

Voluntary Report – Voluntary - Public Distribution

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Report Name: New Zealand Agricultural Exports to China Continue to Surge

Country: New Zealand

Post: Wellington

Report Category: Agricultural Situation

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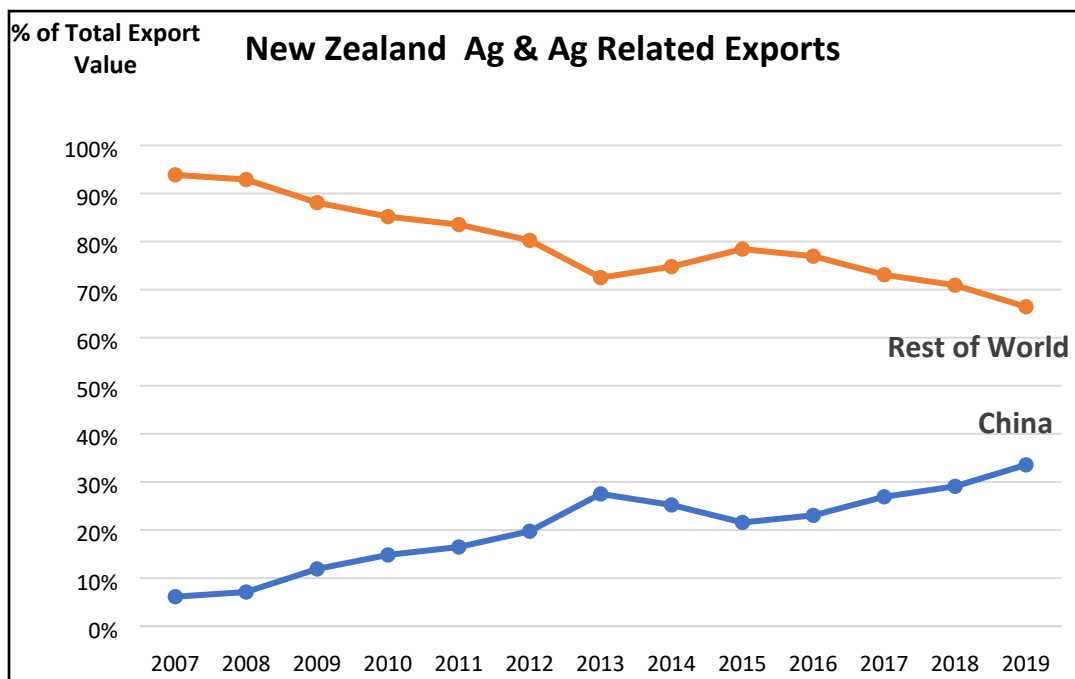
Report Highlights:

During the past decade, China has rapidly increased in its importance as a market for New Zealand agricultural and related products. While in 2009 China overtook the United States and Australia as the largest destination for New Zealand agricultural and related products, by 2019 shipments to China by value had reached quadruple the level of shipments to each of these next largest markets. A decade ago China accounted for only about 12 percent of New Zealand exports of these products, but last year this had reached 34 percent and this rapid growth has been among a wide range of commodities.

Summary

During the past decade, China has rapidly increased in its importance as a market for New Zealand agricultural and related products. While in 2009 China overtook the United States and Australia as the largest destination for New Zealand agricultural and related products, by 2019 shipments to China by value had reached quadruple the level of shipments to each of these next largest markets. Overall export growth during this time to China was over 18 percent annually, and while a decade ago China accounted for only about 12 percent of New Zealand exports of these products, last year this had reached 34 percent. This rapid growth has been among a wide range of commodities (see table below).

This sharp rise has been a result of both increasing Chinese demand, as well as expanding New Zealand supply. The growing wealth in China, and rising proportion of the population in the middle class, has driven demand for ever increasing volumes of protein. This has boosted imports for New Zealand dairy, beef, and sheep meat. The Free-Trade-Agreement between China and New Zealand (2008) has also been important to improve New Zealand's access to the Chinese market. In recent years, the spread of African Swine Fever (ASF) through China has accelerated demand for New Zealand meat. Despite COVID-19 impacting some supply chains, during the first half of 2020 New Zealand agricultural and related product exports to China have been steady, with the exception of wood exports which have dropped.



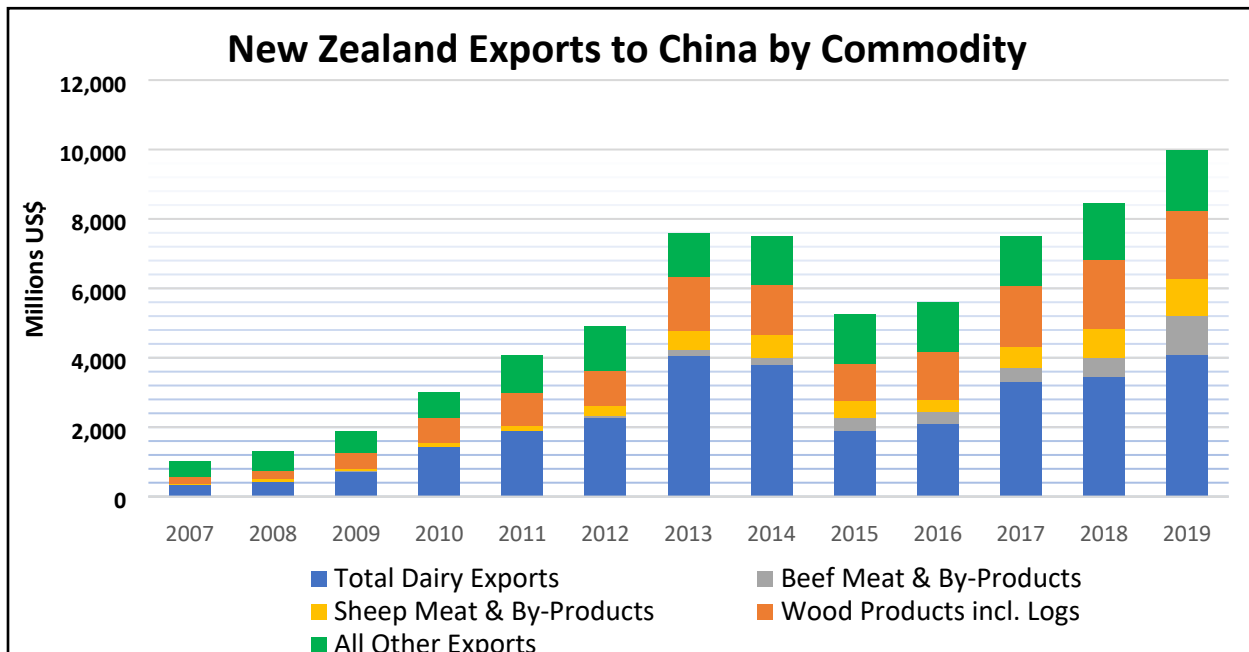
Source: TDM LLB

New Zealand Agricultural and Related Product Exports to China

Value Analysis by Commodity: BICO Classifications for Agricultural and Related Products

Description	2009 USD	% of Total NZ exports by product destined to China in 2009	2019 USD	2019 China % of Total NZ exports by product	Annual Avg Growth 2009-2019
Total Agricultural and Related Exports to China	1,879,349,835	11.9%	9,980,304,582	33.6%	18.2%
Dairy Exports	719,708,842	12.2%	4,087,936,095	33.0%	19.0%
All Wood Products Incl Logs	450,613,247	30.3%	1,932,427,848	58.4%	15.7%
Beef Products	7,789,914	0.7%	1,120,846,445	44.6%	64.4%
Sheepmeat & Carcass Products	77,769,935	4.3%	1,085,203,211	41.3%	30.2%
Fish & Seafood	86,768,291	10.0%	455,722,647	36.4%	18.0%
Kiwi Fruit - Fresh	41,981,182	6.4%	365,407,978	24.6%	24.2%
All other plant products	140,573,120	8.3%	280,403,584	11.3%	7.1%
Other Animal Products	145,290,139	19.2%	250,094,130	20.2%	5.6%
Wool & Animal fibers	149,620,061	44.4%	164,181,301	48.0%	0.9%
Deciduous Fruit	781,879	0.3%	93,761,110	16.2%	61.4%
Live animals	9,715,800	9.0%	76,316,227	38.5%	22.9%
Hides & Skins	38,809,147	37.7%	48,926,740	60.5%	2.3%
Wine from Grapes	9,928,280	1.5%	19,077,263	1.6%	6.7%

Source TDM LLB



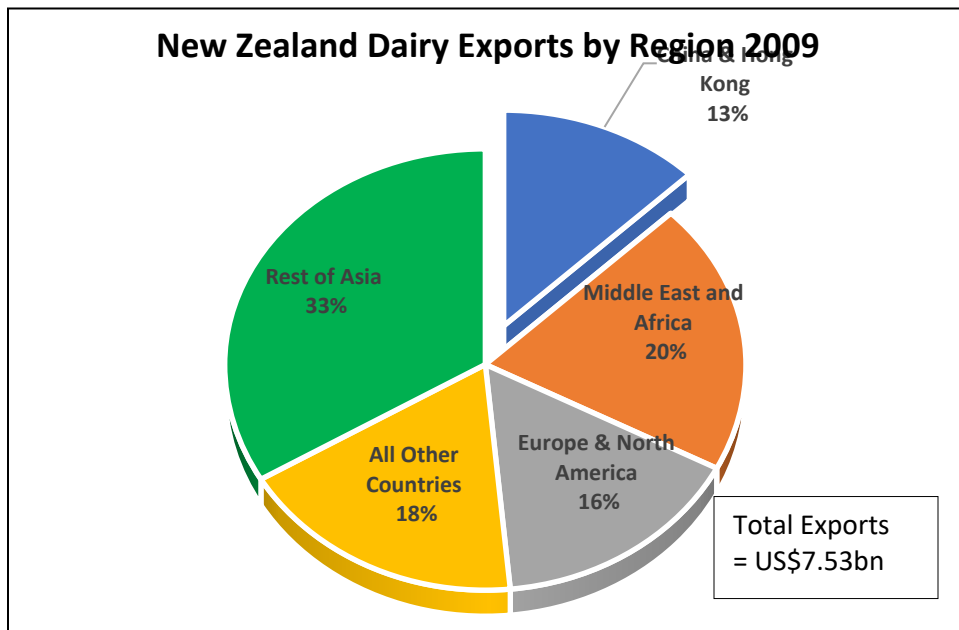
Source: TDM LLB

Dairy:

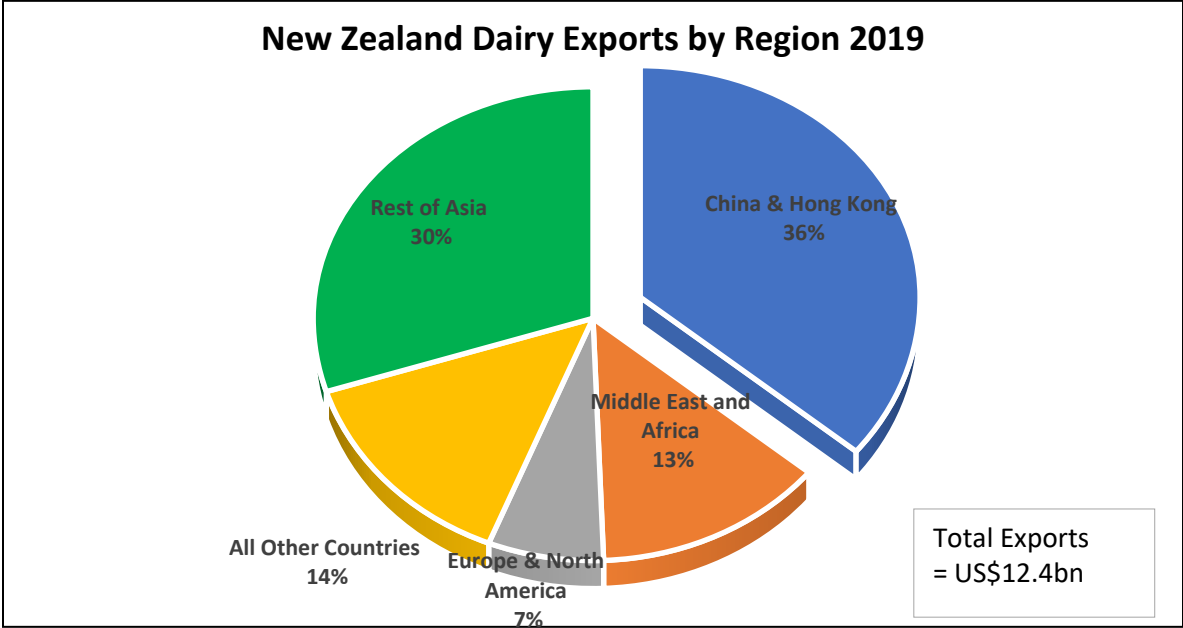
Dairy is the number one export from New Zealand to China of any product, agricultural or non-agricultural. The chart above shows the general trend upward for dairy exports from 2008 when the China-New Zealand FTA was signed. New Zealand dairy shipments last year reached a record level by value, surpassing the peak years of 2013 and 2014 when China imported huge amounts of New Zealand milk powders. There is a fundamental deficit between Chinese domestic supply and rising demand for dairy products, and New Zealand has been able to fill this gap. As the numbers in the middle class grow demand for dairy products continues to expand, outstripping the rate of increase in domestic supply. Around 40 percent of China’s total dairy imports are sourced from New Zealand.

New Zealand whole milk powder (WMP) is widely used by Chinese food processors as an ingredient, and WMP is the largest New Zealand dairy product exported to China, accounting for nearly half of total dairy product exports by value. New Zealand supplies nearly all of the WMP imported by China.

Other key dairy products include butter, cheese, skim milk powder, liquid milk, and infant formula. New Zealand is the largest supplier to China of all of these products except infant formula, where it is the second largest supplier after the Netherlands.



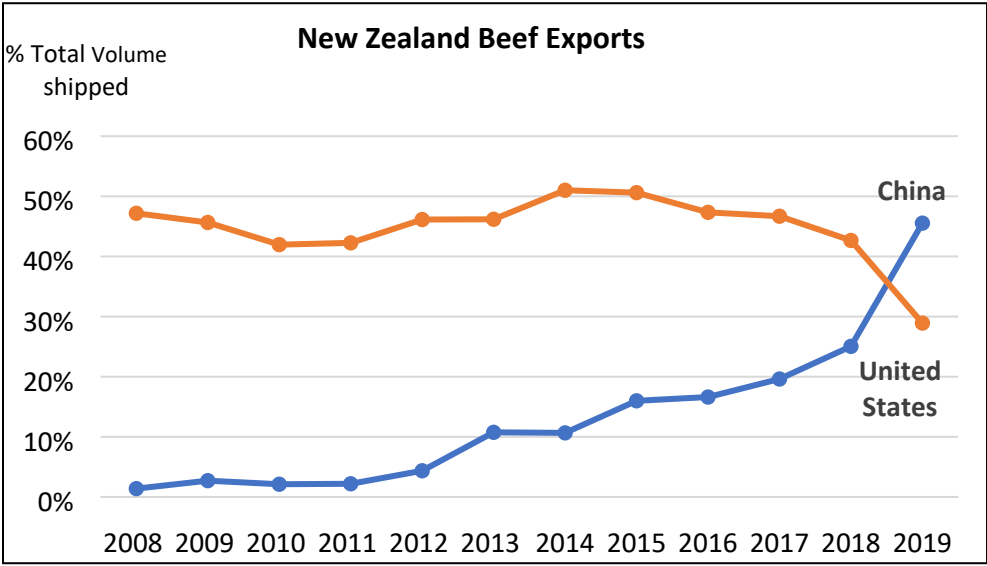
Source: TDM LLB



Source: TDM LLB

Beef

As a result of the expanding middle class and increased meat demand, New Zealand beef and sheep meat exports have been trending upwards over the past decade, and this has accelerated in the past two years as a result of the African Swine Fever outbreak in China. This outbreak and the subsequent sharp drop in pork production has resulted in dramatic increases in Chinese imports of both pork and other meat proteins such as beef and sheep meat from a number of suppliers. This has created a sea change in New Zealand exports. While traditionally the United States has been by far the largest buyer of New Zealand beef, in 2019 China surpassed it as the top destination, accounting for 45 percent of all New Zealand exports (compared to just 25 percent the previous year).

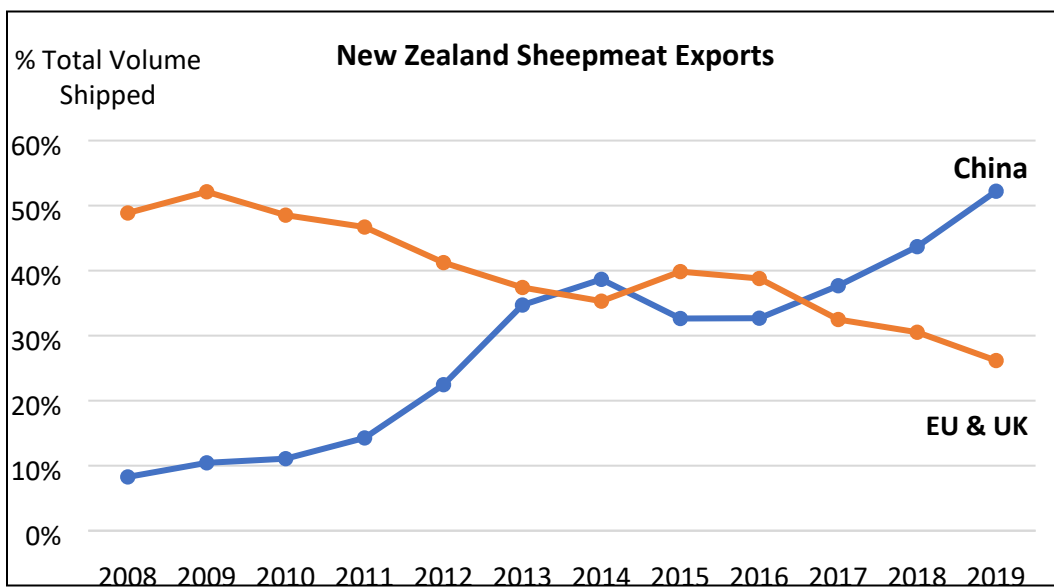


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Over 75 percent of the beef exported is the form of frozen boneless product. At 17 percent, the other significant category is bone-in frozen product.

Sheep meat

A similar trend to beef can be seen in sheep meat exports, with China quickly displacing Europe as the top buyer. In fact, China accounted for over half of all of New Zealand’s sheep meat exports last year. For sheep meat, exporters have been able to maximize value by sending a large proportion of lower value cuts to China, leaving high value cuts such as French racks to be sold to the United States. As demand grows, however, a greater volume of higher value cuts are starting to be shipped to China. Much of the product exported is in bone-in form.

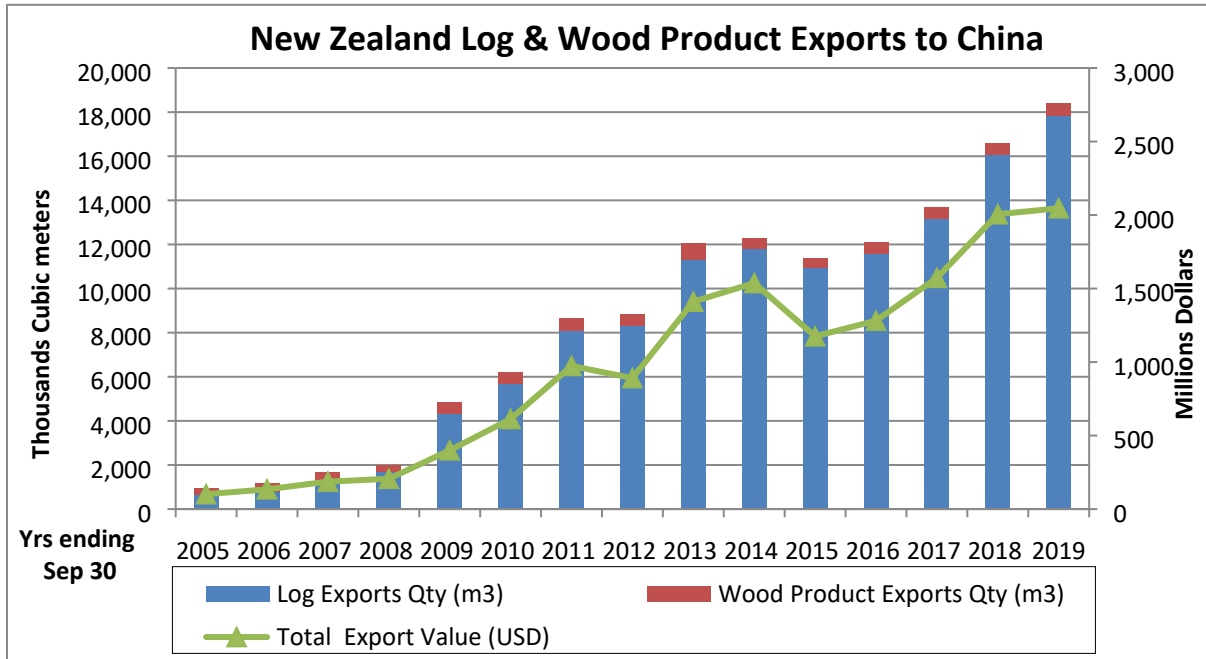


Source: TDM LLB

Wood Products and Raw Logs

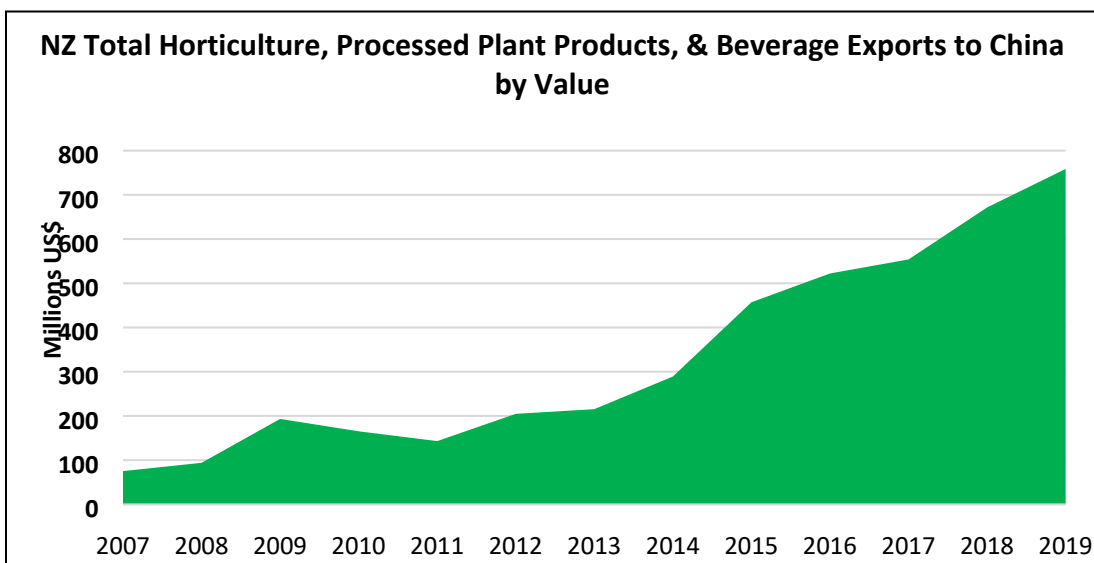
For forestry and wood products, New Zealand is more reliant on the Chinese market than for any other major agricultural export. By 2009 China was already the dominant market for wood products responsible for 30 percent of the total shipments, but a decade later it has risen to nearly 60 percent. This has been dominated by raw logs that are shipped and then processed in China. This market has been lucrative for forest owners but it is subject to increasing volatility as demand in China can change very quickly.

The logs going to China are mainly consumed for paper, wood-based panels, pallets and framing timber, solid wood flooring, and solid wood furniture. In addition, a rapidly growing use for timber is whole house customization. The combination of increased use of wood products, the national ban on domestic commercial logging in China, and the reduction in log volumes from Russia have increased the demand by Chinese sawmillers for raw logs from all sources.



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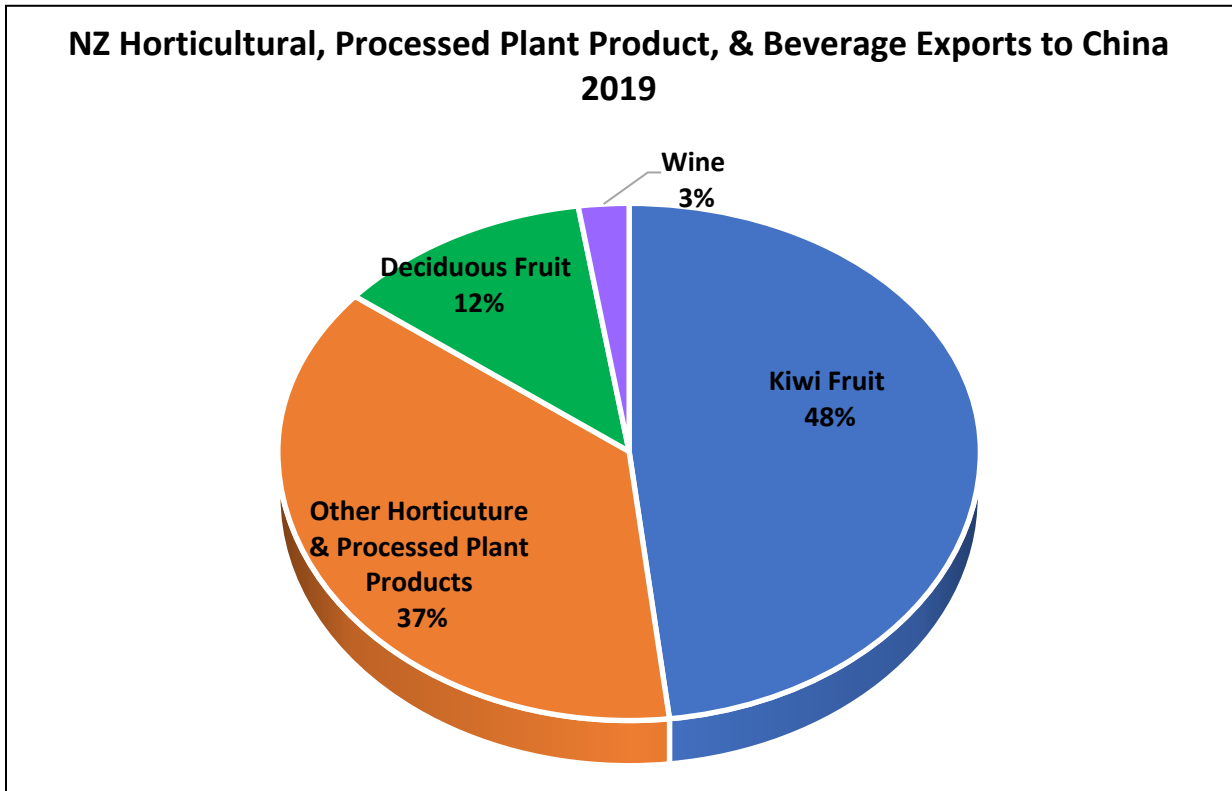
Horticulture, Processed Plant Products, and Beverages



Source: TDM LLB

In addition to major exported products like dairy, beef, sheep meat, and wood – exports of horticultural products have also shown tremendous growth. Kiwi fruit exports are the single largest horticultural export to China, with all of the recent growth being driven by stronger exports of gold fleshed variety “Sun-gold”.

Apple exports have also shown robust growth and is indicative of a larger trend of New Zealand apple exports shifting from Europe/North America and towards Asia.



Source: TDM LLB

Wine, however, has been one of the few products that has shown very little expansion into China, and China accounted for less than two percent of New Zealand’s wine exports by value last year. New Zealand predominantly exports a fresh white wine “Sauvignon Blanc” which does not largely appeal to Chinese tastes.

Seafood

China is also the largest market for New Zealand fish and seafood, accounting for 36 percent of the total value of exports, although in recent years the rate of increase has not been as fast as for some other products. Lobsters are the main category earning 42 percent of the total. The other main seafood categories are mackerel, mussels, cuttlefish, and frozen fish.

Attachments:

No Attachments.