



Mid-Season Update 2023-24

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About this report

The Mid-Season Update revisits price, production, and farm profitability forecasts for the 2023-24 season, following on from the New Season Outlook publication (October 2023). The Mid-Season Update is published annually at the mid-point of the meat processing season (1 October to 30 September). The B+LNZ Insights team analyses export and statistical data regularly and surveys sheep and beef farmers throughout the year.

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Summary for 2023–24

Halfway through the season, the outlook has worsened from six months ago

- **Demand for red meat overall** (particularly lamb and mutton) has been weaker than expected as the Chinese economy remains sluggish and Australian meat has flooded markets. On the positive, Europe and North America markets have been relatively strong, but this has not offset the Chinese drag.
- **Farm-gate prices** for cattle have held up relatively well due to drought in North America with the All Beef price is at 515 cents per kg, which is 3% below last season but is 2% above the five-year average.
- However, the lamb price is \$125 per head which is 12% down on last season and 13% below the five-year average and the mutton price at \$63 per head is 34% down on last season and 49% below the five-year average.
- Farmers have sought to cut costs and although farm inflation has slowed farmers are constrained in how much they can cut, and interest rates remain high.
- **As a result, farm profit is now forecast to decrease an estimated 54% compared to 2022-23** — to an average \$62,600 per farm. The original forecast was for a decrease of 31 percent.
- The expected 54% decrease follows a decrease of 29% the previous year.
- Adjusting for inflation, the expected level of profitability for 2023-24 is broadly similar to the 1980s and early 1990s and is the lowest farm profit since 2007-08.
- **An excellent lamb crop in spring 2023 provided greater numbers of lambs to sell,** but while more lambs to sell is helpful it does not offset the low prices.

This season, low farm profit is driven by poor returns for lamb and sheep and high farm expenditure.

Key 2023-24f Numbers



Lamb
6.51 \$/kgCW



Mutton
2.42 \$/kgCW



All Beef
5.15 \$/kgCW



Lamb processing
17.8 million head



Cattle processing
2.622 million head



Farm Profit before Tax
62,600 \$ per farm



EBITRm
174,100 \$ per farm

Markets are mixed

Prices are expected to remain soft for the remainder of the season, especially for lamb and mutton.

The following are the characteristics contributing to the 2023-24 outlook:

- **China** — China's economy recovery remains slow and low economic sentiment has persisted as the season has progressed. It is unclear when it will recover.
- **Australia** — has been very competitive and is exporting record levels of beef and sheepmeat as it destocks due to drought. This is expected to continue for at least the rest of 2023-24.
- **USA** — the strong demand for beef and lamb is expected to remain in the medium to long term because the rebuilding of the US herd from its recent drought will take a while, alongside solid economic fundamentals.
- **Europe** — inflation remains stubborn in the region, but sheepmeat demand has been solid into the UK and EU so far this season and that is expected to continue.

For the rest of 2023-24, the NZD is expected to be slightly weaker against the main currencies than originally forecast: to USD (0.62); GBP (0.48) and EUR (0.56).

Farm Profit Before Tax forecast to decrease

Farm Profit Before Tax is forecast to decrease in 2023-24, by 54% to an average \$62,600 per farm from 2022-23. Farm Profit before Tax is used to meet tax, personal drawings, principal repayments, capital expenditure and development of the farm.

Many farmers will likely be making a cash loss this season.

Falling profit for 2023-24 is driven by:

- 10% lower gross farm revenue
- 0.7% increase in farm expenditure.

The reduction in gross farm revenue is mainly due to:

- 18% lower sheep revenue
- 7.0% decrease in cattle revenue.

In October, we forecast farm-gate prices for 2023-24 to be comparable to 2022-23, however prices have been revised downwards which results in lower revenue alongside continued high farm expenditure.

Expenditure is forecast to increase 0.7% to average \$563,500 per farm for 2023-24. Farm expenditure remains high with inflation (currently forecast to be around 5-6% for the season), higher interest rates and projected higher overdrafts being contributing factors. Economic forecasts indicate interest rates may remain at current levels until late in 2024 or into 2025.

Farmers have reduced spending across most categories of farm expenditure for the past two seasons and have limited room left to cut back on farm inputs. The reduction in farm inputs, including fertiliser, may impact production in the future.

This season, while low profitability is widespread across all farm classes and farming regions, those farmers with a greater dependence on sheep revenue and those with higher debt levels will be most vulnerable.

The East Coast region with slightly fewer livestock to sell and a rebuild ahead following Cyclone Gabrielle, in February 2023, sees the poorest farm profit for the season. El Niño has brought a hot summer across parts of the country but has not been as extreme as forecasted. An exception is very dry conditions for the top of the South Island. Autumn rainfall will be critical for dry regions to improve feed levels.

Opportunities + challenges

Challenges



China's economic situation is poor and is expected to continue for the rest of the season.



Australia is going to continue to be competitive into most of our key markets for both sheep and beef exports.



Mutton and lamb prices are at multi-year lows and not expected to majorly change for the remainder of 2023-24.



The disruption in the Red Sea that gives passage to the Suez Canal has increased shipping costs.



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



The El Niño weather pattern is contributing to dry conditions on farms across the top of the South Island, Northland and Wairarapa, and central South Island. Autumn rainfall is greatly needed for feed levels to improve.

Opportunities



North American and European markets are relatively strong



Inflationary pressures are easing, which will be helpful for farm input prices. Interest rate cuts may start to occur in late 2024, but this will depend on how fast inflation gets back to normality.



The US economy is solid and domestic beef supply is low. Demand for beef and lamb is expected to be solid.



Beef cows in New Zealand are in excellent condition across most regions in summer which bodes well for calf weaning weights.



More lambs were born in spring 2023 increasing the number of prime and store lambs sold and enabling more choices for flock retentions.

Economic trends



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

World

Global economy currently fragile and mixed

The global economy is mixed. Some economies are looking solid (like the US), while others (particularly China) remain weak. The effects of inflation are lingering for most, but most western economies have proven to be resilient after the major challenges of the past few years.

The IMF reports the probability of a global recession is low, but the reverberations of China's slowdown are hard to predict.

Geopolitical tensions have heightened since our New Season Outlook publication. This has threatened trade systems, increased trade costs for some routes and entangled larger countries into making some difficult geopolitical decisions.

According to the IMF, world trade growth is expected to rise to 3.1% in 2024 which is weak compared to historical averages, but better than forecasted in July 2023. The forecast is driven by weak Chinese trade but offset by greater-than-expected resilience in the US and some emerging markets.

Global shipping costs have spiked temporarily

Global shipping costs have increased sharply in the last few months mainly due to conflicts in the Red Sea, which has affected passage to the Suez Canal. Costs seem to have peaked after a dramatic increase from a low base.

Overall, this could make:

- Shipping costs slightly more expensive due to flow-on effects from disruption,
- Shipping to the US and China should not be as disrupted because NZ shipments do not go through the Suez Canal.
- However, exports to the EU might be affected, and more could be redirected via the Panama Canal instead.
- Raw fertiliser ingredients will most likely not be affected.

- Indirectly, this affects China's exports into Europe which could result in less business for them which could flow onto less demand for New Zealand's exports.

Table 1 Economic Growth

	Annual Average % Change, March Year					
	2020	2021	2022	2023e	2024f	2025f
	%	%	%	%	%	%
US	+2.0	-2.7	+6.6	+1.6	+2.2	+0.9
UK	+0.6	-12.5	+12.7	+1.6	+0.3	+0.4
Euro zone	+0.4	-5.8	+7.0	+2.4	+0.5	+0.8
Japan	-0.8	-4.1	+2.8	+1.3	+1.8	+1.1
China	+2.5	+8.1	+5.6	+2.9	+5.9	+4.8
South Korea	+2.1	-0.5	+4.5	+2.1	+1.1	+1.9
Australia	+1.8	-1.6	+5.4	+3.5	+1.9	+1.4
Trading Partners	+1.8	+0.7	+5.7	+2.7	+2.9	+2.8
New Zealand	+2.5	-0.7	+5.2	+2.9	+0.6	+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

Table 2 Consumer Prices

	Annual Average % Change, March Year					
	2020	2021	2022	2023e	2024f	2025f
	%	%	%	%	%	%
US	+1.9	+1.2	+6.2	+7.4	+3.8	+2.9
UK	+1.7	+0.6	+4.0	+10.0	+7.4	+3.8
Euro zone	+1.1	+0.2	+3.9	+8.8	+5.4	+3.0
Japan	+0.6	-0.3	+0.1	+3.2	+3.0	+1.9
China	+1.6	-2.3	-0.1	+0.8	-0.5	+1.8
South Korea	+0.5	+0.7	+3.1	+5.3	+3.1	+2.3
Australia	+1.8	+0.6	+3.9	+7.1	+5.5	+3.6
Trading Partners	+1.4	-0.1	+2.9	+5.6	+3.4	+2.7
New Zealand	+1.9	+1.5	+5.3	+7.1	+5.6	+2.5

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

China

Weak economic activity expected to continue

Economic activity in China for 2024 is expected to remain weak. Many commentators had been expecting to see a post-COVID bounce back, but this has not materialised, and economic conditions have worsened.

It is difficult to predict when China may start to recover. It is a hard market to forecast due to lack of transparency and increasingly tighter government controls on reporting, but economic reporting the government releases at present is not positive.

The IMF forecasts the Chinese economy will grow 4.6% in 2024, which is low for China.

Consumer sentiment and consumption has suffered

The economic conditions of the residential market and youth unemployment rates, and trust in authorities has worsened as the season has progressed. This has flowed onto weaker consumer confidence and therefore lower consumption and lower export prices for red meat.

China faces several economic challenges, including:

- Recent failure of two massive property developers,
- High household and public debt — largely because central planning has mostly focused on infrastructure and property investment, and not consumption to grow the economy, and
- A decrease in foreign investment and low demand globally for Chinese exports as the global economy still recovers
- Deflationary fears among Chinese citizens.

China is mired with deflationary fears, the opposite of what most other countries are facing. Inflation for January in China was -0.8%, the fourth consecutive month of decline. Driving this decrease is a decline in food prices, with pork experiencing the biggest decrease compared to January last year, as an oversupply is hitting markets after years of African Swine Fever (ASF). Authorities have issued a high number of loans to invigorate growth, but that is yet to transpire.

China has been Asia's key growth driver in recent years. However, slowing GDP growth due to a teetering residential market, and now a shrinking population due to their controversial one-child policy implemented in 1980 (but later scrapped in 2016), means India soon could take that role.

US

Economic fundamentals are solid

The US economy is looking solid in 2024. It is leading the developed world in its success in slowing inflation back to normal levels while keeping unemployment low. Inflation is expected to be close to the Federal Reserve's target of 2%. Business fundamentals are more solid than expected, and GDP growth is exceeding what most analysts were thinking.

The IMF estimates the US economy will grow 2.1% in calendar 2024, following a 2.5% growth in 2023.

The Federal Reserve has increased interest rates to cool inflation and has so far succeeded in doing so without dampening economic growth or causing a recession. At the January Federal Open Market Committee (FOMC), the Federal Reserve held the fund rate at 5.5%. Chair Jerome Powell has not given a definitive timeline when the Federal Reserve will cut rates, but most analysts expect cuts in the latter half of 2024.

Europe

Focusing on reining in inflation

For the rest of the season, Europe will be focused on getting inflation back within desired targets and tempering geopolitical risks from the Russian invasion of Ukraine.

Generally, economies are starting to recover from the pandemic and energy prices have fallen back to late-1990 levels.

Continued strength in labour markets, potential easing in credit availability for business and lowering inflation, will all be important factors for economic strength in Europe and consumer demand for high quality red meat.

New Zealand

Mixed global demand for exports alongside high input costs

The New Zealand economy remains sluggish and inflation is persistently high. As a result, the Reserve Bank is not expected to start to reduce interest rates until 2025.

Global demand for New Zealand's primary sector exports in general is expected to be weaker than previous years for the rest of the season.

Farmers in all sectors have seen their profitability severely impacted (with many expected to face losses), eroded by high-on-farm costs, weather events, and lower export prices, which will have flow-on effects to the New Zealand economy.

Consumers + competitors



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

Global Food Conditions

Demand is expected to be mixed

The biggest influences on lamb and mutton markets this year have been low Chinese demand, and high Australian supply. While demand from Europe and the US has been solid the Chinese and Australia dynamics have overshadowed this and this is not expected to turn around before the end of the season.

Strong demand out of the US for beef has offset the impact of the weak China market and Australian supply of beef.

Brazil will be a key beef supplier to keep an eye on as it is expected to fill its US quota much earlier than usual, then divert product to China.

China

Lower consumption and more competition from red meat imports

Lower demand, and increased competition from other red meat exporters (particularly Australia and South America) into the Chinese market, has been the primary driver of lower farm-gate prices in New Zealand and have had a bigger downward effect on pricing than predicted in our New Season Outlook 2023-24 publication.

Chinese New Year celebrations (10 February 2024) were expected to boost demand and add life to exports and farm-gate prices, but this did not transpire and New Zealand red meat exports to China in December and January were weak.

After the outbreaks of African Swine Fever (ASF) in 2021, domestic pork production has recovered. As a result, the country's pork consumption has returned to normality, and there is now an oversupply, which is driving pork prices low. During

In the month of January, Europe (including EU27 and the UK) was New Zealand's biggest lamb customer, eclipsing China for the first time in many years.

the ASF outbreak many consumers switched to beef and lamb. The low pork prices are now likely enticing some of those consumers back.

Demand for New Zealand red meat is expected to remain weak for the remainder of the 2023-24 season for the reasons outlined above and continued expected strong exports from Australia and South America. Long-term, red meat consumption is expected to recover as the Chinese economy recovers. Most analysts, however, are not expecting a big turnaround in the economy in 2024.

US

Moderately strong outlook

The outlook for the rest of the 2023-24 season for red meat exports into the US is solid, with beef looking the most optimistic due to continued low domestic supply. The US domestic beef herd is 10% lower than 2020.

US imported prices for beef are at strong levels at present and forecasts are suggesting that prices could get higher. Brazil is expected to fill its beef quota into the US in February ahead of its usual month of May, which could open more opportunities for New Zealand in this market.

High-value lamb cuts should continue to receive high export prices in the US, alongside marketing efforts to grow grass-fed lamb consumption in this market.

USDA are forecasting domestic prices for beef and lamb to remain strong until 2028.

The effects of lower domestic beef supply have flowed into Canada too with demand for beef being strong into this market as well. This is expected to be true for the rest of the season.

UK

Demand has rebounded

Exports to the UK have rebounded from the lows experienced in 2022-23, with this season's lamb exports up 71% for the four months to the end of January compared to the same point last season.

Solid Christmas trade drove this increase as New Zealand lamb prices found the floor and retailers treated imports as loss leaders, i.e. buying a large quantity of product to sell at low margins alongside other complimentary goods during Christmas time. Easter trade will be the next key point to assess market health.

Despite the UK Agriculture and Horticulture Development Board (AHDB) estimating that domestic lamb consumption will fall 3% in 2024, they also believe that imports from New Zealand and Australia will expand 4%, as domestic production is expected to fall by more.

Since the NZ-UK FTA was implemented in May 2023, New Zealand's beef exports have grown strongly, albeit off a very low base, and will be something to watch in the medium term.

Europe

Resilience in lamb demand

Despite inflation weighing on incomes and geopolitical tensions, exports into the EU were resilient for the start of the 2023-24 season and this is expected to continue for the remainder of the season. Driving this is the reinvigoration of the tourism sector that is driving more demand in the restaurant trade alongside lower EU sheepmeat production.

New Zealand beef exports to the EU are small due to limited quota access.

The outlook for the EU depends on getting inflation back within the desired central banks' range, tourism demand remaining solid, and lower domestic sheep production for NZ imports to plug the difference.

The EU-NZ FTA, which will likely enter into force in late 2024, will provide little new access for meat to this market.

Other key markets

Middle East, Japan, South Korea, and Taiwan

Regarding the Middle East region, the overwhelming amount of meat that is processed and exported from New Zealand is Halal certified while meeting New Zealand's strict animal welfare standards and therefore meets this market's requirements. It is hard to gauge how well this region will perform in the outlook period. Exports to this region are volatile, with Saudi Arabia and Jordan making up the biggest proportions of exports.

Japan, South Korea, and Taiwan are the top markets for New Zealand's beef exports, after China and the US. Trade barriers into South Korea and Japan are reducing over time. These markets are important to watch in the outlook period but might be challenged by demand pull from other top markets like the US, China, and Canada.

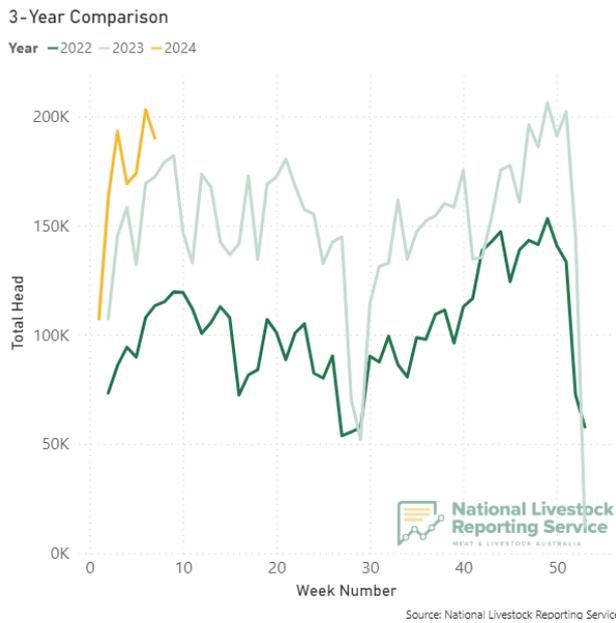
Australia

Strong competition in all markets is expected to continue for some time

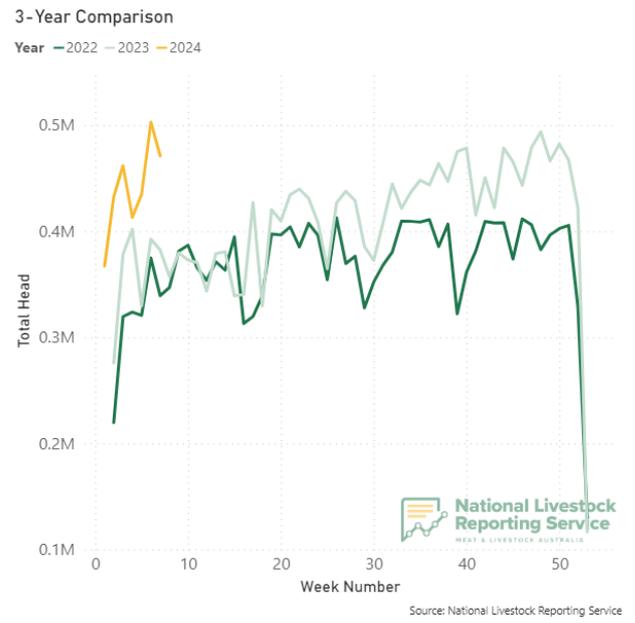
Increased competition in international meat markets from Australia has not let up as the 2023-24 season has progressed, and this is expected to continue for at least the remainder of the season, which will dampen prices.

The Australian sheep flock and beef herds reached record levels in 2023. Slaughter figures for sheep and cattle achieved record levels in 2023, and 2024 is expected to far exceed this and subsequently flow through to exports. In February, sheepmeat exports reached their highest level on record. The below graphs show the pace of processing in 2024 so far compared to 2022 and 2023.

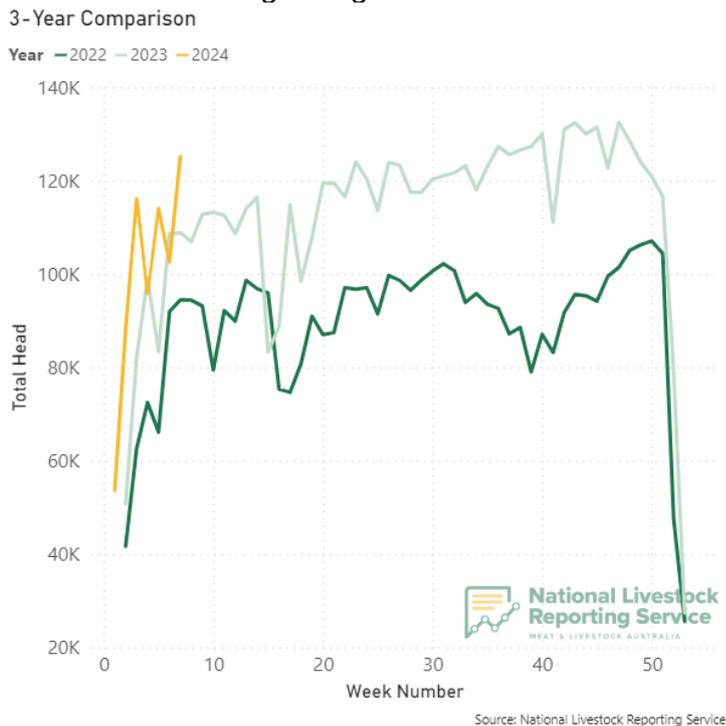
Australia sheep slaughter figures



Australia lamb slaughter figures



Australia cattle slaughter figures



Exports of beef in calendar 2024 are expected to be 8% higher than 2023. 2025 is expected to be higher too.

One positive aspect for New Zealand farmers is that the national flock and herd seem to have peaked and are downsizing, the rate of this is hard to see or predict. One example is that a high number of light lambs were sold to processors versus to farms for restocking, so this could create less available lambs in the autumn or winter 2024.

Brazil

Will remain a strong competitor

Overall Brazilian beef exports are expected to remain stable, but it will remain a strong competitor for the rest of the season, particularly in China, which is its largest market.

Beef production peaked in 2023 and is expected to decrease in 2024, as the expansion of farming land is expected to slow under the new government. The country is experiencing a drought, causing herds to downsize like Australia. From 2021 till now, exports of beef have grown strongly to elevated levels to where they are now as the national herd has reached new highs. As the herd downsizes, export levels should be staying at similar levels in 2024 and most likely into 2025.

In mid-2023, the Chinese government granted access to several South American beef plants to export product into China increasing their competitiveness into this market.

Argentina

Competitiveness in beef remains low

Argentina's competitiveness in beef remains subdued due to continued hyperinflation and political instability.

Export restrictions on all beef cuts were lifted by the new government elected late 2023. This will make Argentina more competitive into China compared to other markets.

The aim of the export controls was to keep prices low enough for the population as public opinion is very sensitive to retail price changes for beef. Removing restrictions might exacerbate inflation, which is already extremely high. However, farming groups have been asking for the export restrictions to be removed for years.

Argentina is also facing drought conditions for its cattle herds, which caused an oversupply of beef domestically in 2023. However, as the restrictions on exports were removed, exports might rise, and local consumption might fall as prices increase.

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 the rest of 2023-24, the NZD is expected to be slightly weaker against the main currencies than originally forecast: to USD (0.62); 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, 75% 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 0.62	
	-10%	-5%	Forecast	+5%	+10%	to USD 0.56	to USD 0.68
USD	0.56	0.59	0.62	0.65	0.68	-10%	+10%
GBP	0.43	0.46	0.48	0.50	0.53	-10%	+10%
EUR	0.50	0.53	0.56	0.58	0.61	-10%	+10%
Farm-Gate Prices Received							
\$ / head							
Lamb	146	135	125	116	108	+16.6%	-13.5%
Mutton	82	72	63	55	48	+29.6%	-24.2%
Steer/Heifer	1,887	1,749	1,625	1,512	1,410	+16.2%	-13.2%
Cow	891	826	767	714	666	+16.2%	-13.2%
Bull	1,965	1,821	1,692	1,574	1,468	+16.2%	-13.2%
All Beef	1,535	1,423	1,322	1,230	1,147	+16.2%	-13.2%
c / kg							
Lamb ¹	759	702	651	605	563	+16.6%	-13.5%
Mutton ¹	313	276	242	211	183	+29.6%	-24.2%
Steer/Heifer	665	617	573	533	497	+16.2%	-13.2%
Cow	441	409	380	353	329	+16.2%	-13.2%
Bull	652	604	561	522	487	+16.2%	-13.2%
All Beef	598	555	515	480	447	+16.2%	-13.2%
Fine ²	1,791	1,654	1,531	1,420	1,318	+17.0%	-13.9%
Medium ²	455	420	389	361	335	+17.0%	-13.9%
Crossbred ²	253	233	216	200	186	+17.0%	-13.9%
All Wool ²	397	366	339	314	292	+17.0%	-13.9%

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

Cattle



Beef and veal production

Forecast 3.2% decrease after 4-year high

In 2023-24, New Zealand's export beef production is forecast to be 672,000 tonnes bone-in — a 3.2% decrease from 2022-23, adjusted slightly up from the New Season Outlook (NSO) publication. This is in line with historical levels after over four years of higher than usual processing. It also reflects the relative proportions each class of cattle contributes to the total.

Beef production per season

Sep Year	000 tonne bone-in				
	Steer	Heifer	Cow	Bull	Total
2019-20	184	120	212	163	679
2020-21	208	134	209	166	717
2021-22	200	126	195	159	681
2022-23e	205	132	202	154	694
2023-24f	199	127	195	151	672
2023-24f % change	-3.1%	-4.4%	-3.5%	-1.7%	-3.2%

e estimate, f forecast

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

Number of cattle processed for export forecast to decrease 2.1%

For 2023-24, the number of cattle processed for export is forecast to decrease 2.1% to 2.6 million head. The main changes from the NSO are that both cow and heifer processing were revised up due to less retention on farm than what was forecasted.

Cattle slaughter figures for export

Sep Year	000 head				
	Steer	Heifer	Cow	Bull	Total
2019-20	588	491	1,048	546	2,674
2020-21	669	550	1,034	553	2,806
2021-22	647	515	965	529	2,656
2022-23e	654	525	996	502	2,677
2023-24f	638	515	966	502	2,622
2023-24f % change	-2.4%	-1.8%	-3.0%	+0.0%	-2.1%

e estimate, f forecast

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

Export cattle carcass weights forecast to remain stable

On average, export cattle carcass weights are forecast to remain relatively stable in 2023-24. This forecast assumes slightly smaller carcass weights on average as weights were heavy last year due to there being slightly more feed available in 2022-23 due to a very wet summer.

Average carcass weights

Sep Year	kg / head				
	Steer	Heifer	Cow	Bull	Total
2019-20	312	243	202	299	254
2020-21	310	244	202	300	256
2021-22	309	246	202	300	256
2022-23e	314	252	203	307	259
2023-24f	312	246	202	301	256
2023-24f % change	-0.7%	-2.6%	-0.5%	-1.7%	-1.1%

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 decrease 6.9%

For 2023-24, total beef and veal export receipts (including co-products) are forecast to decrease 6.9% driven by 3.2% less volume and a 4.7% decrease in average export value, alongside co-products being steady compared to 2022-23:

- 2022-23 was a high export volume year due to more dairy cows being slaughtered.
- The FOB per tonne decrease is due to less China demand offsetting solid demand from America.
- Compared to the NSO we have revised down the FOB per tonne figure due to sluggishness in China.

Beef and veal export figures

Sep Year	Beef and Veal Meat			Co-Products	Total Beef	Beef Meat
	000 tonne	\$ / tonne	\$m FOB	\$m FOB	\$m FOB	%*
2019-20	464	8,189	3,797	511	4,309	88%
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%
2023-24f	480	8,423	4,042	612	4,654	87%
2023-24f % change	-3.2%	-4.7%	-7.7%	-0.8%	-6.9%	

* 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

Slight decrease from previous season

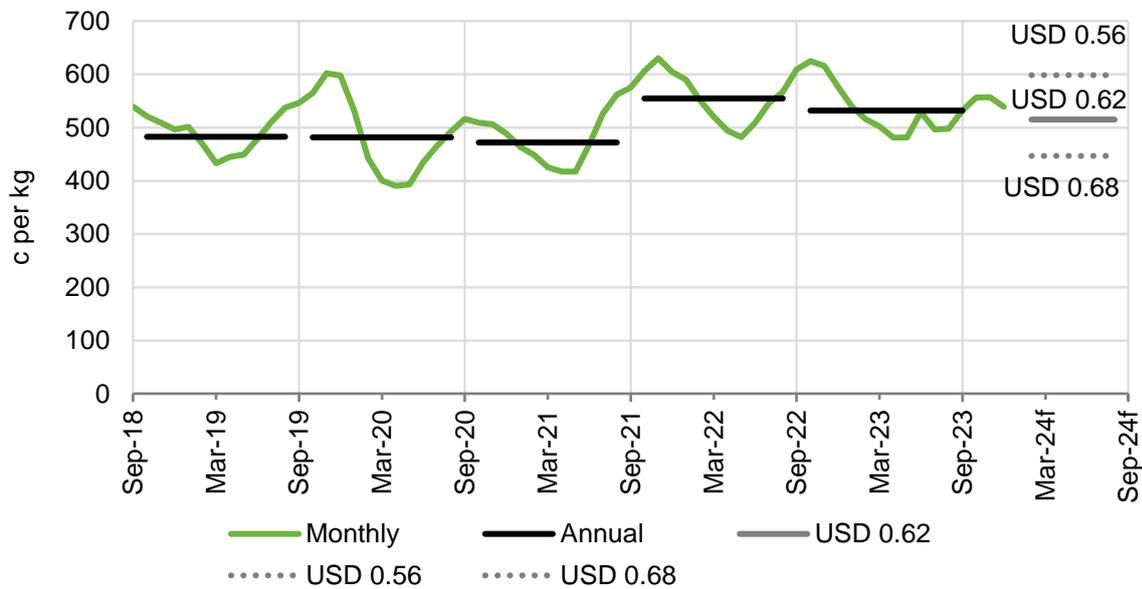
The annual weighted average all classes cattle price for 2023-24 is estimated at 515 c/kgCW. This is down 2.9% on 2022-23 but 2.1% higher than the five-year average.

For 2023-24, export fundamentals remain relatively solid compared to historical averages despite a decrease. Supporting this a more favourable direction in the USD than expected at the start of the season.

At USD0.62, the estimated 2023-4 average annual prices are:

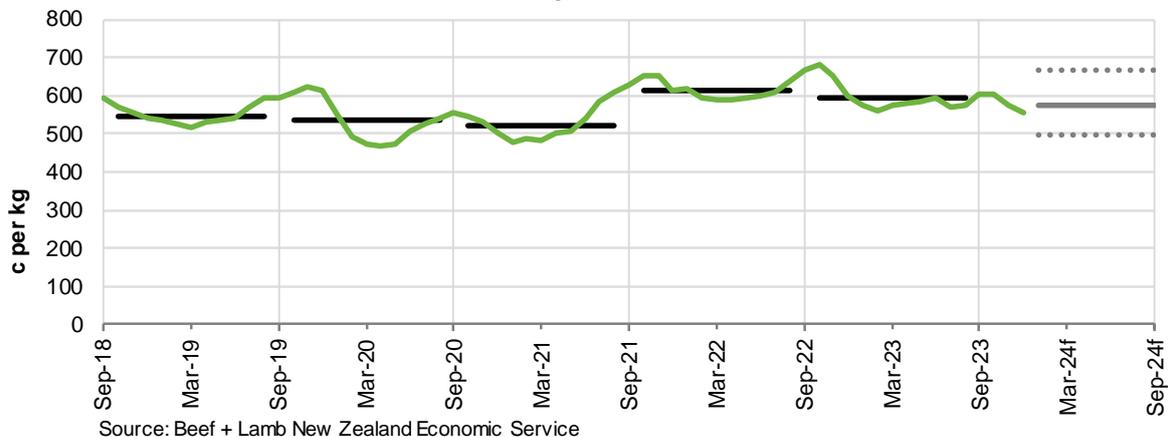
- 597 cents per kg for P steer/heifer (270-295kg)
- 385 cents per kg for M cow (170-195kg)
- 578 cents per kg for M bull (270-295).

Weighted average for cattle farm-gate prices — all classes



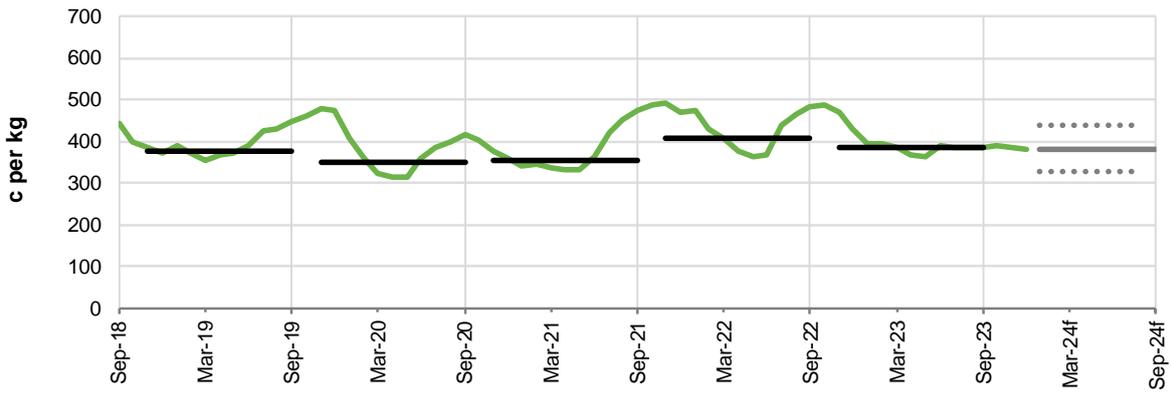
Source: Beef + Lamb New Zealand Economic Service

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



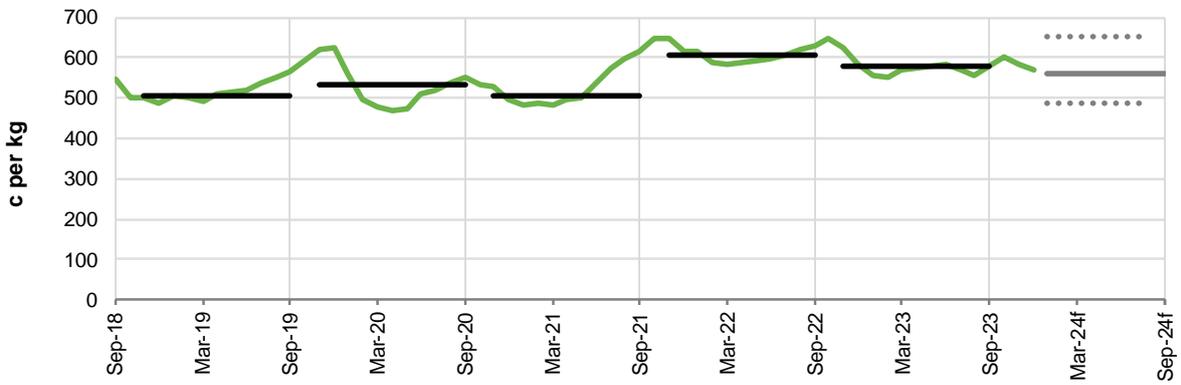
Source: Beef + Lamb New Zealand Economic Service

Cow — M cow (170-195 kg)



Source: Beef + Lamb New Zealand Economic Service

Bull — M bull (270-295)



Source: Beef + Lamb New Zealand Economic Service



Sheep

Lamb production

Number of lambs tailed up 0.9% from last spring

The total number of lambs tailed in spring 2023 is estimated at 21.3 million head, up 0.9% on the previous spring. This has been revised up from the New Season Outlook (NSO), following our Lamb Crop 2023 report, due to better breeding conditions and better pregnancy scanning results.

For the year ending September 2024, the number of lambs processed for export is forecast to increase 0.5%, or 0.1 million head to 17.8 million. This has been revised up from the NSO due to a better lamb crop.

Lamb production per season

Sep Year	Lamb Crop million head	Slaughter million head	Carcase Weight kg	Production 000 tonne bone-in
2019-20	23.2	19.1	19.0	363.5
2020-21	22.9	18.3	19.1	349.9
2021-22	22.0	17.8	19.0	338.3
2022-23e	21.2	17.7	19.4	342.9
2023-24f	21.3	17.8	19.3	342.7
2023-24f % change	+0.9%	+0.5%	-0.6%	-0.1%

e estimate, f forecast

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

Breeding and lambing numbers

- For the year to June 2023, the number of breeding ewes declined 1.7% to 15.7 million.
- The number of ewe hoggets mated increased (+6.3%).
- Lambs from ewe hoggets are a small proportion of the total lamb crop – around 4.6%.
- The average lambing percentage for ewes for Spring 2023 is estimated at 130.0%.

Mutton production

Number of adult sheep processed forecast to decrease 4%

The number of adult sheep processed in 2023-24 is forecast to decrease 4% to 3.2 million.

The average mutton carcase weight is expected to be steady on 2022-23.

In 2023-24, total export mutton production is forecast at 83,400 tonnes bone-in, which is down 4.9% from 2022-23, and has been revised down from 87,600 tonnes from the NSO due to lower numbers being processed.

Mutton production per season

Sep Year	Breeding Ewes million head	Slaughter million head	Carcase Weight kg	Production 000 tonne bone-in
2019-20	16.8	3.5	25.9	91.6
2020-21	16.6	3.8	26.2	100.7
2021-22	16.3	3.6	25.6	93.6
2022-23 ^e	15.9	3.3	26.0	87.7
2023-24 ^f	15.7	3.2	26.1	83.4
2023-24 ^f % change	-1.7%	-4.0%	+0.4%	-4.9%

^e estimate, ^f forecast

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

Lamb exports

Export volume up slightly

Total lamb export receipts forecast to decrease 4.8%

For 2023-24, total lamb export receipts (including co-products) are forecast to decrease 4.8%, driven by a 2.2% increase in volume which is more than offset by a 7.1% decrease in FOB per tonne for meat, alongside co-products being steady compared to 2022-23:

- 2023-24 is expected to be a solid year for volume driven by a solid lamb crop.
- The FOB per tonne decrease is driven by less China demand despite solid European demand at the start of the season.
- Compared to the NSO we have revised down the average export value per tonne due to China not improving as much as expected, but increased the volume exported due to a higher lamb crop.

Lamb export figures

Sep Year	Lamb meat			Co-Products \$m FOB	Total Lamb \$m FOB	Lamb Meat %*
	000 tonnes	\$ / tonne	\$m FOB			
2019-20	307	10,829	3,327	155	3,482	96%
2020-21	307	10,435	3,201	149	3,350	96%
2021-22	292	12,970	3,782	215	3,996	95%
2022-23 ^p	289	11,092	3,206	183	3,389	95%
2023-24 ^f	295	10,299	3,042	184	3,225	94%
2023-24 ^f % change	+2.2%	-7.1%	-5.1%	+0.3%	-4.8%	

* 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

Continued downward trend

Total mutton export receipts forecast to decrease 19%

For 2023-24 total mutton export receipts (including co-products) are forecast to decrease 19% driven by a 4% less volume and a 19% decrease in FOB per tonne, alongside co-products being 3.6% lower compared to 2022-23:

- Export volume is lower as less mutton are being processed due to lower prices.
- FOB per tonne is forecast to plummet as mutton performance is dictated by Chinese demand, almost 90% of volume exported goes to China.
- Compared to the NSO, the biggest difference is the write-down in average export value as the economic situation in China has worsened as the season has progressed.

Mutton production per season

Sep Year	Mutton meat			Co-Products \$m FOB	Total Mutton \$m FOB	Mutton Meat %*
	000 tonnes	\$ / tonne	\$m FOB			
2019-20	85	7,519	642	102	744	86%
2020-21	94	7,718	727	102	829	88%
2021-22	87	8,159	711	113	824	86%
2022-23p	81	6,373	518	108	625	83%
2023-24f	78	5,159	404	104	508	80%
2023-24f % change	-3.7%	-19.0%	-22.0%	-3.6%	-18.8%	

* 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

Export decreases flow directly onto farm-gate prices

In the New Season Outlook in October, we were forecasting prices to remain relatively the same as in 2022-23. These have been revised downwards for the remainder of the season as market conditions particularly in China have driven things down.

The annual weighted average all classes lamb price for 2023-24 is estimated at 651 c/kgCW, down 12% on 2022-23 and 13% lower than the five-year average.

The annual weighted average all classes mutton price for 2023-24 is estimated at 241 c/kgCW, down 34% on 2022-23 and 49% lower than the five-year average.

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

The NZD is generally weaker compared to 2022-23 and what was originally forecasted in the NSO, so this only partially cushion the decreases for both mutton and lamb.

Sensitivity prices for lamb

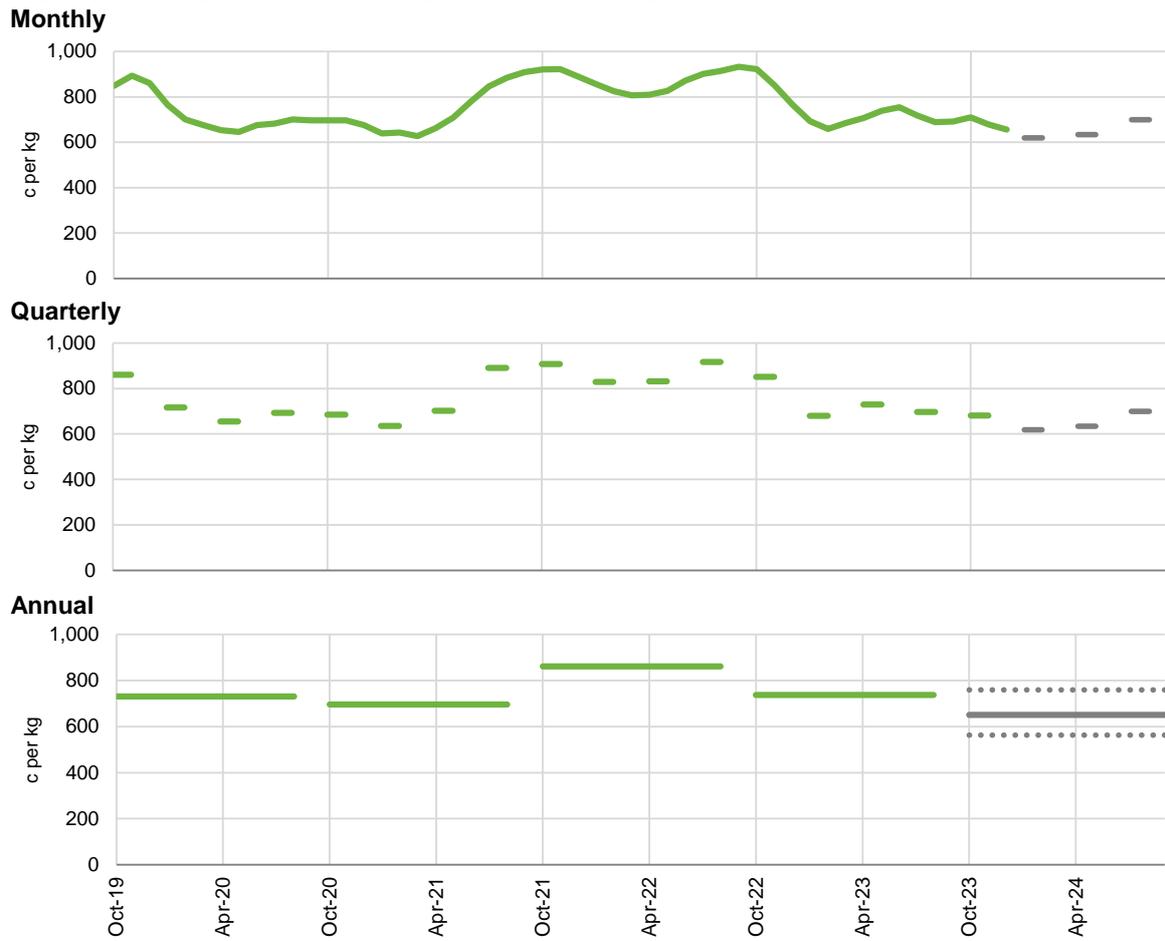
		All Class Lamb Price		
Exchange Rate		\$ per head	c per kg	
Low NZD				
USD	0.56			
GBP	0.43	146	759	High
EUR	0.50			
Mid NZD				
USD	0.62			
GBP	0.48	125	651	Mid
EUR	0.56			
High NZD				
USD	0.68			
GBP	0.53	108	563	Low
EUR	0.61			

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

Strong wool prices increase strongly off low base

- **Prices are forecast to fall for all wool types except strong wool for the 2023-24 wool season** — while this is positive news for most farmers, it was a marginal increase and would have to lift substantially before cross-bred wool becomes profitable.
- **Fine wool prices forecast to decrease 18%** — this follows a 5.5% decrease in the previous season.
- **Medium wool prices forecast to decrease 6%.**
- **Downward trend is forecast in the finer categories** — this indicates that distributors are pessimistic for demand, especially out of China and Europe.
- **Strong wool prices forecast to increase 21%.** — This is an increase from a low base and will not feasibly make strong wool profitable once shorn. This is driven by more demand from China and India.
- **The average across all wool types is expected to increase 3.9%** — due to the strong price increase in strong wool which is the majority of wool production.

Production

Total shorn wool production forecast to increase 1%

For 2023-24, total shorn wool production is forecast to increase as sheep numbers are forecast to be stable and the kilograms shorn per sheep is expected to be slightly higher.

Slipewool production is forecast to decrease 0.6% on the previous season.

Exports

Exported volume forecast to increase 1%

For the 2023-24 season (from July to June), New Zealand wool exports are expected to be up 1%.

Shearing

Shearing expenditure forecast to increase 4.3%

- Shearing expenditure is forecast to increase 4.3% in 2023-24 to average \$29,500 per farm, which is equivalent to \$5.93 per sheep shorn.
- Shearing expenses are 91% of wool revenue in 2023-24.

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
2019-20	26.8	114	16.4	130	4.84
2020-21	26.0	118	16.0	134	5.13
2021-22	25.7	111	15.7	127	4.92
2022-23e	25.3	109	15.3	124	4.91
2023-24e	25.5	110	15.2	126	4.92
2023-24e % change	+0.6%	+1.2%	-0.6%	+1.0%	+0.4%

*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

June Year	cents / kg greasy				
	Fine	Medium	Strong	Lambs	All Wool
2019-20	1,447	725	221	230	332
2020-21	1,114	421	170	169	254
2021-22	1,532	389	213	210	337
2022-23e	1,448	313	224	206	320
2023-24e	1,187	294	271	198	335
2023-24e % change	-18.0%	-6.0%	+20.9%	-4.0%	+4.6%

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

June Year	Auction Price		Wool Exports	
	\$ / kg clean	FOB \$ / kg clean	000 tonne clean	\$m FOB
2019-20	4.53	5.63	76.7	432.1
2020-21	3.47	4.15	95.4	395.7
2021-22	4.64	5.04	86.8	437.4
2022-23e	4.40	5.17	77.4	400.2
2023-24e	4.60	5.02	78.2	392.8
2023-24e % change	+4.6%	-2.8%	+1.0%	-1.9%

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



Farm profit

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

Farm profits

Forecast at a 15-year low, down 54% on last season

In 2023-24, Farm Profit Before Tax for B+LNZ's All Classes average farm is forecast to decrease 54% from 2022-23, to average \$62,600 per farm. In inflation-adjusted terms this equals \$38,300 per farm — which is a 15-year low and reminiscent of low profitability during parts of the 1980s and early 1990s.

With such low average farm profitability, many farmers will likely be making a cash loss this season. Falling profit is driven by lower Gross Farm Revenue and increased Farm Expenditure. Farm profitability varies between farm classes, regions, and farms. As such, the NZ average farm profit somewhat understates the difficult situation many farmers currently face to maintain the farming operation and support the farming family.

Farms with a greater dependence on sheep revenue and those with higher debt levels are most vulnerable to the downturn in farm-gate prices and high interest costs. Although farm-gate cattle prices have softened moderately from 2022-23, revenue from cattle is an advantage this season.

Extensive sheep and beef farms, High Country, Hard Hill country and South Island Hill Country farms face the greatest declines in profitability mostly due to a greater reliance on sheep revenue. High Country farms in Otago-Southland face the largest decline in profitability. However, the East Coast region is projected to be the most affected by low profitability this season as they recover from the destructive weather events in 2022-23 which increased farm expenditure, and farms in the region also have fewer animals to sell after some losses and destocking following Cyclone Gabrielle in February 2023.

The expected severe El Niño dry conditions have not materialised yet. Although it has been a long, hot summer, feed levels are relatively good or manageable for most regions. The top of the South Island is an exception, however, and autumn rainfall will be critical for dry areas to improve feed levels. The southern East Coast region has also been very dry this summer which may impact the timing of sales and increase costs depending on severity.

What are farmers doing to manage the downturn?

Other sources of income combined with cost-cutting

Farmers have cut farm inputs throughout both 2022-23 and 2023-24 including repairs and maintenance, labour input, shearing timing and using more family labour where possible, reducing volumes of fertiliser applied and switching types of fertiliser. Cost cutting measures will undoubtedly continue through 2024.

Overdrafts are extended this season, if permitted by lenders, and this adds to the increased interest burden.

Other options for farmers, especially finishing farms, can be to move towards increased numbers of cattle versus sheep, and calculating gross margins of different enterprises to ensure they are maximising returns (where there is some flexibility). Often a change in farm policy and changes to livestock mix are complex and take time to implement in biological systems.

However, off-farm and other sources of income may play a significant part in financing the downturn. Other sources of funds include off-farm income, asset sales (land subdivision, non-farm assets, shares etc.), carbon credits, sale of tree cutting rights, and early harvest of plantations. Sheep and beef farmers have already applied these measures and will continue to do so this season and likely into 2024-25.

Total gross farm revenue

Forecast to decrease 10%

Overall Gross Farm Revenue decreases 10% for 2023-24 due to lower farm-gate sheep prices reducing sheep revenue, and slightly lower cattle revenue with a softening of cattle prices and a small reduction in numbers sold.

The following contribute to gross farm revenue on average:

- Sheep revenue – 44%
- Cattle revenue – 29%
- Crop revenue – 10%.

Sheep revenue as a percentage of gross farm revenue has declined from around 51% in 2021-22, a season with exceptional lamb and sheep farm-gate prices.

Spring 2023 brought an excellent lamb crop, with the average lambing percentage estimated 130.0%. While more lambs to sell is helpful, and farmers are seeking to sell at higher weights, the larger lamb crop does not offset the low farm-gate prices.

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

Total farm expenditure

Forecast to increase 0.7%

A slight increase in total farm expenditure is forecast in 2023-24 despite farmers restricting farm inputs, including a reduction in fertiliser volumes. Total farm expenditure is forecast to average \$563,500 per farm.

Given inflation in the price of farm inputs is currently forecast at 5-6%, the slight increase in farm expenditure means a sharp decrease in the volume of inputs on farm is happening.

Farm expenditure remains high with inflation, high interest rates and projected higher overdrafts being contributing factors. Farmers have reduced spending across most categories of farm expenditure for the past two seasons and have limited room left to cut. The reduction in farm inputs, including fertiliser, may impact production in the future.

Interest expenditure, which accounts for around 16% of total farm expenditure, is forecast at \$89,000 per farm (+26%). Farmers need an additional \$18,000 on average on last season to service debt as term debt, overdrafts and current liabilities are forecast to increase on 2022-23 and are subject to higher interest rates this season. This interest cost figure will vary widely between farms, and those with higher debt levels will be under greater pressure given current interest rates. Economic forecasts indicate interest rates may remain at current levels until late in 2024 or into 2025.

- **Balance sheets and equity have worsened** with higher liabilities and lower asset values for sheep and plant (with reduced capital expenditure for 2022-23 and 2023-24).

Earnings before interest, tax, rent and wages

Forecast to be 24% lower

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 hectare is a standardised measure that facilitates benchmarking.

EBITRm is forecast to average \$174,100 per farm for 2023-24, 24% lower than 2022-23.

See Appendix 1 for exchange rate scenarios for EBITRm.

Exchange rate scenarios

Farm Profit Before Tax forecast based on USD 0.62

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

The Farm Profit Before Tax forecast for 2023-24 depends on the value of the NZD relative to other currencies, this forecast is based on USD 0.62. 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.

If the NZD falls 10% to USD 0.56, both Gross Farm Revenue and Farm Expenditure would increase with an overall improvement in Farm Profit Before Tax and EBITRm to \$148,300 and \$260,100 respectively

Summary of weighted averages in New Zealand

This table shows the impact of exchange rate changes across different scenarios.

Weighted Average All Classes¹

		Provisional		Forecast		
		2021-22	2022-23	2023-24	2023-24	2023-24
Revenue				USD 0.56	USD 0.62	USD 0.68
Wool		30,484	29,400	37,600	32,300	28,000
Sheep		371,885	332,400	330,600	273,900	227,700
Cattle		193,014	198,100	214,700	184,200	159,700
Dairy Grazing		38,366	40,600	41,600	41,600	41,600
Deer + Velvet		6,225	5,400	6,100	5,200	4,500
Goat + Fibre		28	0	0	0	0
Cash Crop		67,203	61,300	61,200	61,200	61,200
Other		27,900	27,100	27,700	27,700	27,700
Total Gross Revenue	\$ per farm	735,105	694,300	719,500	626,100	550,400
Expenditure						
Fert, Lime & Seeds		99,716	99,000	88,100	86,900	85,900
Repairs & Maintenance		48,420	46,200	44,000	43,400	42,900
Interest & Rent		76,401	87,900	106,300	106,500	106,700
Other Expenses		321,931	326,400	332,800	326,700	321,700
Total Expenditure	\$ per farm	546,468	559,500	571,200	563,500	557,200
Farm Profit Before Tax²	\$ per farm	188,637	134,800	148,300	62,600	-6,800
EBITRm³	\$ per farm	269,807	227,500	260,100	174,100	104,300
Real Farm Profit⁴	\$ per farm	129,500	86,600	90,700	38,300	-4,200

1. The Weighted Average for All Classes of Sheep and Beef Farm for 1 July 2023 was a grazing area of 700 hectares with 3,004 sheep, 332 cattle and 26 deer, totalling 4,680 stock units.

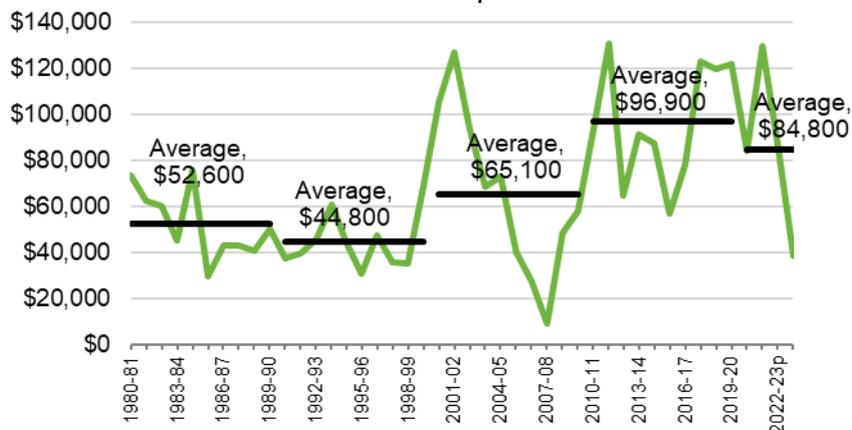
2. Farm Profit before Tax is required to meet personal drawings, taxation payments, debt repayments and the purchase of capital items.

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

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



p provisional | f forecast | ¹Adjusted to 2004-05 \$ terms

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

Concerns regarding a potential El Niño-driven drought were unfounded this season as regular rainfall kept feed levels relatively high and farmers were able to harvest supplementary feed. For much of the Waikato the quality of summer feed was more of an issue than quantity as grasses went quickly into their reproductive phase.

- **Farm Profit Before Tax is forecast to decrease 35%** — to average \$106,800 per farm in 2023-24 as revenue falls and expenditure remains high.
- **Gross farm revenue decreases 9.4%** — to average \$502,200 per farm.
- **Sheep revenue is forecast to decrease 21%** — to average \$143,300 while wool revenue increases to average \$8,900 per farm. With a bumper lamb crop in spring 2023, more lambs were available to sell, and an increase of 8.2% of prime lambs is forecast. However, with lower farm-gate prices the revenue from prime lamb sales drops by 14%. Sheep revenue, as a percentage of total gross farm revenue, averages 29% for 2023-24.
- **Cattle revenue is forecast to decrease 8.3%** — to an average \$259,100 per farm. The number of cattle sold is estimated to be similar to 2022-23, with purchasing slightly higher for hill country and finishing farms (Farm classes 4 and 5). Revenue from cattle averages 52% of total gross farm revenue for 2023-24.
- **Total farm expenditure is forecast to increase 1.3%** — to \$395,400 per farm. In order to cover increased interest costs, there is a sharp decline in other farm inputs.
- **Fertiliser, lime, and seeds expenditure is forecast to decrease 10%** — to \$54,000 per farm, as farmers decrease volumes applied and fertiliser prices decrease. Fertiliser, lime, and seeds comprises around 14% of total farm expenditure.
- **Repairs and maintenance expenditure is forecast to decrease 6.9%** — to average \$40,200 per farm. Repairs and maintenance comprises around 10% of farm expenditure.
- **Interest expenditure is forecast to increase 22%** — to \$59,000 per farm, as interest rates increase and overdrafts are forecast to increase (on average). Farmers require an additional \$10,000 to service debt. Interest expenditure comprises around 15% of total farm expenditure.

East Coast

The East Coast region with fewer livestock to sell and a rebuild ahead following Cyclone Gabrielle, in February 2023, sees the poorest farm profit for the season. East Coast soil conditions through 2023 were soggy, soft, and unsuitable for heavier-cattle following Cyclone Gabrielle and subsequent rains. Some farmers destocked to cope with a loss of infrastructure, feed, and soil conditions. Expectations for a dry El Niño summer delayed the restocking of cattle and some farmers in summer 2024 found themselves with surplus feed and in need of cattle which were hard to find.

- **Farm Profit Before Tax is forecast to decrease 75%** — at \$32,600 on average per farm for 2023-24. The East Coast faces the lowest regional profit with low revenue due to fewer livestock sales and low farm-gate prices, combined with high farm expenditure.
- **Gross farm revenue decreases 12%** — to average \$580,600 per farm for 2023-24.
- **Sheep revenue decreases 18%** — to \$294,800 per farm on average with an excellent lamb crop providing more prime lambs to sell but with reduced prices this is insufficient to help bolster sheep revenue. Sheep revenue contributes 51% of gross farm revenue.
- **Wool revenue is forecast to increase by 23%** — to \$22,600 per farm on average.
- **Cattle revenue decreases 8.8%** — to average \$220,400 per farm with fewer cattle available to sell and purchasing of cattle at similar numbers to 2022-23. Cattle revenue equals 38% of gross farm revenue.
- **Total farm expenditure is forecast to increase 3.2%** — to average \$548,000 per farm. Farmers have reduced most areas of spending, however, repairs and maintenance increases by 8.1% on average as farms affected by Cyclone Gabrielle face an increased spend. Insurance and Government funding is insufficient to cover the rebuild of cyclone-damaged farms following damage suffered from Cyclone Gabrielle.
- **Interest expenditure is forecast to increase 22%** — to average \$95,400 per farm.
- **Fertiliser expenditure is forecast to decrease 7.5%** — to average \$64,400 per farm as farmers seek to cut costs. Hard Hill country farms and Finishing farms have reduced volumes of fertiliser applied this season.

Taranaki-Manawatū

A bumper lamb crop in spring 2023 was followed by overcast conditions which meant that lamb growth rates were subpar for the region early in the season. Farmers have more prime lambs to sell this season but at lower weights pre-Christmas. Farmers have reduced farm inputs to manage expenditure, however high interest rates are excruciating.

- **Farm Profit Before Tax decreases 54%** — to average \$44,500 per farm as revenue falls, particularly sheep revenue with low farm-gate prices, and expenditure remains very high.
- **Gross farm revenue is forecast to decrease 9.7%** — to \$596,600 per farm. Lower revenue is driven by poor returns for sheep across multiple classes including prime and store lambs, prime ewes, and prime hoggets with lower farm-gate prices.
- **Sheep revenue decreases 18%** — to \$310,500 per farm, with more prime lambs available to sell due to a good lamb crop in spring 2023 discounted by low farm-gate prices and lighter lambs. Sheep revenue contributes around 52% of gross farm revenue in 2023-24.

- **Wool revenue increases 4.7%** — to \$15,300 just over 40% of shearing expenditure, which increases by 3.2% to \$36,900 per farm on average in 2023-24.
- **Cattle revenue decreases 1.8%** — to \$199,700 per farm and contributes around one-third of gross farm revenue.
- **Total farm expenditure steady** — to average \$540,900 per farm for 2023-24. This follows a large 8.2% increase in the previous season. Most categories of expenditure reduce significantly this season with higher interest rates driving up debt-servicing, which is forecast to sharply reduce the quantity of other inputs purchased.
- **Fertiliser, lime, and seeds expenditure decreases by 17%** — to average \$79,000 per farm. Fertiliser volumes are forecast to decrease by 11% in 2023-24.
- **Interest expenditure is forecast to increase 27%** — to \$88,300 per farm. With reduced profit, farmers will not, generally, be making additional debt repayments. Farmers require an additional \$18,500 on average to cover debt-servicing costs.

Marlborough-Canterbury

Farmers in the top of the South Island are facing extremely dry conditions due to the El Niño weather pattern bringing a hot, dry nor'west wind. Dry weather has impacted feed levels and autumn rains will be critical to relieve the pressure on sheep and beef farms in the region. In recent weeks there was an increase in the sale of store lambs as a result of dry conditions. Revenue and expenses forecast here will be even more impacted if dry conditions persist.

- **Farm Profit Before Tax decreases 57%** — to \$59,500 per farm for 2023-24 as lamb and sheep prices tumble. The predominant Farm Class in the region is finishing breeding farms (Farm Class 6), which are forecast to experience a two-thirds profitability decrease on average from 2022-23.
- **Gross farm revenue decreases 8.4%** — to average \$848,000 per farm for 2023-24.
- **Sheep revenue decreases 18%** — to \$283,800. The number of prime lambs sold is expected to decrease, on average, with slightly more store lambs available. Prime lamb and sheep prices are the biggest driver of decreased sheep revenue. Sheep revenue contributes around one-third of gross farm revenue.
- **Wool revenue decreases by 1.6%** — to average \$49,800 per farm. For high country farms, wool revenue decreases to \$452,900 per farm (-10%).
- **Cattle revenue decreases 7.7%** — to average \$184,200. Cattle revenue accounts for around 18% of gross farm revenue.
- **Cash cropping revenue is forecast to decrease marginally (-0.5%)** — to average \$210,600 per farm. Crop revenue accounts for around one-quarter of gross farm revenue because of the influence of mixed (cropping) finishing farms.
- **Dairy grazing revenue decreases 1.4%** — to \$78,000 per farm on average.
- **Total farm expenditure to remain steady** — to average \$788,500 per farm for 2023-24.
- **Fertiliser, lime, and seeds expenditure decreases by 13%** — to average \$125,300 per farm, as tonnages applied (-11.3tn on average) and fertiliser prices decrease from 2022-23.
- **Interest expenditure increases by 25%** — to \$112,800 per farm as interest rate rises impact debt facilities.

Otago-Southland

Southern South Island farms are sheep dominant and have been particularly hit this season with lower sheep farm-gate prices. On-farm inflation affects most expense categories and farmers have been cutting costs across the board, often to below maintenance levels, to try and maintain profit.

- **Farm Profit Before Tax decreases 58%** — to average \$44,500 per farm for 2023-24. Southern South Island farms are sheep-dominant and particularly hit this season with lower sheep farm-gate prices.
- **Gross farm revenue is forecast to decrease 10.5%** — to average \$579,300 per farm driven by lower farm-gate prices. Revenue from wool and sheep combined accounts for around 75% of gross farm revenue.
- **Sheep revenue decreases 14%** — to average \$379,300 per farm. Wool revenue is estimated to increase 13% to an average \$48,600 per farm.
- **Cattle revenue decreases 6.5%** — to average \$88,300 per farm. Cattle revenue accounts for around 15% of gross farm revenue.
- **Total farm expenditure decreases by 1.2%** — to \$543,800 per farm as farmers seek to cut costs across the board.
- **Fertiliser expenditure is estimated to decrease by 17%** — to average \$71,100 per farm as prices and volumes applied decrease by 11%.
- **Interest expenditure is estimated to increase by 28%** — to an average \$89,600 per farm, which is around \$20,000 more than 2022-23 required to service the bank debt.
- **High Country farms are forecast with negative profitability for 2023-24 (on average).** These farms have cut all possible expense categories and fine wool remains an important contributor to revenue, but the loss of sheep revenue due to poor farm-gate prices results in a very poor season.

2023-24 forecast — weighted average for all classes in each region

All Classes Sheep and Beef Farm - \$ per farm

Region	2021-22	2022-23	2023-24					
	Profit	Profit	Revenue	Expenditure	Profit	EBITRm ¹	Stock Units	Hectares
Northland-Waikato-BoP	156,726	163,900	502,200	395,400	106,800	186,800	3,900	390
East Coast	175,838	129,200	580,600	548,000	32,600	156,600	5,200	610
Taranaki-Manawatu	205,944	120,400	596,600	540,900	55,700	170,900	4,700	530
North Island	174,961	143,400	549,300	479,300	70,000	173,000	4,500	500
Marlborough-Canterbury ²	207,026	137,400	848,000	788,500	59,500	192,600	5,000	970
Otago/Southland ²	206,128	105,900	579,300	534,800	44,500	157,000	4,800	900
South Island²	205,768	124,300	719,400	665,400	54,000	175,700	4,900	950
New Zealand	188,897	134,800	626,100	563,500	62,600	174,100	4,700	700

p provisional, f forecast | Exchange rate used in forecast year USD/NZD 0.62

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 Economic Service | Sheep and Beef Farm Survey

Appendix 1: On-farm profitability

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

		2019-20	2020-21	2021-22	Provisional 2022-23	Forecast			Forecast % Change		
						2023-24 USD 0.56	2023-24 USD 0.62	2023-24 USD 0.68	2022-23 to 2023-24		
						USD 0.56	USD 0.62	USD 0.68	USD 0.56	USD 0.62	USD 0.68
Revenue											
Wool		31,673	26,909	30,484	29,400	37,600	32,300	28,000	+27.9%	+9.9%	-4.8%
Sheep		320,255	292,953	371,885	332,400	330,600	273,900	227,700	-0.5%	-17.6%	-31.5%
Cattle		170,746	157,554	193,014	198,100	214,700	184,200	159,700	+8.4%	-7.0%	-19.4%
Dairy Grazing		34,662	35,229	38,366	40,600	41,600	41,600	41,600	+2.5%	+2.5%	+2.5%
Deer + Velvet		6,203	4,943	6,225	5,400	6,100	5,200	4,500	+13.0%	-3.7%	-16.7%
Goat + Fibre		72	81	28	0	0	0	0			
Cash Crop		64,307	66,272	67,203	61,300	61,200	61,200	61,200	-0.2%	-0.2%	-0.2%
Other		23,617	23,829	27,900	27,100	27,700	27,700	27,700	+2.2%	+2.2%	+2.2%
Total Gross Revenue	\$ per farm	651,535	607,770	735,105	694,300	719,500	626,100	550,400	+3.6%	-9.8%	-20.7%
Expenditure											
Fert, Lime & Seeds		83,544	83,851	99,716	99,000	88,100	86,900	85,900	-11.0%	-12.2%	-13.2%
Repairs & Maintenance		42,540	42,668	48,420	46,200	44,000	43,400	42,900	-4.8%	-6.1%	-7.1%
Interest & Rent		76,597	70,254	76,401	87,900	106,300	106,500	106,700	+20.9%	+21.2%	+21.4%
Other Expenses		284,408	295,575	321,931	326,400	332,800	326,700	321,700	+2.0%	+0.1%	-1.4%
Total Expenditure	\$ per farm	487,089	492,348	546,468	559,500	571,200	563,500	557,200	+2.1%	+0.7%	-0.4%
Farm Profit Before Tax²	\$ per farm	164,446	115,422	188,637	134,800	148,300	62,600	-6,800	+10.0%	-53.6%	-105.0%
EBITRm³	\$ per farm	246,571	190,530	269,807	227,500	260,100	174,100	104,300	+14.3%	-23.5%	-54.2%
Real Farm Profit ⁴	\$ per farm in 2004-05 \$	122,300	84,200	129,500	86,600	90,700	38,300	-4,200	+4.7%	-55.8%	-104.8%
Real Farm Profit⁴	Index (2004-05=1000)	1,669	1,149	1,767	1,182	1,238	523	-57	+4.7%	-55.8%	-104.8%
Fertiliser Use	kg per SU	26.1	24.8	25.4	19.1	18.3	18.1	17.9	-3.9%	-5.2%	-6.3%
Prices											
Wool auction	¢ per kg clean	453	347	464	439	395	456	530	-9.9%	+3.9%	+20.7%
All wool ⁵	¢ per kg greasy	281	202	247	231	217	250	290	-6.4%	+8.0%	+25.5%
Lamb	\$ per head	139	133	165	143	146	125	108	+2.1%	-12.5%	-24.3%
Mutton	\$ per head	124	127	146	96	82	63	48	-14.5%	-34.1%	-50.0%
Prime Steer/Heifer	¢ per kg	530	522	610	593	665	573	497	+12.2%	-3.4%	-16.1%

1. The Weighted Average for All Classes of Sheep and Beef Farm for 1 July 2023 was a grazing area of 700 hectares with 3,004 sheep, 332 cattle and 26 deer, totalling 4,680 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 Economic Service, Sheep and Beef Farm Survey

