New Season Outlook 2024-25

P24004

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About this report

The New Season Outlook provides a forecast of prices and production for the new season (2024-25) with comprehensive commentary on global markets and competitors. The report also forecasts farm profitability and expectations for revenue and expenditure for New Zealand and farming regions. The New Season Outlook is published annually at the start of the meat processing season (1 October to 30 September). The B+LNZ Economic and Farm Insights team analyses export and statistical data regularly and surveys sheep and beef farmers throughout the year. In December B+LNZ will revise lamb crop numbers in the Lamb Crop Report and in March 2025 will release an updated market and farm profitability forecast in the Mid-Season Update publication.

Contact the team

Angie Fisher
Senior Agricultural Analyst
027 442 0057

Matthew Haddrell
Senior Agricultural Analyst
027 474 3623

Rob Davison
Executive Director
04 471 6034

Andrew Burtt
Chief Economist
027 652 9543

Beef + Lamb New Zealand PO Box 121, Wellington 6140 | Phone: 04 473 9150 | Fax: 04 474 0800 | Email: econ@beeflambnz.com

Summary for 2024–25

Demand for red meat forecast to improve slightly but farm profitability remains challenging

- **Demand for red meat overall is expected to be slightly better in the new season** – cattle prices are expected to remain strong, but sheep prices are expected to remain at multi-year lows driven by a continued sluggish Chinese economy. Europe and North America are expected to remain strong for beef and lamb.
- **Farm profitability in 2023-24 was worse than forecast and 2024-25 is looking just as challenging -** Farm profit remains similar, in real terms, to the 1980s and 1990s. A recovery may be slow but the fundamentals are good.

Interest payments have doubled since 2021-22

- **Forecast farm-gate prices** for cattle are expected to hold up relatively well due to drought in North America with the All Beef price forecast at 535 cents per kg, which is 4.3% above last season and 4.8% above the five-year average.
- The lamb price is forecast to be $130 per head which is only 1.1% up on last season and 8.2% below the five-year average. The mutton price is forecast to be $60 per head, which is steady on last season but 46% below the five-year average.
- **As New Zealand's largest sheepmeat market, China's continued weak demand has the greatest bearing on sheepmeat prices,** despite the strong demand for lamb from the US and Europe.
- **In recent weeks, however, Australia's** lamb processing has decreased markedly. If this trend continues, coupled with expected lower supply from New Zealand, the UK and Europe, global lamb prices could increase by more than we are currently forecasting.
- **Farm profit is forecast to decrease 7.4%** — to an average $45,200 per farm. While we expect a small increase in revenue, this is offset by higher increases in expenditure. Two main factors that could see profits recover faster than currently forecast are supply constraints lifting lamb prices or faster and deeper cuts in interest rates.

Key 2024-25f Numbers

Lamb
6.79 $/kgCW

Mutton
2.31 $/kgCW

All Beef
5.35 $/kgCW

Lamb processing
16.8 million head

Cattle processing
2,540 million head

Farm Profit before Tax
45,200 $ per farm

EBITRm
184,400 $ per farm

Markets are on the recovery, except China

Prices are expected to slightly increase next season, but lamb and mutton remain at multi-year lows.

The following are the characteristics contributing to the 2024-25 outlook:

- **China** — there is little evidence to suggest China has started its economic recovery and more evidence that the situation is continuing along at its low level. The economic situation is still weighing on consumer sentiment and therefore dragging down demand for red meat and global prices particularly for sheepmeat.
- **USA** — the cattle herd in the US is at its lowest level in 70+ years. Rebuilding is slow to commence over there as more droughts have occurred over the summer. The US became our biggest beef market this season and beef demand is expected to remain strong, which is underpinning the strong continued outlook for global beef prices. There is also growing lamb demand.
- **Europe** — red meat demand is expected to remain strong in the UK and EU and domestic lamb production to continue to reduce. Inflation for the most part is back within targets, or close to it, taking the pressure off consumers.
- **Australia** — is expected to be competitive again for sheepmeat and beef. However, early signs are suggesting that their lamb supply could be lower next season, adding potential upside to the forecast for global lamb prices.
- **New Zealand** – red meat export volumes across the board will be significantly lower this coming season (lamb down 7.2%, mutton down 7.1%, beef down 3.1%). This could also help lift global prices, particularly for lamb.

For 2024-25, the NZD is expected to be slightly stronger against the main currencies than originally forecast: to USD (0.63); GBP (0.48) and EUR (0.56).

Low farm profitability outlook for 2024-25

Farm profitability in 2023-24 was worse than forecast in the Mid-Season Update (published March 2024), mainly due to the impact of drought across many parts of the country this year.

The 2024-25 season, at this stage, is expected to be just as challenging.

Farm Profit Before Tax is forecast to decrease in 2024-25, by 7.4% to an average $45,200 per farm. While revenue is expected to increase slightly (by 1.1%), this is offset by an expected greater increase in farm expenditure (+1.8%).

Forecast farm-gate prices for beef cattle are good, higher than 2023-24 prices, but farm-gate sheep prices are only forecast at this stage to improve slightly from last season. Cattle will be important this season in bolstering revenue. As sheep revenue is 42% of farm revenue on average, what happens with sheepmeat prices over the coming year is key to the speed of recovery in farmer profitability.

The current lift in farm-gate prices in New Zealand is being driven by a lack of domestic supply, exacerbated by the drought, rather than increase in global prices. Farm-gate prices and store markets could be volatile this year due to lumpy supply as farmers look to rebuild from the drought and volumes are down anyway.

While the rate of on-farm inflation has slowed, total farm expenditure remains stubbornly high for 2024-25, driven by expected increased costs on average for farmers from interest payments.

While interest rates have started to fall it will take time for significant relief to be felt by many farmers. Those on floating loans will have started to feel some respite but many farmers will be coming off term loans and fixing in at higher rates than before. Interest expenditure has doubled since 2021-22.

In the last few weeks, deeper and faster cuts in interest rates by the Reserve Bank have started to look more likely than when B+LNZ forecasts were made. If this occurs, this would see an improvement in farms profits.

Farmers with a greater dependence on sheep revenue, those with higher debt levels on fixed term, and those recovering from drought will have the slowest recovery this coming year.

Opportunities + challenges

Opportunities

European markets are expected to have solid demand solid for lamb on tourism trade and lack of local sheep production.

Inflationary pressures are easing, which will be helpful for farm input prices. Interest rate cuts may continue through 2024-25 which benefits floating debt and overdrafts.

US consumers are still spending, and domestic beef herd is at its lowest in 50+ years. Demand for beef is expected to be solid and lamb demand is growing in this market.

Australia is expected to be less competitive in sheep next season. There are early signs that new season lambs there have been low.

A La Niña climate pattern for 2024-25 may bring warm rainfall to aid recovery and allow for fertiliser applications.

Challenges

China's economic situation is poor and little evidence to show that they are in recovery, adding downside risk for the new season

Farm expenditure remains high and debt-servicing costs have increased significantly, reducing profit margins.

Despite mutton and lamb price increases they are at multi-year lows.

Shipping costs have peaked again due to the disruption in the Red Sea that gives passage to the Suez Canal.

Brazil and Australia are going to continue to be competitive in beef exports.

Drought in 2023-24, which extended into a dry winter for some regions, means a rebuild for affected farms with fewer livestock and lower feed levels.

Economic trends

This section summarises economic conditions around the world that affect meat demand.

World

Global economy recovery amid persistent tensions

The state of the global economy is mixed. Most economies are still in recovery mode, while others (particularly China) remain weak. The challenge of reducing inflation is expected to be mostly ‘solved’ in New Zealand’s key markets for the outlook period, barring any major event.

The International Monetary Fund (IMF) reports the probability of a global recession is low, but the mismatch in differing monetary policies between emerging and developed economies, and central banks holding interest rates higher for longer than initially thought has downside risks.

According to the IMF, global growth is expected to be 3.2% in 2024 and 3.3% in 2025, after being 3.3% in 2023 and 3.5% in 2022.

Global shipping costs have spiked to a new peak

Global shipping costs (including insurance) have increased sharply since our Mid-Season Update 2023-24 in March and are expected to remain high. This is due to security issues in the Red Sea, which have affected passage to the Suez Canal. Costs (direct and in longer shipping times as vessels travel around the Cape of Good Hope) seem to have plateaued after a dramatic increase from the January peak.

The cost of shipping a 40ft container on major shipping routes is nearly four times the pre-pandemic historical average according to the World Container Index, but 47% below the pandemic peak in September 2021.

Shipping routes from New Zealand to the US west coast and China do not pass through canals, however, flow-on effects and inefficiencies of global shipping have increased costs for everyone.

China’s exports into Europe will be affected, which results in less trade activity and could flow onto less demand for New Zealand’s exports.

Inefficiencies in the shipping supply chains have caused headaches for exporters and port managers in New Zealand too. New Zealand tends to be ‘at the end of the line’ for trade so sourcing appropriate containers has proven to be difficult. For example, there has been a shortage of 20ft containers. With export supply being lower than usual, filling 40ft containers has added challenges.

It is expected that the security issues in the Red Sea will not ease until the end of 2024 at least.

Economic Growth

	Annual Average % Change, March Year					
	2021	2022	2023	2024e	2025f	2026f
	%	%	%	%	%	%
US	-2.1	+6.3	+1.5	+2.8	+2.5	+1.9
UK	-11.6	+13.6	+1.7	+0.0	+0.4	+1.0
Euro zone	-5.7	+7.3	+2.4	+0.2	+0.6	+1.3
Japan	-3.9	+2.9	+1.5	+1.5	+0.7	+1.0
China	+8.1	+5.6	+2.9	+5.4	+4.9	+4.5
South Korea	-0.5	+4.5	+2.1	+1.7	+2.4	+2.3
Australia	-1.9	+6.0	+3.5	+1.9	+1.5	+2.1
Trading Partners	+0.8	+5.9	+2.7	+3.2	+3.0	+3.0
New Zealand	**-0.4**	**+4.6**	**+2.7**	**+0.3**	**+1.2**	**+2.7**

Note: "Euro zone" are 15 Member States: Belgium, Germany, Ireland, Greece, Spain, Cyprus, Malta, France, Italy, Luxembourg, the Netherlands, Austria, Portugal, Finland and Slovenia.
"Trading Partners" account for about 85% of New Zealand's total merchandise trade.
e estimate, f forecast | Source: Statistics New Zealand, NZIER Quarterly Predictions

Consumer Prices

	Annual Average % Change, March Year					
	2021	2022	2023	2024e	2025f	2026f
	%	%	%	%	%	%
US	+1.2	+6.2	+7.4	+3.5	+2.9	+2.3
UK	+0.6	+4.0	+10.0	+5.7	+2.7	+2.3
Euro zone	+0.2	+3.9	+8.8	+4.1	+2.3	+2.1
Japan	-0.3	+0.1	+3.2	+3.0	+2.4	+2.0
China	-2.3	-0.1	+0.8	-2.0	+0.3	+1.4
South Korea	+0.7	+3.1	+5.3	+3.2	+2.6	+2.2
Australia	+0.6	+3.9	+7.1	+4.7	+3.3	+2.9
Trading Partners	-0.1	+2.9	+5.6	+2.6	+2.2	+2.1
New Zealand	**+1.5**	**+5.3**	**+7.1**	**+5.1**	**+2.8**	**+1.9**

Note: "Euro zone" are 15 Member States: Belgium, Germany, Ireland, Greece, Spain, Cyprus, Malta, France, Italy, Luxembourg, the Netherlands, Austria, Portugal, Finland and Slovenia.
"Trading Partners" account for about 85% of New Zealand's total merchandise trade.
e estimate, f forecast | Source: Statistics New Zealand, NZIER Quarterly Predictions

Trade policies could be a risk

Tariffs were imposed by the EU, US, and Canada on Chinese goods in Q2 2024. How long these will last, and what effect they will have, will create risks for global trade.

However, this could create opportunities for New Zealand's trade activity because no additional tariffs have been applied to New Zealand products, and NZ is generally open with its trade. Such benefits may only be short-term because heightened trade tensions tend to reduce trade activity overall.

During his campaign to return to the White House, former President Donald J. Trump has proposed a 10% universal tariff on all imports into the US. This would hinder NZ's exports into this market. About 40% of NZ's beef exports are to the US. Simple maths indicates that a 5% decrease in the average farm-gate price could happen for cattle with these tariffs, all other factors remaining equal. However, the flow-on effects of imposing aggressive tariffs tend to increase trade risks and tensions, alongside creating unpredictable movements in currencies.

Animal Diseases are a risk for NZ, but opportunity in key markets

Animal diseases could be more of a comparative advantage for NZ farmers in the outlook period. They always remain a risk for NZ farmers but due to geographical isolation and strong borders, major diseases are kept out.

New Zealand's key markets in Europe and North America are expecting to be dealing with animal diseases affecting their production, and that signals continued underlying demand for NZ exports.

China

Weak economic activity expected to continue, look to long term

Economic activity in China for 2024-25 is expected to remain weak. As 2024 has progressed, there has been little evidence of any rebound yet and some evidence that the situation has gotten worse.

The lack of foreign direct investment indicates the economy is not improving. In 2024, investment to June was 50% lower compared to the same time period in 2023. Less investment means less employment in China and less investing in the future from outside players.

It is difficult to predict when China may start to recover. What is growing in the economy is being offset by contraction in other sectors. Manufacturing and exporting are strong while domestic consumption and the property market are not.

Lack of transparency with data and increasingly tighter government controls on reporting make China a hard market to forecast and analyse.

The IMF forecasts the Chinese economy will grow 4.5% in 2025, which is low for China.

Deflationary fears continue. Inflation for July was 0.5% year-on-year, if food and energy prices were excluded, inflation was close to deflationary territory.

The deteriorating residential market, high youth unemployment, lower foreign direct investment, failing rural banks, and faltering trust in authorities are weighing on any recovery in consumer spending.

US

Easing of momentum, but low risk of recession

The US economy had a solid first half of 2024. Some of the momentum has slowed in the labour market and there has been some minor slowing in consumer spending, but the outlook is still quite solid.

With inflation at 2.9% for the year to July, the lowest since March 2021, there is growing expectation the Federal Reserve will start rate cuts when its Federal Open Market Committee (FOMC) next meets on 19 September.

Jerome Powell, the head of the Federal Reserve, said at their annual meeting in Jackson Hole that the cooling labour market is further evidence that rate cuts will commence very soon, while the rate at which they cut will depend on incoming data and the evolving outlook.

The IMF estimates the US economy will grow 1.9% in calendar 2025, following 2.6% growth in 2024.

Europe

Mixed activity across the continent

Inflation in Europe for the most part is back within desired targets or close to it and the European Central Bank has started cutting interest rates.

The economies seem to be mixed in their performance; manufacturing countries like Germany are expected to stagnate but tourism and service-heavy countries like Spain, France, and Eastern European countries are expected to perform solidly.

General easing in credit availability for business and consumers, world manufacturing and tourism demand, will be important factors for growth in Europe’s consumer demand for high quality red meat.

Consumers + competitors

This section summarises recent and forecast trends of New Zealand's key markets.

Global Food Conditions

Demand is expected to be slightly better

The biggest influences on lamb and mutton markets in 2023-24 have been low Chinese demand, and high Australian supply. While demand from Europe and the US has been solid, the Chinese and Australian dynamics have overshadowed this.

Sheep prices are expected to be marginally better as supplies from Australia are expected to be lower, while Europe and the US will drive solid demand.

Strong demand out of the US and Canada for beef has offset the impact of the weak China market, although large supplies from Australia and South America have moderated price increases.

New Zealand's comparative advantages with product differentiation, business relationships, and trade access will remain key drivers for holding prices, especially for lamb, in the forecast period.

China

Low consumption but slightly reduced competition expected

Consumption in China is low and that is expected to continue for the forecast period. Competition from Australia for sheepmeat and beef, and from Brazil for beef was high in 2023-24, but it is expected to be marginally lower in 2024-25.

These drivers suggest a slight increase in sheep prices in the forecast period; however, lamb and mutton prices remain near multi-year lows.

For context, China is still New Zealand's largest market for lamb and mutton by volume at 37% and 77%, respectively, which means it has a large impact on sheep prices, despite solid demand from Europe and North America.

There was an oversupply of beef in China this season. High imports (mainly from Brazil) and high domestic beef from the culling of the dairy herd pushed the local beef price to a five-year low. This translated into low demand for NZ beef this season.

Higher beef imports, coupled with higher domestic supply and lower beef consumption, have set local beef prices at multi-year lows. The situation is not expected to change significantly in the outlook period.

> The structural issues of the economy situation in China have weighed heavily on consumption for a few seasons and that is expected in the next.

Fundamentally, red meat consumption is expected to recover in the medium-term as the Chinese economy recovers. There is still a large population with a growing middle class. However, there is little evidence for a big turnaround in the economy anytime soon and only signs that low consumer sentiment is embedded.

US

Optimism in demand expected

We expect strong demand for both beef and lamb in the outlook period. Low US beef availability and a growing consumption base for lamb are holding prices firm.

The 'Other Countries' TRQ was used almost totally by Brazil very early in 2024 and since May have exported beef out of quota at the 28% tariff. This demonstrates just how strong US demand is.

High-value lamb cuts are expected to continue receiving high export prices in the US. There is increasing demand across the younger generations and growing Hispanic and Muslim populations.

USDA is forecasting domestic prices for beef and lamb will remain strong until 2028.

High pathogenicity avian influenza (HPAI or 'Bird Flu') in the dairy herd is causing worries for US farmers and consumers alike. Authorities have started testing raw milk but now are intending to expand testing to dairy cows at processing plants.

The effects of drought and lower beef supply have flowed into Canada too with demand for imported beef being strong in this market as well. This is expected to be true for the forecast period.

UK

Demand has rebounded

Exports to the UK have rebounded from the lows experienced in 2022-23, with this season's lamb exports up 61% for the ten months to the end of July compared to the same point last season, and up 15% on the five-year average.

Lower British lamb supply has provided opportunities for New Zealand (and Australia) to export more to this market.

The UK’s breeding flock has been falling. In December 2023, the flock was 4.3% lower than a year earlier. According to the Agriculture and Horticulture Development Board (AHDB), as 2024 has progressed, more ewe replacement lambs were slaughtered, due to higher than usual lamb prices. Fewer replacements and a lower flock size indicate more demand for imported lamb in the future.

Since the NZ-UK FTA was implemented in May 2023, New Zealand’s beef exports have grown strongly, but from a very low base.

Decreasing inflation and interest rates, and slowly rising wages will continue into 2024-25 barring any major geopolitical event. These trends combined with lower UK lamb supply should provide an optimistic outlook for New Zealand’s second-largest lamb market.

Europe

Continued positive demand

Lamb exports into the EU have been strong in the 2023-24 season. Driving this is the strong demand from the tourism sector and restaurant trade. Additionally, EU sheepmeat production has fallen 4.9% in 2024.

Demand for New Zealand sheepmeat imports is expected to be remain positive driven by strong tourism demand and continued declines in EU sheep production.

New Zealand beef exports to the EU are small due to limited quota access even with additional access under the EU-NZ FTA that entered into force in May 2024.

Other key markets

Japan, South Korea, and Taiwan; and the Middle East

Japan, South Korea, and Taiwan are the top markets for New Zealand’s beef exports, after the US, China, and Canada. Trade barriers into South Korea and Japan are reducing over time as a result of New Zealand’s FTAs with these countries. These markets might be challenged by demand pull from other top markets like the US, China, and Canada.

The overwhelming amount of meat that is processed and exported from New Zealand is Halal-certified, which meets the requirements of countries in the Middle East while meeting New Zealand’s strict animal welfare standards.

It is hard to gauge how well this region will perform in the outlook period. Exports to the Middle East vary, with Saudi Arabia and Jordan making up the biggest proportions of exports.

Australia

Strong competition but easing is expected

Record levels of slaughter and Australian exports of sheep and cattle to key markets in 2023-24, dragged down prices for New Zealand (see Figure 1, Figure 2 and Figure 3).

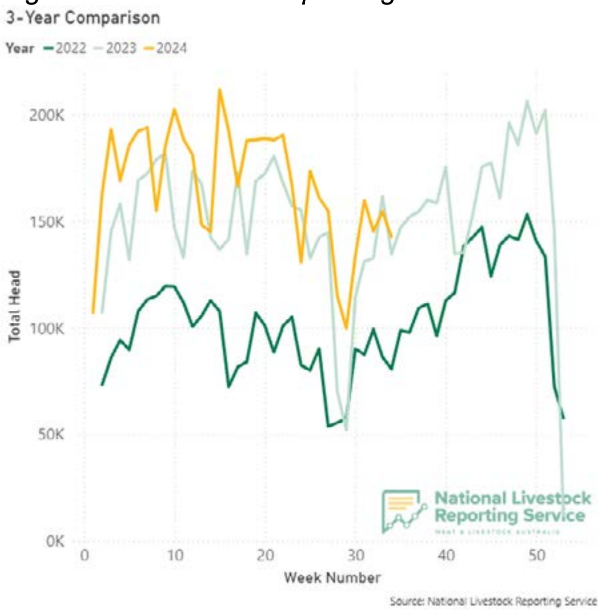
The outlook for 2024-25 is for reduced volumes of exports from Australia, but this is more for sheep rather than beef.

In the last few weeks there has been a significant decrease in lamb processing in Australia (see Figure 2 below). It is too soon to know if this is a long-term trend. Meat & Livestock Australia (MLA) reported in May 2024[1] that 42% of sheep producers in Australia indicated that they would decrease their flock size. This could indicate that there would be a higher sheep slaughter in the short-term but less availability of lambs in the forecast period. MLA has also recently suggested there may be fewer new season lambs this year, and that the record export volumes over the last two years has peaked.

Higher-than-usual female cattle slaughter rates indicate a downsizing of the Australian beef cattle herd, which suggests lower beef supplies in the medium-term, though exports would be higher in the short term. Overall MLA is currently projecting a 1% decline in the total cattle herd this season[2].

New Zealand and Australia make up an overwhelming majority of lamb exports globally, which are projected to be lower in the forecast period. With EU, UK production and New Zealand production lowering too there could be some pricing upside in the forecast period and in the medium term.

Figure 1 Australia sheep slaughter



[1] https://www.mla.com.au/news-and-events/industry-news/better-prices-moderate-sentiment-in-australian-sheepmeat-sector-according-to-survey/
[2] https://www.mla.com.au/prices-markets/Trends-analysis/cattle-projections/

Figure 2 Australia lamb slaughter

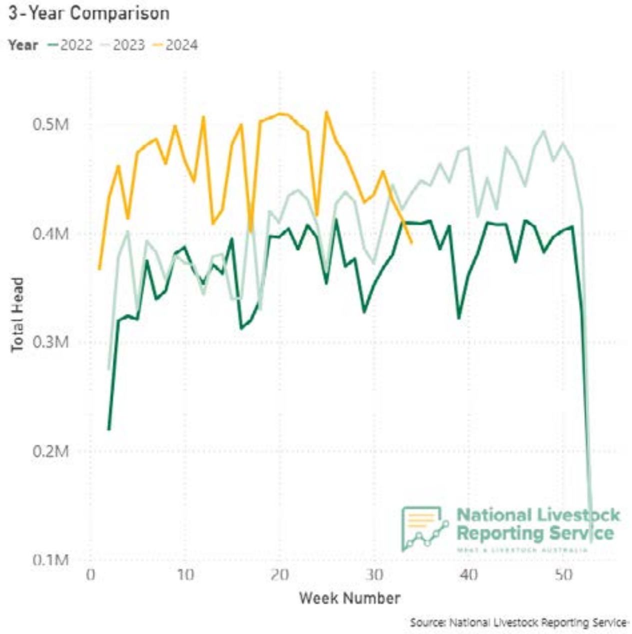
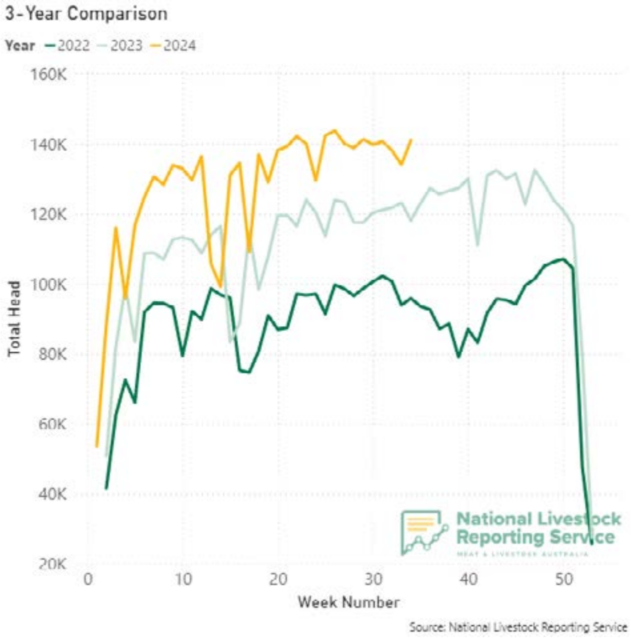


Figure 3 Australia cattle slaughter



Brazil

Downsizing is expected

Brazil's beef exports are projected to decrease in the forecast period after a record projected in calendar 2024. But Brazil will still continue to be the largest beef exporter in the world and a strong competitor in China, which is its largest market.

The national beef cattle herd is downsizing as drought across the country affects production. Hot and dry conditions have intensified in the interior of the country, and vegetation cover across most of the country is in poor health. Female slaughter is high, indicating that downsizing in the herd is occurring.

Brazil's access into US is limited. It does not have a country-specific tariff-rate quota (CSTRQ) with a low in-quota duty rate and thus product is imported under the US's 'Other Countries' TRQ, which is ~65,000 tonnes (compared with NZ's CSTRQ of 213,402 tonnes).

The 'Other Countries' TRQ was used in record time in 2024 – almost totally with Brazilian product. It was expected that US imports of beef from Brazil would then cease because of high out-of-quota tariff rate (OQTR) of over 26%, but some product is still being sent there. This is most likely because China's demand is low and US demand is high, so the price differential justifies incurring the OQTR.

Argentina

Competitiveness in beef expected to decrease

Argentina's competitiveness in beef remains subdued due to continued hyperinflation and dry conditions. Hyperinflation has made fertiliser very expensive for farmers in Argentina, weighing on their productive capabilities and competitiveness.

Seventy-eight percent of Argentina's beef is exported to China, adding to the competitive situation in China.

Cattle slaughter in 2024 has been lower and female slaughter rates are higher than usual indicating that farmers are still destocking and are expected to be less competitive in 2025.

Export restrictions on all beef cuts were lifted by the new government that was elected in late 2023, which made Argentina more competitive into China.

The aim of the export controls was to keep prices low for the Argentina population because public opinion is very sensitive to retail beef prices. Removing restrictions caused domestic consumption to plummet to a 30-year low but exports rose to a record level in the first quarter of 2024.

Exchange rate impacts

Movements in exchange rates have a significant impact on farm-gate prices. This section forecasts likely changes to exchange rates in the year ahead.

For 2024-25, the NZD is expected to be slightly stronger (3%) against the USD (0.63) than in 2023-24 but be effectively unchanged against the GBP (0.48) and EUR (0.56). These currencies dominate the trade in New Zealand meat exports. Movement against the USD has the biggest effect as, on average, 76% of NZ red meat exports are denominated in USD.

The NZD value heavily influences farm revenue

The value of the NZD value from late November to June is crucial to farmers. This is because most meat and wool is sold during this time. Exchange rate movements during this period strongly influence the season average prices for beef, lamb, mutton, and wool and farm revenue.

Farm-gate prices under five different exchange rate scenarios

	NZD Exchange Rates					Exchange Rate Change from USD 0.63	
	-10%	-5%	Forecast	+5%	+10%	to USD 0.56	to USD 0.69
USD	0.56	0.60	0.63	0.66	0.69	-10%	+10%
GBP	0.43	0.45	0.48	0.50	0.53	-10%	+10%
EUR	0.50	0.53	0.56	0.59	0.61	-10%	+10%
	Farm-Gate Prices Received $ / head						
Lamb	152	140	130	121	112	+16.8%	-13.8%
Mutton	78	69	60	52	45	+30.6%	-25.0%
Steer/Heifer	1,990	1,837	1,700	1,576	1,463	+17.0%	-13.9%
Cow	938	866	801	743	690	+17.0%	-13.9%
Bull	2,063	1,905	1,763	1,634	1,517	+17.0%	-13.9%
All Beef	1,595	1,473	1,363	1,263	1,173	+17.0%	-13.9%
	c / kg						
Lamb[1]	793	733	679	630	585	+16.8%	-13.8%
Mutton[1]	301	264	231	200	173	+30.6%	-25.0%
Steer/Heifer	698	645	597	553	513	+17.0%	-13.9%
Cow	463	427	395	366	340	+17.0%	-13.9%
Bull	684	631	584	542	503	+17.0%	-13.9%
All Beef	626	578	535	496	460	+17.0%	-13.9%
Fine[2]	1,388	1,282	1,187	1,101	1,023	+16.9%	-13.8%
Medium[2]	341	315	292	271	252	+16.9%	-13.8%
Crossbred[2]	303	280	259	240	223	+16.9%	-13.8%
All Wool[2]	272	252	233	216	201	+16.9%	-13.8%

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

Cattle

Beef and veal production

Forecast decrease across the board

In 2024-25, New Zealand's export beef production is forecast to be 651,000 tonnes bone-in — a 3.1% decrease from 2023-24. This decrease puts production at levels not seen since 2017-18. It also reflects the relative proportions each class of cattle contributes to the total.

As mentioned in the Stock Number Survey 30 June 2024 report, the flow-on effect of fewer cattle due to drought and fewer calves being reared two years ago due to margins, less production is expected in the forecast period.

The 8% decrease in heifer production reflects the lower availability of heifers in the South Island and the dairy industry afflicted by drought.

Beef production per season

	000 tonne bone-in				
Sep Year	**Steer**	**Heifer**	**Cow**	**Bull**	**Total**
2020-21	208	134	209	166	717
2021-22	200	126	195	159	681
2022-23	206	133	203	154	696
2023-24e	206	132	197	137	672
2024-25f	201	121	193	136	651
2024-25f % change	-2.4%	-8.0%	-2.2%	-0.7%	-3.1%

e estimate, f forecast
Source: Beef + Lamb New Zealand Economic Service, New Zealand Meat Board

Number of cattle processed for export forecast to decrease 3.3%

For 2024-25, the number of cattle processed for export is forecast to decrease 3.3% to 2.54 million head.

Cattle processed for export

	000 head				
Sep Year	Steer	Heifer	Cow	Bull	Total
2020-21	669	550	1,034	553	2,806
2021-22	647	515	965	529	2,656
2022-23	654	524	996	503	2,677
2023-24e	662	536	975	454	2,626
2024-25f	646	492	951	451	2,540
2024-25f % change	-2.3%	-8.2%	-2.4%	-0.8%	-3.3%

e estimate, f forecast
Source: Beef + Lamb New Zealand Economic Service, New Zealand Meat Board

Export cattle carcase weights forecast to remain stable

On average, export cattle carcase weights are forecast to remain relatively stable in 2024-25. This forecast assumes 'normal' carcase weights on average. In 2022-23, weights were heavy due to there being slightly more feed available.

Average carcase weights

	kg / head				
Sep Year	Steer	Heifer	Cow	Bull	Total
2020-21	310	244	202	300	256
2021-22	309	246	202	300	256
2022-23	315	253	204	307	260
2023-24e	312	246	202	301	256
2024-25f	312	246	203	302	256
2024-25f % change	-0.1%	+0.2%	+0.2%	+0.1%	+0.2%

e estimate, f forecast
Source: Beef + Lamb New Zealand Economic Service, New Zealand Meat Board

Beef and veal exports

Exports follow production

Total beef and veal export receipts forecast to increase 0.9%

For 2024-25, total beef and veal export receipts (including co-products) are forecast to increase 0.9%, driven by 3.1% less meat being exported but a 4.5% increase in average export value, alongside the value of co-products decreasing 2.6%:

- The decreases in production flow onto the decrease in export volume
- The increase in average FOB value is due to solid demand from the US and slightly less competition from Australia and South American countries
- The decrease in co-products is due to fewer cattle being processed.

Beef and veal exports

Sep Year	Beef and Veal Meat 000 tonne	$ / tonne	$m FOB	Co-Products $m FOB	Total Beef $m FOB	Beef Meat %*
2020-21	504	7,672	3,867	547	4,414	88%
2021-22	480	9,987	4,794	663	5,457	88%
2022-23	496	8,839	4,380	617	4,997	88%
2023-24p	478	8,867	4,242	553	4,796	88%
2024-25f	464	9,269	4,298	539	4,837	89%
2024-25f % change	-3.1%	+4.5%	+1.3%	-2.6%	+0.9%	

* Beef and Veal Meat value as a percentage of the value of Total Beef exports, including Co-Products
p provisional, f forecast | Source: Beef + Lamb New Zealand Economic Service, Statistics New Zealand

Cattle farm-gate prices

Holding at high levels

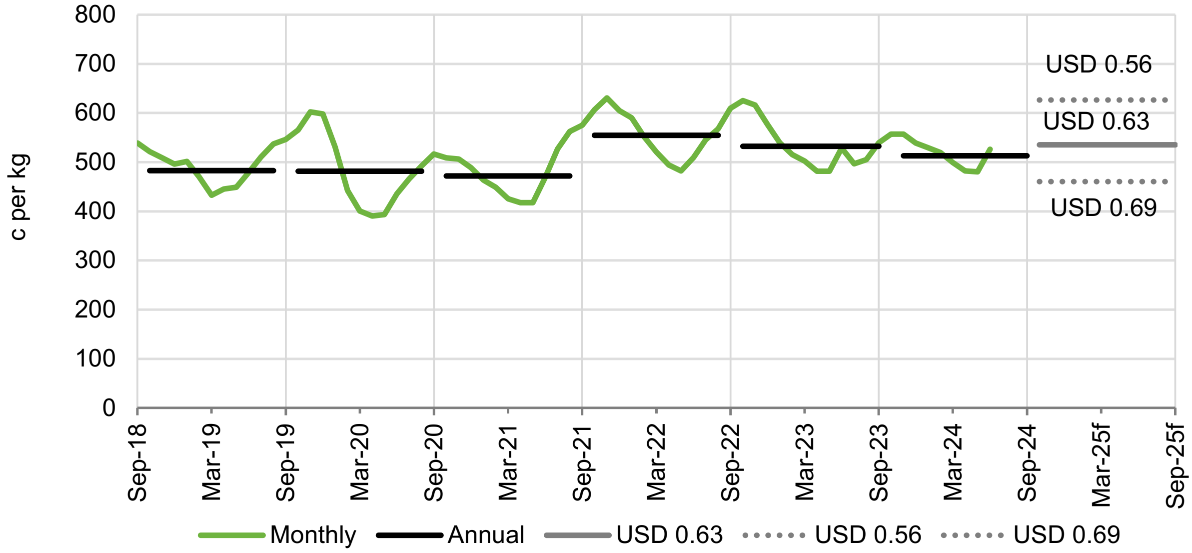
The annual weighted average all classes cattle price for 2024-25 is estimated at 535 c/kgCW, up 4.3% on 2023-24 and 4.8% higher than the five-year average.

For 2024-25, export prices remain relatively solid compared to historical averages despite a decrease in production, keeping cattle farm-gate prices at firm levels.

At USD0.63, the estimated 2024-25 average annual prices are:

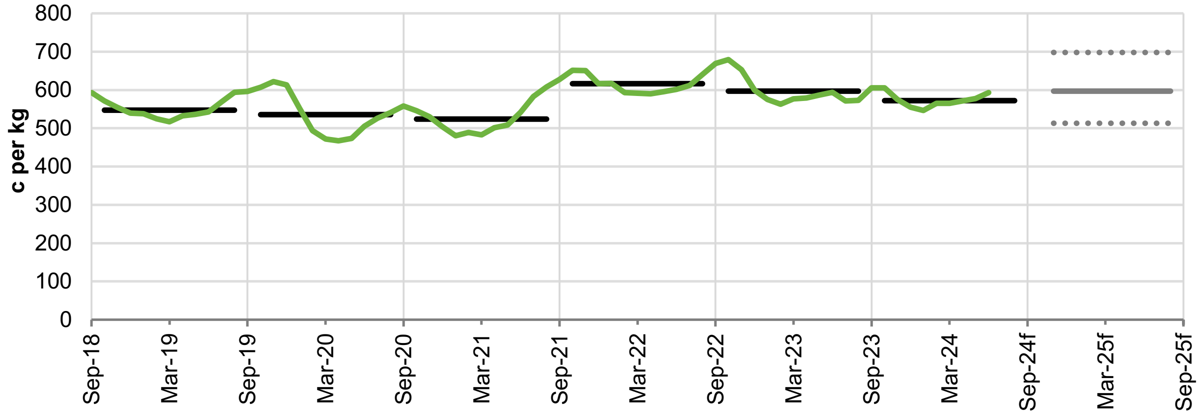
- 597 c/kgCW for P steer/heifer (270-295kg)
- 395 c/kgCW for M cow (170-195kg)
- 584 c/kgCW for M bull (270-295).

Weighted average for cattle farm-gate prices — all classes



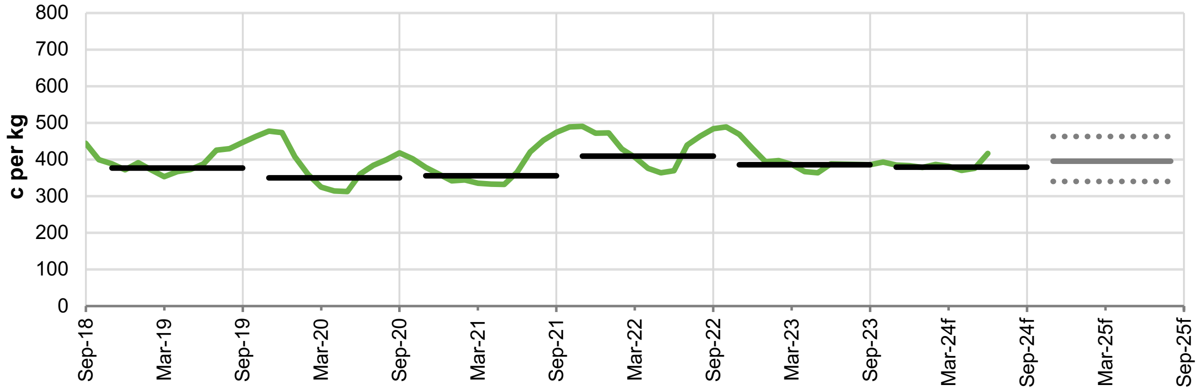
Source: Beef + Lamb New Zealand Economic Service

Steer and heifer — P steer/heifer (270-295kg)



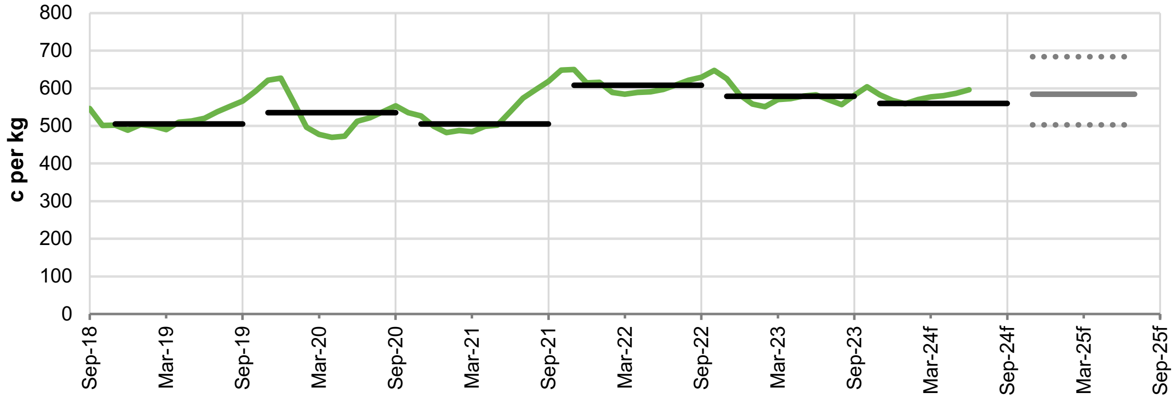
Source: Beef + Lamb New Zealand Economic Service

Cow — M cow (170-195 kg)



Source: Beef + Lamb New Zealand Economic Service

Bull — M bull (270-295kg)



Source: Beef + Lamb New Zealand Economic Service

Sheep

Lamb production

Lambs expected to be down 1m from last spring

The total number of lambs tailed in spring 2025 is estimated at 19.2 million head, down 5.2% on the previous spring.

This is because there has been a reduction in breeding ewes and a lower forecasted lambing percentage due to drought conditions. The decrease is also steeper because the lambing percentage in spring 2023 was higher than normal due to favourable conditions.

For the year ending September 2025, the number of lambs processed for export is forecast to decrease 6.9%, or 1.2 million head to 16.8 million. A lower lamb crop, and slightly more retention as farmers rebuild their herds following the drought, drives this decrease.

Production is expected to decrease 7.2% because fewer lambs are forecast to be processed and the average carcase weight is expected to be slightly lighter than in 2023-24.

Lamb production per season

Sep Year	Lamb Crop million head	Slaughter million head	Carcase Weight kg	Production 000 tonne bone-in
2020-21	22.8	18.3	19.1	349.9
2021-22	22.0	17.8	19.0	338.3
2022-23	21.0	17.7	19.4	343.6
2023-24e	20.2	18.1	19.2	347.0
2024-25f	19.2	16.8	19.2	322.1
2024-25f % change	-5.2%	-6.9%	-0.3%	-7.2%

e estimate, f forecast
Source: Beef + Lamb New Zealand Economic Service, Statistics New Zealand, New Zealand Meat Board

Mutton production

Number of adult sheep processed forecast to decrease 7.1%

The number of adult sheep processed in 2024-25 is forecast to decrease markedly by 7.1% to 2.9 million. This is driven by drought conditions, land-use change, better pricing in cattle versus sheep, and low prices in general.

The average mutton carcase weight is expected to be steady on 2023-24.

In 2024-25, total export mutton production is forecast at 76,400 tonnes bone-in.

Mutton production per season

Sep Year	Breeding Ewes million head	Slaughter million head	Carcase Weight kg	Production 000 tonne bone-in
2020-21	16.6	3.8	26.2	100.7
2021-22	16.3	3.6	25.6	93.6
2022-23	15.4	3.3	26.1	87.7
2023-24e	14.8	3.1	26.0	81.7
2024-25f	14.4	2.9	26.0	76.4
2024-25f % change	-2.9%	-7.1%	+0.0%	-6.6%

e estimate, f forecast
Source: Beef + Lamb New Zealand Economic Service, Statistics New Zealand, New Zealand Meat Board

Lamb exports

Lower processing drives lower export supply

Total lamb export receipts are forecast to decrease 5%

For 2024-25, total lamb export receipts (including co-products) are forecast to decrease 5%, driven by a 7.2% decrease in volume and a 7.1% decrease in co-products receipts, which is offset by a 2.5% increase in FOB per tonne for meat, compared to 2023-24:

- Export volume is expected to markedly lower in 2024-25 due to lower production.
- The FOB per tonne increase is driven by the US and EU markets holding prices.
- Lower co-products revenue is driven by fewer lambs being processed.

Lamb exports per season

	Lamb meat			Co-Products	Total Lamb	Lamb Meat
Sep Year	000 tonnes	$ / tonne	$m FOB	$m FOB	$m FOB	%*
2020-21	307	10,435	3,201	149	3,350	96%
2021-22	292	12,970	3,782	215	3,996	95%
2022-23	288	11,097	3,197	183	3,381	95%
2023-24e	291	10,210	2,971	141	3,112	95%
2024-25f	270	10,466	2,827	131	2,958	96%
2024-25f % change	-7.2%	+2.5%	-4.8%	-7.1%	-5.0%	

* Lamb Meat value as a percentage of the value of Total Lamb exports, including Co-Products
p provisional, f forecast | Source: Beef + Lamb New Zealand Economic Service, Statistics New Zealand

Mutton exports

Markedly lower supply too

Total mutton export receipts forecast to decrease 3.9%

For 2024-25, total mutton export receipts (including co-products) are forecast to decrease 3.9% driven by a 7.1% decrease in volume and a 4.3% increase in FOB per tonne, alongside co-products receipts being 7.1% lower compared to 2023-24:

- Export volume is lower as fewer sheep are being processed due to availability of stock.
- FOB per tonne is forecast to increase 4.3%. This is still a lower compared to recent years.
- Revenue derived from mutton exports is very low compared to just a few seasons ago.

Mutton production per season

	Mutton meat			Co-Products	Total Mutton	Mutton Meat
Sep Year	000 tonnes	$ / tonne	$m FOB	$m FOB	$m FOB	%*
2020-21	94	7,718	727	102	829	88%
2021-22	87	8,159	711	113	824	86%
2022-23	81	6,373	517	107	624	83%
2023-24e	76	4,853	371	97	469	79%
2024-25f	71	5,063	360	90	450	80%
2024-25f % change	-7.1%	+4.3%	-3.1%	-7.1%	-3.9%	

* Mutton Meat value as a percentage of the value of Total Mutton exports, including Co- Products
p provisional, f forecast | Source: Beef + Lamb New Zealand Economic Service, Statistics New Zealand

Lamb and sheep farm-gate prices

Prices firm but are at multi-year lows

The annual weighted average all classes lamb price for 2024-25 is estimated at 679 c/kgCW, up 1.1% on 2023-24 but 8.1% lower than the five-year average.

The annual weighted average all classes mutton price for 2024-25 is estimated at 231 c/kgCW, steady on 2023-24 but 46% lower than the five-year average.

New Zealand exports 95% of its sheepmeat production, so prices are determined by overseas market conditions.

As New Zealand's sheepmeat market, China's continued weak demand has the greatest bearing on sheepmeat prices, despite the strong demand for lamb from the US and Europe. Prices could go higher if Australia's exports and New Zealand's supply remain low.

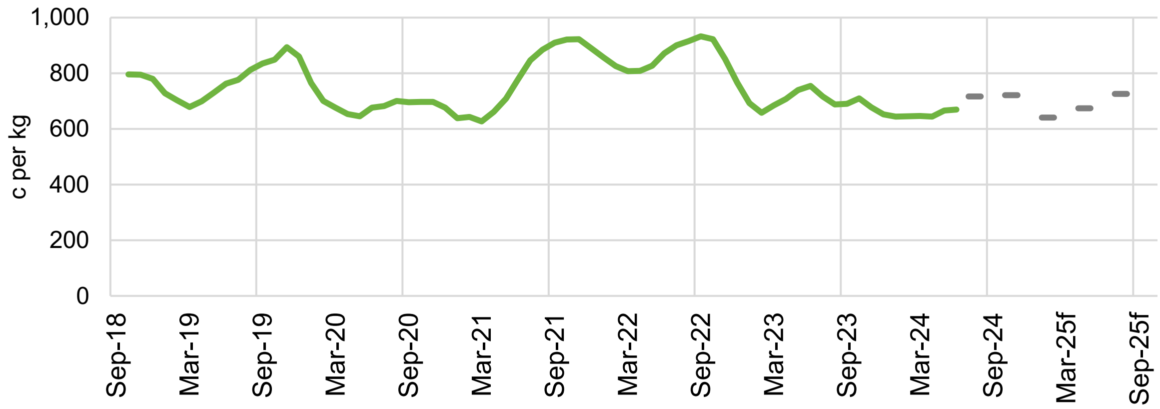
The NZD is expected to be generally firmer compared to 2023-24, which offsets the slight increases in market prices for both lamb and mutton.

Sensitivity prices for lamb

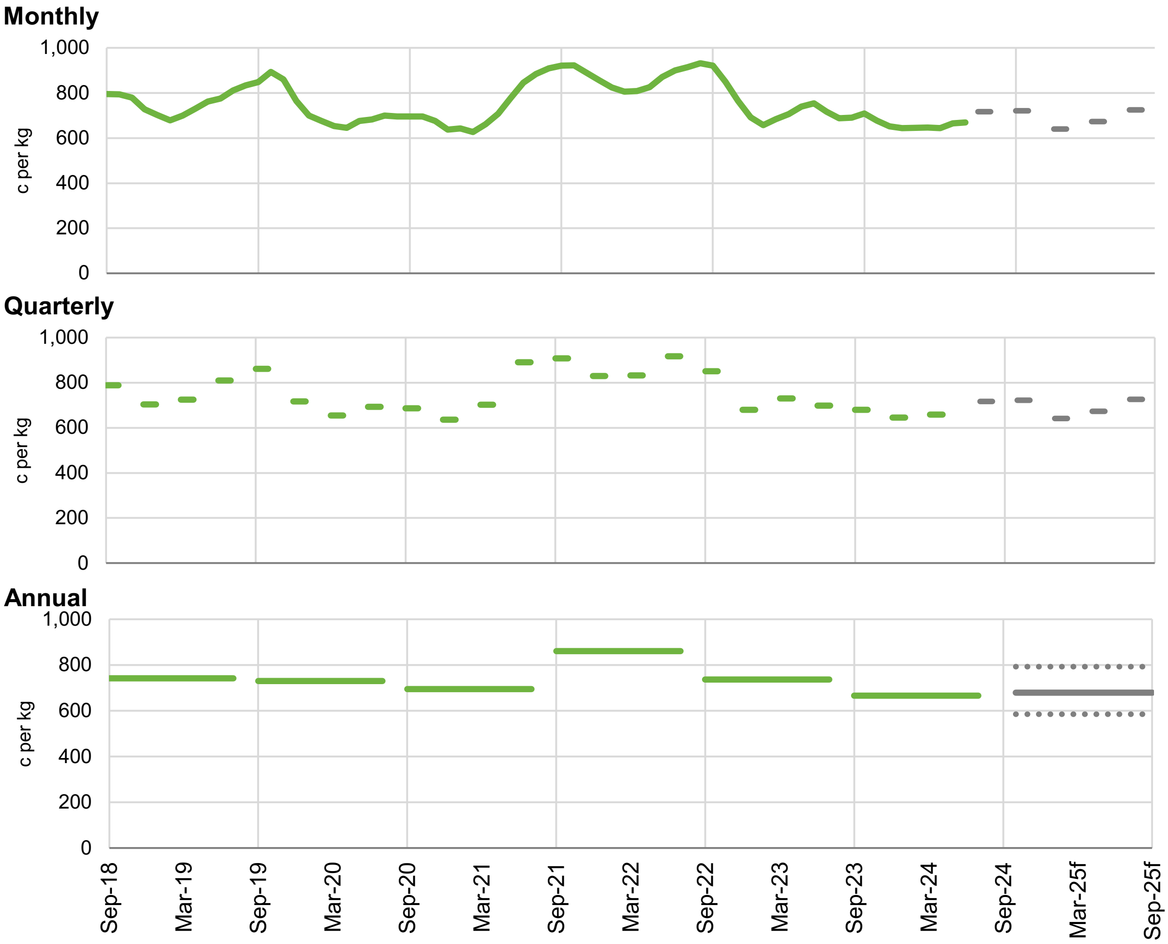
		All Class Lamb Price		
Exchange Rate		**$ per head**	**c per kg**	
Low NZD				
USD	0.56			
GBP	0.43	152	793	**High**
EUR	0.50			
Mid NZD				
USD	0.63			
GBP	0.48	130	679	**Mid**
EUR	0.56			
High NZD				
USD	0.69			
GBP	0.53	112	585	**Low**
EUR	0.61			

Source: Beef + Lamb New Zealand Economic Service

Weighted average for lamb farm-gate prices — all grades



Weighted average for lamb farm-gate prices — all grades



Source: Beef + Lamb New Zealand Economic Service

Wool

Prices

Wool prices steady

- **Prices are forecast to increase slightly across all wool types for the 2024-25 wool season** — while this is positive news for most farmers, it's a marginal increase and would have to lift more before cross-bred wool becomes profitable.
- **Fine wool prices forecast to increase 1%** — this follows a 19% decrease in the previous season. Fine wool farmers have noted that contract prices have been decreasing.
- **Medium wool prices forecast to be steady.**
- **Strong wool prices forecast to increase 0.9%** — this is after a 14% increase in the previous season. There seems to be a bit of life in strong wool, which is welcomed. This is driven by more demand from China and India.
- **The average across all wool types is expected to increase 1%** — due to the strong price increase in strong wool, which is the majority of wool production.

Production

Total shorn wool production forecast to decrease 5%

For 2024-25, total shorn wool production is forecast to decrease in line with the reduction in the number of sheep.

Slipe wool production is forecast to decrease 8.5% on the previous season because it a function of the number of sheep processed.

Exports

Exported volume forecast to decrease 5%

For the 2024-25 season (from July to June), New Zealand wool exports are expected to be down 5% driven by fewer sheep being shorn.

Shearing

Shearing expenditure steady

- A negligible decrease in shearing expenditure is forecast for 2024-25 to average $31,630 per farm, which is equivalent to $6.69 per sheep shorn.
- Shearing expenditure is estimated at 102% of wool revenue in 2024-25. On average, shearing costs exceed wool revenue for most Farm Classes. The exceptions are South Island High and (some) Hill Country farms where wool revenue exceeds shearing expenditure due to the fine wool produced on those farms.

Wool production per season

June Year	Sheep million head	Shorn 000 tonnes greasy	Slipe 000 tonnes greasy	Total 000 tonnes greasy	Shorn Wool kg / head* greasy
2020-21	26.0	118	16.0	134	5.13
2021-22	25.7	111	15.7	127	4.92
2022-23	25.1	105	16.9	122	4.85
2023-24e	24.4	103	17.1	120	4.94
2024-25f	23.3	99	15.6	114	4.91
2024-25f % change	-4.3%	-4.4%	-8.5%	-5.0%	-0.7%
*excludes wool on sheepskins					

e estimate | Source: Beef + Lamb New Zealand Economic Service, Wrightson Wool, New Zealand Wool Services International Ltd , Statistics New Zealand

Season average auction wool prices

		cents / kg greasy			
June Year	Fine	Medium	Strong	Lambs	All Wool
2020-21	1,114	421	170	169	254
2021-22	1,532	389	213	210	337
2022-23	1,448	313	224	206	320
2023-24e	1,174	292	257	226	294
2024-25f	1,187	292	259	233	296
2024-25f % change	+1.1%	+0.1%	+0.8%	+3.1%	+0.8%

e estimate | Source: Beef + Lamb New Zealand Economic Service, Wrightson Wool, New Zealand Wool Services International Ltd , Statistics New Zealand

Auction prices and raw wool exports

	Auction Price	Wool Exports		
June Year	$ / kg clean	FOB $ / kg clean	000 tonne clean	$m FOB
2020-21	3.47	4.14	95.5	395.4
2021-22	4.64	5.04	86.8	437.4
2022-23	4.39	5.17	77.4	400.2
2023-24e	3.97	4.91	91.4	448.3
2024-25f	4.01	5.07	86.8	439.9
2024-25f % change	+0.8%	+3.3%	-5.0%	-1.9%

e estimate | Source: Beef + Lamb New Zealand Economic Service, Wrightson Wool, Statistics New Zealand

This section forecasts farm profit, revenue, and expenditure — in New Zealand as a whole and in specific regions.

Farm profit before tax

Farm profitability challenging for 2024-25

In 2024-25, the weighted average Farm Profit Before Tax is forecast to decrease 7.4% from 2023-24, to $45,200 per farm. Farm-gate prices for beef cattle are good, strengthening on 2023-24, and lamb and sheep prices are projected to be slightly higher than in 2023-24. Cattle will again be important in bolstering revenue. Total farm expenditure, however, remains stubbornly high for 2024-25 with interest expenditure essentially doubling since 2021-22.

Farm profitability in 2023-24 was worse than forecast in the Mid-Season Update (published March 2024) because of the impact of drought across many parts of the country. Total farm expenditure for 2023-24 was higher than expected, mostly driven by interest expenditure. Farmers cut expenditure for most categories of farm inputs throughout 2022-23 and 2023-24, however the cumulative impact of three seasons of high inflation when farm input prices rose 32% (2021-22 to 2023-24) have taken their toll.

> Cattle revenue is forecast to improve 2.8% bolstering incomes

Farm Profit Before Tax in inflation-adjusted terms is estimated at $27,200 per farm for 2024-25[3], which is similar to the most challenging seasons during the 1980s and 1990s.

A full recovery in profitability may take a couple of years but the red meat market fundamentals are good. The rate of on-farm inflation has slowed, and with recent easing of interest rates this will help reduce the burden of high debt-servicing costs although a sizeable drop in payments is unlikely within the 2024-25 season.

One factor that may slow the recovery is soil fertility and its impact on pasture and crop production and therefore livestock. Sheep and beef farms are low input farming systems,

[3] Real Farm Profit Before Tax is calculated in 2004-05 dollars.

generally, and farmers have reduced fertiliser applications since 2022-23 when fertiliser prices skyrocketed and revenue declined. In 2024-25, the ability to apply more fertiliser will be helped by expected La Niña conditions but availability of cash will be a constraint. However, on average farms expect to increase applications of fertiliser slightly in 2024-25.

Farm profitability varies between farm classes, regions, and farms. As such, the NZ average farm profit understates the difficult situation many farmers currently face to maintain the farming operation and support the farming family.

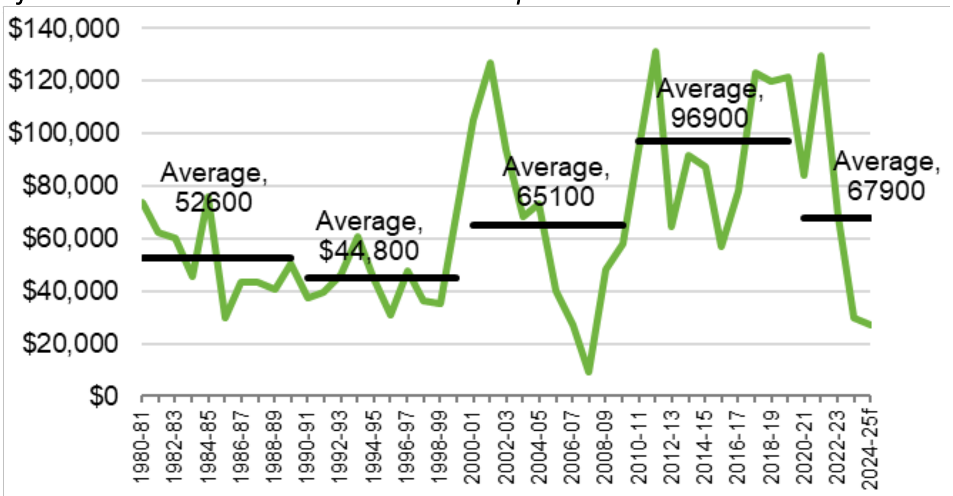
For those affected by drought or dry conditions in 2023-24, the new season brings its own challenges with expectations of a reduced lamb crop and a need to rebuild livestock numbers, which will reduce availability of stock to sell. Winter and spring rainfall will be important for feed.

Farms with a greater dependence on sheep revenue are most vulnerable to the downturn in farm-gate prices, and those with higher debt levels will be vulnerable to high interest costs. Some may face both.

There has been a shift away from sheep towards beef cattle in recent years, which is related to sheep farm-gate prices but also the higher labour demands associated with sheep and ability to access labour and contractors to assist. Beef cattle present a less labour-intensive alternative. However, the store beef cattle market has been strong in recent months and if prices remain high that could slow the shift towards beef cattle. For other farmers, dairy grazers also offer steady income and lower labour demands.

Farm Profit before Tax is used to meet tax, personal drawings, principal repayments, capital expenditure and development of the farm.

Inflation-adjusted Farm Profit Before Tax for sheep and beef farm — all classes



p provisional | f forecast | [1]Adjusted to 2004-05 $ terms
Source: Beef + Lamb New Zealand Insights Team | Sheep and Beef Farm Survey

Total gross farm revenue

Forecast to increase 1.1%

Overall Gross Farm Revenue is forecast to increase 1.1% on average for 2024-25 as sheep farm-gate prices remain at low levels while beef cattle farm-gate prices are forecast to increase.

The following contribute to gross farm revenue on average:

- Sheep revenue – 42%
- Cattle revenue – 31%
- Crop revenue – 10%
- Dairy grazing revenue – 6%.

Revenue from wool, deer and other farming-related activities comprise the remaining 11%.

The spring 2024 lamb crop is forecast to be lower than last year, due to fewer breeding ewes, and a lower lambing percentage – down from an exceptional lambing percentage for some regions in spring 2023. The drought or dry conditions through much of the South Island and parts of the East Coast of the North Island reduced total sheep, and combined with low farm-gate prices, sheep revenue is stagnant.

Beef cattle numbers were also lower, notably through Marlborough-Canterbury, Otago and on the East Coast North Island. However, expectations are for farm-gate beef cattle prices to increase from 2023-24 levels and improve beef cattle revenue (+2.8%).

Gross farm revenue is spent on goods and services for running the farm business including wages, shearing contractors, maintenance, agricultural services and interest.

Total farm expenditure

Forecast to increase 1.8%

A small increase in total farm expenditure is forecast in 2024-25 as continued cost-cutting measures are thwarted by increased interest expenditure. Total farm expenditure is forecast to average $581,300 per farm.

Within total farm expenditure, farm operating expenses[4] increase marginally (+0.3%) as farm inputs continue to be reduced to save money.

Fertiliser is an example of an area of significant reduction in applications as high prices were not feasible for farmers. Cutting fertiliser reduces soil fertility and will impact production for multiple seasons. In 2024-25, B+LNZ expects farms will increase fertiliser applications, on average. In 2023-24, hill country farms, in the North and South Island, reduced fertiliser applications by more than their counterparts on finishing land and the soil fertility of hill

[4] Farm operating expenditure includes all farm working expenses plus ACC payments, insurance and rates. It is a measure of money spent on farming activities.

country will have most likely worsened by a greater degree. Fertiliser, Lime and Seeds expenditure is forecast to decrease 1.5% due to lower fertiliser prices.

Expenditure on repairs and maintenance is expected to remain steady (-0.1%) at an average $44,600 per farm. Many repairs and maintenance were deferred from 2022-23 onwards as revenue decreased and high on-farm inflation increased farm input prices. The cost of materials and labour to maintain the farm increased significantly over the past two seasons.

Interest expenditure, which accounts for an historically high proportion of total farm expenditure at around 20%, is forecast to average $114,900 per farm (+9.7%) in 2024-25. This is approximately double the cost in 2021-22. This will be the third consecutive season when farmers will need to find additional funds to cover their debt-servicing costs.

Regional and district council rates expenditure is forecast to increase 8.9% on average per farm to $19,400. Regionally there is a great deal of variation in rates increases, for example East Coast rates are forecast to increase around 19% on 2023-24 with large spending on infrastructure and rebuilding required in that region. In 2024-25, B+LNZ estimates $178m in rates will be paid by farmers, that is approximately $3.5m per week.

Interest expenditure and debt levels

Interest expenditure very high but rates may decrease faster than forecast

Interest payments have doubled from an average of $56,500 per farm in 2021-22 to $114,900 in 2024-25.

While interest rates have started to fall[5], which will bring some relief to farmers with floating loans, it takes time for this to flow through to fixed term loans. Some farmers will still be coming off term loans and fixing in at higher rates this coming year.

At this stage, we are forecasting interest expenditure to be higher on average this coming year. But it is looking increasingly likely that interest rate cuts could be faster and deeper than modelled in our forecasting and if so, this will take welcome pressure off farmers' bottom lines.

Interest expenditure costs vary widely between farms. Approximately 75% of sheep and beef farm term liabilities are subject to floating interest rates and 25% fixed interest.

In 2022-23, 11% of farms had no interest-bearing debt, while one-third of farms paid interest of up to $30,000.

Earnings before interest, tax, rent and wages

Forecast to increase 3.7%

EBITRm means Earnings before Interest, Tax, Rent and any wages paid to a manager, actual or family. It is a key measure of profitability because it places farms on a consistent basis – debt-free, freehold, and as if run by an owner operator. EBITRm per grazable

[5] Reserve Bank NZ 25 basis points cut of the Official Cash Rate 14 August 2024

hectare is a standardised measure that facilitates benchmarking as it is independent of capital and management structure.

EBITRm is forecast to average $184,400 per farm for 2024-25.

The increase in EBITRm in 2024-25 is due to gross farm revenue increasing at a greater rate than farm operating expenditure. Farm operating expenditure excludes interest and is forecast to increase marginally (+0.3%) in 2024-25. The improvement in EBITRm assumes sub-maintenance expenditure for many farms due to the impact of inflation and interest rates (requiring more cash for servicing debt). The reduction in fertiliser usage over the past few seasons has serious implications on future revenue.

See Appendix 1 for exchange rate scenarios for EBITRm.

Exchange rate scenarios

Farm Profit Before Tax forecast based on USD 0.63

Farm Profit Before Tax depends on the value of the NZD relative to other currencies. This forecast is based on the NZD averaging USD 0.63 for 2024-25.

If the NZD falls 10% to USD 0.56, both Gross Farm Revenue and Farm Expenditure would increase and improve Farm Profit Before Tax and EBITRm to $128,600 and $268,200 respectively.

Nearly 90% of beef and 95% of sheepmeat production is exported. Currently the value of the NZD is relatively low, which is positive for exporters. A low NZD does, however, impact on prices for some farm inputs, therefore farm expenditure is adjusted to account for changes in the NZD.

Farm Profit Before Tax is used to meet tax, personal drawings, principal repayments, capital expenditure and development of the farm.

Summary of weighted averages in New Zealand
This table shows the impact of exchange rate changes across different scenarios.

Weighted Average All Classes[1]

			Provisional		Forecast	
		2022-23	2023-24	2024-25	2024-25	2024-25
Revenue				USD 0.56	USD 0.63	USD 0.69
Wool		28,578	31,800	36,200	31,000	26,700
Sheep		328,865	262,700	315,300	261,800	218,100
Cattle		199,333	191,000	227,600	196,300	170,500
Dairy Grazing		35,711	33,800	36,500	36,500	36,500
Deer + Velvet		5,747	5,500	6,000	5,100	4,300
Goat + Fibre		-4	0	0	0	0
Cash Crop		64,495	64,600	64,200	64,200	64,200
Other		31,103	30,500	31,600	31,600	31,600
		0	0	0	0	0
Total Gross Revenue	**$ per farm**	**693,828**	**619,900**	**717,400**	**626,500**	**551,900**
Expenditure						
Fert, Lime & Seeds		92,352	78,300	78,100	77,100	76,300
Repairs & Maintenance		48,690	44,600	45,200	44,600	44,100
Interest & Rent		111,047	124,400	134,100	134,400	134,700
Other Expenses		335,231	323,800	331,400	325,200	320,100
		0	0	0	0	0
Total Expenditure	**$ per farm**	**587,320**	**571,100**	**588,800**	**581,300**	**575,200**
Farm Profit Before Tax[2]	**$ per farm**	**106,508**	**48,800**	**128,600**	**45,200**	**-23,300**
EBITRm[3]	**$ per farm**	**222,069**	**177,800**	**268,200**	**184,400**	**115,500**
Real Farm Profit[4]	**$ per farm**	**68,000**	**30,000**	**77,400**	**27,200**	**-14,000**

1. The Weighted Average for All Classes of Sheep and Beef Farm for 1 July 2024 was a grazing area of 713 hectares with 2,910 sheep, 333 cattle and 25 deer, totalling 4,580 stock units.

2. Farm Profit before Tax is required to meet personal drawings, taxation payments, debt repayments and the purchase of capital items.

3. Earnings before Interest, Tax, Rent and Managers Salary

4. Deflated by June year Consumer Price Index.

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

Regional commentary

Forecast profit for regions in New Zealand

This section analyses profitability by region using the 'all classes average'.

Farmers can compare their farm with a similar farm class in their own region by using the benchmarking resources on the B+LNZ website.

Interactive benchmarking tool

Downloadable spreadsheets

Northland-Waikato-Bay of Plenty

Despite poor prices for sheep in 2023-24, most farms in the region had good feed levels, which helped with livestock condition and ewe mating. Breeding ewes and ewe hogget numbers were down at 30 June 2024. This is an ongoing trend for breeding ewes. Farm profitability in 2023-24 was significantly worse than forecast as expenses, particularly interest, outpaced falling revenue.

Profitability is forecast to improve somewhat in 2024-25 but remain low with cash losses for some farm businesses. Hard hill country farms (Farm Class 3) have been the most affected by low sheep prices and had the lowest farm profitability in the region.

- **Farm Profit Before Tax is forecast to increase 12%** — to average $74,700 per farm in 2024-25 with both revenue and expenditure increasing from 2023-24. The 2023-24 season was worse than forecast (in March 2024) with farm expenditure increasing sharply last season.
- **Gross farm revenue is forecast to increase 3.9%** — to average $525,300 per farm.
- **Sheep revenue is forecast to decrease 2.5%** — to average $142,900 per farm while wool revenue decreases 1.8% to average $10,800 per farm. The lamb crop for spring 2024 is forecast to be lower than last spring due to fewer breeding ewes, lambing percentage is expected to be similar to last season which was exceptional. Sheep revenue, as a percentage of total gross farm revenue, is estimated to average 27% for 2024-25.
- **Cattle revenue is forecast to increase 8.6%** — to average $302,100 per farm driven by forecast higher beef cattle prices for 2025-25. Revenue from cattle averages 58% of total gross farm revenue for 2024-25.
- **Total farm expenditure is forecast to increase 2.7%** — to $450,600 per farm. Many farms deferred maintenance and reduced farm inputs to cut costs, however interest expenditure is expected to continue to push total farm expenditure upwards.
- **Fertiliser, lime, and seeds expenditure is forecast to decrease 4.0%** — to $63,600 per farm. Fertiliser volumes applied are forecast to decrease, as per last season, while lime applications are expected to increase in 2024-25. Fertiliser, lime, and seeds comprises around 14% of total farm expenditure.
- **Repairs and maintenance expenditure is forecast to increase 2.2%** — to average $41,200 per farm. Repairs and maintenance spending has been deferred for the past three seasons because of decreased revenue and rising prices of farm inputs. Repairs and maintenance comprises around 9% of farm expenditure.

- **Interest expenditure is forecast to increase 13%** — to $82,500 per farm, as term debt previously fixed on lower interest rates rolls onto higher rates. Interest expenditure has more than doubled since 2021-22. Interest expenditure comprises around 18% of total farm expenditure.
- **EBITRm per farm increases 11%** — to average $183,000 as the increase in gross farm revenue is higher than increased farm working expenses, thereby increasing this measure of profitability (which excludes interest). Lower fertiliser usage and deferred repairs and maintenance will impact future productivity and profitability on farm.

East Coast

Hopes were set for a rebuild of livestock numbers in 2023-24 following widespread damage from adverse climatic events in 2023, however, this did not happen. The need to focus on rebuilding of infrastructure and pastures took priority and parts of the region also faced drought or floods in 2024 leading to further reductions in stock numbers.

For 2024-25, expectations are for farms to retain more animals than usual and rebuild, meaning fewer available to sell. Farm revenue is forecast to decrease with fewer sheep and cattle sales, leading to reduced farm profit.

- **Farm Profit Before Tax is forecast to decrease 52%** — to $23,700 on average per farm for 2024-25. This is the lowest level of farm profit for East Coast on record except for 2007-08[6].
- **Gross farm revenue decreases 2.8%** — to average $582,700 per farm for 2024-25.
- **Sheep revenue is forecast to decrease 1.2%** — to average $284,100 per farm. Wool revenue is forecast to decrease 5.0% to average $20,900 per farm. Sheep revenue contributes 49% of gross farm revenue, while wool revenue contributes around 4% of gross farm revenue.
- **Cattle revenue decreases 4.5%** — to average $241,500 per farm with fewer cattle available to sell. Cattle revenue equals 41% of gross farm revenue.
- **Total farm expenditure is forecast to increase 1.6%** — to average $559,000 per farm. The outlook is for inflationary pressures to continue, albeit at a slower rate. Farm working expenses may decrease slightly in 2024-25 however interest expenditure drives up total farm expenditure.
- **Fertiliser, lime and seeds expenditure is forecast to decrease 4.8%** — to average $62,600 per farm. In 2022-23, wet weather conditions prevented fertiliser usage and applications decreased, while in 2023-24 a lack of funds meant volumes applied were further reduced. For 2024-25, with continued financial pressure it is likely that fertiliser applications will decrease slightly. Fertiliser, lime, and seeds comprises around 11% of total farm expenditure.
- **Repairs and maintenance expenditure is forecast to decrease 4.1%** — to average $64,500 per farm. Repairs and maintenance spending continues to be at above average levels following Cyclone Gabrielle. Repairs and maintenance comprises around 12% of farm expenditure.

[6] In real, inflation-adjusted terms.

- **Interest expenditure is forecast to increase 10%** — to average $116,600 per farm. Interest expenditure comprises around 21% of total farm expenditure.
- **EBITRm per farm decreases 7.6%** — to average $169,400 due to the reduction in gross farm revenue. Despite improved beef cattle prices in 2023-24, with fewer animals to sell the outlook for 2024-25 is extremely challenging for most farmers.

Taranaki-Manawatū

More lambs were carried through mid-to-late summer as farmers tried to compensate for slower lamb growing conditions in spring 2023. Carrying more lambs than usual compromised feed levels at mating for breeding ewes – one factor that contributes to a lower forecast lamb crop for spring 2024.

An improved revenue outlook for 2024-25 is offset by high expenses, particularly interest.

- **Farm Profit Before Tax increases 5.1%** — to average $59,800 per farm as improvements in farm-gate prices, particularly beef cattle, increasing gross farm revenue. Farm expenditure remains stubbornly high.
- **Gross farm revenue is forecast to increase 2.9%** — to $592,600 per farm. Beef cattle farm-gate prices are forecast to improve and this bolsters overall gross farm revenue.
- **Sheep revenue increases marginally 0.3%** — to $299,900 per farm, with fewer lambs expected this spring and farm-gate prices improving slightly. Wool revenue increases 6.9% to average $26,400 per farm. Sheep and wool revenue contribute 51% and 5% of gross farm revenue respectively in 2024-25.
- **Cattle revenue increases 5.8%** — to average $200,000 per farm. Stronger beef cattle pricing increases revenue for 2024-25 on average. Beef cattle revenue contributes around one-third of gross farm revenue.
- **Total farm expenditure is forecast to increase 2.6%** — to average $532,800 per farm for 2024-25. While the rate of on-farm inflation has slowed, its effects are still being felt in farm expenditure.
- **Fertiliser, lime, and seeds expenditure decreases by 8.4%** — to average $55,400 per farm. Fertiliser volumes applied are forecast to increase in 2024-25 after two seasons of significant reductions. Fertiliser, lime, and seeds comprises around 10% of total farm expenditure.
- **Repairs and maintenance expenditure is forecast to increase 4.3%** — to average $44,700 per farm. Repairs and maintenance has been minimal on farm, with much deferred, as farmers seek to keep costs down. Repairs and maintenance comprises around 8% of farm expenditure.
- **Interest expenditure is forecast to increase 14%** — to $115,600 per farm. Farmers require an additional $14,000 on average to cover debt-servicing costs. Interest expenditure comprises around 22% of total farm expenditure.
- **EBITRm per farm increases 9.3%** — to average $201,200 as a reduction in farm working expenditure increases this measure of profitability. Fertiliser applications had decreased over two seasons, which will impact soil fertility, but are expected to increase slightly in 2024-25.

Marlborough-Canterbury

Drought and dry conditions plagued much of the northern and central South Island in 2024. This made a difficult season, with low farm-gate prices and high expenditure, even more painful. The dry conditions led to destocking, below-average condition of breeding ewes at mating, lower expected lambing percentages and the result will be a smaller lamb crop for spring 2024. Lambing for High Country farms (Farm Class 1) and Mixed-Finishing farms may be similar to 2023.

A rebuild following a drought is typical but with limited cashflow a rebuild is more likely to occur from retention than purchasing of livestock.

- **Farm Profit Before Tax decreases 11%** — to $48,400 per farm for 2024-25. The predominant Farm Class in the region is finishing breeding farms (Farm Class 6), which are forecast to average $32,300 in farm profit before tax. This leaves many farms in a cash loss situation.
- **Gross farm revenue is steady (+0.1%)** — to average $829,300 per farm for 2024-25. Withering conditions have reduced livestock available to sell and increased the likelihood that farmers will retain more animals to rebuild flocks and herds in 2024-25.
- **Sheep revenue decreases 1.8%** — to $254,500. The number of prime and store lambs sold is expected to decrease, on average. Sheep revenue contributes almost one-third of gross farm revenue.
- **Wool revenue decreases by 7.1%** — to average $43,000 per farm. For high country farms (Farm Class 1), wool revenue decreases to $463,100 per farm because fewer sheep will be shorn, and less wool will be sold.
- **Cattle revenue decreases 1.0%** — to average $146,100 per farm. Mixed-Finishing farms may increase beef cattle revenue in 2024-25 as this class was less affected by drought (with some irrigation available) and has more flexibility with stock policies. Cattle revenue accounts for around 18% of gross farm revenue on average for the region.
- **Cash cropping revenue increases marginally (+0.4%)** — to average $228,800 per farm. Crop revenue accounts for around 28% of gross farm revenue because of the influence of mixed (cropping) finishing farms.
- **Dairy grazing revenue increases 9.8%** — to $83,800 per farm on average. Dairy grazing revenue accounts for around 10% of gross farm revenue.
- **Total farm expenditure increases slightly 0.9%** — to average $780,900 per farm. We expect farmers will adopt cost-cutting measures across the board to alleviate the impact of high debt-servicing requirements.
- **Fertiliser, lime, and seeds expenditure increases by 3.0%** — to average $106,500 per farm, as applications are increased (+8kg/ha total fertiliser on average). Fertiliser levels were reduced significantly in 2022-23 and 2023-24. Reduced revenue and high interest expenditure limits the ability to apply fertiliser.
- **Repairs and maintenance expenditure is steady (+0.3%)** — to average $48,000 per farm. Repairs and maintenance has been minimal, with much deferred. Repairs and maintenance comprises around 6% of farm expenditure.
- **Interest expenditure increases by 6.4%** — to $144,500 per farm. An estimated additional $10,000 is needed to service debt in 2024-25. Interest expenditure is over

double the 2021-22 average ($69,800). Interest expenditure comprises around 19% of total farm expenditure.

- **EBITRm per farm increases 1.4%** — to average $212,800. Much of this EBITRm will be used for debt-servicing leaving little for farm family living (drawings).

Otago-Southland

Due to the region's reliance on sheep revenue, the forecast for the region is more sobering than for other regions where cattle have a larger influence. Low farm-gate prices in 2023-24 saw an almost $100,000 per farm decrease in sheep revenue alone.

Sheep revenue is forecast to increase in 2024-25 with a small improvement in farm-gate prices. A continued trend in the region is the movement away from sheep towards cattle to improve gross farm revenue. Pruning of farm expenditure continues as more cash is required to service debt.

Climatic conditions across the region were favourable from July 2023 to January 2024 then Otago had a dry summer and Southland and West Otago were wet. Drought reduced livestock numbers in Otago and feed levels, which will adversely impact production and profitability in 2024-25.

- **Farm Profit Before Tax increases 6.9%** — to average $20,200 per farm for 2024-25. This is the lowest expected profit for any region this season and in real, inflation-adjusted terms, 2023-24 and 2024-25 are estimated to be the lowest farm profit before tax for Otago-Southland on record.
- **Gross farm revenue is forecast to increase 2.2%** — to average $570,100 per farm for 2024-25 with small improvements in farm-gate prices.
- **Sheep revenue decreases 2.0%** — to average $361,900 per farm. Wool revenue is estimated to increase 1.5% to an average $48,500 per farm. Revenue from wool and sheep combined accounts for around 72% of gross farm revenue.
- **Cattle revenue increases 2.1%** — to average $94,500 per farm as beef cattle farm-gate prices increase. Cattle revenue accounts for around 17% of gross farm revenue.
- **Total farm expenditure increases by 2.0%** — to $549,900 per farm. Some farms were well below maintenance levels of inputs such as fertiliser, and general repairs and maintenance.
- **Fertiliser, Lime and Seeds expenditure is steady (+0.1%)** — to average $79,200 per farm as volumes applied are forecast to increase slightly while remaining at low levels overall with the resultant concern over soil fertility and future impact on production. Fertiliser, lime, and seeds comprises around 14% of total farm expenditure.
- **Repairs and maintenance expenditure is forecast to increase 0.9%** — to average $27,700 per farm. Repairs and maintenance comprises around 5% of farm expenditure.
- **Interest expenditure is estimated to increase by 8.9%** — to an average $114,000 per farm, which is around $10,000 more than 2023-24. Interest expenditure comprises around 21% of total farm expenditure.

- **High Country farms are forecast to experience negative profitability** — on average. The loss in sheep revenue has been significant for high country farms, falling drastically from 2022-23.
- **EBITRm per farm increases 6.0%** — to average $157,500 per farm. Reflecting the cost-cutting of farm working expenses that has occurred on farms over the past two seasons and into 2024-25.

2024-25 forecast — weighted average for all classes in each region

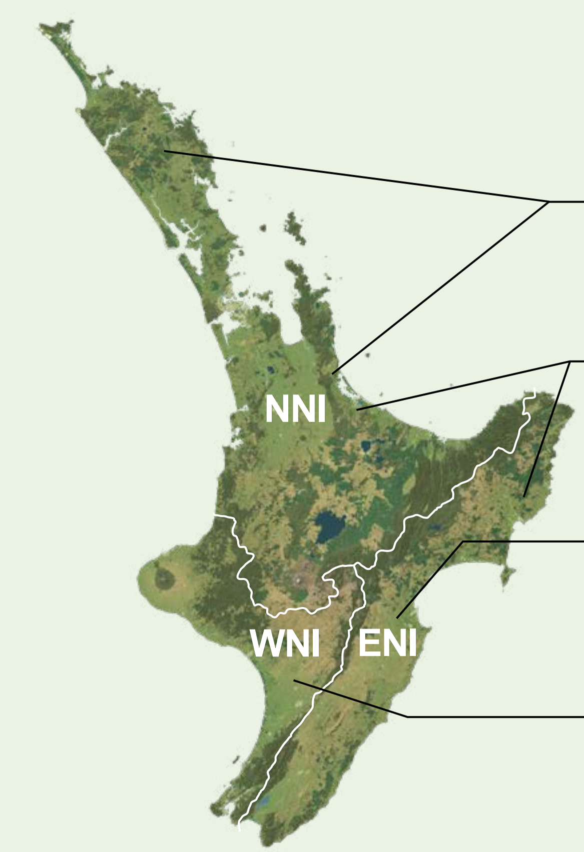
All Classes Sheep and Beef Farm - $ per farm

Region	2022-23 Profit	2023-24 Profit	2024-25 Revenue	2024-25 Expenditure	2024-25 Profit	2024-25 EBITRm1	2024-25 Stock Units	2024-25 Hectares
Northland-Waikato-BoP	109,299	66,500	525,300	450,600	74,700	183,000	4,100	460
East Coast	118,142	49,300	582,700	559,000	23,700	169,400	5,100	620
Taranaki-Manawatu	104,113	56,900	592,600	532,800	59,800	201,200	4,800	520
North Island	**107,914**	**57,200**	**560,100**	**507,200**	**52,900**	**182,500**	**4,600**	**520**
Marlborough-Canterbury[2]	141,106	54,600	829,300	780,900	48,400	212,800	4,500	950
Otago/Southland[2]	52,976	18,900	570,100	549,900	20,200	157,500	4,600	910
South Island[2]	**104,803**	**38,900**	**706,900**	**671,000**	**35,900**	**186,600**	**4,600**	**950**
New Zealand	**106,508**	**48,800**	**626,500**	**581,300**	**45,200**	**184,400**	**4,600**	**710**

p provisional, f forecast | Exchange rate used in forecast year USD/NZD 0.63
1 Earnings before Interest, Tax, Rent and wages paid to a manager
2 Grazing area is inflated by High Country Farms, which average around 8,000 hectares per farm
Source: Beef + Lamb New Zealand Insights Team | Sheep and Beef Farm Survey

B+LNZ Regional Economic Service Team

North Island



Sam Stewart
Economic Service Manager - Northern North Island
sam.stewart@beeflambnz.com
027 454 8878

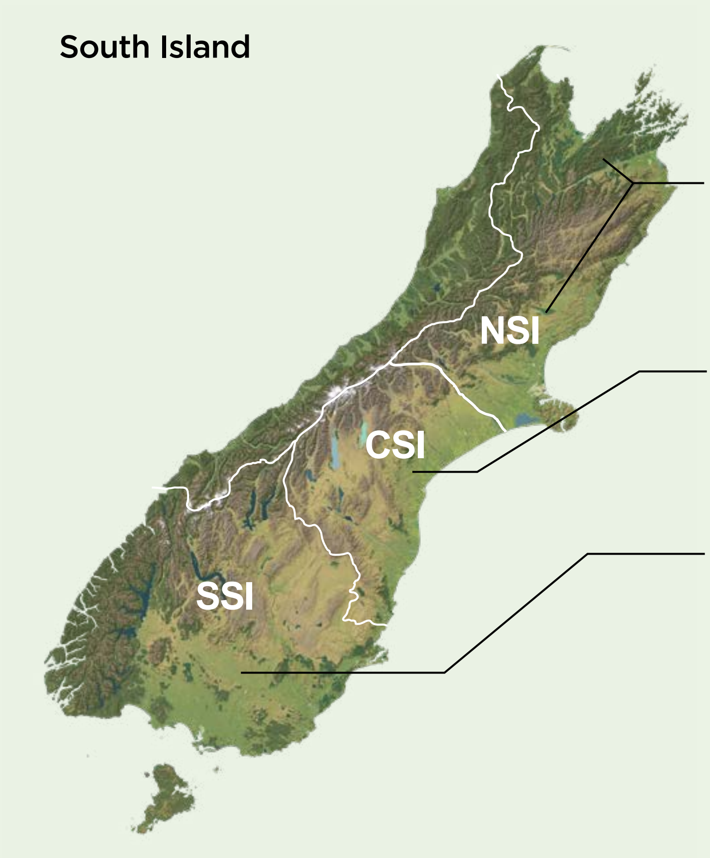
Wendy Dewar
Economic Service Manager - Mid Northern North Island
wendy.dewar@beeflambnz.com
027 555 9127

Annabelle McHardy
Economic Service Manager - Eastern North Island
annabelle.mchardy@beeflambnz.com
027 248 3521

Michael Flett
Lead Economic Service Manager - North Island
michael.flett@beeflambnz.com
027 839 6365

Rebecca Smith
Economic Service Associate - North Island
rebecca.smith@beeflambnz.com
027 263 3292

South Island



Esnes Gray
Economic Service Manager - Northern South Island
esnes.gray@beeflambnz.com
027 555 0123

Sharyn Price
Economic Service Manager - Central South Island
sharyn.price@beeflambnz.com
027 431 2583

Jenny McGimpsey
Lead Economic Service Manager - South Island
jenny.mcgimpsey@beeflambnz.com
027 458 8067

Hannah Brewer
Economic Service Associate - South Island
hannah.brewer@beeflambnz.com
027 267 6330

Appendix 1: On-farm profitability

Sheep and beef farm revenue and expenditure — weighted average all classes

					Provisional	Forecast			Forecast % Change		
		2020-21	2021-22	2022-23	2023-24	2024-25 USD 0.56	2024-25 USD 0.63	2024-25 USD 0.69	2023-24 to 2024-25 USD 0.56	USD 0.63	USD 0.69
Revenue											
Wool		26,909	30,484	28,578	31,800	36,200	31,000	26,700	+13.8%	-2.5%	-16.0%
Sheep		292,953	372,145	328,865	262,700	315,300	261,800	218,100	+20.0%	-0.3%	-17.0%
Cattle		157,554	193,014	199,333	191,000	227,600	196,300	170,500	+19.2%	+2.8%	-10.7%
Dairy Grazing		35,229	38,366	35,711	33,800	36,500	36,500	36,500	+8.0%	+8.0%	+8.0%
Deer + Velvet		4,943	6,225	5,747	5,500	6,000	5,100	4,300	+9.1%	-7.3%	-21.8%
Goat + Fibre		81	28	-4	0	0	0	0			
Cash Crop		66,272	67,203	64,495	64,600	64,200	64,200	64,200	-0.6%	-0.6%	-0.6%
Other		23,829	27,900	31,103	30,500	31,600	31,600	31,600	+3.6%	+3.6%	+3.6%
Total Gross Revenue	**$ per farm**	**607,770**	**735,365**	**693,828**	**619,900**	**717,400**	**626,500**	**551,900**	**+15.7%**	**+1.1%**	**-11.0%**
Expenditure											
Fert, Lime & Seeds		83,851	99,716	92,352	78,300	78,100	77,100	76,300	-0.3%	-1.5%	-2.6%
Repairs & Maintenance		42,668	48,420	48,690	44,600	45,200	44,600	44,100	+1.3%	0.0%	-1.1%
Interest & Rent		70,254	76,401	111,047	124,400	134,100	134,400	134,700	+7.8%	+8.0%	+8.3%
Other Expenses		295,638	321,860	335,231	323,800	331,400	325,200	320,100	+2.3%	+0.4%	-1.1%
Total Expenditure	**$ per farm**	**492,411**	**546,397**	**587,320**	**571,100**	**588,800**	**581,300**	**575,200**	**+3.1%**	**+1.8%**	**+0.7%**
Farm Profit Before Tax[2]	**$ per farm**	**115,359**	**188,968**	**106,508**	**48,800**	**128,600**	**45,200**	**-23,300**	**+163.5%**	**-7.4%**	**-147.7%**
EBITRm[3]	**$ per farm**	**190,467**	**269,878**	**222,069**	**177,800**	**268,200**	**184,400**	**115,500**	**+50.8%**	**+3.7%**	**-35.0%**
Real Farm Profit[4]	$ per farm in 2004-05 $	84,100	129,700	68,000	30,000	77,400	27,200	-14,000	+158.0%	-9.3%	-146.7%
Real Farm Profit[4]	**Index (2004-05=1000)**	**1,148**	**1,770**	**928**	**410**	**1,058**	**371**	**-191**	**+158.0%**	**-9.5%**	**-146.7%**
Fertiliser Use	kg per SU	24.8	25.4	16.9	15.1	16.1	15.9	15.7	+6.7%	+5.3%	+4.2%
Prices											
Wool auction	¢ per kg clean	347	464	440	397	469	401	346	+18.1%	+1.0%	-13.0%
All wool[5]	¢ per kg greasy	202	247	228	243	294	252	217	+20.8%	+3.3%	-11.0%
Lamb	$ per head	133	164	144	129	152	130	112	+18.2%	+1.2%	-12.8%
Mutton	$ per head	127	146	96	60	78	60	45	+31.0%	+0.3%	-24.8%
Prime Steer/Heifer	¢ per kg	522	610	593	571	702	600	516	+22.9%	+5.0%	-9.6%

1. The Weighted Average for All Classes of Sheep and Beef Farm for 1 July 2024 was a grazing area of 713 hectares with 2,910 sheep, 333 cattle and 25 deer, totalling 4,580 stock units.
2. Farm Profit before Tax is required to meet personal drawings, taxation payments, debt repayments and the purchase of capital items.
3. Earnings before Interest, Tax, Rent and Managers Salary
4. Deflated by June year Consumer Price Index.
5. Net of charges and freight.

Source: Beef + Lamb New Zealand Insights Team, Sheep and Beef Farm Survey

beef+lamb
new zealand