

# Dairy's contribution to the New Zealand economy

Sense Partners' analysis highlights the continuing value growth of the dairy sector and its benefits for New Zealand, through creating well-paying jobs, demand for goods and services, income for the regions and export earnings.

## Dairy is New Zealand's leading goods export sector by a large margin

- Dairy contributed nearly one in every four dollars earned from total goods exports and services in the year to September 2020.
- Dairy has a long-term trend of export value growth, growing by around 7% on average per year since 1989.
- Over the last 30 years dairy export value has grown from just over \$2 billion per year to almost \$20 billion in 2020.
- Dairy value growth has been driven by more than increased cow numbers, with real export value generated per cow 50% higher in 2019 than in 2009.
- This value is generated by a wide range of products. While a significant proportion comes from milk powder products, almost half of the export value comes from other products.
- Considered separately, whole milk powder, butter and spreads, cheese, infant formula, casein and caseinates and skim milk powder are all 'billion dollar' exports.
- Milk powder continues to provide the foundation for New Zealand being able to maintain its natural, pasture-based farming systems providing a cost-effective means to preserve the nutritional value of peak milk. They are a valuable part of the supply mix, enabling New Zealand to have farm systems that match animal feed demand to season pasture growth, and result in farming with less non-pasture inputs and lower emissions than other farm systems used around the world.
- In the year to June 2020 the value of dairy exports was roughly the same as that from meat, wood, fruit, wine and seafood combined.
- New Zealand exports more cheese (\$2.1 billion) than wine (\$1.9 billion) or seafood (\$1.7 billion).
- New Zealand earns roughly the same amount from infant formula exports (\$1.8 billion) as it does from seafood (\$1.7 billion).
- New Zealand exports of butter and spreads (\$3.4 billion) are comparable to those of fruit and nuts (\$3.7 billion).

## Dairy provides a considerable value-added contribution to GDP

- Exporting success has supported the dairy industry to continue growing its contribution to the economy, delivering \$10.2 billion in value add to the economy in the year ending March 2020.
- Dairy delivered nearly twice as much direct value added to the economy as sheep meat and beef in the year March 2020; and more than forestry and wood processing, fishing and seafood processing, wine and horticulture combined.
- Dairy is making a significant economic contribution across regional New Zealand, accounting for more than 5% of the GDP in 7 regions in 2019 (and more than 10% in four of those). The West Coast has the greatest share of GDP from dairy at 16%.
- Across New Zealand dairy contributes more than \$100 million to GDP in all but 2 regions. The largest GDP contributions are nearly \$2 billion in Canterbury and \$2.5 billion in Waikato.

## **Dairy's exports inject wages into communities across New Zealand in the form of well-paying manufacturing and primary production jobs**

- The sector directly employs 50,000 people and generated \$3.4 billion in wages in 2019.
- Dairy jobs are well paying jobs, with median wages for both dairy processing and farming well above those of comparable industries. The median wage for dairy farming workers (\$52,700) is 9% higher than the median average for all agriculture jobs (including fruit and vegetable growing), and roughly equal to the median wage for all industries. The median wage for dairy processing workers (\$79,471) is 42% above the median wage for all food processing.
- The median wage in dairy processing has almost doubled since 2000, while the median farm wage is around 130% higher. Wage rates for both dairy processing and dairy farming had a faster growth rate than the average for all industries.
- Dairy contributes at least \$50 million in wages to 20 districts, and more than \$100 million in wages in half of those.
- Dairy is a major employer in many New Zealand districts, accounting for 1/3<sup>rd</sup> of all jobs in Waimate, more than 1 in every 4 jobs in South Taranaki and Otorohanga, 1 out of 5 jobs in Southland, and more than 1 in every 10 jobs in the Westland, Matamata-Piako, South Waikato, Clutha, Tararua and Ashburton districts.
- While most dairy jobs are in regional New Zealand, there are also 2500 dairy jobs in Auckland.

## **The benefits of dairy exports flow well beyond the dairy industry as dairy processors and farmers purchase goods and services from a broad range of other businesses**

- Export returns generated by the dairy industry have positive flow-on effects, as dairy farmers spend almost \$15 billion in the economy (2019), on top of the almost \$8 billion worth of goods and services (other than milk) purchased by dairy processors.
- The dairy industries purchasing of goods and services extends to a broad range of other sectors – machinery and equipment, finance, electricity, agricultural supplies, warehousing services, consultancy, and packaging.

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Source: 'Dairy's Economic Contribution' 2020 update by Sense Partners