Pūtake Labs

Where is New Zealand red meat exposed?

How tariffs, freight, US market conditions and demand could change exporters' returns and choices

Sector
Red meat and export trade

Data current to
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This is independent analysis built from public data. No business commissioned it, and no organisation named here has reviewed or endorsed it. Sector figures come from published sources. The exporter modelled is an archetype, not a real company. Scenarios are tested possibilities, not forecasts, and this is not trade, investment or legal advice.

SUMMARY

The tariff is visible. The bigger risk may not be.

WHAT THE ANALYSIS SHOWS

The US lamb safeguard investigation is the headline risk, but for a typical processor-exporter a fall in US beef prices would hurt more, and beef is exempt from tariffs. Moving lamb out of the US before any safeguard decision costs more than it protects, unless exporters end up carrying most of a large new tariff.

$600m
New Zealand sheepmeat sold to the US in 2025, at about $22/kg against a $14/kg global average

64%
Extra US tariff needed before diverting lamb beats staying, if US buyers absorb 60% of it

25%
The same break-even if New Zealand exporters carry the whole tariff

$12.6m
Fall in an archetype exporter's annual margin under the adverse shift, about 80% of it from US beef prices

THE QUESTION

Red meat exports reached about $13.2bn in 2025-26, with the US the largest market at $3.8bn. But US tariffs have been reset several times, a US lamb safeguard investigation opened in July, China introduced beef quotas, and fuel surcharges rose after the Strait of Hormuz closed.

WHAT WE FOUND

- **Beef is protected from tariffs but not from prices.** A 10% fall in US beef prices costs the archetype about $10.1m a year, more than a 20-point lamb safeguard.
- **Staying in the US is usually cheaper than leaving.** US lamb earns about $5.60/kg more than the best alternative markets, so diversion only wins at very high tariffs.
- **Freight is small per kilo but not for margins**, which are thin in processing.
- **Farmers carry much of the downside** through the farm-gate.

WHAT DECISION-MAKERS SHOULD DO

- Find out how much of any new tariff your US buyers will absorb. It decides whether to stay or divert.
- Prepare a diversion plan, but trigger it on the safeguard outcome, not before.
- Stress-test US beef prices, not just tariffs, in budgets and farm-gate forecasts.
- Read freight clauses: who carries emergency fuel and war-risk surcharges.
- Use China's beef quota headroom as a fallback, not a plan: it pays less than the US.

The archetype, choices and conditions are set out on pages 4 and 5. Every public source is listed on page 10.

CURRENT POSITION

A record year, built on tight supply and open doors.

Prices are near record levels because global beef and lamp supply is tight. Market access has become less predictable, but so far New Zealand has kept most of its doors open.

INDICATOR	LATEST POSITION	WHY IT MATTERS
Red meat exports, year to June 2026	About $13.2bn	Up 21% on 2024-25. The US was the largest market at $3.8bn, also up 21%.
Calendar 2025	Beef $5.0bn, sheepmeat $4.7bn	Beef volume fell 7% to 447,610 t but value rose 15%; sheepmeat volume was flat at 371,222 t with value up 31%.
2026-27 outlook (Beef + Lamb NZ)	$12.6bn receipts	Beef receipts forecast at a record $6.75bn on 8% more production; lamb export prices to ease 3.6%; average farm profit to fall from about $335,500 to $267,200.
US tariff on sheepmeat	12.5% plus about 1% MFN	Section 301 tariff from 24 July 2026, replacing earlier 15% and 10% tariffs.
US tariff on beef	Exempt (about 1% in quota)	New Zealand has a 213,402 t US beef quota. Beef has been exempt under each US tariff regime.
US lamb safeguard investigation	Opened 13 July 2026	Expected to take four to six months. US industry has previously sought a 30% tariff on New Zealand and Australian sheep products.
US lamb price premium	$21.99/kg vs $14.00/kg	Average New Zealand lamb price in the US against the global average (MIA, July 2026).
China beef safeguard	206,000 t quota (2026)	55% tariff above quota; New Zealand shipped about 110,000 t in 2025, so has wide headroom. The quota rises to 214,000 t by 2028.
Freight	Emergency surcharges	The Strait of Hormuz has been effectively closed to normal shipping since March 2026. Carriers added fuel surcharges and reefer containers are scarce.

Sources are listed on page 10. Trade figures are provisional and are revised after release.

EVIDENCE

What the public record supports, and what it does not.

DEMAND AND PRICES

Strong prices are well documented and explained by supply: a historically small US cattle herd, record US beef consumption, and tight lamb supply in New Zealand and Australia. US demand for New Zealand's lean manufacturing beef is structural, because it is blended with fattier US trim for burgers.

What is less certain is how long tight supply lasts. A US herd rebuild would lower US beef prices over several years, and Beef + Lamb NZ already forecasts lower farm-gate prices in 2026-27.

TRADE ACCESS

The tariff record is clear but has changed repeatedly: 10% from April 2025, 15% from August 2025, struck down by the US Supreme Court in February 2026, then 10%, and now 12.5% under Section 301. Beef has been exempt throughout. The lamb safeguard outcome is unknown. In the late 1990s a US lamb safeguard on New Zealand was found by the WTO to be unjustified and removed.

FREIGHT

Carriers' published emergency fuel surcharges are in the range of tens to hundreds of US dollars per container on most routes, with war-risk charges of about US$3,500 per reefer on Gulf routes. A 40-foot reefer carries roughly 24 tonnes of meat, which lets us convert surcharges into cents per kilogram.

WHAT THE PUBLIC DATA CANNOT TELL US

- How much of a US tariff each exporter's buyers absorb. The Trade Minister has said costs were being passed on in many cases; we test a range.
- Any single exporter's market mix and margin. We use an archetype.
- The safeguard decision, or any tariff level it might set.

EVIDENCE STRENGTH

STRONG Export values, current tariff settings, China quota volumes.

MODERATE Direction of prices over 12 to 18 months; freight surcharge levels.

WEAK Safeguard outcome, tariff pass-through, and prices beyond 2027.

THE DECISION TESTED

Three choices for a processor-exporter.

We model an archetype: a mid-sized New Zealand processor-exporter with about $480m of exports a year, selling 20,000 t of beef (40% to the US) and 18,000 t of sheepmeat (2,000 t to the US).

CHOICE	WHAT IT INVOLVES
Stay the course	Keep the current market mix. This is the do-nothing baseline.
Diversify lamb now	Move half of US lamb volume to the UK, Canada and the EU over the next year, at lower prices, before any safeguard decision.
Hold the US position	Keep US lamb volume and invest about $1.2m a year in US customer programmes and branded lines to defend price and share more of any tariff with buyers.

KEY ASSUMPTIONS

ASSUMPTION	VALUE	BASIS
US lamb price	$21.99/kg	MIA average, July 2026
Best alternative markets for diverted lamb	$16.40/kg	Between UK ($16.73/kg) and Canada ($16.09/kg) averages; less $0.35/kg extra selling cost when diversifying
Other lamb markets	$13.00/kg	Below the $14/kg global average, which includes the US
US beef price	$12.60/kg	Above the overall beef average of about $11.20/kg in 2025
Share of a new tariff borne by the exporter	40%	Costs were partly passed on in 2025-26; tested at 70%
Livestock costs	80% of revenue	65% of any change in product prices flows back to farmers through the farm-gate
Processing, labour, freight, overheads	15.5% of revenue	Leaves a margin of about 4.5%, typical of the processing sector
Container load	24 t	Typical 40-foot reefer load of frozen meat

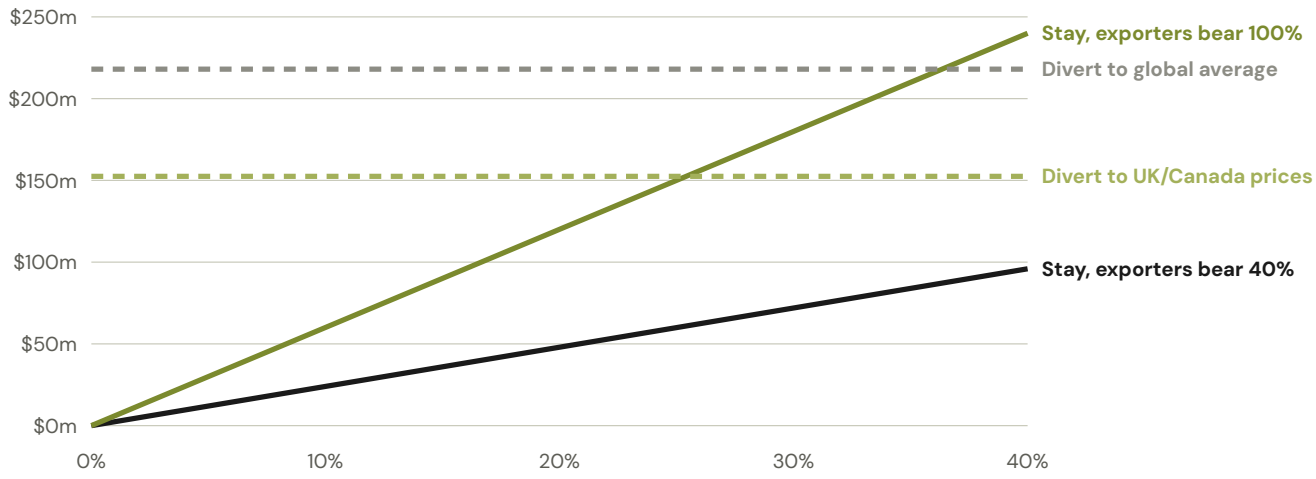
SCENARIOS

Three conditions exporters may face in 2027.

CONDITION	WHAT WE ASSUME
Current environment	US tariff on sheepmeat stays at 12.5% (beef exempt); freight surcharges stay near current levels; prices as forecast for 2026-27.
Adverse shift	A US safeguard adds 20 points to the lamb tariff; US beef prices fall 10% as the US herd rebuilds; emergency fuel surcharges rise sharply; world lamb prices ease 4%.
Market adjustment	No new tariff, but other exporters redirect lamb, easing world lamb prices 5%; US beef softens 3%; China beef prices firm 6%, with New Zealand well inside its quota.

SECTOR VIEW: STAY IN THE US OR DIVERT LAMB?

The annual cost to New Zealand of an extra US tariff on its ~27,000 t of US sheepmeat, compared with moving all of it to other markets.

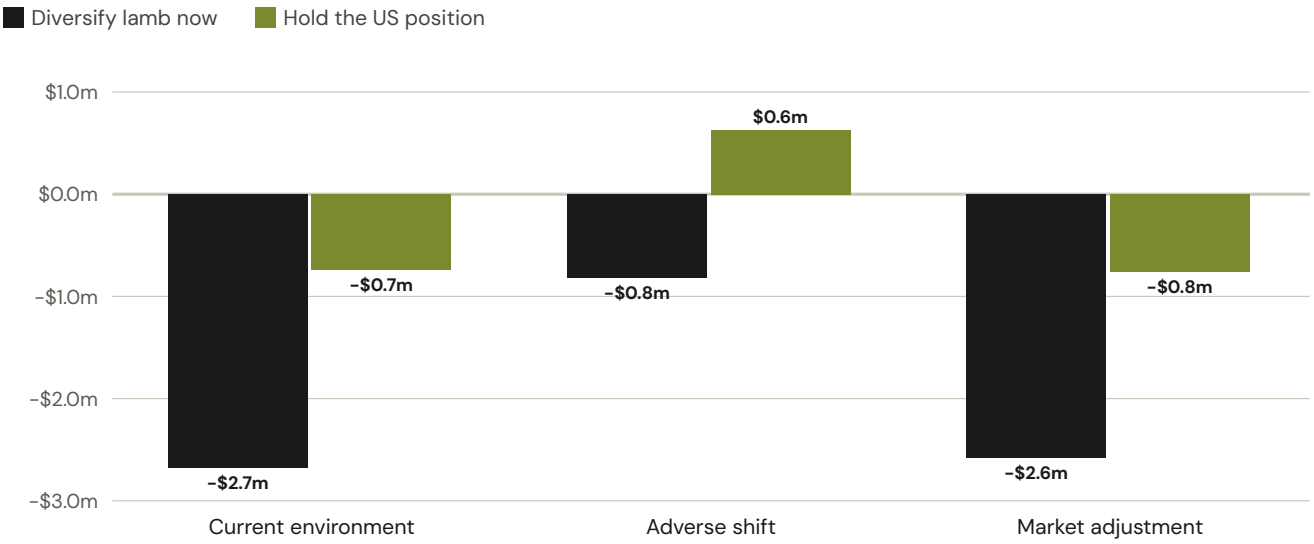


Extra tariff above the current 12.5% on the horizontal axis. Staying is cheaper wherever its line sits below the diversion lines. If US buyers absorb 60% of a new tariff, staying is cheaper until the extra tariff reaches about 64%; if exporters carry it all, the crossover is about 25%.

COMPARATIVE FINDINGS

Holding the US position is the most resilient choice.

Change in the archetype exporter's annual margin against staying the course (the do-nothing choice) under each condition.



CHOICE	CURRENT ENVIRONMENT	ADVERSE SHIFT	MARKET ADJUSTMENT
Stay the course	**$21.6m**	$9.0m	**$16.8m**
Diversify lamb now	$18.9m	$8.2m	$14.2m
Hold the US position	$20.9m	**$9.7m**	$16.0m

Annual margin after livestock, processing and overheads. Shaded cells show the best choice under each condition.

DIVERSIFYING EARLY IS EXPENSIVE

Moving half of US lamb now gives up about $5.60/kg on 1,000 t and adds selling costs: about $2.7m a year if nothing changes. Even under the adverse shift it is still $0.8m worse than staying, because the price gap outweighs a 20-point tariff when buyers absorb most of it.

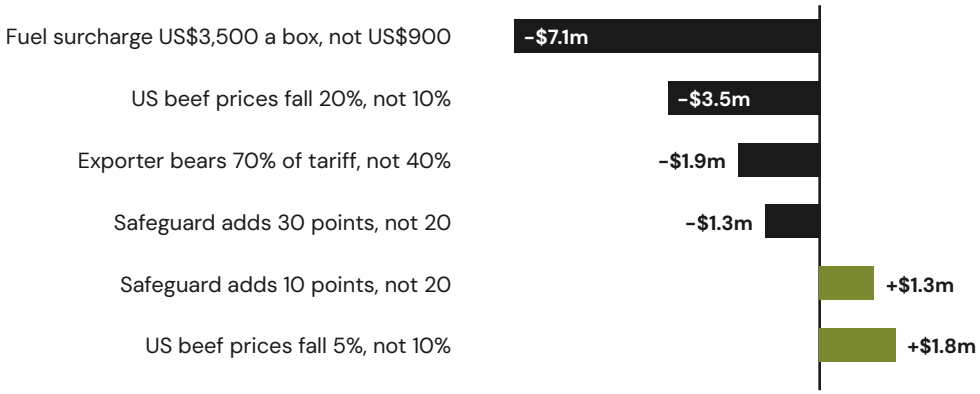
HOLDING THE US POSITION PAYS WHEN IT MATTERS

Investing in US customer programmes costs about $0.7m a year in calm conditions but is the best choice under the adverse shift (+$0.6m), because it protects price and shifts more of a new tariff to buyers.

SENSITIVITIES

US beef prices and freight move margins more than the tariff.

How the do-nothing choice's annual margin under the adverse shift ($9.0m) changes when one assumption moves at a time.



BEEF PRICES

Because beef is tariff-exempt, it rarely features in trade headlines. But 40% of the archetype's beef goes to the US, and a 20% fall in US beef prices would cost $3.5m more than the 10% fall already assumed. That is more than adding 10 points to the lamb safeguard.

FREIGHT

Per kilogram, surcharges look trivial: US$900 a container adds about $0.06 per kg, and even US$3,500 adds about $0.25 per kg. But against a processing margin of around 4.5%, war-risk levels of surcharge would remove most of the margin on affected routes.

WHO CARRIES THE TARIFF

If the exporter bears 70% of a new tariff instead of 40%, its margin falls a further $1.9m. Pass-through is the single most useful thing to find out before the safeguard decision, and it differs by customer and product.

WHAT THIS MEANS FOR THE FARM-GATE

In this model about two-thirds of any fall in export prices flows back to farmers. Under the adverse shift the archetype pays about $14.8m less a year for livestock than in the current environment.

WHO DECIDES AND WHO IS AFFECTED

Decisions made offshore, felt in the regions.

WHO DECIDES

- **The US International Trade Commission and the US President** decide whether to impose a lamb safeguard and at what level.
- **The New Zealand Government** (MFAT and trade ministers) represents New Zealand in the investigation and can pursue WTO remedies, as it did successfully in the late 1990s.
- **China's Ministry of Commerce** administers the beef quota, which can be adjusted during its three-year term.
- **Processors and exporters** decide market allocation, contracts and customer programmes.
- **Shipping lines** set surcharges; contract terms decide who pays them.

WHO IS AFFECTED

- **Sheep and beef farmers** through farm-gate prices. Beef + Lamb NZ already forecasts lower average farm profit in 2026-27.
- **Meat processing workers and regional towns**, where processing plants are often among the largest employers.
- **US customers**: burger manufacturers rely on New Zealand lean beef, and many retailers on year-round lamb supply.

KAUPAPA MĀORI CONSIDERATIONS, WHERE RELEVANT

- **Māori agribusiness.** Māori trusts and incorporations hold a significant share of sheep and beef land, much of it in hill country where sheep and beef are the main land uses. Farm-gate price falls affect collective owners and their beneficiaries directly.
- **Intergenerational decisions.** Land use and stock policy decisions made in response to a short-term tariff shock can have long-term effects on whenua; a longer horizon may favour holding steady.
- **Regional employment.** Processing jobs in regions with large Māori populations carry social as well as economic weight.
- **Governance.** Collective entities may need to report to many owners on market risks they cannot control, which makes clear scenario information more valuable.

QUESTIONS TO ASK

- How much of a new tariff will each US customer absorb?
- Who carries emergency surcharges in our freight contracts?
- How would a farm-gate fall be shared between processor and supplier?

RISKS, LIMITATIONS AND IMPLICATIONS

What this analysis can and cannot tell you.

LIMITATIONS

- **An archetype, not a company.** Exporters differ widely in market mix, product and margin.
- **Simplified prices.** We use average prices; real trade is cut-by-cut and market-by-market.
- **Market capacity.** We assume diverted lamb can be sold at the stated prices. If Australia also diverts lamb, alternative market prices could fall further.
- **Quotas.** EU and UK free trade agreement quotas limit how much can move at preferential tariffs; we have not modelled quota fill.
- **Exchange rate.** A stronger New Zealand dollar would reduce returns across every choice; we hold it constant.
- **Data current to early November 2026.** Trade settings have changed several times this year.

MAIN RISKS TO THE FINDINGS

- A safeguard well above 30%, especially as a quota with a high out-of-quota tariff, would favour diversion.
- Beef could lose its US exemption under a future tariff action.
- A prolonged freight crisis could raise costs well beyond the levels tested.

IMPLICATIONS FOR DECISION-MAKERS

1. **Measure pass-through now.** Ask each US customer how they handled the 2025-26 tariffs. It is the key to the stay or divert decision.
2. **Prepare, but do not pre-empt.** Build a diversion plan with UK, EU and Canadian customers, triggered by the safeguard outcome.
3. **Budget for lower US beef prices.** Test a 10% to 20% fall over two to three years.
4. **Check freight contracts.** Know who pays emergency fuel and war-risk surcharges.
5. **Share scenarios with suppliers.** Farmers carry much of the downside and plan stock and land use around it.

METHODOLOGY AND SOURCES

How this investigation was put together.

METHOD

Public data was gathered with AI-assisted research and checked against the original releases from MIA, Beef + Lamb NZ, MPI, MFAT and others. The sector view compares the annual cost of a new US tariff with the cost of moving all US sheepmeat to other markets. The archetype model compares three choices, including doing nothing, under three conditions over a single year (2026-27 prices), holding volumes constant except where a choice moves them. Sensitivities move one assumption at a time.

REVIEW

Reviewed by a Pūtake Labs principal before publication. Every figure is traced to a public source or to a stated assumption.

Pūtake Labs provides independent decision analysis. This investigation is not trade, investment, tax or legal advice. Scenarios are tested possibilities, not forecasts. No organisation named here commissioned or endorsed it.

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SOURCES

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