

Medium-term prospects for major agricultural commodities 2017-2026

New Zealand

Highlights

- It is projected that by 2026 New Zealand will account for nearly 50% of the global exports of **whole milk powder**, and **butter**.
- Strong growth is projected in **pigmeat** production as domestic consumption is expected to increase substantially.
- Domestic demand for **sheepmeat** and **dairy products** is also projected to increase. Exports of **sheepmeat** will decline as a result.
- The New Zealand diet is characterised by high consumption of **dairy products**. **Meat** consumption will account for an increasingly larger share of calorie intake.

Overview

The *OECD-FAO Agricultural Outlook* foresees that overall production growth will lead to higher exports of agricultural commodities. Domestic food demand will continue to grow, particularly for protein from animal origins. Dairy products will continue to be an important element of the national diet. New Zealand will remain a significant exporter of dairy products, with skim milk powder and cheese exports projected to register the highest increases of all traded agricultural products over the outlook period. The *Outlook* assumes that the current policy framework will not change over the next decade.

Macroeconomic assumptions

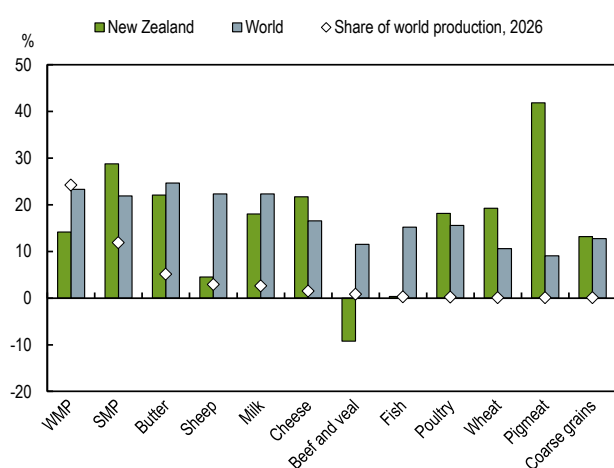
- Population is projected to grow by 0.8% per year, from 4.6 million in 2016 to 5 million in 2026.
- Annual inflation is projected to average 1.9% in the coming decade.
- The New Zealand dollar is projected to appreciate by 8% in nominal terms compared to the USD to NZD/USD 1.32 in 2026.
- GDP is projected to grow by 2.6% per year.

Policy assumptions

- Tariffs are assumed to remain at their 2016 levels until 2026.

Production

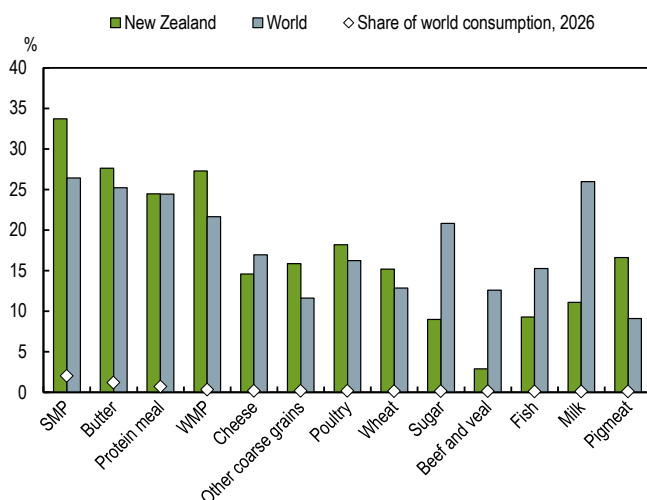
Production: Percentage change 2026 compared to 2014-16 average



- Growth in **sheepmeat** production is projected at 5% over the outlook period, lower than the average global growth rate. This is due in part to the expected higher profitability of the dairy sector, which competes with the sheepmeat sector for pastoral land.
- Pigmeat** production is projected to grow by 42% over the outlook period, compared to the global growth rate of 9%. **Beef and veal** production is projected to decline by -9% in parallel with increased productivity gains by dairy breeds, which make up approximately two-thirds of the bovine meat supply. Poultry is projected to increase by 16% as domestic demand increases.
- Skim milk powder (SMP)** and **cheese** production are projected to grow by 29% and 16% respectively. Production growth of other dairy products will continue to be strong, e.g. **butter** production is projected to increase by 25% and **whole milk powder (WMP)** by 15%.

Consumption

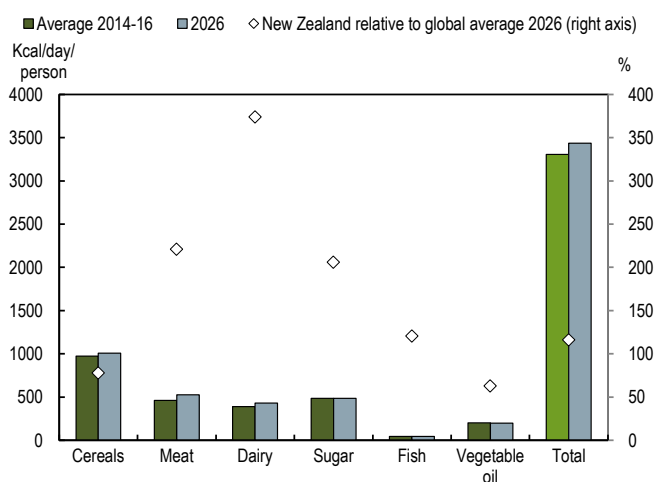
Consumption: Percentage change 2026 compared to 2014-16 average



- The consumption of **dairy products** is projected to increase for **SMP** (+33%), **WMP** (+27%), **butter** (+25%) and **cheese** (+15%). Consumption of fluid milk, however, will increase by 11%, less than half the average global growth rate
- Growth in consumption will remain limited for **beef and veal** (+3%).
- Stronger growth on consumption is projected for **poultry** (+18%) and **pigmeat** (+17%). Consumption of **fish** will increase by 9%
- The projected growth in consumption of **wheat** and **barley** (+15%) will be above the global average rate.
- Consumption of **sugar** is projected to increase at half the average global growth rate (+20%).

Caloric and protein intake

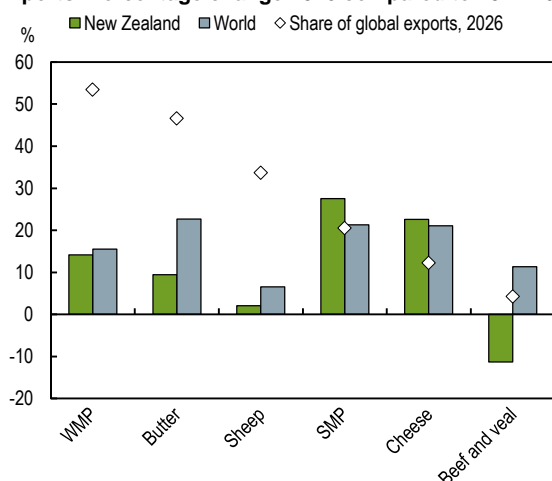
Projections of caloric intake per capita by commodity, 2026 compared to 2014-16 average



- Overall **calorie intake** in New Zealand is projected to increase by 4% to 3 435 kcal/day/person in 2026, 16% above the expected global average.
- **Cereals** will dominate as a source of calories, with a projected contribution of 1 010 kcal in 2026, 3% higher than the 2017 level.
- Calorie intake in 2026 through **sugar** consumption is projected to remain flat, but nevertheless at twice the global average.
- **Meat**, as a source of calories, is projected to increase by 15%, twice the global average rate. This is also the case for sugar.
- Calories through **fish** consumption will remain stable at 20% above the global average.
- Protein intake (not shown) is projected to increase by 5% to 205 grams per day per person, which is more than twice the projected global average rate.
- A high contribution from **dairy** and a low contribution from **vegetable oils** will continue to characterise protein intake in New Zealand.

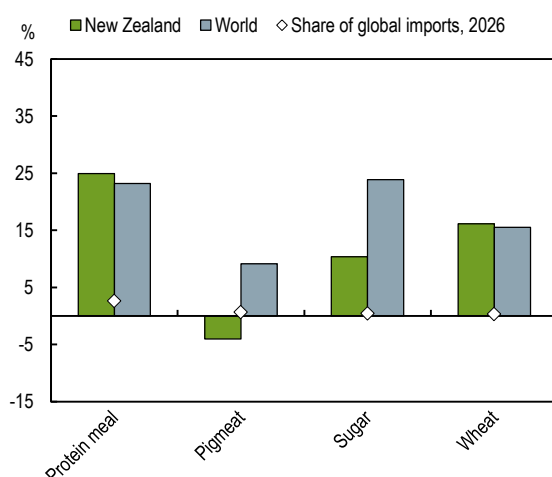
Trade

Exports: Percentage change 2026 compared to 2014-16 average



- Agricultural imports are minor, with the exception of **protein meal** to supplement domestic feedstock. Imports are projected to increase by 25%.
- Export growth of **SMP** and **cheese** will outpace global trade growth.
- Exports of other dairy products, such as **WMP** and **butter**, are projected to increase by 14% and 10% respectively, while those of **sheepmeat** are projected to increase by only 2%.
- **Beef and veal** exports are projected to decrease by -11% over the outlook period due to lower cattle inventory.

Imports: Percentage change 2026 compared to 2014-16 average



Policy and market uncertainties

- New Zealand's access to export markets is important and the country has negotiated several Free Trade Agreements (FTAs), which account for approximately 50% of the value of its total exports. The withdrawal of the United States from the Trans-Pacific Partnership (TPP) has created uncertainty over the future of this agreement, which has the potential of offering New Zealand's agricultural sector access to new markets. The government is actively exploring options to implement the agreement without the United States' participation. Negotiations for a New Zealand-European Union FTA began in 2017. The ratification of further trade agreements could increase New Zealand's trade potential, thereby modifying current projections.

Further reading

OECD/FAO (2017), *OECD-FAO Agricultural Outlook 2017-2026*, OECD Publishing, Paris.

http://dx.doi.org/10.1787/agr_outlook-2017-en.

OECD-FAO Agricultural Outlook: www.agri-outlook.org

Methodology of the Aglink-Cosimo Model: www.agri-outlook.org/abouttheoutlook/Aglink-Cosimo-model-documentation-2015.pdf

Policy information for these country notes is drawn from the *OECD Agricultural Policy Monitoring and Evaluation*: <http://oe.cd/pse>

For more information about the *Agricultural Outlook*, contact us at TAD.contact@oecd.org.

New Zealand: Selected commodity projections

			Average		Growth ²		
			2014-16 est.	2021	2026	2007-16	2017-26
Wheat	Area harvested	kha	50	54	56	0.18	0.82
	Production	kt	448	496	534	2.15	1.42
	Consumption	kt	946	1006	1090	5.44	1.94
	Per capita consumption ¹	kg/cap	79.9	810	83.3	8.24	0.56
	Exports	kt	0	0	0	-16.10	0.00
	Imports	kt	481	514	559	7.47	1.95
Other coarse grains	Area harvested	kha	69	72	78	-1.07	1.50
	Production	kt	452	487	538	0.92	1.89
	Consumption	kt	480	507	557	2.19	1.80
	Per capita consumption	kg/cap	119	13.0	13.3	-18.83	0.40
	Exports	kt	0	0	0	-23.86	0.00
	Imports	kt	26	20	19	10.07	-0.34
Sugar	Production	kt	0	0	0
	Consumption	kt	220	231	240	0.35	0.85
	Per capita consumption ¹	kg	48.6	48.4	48.4	-0.45	0.02
	Exports	kt	20	20	20	1.58	0.00
	Imports	kt	237	252	261	0.34	0.78
Beef and veal	Cow inventory	000 hd	995	923	864	-1.90	-1.27
	Production	kt (cwe)	670	619	608	0.67	-0.78
	Consumption	kt (cwe)	85	88	88	-5.02	0.08
	Per capita consumption ¹	kg/cap	13.2	12.9	12.4	-5.77	-0.74
	Exports	kt (cwe)	598	541	530	1.85	-0.91
	Imports	kt (cwe)	13	10	10	11.25	0.00
Pigmeat	Production	kt (cwe)	46	55	65	-1.20	3.51
	Consumption	kt (cwe)	102	111	119	2.21	1.25
	Per capita consumption ¹	kg/cap	17.5	18.2	18.7	1.40	0.42
	Exports	kt (cwe)	0	0	0	0.13	-2.79
	Imports	kt (cwe)	56	57	54	5.79	-0.95
Poultry	Production	kt (rtc)	198	226	234	4.22	0.99
	Consumption	kt (rtc)	184	209	218	3.57	1.07
	Per capita consumption ¹	kg/cap	35.8	38.7	38.7	2.74	0.24
	Exports	kt (rtc)	14	16	16	18.95	0.00
	Imports	kt (rtc)	0	0	0
Sheepmeat	Production	kt (cwe)	485	472	507	-1.97	1.36
	Consumption	kt (cwe)	16	24	23	-20.16	1.24
	Per capita consumption ¹	kg/cap	3.1	4.4	4.1	-20.80	0.40
	Exports	kt (cwe)	480	465	490	-0.54	1.16
	Imports	kt (cwe)	5	5	5	-3.94	0.00
Milk	Cow inventory	000 hd	5 081	5 348	5 688	2.17	1.27
	Production	kt	21512	22 829	25 396	4.04	2.26
Butter	Production	kt	572	625	698	3.05	2.42
	Consumption	kt	125	143	160	15.56	2.69
	Per capita consumption ¹	kg	27.7	29.9	32.3	14.64	1.85
	Exports	kt	493	484	540	3.21	2.34
	Imports	kt	2	2	2	3.38	0.00
Cheese	Production	kt	321	367	390	0.38	1.72
	Consumption	kt	39	42	45	0.46	1.31
	Per capita consumption ¹	kg/cap	8.6	8.9	9.0	-0.33	0.48
	Exports	kt	292	336	358	0.44	1.71
	Imports	kt	10	12	12	7.60	0.00
Whole milk powder	Production	kt	1352	1421	1543	10.20	1.62
	Consumption	kt	17	20	21	19.09	1.81
	Per capita consumption ¹	kg/cap	3.7	4.1	4.3	18.15	0.97
	Exports	kt	1338	1406	1527	10.15	1.61
	Imports	kt	3	5	5	..	0.00
Skim milk powder	Production	kt	503	571	647	2.70	2.83
	Consumption	kt	81	97	109	9.46	2.53
	Per capita consumption ¹	kg/cap	18.0	20.3	21.9	8.59	1.69
	Exports	kt	425	477	542	1.90	2.87
	Imports	kt	4	4	4	..	0.00

1. Per capita consumption expressed in retail weight. Carcass weight to retail weight conversion factor of 0.7 for beef and veal, 0.78 for pigmeat and 0.88 for both sheep meat and poultry meat.

2. Least squares growth rate.