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## **New Zealand**

### **Agricultural Situation**

#### **Agribusiness Report - April**

## **2000**

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#### **Report Highlights:**

**Tariffs on New Zealand industries frozen until 2005**

**US quota figures don't fit New Zealand tally**

**Worldwide marketing push for Zespri Gold**

**ENZA plans to juice export Braeburn crop**

**New Zealand pipfruit industry urges growers to plant different varieties**

**New Zealand protests Canadian levies**

**Trade talks with Singapore continue**

**Danger for the New Zealand Bee Industry**

**Swiss to buy Kiwi ice cream maker**

**New Zealand Pork Industry Situation**

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Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

***Tariffs on New Zealand industries frozen until 2005***

The New Zealand Government has announced it will introduce legislation to repeal the Tariff (Zero Duty) Amendment Act of 1998 (passed by the previous government), under which all tariffs would have been phased out by July 1, 2006. Tariff reductions scheduled for July 1 this year will not proceed, but multilateral agreements of mutual benefit may still go ahead. Tariffs on prepared foods that currently are 7 percent were to have dropped to 5 percent this July, and then zero percent in July 2001, but will now remain unchanged. Tariffs for food products from Australia and Canada enter duty free. The Government will conduct a review to determine the position after July 2005. While the move has been welcomed by some labour and industry groups, especially in the clothing and footwear sectors, it was sharply criticized by New Zealand Federated Farmers as a blow against the competitiveness of New Zealand's export sector.

***US quota figures don't fit NZ tally***

US customs figures showing New Zealand had filled only 47 percent of its 1999-2000 lamb quota to the US by April, are misleading, New Zealand Meat Industry Officials say. Actual shipments from New Zealand and documents of origin show that the actual tonnage is close to 11,000 tonnes, closer to 75 percent of the 14,500 tonne quota. The current discrepancy arises from the fact the US figures related to meat that has arrived in the US, whereas New Zealand's cover that plus all that is on its way and that has been ordered.

According to industry officials, New Zealand is on target to fill the 14,500 tonne quota, applied at a 9 percent tariff rate, by the US for the July 1999-2000 year.

***Worldwide Marketing Push for Zespri GOLD Kiwifruit***

The New Zealand kiwifruit industry has its hopes pinned on increasing its global-market share with the new tropical kiwifruit, Zespri Gold. The high volumes of the gold fruit produced this year, over five million trays, up from 300,000 have some worried its low market awareness will be a problem. However, Zespri International has said that to compensate a large proportion of the promotional budget will be spent on marketing the gold fruit.

A major worldwide marketing push beginning in the end of May would see Zespri representatives in supermarkets and a large European launch. Zespri has already secured European growing contracts to ensure the gold fruit's year round supply. While four sites were secured in Italy, Zespri International expects 10 sites there with more in the US. Southern France, Portugal and Spain were being considered as growing sites strictly controlled by Zespri's intellectual property licence.

Zespri is aiming not to put at risk Zespri Green's market share, the major source of 1999's NZ \$415 million grower returns.

***ENZA Plans to Juice Export Braeburn Crop***

Apple exporter ENZA announced to its growers that they should turn their export Braeburn crops into

apple juice in order to guarantee higher returns. This decision was made because this season's Braeburn crop is much larger than expected, thus will receive very low returns due to the world oversupply of the Braeburn variety. This decision by ENZA was met with a lot of bad feeling by growers, and resulted in ENZA being brought before the primary production select committee in order to justify the juicing of the Braeburn crop. The select committee reported that ENZA had been wise to move proactively on the juicing proposal to growers, instead of waiting for a price downturn.

Growers agitating for industry deregulation or applying to independently export to guaranteed markets are upset with ENZA. Growers who applied for permits to export their Braeburn crops independently, were turned down, and now they have their crops being turned into fruit juice. The select committee said it asked for the briefing because it was concerned about ENZA's apparent inability to market the crop. However, ENZA has said that the independent permits were turned down as it believed the applicants were targeting its high-value markets. The select committee has no way of verifying this, but has said it will be watching the market outcomes very closely.

### ***NZ Pipfruit Industry Urges Growers to Plant Different Varieties***

New Zealand pipfruit growers are being urged to consider planting other varieties of apples and growing more pears as the industry tries to deal with a glut of Braeburn apples for the second season in a row. Pipfruit industry officials have said that it was clear the Braeburn glut would last as long as growers produced so many and that growers should seriously consider producing more of other varieties, such as Pacific Rose, which appeal to a wider range of markets. It has also been suggested that New Zealand growers grow more pears as they are in short supply. The global pear market is quite large and relatively strong, and does not conflict with apple markets.

### ***New Zealand Protests Canadian Levies***

New Zealand is protesting at a Canadian proposal to impose levies on imported beef for the benefit of Canadian cattle farmers. Canada is New Zealand's second biggest beef market after the US. The Canadian cattle industry wants to set up an agency for research, market development and promotion to boost beef incomes, to be funded by a levy or check-off of C\$1/head on domestic and imported beef. Meat NZ has lodged an objection on behalf of New Zealand farmers and exporters, opposing the taxing of imports on principle.

### ***Trade Talks Continue with Singapore***

The New Zealand Government will continue with talks on a free trade accord with Singapore that could lead to a mega-deal for the Asia-Pacific region. An agreement with Singapore is seen as a stepping stone for New Zealand to join a major Asian trading bloc as well as a potential extension to a bilateral agreement with Chile.

The major Asian trading bloc involves a trillion-dollar trade deal spanning Australia, New Zealand and nine South-East Asian countries. Talks concerning the potential trade deal began in New Zealand on April 27. Both the Singapore trade agreement and the larger Asian trade deal must win the approval of the junior coalition party, the Alliance, before New Zealand signs them. The Alliance party believes that other countries could take advantage of New Zealand, unless the Government protects the country's interests. New Zealand Trade Negotiations Minister said he hoped the negotiations would

enable New Zealanders to enjoy the benefits of trade liberalization despite the failure of the World Trade Organization to initiate a fresh round of global talks.

The proposal would unite Closer Economic Relations members Australia and New Zealand with the Association of Southeast Asian Nations, which comprises Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. The Minister of Trade Negotiations put the value of the proposed free trade zone at a trillion dollars. At the meeting in April in New Zealand, delegates agreed to further study the proposal at meetings in other nations throughout the year.

### ***Norske Skog to Buy Fletcher Paper***

The Norwegian printing paper giant, Norske Skog, is buying Fletcher Challenge Paper for NZ \$5 billion. The deal is subject to shareholder and board acceptance by both companies and regulatory approvals, and is expected to be completed by early July. The deal includes Fletcher Challenge Canada and operations in Australia, Asia and South America. The money from the sale will be used by Fletcher Challenge to repay debt.

### ***Direct Port Call to Mexico***

Growing trade between New Zealand, Australia and Mexico has led to Australia- New Zealand Direct Line (ANZDL) launching the first scheduled direct port call to Mexico on the North American trade lane. The call at Manzanillo began with the containership *Direct Eagle*, which left New Zealand in February. The line's new fixed-day port rotation in North America will include a fortnightly call into Manzanillo and a weekly call to Oakland and Los Angeles.

### ***Danger for the New Zealand Bee Industry***

The varroa bee mite, that has recently been discovered in New Zealand, has the potential to cause billions of dollars of damage to New Zealand's agriculture and horticulture industries. Nearly 100 varroa mite sites have been found in the Agriculture and Forestry Ministry's established control zone in the northern North Island. The mite, which was first identified in early April, had originally only effected commercial honey bees. It has now spread to feral bees which makes the eradication of the mite much more difficult. Eradication might be achieved by eliminating the bee population from infected areas for six months, and applying movement controls (although no country has been successful in fully eradicating the mite). That would mean killing all feral bees, which make up about half the bee population. The eradication program could cost up to NZ \$50 million if it went ahead, of which the Government has said it would pay. It has not yet been established how the mite got into New Zealand, though the most likely route was that someone had smuggled in live bees for breeding reasons.

### ***Bee Mite Raises Farmers' Concerns***

New Zealand cropping and seed farmers are very concerned about the impact of the varroa bee mite outbreak on the New Zealand seed multiplication industry. Bees performed a vital pollinating function in many crops, and much of the high-value seed multiplication industry was totally dependent on bees for the pollination process necessary to produce viable seed. The traditional clover seed industry would be severely affected, as would the burgeoning brassica industry.

***Swiss buy Kiwi ice cream maker***

Swiss-based food and hotel giant Movenpick has boosted its increasing presence in the New Zealand market with the purchase of one of the larger independent local ice cream makers Chateau.

Movenpick has bought Chateau Creme Delight in a move which gives it a stronger foothold in the New Zealand market. Movenpick says the acquisition is of “strategic importance” for the company because of Chateau’s experience in exports, its close trade relations with Australia and the wider Asia-Pacific region, and the prestige with which the world sees New Zealand dairy products.

***New Zealand Pork Industry Situation***

In a speech to the World Pork Conference in May, New Zealand’s Agriculture Minister noted that New Zealand’s inspected pigmeat production for the season ended September last year was 47,600 tonnes (carcass weight), a decrease of 1.5 percent from the season before. The New Zealand industry has experienced some very low returns over the past season, with reports of some farmers exiting the industry because of low prices, and others producing at a loss. Much of the decline in profitability was due to substantial quantities of cheap pork being imported into New Zealand as a result of an over-supply of pigmeat on the world market following the Russian crisis.

For the year ended September 1999, the volume of imported pigmeat, mainly frozen pork cuts, was equal to a third of total domestic production. Most imported pigmeat is sourced from Canada. However, significant quantities also come from Australia and Denmark. The number of commercial pig farmers is expected to continue to reduce as the industry moves towards fewer pig producers with larger herds. The total number of breeding sows is expected to remain relatively constant over the next few seasons. Domestic pigmeat production is projected to stabilise at around 50,000 tonnes for the medium term to September 2003.