

HORTICULTURE



Wine export revenue is expected to be up 3.2% to \$1.36 billion, driven by higher export volume. A lower export price per litre reflects weaker economic conditions in some markets, particularly Australia, and an increase in the share of bulk versus bottled exports. However, the outlook through to 2019 is promising for value recovery.



Kiwifruit export revenue is expected to grow strongly (up 19%) to \$1.1 billion in the year to June 2015. Volumes are up 15%, driven by strong recovery in gold kiwifruit as the industry rebounds from the effects of the Psa disease. Volumes for both gold and green kiwifruit are expected to increase over the outlook period.



Fresh and processed vegetable export revenue is expected to be down 3.9% to \$583 million for the year to June 2015, largely due to the high value of the NZD against the AUD and the Yen, and reduced export volumes of onions and squash due to climatic conditions.



Apple and pear export revenue is expected to be down 10% to \$493 million for the year to June 2015, due to lower prices and volumes. However, the outlook is positive for the industry, with an increasing proportion of new high-value varieties planted and the potential for ongoing market expansion in Asia.

ARABLE



Arable seed export revenues have grown at 7% per annum from June years 2001 to 2015.



Crop yields in 2015 were above average on irrigated farms, but well below average on dryland farms due to drought conditions in much of the South Island.



Increasing global demand coupled with New Zealand's reputation for dependable high quality seed production, underpins export growth of seeds.

Year to 30 June	Actual			Estimate			Forecast		
	2012	2013	2014	2015	2016	2017	2018	2019	
EXPORT REVENUE (\$M)	13 659	13 441	18 068	14 174	14 813	16 579	17 451	18 429	
DAIRY	7 714	7 723	8 093	8 757	8 543	8 826	8 872	8 963	
MEAT & WOOL	4 272	4 478	5 144	4 630	4 696	4 923	5 113	5 332	
FORESTRY	1 500	1 466	1 427	1 513	1 600	1 658	1 716	1 799	
SEAFOOD	3 543	3 532	3 786	3 969	4 241	4 449	4 530	4 681	
HORTICULTURE	1 441	1 561	1 559	1 960	1 631	1 741	1 747	1 866	
OTHER	171	223	228	198	200	204	215	230	
ARABLE	32 300	32 425	38 305	35 201	35 725	38 380	39 645	41 300	
TOTAL									

Ministry for Primary Industries
Manatū Ahu Matua



SITUATION AND OUTLOOK FOR PRIMARY INDUSTRIES 2015

THE FULL SOPI REPORT IS
AVAILABLE ON THE MPI WEBSITE:
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SITUATION

Despite some challenging conditions over the past year, the meat, horticulture, seafood and other sectors have grown strongly, partially offsetting larger decreases in dairy and forestry. We expect market volatility and uncertainty, particularly for dairy, to continue in the short term.

OUTLOOK

For the current forecast period out to 2019, we expect earnings to reach \$41.3 billion (17% higher than in 2015). Prospects in key markets such as China and Southeast Asia are particularly encouraging.

Forecast total primary industry export earnings
2019
\$41.3 billion
▲ 17%

Forecast total primary industry export earnings
2015
\$35.2 billion
▼ 8%

June 2015

DAIRY



World dairy prices are currently constrained by abundant milk supply from other exporting countries and depressed demand from the world's two largest importers - China and Russia.



Dairy export revenue is forecast to grow to June 2019 at a compound annual growth rate of 6.8%. This will primarily be driven by increases in prices (5%) rather than volumes (1.7%). Price increases are expected to be demand-driven from rising incomes, urbanisation and associated dietary changes in China and ASEAN economies in particular.



New Zealand's global export focus has changed over the last year, with low commodity prices driving increased exports to Southeast Asia, the Middle East and North Africa.

MEAT & WOOL



Beef export prices have peaked in 2015 and are forecast to be broadly maintained over the next 12 to 18 months, before softening in response to global supply growth.



Sheep meat earnings are currently being suppressed by softer international prices and drought in parts of New Zealand. Growth is expected to resume in 2017.



The impact of Russian trade sanctions and the closure of manufacturing facilities in China have weakened global demand and prices for hides and skins.

FORESTRY



The slowing Chinese economy and real estate market, coupled with high log inventories and the potential for more Russian imports, mean that the remainder of 2015 could be tough for log and timber exports into China.



The medium-term prospects for the Chinese log and timber trade remain positive, with continuing urbanisation and economic growth - albeit at reduced rates. USA housing market recovery should stimulate timber exports.



India is a market to watch, with potential for increasing log demand as their economic growth continues to gain momentum.



Supply does not appear to be a constraint in the outlook period, with 1990s plantings available for harvesting within the next few years.

SEAFOOD



Prices are likely to remain high due to growing demand from our top seafood export destinations (China, the EU and the USA) driven by their higher incomes, increasing middle-income consumers and depreciation of the NZD.



Australian market share declined by 4% in 2014, potentially due to strong depreciation of the AUD against the NZD. However, Australia is still our second-largest market, accounting for 15% of total seafood export value.



Aquaculture is expected to be a key driver of forecast growth through planned expansion of salmon farming and mussel production, supported by the supply of hatchery-bred mussel spat.

OTHER PRIMARY SECTOR EXPORTS AND FOODS



Sustained high growth in demand for all products in this sector from Asian markets, steady growth in Australia.



Increasing opportunities for honey, but some short-term production constraints.



Higher export revenues for live animals in 2015 being driven by dairy cow exports to China. This is expected to return to longer-term average levels from 2016.