International Agri Insights

with Professor Bill Bailey

February 2019

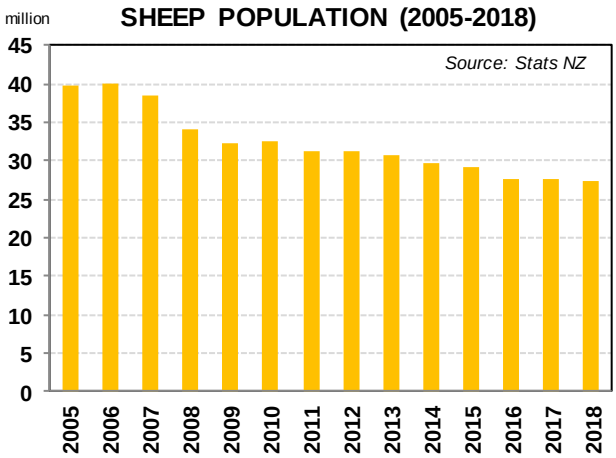
Postcards from Paradise

In this latest edition of International Agri Insights, our US-based expert, Prof. Bill Bailey, shares his notes from his recent drive from Auckland to Palmerston North.

- National dairy herd peaked in 2014 and is slowly declining.
- Though the average dairy herd size has increased 30% since 2005.
- Fewer beef, sheep and deer were seen during the drive than in 2005.
- More Pioneer maize and green John Deere farm equipment noted.
- Forestry land is transitioning to pasture.

NZ agriculture is always changing

Having taught agricultural business classes at Massey University's Palmerston North campus from 1993 to 2005, I have seen the New Zealand agricultural environment change, sometimes dramatically. The changes, during the 12-year period I worked at Massey, were significant, particularly the ending of statutory marketing boards for fruit, dairy and meat.



Recognizing things constantly change in agriculture as science, technology, government regulations and consumer tastes change, I wondered what changes in agriculture I would see when I recently drove from Auckland to Palmerston North, for the first time in 10 years.

While I noted the significant changes in Auckland traffic that have taken place over the past 10 years, I also noted some equally significant changes in New Zealand agriculture, and those changes became apparent very soon after leaving Auckland. I shall comment on some of the more noteworthy changes I saw.

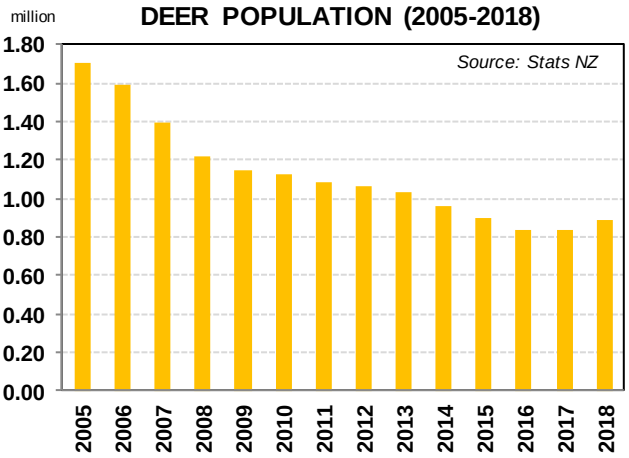
Leaving Auckland, I recall I used to see a significant number of sheep grazing as soon as the city disappeared and one summited the Bombay Hills. This year, I saw more goats and emus grazing than sheep, except for an occasional small flock, until arriving at Cambridge.

While there could have been some changes in pasturing preferences given the dry weather, sheep numbers appeared down. This is confirmed by Statistics New Zealand. The decline in sheep numbers was confirmed as I neared the Manawatu-Wanganui region. Overall, the total number of sheep in New Zealand has fallen more than 15% since my

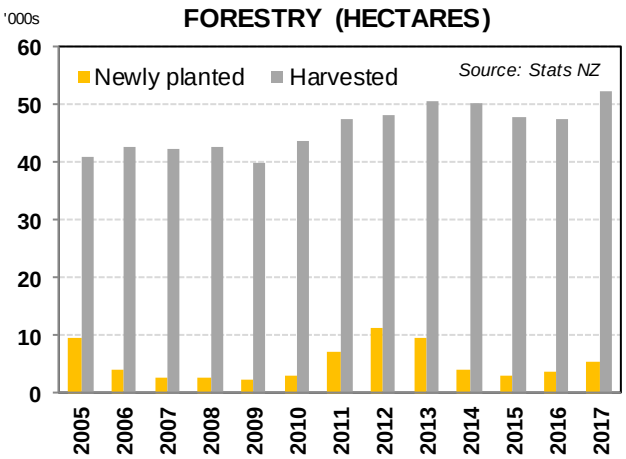
Nathan Penny – Senior Rural Economist (649) 448 8778 nathan.penny@asb.co.nz
Nick Tuffley – Chief Economist (649) 301 5659 nick.tuffley@asb.co.nz

2009 drive and more than 30% since I returned to the United States.

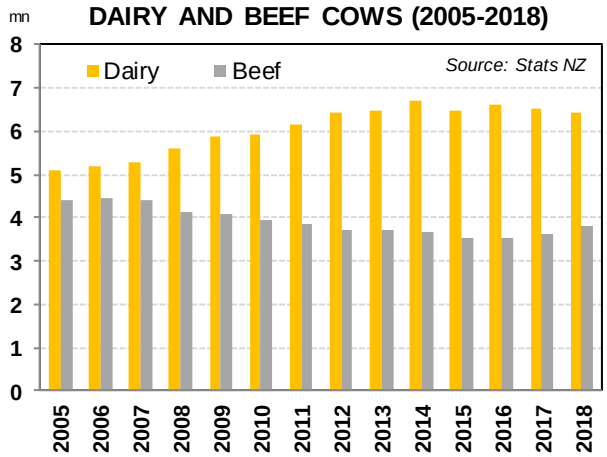
In addition to fewer sheep, I also saw many pastures, which had previously been fenced for deer, standing idle. In 2005, venison branded as Cervena was slowly growing market share. As demand for Cervena and other venison products grew, so did venison production in New Zealand, reaching 1.7 million head in 2005. However, since 2005, deer production has declined about 50% and by more than 20% since 2009. So the empty deer paddocks clearly reflected that significant decline.



As I drove further south, and arriving near Lake Taupo, it was land use – not changing stocking patterns – that caught my attention. While some harvested pine trees were clearly being replanted, the replanted areas seem to be smaller and it appeared as if forestry land was being replaced by what could be used as pasture. As it turns out, there has been a nearly a 50% decline in newly planted forestry land since 2005. In contrast, replanted total hectares, while varying from year to year, have remained at, or near, 2005 levels. The big change is total area harvested, which has increased more than 25% since 2009. What was happening to the land made available as the pace of new land being planted to trees slowed and the amount of land harvested increased? I found what could be the answer as my journey south continued.

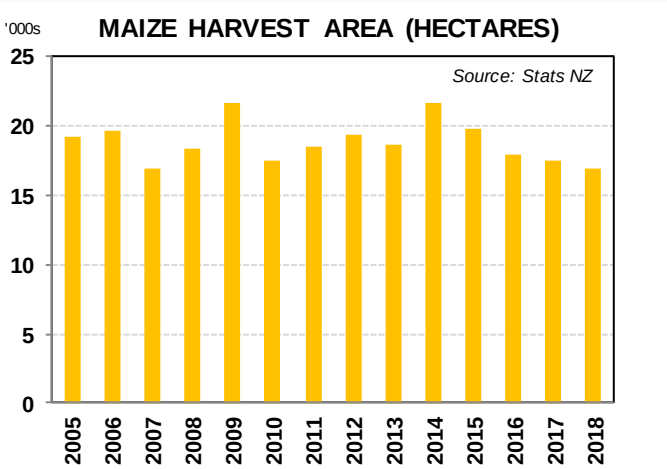


Two things soon appeared – larger cattle herds grazing (heavier stocking rates) and more dairy cattle. This started to happen about the time I reached Huntly. As it turns out, there are now nearly 30% more dairy cattle in New Zealand than 2005 and herd size has increased more than 30%. Although there are now more dairy cows than previously, the number of dairy farms declined almost 3%. Nationally, this year the number of dairy cows may be down a little from the previous year because of efforts to control Mycoplasma bovis, expectations are in place for even larger herds and more dairy cattle in the future.



As the number of dairy cattle has increased, the number of beef cattle has declined. Between 2005 and today, there has been almost a 15% decline in total beef cattle numbers. Leading the way in reducing beef numbers was the Manawatu-Wanganui area, where total beef cattle numbers declined almost 20% between 2015 and 2016 alone.

From a planting perspective, I was truly surprised with the amount of maize that I viewed during my drive. While national statistics show no lift in maize harvest since 2005, the amount of maize I saw around Gordonton and continuing to Palmerston North was surprising. Given the quality and number of planted maize acres, there were times I truly felt as if I was back in Illinois corn country.



Seeing the growth in maize planting in the Manawatu and surrounding areas was particularly important to me for a variety of reasons. The first is the knowledge that Manawatu farmers might be buying maize seed was grown, processed and bagged near my Illinois home by Pioneer seed. Such a relationship underscored the importance of international markets to agriculture, and it also enhanced the emotional link I have to New Zealand.

Further I saw a significant increase in the number of 'green machines' – farm equipment made by John Deere. The green equipment started to appear near Huntly. The world headquarters for John Deere is about 1 hour north of my home and the company is a key Illinois industry. What I did not see was other farming equipment and storage facilities normally associated with maize farming – seed planters, harvesters and grain silos. Perhaps the work was done by contractors rather than producers since owning the equipment is very expensive.

The increase in irrigation also was notable. While the South Island has a lot more hectares irrigated than the North Island, there were still nearly 50,000 hectares irrigated in the Waikato and Manawatu. While some of the irrigation observed could have been linked to the dry summer and to effluent distribution efforts, clearly irrigation, including use of centre pivot systems, has increased over the past few years.

The drive from Auckland to Palmerston North was a real pleasure and underscored the dynamic nature of New Zealand agriculture.

About the author

William C Bailey was Chair of Agribusiness at Massey University for 13 years. He has written weekly world dairy market columns for ASB Bank for almost 15 years. He currently is President of Topker Consulting, specializing in agricultural market research and supply chain issues relevant to agriculture. He retired as Dean, College of Business and Technology, at Western Illinois University, in Macomb, Illinois, in July, 2017. Bill spent 5 years in the US Marine Corps and received his PhD in Agricultural Economics from the University of Missouri. Before shifting to New Zealand, Bill was Chief Economist for the US Senate Committee on Agriculture, Nutrition and Forestry, served as Deputy Undersecretary of Agriculture and was Vice President and Director of Research for World Perspectives in Washington, DC. His beer of choice is Tui. Contact Bill: topkerconsulting@gmail.com Phone: +1 309 333 5117

ASB Economics & Research			Phone
Chief Economist	Nick Tuffley	nick.tuffley@asb.co.nz	(649) 301 5659
Senior Economist	Jane Turner	jane.turner@asb.co.nz	(649) 301 5853
Senior Economist	Mark Smith	mark.smith4@asb.co.nz	(649) 301 5957
Senior Rural Economist	Nathan Penny	nathan.penny@asb.co.nz	(649) 448 8778
Senior Economist, Wealth	Chris Tennent-Brown	chris.tennent-brown@asb.co.nz	(649) 301 5915
Economist	Kim Mundy	kim.mundy@asb.co.nz	(649) 301 5661
Data & Publication Manager	Judith Pinto	judith.pinto@asb.co.nz	(649) 301 5660

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