

Meat & Wool Sector: Domestic Trends

MEAT & WOOL
NEW ZEALAND

**Presentation to:
Meat Industry Association Conference
Rendezvous Hotel
Auckland**

21 September 2009

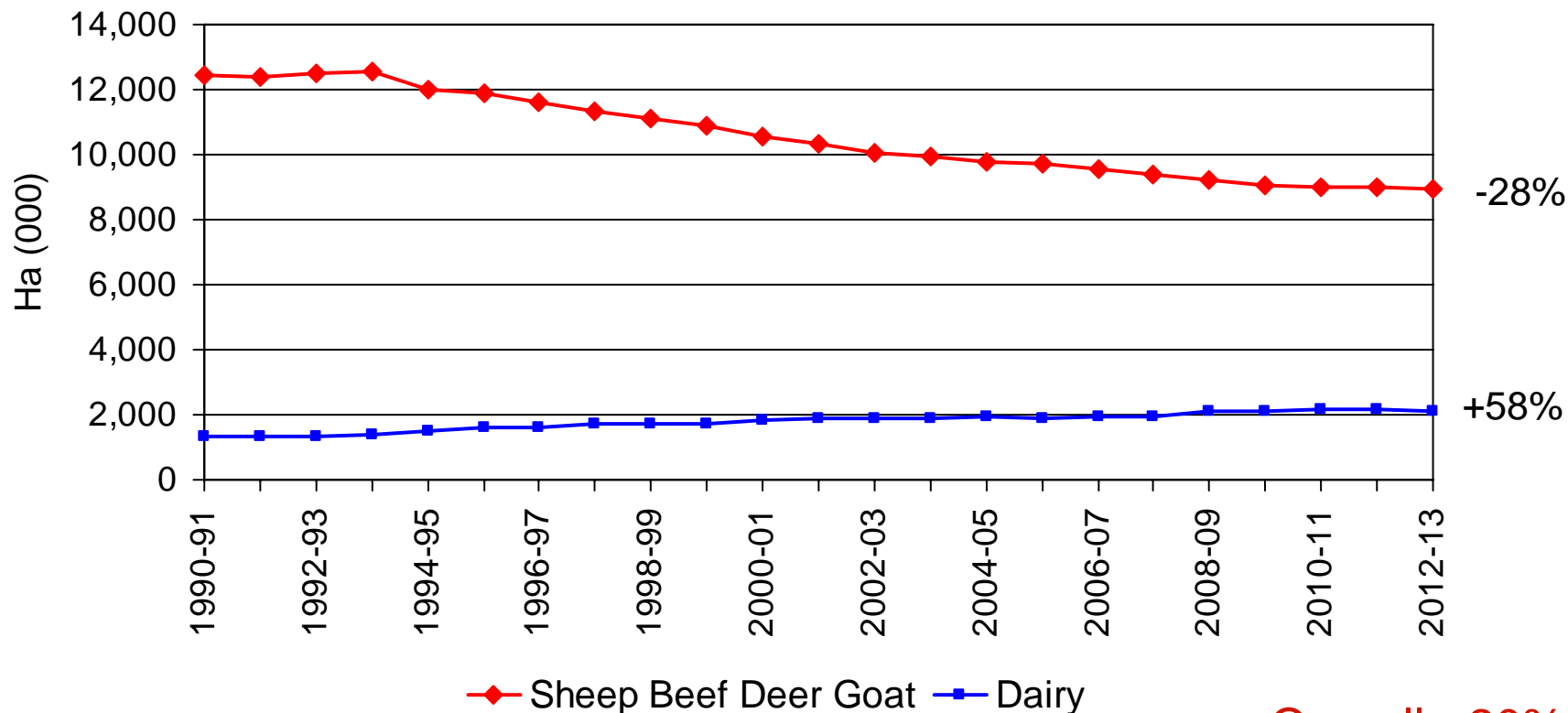
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- Pastoral Land Use Change
- Livestock Changes and Plant Capacity
- Production Outlook
- Sheep and Beef Farm Profit, inflation, debt
- Exchange Rates and Outlook
- Summary

Land Use Trend

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Pastoral Land Area



Source: Meat & Wool New Zealand Ltd Economic Service
Statistics New Zealand.

Overall -20%
-2.7 m Ha
since 1990-91

Pastoral land Area 2008-09e

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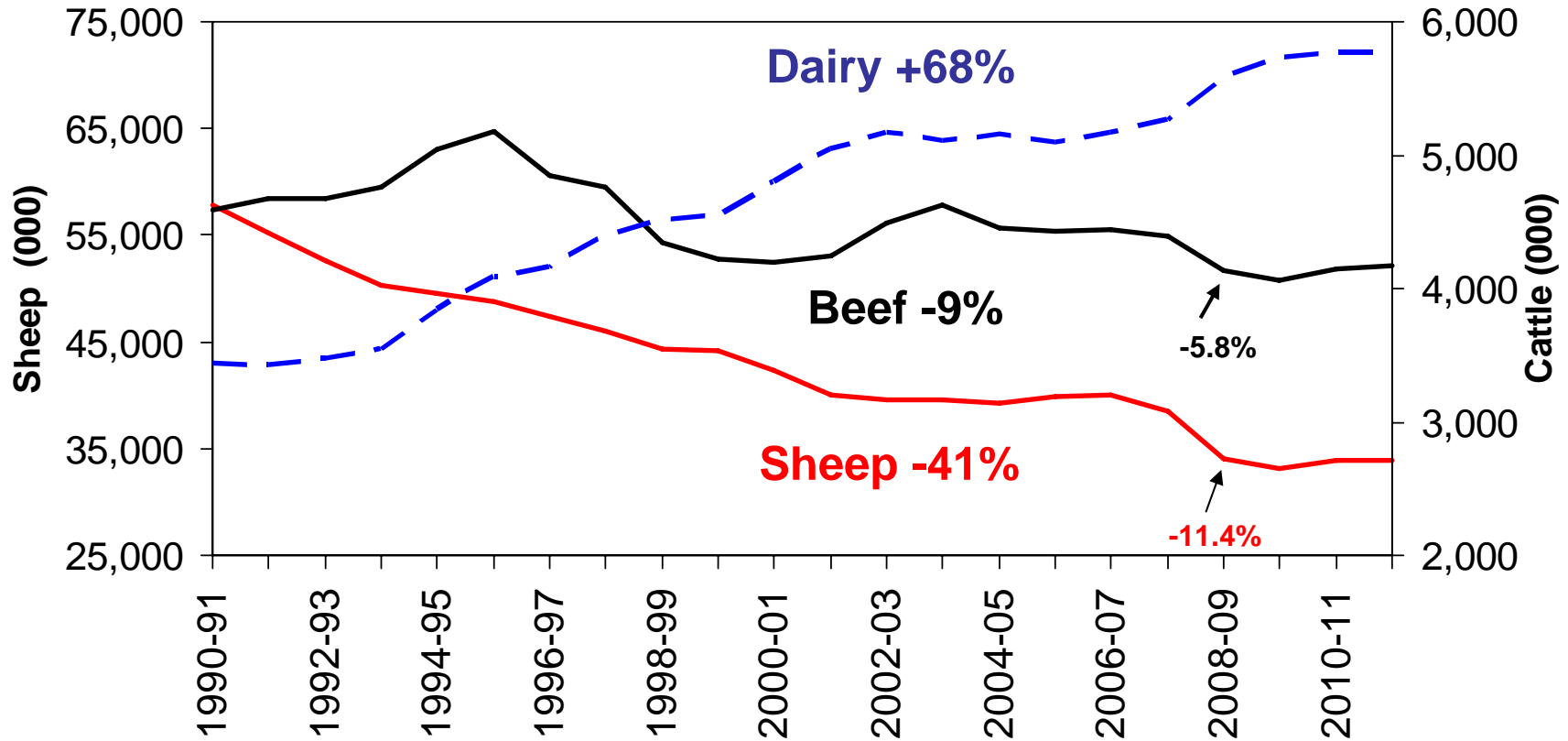
Dairy Farms	1.50 million ha	
Dairy Support	<u>0.57</u> million ha	
• Dairy Total	2.07 million ha	18%
• Sheep & Beef	9.21 million ha	82%
• Total pastoral area	11.28 million ha	100%

Source: Meat & Wool New Zealand Economic Service

NZ Sheep and Cattle Numbers

1990-91 to 2011-12

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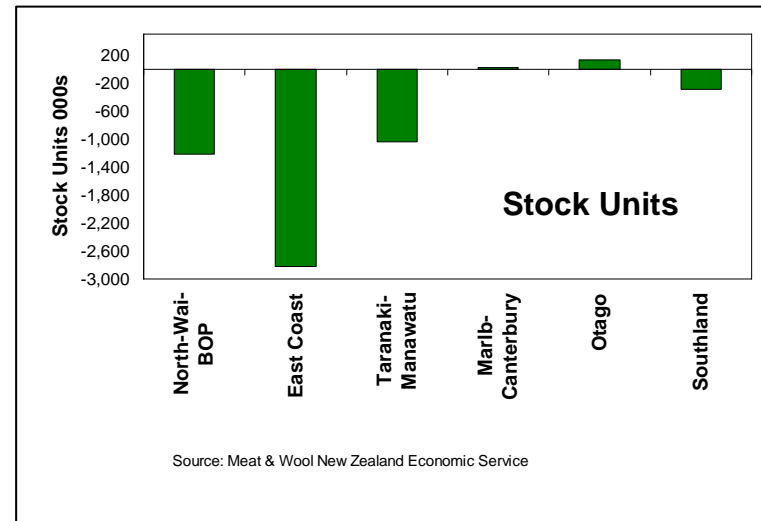
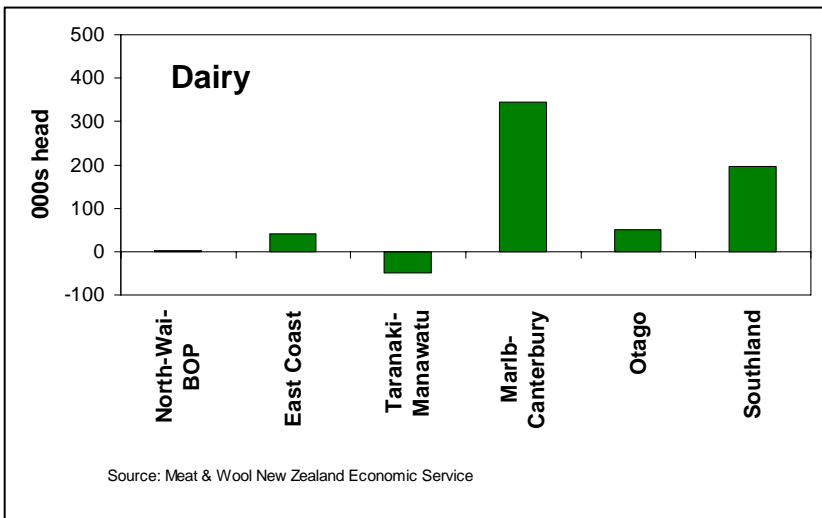
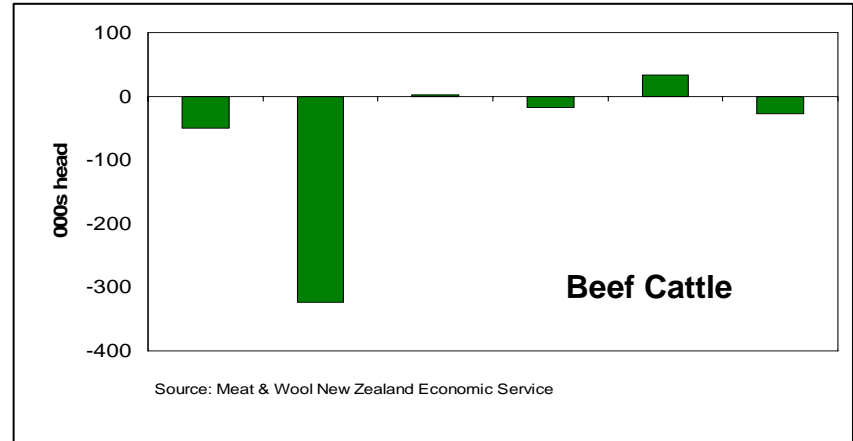
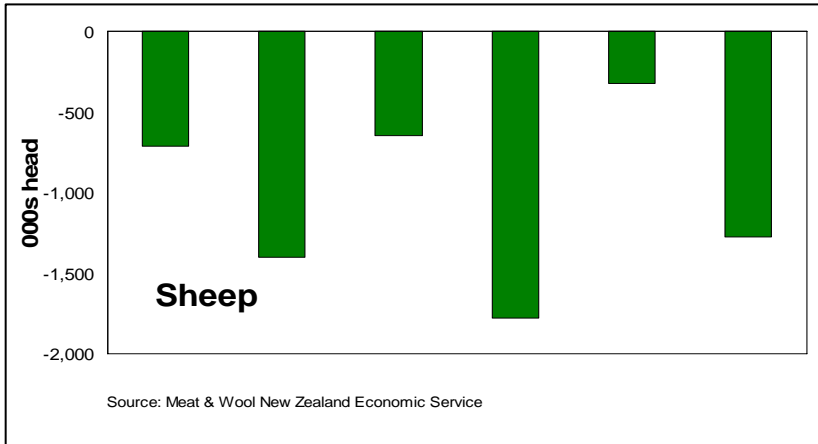
Source: Meat & Wool New Zealand Economic Service
Statistics New Zealand.

% change 1990 to 2011

2008-09 sheep and beef decrease
due to drought and dairy expansion

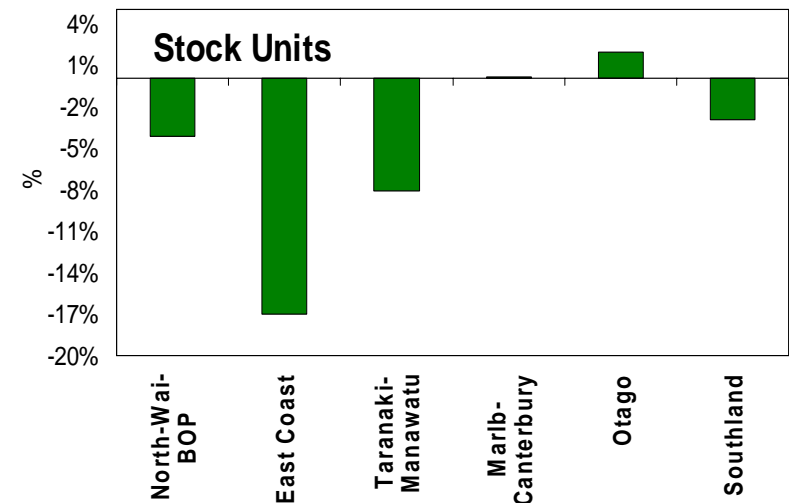
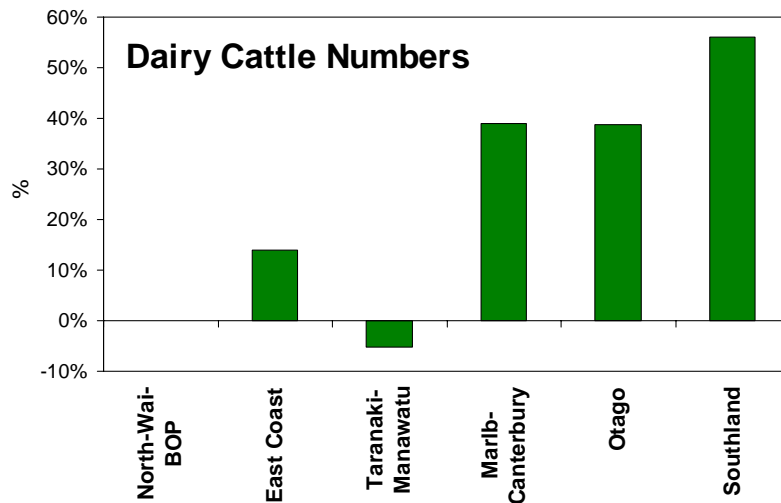
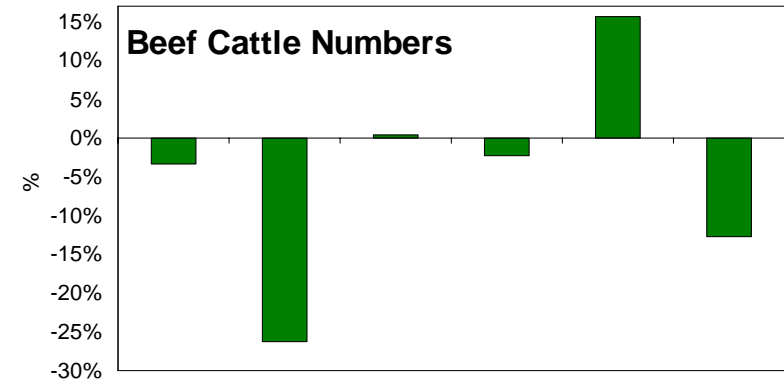
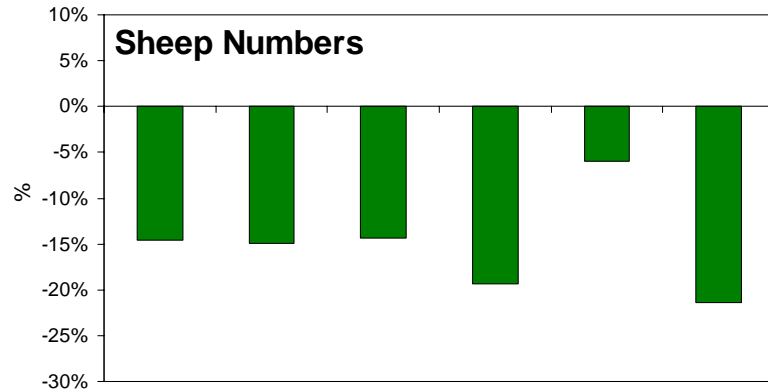
Livestock Change (2004-05 to 2009-10)

(000) head



% Change (2004-05 to 2009-10)

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Export Sheep Processing

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		2006-07	2007-08	2008-09p
Companies	No.	19	19	19
Plants	No.	39	38	36
Year Kill	000*	31,959	32,827	25,615 -22%
Max Week Potential	000*	1,427	1,419	1,288
Max Week Actual	000*	1,095	1,125	1,033
Av per Week	000*	615	684	545
Av as % Potential		43%	48%	42%
Av as % Actual		56%	61%	53%
No. Weeks at Max Actual		29.2	29.2	24.8 -15%

Source: Meat & Wool New Zealand Economic Service

* Lamb equivalents,
sheep = 1.15 lambs

Export Cattle Processing

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		2006-07	2007-08	2008-09p
Companies	No.	16	17	16
Plants	No.	32	33	32
Year Kill	Hd	2,134,140	2,143,897	2,219,879 +3.5%
Max Week Potential	Hd	76,121	75,525	83,834
Max Week Actual	Hd	68,720	67,801	75,937
Av per Week	Hd	41,041	44,665	47,231
Av as % Max Potential		54%	59%	56%
Av as % Max Actual		60%	66%	62%
No. Weeks at Max Actual		31.1	31.6	29.2 -7.5%

Source: Meat & Wool New Zealand Economic Service

Ewe Lambing %

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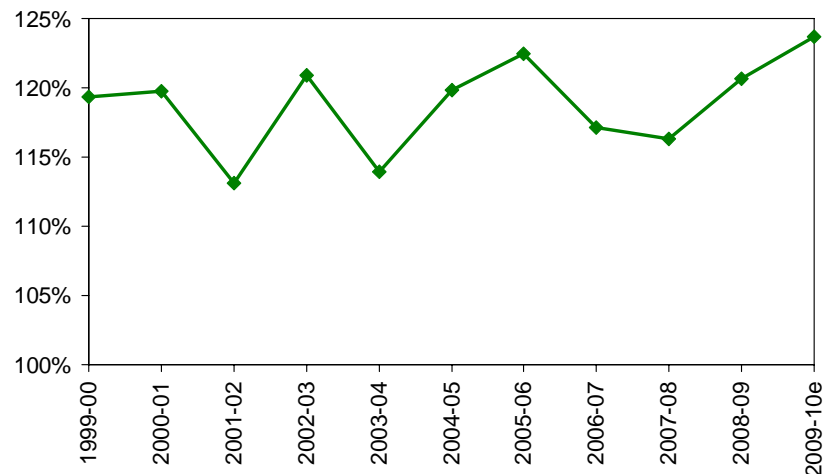
North Island



Source: Meat & Wool New Zealand Economic Service
Statistics New Zealand

Lambing % 2008 105%
2009 114%; ewes -2.9%
+1% point = 109,000 lambs

South Island



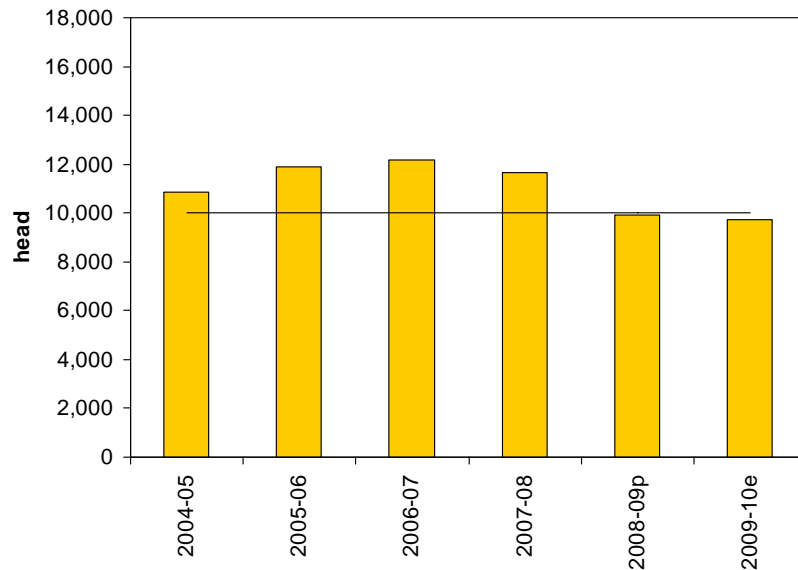
source: Meat & Wool New Zealand Economic Service
Statistics New Zealand

Lambing % 2008 124%
2009 127%; ewes -3.8%
+1% point = 118,000 lambs

Lamb Slaughter (000s) September Year

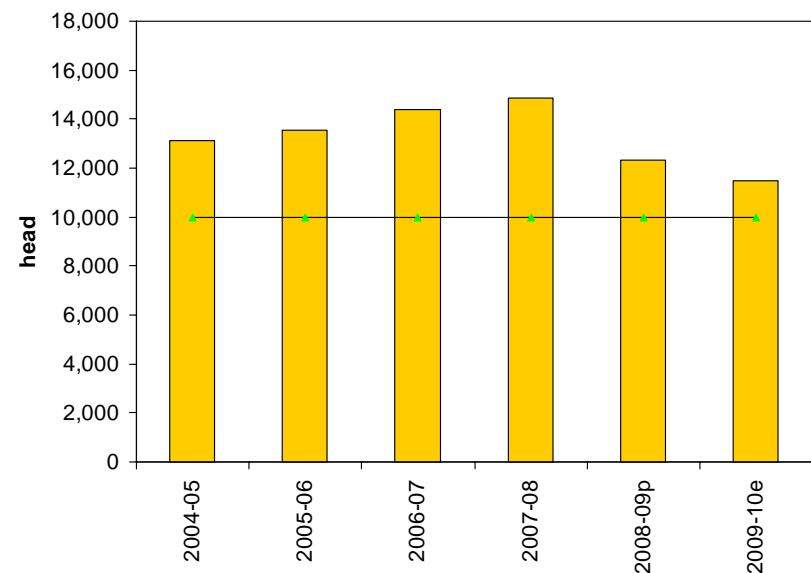
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North Island



Source: Meat & Wool New Zealand Economic Service
NZ Meat Board

South Island

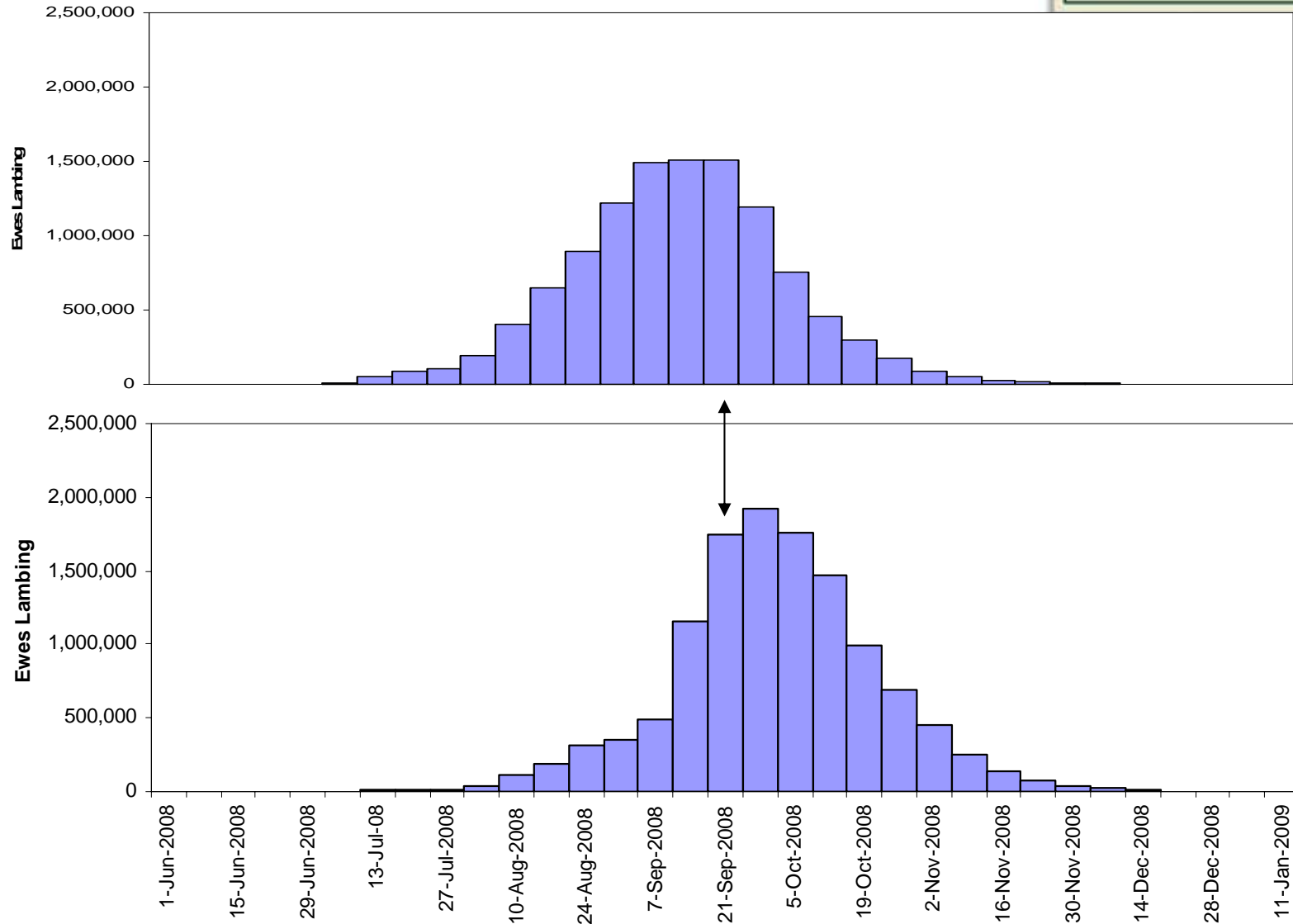


Source: Meat & Wool New Zealand Economic Service
NZ Meat Board

	North Island	South Island	NZ
2008-09p	-15.0%	-17.1%	22.2m
2009-10e	-1.6%	-7.0%	21.2m -4.6%

Distribution of Lambing Dates

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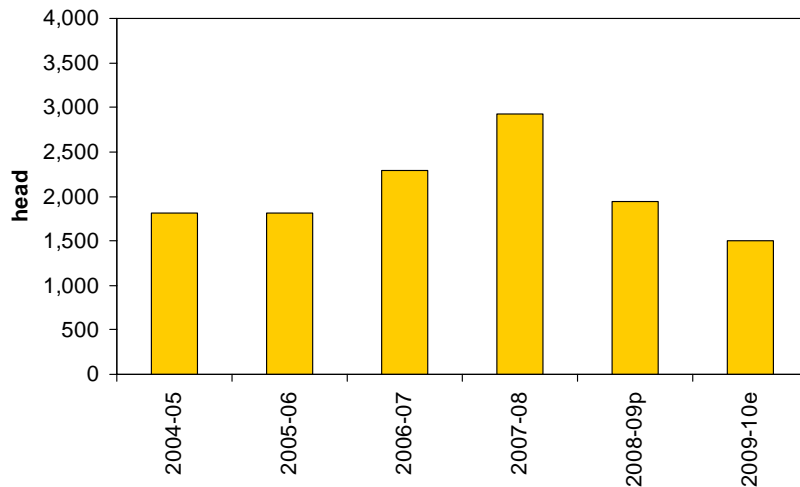


Source: Meat & Wool New Zealand - Economic Service, Sheep and Beef Farm Survey

Mutton Slaughter (000s) September Year

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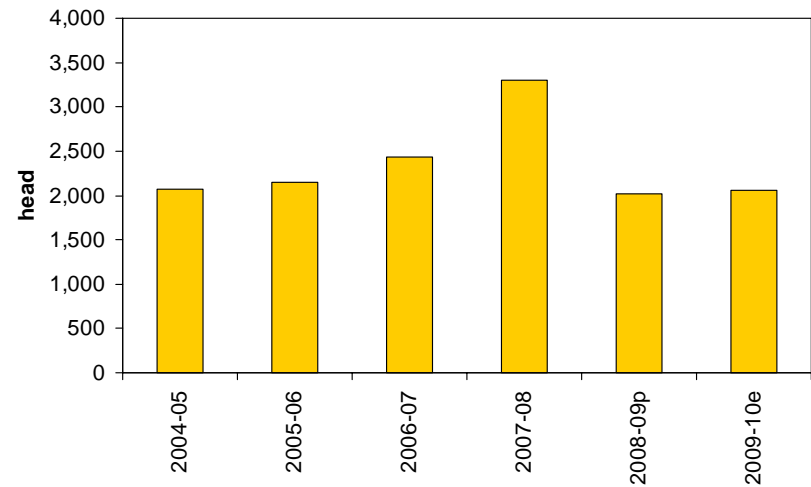
North Island



Source: Meat & Wool New Zealand Economic Service
NZ Meat Board

2009-10 -23%

South Island



Source: Meat & Wool New Zealand Economic Service
NZ Meat Board

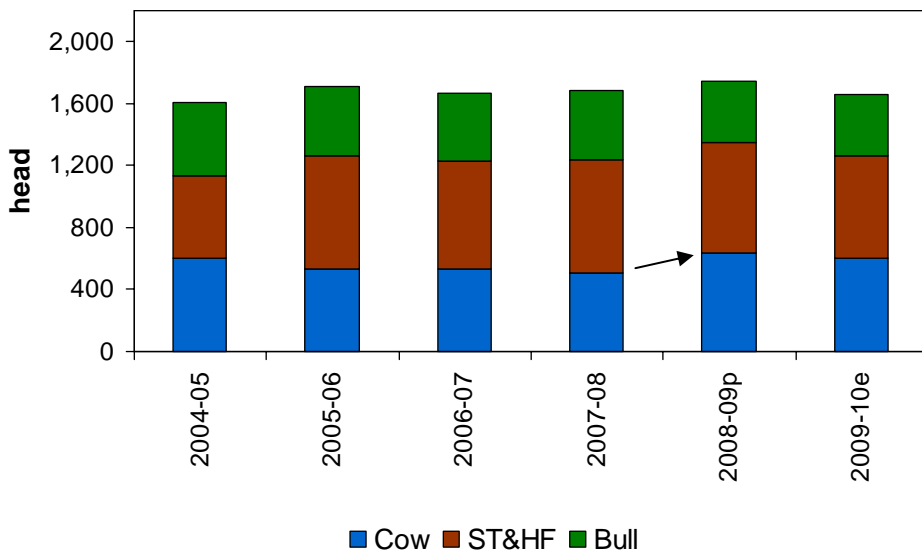
2009-10 static (+2%)

Export Cattle Slaughter (000s)

September Year

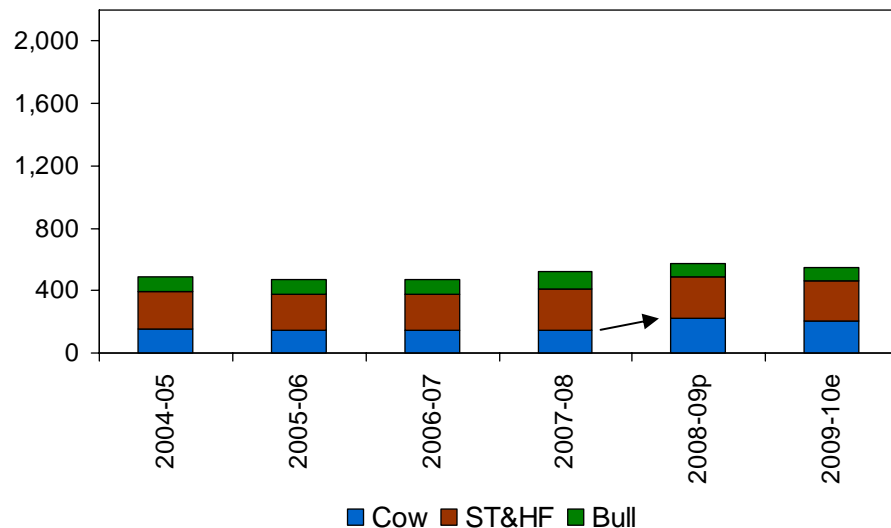


North Island



Source: Meat & Wool New Zealand Economic Service

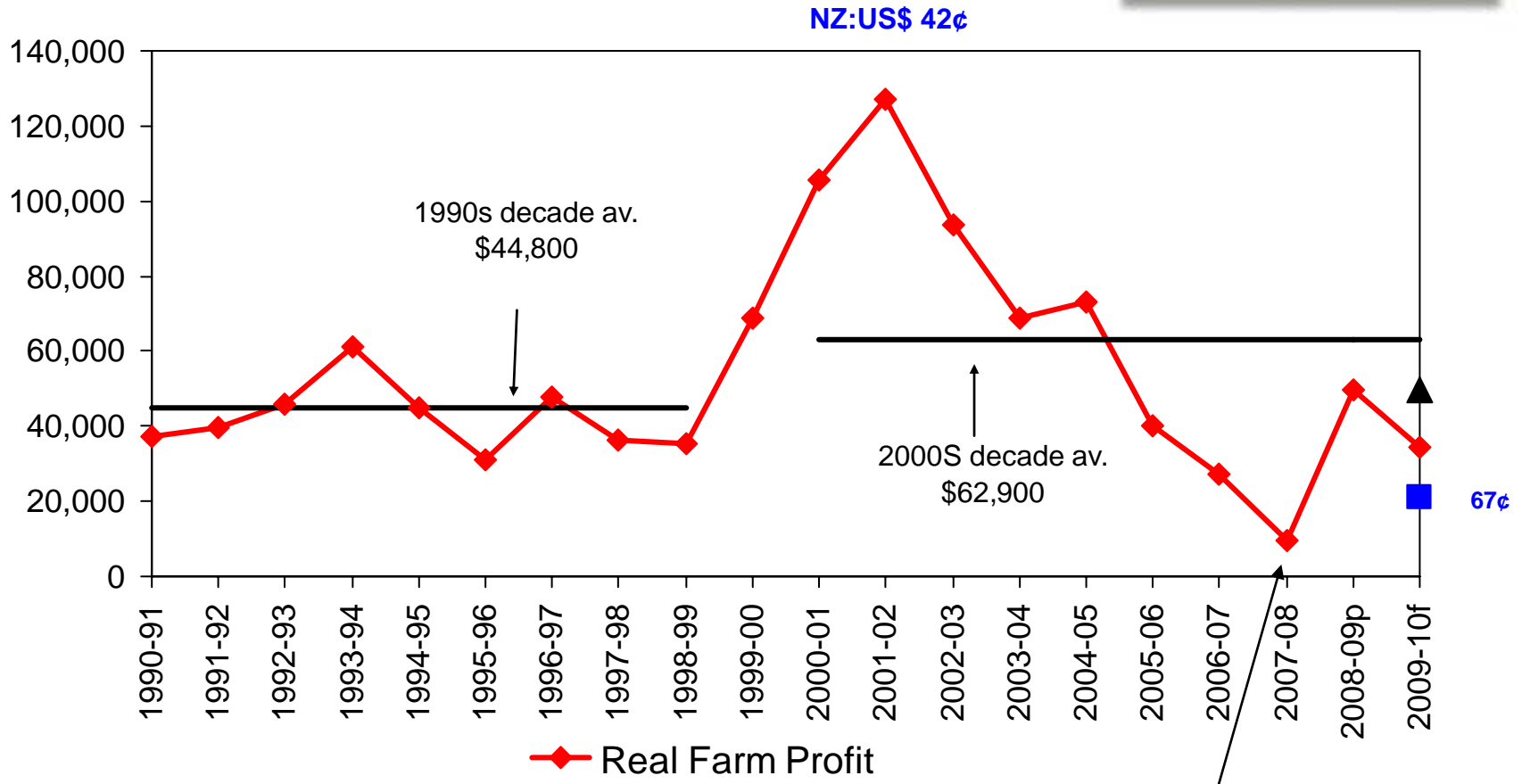
South Island



Source: Meat & Wool New Zealand Economic Service

	North Island	South Island	NZ
2008-09p	+3.3%	+10.1%	2.32m
2009-10e	-4.6%	-4.3%	2.20m -4.5%

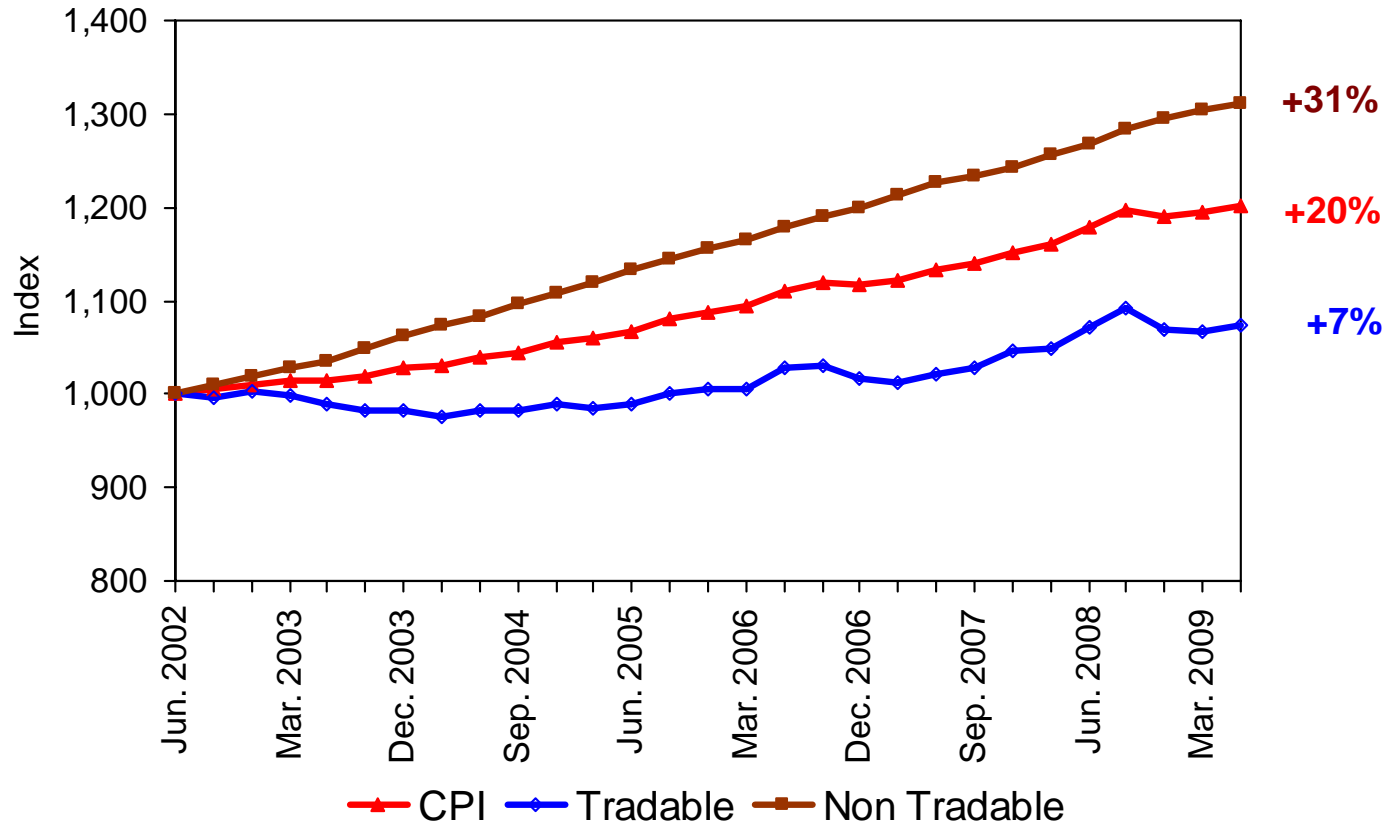
Sheep & Beef Farm Profit before Tax per Farm, Constant 2004-05 \$s



Source: Meat & Wool New Zealand Economic Service
 Sheep and Beef Farm Survey, All Classes Farm

CPI and Tradable & Non Tradable Inflation Components

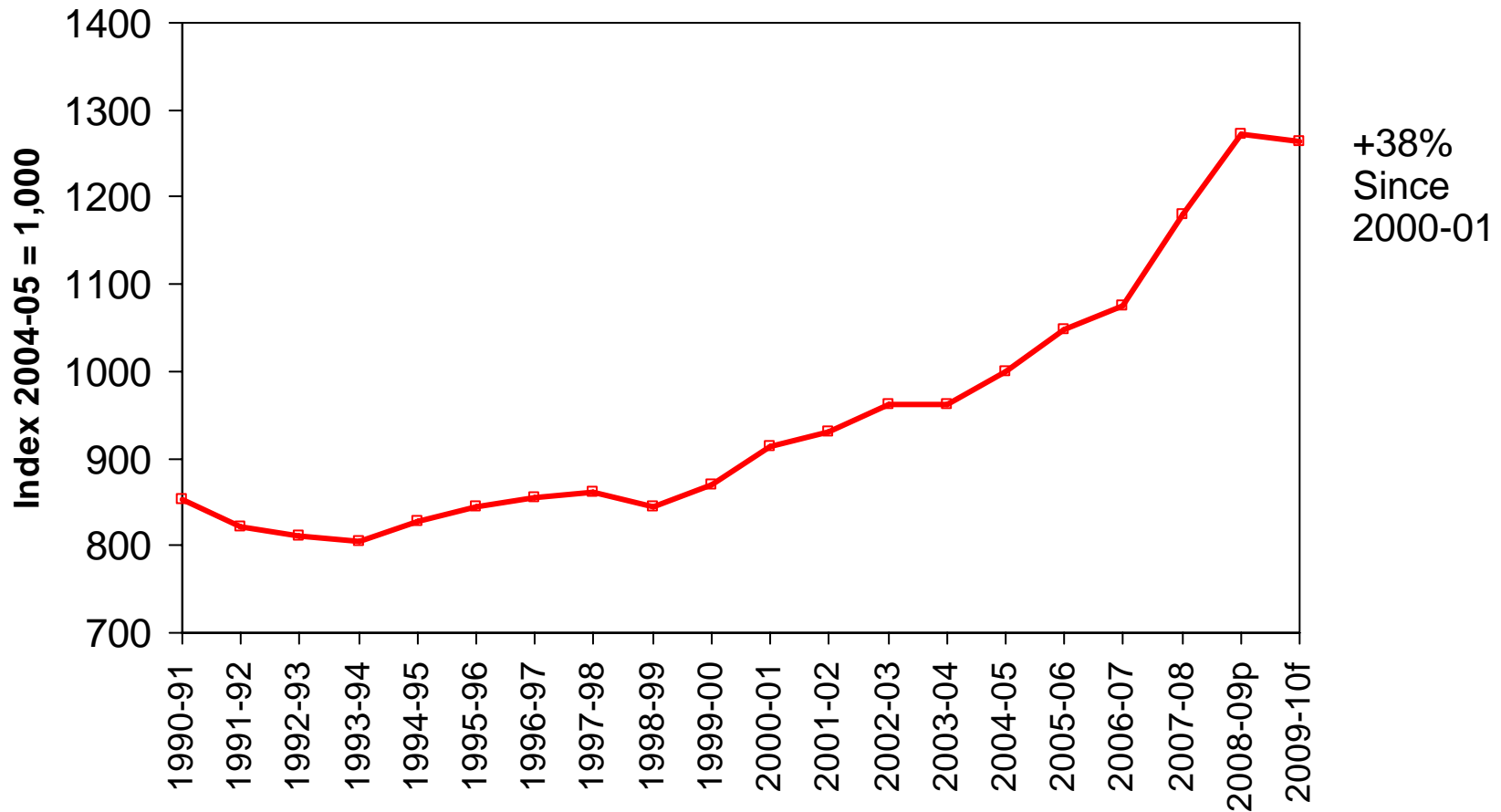
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Source: Statistics New Zealand
Reserve Bank of New Zealand
Meat & Wool New Zealand Economic Service

Sheep & Beef On-farm Inflation

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Source: Meat & Wool New Zealand Economic Service

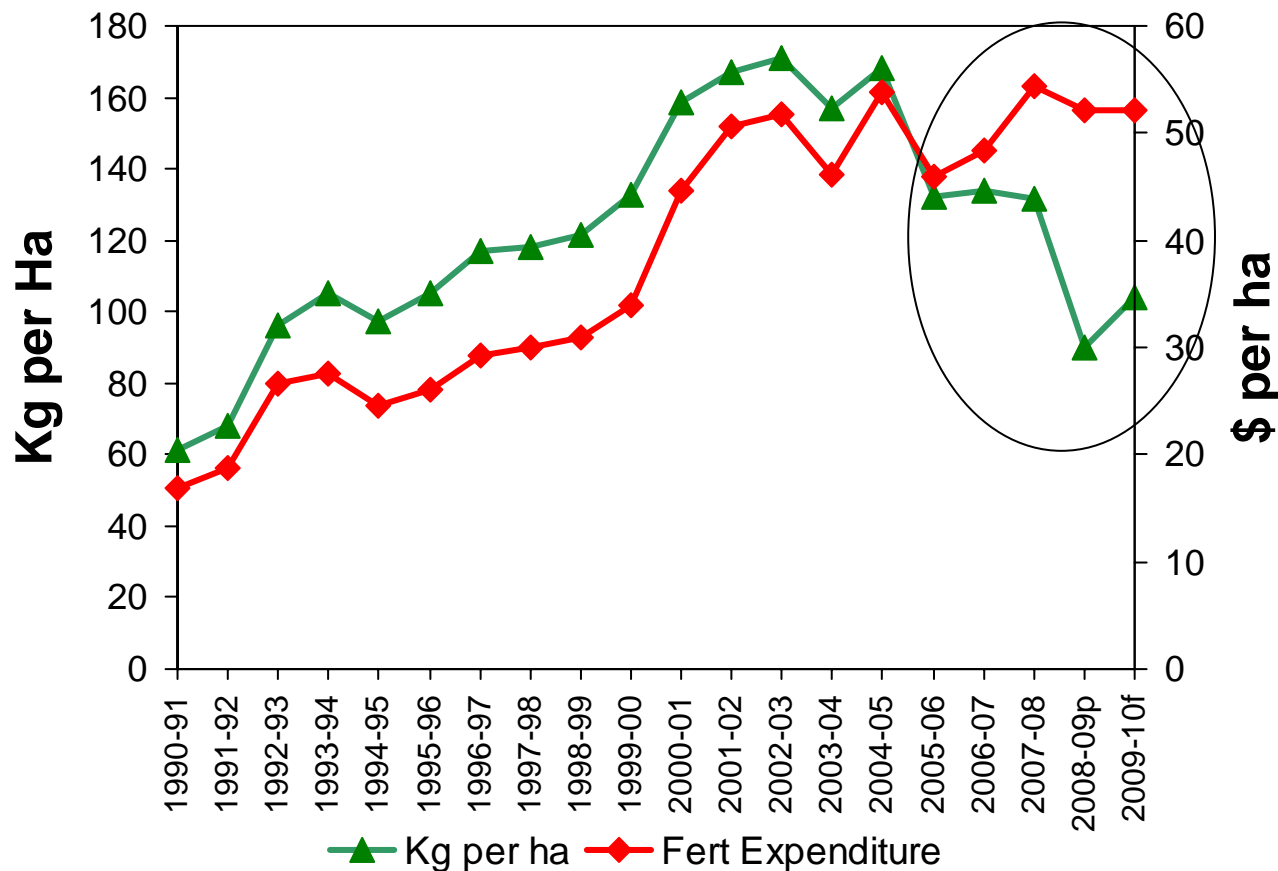
Fertiliser Expenditure vs Volume

Index 1990-91 = 1000

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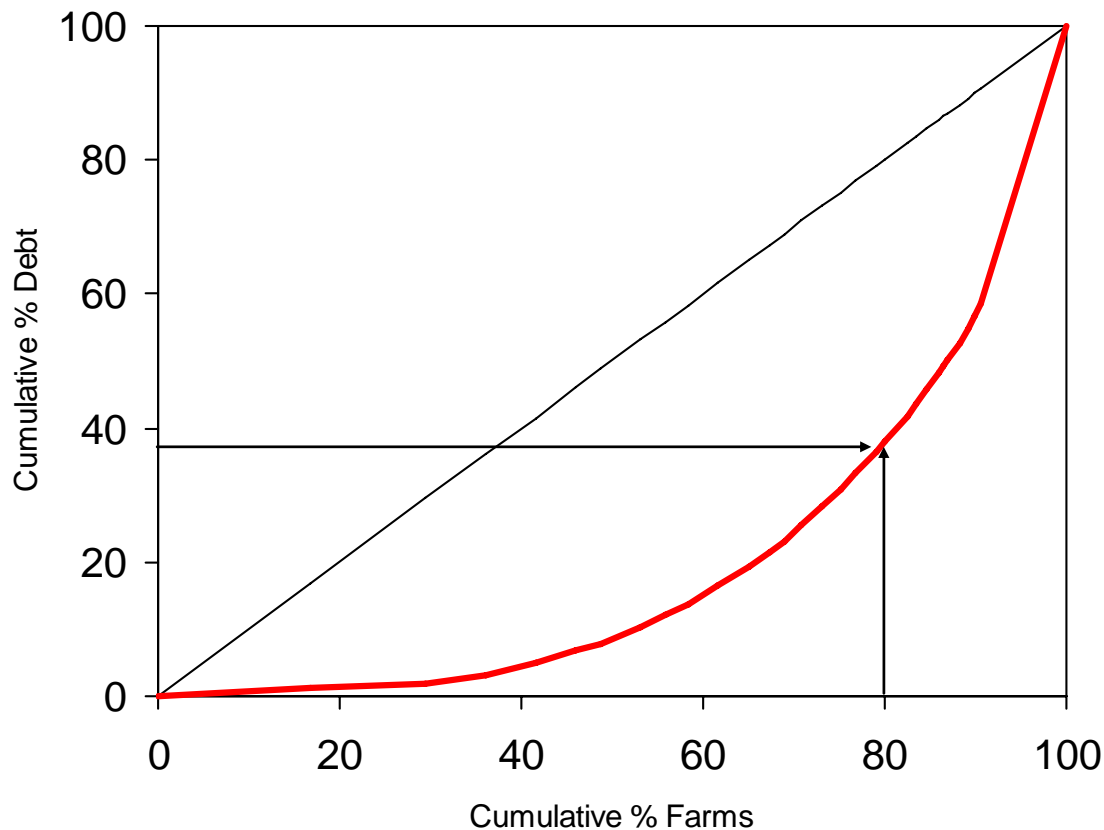
All Classes Sheep and Beef Farm



Source: Meat & Wool New Zealand Economic Service

Sheep & Beef Farm Debt Allocation

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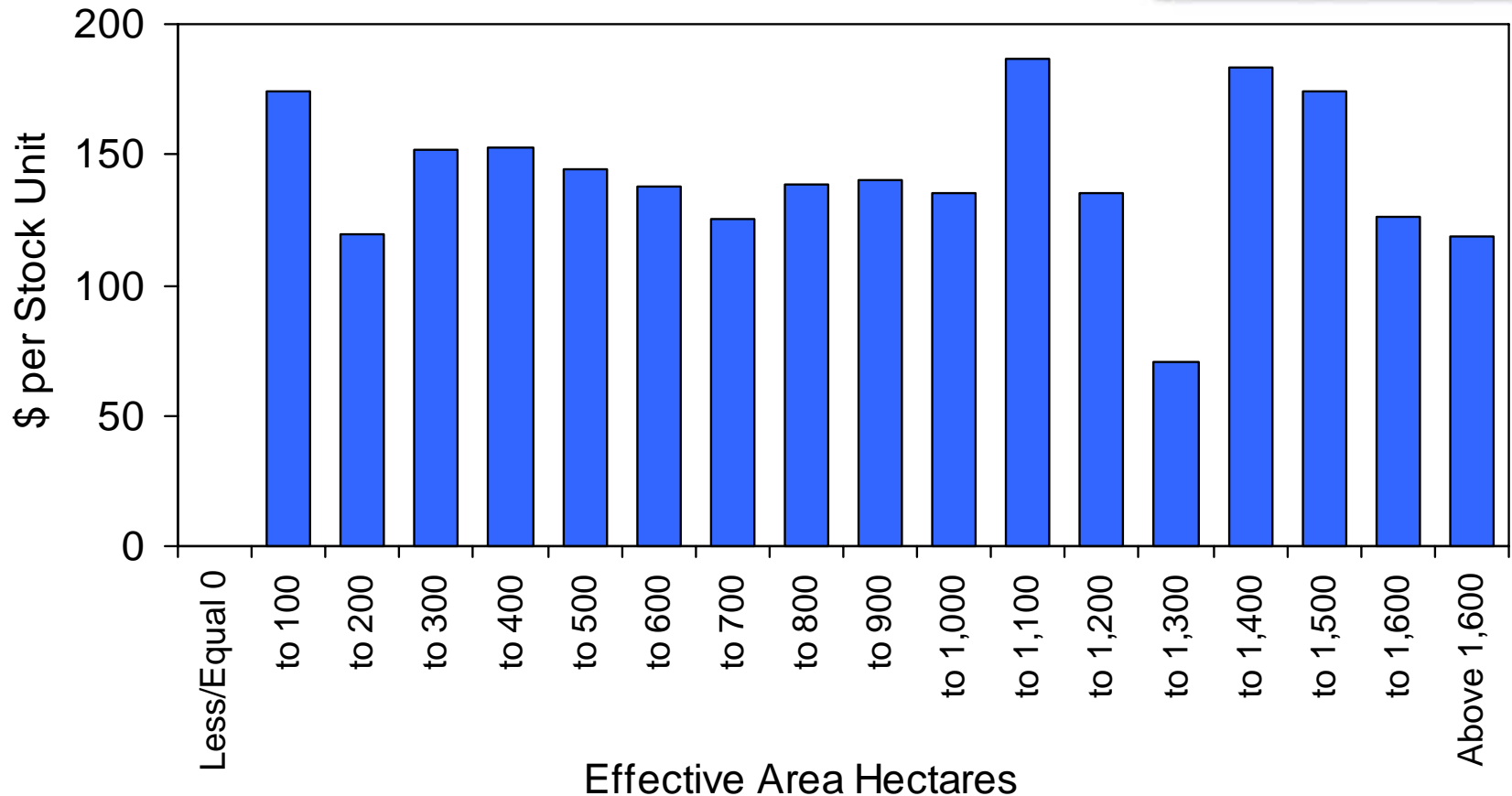


80% of farms hold 38% of debt
20% of farms hold 62% of debt

Source: Meat & Wool New Zealand Economic Service
Sheep and Beef Farm Survey

Current & Term Debt per SU

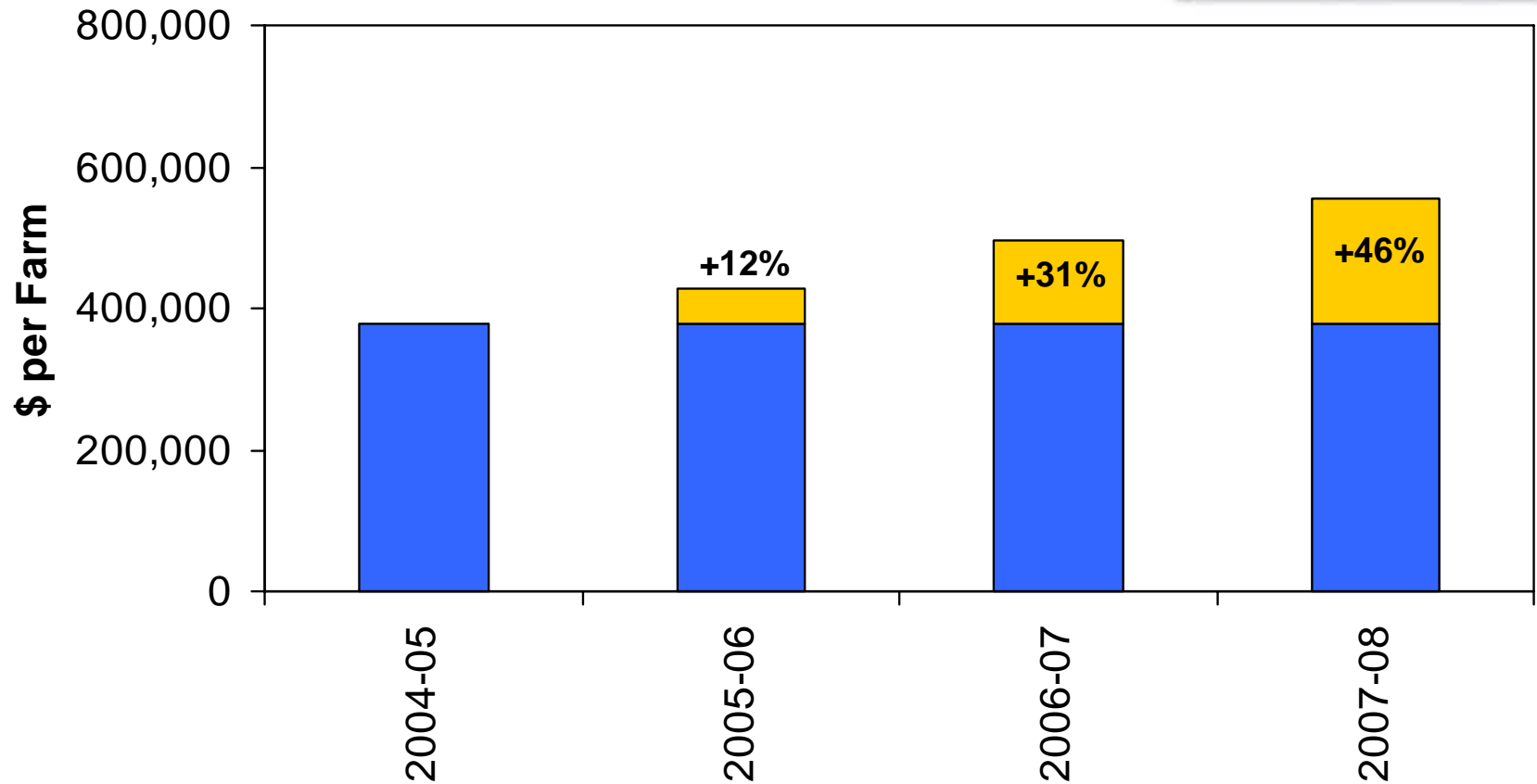
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Source: Meat & Wool New Zealand Economic Service
Sheep and Beef Farm Survey, (Excluding Class 8 Cropping Farms)

Sheep & Beef Farm Debt per Farm at 30 June 2008

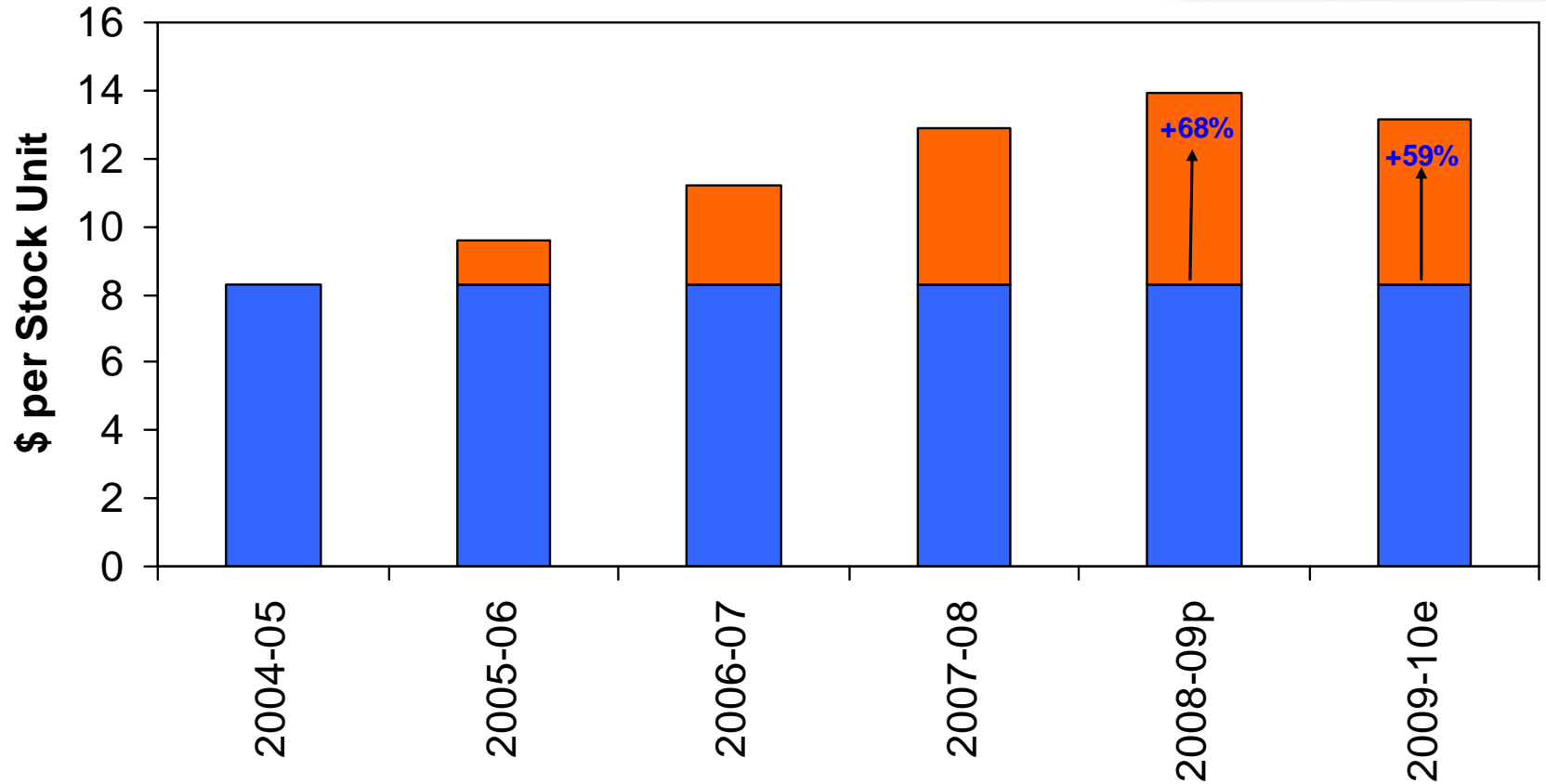
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Source: Meat & Wool New Zealand Economic Service
Sheep and Beef Farm Survey

Sheep & Beef Farm Interest per SU

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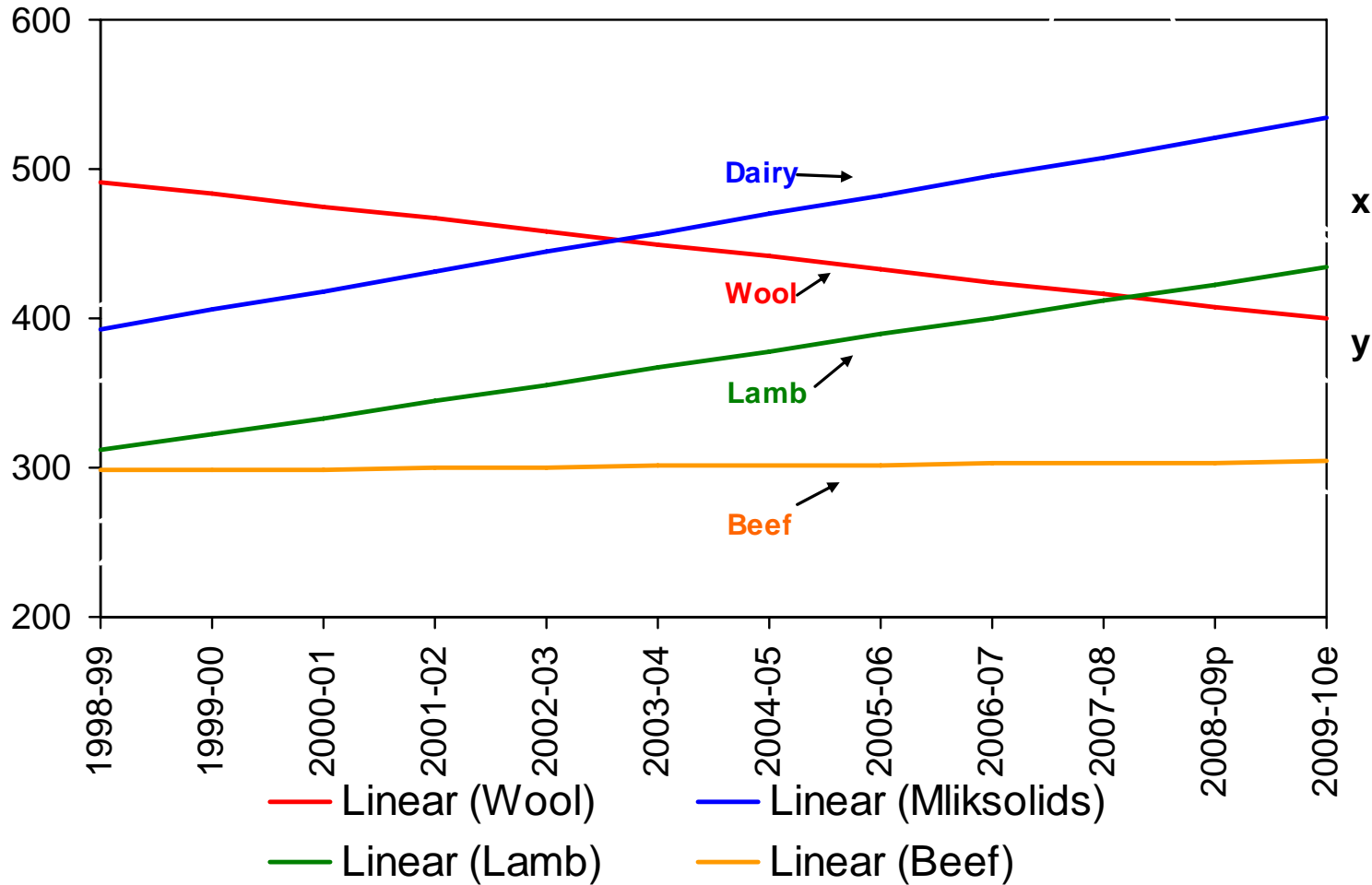


Source: Meat & Wool New Zealand Economic Service
Sheep and Beef Farm Survey

Wool Lamb, Beef and Milksolids

Farm price, ¢ per kg

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Exchange Rate 10% Change Impact on Farm Gate price

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Appreciation

+10%



Depreciation

-10%

Lamb

-14%

+17%

Mutton

-18%

+22%

Beef

-13%

+16%

Wool

-12%

+14%

Source: Meat & Wool New Zealand Economic Service

Exchange Rates for Outlook

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No one knows but for our 2009-10 outlook we have used: -

- NZ:US\$ 0.63 +8%
- NZ:£ 0.39 +2%
- NZ:€ 0.47 +7%

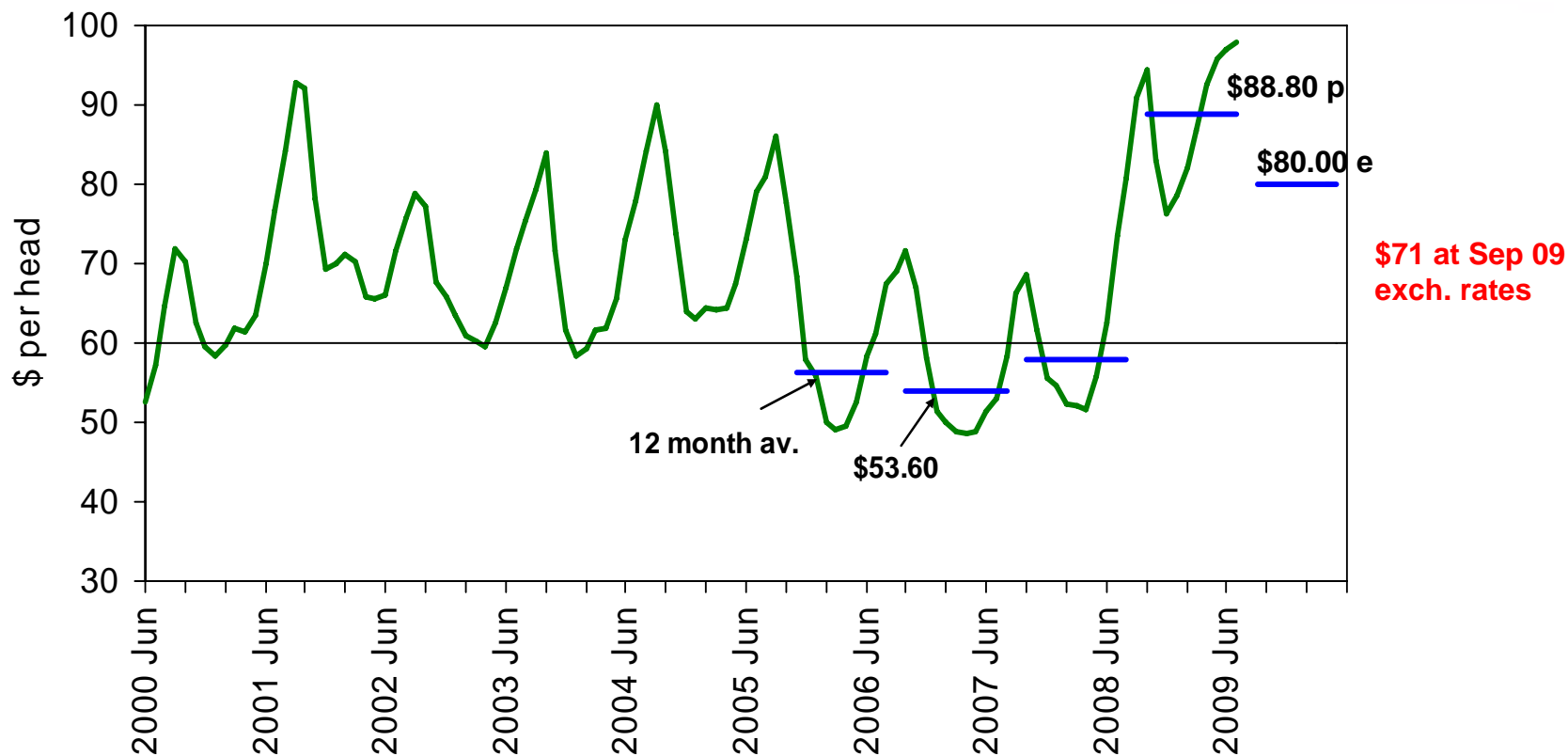
All up on last year and below now
(Sep 09)

Export Lamb \$ per head Trend

All Grades

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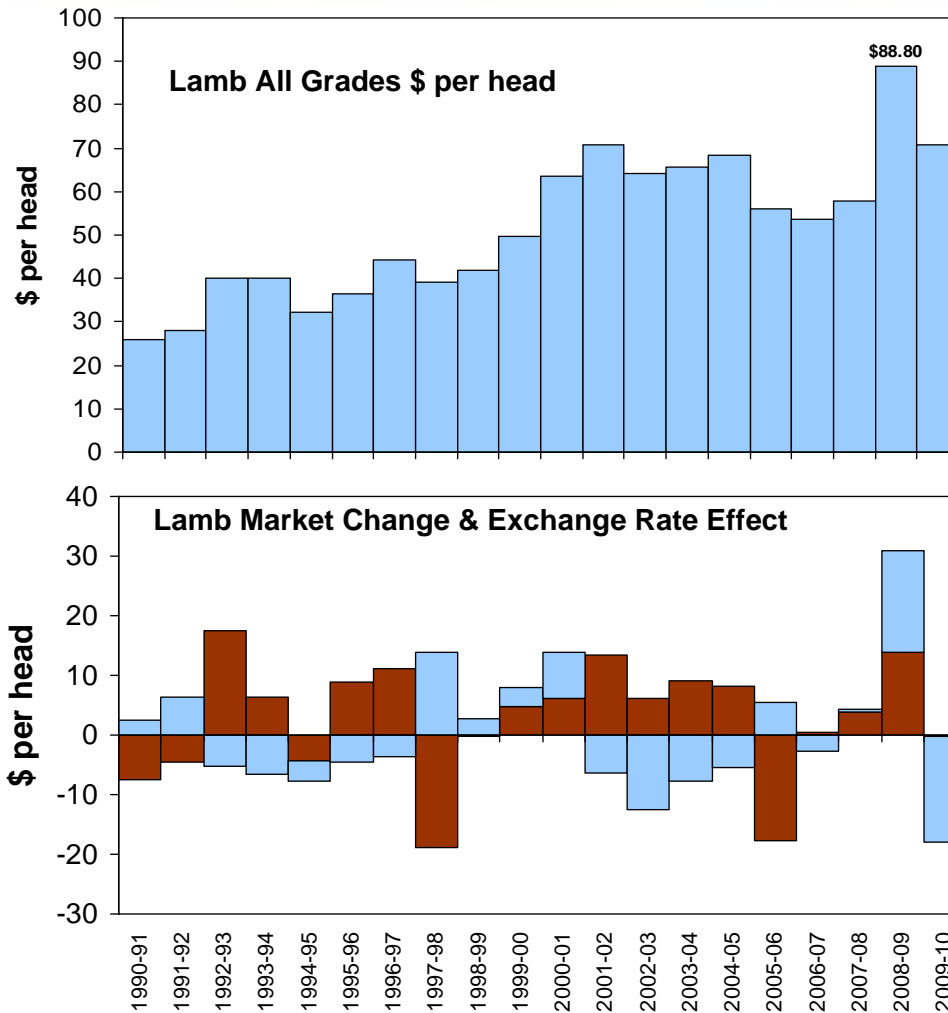
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Source: Meat & Wool New Zealand – Economic Service

Export Lamb \$ per head

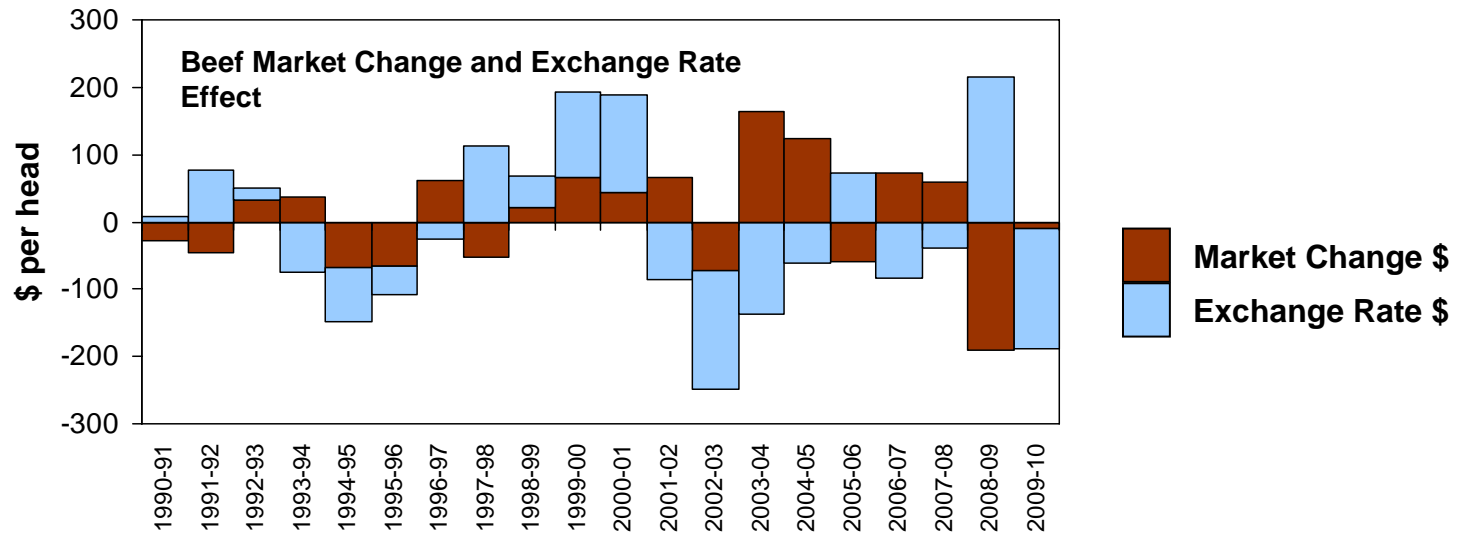
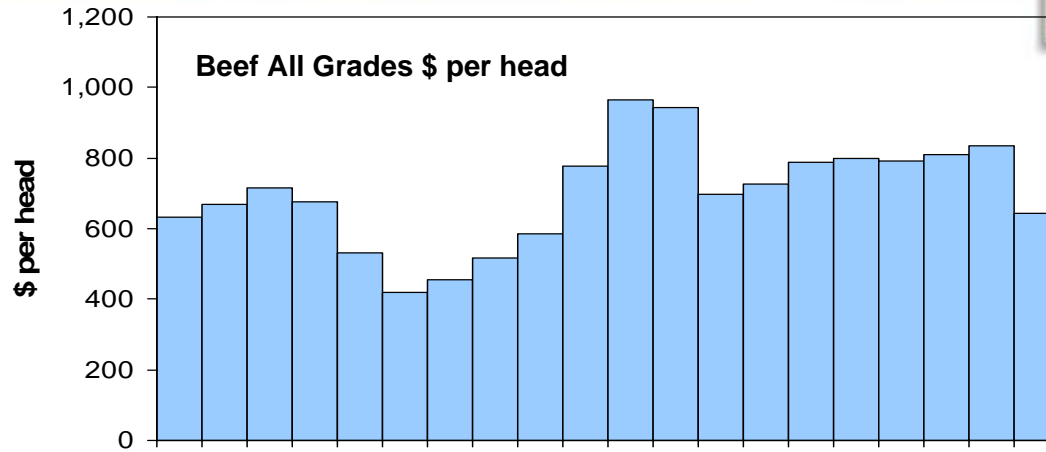
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Source: Meat & Wool New Zealand Economic Service

Beef All Grades \$ per head

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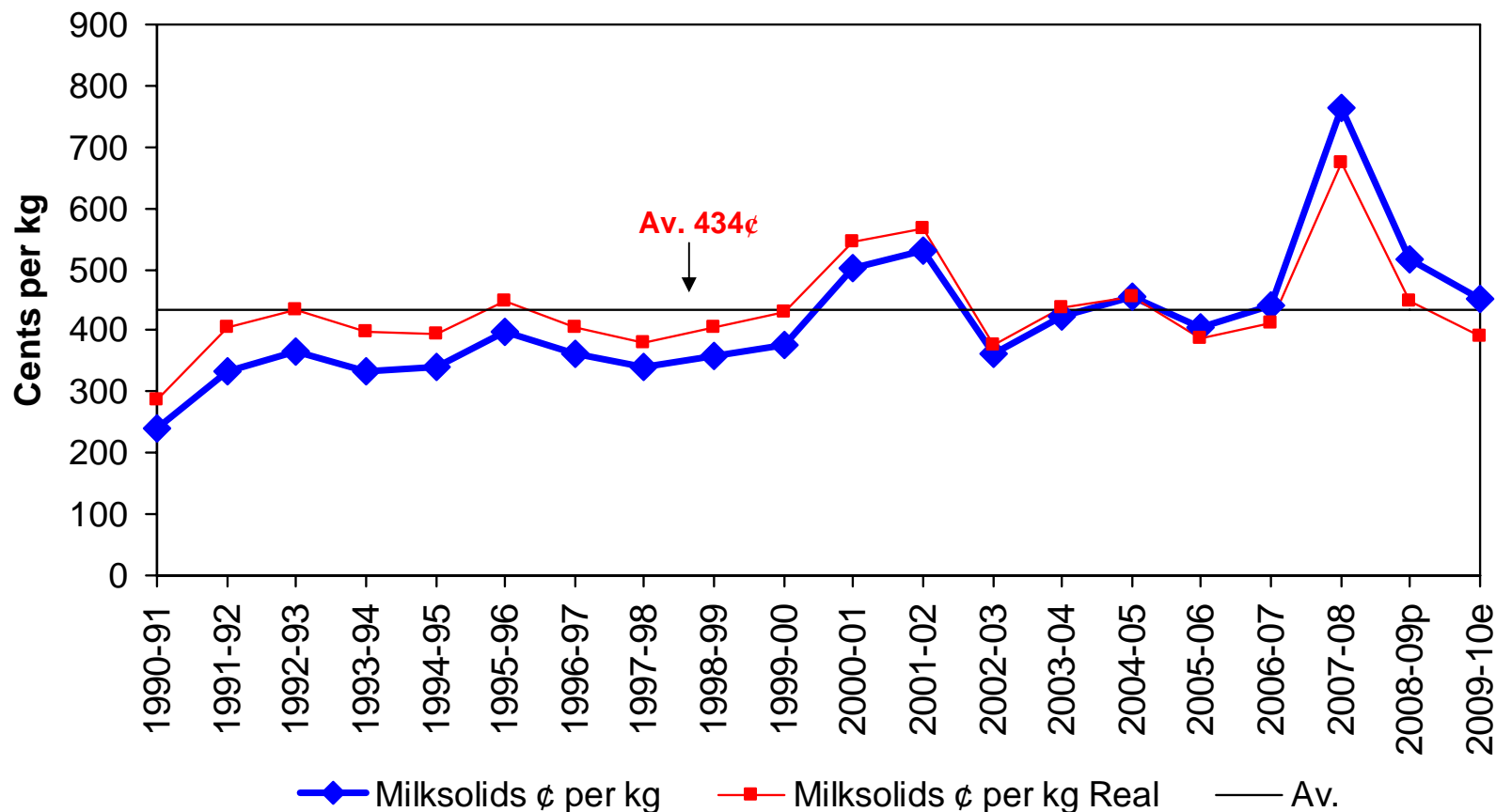
Source: Meat & Wool New Zealand Economic Service

Milksolids ¢ per kg Trend

Real 2004-05 \$s

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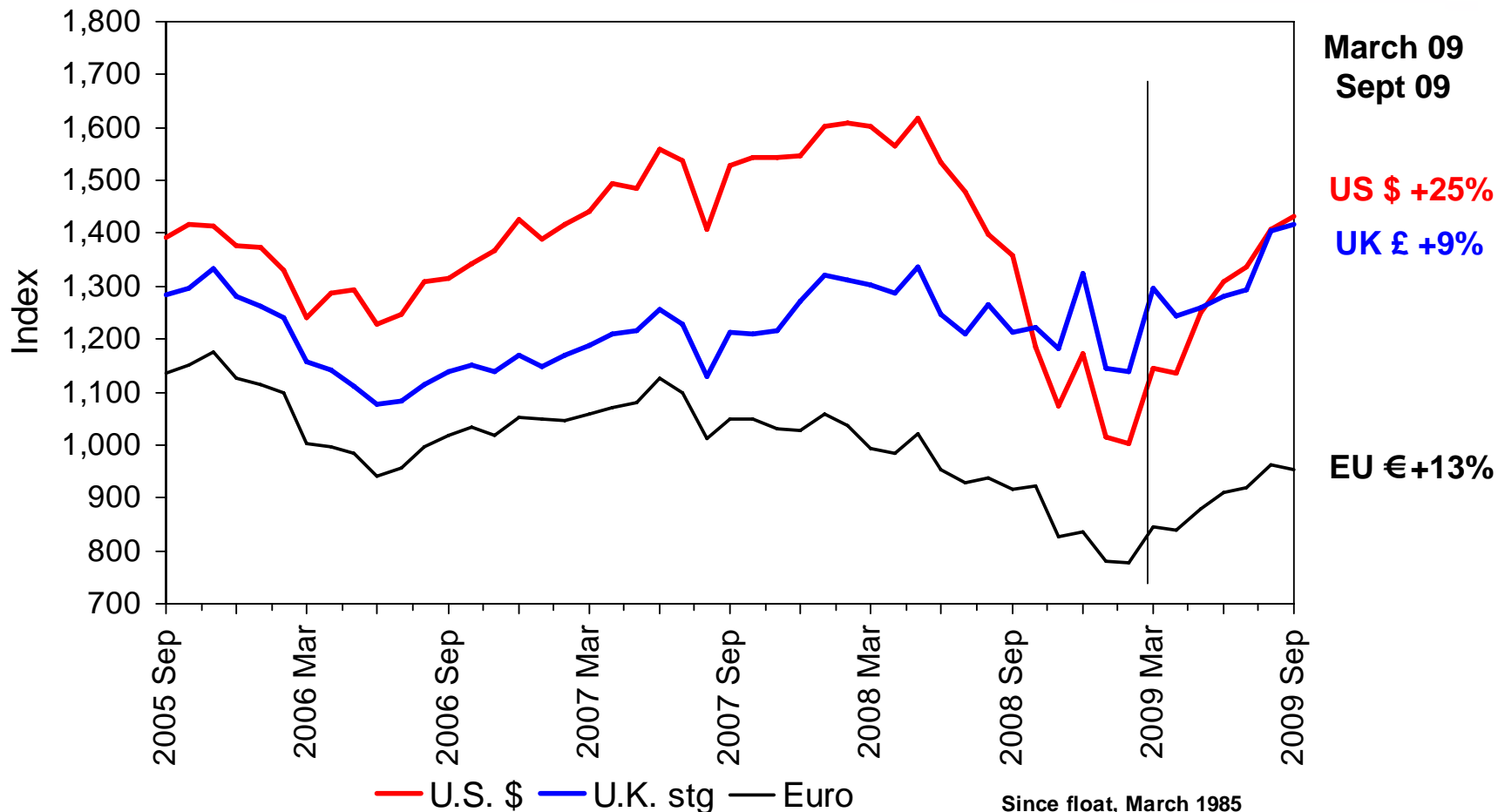
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Source: Meat & Wool New Zealand Ltd Economic Service
Livestock Improvement Corporation, Fonterra

NZ Exchange Rate Trend

(2000 Jan = 1000)



Source: Meat & Wool New Zealand Economic Service
Reserve Bank of New Zealand

Since float, March 1985

NZ \$ av 59 cents US Sep 09 67 ¢

NZ \$ av 36 UK pence Sep 09 43 p

NZ \$ av 0.50 Euros Sep 09 0.48 €

Summary – Domestic Scene

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- Overseas markets reasonable for lamb
- Beef outlook function of US recession - fair
- Big uncertainty is the exchange rate, grim outlook if this remains export unfavourable
- Since 2004-05
 - legacy of low prices received 2005-06 to 2007-08
 - On-farm inflation up 26%
 - Farm debt up 46%; debt servicing per Stock Unit up 60% includes drought effect
- Livestock performance for profit important

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