Ministry for Primary Industries
Manatū Ahu Matua

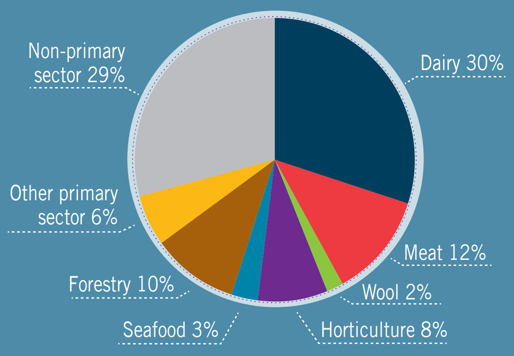
PRIMARY INDUSTRIES PRODUCTION AND TRADE

MARCH QUARTER 2012

HIGHLIGHTS

- Primary sector export revenue declined 2.4% in the March 2012 quarter to $8255 million, but increased 6.2% in the year end March 2012 (to $32 333 million).
- Favourable climatic conditions resulted in near record carcass weights for slaughtered livestock and an 11.5 percent increase in milk solids' production in the March quarter.
- Total seafood export revenue and volumes increased in the March 2012 quarter.
- Despite total forestry export revenue declining 14 percent in the March quarter, it was still the second highest on record.

Figure 1: Sector contribution to New Zealand's merchandise export revenue – Year end March 2012



EXECUTIVE SUMMARY

Total primary sector export revenue fell 2.4 percent to $8255 million in the March 2012 quarter (compared with the March 2011 quarter). This decline was partly attributable to a stronger New Zealand dollar, but other factors outlined below also played a part.

Favourable climatic conditions contributed to good pasture growth in the March quarter and production gains in the dairy (milk yield per cow) and meat (carcass weights) sectors.

However, these gains did not correspond to an increase in export revenue for these sectors. A stronger New Zealand dollar, coupled with easing international dairy prices, saw dairy export revenues plateau at $3745 million. Beef, veal and lamb exports all increased by volume in the March 2012 quarter, but decreased by value to $1414 million.

Wool export revenue increased 1.8 percent in the March quarter, due to a 9.7 percent increase in prices coupled with a 7.4 percent decline in volume. However, increased export volumes for carpets and other wool products contributed to total wool export revenues increasing 4 percent to $254 million.

Total horticulture exports declined 6.7 percent in the March quarter, due mainly to lower vegetable exports. The March quarter is the seasonal low period for kiwifruit exports.

Total seafood export revenue increased by 9.4 percent to $388 million in the March 2012 quarter, while total seafood export volumes increased by 3.4 percent to 80 267 tonnes. Export revenue for all seafood categories increased in the March quarter; however, some of these increases were volume-driven, while others were due to increased prices.

Total forest product export revenue declined 14 percent to $954 million in the March quarter; this was largely due to a 25 percent decline in log exports and a 23 percent decline in pulp exports. Higher than normal inventories of logs stored at Chinese ports contributed to depressed export prices during the quarter, which led to an easing in the total number of logs exported. Roundwood removals declined 2.0 percent during the quarter to an estimated 6 million cubic metres.

This is the first production and trade quarterly report for New Zealand's primary industries, excluding horticulture (given the seasonality of horticulture production). This combined release replaces the quarterly *Forestry Production and Trade* report and the *Fisheries and Aquaculture Production and Trade Quarterly Report* previously released by the Ministry.

MERCHANDISE EXPORTS

New Zealand's primary sector export revenue declined 2.4 percent in the March 2012 quarter (compared with the previous March quarter) to $8255 million, but increased 6.2 percent in the year end March 2012 to $32 333 million. Total primary sector exports accounted for 71 percent of all merchandise exports in the year to March 2012 – refer to Table 1 for more detail.

Table 1: Merchandised export revenue, March Quarter 2012 and March Year 2012

	MARCH QUARTER			MARCH YEAR			SHARE OF TOTAL 2012 EXPORTS
	2011 $m	2012 $m	% CHANGE	2011 $m	2012 $m	% CHANGE	
Live Animals	**67**	**76**	**13.1%**	**206**	**237**	**0.5%**	**0.5%**
Beef & veal	596	570	–4.5%	2 014	2 031	0.8%	
Lamb & mutton	958	844	–11.9%	2 735	2 891	5.7%	
Venison	58	57	–2.3%	214	213	-0.4%	
Other meat	127	134	5.9%	459	507	10.4%	
Total Meat	**1 739**	**1 605**	**–7.7%**	**5 422**	**5 642**	**4.0%**	**12%**
Butter, AMF & cream products	636	607	–4.6%	2 252	2 459	9.2%	
Cheese	344	383	11.4%	1 379	1 404	1.8%	
Wholemilk powder	1 573	1 500	–4.6%	4 849	5 254	8.4%	
Skimmilk, buttermilk powder and infant foods	458	506	10.7%	1 581	1 838	16.3%	
Casein, protein products and albumins	427	460	7.8%	1 468	1 634	11.3%	
Other dairy	307	288	–6.2%	1 201	1 266	5.4%	
Total Dairy	**3 745**	**3 745**	**0.0%**	**12 730**	**13 856**	**8.9%**	**30%**
Wool	200	204	1.8%	665	790	18.8%	
Carpets and other wool products	44	50	15.0%	197	210	6.8%	
Total Wool	**244**	**254**	**4.2%**	**862**	**1 000**	**16.0%**	**2%**
Kiwifruit	9	1	–93.3%	943	1,034	9.6%	
Pipfruit	72	57	–21.1%	339	347	2.4%	
Wine	262	255	–2.7%	1 085	1 160	6.9%	
Other fresh and processed fruit	89	107	20.0%	280	349	25.0%	
Vegetables	209	180	–14.1%	564	558	–1.0%	
Total Horticulture	**642**	**599**	**–6.7%**	**3 211**	**3 449**	**7.4%**	**8%**
Hides, leather and dressed skins	136	170	25.7%	475	591	24.5%	
Other agricultural products	175	222	26.7%	693	773	11.6%	
Other food	251	249	–0.5%	1 012	1,051	3.9%	
Total Other Agricultural Products	**562**	**642**	**14.3%**	**2 180**	**2 415**	**10.8%**	**5%**
Total Agricultural Products	**6 999**	**6 913**	**–1.2%**	**24 472**	**26 430**	**8.0%**	**58%**
Aquaculture	71	73	2.8%	287	310	7.9%	
Deepwater	74	77	3.8%	356	353	–0.9%	
Inshore Finfish	28	30	5.8%	112	107	–4.4%	
Inshore Shellfish	45	56	24.7%	281	289	2.7%	
Pelagics	72	84	17.1%	231	261	12.9%	
Other fish products	64	67	5.4%	259	240	–7.4%	
Total Fisheries Products	**355**	**388**	**9.4%**	**1 527**	**1 560**	**2.2%**	**3%**
Panel products	106	122	14.7%	453	495	9.4%	
Logs, poles & wood chips	456	342	–25.1%	1 567	1 627	3.8%	
Pulp	161	124	–22.8%	642	574	–10.7%	
Paper & paperboard	101	102	0.9%	407	388	–4.6%	
Sawn timber & sleepers	165	166	0.6%	846	751	–11.2%	
Other	120	99	–17.5%	527	508	–3.6%	
Total Forestry Products	**1 108**	**954**	**–14.0%**	**4,442**	**4 343**	**–2.2%**	**10%**
Total Agricultural, Fisheries & Forestry Products	**8 462**	**8 255**	**–2.4%**	**30 441**	**32 333**	**6.2%**	**71%**
Total NZ Merchandise Exports	**11 367**	**11 151**	**–1.9%**	**42 948**	**45 689**	**6.4%**	**100%**

Sources: Statistics New Zealand and MPI.

DAIRY

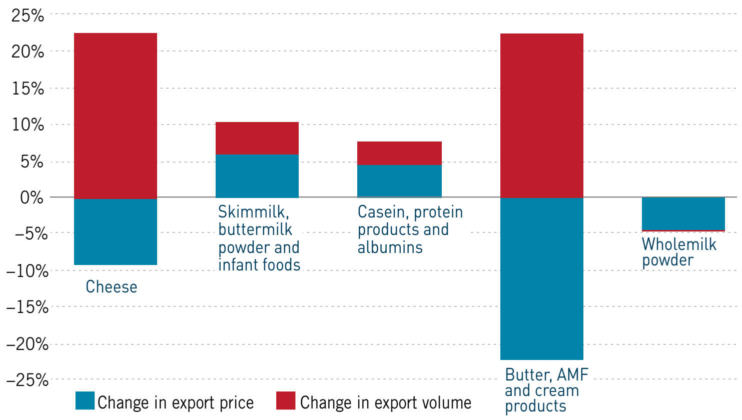
Production of milk solids increased 11.5 percent in the March 2012 quarter to 511 000 tonnes, and 13.2 percent in the year to March 2012 (to 1 655 000 tonnes). This phenomenal increase was due to favourable climatic conditions boosting milk yield per cow, and an increase in cow numbers.

Despite higher production (and slightly higher export) volumes, dairy export revenues were steady at $3745 million in the March 2012 quarter, as a result of a stronger New Zealand dollar against the United States dollar and easing international dairy prices.

Changes in export revenue for different dairy commodities were mixed as shown in Figure 2. Export revenue from cheese increased 11.4 percent, due to a large increase in export volume partially offset by a decline in price. For skimmilk powder and casein, improvements in both volume and price contributed to 10.7 and 7.8 percent increase in export revenues respectively.

Both wholemilk powder and butter experienced a 4.6 percent decrease in export revenue. Wholemilk powder export volume was static as a decrease in demand from China balanced by increases from OPEC members and other Asian countries. The significant drop in the butter price stimulated a large increase in demand. However, it was not enough to offset the price fall.

Figure 2: Dairy export prices and volumes – Change from March 2011 Quarter to March 2012 Quarter



Sources: Statistics New Zealand and MPI.

MEAT AND WOOL

Favourable climatic conditions contributed to near-record carcass weights for slaughtered livestock in the March quarter – refer to Figure 3. In the main pasture growing period of October to March, average New Zealand rainfall was up 24.0 percent on the previous year. Abundant pasture growth encouraged farmers to hold back livestock from slaughter.

Beef production increased 1.4 percent in the March 2012 quarter (compared with the March 2011 quarter) due to increased carcass weights, the highest since 2006. This was despite lower adult cattle slaughter numbers. Lamb production was up 2.4 percent because of increased lamb slaughter numbers and a record average carcass weight of 17.6 kg.

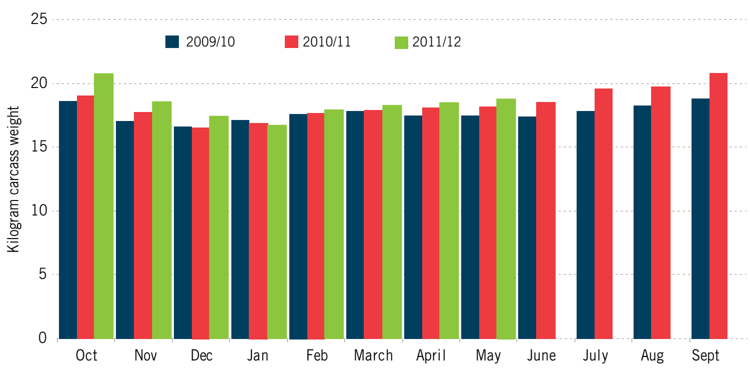
Meat and wool export prices were adversely impacted by an 8.2 percent and 10.4 percent appreciation of the New Zealand dollar against the United States dollar and United Kingdom pound respectively, from the March 2011 quarter to the March 2012 quarter.

Exports of beef and veal increased 1.3 percent to 98 450 tonnes in the March quarter, while export value decreased 4.5 percent to $570 million because of the strong New Zealand dollar. Beef and veal exports to our major export market, the United States, increased 9.3 percent by volume and 5.3 percent by value because of stronger demand.

Export volumes of lamb increased 4.7 percent to 79 000 tonnes, while export values decreased 1.3 percent to $722 million. Lamb exports to New Zealand's main market, the European Union, decreased 9.1 percent by volume and 9.6 percent by value, due to a decrease in frozen export volumes and increased export sales to China and OPEC.

Wool export value increased 1.8 percent due to the net effect of a 9.7 percent increase in price and a 7.4 percent decrease in volume. New Zealand wool exports to China increased to 55 percent of total value and 57 percent of total volume.

Figure 3: Lamb carcass weights, 2009/10–2011/12



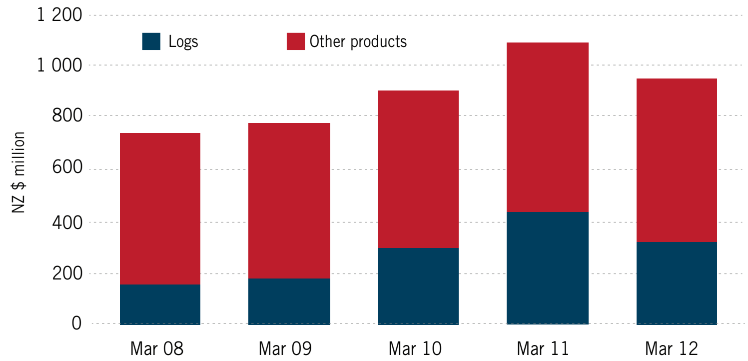
FORESTRY

Total forest product export revenues for the March 2012 quarter declined 14 percent to $954 million. This was led by a 27 percent reduction in export log revenue while log volumes fell 8.7 percent. Higher than normal inventories of logs stored at Chinese ports contributed to depressed export prices during the quarter, and this led to an easing in the total number of logs exported. Despite the decline, total forest product export revenue was the second highest recorded for any March quarter (refer to Figure 4).

Roundwood removals declined 2.0 percent for the quarter to an estimated 6.0 million cubic metres. Production of pulp, paper and paperboard fell, while production of sawn timber and panel products increased by 5.3 and 7.4 percent respectively.

New Zealand panel production and trade has increased each quarter since the March 2011 earthquake and tsunami in Japan. Increases in panel production for the year to March 2012 have been recorded for fibreboard (up 8.0 percent), particleboard (up 7.7 percent), plywood (up 5.7 percent) and veneer (up 4.2 percent). Total export volumes of panels are up 12 percent for the year with exports to Japan climbing 32 percent.

Figure 4: Forest product export revenue, March 2008–March 2012



Source: Statistics New Zealand.

SEAFOOD

Total seafood export earnings increased from $354.5 million in the March 2011 quarter to $388.0 million in the March 2012 quarter (an increase of 9.4 percent). All major seafood product groups contributed to this increase.

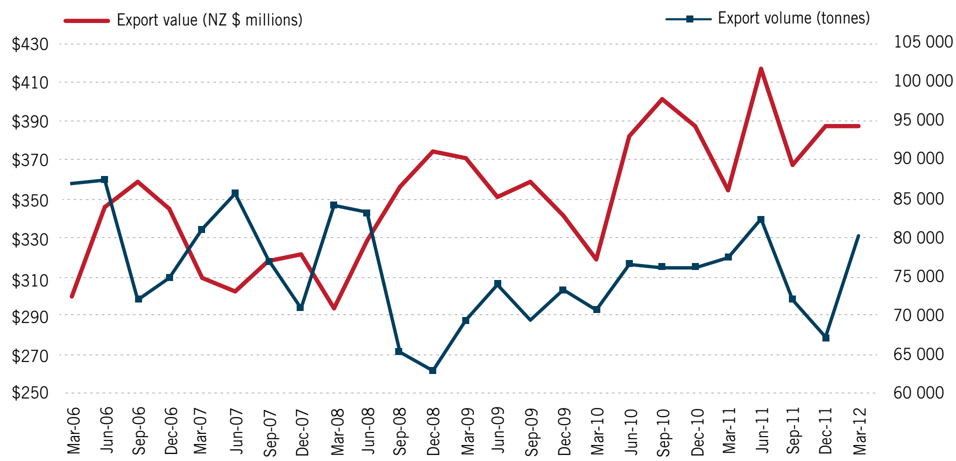
Total seafood export volumes increased 3.4 percent to 80 267 tonnes in the March 2012 quarter. Export volumes were up for deepwater, inshore shellfish and pelagic species, but down for aquaculture and inshore finfish species compared to the March 2011 quarter.

The fact that the export revenue increased for aquaculture and inshore finfish species while export volumes decreased indicates that prices in our export markets have increased enough to offset any loss of export revenue from lower export volumes.

This was achieved despite the high exchange rate with the United States dollar. The majority of seafood is traded internationally using the United States dollar.

Inshore shellfish and pelagic species saw export revenue increase at a rate greater than export volumes. This would also indicate that prices in New Zealand's export markets for these species have increased slightly.

Figure 5: Quarterly seafood export revenue and volume



Sources: New Zealand Seafood Industry Council (SeaFIC) and MPI.

STATISTICAL ANNEX BY SECTOR

DAIRY

Table 2: Dairy production

VOLUME (TONNES)	MARCH QUARTER			MARCH YEAR		
	2011	2012	% CHANGE	2011	2012	% CHANGE
Milk solids	458 043	510 913	11.5%	1462 811	1655 230	13.2%

Sources: DairyNZ and MPI.

Table 3: Dairy exports

VALUE ($NZ MILLION FOB)	MARCH QUARTER			MARCH YEAR		
	2011	2012	% CHANGE	2011	2012	% CHANGE
Butter, AMF and cream products	636	607	–4.6%	2 252	2 459	9.2%
Cheese	344	383	11.4%	1 379	1 404	1.8%
Wholemilk powder	1 573	1 500	–4.6%	4 849	5 254	8.4%
Skimmilk, buttermilk powder and infant foods	458	506	10.7%	1 581	1 838	16.3%
Casein, protein products and albumins	427	460	7.8%	1 468	1 634	11.3%
Other dairy	307	288	–6.2%	1 201	1 266	5.4%
Total	**3 745**	**3 745**	**0.0%**	**12 730**	**13 856**	**8.9%**
VOLUME (TONNES)						
Butter, AMF and cream products	104 454	127 998	22.5%	391 174	437 229	11.8%
Cheese	62 281	76 386	22.6%	249 793	266 937	6.9%
Wholemilk powder	331 615	331 007	–0.2%	1038 982	1107 608	6.6%
Skimmilk, buttermilk powder and infant foods	109 634	114 422	4.4%	335 198	365 414	9.0%
Casein, protein products and albumins	45 384	46 789	3.1%	156 791	163 171	4.1%
Other dairy	75 203	75 820	0.8%	314 986	318 015	1.0%

Sources: Statistics New Zealand and MPI.

MEAT AND WOOL

Table 4: Meat and wool production

VOLUME (TONNES CARCASS WEIGHT)	MARCH QUARTER			MARCH YEAR		
	2011	2012	% CHANGE	2011	2012	% CHANGE
Beef and veal	176 391	178 806	1.4%	621 179	603 093	–2.9%
Lamb	123 876	126 880	2.4%	341 484	352 298	3.2%
Mutton	48 138	43 765	–9.1%	110 328	90 905	–17.6%
Poultry	39 335	41 049	4.4%	147 028	163 590	11.3%
Pig	12 163	12 669	4.2%	48 637	50 641	4.1%
Goat	249	191	–23.3%	1 289	1 192	–7.5%
Horse	154	115	–25.2%	513	480	–6.5%
Total	400 306	403 475	0.8%	1270 458	1262 199	–0.7%

Table 5: Meat and wool exports

VALUE ($NZ MILLION FOB)	MARCH QUARTER				MARCH YEAR	
	2011	2012	% CHANGE	2011	2012	% CHANGE
Beef and veal	5960	570	–4.5%	2 014	2 031	0.8%
Lamb	731	722	–1.3%	2 299	2 542	10.6%
Mutton	226	122	–46.0%	436	349	–19.9%
Venison	58	57	–2.3%	214	213	–0.4%
Other meat	127	134	5.9%	459	507	10.4%
Wool	200	204	1.8%	665	790	18.8%
Carpets and other wool products	44	50	15.0%	197	210	6.8%
Hides, leather and dressed skins	136	170	25.7%	475	475	24.5%
Total	**2 118**	**2 029**	**-4.2%**	**6 759**	**7 233**	**7.0%**
VOLUME (TONNES)						
Beef and veal	97 203	98 446	1.3%	359 059	348 025	-3.1%
Lamb	75 446	78 975	4.7%	267 309	261 398	-2.2%
Mutton	34 619	21 640	–37.5%	68 974	57 166	–17.1%
Venison	4 534	4 797	5.8%	16 080	15 388	-4.3%
Other meat	30 841	35 271	14.4%	114 733	121 794	6.2%
Wool	34 005	31 504	–7.4%	129 536	114 567	–11.6%
Carpets and other wool products	4 400	5 143	16.9%	20 597	20 007	-2.9%
Hides, leather and dressed skins	31 314	35 693	14.0%	110 207	108 594	–1.5%

Sources: Statistics New Zealand and MPI.

FORESTRY

Table 6: Forestry production

VOLUME (TONNES unless otherwise stated)	MARCH QUARTER 2011	MARCH QUARTER 2012	MARCH QUARTER % CHANGE	MARCH YEAR 2011	MARCH YEAR 2012	MARCH YEAR % CHANGE
Panel products (m^3)	434 943	467 345	7.4%	1 873 721	1 988 346	6.1%
Export logs (m^3)	3 086 343	2 818 333	–8.7%	11 679 559	12 531 019	7.3%
Pulp	366 745	361 566	–1.4%	1 590 353	1 517 398	–4.6%
Paper and paperboard	229 700	205 941	–10.3%	930 203	885 190	–4.8%
Sawn timber (m^3)	874 000	920 000	5.3%	3 971 000	3 844 000	–3.2%
Total roundwood removals (m^3)	**6 168 000**	**6 043 000**	**–2.0%**	**25 048 000**	**26 078 000**	**4.1%**

Source: MPI.

Table 7: Forestry exports

VALUE ($NZ MILLION FOB)	MARCH QUARTER 2011	MARCH QUARTER 2012	MARCH QUARTER % CHANGE	MARCH YEAR 2011	MARCH YEAR 2012	MARCH YEAR % CHANGE
Panel products	106	122	14.7%	453	495	9.4%
Logs, poles and wood chips	456	342	–25.1%	1 567	1 627	3.8%
Pulp	161	124	–22.8%	642	574	–10.7%
Paper and paperboard	101	102	0.9%	407	388	–4.6%
Sawn timber and sleepers	165	166	0.6%	846	751	–11.2%
Other	120	99	–17.5%	527	508	–3.6%
Total	**$1 108**	**$954**	**–14.0%**	**4 442**	**4 343**	**–2.2%**
VOLUME (TONNES unless otherwise stated)						
Panel products (m^3)	203 749	233 343	14.5%	856 485	961 301	12.2%
Logs and poles (m^3)	3 086 343	2 818 333	–8.7%	11 679 559	12 531 019	7.3%
Pulp	207 373	188 191	–9.2%	801 485	796 693	–0.6%
Paper and paperboard	98 808	98 433	–0.4%	399 025	382 116	–4.2%
Sawn timber and sleepers (m^3)	405 564	427 651	5.4%	2 053 000	1 928 324	–6.1%
Woodchips (BDU)	60 987	95 413	56.4%	322 065	456 806	41.8%

Source: Statistics New Zealand.

SEAFOOD

Table 8: Seafood production

VOLUME (TONNES)	MARCH QUARTER 2011	MARCH QUARTER 2012	MARCH QUARTER % CHANGE	MARCH YEAR 2011	MARCH YEAR 2012	MARCH YEAR % CHANGE
Aquaculture	N/A	N/A	N/A	N/A	N/A	N/A
Deepwater	26 032	25 260	–3.0%	195 034	191 956	–1.6%
Inshore Finfish	13 661	14 575	6.7%	46 921	46 468	–1.0%
Inshore Shellfish	665	668	0.4%	3 840	3 743	–2.5%
Pelagics	55 175	44 554	–19.2%	135 356	124 396	–8.1%
Other	19 217	16 666	–13.3%	62 525	56 058	–10.3%
Total	**114 750**	**101 723**	**–11.4%**	**443 677**	**422 621**	**–4.7%**

Table 9: Seafood exports

VALUE ($NZ MILLION FOB)	MARCH QUARTER 2011	MARCH QUARTER 2012	MARCH QUARTER % CHANGE	MARCH YEAR 2011	MARCH YEAR 2012	MARCH YEAR % CHANGE
Aquaculture	$71.1	$73.1	2.8%	$287.1	$309.9	7.9%
Deepwater	$74.1	$77.0	3.8%	$355.7	$352.6	-0.9%
Inshore Finfish	$28.4	$30.0	5.8%	$112.1	$107.2	-4.4%
Inshore Shellfish	$45.1	$56.2	24.7%	$281.3	$288.8	2.7%
Pelagics	$72.1	$84.5	17.1%	$231.3	$261.1	12.9%
Other	$63.8	$67.2	5.4%	$259.5	$240.4	–7.4%
Total	**$354.5**	**$388.0**	**9.4%**	**$1 527.0**	**$1 560.0**	**2.2%**
VOLUME (TONNES)						
Aquaculture	10 738	10 244	–4.6%	44 046	44 622	1.3%
Deepwater	16 718	17 432	4.3%	85 836	88 194	2.7%
Inshore Finfish	4 236	4 057	–4.2%	17 286	15 939	–7.8%
Inshore Shellfish	602	742	23.4%	3 745	3 722	–0.6%
Pelagics	32 350	35 152	8.7%	101 567	100 633	–0.9%
Other	12 970	12 640	–2.5%	54 247	49 119	–9.5%
Total	**77 613**	**80 267**	**3.4%**	**306 727**	**302 228**	**–1.5%**

Source: New Zealand Seafood Industry Council (SeaFIC).

FOR MORE INFORMATION

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