef Farm is estimated to increase 2.3 per cent for 2014-15. The largest drivers of this are increases in fertiliser, lime and seeds; and repairs and maintenance. Interest expenditure is estimated to increase 1.2 per cent for 2014-15.

In 2014-15, the nominal farm profit before tax per farm for the All Classes Sheep and Beef Farm is estimated to average $110,800, up 8.0 per cent from the previous year. Real farm profit before tax is forecast to rise 6.1 per cent, down 34 per cent on near record levels achieved in 2011-12.

Economic Conditions

Global Growth Prospects

The outlook is for global economic activity and world trade to strengthen gradually through the rest of 2014 and 2015. Growth in emerging economies is moderating, but quickening in developed economies. Despite a chaotic start in 2014 in the US, which remains the world's largest economy, world GDP is expected to expand by 3.4 per cent in 2014 and 4.0 per cent in 2015.

The main downward effects on world growth are expected to come from lower growth in emerging economies. The drag from fiscal consolidation in the US and the Euro zone decreases, contributing to an improvement in demand. Labour market conditions are improving but unemployment remains at high levels, and the Euro zone is still lagging.

The US economy is rebounding strongly after contracting for the first time in three years in the March quarter 2014 when the severe winter hit supply chains and reduced exports. Despite the weakness, more than half a million jobs were added in the 2014 March quarter, with current trends implying unemployment rate should be below 6.0 per cent by the end of 2015. Reduced fiscal drag and the rising household incomes are boosting demand, investment and hiring intentions. However, little progress has been made to bring fiscal policy back to a sustainable path, and, despite lower unemployment, participation rates are at record lows raising concerns about permanent structural changes to the labour market.

Europe is emerging from recession but remains in the early steps of recovery. Injections of funds coupled with a rise in private domestic demand and net exports contributed to end the recession. However, the recovery remains uneven and vulnerable. The Euro zone is increasingly reliant on Germany for growth and many risks remain, such as high unemployment rates, a credit contraction and the Crimean crisis. In addition, low inflation remains a concern in the Euro zone, as it raises the real burden of the debt. The Euro zone is expected to expand by 0.1 per cent in 2014 and 1.1 per cent in 2015.

Japan's economy grew at a fast pace in the first quarter of 2014, raising hopes that "Abenomics", the government's economic agenda, would allow higher growth rates. The expansion was driven by consumption and housing expenditure being brought forward as households tried to avoid the April 2014 consumption tax increase. But, in the second quarter of 2014 Japan suffered its biggest economic contraction since the 2011 tsunami, in response to the sales tax hike. Over the medium-term, the pace of growth will depend on how successful structural reforms are in increasing productivity growth and investment.

In China, which is the second largest economy and the US second largest export destination, growth will moderate as the economy continues to rebalance gradually. China's economy should still grow by more than 7.0 per cent in 2014 and 2015 but activity softens as the government restricts credit expansion and as house sales and prices fall. China is in the midst of a transition from an investment phase, which demanded raw materials such as forestry and minerals, to a consumption phase, which places greater demand on soft commodities including food items such as dairy and meat. In addition, with the Chinese government relaxing its one child policy for its more than 1 billion population, it is likely that it will support future demand. But meat and dairy exports are highly dependent on rising incomes in China and consequently on Chinese growth.

The Australian economy is assumed to expand at 2.4 per cent in 2014 and 2.7 per cent in 2015. In 2014-15, low interest rates are expected to provide support to consumer spending and housing construction. However, a decline in resources investment and raw materials exports to China could lead to slower growth.

TABLE 1

Economic Growth
Annual Average % Change, March Year

	2011 %	2012 %	2013 %	2014e %	2015f %	2016f %
US	2.6	2.2	2.3	2.2	2.8	3.0
UK	2.0	0.8	0.3	2.3	2.1	2.2
Euro zone	2.3	0.9	-0.9	0.1	1.1	1.6
Japan	3.4	0.3	0.6	2.5	0.8	1.0
China	9.9	8.9	7.7	7.6	7.4	7.7
South Korea	5.2	3.4	1.7	3.3	3.3	4.0
Australia	2.2	3.3	3.0	2.4	2.7	3.0
Trading Partners	4.7	3.6	3.1	3.4	3.5	3.9
New Zealand	**1.8**	**2.4**	**2.3**	**3.2**	**3.1**	**2.5**

Note: The Euro zone comprises countries using the Euro currency.
e estimate, f forecast | Source: Statistics New Zealand, NZIER Quarterly Predictions

FIGURE 1

e estimate, f forecast | Source: Beef + Lamb New Zealand Economic Service, NZIER Quarterly Predictions

New Zealand

In 2014, the New Zealand economy entered its fourth year of expansion. The economic recovery strengthened as momentum from the second half of 2013 carried on into 2014.

After being concentrated in construction in Canterbury and Auckland, growth has become more broad-based across regions and sectors. Domestic demand is intensifying, boosted by strengthening net migration inflows, businesses are hiring more, the current account deficit is narrowing, and terms of trade reached a 40-year high in the 2014 March quarter.

But some indicators like house sales, and dairy and log prices have slowed since the beginning of 2014. The main risks to the economic recovery are the housing market in Auckland and slower growth in China related to its transition from an investment-led to consumption-led economy. The direct impact for New Zealand of this transition in China is likely to be moderate because demand for New Zealand's main exports to China, which are dairy and meat products, is expected to increase as domestic consumption grows. However, the indirect effects, from Australia - New Zealand's second most important trade partner - are likely to be more important.

Consumer Prices

In 2014, inflation is estimated to remain at or below 2.0 per cent in US, Japan, China and Europe. Low inflation is a concern, because it raises the real burden of the debt and increases real interest rates.

In June 2014, the European Central Bank (ECB) decided to take new steps to try to get inflation back to a target of 2.0 per cent. The different measures include the introduction of a negative deposit rate - meaning that the ECB is charging the banks for funds left overnight with the central bank - a significant injection of liquidity and credit easing measures in an attempt to increase bank lending.

Despite New Zealand's economic recovery, price increases are modest and are likely to remain modest over the forecast period. Despite low inflation overall, there are concerns about pockets of inflation in the construction sector in Canterbury and in the Auckland housing market.

The Beef + Lamb New Zealand Economic Service on-farm inflation analysis showed that prices for sheep and beef farm inputs decreased 0.6 per cent in the year to March 2014, following no change in the previous year. The decrease was mainly driven by the decline in the cost of fertiliser, lime and seeds.

The corresponding Consumer Price Index (CPI) movement was 1.5 per cent. About half of the annual movement came from higher prices for housing and household utilities. For the year to March 2014, the tradable component decreased 0.6 per cent while prices for the non-tradable component increased 3.0 per cent. The decline in prices for the tradable sector reflects competitive import prices and the appreciation of the New Zealand dollar.

TABLE 2

Consumer Prices
Annual Average % Change, March Year

	2011 %	2012 %	2013 %	2014e %	2015f %	2016f %
US	1.6	3.3	1.8	1.5	2.0	2.7
UK	3.5	4.3	2.7	2.5	2.5	2.9
Euro zone	2.0	2.8	2.3	1.4	1.5	1.7
Japan	-0.6	-0.1	-0.3	0.5	2.7	2.1
China	4.0	1.0	-2.6	2.0	3.1	3.2
South Korea	3.2	3.8	1.8	1.7	2.6	2.9
Australia	3.0	2.9	2.0	2.2	2.6	2.6
Trading Partners	2.8	2.8	1.3	2.0	2.6	2.7
New Zealand	**2.9**	**3.3**	**0.9**	**1.3**	**1.8**	**2.1**

Note: The Euro zone comprises countries using the Euro currency.
"Trading Partners" covers those countries that account for about 85% of New Zealand's total merchandise trade.
e estimate, f forecast | Source: Statistics New Zealand, NZIER Quarterly Predictions

Interest Rates

A positive growth outlook and inflationary pressures in the Auckland housing market led the Reserve Bank to increase interest rates.

In 2014, the Reserve Bank increased the Official Cash Rate (OCR) four times to reach 3.5 per cent in July 2014, making New Zealand the first developed economy to raise interest rates since the global financial crisis. The OCR at 3.5 per cent was the highest level since late 2008. The Reserve Bank faces the challenge to lower inflation pressures - mainly coming from the housing market in Auckland - without affecting growth in other regions and sectors.

In July 2014, the Reserve Bank signalled a pause in the rate hikes to assess how the tightening was affecting the economy. Most economists believe the pause might last until early 2015.

The high interest rate differentials between the 90-day commercial bill rate in New Zealand and other countries are expected to persist and are likely to underpin the NZ currency. These differentials in 2015 are forecast to range from 1.2 percentage points against the AUD to 3.8 percentage points with the US.

TABLE 3

Short-term Interest Rates
% p.a., March Year

	2011 %	2012 %	2013 %	2014e %	2015f %	2016f %
US	0.2	0.0	0.1	0.1	0.4	1.0
UK	0.5	0.5	0.3	0.5	0.6	1.0
Euro zone	0.5	0.8	0.1	0.3	0.4	0.6
Japan	0.2	0.1	0.1	0.2	0.4	0.7
Australia	4.8	4.8	3.6	2.7	3.0	3.7
New Zealand	**3.0**	**2.7**	**2.7**	**3.0**	**4.2**	**4.0**

Note: End of March year, except New Zealand, average for March quarter.
e estimate, f forecast | Source: Reserve Bank of New Zealand, NZIER Quarterly Predictions

Exchange Rates

Table 4 shows the annual average exchange rates for the three major currencies in which most of New Zealand meat and wool products are traded, with the figures for 2014-15 being the estimated "average" for the season.

For the year to September 2015, the New Zealand dollar (NZD) is estimated to weaken against each of these three major currencies. After reaching record highs in 2013-14, the NZD/USD exchange rate is expected to decline by 7.2 per cent in 2014-15. In 2014-15, the forecast is that the NZD will average USD 0.78, GBP 0.48 and EUR 0.61.

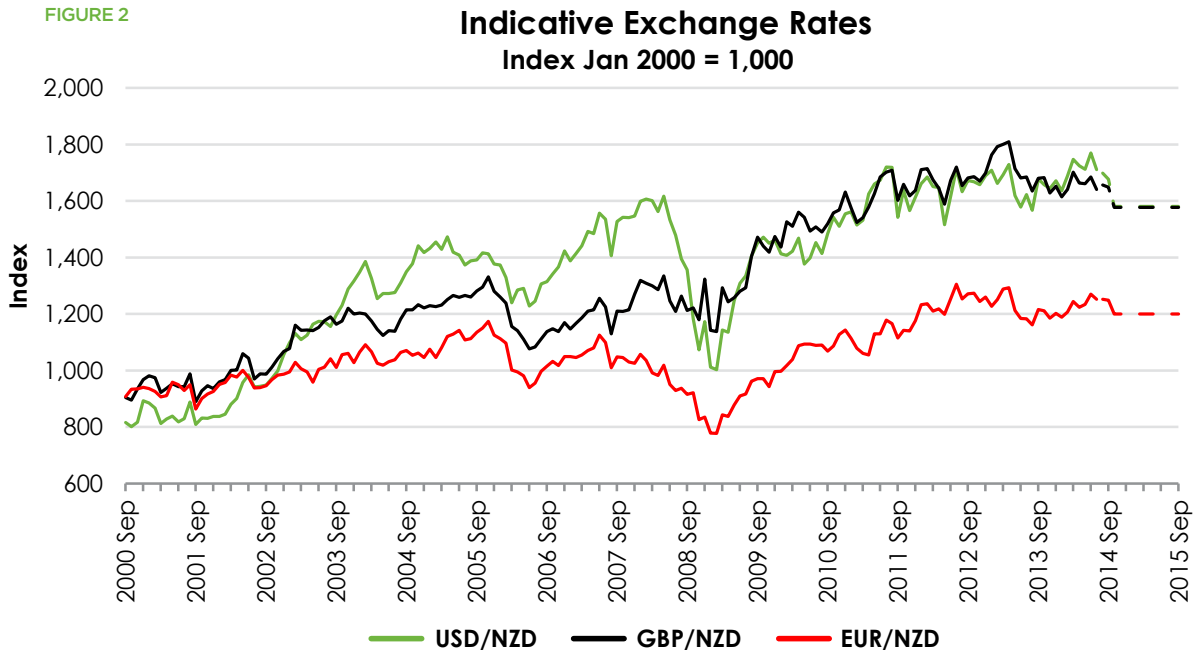
TABLE 4

NZ Dollar Exchange Rates
Annual Average

Sep Year	USD	GBP	EUR
2012-13	0.82	0.53	0.62
2013-14p	0.84	0.51	0.62
2014-15f	0.78	0.48	0.61
2014-15f % change	-7.2%	-4.7%	-2.2%

p provisional, f forecast | Source: Beef + Lamb New Zealand Economic Service, Reserve Bank of New Zealand

FIGURE 2



Source: Beef + Lamb New Zealand Economic Service, Reserve Bank of New Zealand

Exchange Rate Sensitivity – 2014-15

Table 5 shows farm-gate prices under five different exchange rate scenarios. This approach provides an indicative outlook of the impact of the exchange rate volatility on the prices paid to farmers in 2014-15.

The shaded column represents the forecast exchange rate for the major currencies for 2014-15 and the related farm-gate prices used to derive the base estimates of FOB export receipts and farm revenue in this report. The four other scenarios show the impact on farm-gate prices of variations of ± 5 and ±10 per cent to the exchange rates for the US dollar (USD), the Pound Sterling (GBP), and the Euro (EUR).

TABLE 5

NZD Exchange Rates

						Exchange Rate Change from USD 0.78	
						to USD 0.70	to USD 0.86
USD	0.70	0.74	0.78	0.82	0.86	-10%	+10%
GBP	0.43	0.46	0.48	0.50	0.53	-10%	+10%
EUR	0.55	0.58	0.61	0.64	0.67	-10%	+10%
Farm-Gate Prices Received							
$ / head							
Lamb	120	111	103	96	90	+16.0%	-13.1%
Mutton	93	86	79	72	67	+18.8%	-15.4%
Steer/Heifer	1,418	1,321	1,232	1,154	1,081	+15.1%	-12.2%
Cow	751	699	652	611	573	+15.1%	-12.2%
Bull	1,521	1,417	1,321	1,237	1,160	+15.1%	-12.2%
All Beef	1,185	1,103	1,029	964	903	+15.1%	-12.2%
¢ / kg							
Lamb[1]	651	604	561	523	488	+16.0%	-13.1%
Mutton[1]	367	337	309	284	262	+18.8%	-15.4%
Steer/Heifer	504	469	438	410	384	+15.1%	-12.2%
Cow	372	347	323	303	284	+15.1%	-12.2%
Bull	498	464	433	405	380	+15.1%	-12.2%
All Beef	463	431	402	377	353	+15.1%	-12.2%
Fine[2]	1,024	957	897	842	793	+14.2%	-11.6%
Medium[2]	585	546	512	481	453	+14.2%	-11.6%
Crossbred[2]	409	382	358	336	316	+14.2%	-11.6%
All Wool[2]	465	434	407	382	360	+14.2%	-11.6%

1 includes wool and skin **2** wool ¢/kg greasy
Source: Beef + Lamb New Zealand Economic Service

Meat and wool production is seasonal with the majority of production sold from late November through to June. This means that the value of the NZD during this period is crucial to farmers and export companies.

After averaging 0.84 USD in 2013-14, the NZD is expected to average 0.78 USD in 2014-15, down 7.2 per cent. The EUR and the GBP are also forecast to strengthen against the NZD over the 2014-15 season.

These exchange rate movements impact the average prices for beef, lamb and wool for the season and thus farm revenues.

Exchange rate movements are likely to have a significant leveraged effect on farm-gate prices. A 10 per cent increase in the NZD against the USD - from 0.78 to 0.86 - and the associated cross rates against the GBP and the EUR decreases the average lamb price received by farmers by 13 per cent. Alternatively, when the NZD depreciates by 10 per cent - from 0.78 to 0.70 against the USD - the farm-gate lamb price increases by 16 per cent.

Livestock Numbers

New Zealand sheep numbers for the year to 30 June 2014 decreased 3.2 per cent on the previous season to 29.8 million head. This was driven by a decrease both in hogget numbers (-7.6%) and breeding ewe numbers (-1.4%) compared with 30 June 2013. This follows a decrease of 1.5 per cent for the previous year.

North Island sheep numbers at 30 June 2014 decreased 2.4 per cent to 14.6 million head. Northland had a second run of dry conditions following on from drought in the previous year which contributed to a 7.9 per cent decline (0.32 million head) in the region's sheep flock. Elsewhere, sheep numbers remained relatively unchanged.

South Island sheep numbers decreased 3.9 percent (-0.62 million head) to 15.2 million head for 30 June 2014 compared with the previous season. Land use change continues to play a large role in contributing towards this decline. The displacement of dry stock for dairy conversion and dairy support activities was most pronounced in areas from Canterbury to Southland.

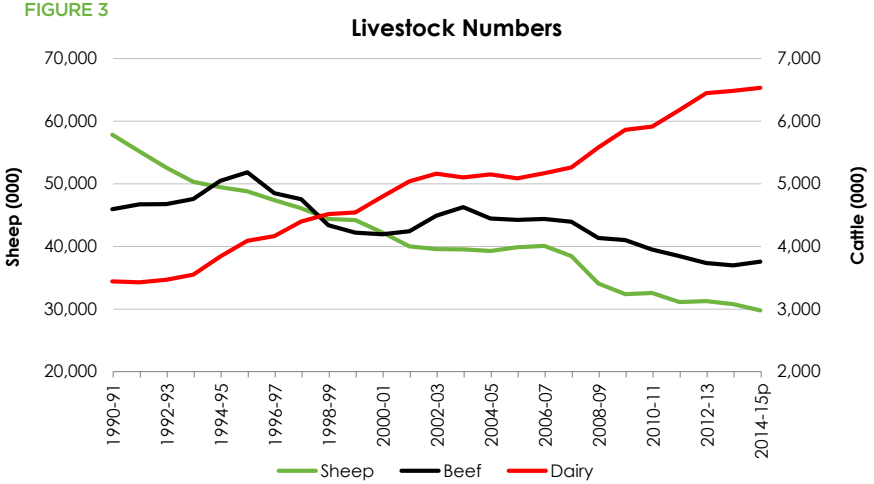
New Zealand beef cattle numbers for the year to 30 June 2014 increased to 3.76 million head, up 1.6 per cent on the previous season. This is due to a carry-over of older cattle, particularly in North Island regions to take advantage of improved feed conditions.

North Island beef cattle numbers at 30 June 2014 increased 53,000 head to 2.67 million head. The overall lift in numbers was due to older cattle being held over to take advantage of improved feed conditions. The offset however was in Northland regions, where a second run of dry conditions reduced breeding cow numbers.

South Island beef cattle numbers at 30 June 2014 remained almost static at 1.08 million head. A 2.8 per cent increase in beef cattle numbers for Marlborough-Canterbury was offset by declines in both Otago (-3.2%) and Southland (-3.4%).

Total dairy cattle numbers increased slightly (+0.7%) to 6.53 million head for the year to 30 June 2014. However, within this dairy cow numbers went up 1.7 per cent to 5.09 million head. Dairy conversions and dairy support activities have contributed to shifts in land use, particularly within lower South Island regions. This has resulted in changes in traditional sheep and beef systems to incorporate grazing dairy heifers, and wintering of dairy cows. The South Island now contains 40 per cent of the New Zealand dairy herd, up from 26 per cent on 10 years earlier.

FIGURE 3



p provisional | Source: Beef + Lamb New Zealand Economic Service, Statistics New Zealand

TABLE 6

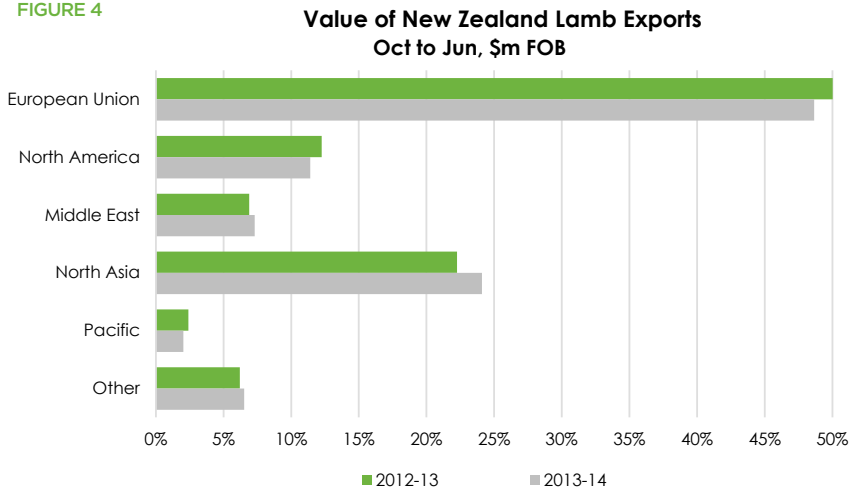
Livestock numbers
million head

	Breeding Ewes	Hoggets	Total Sheep	Beef Cattle	Dairy Cattle
30 June 2013	20.23	9.76	30.79	3.70	6.48
30 June 2014p	19.96	9.01	29.80	3.76	6.53
13-14 to 14-15 % change	-1.4%	-7.6%	-3.2%	1.6%	0.7%

p provisional | Source: Beef + Lamb New Zealand Economic Service, Statistics New Zealand

Lamb and Mutton Exports

FIGURE 4



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

Lamb

2013-14

The volume of New Zealand lamb exports was provisionally down 2.5 per cent to 305,000 tonnes shipped weight in 2013-14. This decline was offset by an improvement in market prices. The overall average FOB value per tonne of lamb meat exports was provisionally up 12 per cent in 2013-14 despite a strong New Zealand dollar over the season. Total lamb receipts are expected to increase 8.2 per cent in the year ended September 2014.

From October 2013 to June 2014, the European Union accounted for 39 per cent of New Zealand lamb export volumes and 49 per cent of lamb export receipts. Shipments to the European Union were down 5.9 per cent in the first nine months of the 2013-14 meat export season but total lamb receipts were up 7.7 per cent compared with the same period in 2012-13, reflecting a 15 per cent increase in the average value of lamb exports. In the nine months to June 2014, Great Britain remained the largest market for New Zealand lamb exports on a value basis but was the second largest by volume after China.

North Asia was the second largest market region, accounting for 35 per cent of lamb shipments and for 24 per cent of the lamb export receipts. Lamb shipments to North Asia increased by 5.8 per cent in the first nine months of the 2013-14 meat export season, while lamb receipts increased by 20 per cent. Among North Asian countries, China was the largest market accounting for 31 per cent of New Zealand lamb export volumes and for 21 per cent of lamb receipts. In addition to being the largest market by volume, China experienced the fastest growth. Though increasing, the average FOB value per tonne of lamb meat exports to China was 40 per cent lower than the average returns achieved in Great Britain in the first nine months of the 2013-14. This reflects the different product mix exported to each country.

Driven by China, the trade of lamb carcases strengthened in 2013-14 compared with the previous year. The volume of carcases exported more than doubled from October 2013 to June 2014 compared with the same period in 2012-13. Lamb carcases accounted for 6.6 per cent of total lamb meat shipments in the first nine months of the 2013-14 meat export season.

2014-15

For 2014-15, total lamb receipts under the USD 0.78 exchange rate scenario are estimated to reach $2.84 billion FOB, up 0.6 per cent on the previous season. The volume of lamb meat exported is expected to be down 2.6 per cent in 2014-15, but offset by an estimated 6.2 per cent increase of the average FOB value reflecting a continuing improvement in market prices and a weaker NZD. Export receipts from co-products are expected to fall 20 per cent in 2014-15 compared with 2013-14, largely reflecting a drop in lamb skin prices driven by a weaker demand from the fashion industry.

TABLE 7

New Zealand Lamb Exports

	Lamb meat			Co-Products	Total Lamb	Lamb Meat
Sep Year	000 tonne	$ / tonne	$m FOB	$m FOB	$m FOB	%
2010-11	266	9,563	2,541	298	2,839	90%
2011-12	264	8,645	2,284	365	2,649	86%
2012-13	313	7,285	2,279	331	2,610	87%
2013-14p	305	8,161	2,489	336	2,825	88%
2014-15f	297	8,664	2,573	270	2,843	90%
2014-15f % change	-2.6%	6.2%	3.4%	-19.7%	0.6%	

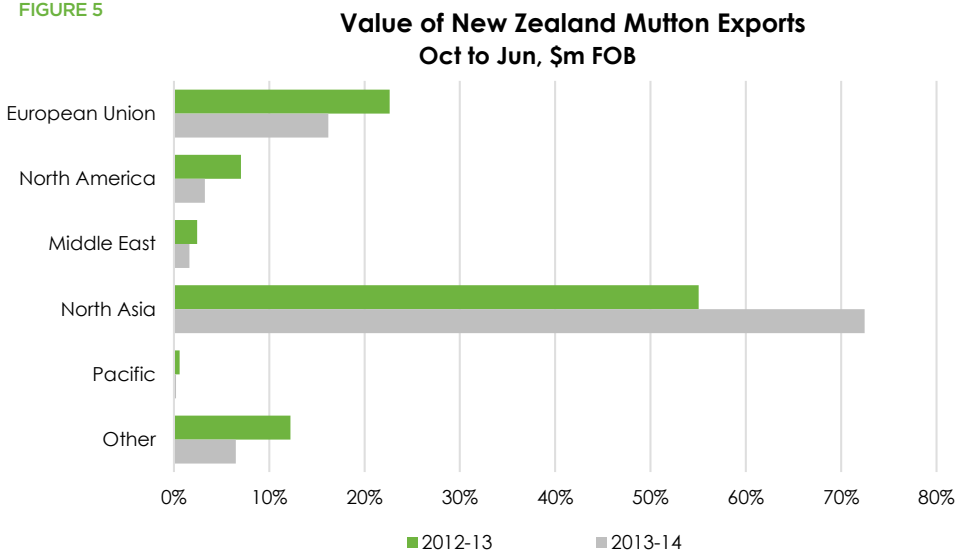
p provisional, f forecast | Source: Beef + Lamb New Zealand Economic Service, Statistics New Zealand

Mutton

In the first nine months of the 2013-14 season, the total value of mutton exports rose by 32 per cent, to $0.43 billion FOB. New Zealand's exports of mutton increased by 18 per cent over the first nine months of the 2013-14 season, compared with the same period last season, reaching a record high of 83,000 tonnes shipped weight. This was largely due to dairy conversions and to an early processing pattern.

China was the major force in the increase in the mutton export receipts and shipments. In the first nine months of the 2013-14 meat export season, China accounted for 67 per cent of mutton export receipts and for 71 per cent of the volume - up by 20 percentage points from 2012-13 levels.

FIGURE 5



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

Lamb and Mutton – International Situation

Overview

Strong demand and firm supplies resulted in export receipts for 2013-14 up 8.2 per cent despite a high NZD. This bright outlook is expected to continue in 2014-15 driven by firm demand from China, economic recovery in the European Union and sheep flock rebuilding in Australia. Expectations for a weaker NZD in 2014-15 should further improve the returns to New Zealand.

Australia

In its mid 2014 report, the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) forecasts Australian lamb and mutton production to fall by 7.0 per cent and 30 per cent respectively in 2014-15. This follows two years of high slaughter numbers due to dry conditions. However, these forecasts are highly dependent on climatic conditions and if dry conditions were to persist, 2014-15 production could be higher than estimated.

Driven by expectations of lower production, Australian lamb and mutton exports are expected to decline by 12 per cent and 32 per cent respectively in 2014-15. Australian lamb exports to China will face increased competition from New Zealand as the Free Trade Agreement (FTA) between New Zealand and China will further lower tariffs on New Zealand sheep meat exports to China.

European Union

European Union sheep meat production showed signs of stabilisation in recent years due to increased profitability. Higher lamb prices combined with good forage conditions in the north of the European Union and lower cereal prices reduced production costs and increased production in 2013. This trend is expected to continue in 2014 and 2015 according to the European Union Commission's short-term outlook.

Increased production in Romania, Bulgaria and the UK is expected to offset declines in France and Spain. UK lamb production is forecast to increase in 2014 and 2015 reflecting a larger breeding flock, and higher lambing percentages. However, this should be partly offset by lower mutton production.

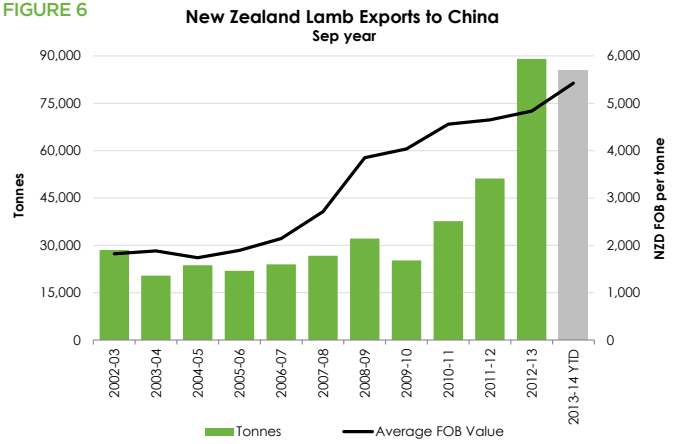
Sheep meat imports are forecast to recover in 2015 from lower levels in 2014, that were due to tight supplies from New Zealand and increased volumes exported to China.

China

China has been New Zealand's largest export market destination for sheep meat by volume and value since 2012-13. However, the UK remained the most valuable market for New Zealand lamb exports even if the gap narrowed in the first nine months of the 2013-14 season.

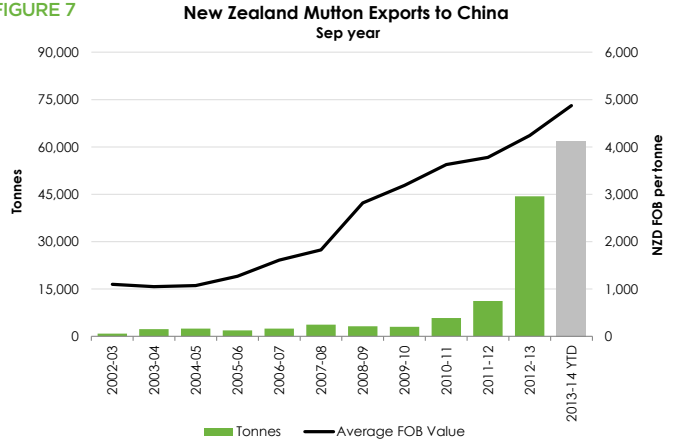
About a quarter of New Zealand sheep meat exports to China were shipped as carcases from October to June 2014. This demand for carcases reflects that China has developed a demand for the entire range of cuts of a carcase rather than just the "value" cuts.

FIGURE 6



YTD : 10 months to 31 July 2014 | Source: Beef + Lamb New Zealand Economic Service, New Zealand Customs, New Zealand Meat Board

FIGURE 7



YTD : 10 months to 31 July 2014 | Source: Beef + Lamb New Zealand Economic Service, New Zealand Customs, New Zealand Meat Board

Lamb Price – Farm-gate

Figure 8 shows the monthly All Grades Lamb price trend to July 2014. The horizontal lines depict the weighted average season price.

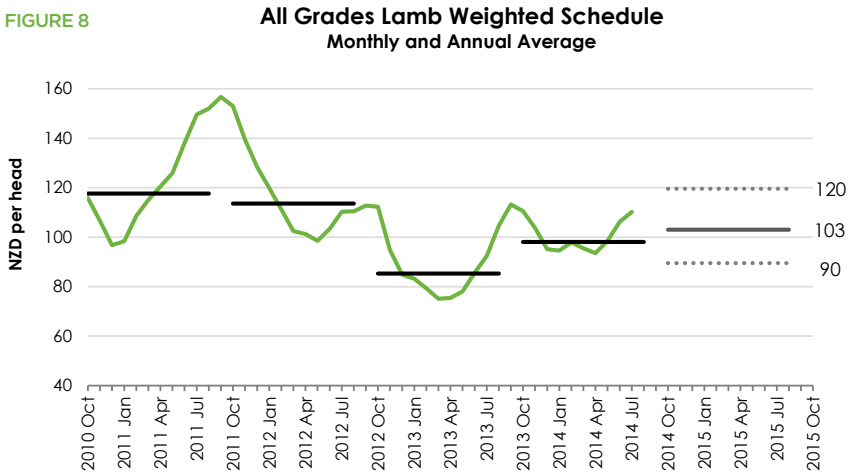
Three exchange rates scenarios are provided in the outlook for 2014-15 because of the volatility in exchange rates. The three scenarios use annual average exchange rates of USD 0.70, USD 0.78 and USD 0.86 and the associated cross rates against the GBP and the EUR.

An average lamb weight of 18.3 kilograms is forecast for 2014-15 if "normal" climatic conditions prevail.

The different exchange rate scenarios presented in Table 8 highlight the leveraged effect of the exchange rate on the New Zealand export lamb price to farmers.

At the mid exchange rate of USD 0.78, the forecast lamb price of $103 per head for 2013-14 is up 5.0 per cent from the provisional figure for 2013-14 of $98. Lamb prices averaged a record $118 per head in 2010-11 largely from strong international prices and strong procurement pressure in New Zealand.

FIGURE 8



Source: Beef + Lamb New Zealand Economic Service

If a higher exchange rate of USD 0.86 prevails for 2014-15, then the lamb price could fall from $103 to $90 per head. Alternatively, if the exchange rate averages USD 0.70, the lamb price is expected to increase to $120 per head.

At the mid exchange rate of USD 0.78, the annual average mutton price is estimated at $79 per head in 2014-15, an increase of 4.8 per cent on the provisional figure for 2013-14 of $76.

TABLE 8

All Grades Lamb Price Sensitivity Analysis

Exchange Rate		Lamb price NZD per head	
Low NZD			
USD	0.70		
GBP	0.43	$120	**High**
EUR	0.55		
Mid NZD			
USD	0.78		
GBP	0.48	$103	**Mid**
EUR	0.61		
High NZD			
USD	0.86		
GBP	0.53	$90	**Low**
EUR	0.67		

Source: Beef + Lamb New Zealand Economic Service

Lamb and Mutton Production

TABLE 9

Export Lamb Production

Sep Year	Lamb Crop million head	Slaughter million head	Carcase Weight kg	Production 000 tonne bone-in
2010-11	25.0	19.2	18.2	351.0
2011-12	26.0	18.9	18.7	353.2
2012-13	26.0	20.9	18.0	376.2
2013-14p	25.5	20.1	18.2	366.7
2014-15f	25.6	19.5	18.3	357.1
2014-15f % change	0.3%	-3.3%	0.7%	-2.6%

p provisional, f forecast | Source: Beef + Lamb New Zealand Economic Service, Statistics New Zealand, New Zealand Meat Board

The number of lambs tailed in spring 2014 is estimated to be static compared with the previous spring (+0.3%) at 25.6 million head. This reflects good climatic conditions partly offset by a decrease in the breeding ewe flock due to the dairy expansion.

From scanning results, expectations are that the national lambing percentage will lift by 1.5 percentage points in 2014-15. However, spring lambing conditions will be a key factor determining the final lamb crop.

The number of lambs tailed in the North Island is estimated to be up 3.2 per cent, reflecting a lift in the ewe lambing percentage combined with a stable number of breeding ewes. The South Island lamb crop is estimated to decrease by 2.3 per cent, driven by a decrease in the number of breeding ewes due to land use change to dairy.

For the year ending September 2015, the export lamb slaughter is forecast to decrease by 3.3 per cent to 19.5 million head. The decline reflects an increase in hoggets retained with the flock expected to show a slight recovery in the year to 30 June 2015.

In 2014-15, export lamb slaughter in the North Island is projected to decrease 1.3 per cent to 9.3 million head - down 0.1 million - compared with 2013-14. South Island lamb export slaughter is estimated to fall 5.1 per cent to 10.2 million head, a decrease of 0.5 million head. This decrease reflects the decline in the South Island ewe flock, related to the dairy expansion and to an expected increase in the number of hoggets retained in the year to 30 June 2015.

Export lamb production is forecast to decrease by 2.6 per cent for 2014-15 to 357,100 tonnes carcase weight. The decrease in number processed will not be offset by the improved carcase weight.

The export mutton slaughter is forecast to fall by 21 per cent - or 865,000 head - to 3.3 million head for the year ending 30 September 2015. This reflects a decline from high mutton slaughter in 2013-14 due to dry conditions in northern parts of the North Island for the second year in a row and the dairy expansion in the South Island. Continued strong expansion of the dairy herd is not expected in 2015-16, however if it were to occur, then the South Island mutton slaughter could be marginally higher than estimated.

For the year to 30 September 2015, the average carcase weight is expected to increase slightly (+0.8%) to 25.5 kilograms per head. Given the drop in slaughter numbers, mutton production is estimated to be down 20 per cent to 84,000 tonnes carcase weight.

TABLE 10

Export Mutton Production

Sep Year	Slaughter million head	Carcase Weight kg	Production 000 tonne bone-in
2010-11	4.4	24.2	106.0
2011-12	3.4	25.7	87.3
2012-13	4.1	25.1	103.9
2013-14p	4.2	25.3	105.2
2014-15f	3.3	25.5	84.0
2014-15f % change	-20.8%	0.8%	-20.2%

p provisional, f forecast | Source: Beef + Lamb New Zealand Economic Service, Statistics New Zealand, New Zealand Meat Board

Beef and Veal Exports

2013-14

In 2013-14, beef and veal meat exports remained relatively stable. Export volumes increased provisionally 0.4 per cent and the receipts were provisionally up 1.9 per cent reflecting an increase of the average FOB value. The total returns for beef and veal exports, including co-products, increased 1.7 per cent to the provisional figure of $2.64 billion FOB. After remaining stable in the first half of the season, the average value of beef and veal exports is expected to rise in the second half of the season driven by North American demand. Over the year to 30 September 2014, the receipts for beef and veal meat exports are expected to average $5,830 FOB per tonne (+1.5%).

In 2013-14, North America and North Asia remained the largest market regions for New Zealand beef and veal exports.

In the first nine months of the 2013-14 meat export season, North America accounted for 53 per cent of export volume and for 48 per cent of export value.

North Asia accounted for 29 per cent of export volume and 30 per cent of export value. Within North Asia, volumes exported to Taiwan, Hong Kong and China increased 24, 11 and 2.3 per cent respectively in the first nine months of 2013-14. The large increase in exports to Taiwan reflected the signature of an FTA with Taiwan, which came into force in December 2013.

However, volumes exported to Japan and South Korea dropped by 19 and 6.2 per cent respectively. The Korea-US FTA and the recently signed Korea-Australia FTA both disadvantaged New Zealand beef producers making New Zealand beef relatively less affordable for Korean consumers. This disadvantage will increase in the future as both FTAs involve the elimination of tariffs on beef by 2030.

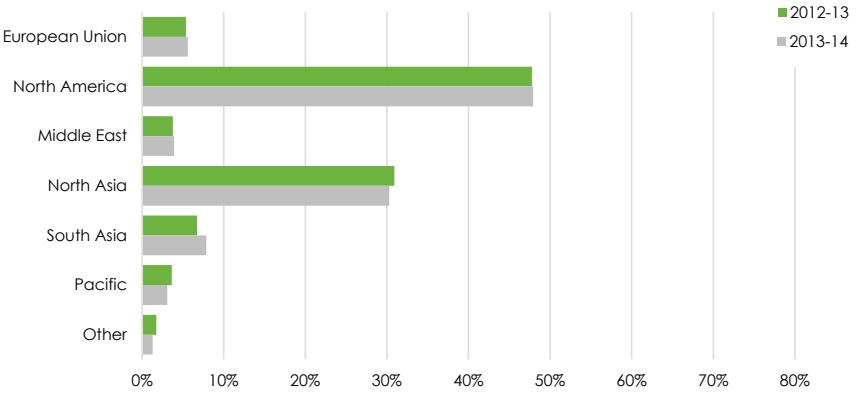
The decline in New Zealand beef and veal exports to Japan resulted from increased competition from the US as the Japanese government further relaxed import restrictions on US beef, nearly 10 years after the first case of BSE was discovered in the US.

2014-15

In 2014-15, New Zealand beef and veal exports are forecast to decrease 3.6 per cent to 353,000 tonnes shipped weight but offset by a 9.4 per cent increase in the average FOB value of beef and veal exports to $6,380 FOB per tonne in 2014-15. Total beef and veal receipts under the USD 0.78 exchange rate scenario are expected to total $2.70 billion FOB - up 2.4 per cent on 2013-14 returns. The returns achieved from co-products are forecast to fall by 10 per cent in 2014-15, reflecting both lower prices and production.

FIGURE 9

New Zealand Beef and Veal Exports
Oct to Jun, NZD million FOB



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

TABLE 11

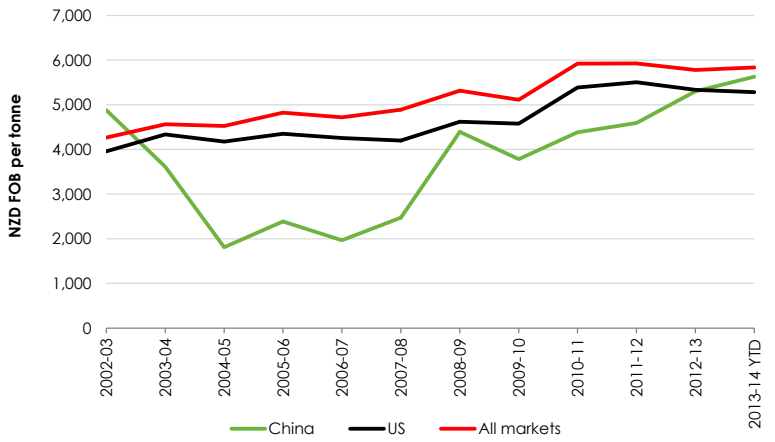
New Zealand Beef and Veal Exports

	Beef and Veal Meat			Co-Products	Total Beef	Beef Meat
Sep Year	000 tonne	$ / tonne	$m FOB	$m FOB	$m FOB	%
2010-11	356	5,835	2,078	472	2,550	82%
2011-12	349	5,872	2,046	458	2,505	82%
2012-13	365	5,743	2,096	500	2,596	81%
2013-14p	366	5,830	2,136	504	2,640	81%
2014-15f	353	6,377	2,253	451	2,705	83%
2014-15f % change	-3.6%	9.4%	5.5%	-10.4%	2.4%	

p provisional, f forecast | Source: Beef + Lamb New Zealand Economic Service, Statistics New Zealand

FIGURE 10

Average FOB value of New Zealand beef and veal exports
Sep year



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

Beef – International Situation

Figure 11 shows indicative import prices for frozen 95CL bull beef in the US in USD and converted to NZD.

In the first 10 months of the 2013-14 season, the average price for imported frozen lean beef in the US decreased 0.9 per cent compared with the same period in 2012-13 while the same price in NZD decreased 3.7 per cent. This difference was driven by the stronger NZD to the USD compared with the previous year. The NZD averaged USD 0.84 in the first ten months of 2013-14 compared with an average of USD 0.82 for the same period in 2012-13.

The price for fresh lean beef in the US (see Figure 12) has risen since January 2014 to record high levels, and while imported lean beef has not moved as fast, there have been strong price increases since June 2014 (see Figure 11).

In 2014-15, beef prices in the US are expected to further improve and the NZD is estimated to weaken.

Overview

Tight global supplies, driven by lower production in the US, and increasing meat demand, particularly from China, are likely to support high beef prices in 2015.

United States

In the July 2014 inventory report, the United States Department of Agriculture (USDA) confirmed the decline of the US cattle herd to record low levels already observed in January 2014 (88 million head).

Regarding heifer retention, the USDA released conflicting numbers making it difficult to conclude whether or not the US cattle herd is expanding. The January 2014 inventory report showed a 2.0 per cent increase in beef replacement heifers compared with January 2013 and a 4.0 per cent increase since January 2012. However, the July 2014 inventory report showed little or no increase in replacement heifer inventories on July 2012. Comparison with July 2013 is not possible as the US did not issue a mid-year inventory report due to federal government spending cuts.

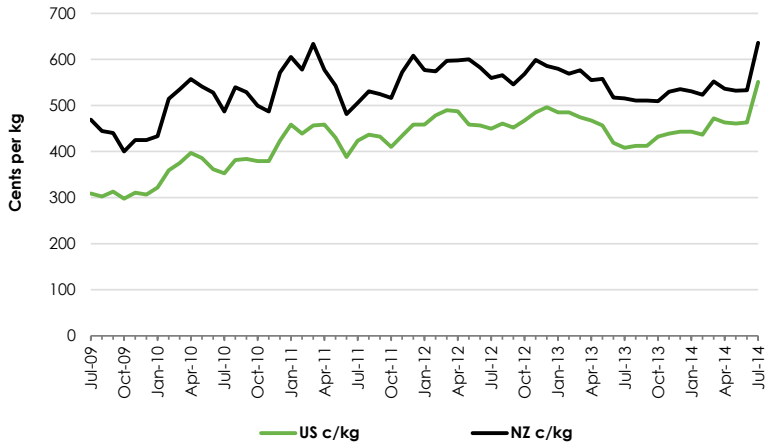
The USDA forecasts US beef production to fall by 1.0 per cent in 2015 following a provisional 4.5 per cent decline in 2014. In 2014, US beef imports were provisionally up 15 per cent on the previous year reflecting strong demand for processing beef. For 2015, the USDA forecasts US beef imports to increase 1.0 per cent. Despite high prices for US beef, exports were provisionally up 1.0 per cent in 2014, reflecting strong demand from Asia. In 2015, US beef exports are expected to fall 4.0 per cent due to lower production.

Brazil

Over the last decade, the Brazilian cattle herd has continuously expanded driven by better management and improvements in productivity and genetics. In 2014, the cattle herd was provisionally up 2.0 per cent on the previous year, reaching a record high of 199 million head. While the Brazilian beef cattle herd is the world's largest, the US produces more beef than Brazil.

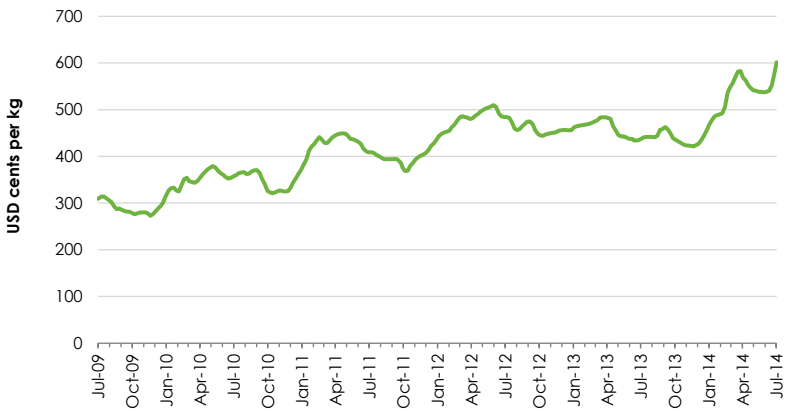
Brazilian beef exports to Russia, its largest market for beef, are expected to soar as a result of the 12-month ban imposed on beef imports from the US, EU, Canada, Norway and Australia. In the first ten months of 2013-14, Russia accounted for 22 per cent of Brazilian beef exports.

FIGURE 11 **Indicative Prices for Imported Frozen Beef in the US**



Source: Beef + Lamb New Zealand Economic Service

FIGURE 12 **US Domestic Lean Beef Prices**
Chemical lean, fresh 90% - FOB Plant basis



Source: Beef + Lamb New Zealand Economic Service, USDA Agricultural Marketing Service

North Asia

In 2013-14, growth in beef consumption in China has exceeded growth in domestic production, leading to an increase in imports. Despite government incentives, beef production is expected to remain broadly unchanged in 2014 and 2015. However, beef consumption is expected to keep increasing, resulting in rising demand for imports.

New Zealand is China's third largest supplier of beef, accounting for 11 per cent of Chinese imports over the first nine months of 2013-14 after Australia (53%) and Uruguay (24%).

New Zealand beef and veal exports to Korea and Japan are likely to decline in 2014-15, reflecting the Australian and American tariff advantage on beef resulting from FTAs. However, New Zealand exports to Taiwan are expected to increase as a result of the FTA signed in December 2013.

Australia

ABARES estimates Australia's beef cattle herd fell by 4.0 per cent in 2013-14 to 25.4 million head at 30 June 2014, driven by drought-induced slaughter and low calving. In 2013-14, Australian beef and veal slaughter was provisionally up 13 per cent and production was estimated to have increased less (+10%), reflecting reduced slaughter weights.

By June 2015, the beef cattle herd is projected to fall by 1.0 per cent to 25.1 million head. However, the beef cattle number could further decline if dry conditions were to persist in 2014-15. Assuming improved climatic conditions over 2014-15, the cattle slaughter is forecast to decline by 6.0 per cent.

After reaching record highs in 2013-14, Australian beef and veal exports are expected to fall by 6.0 per cent, driven by lower production. Lower supplies are expected to be offset by continued strong demand from the US, China, Korea and the Middle East. However, Australian beef is expected to keep losing market share in Japan due to increased competition from the US.

European Union

The continuous decline in the number of beef cows and the restocking of dairy cows driven by high milk prices and the expiry of milk quotas in 2015 led the European Union beef production to decline between 2011 and 2013. Beef production is expected to recover by 1.4 per cent in 2014 and by 2.3 per cent in 2015.

In early August 2014, Russia decided to ban agricultural products from the European Union for one year in response to the sanctions over Moscow's support for rebels in Ukraine. This will force the European Union to search for alternative markets as beef exports to Russia accounted for 24 per cent of European Union beef exports in 2012-13.

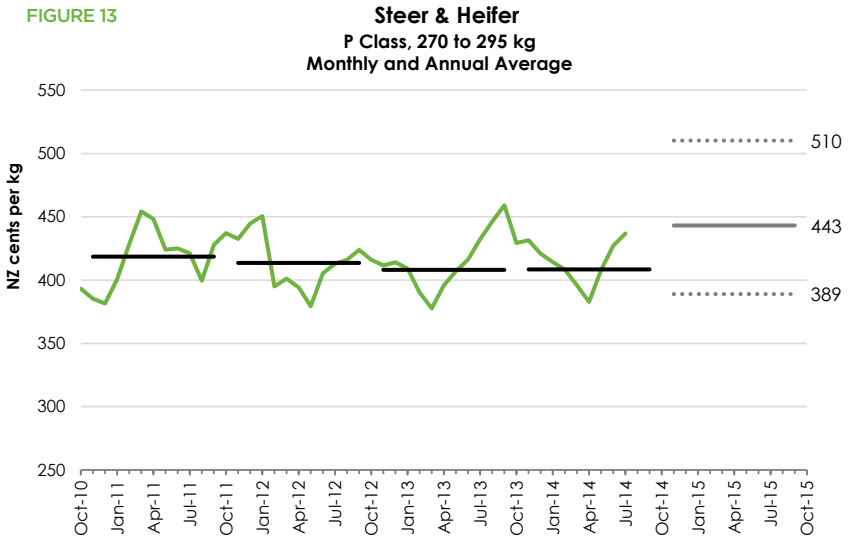
Beef Prices – Farm-gate

Figure 13 and Figure 14 show respectively the monthly prices paid to farmers for P class steer and heifer and M class bull.

Three exchange rate scenarios are used in the 2014-15 outlook because of the volatility in exchange rates. The three scenarios use annual average exchange rates of USD 0.70, USD 0.78 and USD 0.86 and the associated cross rates against the GBP and EUR. At USD 0.78, the estimated average price for M bull (270-295kg) is 433 cents per kilogram, an increase of 8.5 per cent on the provisional figure for 2013-14 of 399 cents per kilogram. Similarly, the price for P steer/ heifer (270-295kg) is estimated to average 443 cents per kilogram in 2014-15, up 8.5 per cent on the provisional figure of 409 cents per kilogram in 2013-14.

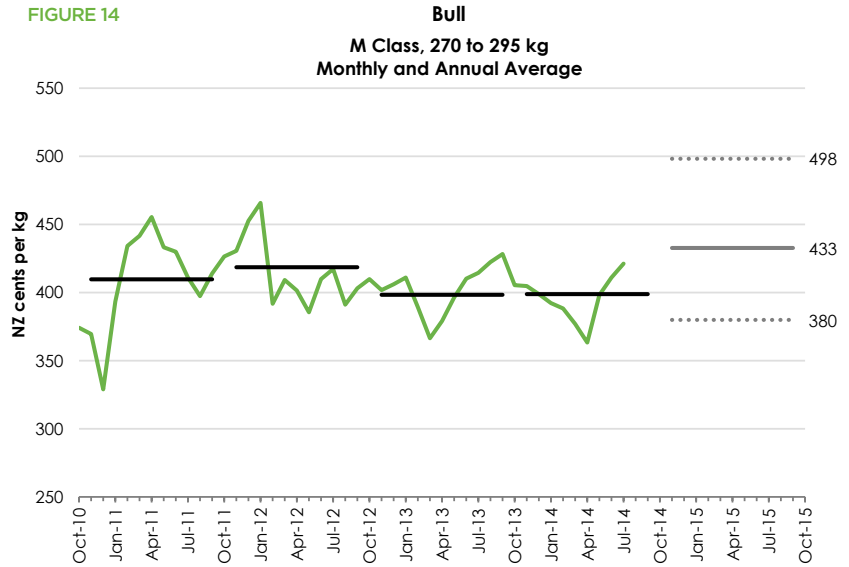
The three exchange rate scenarios shown in the above charts highlight the leveraged effect the exchange rate has on the cattle price paid to New Zealand farmers. When the exchange rate moves from USD 0.78 to USD 0.86 (+10%), the cattle price decreases by 12.2 per cent. Alternatively, when the exchange rate decreases from USD 0.78 to USD 0.70 (-10%), it increases by 15.1 per cent.

FIGURE 13



Source: Beef + Lamb New Zealand Economic Service

FIGURE 14



Source: Beef + Lamb New Zealand Economic Service

Beef Production

Cattle Slaughter

In 2013-14, the export slaughter remained stable at 2.29 million head (+0.2%) compared with the previous season reflecting a high level of cow processing due to dry conditions in northern parts of the North Island.

After two years of drought-induced slaughter, the export cattle slaughter is estimated to decrease 4.3 per cent (or 98,000 head) to 2.20 million head for the year ending in September 2015. This mainly reflects a decline in cull cow (-7.8% or 71,000 head) and steer slaughter (-5.3% or 29,000 head). Heifer slaughter is projected to decline by 1.5 per cent (-6,000 head) while bull slaughter is expected to increase by 2.0 per cent (+9,000 head).

Cattle Weights

In 2013-14, the overall average weight remained static (+0.2%) at 254 kilograms per head.

For 2014-15, cattle weights are forecast to improve by 0.7 per cent to 255 kilograms per head. Small increases are expected in average weights for all classes of cattle, except cull cows. The main driver of the increase in the overall average weight is expected to be a lower cull cow slaughter.

Steer
The number of steers processed is projected to decrease by 5.3 per cent (-29,000 head) in 2014-15 to 0.52 million head, following a 2.0 per cent decline in 2013-14. This reflects the declining trend in beef cow numbers.

The average carcase weight for steers is projected to improve by 0.3 per cent in 2014-15.

Heifer
In 2013-14, the export heifer slaughter increased 5.3 per cent to 0.40 million head. This reflects fewer beef cow replacements and increased cull heifers from the expanding dairy herd.

For 2014-15, the export heifer slaughter is estimated to decrease by 1.5 per cent (-6,000 head). This reflects a decline in heifer slaughter in the North Island partly offset by an increase in the South Island driven by increasing numbers of cull dairy heifers.

The average weight is forecast to improve by 0.5 per cent to 241 kilograms per head, compared with 2013-14.

Cow
In 2013-14, the cow slaughter was down 0.9 per cent on the 2012-13 record high level of 0.92 million head. This high offtake reflected drought conditions in northern parts of the North Island for the second year in a row.

The cow slaughter for 2014-15 is projected to fall by 7.8 per cent (-71,000 head) to 0.84 million head. This follows drought-induced slaughter in 2012-13 and 2013-14. However, dry conditions or a low milksolids payout could lead to a higher cow slaughter.

The average carcase weight for cows is expected to remain unchanged at 202 kilograms per head in 2014-15.

TABLE 12 **Export Cattle Slaughter Composition**

	000 head				
Sep Year	Steer	Heifer	Cow	Bull	Total
2010-11	577	409	856	434	2,276
2011-12	547	373	727	439	2,086
2012-13	562	382	921	425	2,290
2013-14p	551	402	913	429	2,295
2014-15f	522	396	842	438	2,197
2014-15f % change	-5.3%	-1.5%	-7.8%	2.0%	-4.3%

p provisional, f forecast | Source: Beef + Lamb New Zealand Economic Service, New Zealand Meat Board

TABLE 13 **Export Cattle Carcase Weights**

	kg / head				
Sep Year	Steer	Heifer	Cow	Bull	Total
2010-11	306	234	198	299	251
2011-12	317	245	205	309	264
2012-13	311	240	199	305	253
2013-14p	310	239	202	305	254
2014-15f	311	241	202	305	255
2014-15f % change	0.3%	0.5%	0.0%	0.3%	0.7%

p provisional, f forecast | Source: Beef + Lamb New Zealand Economic Service, New Zealand Meat Board

TABLE 14 **Export Beef Production Composition**

	tonne bone-in				
Sep Year	Steer	Heifer	Cow	Bull	Total
2010-11	176,703	95,912	169,667	129,467	571,750
2011-12	173,268	91,461	149,309	135,758	549,796
2012-13	174,948	91,650	183,551	129,439	579,588
2013-14p	170,683	96,239	184,132	130,768	581,822
2014-15f	162,197	95,268	169,817	133,726	561,008
2014-15f % change	-5.0%	-1.0%	-7.8%	2.3%	-3.6%

p provisional, f forecast | Source: Beef + Lamb New Zealand Economic Service, New Zealand Meat Board

Bull
In 2013-14, the number of bulls processed increased 1.0 per cent to 0.43 million head.

For the year ending in September 2015, the export bull slaughter is forecast to increase 2.0 per cent (+9,000 head) to 0.44 million head. This reflects the calf retentions in the previous two years and the continued expansion of the dairy herd.

The average carcase weight is forecast to increase by 0.3 per cent in 2014-15, to 305 kilograms per head.

Cattle Production

The provisional figure for export beef production in 2013-14 indicates a slight increase (+0.4%) on 2012-13 production. This mainly reflects an increase in heifer production partly offset by a lower steer production.

For 2014-15, export beef production is expected to decrease by 3.6 per cent to 561,000 tonnes carcase weight, reflecting a decrease in cow and steer production partly offset by an increase in bull production.

Wool Exports

TABLE 15 **Raw Wool Exports and Auction Prices**

	Auction Price	Wool Exports		
June Year	$ / kg clean	FOB $ / kg clean	000 tonne clean	$m FOB
2010-11	6.31	6.29	113.7	715.3
2011-12	6.69	7.31	106.3	777.1
2012-13	5.16	5.55	122.1	677.6
2013-14	5.85	6.29	116.5	732.8
2014-15f	5.47	5.73	110.9	635.3
2014-15f % change	-6.5%	-9.0%	-4.7%	-13.3%

f forecast | Source: Beef + Lamb New Zealand Economic Service, New Zealand Wool Services International Ltd, Statistics New Zealand

In 2013-14, New Zealand wool export receipts totalled $0.73 billion FOB, up 8.1 per cent on the previous year. The increase was driven by a significant increase in the average FOB value of wool exports (+13%), which was partially offset by a decline in wool export volumes (-4.6%).

The volume of wool exported to China fell by 11 per cent in the year to 30 June 2014. This is the first time that wool exports to China declined since 2006-07. Despite this decline, China remains New Zealand's largest market accounting for 50 per cent of total wool exports by volume.

The European Union, which is the next largest market region, accounted for 28 per cent of volume, but its share of New Zealand wool exports has been declining over recent years.

Wool export receipts for 2014-15 are estimated to decline 13 per cent to $0.64 billion FOB, reflecting a decline in both average FOB value and volume of wool exported. The average FOB value of wool exports is expected to drop by 9.0 per cent, while wool export volumes ease 4.7 per cent in the year to 30 June 2015.

Wool Prices

In 2013-14, the overall auction price increased 13 per cent driven by a 21 per cent increase for strong wool.

The overall auction wool price for 2014-15 is expected to decrease 6.5 per cent on the previous year. This decline is driven by a 10 per cent decrease for fine wool while medium and strong wool are expected to show similar price decreases (-6.7% and -6.3% respectively).

TABLE 16 **Season Average Auction Wool Prices**

	cents / kg greasy		
June Year	Fine	Medium	Strong
2010-11	1,105	651	411
2011-12	1,297	692	421
2012-13	1,048	646	317
2013-14	1,000	549	382
2014-15f	897	512	358
2014-15f % change	-10.3%	-6.7%	-6.3%

f forecast | Source: Beef + Lamb New Zealand Economic Service, New Zealand Wool Services International Ltd

Wool Production

TABLE 17 **Wool Production**

	Sheep	Shorn	Slipe	Total	Shorn Wool*
June Year	million head	000 tonne greasy	000 tonne greasy	000 tonne greasy	kg / head greasy
2010-11	32.6	154.5	18.2	172.7	4.74
2011-12	31.1	146.6	18.3	164.9	4.71
2012-13	31.3	152.0	18.0	169.9	4.86
2013-14	30.8	146.2	17.9	164.1	4.75
2014-15f	29.8	139.5	16.8	156.3	4.68
2014-15f % change	-3.2%	-4.6%	-6.2%	-4.7%	-1.4%

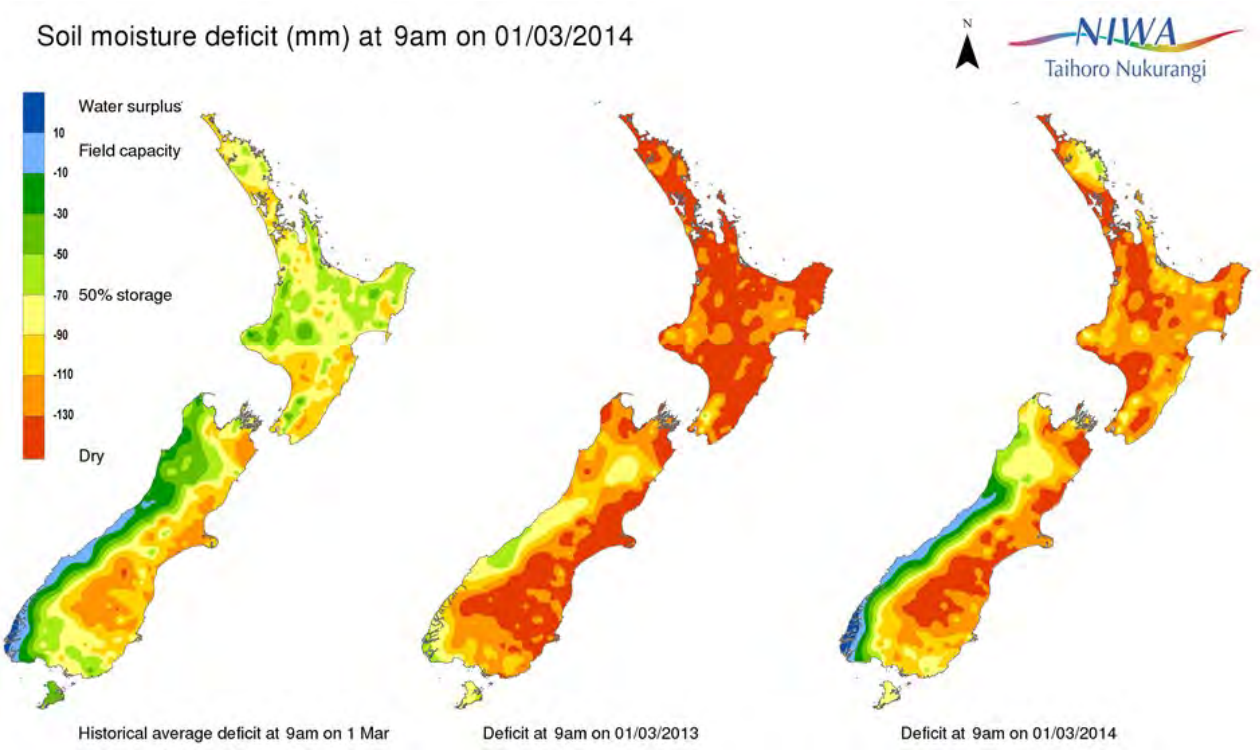
*excludes wool on sheepskins
f forecast | Source: Beef + Lamb New Zealand Economic Service, Statistics New Zealand

In 2013-14, total wool production decreased 3.4 per cent to 164,100 tonnes greasy, reflecting a decline in both shorn wool (-3.8%) and slipe wool production (-0.3%).

Total wool production for 2014-15 is estimated at 156,300 tonnes greasy, down 4.7 per cent on 2013-14. This reflects a decline in sheep numbers (-3.2%) and a 1.4 per cent decline in shorn wool per head.

Climatic Conditions

FIGURE 15



Source: National Institute of Water and Atmospheric Research Ltd (NIWA)

Summer 2013-14 Summary

Changeable summer temperatures with dryness ending the season in the North Island.

Rainfall
Rainfall for summer was below normal for much of the North Island (between 50-80 per cent of normal) especially western Northland, all of the Waikato (excluding the Coromandel Peninsula) and Ruapehu District. Areas that were particularly affected by the dryness include the western coastal Waikato, southeast through to northern portions of the Manawatu-Wanganui region. Eastern Northland received above normal rainfall (120-150 per cent of normal summer rain) with near normal rainfall for other locations of the North Island (within 20 per cent of normal). Below normal rainfall (50-80 per cent of normal) occurred from Blenheim to Nelson as well as Timaru and Queenstown Lakes District. The remainder of the South Island recorded near normal rainfall (within 20 per cent of normal) with some sections receiving above normal rainfall.

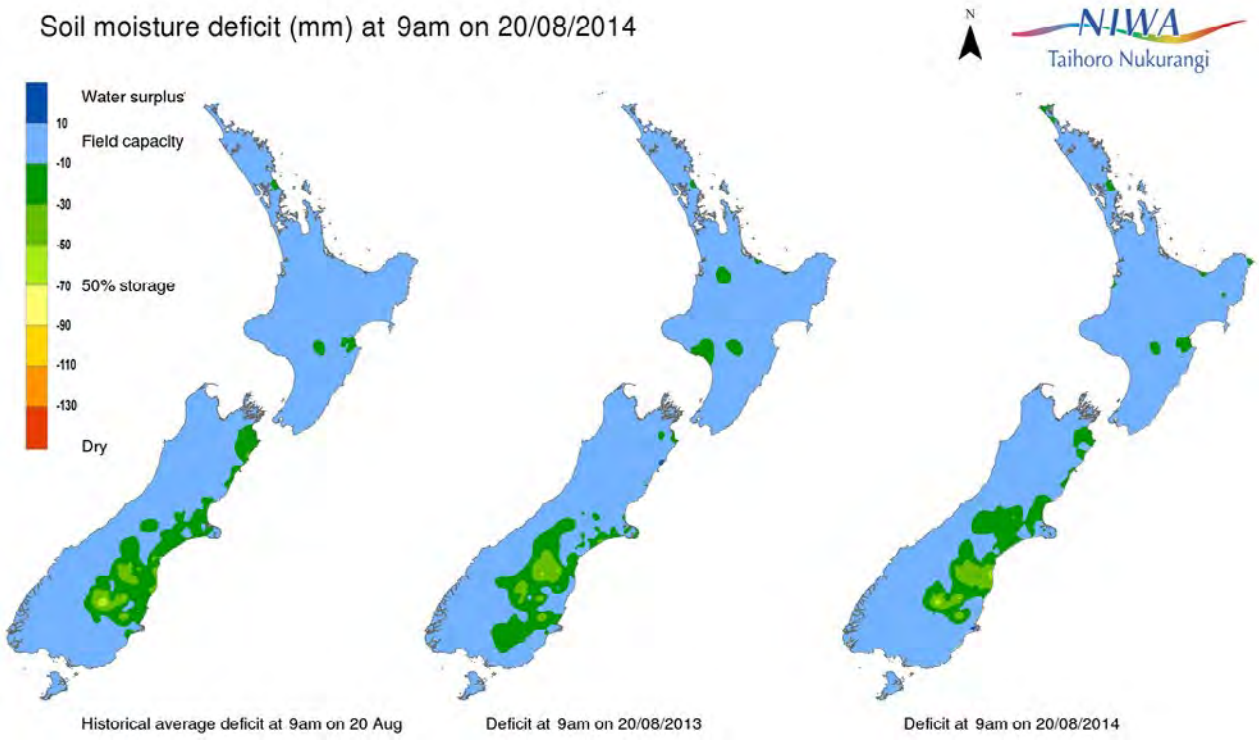
Temperature
Summer temperatures were near average for most of the country (within 0.5°C of the summer average). There were a few areas of below normal temperatures on both islands such as parts of the Waikato and from Hokitika to Haast as well as parts of central Otago and Dunedin (between 0.5 and 1.2°C below average). Motu in the Bay of Plenty region recorded above average temperatures (between 0.5 and 1.2°C above average) as well as Akaroa in the South Island.

Soil Moisture
As at 1 March 2014, soils were much drier than normal across the North Island, except for eastern Northland and the coast south of Hawke's Bay where soils are slightly wetter than normal for time of year. Drier than normal soils for much of the interior of the South Island, particularly Tasman, Marlborough and much of Canterbury and Southland regions. Western coastal areas and around Banks Peninsula have slightly wetter than normal soils for this time of year.

Sunshine
Sunshine for the summer was abundant for the Far North, central North Island and inland Canterbury where above normal sunshine was recorded (110 to 125 per cent of summer normal). Much of the remainder of the country experienced near normal sunshine (within 10 per cent of summer normal).

http://www.niwa.co.nz/climate/summaries/seasonal/summer-2013-14

FIGURE 16



Source: National Institute of Water and Atmospheric Research Ltd (NIWA)

Autumn 2014 Summary

A warm and sunny autumn for much of the North Island, wet for many parts of the South Island.

Rainfall
It was a wet autumn for much of the South Island and parts of the lower North Island. Autumn rainfall was well above normal (more than 150% of normal) in south-western Southland, and along the eastern South Island near Dunedin and north of Timaru. Autumn rainfall was above normal (120-150% of normal) in Nelson, Marlborough, many remaining parts of Canterbury and Otago, and inland Southland. In contrast, rainfall was below normal (50-79% of autumn normal) for Northland, Auckland, and the Coromandel Peninsula, as well as in parts of Gisborne, Hawke's Bay and Taranaki. Remaining areas of New Zealand typically received near normal autumn rainfall (within 20% of autumn normal).

Soil moisture
At the start of autumn, soils were much drier than normal across most of the North Island. Welcome autumn rainfall saw an improvement in soil moisture levels across many parts of the North Island, but as of 1 June 2014, drier than normal soils persist for parts of Auckland and Northland, whilst soils about northern Gisborne, the Central Plateau and Hawke's Bay were also drier than normal. As of 1 June 2014 soils were wetter than normal throughout the eastern South Island, the Southern Lakes and Central Otago, whilst soil moisture levels were near normal for most remaining areas of the country.

Temperature
Autumn temperatures were near average (within 0.5°C of the autumn average) for much of Northland, Auckland, Mahia Peninsula, coastal Wairarapa, Wellington, Marlborough, Canterbury, eastern Otago and the Catlins. Autumn temperatures were above average (0.5°C to 1.2°C above average) or well above average (more than 1.2°C above average) for remaining areas of the country.

Sunshine
Autumn sunshine was abundant for most of the North Island, where above normal (110-125% of autumn normal) or well above normal (more than 125% of autumn normal) sunshine was received. The exception was towards and along the south-western coast of the island from Taranaki to Wellington, where sunshine was near normal (within 10% of autumn normal) or below normal (75-89% of autumn normal). Below normal or near normal sunshine for autumn was received across the entire South Island.

http://www.niwa.co.nz/climate/summaries/seasonal/autumn-2014

Outlook - August to October 2014

International guidance still indicates that El Niño is the most likely outcome (about 70% chance) over the coming three seasons through to the end of summer 2015. However, it should be recognised that this guidance is based on model simulations from end-of-June conditions so does not take account of the rapid changes observed in July. The behaviour of the atmosphere over the next month or two will be critical to whether an El Niño event initiates or not.

Temperature
August-October temperatures are most likely (50% chance) to be above average for the east of the North Island, and likely (40-45%) to be average or above average for all remaining regions of New Zealand. Cold snaps and frosts can still be expected in some parts of the country as winter advances into spring.

Rainfall
August-October rainfall is equally likely (40% chance) to be normal or above normal in the north and east of the North Island, and normal or below normal in the west of the North Island and in the north of the South Island. In remaining South Island regions, seasonal rainfall is most likely (45%) to be in the near-normal range.

Soil moisture
August-October river flows and soil moisture levels are about equally likely (35-40 % chance) to be normal or above normal in the north and east of the North Island, and most likely (45%) to be below normal in the west of the North Island. In the South Island, river flows and soil moisture levels are likely (40% chance) to be near normal in the west, but about equally likely (35-40 % chance) to be normal or below normal in the north and east.

http://www.niwa.co.nz/seasonal-climate-outlook-august-october-2014

Farm Revenue, Expenditure and Profit – New Zealand

Revenue

Gross farm revenue for 2014-15 with an exchange rate scenario of USD 0.78 is estimated to increase 3.5 per cent to $475,500 for the All Classes Sheep and Beef Farm.

Sheep revenue, the largest contributor to gross farm revenue, lifts 6.3 per cent to $219,500 largely due to a 4.9 per cent increase in the expected average lamb price to $103 per head. The 2013-14 prime lamb price was up 15 per cent from the previous year's low of $85.

Wool revenue decreases 9.8 per cent to $45,100 for 2014-15 compared with the previous year. This is due to a softer outlook for the average greasy wool price, with shorn wool retentions expected to lift stocks on-hand in response to this. Wool revenue contributes around 10 per cent of total gross revenue, down from 16 per cent in 2000-01.

Cattle revenue increases 4.9 per cent to $105,900 for 2014-15 compared with the previous year. This increase due to a stronger price outlook for cattle, which more than offsets a 4.9 per cent decrease in the number of cattle sold per farm.

Dairy grazing revenue increases 20 per cent to $23,900 for 2014-15 compared with the previous year. Contributing towards this increase is an estimated 11 per cent lift in dairy grazing cattle at open, coupled with an increase in grazing fees per head (+7.8%). Revenue from dairy grazing activities contributes 5 per cent to gross farm revenue for 2014-15.

Cash crop revenue remains almost static at $53,700 for 2014-15 compared with the previous year. This is due to very little change in cropping areas and yields. The cash crop account contributes 11 per cent to total revenue for 2014-15, which is up on 2000-01 when it was 7.4 per cent of total gross revenue.

Aggregate Sheep and Beef Farm Revenue at the farm gate is $5.8 billion, up 3.5 per cent on 2013-14.

Gross farm revenue is spent buying farm goods and services, taxation requirements, debt reduction and then personal living expenses.

TABLE 18

Sheep and Beef Farm Revenue and Expenditure

Weighted Average All Classes[1]

					Provisional		Forecast		Forecast % Change		
		2010-11	2011-12	2012-13	2013-14	2014-15 USD 0.70	2014-15 USD 0.78	2014-15 USD 0.86	2013-14 to 2014-15 USD 0.70	2013-14 to 2014-15 USD 0.78	2013-14 to 2014-15 USD 0.86
Revenue											
Wool		52,088	55,845	43,647	50,000	51,800	45,100	39,700	+3.6%	-9.8%	-20.6%
Sheep		216,788	265,705	189,315	206,500	255,500	219,500	190,000	+23.7%	+6.3%	-8.0%
Cattle		90,544	97,520	93,330	101,000	121,200	105,900	93,300	+20.0%	+4.9%	-7.6%
Dairy Grazing		15,943	17,938	16,546	20,000	23,900	23,900	23,900	+19.5%	+19.5%	+19.5%
Deer + Velvet		4,112	5,389	4,728	4,700	4,900	4,200	3,600	+4.3%	-10.6%	-23.4%
Goat + Fibre		25	29	22	0	0	0	0			
Cash Crop		41,840	49,624	57,177	54,100	53,700	53,700	53,700	-0.7%	-0.7%	-0.7%
Other		23,251	24,548	23,983	22,900	23,200	23,200	23,200	+1.3%	+1.3%	+1.3%
Total Gross Revenue	**$ per farm**	**444,591**	**516,598**	**428,748**	**459,200**	**534,200**	**475,500**	**427,400**	**+16.3%**	**+3.5%**	**-6.9%**
Expenditure											
Fert, Lime & Seeds		58,124	64,790	58,363	60,800	64,700	63,800	63,100	+6.4%	+4.9%	+3.8%
Repairs & Maintenance		25,591	30,916	27,670	28,400	29,700	29,300	29,000	+4.6%	+3.2%	+2.1%
Interest & Rent		60,833	58,770	60,146	60,300	60,800	61,100	61,400	+0.8%	+1.3%	+1.8%
Other Expenses		187,803	201,943	202,725	207,100	214,500	210,500	207,100	+3.6%	+1.6%	0.0%
Total Expenditure	**$ per farm**	**332,351**	**356,419**	**348,904**	**356,600**	**369,700**	**364,700**	**360,600**	**+3.7%**	**+2.3%**	**+1.1%**
Farm Profit Before Tax[2]	**$ per farm**	**112,240**	**160,179**	**79,844**	**102,600**	**164,500**	**110,800**	**66,800**	**+60.3%**	**+8.0%**	**-34.9%**
Real Farm Profit[3]	**2004–05 $**	**93,800**	**131,100**	**64,700**	**81,900**	**129,000**	**86,900**	**52,400**	**+57.5%**	**+6.1%**	**-36.0%**
Index of Real Farm Profit	2004–05 =1,000	1,281	1,789	883	1,119	1,763	1,186	716	+57.5%	+6.0%	-36.0%
Fertiliser Use	kg per SU	21.4	22.7	19.5	21.5	22.9	22.6	22.4	+6.6%	+5.1%	+4.0%
Prices											
Wool auction	¢ per kg clean	631	669	516	585	625	547	484	+6.8%	-6.5%	-17.3%
All wool[4]	¢ per kg greasy	392	418	318	374	400	350	309	+6.9%	-6.4%	-17.2%
Lamb	$ per head	118	114	85	98	120	103	90	+21.6%	+4.8%	-8.9%
Mutton	$ per head	92	95	61	76	93	79	67	+23.6%	+4.8%	-11.9%
Prime Steer/Heifer	¢ per kg	411	411	403	405	504	438	384	+24.6%	+8.3%	-5.0%

1. The Weighted Average All Classes Sheep and Beef Farm for 1 July 2014 carried stock numbers of 2,800 sheep, 300 beef cattle and 30 deer, totalling 4,020 stock units. **2.** Farm Profit before Tax is required to meet personal drawings, taxation payments, debt repayments and the purchase of capital items. **3.** Deflated by June year Consumer Price Index. **4.** All shorn wool sales (auction 59% and private 39%) net of charges and freight. Source: Beef + Lamb New Zealand Economic Service, Sheep and Beef Farm Survey

Expenditure

Total expenditure for the All Classes Sheep and Beef Farm is estimated to increase 2.3 per cent to $364,700 for 2014-15.

Prices paid for inputs used on sheep and beef farms are forecast to increase 2.6 per cent for 2014-15. This follows a slight decrease for 2013-14, which was strongly influenced by lower prices paid for fertiliser and interest.

Fertiliser expenditure is estimated to increase 3.4 per cent to $51,600 for 2014-15. This stems from a 4.4 per cent increase in volume due to lower fertiliser prices.

Interest expenditure is estimated to increase 1.2 per cent to $50,400 for 2014-15. This is underpinned by an expected lift in term and overdraft interest rates, which offsets some reduction in average term liabilities.

Repairs and maintenance expenditure increases 3.1 per cent to $29,300 for 2014-15. Increased expenditure is underpinned by the expected increase in gross farm revenue. Expenditure in this area represents 8 per cent of total farm expenditure.

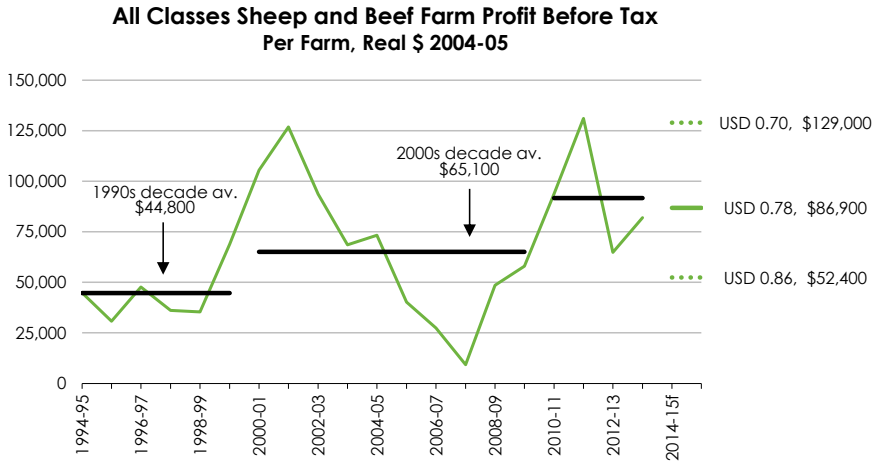
Feed and grazing expenditure increases 1.4 per cent, cash crop expenses increase 1.6 per cent and animal health increases 2.8 per cent for 2014-15, while expenditure on "other" working expenses lifts 1.6 per cent. Increased expenditure occurs in standing charges with rates up 3.5 per cent, and insurance and rent up 3.5 and 1.6 per cent respectively.

Farm Profit before Tax

Three forecast scenarios are shown in Figure 17:

1. At the lower exchange rate (USD 0.70), inflation-adjusted Farm Profit before Tax is $129,000, a 57 per cent increase on $81,900 for 2013-14. In nominal terms, i.e. without adjusting for inflation, Farm Profit before Tax increases to $164,500, a 60 per cent increase on $102,600 for 2013-14.
2. At the mid exchange rate (USD 0.78), inflation-adjusted Farm Profit before Tax is $86,900, a 6.0 per cent increase on $81,900 for 2013-14. In nominal terms, Farm Profit before Tax is $110,800, up 8.0 per cent on $102,600 for 2013-14.
3. At the higher exchange rate (USD 0.86), inflation-adjusted Farm Profit before Tax is $52,400, a 36 per cent decrease on $81,900 for 2013-14. In nominal terms, Farm Profit before Tax is $66,800, a 35 per cent decrease on $102,600 for 2013-14.

FIGURE 17



Source: Beef + Lamb New Zealand Economic Service, Sheep and Beef Farm Survey

Figure 17 shows the trend in Farm Profit before Tax in inflation-adjusted, 2004-05 dollar terms. This shows the steep fall in profitability from 2001-02 to a 50-year low in 2007-08, which was followed by a recovery that was underwritten by improved international prices, and exceeded the effect of the strengthening NZD.

The inflation-adjusted profit of $131,100 per farm for 2011-12 was the highest since the early 1970s and similar to 2001-02 when real Farm Profit before Tax was $126,900 per farm. Farm Profit before Tax in 2012-13 was affected by weak prices and drought conditions, which, in early 2013, eroded the carrying capacity of sheep and beef farms, particularly the North Island regions.

Farm Revenue, Expenditure and Profit – Regional

TABLE 19

Regional Summary
All Classes Sheep and Beef Farm - $ Per Farm

Region	2012-13 Profit	2013-14p Profit	2014-15f[1] Revenue	2014-15f[1] Expenditure	2014-15f[1] Profit	2014-15f Stock Units
Northland-Waikato-BoP	55,262	75,300	329,100	249,400	79,700	2,963
East Coast	65,211	111,800	489,100	366,600	122,500	5,031
Taranaki-Manawatu	66,563	105,000	430,700	322,100	108,600	4,467
North Island	**61,894**	**94,800**	**408,700**	**307,400**	**101,300**	**4,033**
Marlborough-Canterbury	118,029	116,600	640,900	511,300	129,600	4,041
Otago/Southland	78,542	105,700	440,800	328,000	112,800	3,918
South Island	**100,975**	**111,700**	**554,900**	**432,600**	**122,300**	**4,003**
New Zealand	**79,844**	**102,600**	**475,500**	**364,700**	**110,800**	**4,020**

1. Exchange rate used USD 0.78
p provisional, f forecast |Source: Beef + Lamb New Zealand Economic Service, Sheep and Beef Farm Survey

North Island Summary

Sheep and Beef Farm Profit before Tax increases 6.9 per cent to $101,300 for 2014-15. This is due to a 3.8 per cent increase in gross farm revenue offsetting a lift in total expenditure.

Gross farm revenue increases 3.8 per cent to $408,700 for 2014-15. This is due to a lift in sheep revenue underpinned by a combination of price improvement and increased sales numbers compared with 2013-14. Sheep revenue makes up 48 per cent of gross farm revenue and wool a further 9.0 per cent.

Total farm expenditure increases 2.8 per cent to $307,400 for 2014-15. This is due to a lift across most areas of farm expenditure including fertiliser (+1.8%) and repairs and maintenance (+6.5%) which combine to contribute around 24 per cent of total farm expenditure on North Island sheep and beef farms.

To date, most regions have experienced more favourable climatic conditions for 2013-14 compared with the previous season. The exception is Northland where a second run of drought conditions followed on from widespread drought in the North Island in 2013.

The North Island has 49 per cent of the sheep flock, 71 per cent of the beef cattle herd and 60 per cent of the dairy cattle herd.

South Island Summary

Sheep and Beef Farm Profit before Tax increases 9.5 per cent to $122,300 for 2014-15. This is due to increased revenue from sheep, cattle and dairy grazing activities, which collectively contribute 64 per cent of total gross farm revenue.

Gross farm revenue increases 3.4 per cent to $554,900 for 2014-15, due to an improved price outlook. Within this, sheep revenue increases 3.8 per cent to $248,000, and represents 45 per cent of gross farm revenue, while wool contributes 10 per cent of gross farm revenue. Dairy grazing revenue for South Island sheep and beef farms will have increased from an average of 0.9 per cent of gross farm revenue in 2000-01 to 6.5 per cent ($36,300 per farm) in 2014-15.

Total farm expenditure increases 1.9 per cent to $432,600 for 2014-15. The primary contributor to this is a lift (+4.9%) in fertiliser expenditure on 2013-14. Fertiliser expenditure, and repairs and maintenance make up 14 per cent and 8.0 per cent respectively of total farm expenditure on South Island sheep and beef farms.

Land use change continues in the South Island particularly towards dairy conversions and dairy support activities. This has contributed to shifts in land use from traditional sheep and beef systems to systems that also incorporate grazing dairy heifers, wintering dairy cows and selling grass (cut-and-carry systems) to help manage feed surpluses.

The South Island has 51 per cent of the sheep flock, 29 per cent of the beef herd, and 40 per cent of the dairy herd.

Region Comment – North Island

Northland-Waikato-Bay of Plenty

Gross farm revenue increases to $329,100 for 2014-15, up 1.5 per cent on 2013-14. This is driven by a lift in the sheep account, up 11.5 per cent compared with 2013-14.

Sheep revenue increases to $114,600 for 2014-15 due to an improved outlook for lamb prices. In 2014, ewes were in better condition at mating compared with 2013. The exceptions were parts of Northland and Waikato which were impacted by a second run of summer dry conditions following the drought in 2013.

Cattle revenue decreases 3.1 per cent to $149,600 for 2014-15. This is due to an increase in purchases of stock for finishing, particularly 18-month cattle, and a reduction in prime stock sales. In response to drought conditions, increased numbers of prime stock were sold in 2013-14. The cattle account contributes 45 per cent of total gross revenue, followed by the sheep account at 35 per cent.

Total farm expenditure remains almost static (+0.2%) at $249,400 for 2014-15. Fertiliser and interest expenditure are the two largest expenditure items, contributing 17 per cent and 15 per cent of total farm expenditure respectively, followed by repairs and maintenance at 8.7 per cent.

Fertiliser expenditure is expected to remain almost static (-0.5%) at $41,600 for 2014-15. This is due to softer fertiliser prices offset by a 3.9 per cent increase in volumes compared with 2013-14.

Interest expenditure is expected to increase 2.8 per cent on the previous year largely due to higher term and overdraft interest rates offset by a 1.4 per cent decrease in term liabilities.

Farm Profit before Tax increases to $79,700 for 2014-15, up 5.8 per cent on the previous season. North Island Sheep and Beef Farms were affected by drought during the first quarter of 2013, this was followed by further drought-like conditions through to April 2014 for Northland, which was most pronounced within the Kaipara region.

Sheep and beef farms in this region average 3,000 stock units on 330 effective hectares for 2014-15.

East Coast

Gross farm revenue increases 10 per cent to $489,100 for 2014-15, up 5.4 per cent on 2013-14. Within this, sheep and cattle accounts increase 10 and 4.6 per cent respectively.

Sheep revenue increases 10 per cent to $253,600 for 2014-15. This is due to increased sale numbers and schedule prices, which is expected to have a positive effect on store stock prices for summer dry properties.

Cattle revenue increases 4.6 per cent to $148,700 for 2014-15. This is primarily due to an increase in beef prices, offsetting a decrease in sales numbers.

Total farm expenditure increases to $366,600, up 4.1 per cent on 2013-14. This is underpinned by increases in fertiliser, and repairs and maintenance expenditure of 2.4 per cent and 8.7 per cent respectively. Fertiliser volumes on a per hectare basis for 2014-15 are estimated to be up 98 per cent on decade low levels recorded for 2008-09 where application rates bottomed out at around 76 kg per hectare as a flow-on effect from 2007-08 when profitability on sheep and beef farm reached a 50 year low.

Interest expenditure remains static at $54,800 for 2014-15. This is due to some debt reduction, which is offset by an increase in term and overdraft interest rates. Interest expenditure represents around 15 per cent of total expenditure for East Coast sheep and beef farms, down from 23 per cent of total expenditure in 2008-09, which was underpinned by high interest rates and reduced expenditure elsewhere due to low prices.

Farm Profit before Tax increases 9.6 per cent to $122,500 for 2014-15. Sheep and beef farms in this region average 5,000 stock units on 600 effective hectares for 2014-15.

Taranaki-Manawatu

Gross farm revenue increases to $430,700 for 2014-15, up 3.7 per cent on 2013-14. This is primarily driven by an increase in revenue from sheep and cattle, which combine to contribute around 80 per cent of gross farm revenue for sheep and beef farms in this region. Increased revenue from these accounts is moderated by a decrease in wool revenue due to fewer sheep shorn and a smaller clip per head plus a softer price outlook.

Sheep revenue increases to $250,800, up 6.1 per cent on 2013-14. This is due to improved season average schedule prices for lamb which offsets a lift in purchase numbers for the season.

Cattle revenue increases to $95,700, up 6.1 per cent on 2013-14. This is due to a net increase in sales and purchases, coupled with an outlook for improved per head prices.

Dairy grazing revenue remains almost static (+0.5%) at $19,800 for 2014-15. Dairy support activities on sheep and beef farms contribute around 4.6 per cent of total gross revenue, up from 1.4 per cent of total gross revenue in 2000-01.

Total farm expenditure increases to $322,100, up 3.8 per cent for 2014-15. Within this, increased expenditure is estimated across all major items, including interest (+1.9%), fertiliser (+4.2%) and repairs and maintenance (+4.7%). Combined, these contribute 39 per cent of total farm expenditure.

Interest expenditure increases to $44,600 for 2014-15. This is due to an estimated lift in term and overdraft interest rates, which are offset by some reduction in term liabilities.

Fertiliser expenditure increases to $51,500, up 4.2 per cent on 2013-14. This due to a lift in volume, coupled with an estimated increase in fertiliser price per tonne, up 1.6 per cent. Total tonnage, while estimated to be 3.6 per cent up on 2013-14, is still down (-21%) on peak application rates, which reached 249 kg per hectare in 2004-05.

Farm Profit before Tax increases to $108,600 for 2014-15, up 3.4 per cent on 2013-14. Sheep and beef farms in this region average 4,500 stock units on 500 effective hectares. Stock units wintered per farm at 1 July 2014 were up 1.5 per cent on the previous July.

Region Comment – South Island

Marlborough-Canterbury

Gross farm revenue for this region increases 3.2 per cent to $640,900 for 2014-15. This increase is underpinned by an increase in revenue from beef cattle and dairy grazing.

Sheep revenue remains almost static (+0.6%) at $206,000 for 2014-15. This is due to fewer prime lambs being sold, which offsets an increase in season average prices.

Breeding ewe numbers per farm have decreased in this region from around 2,000 head (2005-06) to 1,750 head (2014-15) reflecting land use pressure from traditional sheep and beef operations towards dairy support activities. Revenue from sheep remains the most significant source of income representing around 32 per cent of gross farm revenue, but is down from 41 per cent in 2000-01.

Cropping revenue decreases (-1.5%) to $177,600 for 2014-15. This is the second most significant source of income for region contributing 28 per cent of gross farm revenue.

Dairy grazing revenue increases (+29%) to $55,900 for 2014-15. This is due to a lift in both dairy grazing numbers and grazing fee per head for 2014-15. Revenue from this activity has shifted from 1.0 per cent of gross farm revenue (2000-01) to 8.7 per cent of gross farm revenue (2014-15). Total farm expenditure is estimated to increase to $511,300 for 2014-15, up 1.4 per cent on 2013-14. Within this, fertiliser expenditure increases (+1.4%) to $63,700. This is due to increased expenditure on interest and fertiliser, both estimated to lift 2.6 per cent and 1.6 per cent respectively. Combined, these two items contribute 26 per cent of total farm expenditure.

Repairs and maintenance increases (+1.0%) to $31,500 for 2014-15. This represents 6.2 per cent of total farm expenditure.

Farm Profit before Tax increases 11 per cent to $129,600 for 2014-15. Sheep and beef farms in this region average 4,000 stock units on 890 effective hectares at the start of 2014-15. The number of stock units wintered per farm at 1 July 2014 remain almost static (+0.7%) compared with the previous July.

Extensive High Country and foothill farms raise the average area of farms in the region. Finishing-Breeding farms average 420 hectares while High Country farms average 8,600 hectares.

Otago-Southland

Gross farm revenue increases 3.7 per cent to $440,800 for 2014-15. Sheep revenue increases 6.6 per cent to $299,300 due to an increase in prime and store lamb prices. The sheep account contributes 68 per cent of gross farm revenue.

Wool revenue decreases to $61,400 for 2014-15, down 9.0 per cent on 2013-14. This is due to a softening sale price, coupled with a decrease in shorn wool production per farm. The wool account contributes 14 per cent of gross farm revenue for 2014-15, down 4.2 percentage points on 2004-05.

The cattle account increases to $41,200 for 2014-15, up 4.8 per cent on 2013-14. This is driven by a lift in price levels on the previous season.

Dairy support activities continue to place pressure on traditional sheep and beef farming practices in this region. Dairy grazing income on traditional sheep and beef farms is expected to increase 13 per cent to $11,200 for 2014-15.

The ewe lambing percentage for Otago-Southland is estimated to be slightly up (+1.1 percentage points) for 2014-15 compared with the previous season. This is due to the influence of localised areas coming off a low base for the previous season, due to dry conditions at mating in 2013.

Total farm expenditure increases 2.8 per cent to $328,000 for 2014-15. The largest driver of this is increased fertiliser expenditure, which offsets lower expenditure on interest, and repairs and maintenance, which are both estimated to be down 0.5 per cent and 2.5 per cent respectively.

Fertiliser expenditure is expected to lift 11 per cent due to an increase in tonnage (+11%) on the previous season.

Repairs and maintenance expenditure decreases to $27,700 for 2014-15, down 2.5 per cent on 2013-14. This is down on record expenditure levels recorded for 2011-12 when price levels and seasonal conditions allowed some catch-up in the area.

Farm Profit before Tax increases to $112,800 for 2014-15, up 6.7 per cent on 2013-14. Sheep and beef farms in the region average 3,900 stock units on 760 effective hectares. The number of stock units wintered per farm at 1 July 2014 decreased 2.0 per cent on the previous July.

In this region, the average farm size is increased by High Country farms, which average 6,300 hectares, whereas Finishing-Breeding farms average 640 hectares and Intensive Finishing Farms average 220 hectares.


beef+lamb
new zealand