News

Blip, then primary exports take off

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A blip over the next year, but then New Zealand's primary industry exports are forecast to be sharply higher by 2016.

Annual revenue by then could be about $36.5 billion, a 20% lift over the estimated 2012 total of $30.3b and 29% higher than the expected 2013 low point of $28.3b.

Where dairy export returns go, there goes the whole sector, and the forecasts from the Ministry for Primary Industries (MPI) reflects this.

Dairy exports will fall nearly 12% during the 2013 year, but then lift strongly through to 2016, when revenues will be 22% higher than in the current year - up to $17.03b from $13.9b.

It will continue to make up about 46% of total exports. The milk payout is forecast at $7.83kg/MS, up from the 2012 estimate of $6.08.

As the accompanying chart shows, other sectors should also post significant gains, especially seafood (both wild catch and the developing aquaculture at 36% or better) and wine, kiwifruit and apples/pears all forecast at least 20% higher. Beef exports, helped by the expanding dairy cow numbers, should be about 22% higher in 2016 than they are now. Forestry also remains a very important contributor.

There is an important caveat to the revenue forecasts. This is that the kiwi dollar will fall from the average US$0.81 figures at March this year to 0.69 in March 2016, and also be significantly weaker against euro and sterling, as per Treasury assumptions in this year's Budget.

If the dollar stays at current levels right through the forecast period, revenues will tumble from the central forecasts. It says that exchange rate levels are the greatest area of uncertainty in the forecasts.

High production levels have offset falling product prices in the 2012 year, and the forecast for lower returns in 2013 assumes a return to more average climatic conditions. Beyond that a gradual lift in prices is expected as major world economies recover.

MPI's Situation and Outlook for primary Industries 2012 also says the outlook for NZ dairy and forestry exports depends to a large extent on the Chinese economy maintaining its momentum.

As earnings in European markets have fallen because of the region's economic crisis, industries have made longer term shifts towards Asian markets.

Across the various sectors, beef, seafood, wine, apples/pears, and vegetables are expected to post revenue gains in the June 2013 year. A fall in kiwifruit revenues in 2013 will mean the horticulture group as a whole (also wine, apples/pears, and vegetables) will be lower then, before recovering well in 2014.

Horticulture sales should rise to $3.83b in 2016, from $3.13b in 2012. This group is forecast to be bigger in revenues than sheep meat/wool for the first time in 2014 ($3.32b against $3.14b), and maintain that gain through 2016.

Despite the expansion of dairying and dairy support development, the report notes sheep and beef farming remains the dominant agricultural land use in NZ.

Total export revenues from this sector, including wool, is about $7.2b, and expected to rise to $7.9b by 2016, an increase of nearly 10%.

The wide product range means the exact make-up of those revenues is not always easy to assess. Direct lamb, beef, and wool exports are highlighted in the MPI report, but there are also about $1.56b in 2012 revenues for mutton, hides and skins, and other meats (sausages and other manufactured products) which are not itemised.

The report says that dairying has been able to tap into the strong emerging market growth more than the other primary industry groups.

Agriculture sector export revenue forecasts, June 30 financial year

	2012 (est $)	2013 ($)	2016 ($)	Gain over 2012 (%)
Dairy	13.9b	12.26b	17.03b	22.5
Forestry	4.49b	4.45b	5.3b	18
Beef	2.05b	2.08b	2.51b	22
Venison	183m	148m	158m	(13.6)
Lamb meat	2.59b	2.37b	2.99b	15.4
Mutton (1)	450m	383m	407m	(9.5)
Other meats (1, 2)	457m	446m	479m	5
Wool	889m	710m	749m	(15.7)
Hides & skins (1)	652m	484m	491m	(25)
Arable (3)	173m	173m	173m	–
Seafood (wild catch)	1.33b	1.40b	1.81b	36
Seafood (aquaculture)	311m	323m	441m	42
Wine	1.17b	1.18b	1.48b	26.5
Kiwifruit	1.03b	880m	1.24b	20
Apples/pears (1)	372m	413m	462m	24
Vegetables (1)	560m	600m	650m	16

(1) No forecasts for 2016 - revenues maintained at 2015 forecasts.
(2) Mainly manufactured meats, sausages etc.
(3) No forecasts in report - 2013 and2016 revenues maintained at 2012 levels.
Source: **Ministry for Primary Industries**