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Report Highlights:

Final Season Pay-out for Dairy Farmers Increased

Big Lift in Incomes for NZ Sheep and Beef Farmers

Royal Commission of Inquiry into Genetic Modification - Voluntary Moratorium on Field Trials

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Wellington [NZ1], NZ

DAIRY

Final Season Pay-out for Dairy Farmers Increased

As a result of a NZ \$500 million (US \$250 million) rise in export earnings, the New Zealand Dairy Board has increased the 1999/2000 end-of-season payout from NZ \$3.25 to NZ \$3.35/kg milksolids. The increase comes from a season of record production, favorable exchange rate, and increasing world commodity prices. The Dairy Board said that strong performance by its strategic business units also improved the result. The ingredients business was forecast to make a profit of NZ \$320 million (US \$160 million) - up NZ \$80 million (US \$40 million) on the previous year.

Kiwi Dairies has increased its projected premium payout from NZ \$3.70 to NZ \$3.75 and New Zealand Dairy Group has increased its payout from NZ \$3.65 to NZ \$3.70/kg milksolids. Both companies are predicting a NZ \$4 payout for the beginning of next season.

Dairy Exports to China Climb

The New Zealand Dairy Board says China has now become the third-largest market by volume, for New Zealand dairy products. China ranks behind the United States and Japan, and generated revenues of about US \$135 million for the Dairy Board during the past year.

After more than 20 years of New Zealand dairy sales into the Chinese market, demand for home-grown milk products increased by more than 75 percent last year, one of the largest annual increases in two decades. Exports to China for the 1999/2000 year are expected to total about 70,000 tons, four times more than five years ago.

LIVESTOCK AND PRODUCTS

Strong Future for New Zealand Lamb

There is strong and growing demand for chilled New Zealand lamb in the UK and Continental Europe, because of its quality and consistency, New Zealand Meat Industry Officials report. The continued promotion of the quality of New Zealand lamb is reported to be extremely important in maintaining this market. Officials also warn of the sensitivities of growing the market too quickly, particularly in France. There is still a strong demand for frozen sheepmeat, despite stiff competition from pork, poultry and other proteins.

Big Lift in Incomes for NZ Sheep and Beef Farmers

New Zealand sheep and beef farm incomes will rise to their highest level in a decade this year, according to the New Zealand Meat and Wool Economic Service. It is projecting a 10 percent lift in average farm revenue this year to about NZ \$200,000 (US \$100,000). The income lift was partly due to increased average sheep and cattle weights, up by 5-6 percent. The second factor was higher offshore prices, particularly for beef. Another big factor was the favorable exchange rate for the export sector.

Possible Spin-off for NZ Lamb from US Increase in Funding

Meat NZ (the New Zealand Meat Board) has reported that the US \$4 million in US Government funding to the American sheep industry could have positive spin-offs for New Zealand lamb exports to the US as well. The US Government has announced the fund for marketing and promotion projects to increase sales of American lamb as part of a US \$100 million assistance package to the US sheep industry. The Meat Board has agreed there was a need to promote lamb in the US, where the consumption rate is less than 0.5kg per person per year, and boosting the consumption of American lamb could enhance New Zealand lamb sales there as well.

Meat NZ welcomes WTO interim ruling on Korean Beef

Meat New Zealand has welcomed an interim ruling by the World Trade Organization (WTO) dispute settlement panel that Korea's imported beef sales system and support for the domestic beef industry violates Korea's obligations under the WTO.

Korea operates a complex regime that heavily regulates the importation, distribution and sale of imported beef. In particular, the regulations discriminate against imported beef by dictating the type of retail outlets through which imported beef can be sold. While quantitative limitations on imported beef are to be removed early next year, the restrictions on internal distribution would prevent a truly liberalized market.

Australia and the United States brought the proceedings against Korea at the WTO a year ago, and New Zealand made a third party submission in support of the Australian and US case. New Zealand beef exports have excellent prospects in Korea under the market liberalization that will occur in 2001, but they need to be able to compete within the market on an equal footing with domestic products. In 1999 New Zealand exporter 8505 tons of beef to Korea, worth NZ \$29 million (US \$14.5 million).

New Zealand Meat Company Ventures into China

Listed New Zealand meat exporter, Affco, has opened a joint venture meatworks in Chengdu, China. The meatworks, named the Golden Ox, is New Zealand's second-biggest joint venture in China, and is reportedly built to United States standards. Affco owns 30 percent of the venture, and the main shareholder is white-spirit maker WuLiangYe, with 60 percent. Affco has invested NZ \$20 million in the project that will aim to slaughter 100,000 beef cattle and 40,000 goats each year.

New Zealand Wool Sales Value Increased

New Zealand wool earnings have increased more than NZ \$200 million in the past two months, fueled partly by China buying from the market again. Much of the 17 percent sales gain was from the sliding New Zealand dollar, but a United States House of Representatives vote last month in support of China's entry to the WTO could mean positive long-term opportunities for the wool industry.

New Zealand trade officials are trying to work with their Chinese counterparts on China's erratic trade administration that leaves New Zealand in the dark about how much, if any, wool it requires till the last minute. The probable early granting of WTO membership to China should help because it would probably require China to adhere to far more transparent importing practices.

China took 40 percent of New Zealand's wool in 1988 and 7 percent in 1990. Last year it took only 16 percent of New Zealand wool.

New Zealand Sheep and Cattle Numbers Update

In the 1999 year farming and horticulture were among New Zealand's biggest industries, providing 35 percent of New Zealand's export earnings and 47 percent of New Zealand's merchandise trade earnings.

Results from a recent agricultural census show that the national sheep population is estimated at 45.7 million at June 30 1999. This was 3.6 percent lower than the June 1996 (last time census was taken) total of 47.4 million. Ongoing conversions of sheep farms to dairy farms, increased forestry plantings and the two-year drought have all contributed to the decline in total sheep numbers. The decline in sheep numbers may also be a result of low wool prices. The New Zealand Producers Price Index shows wool prices in the March 1999 quarter to be at their lowest level since the series began in June 1994. Sheep numbers have been declining since 1988 and are now at their lowest level since 1957.

The number of dairy cattle has increased 3.6 percent between 1996 and 1999 to an estimated 4.3 million head. The national beef herd was estimated to be 4.6 million at June 1999, a decrease of 4.3 percent on 1996 estimates. Deer numbers have increased 40.7 percent between 1996 and 1999 to an estimated 1.7 million head.

HORTICULTURE

New Zealand Avocado Brand is Top Seller

New Zealand based Team Horticulture has been exporting avocados to the US for about three years, promoting flavor and size as key points of difference from avocados grown elsewhere. Since 1994, the company has increased exports from 40,000 trays to 380,000, with more than 50 percent exported to the US market. This year, Team Horticulture expects to increase its export volume by more than 50 percent, as a result of the increased demand for the fruit in the US and Australia.

New Zealand's largest exporter, Team Horticulture was set up in 1993 as a specialized direct-seller of avocados. Today, 235 growers supply the exporter, which paid out an average of NZ \$19 a tray to growers last year. Each tray holds around 25 avocados.

India Increases Duties on Apples

The Indian government has raised the duty on apple imports from 44 percent to 61.2 percent. The duty increase follows lobbying by Indian apple producers for protection. New Zealand Trade officials have said that Indian orchardists have over-reacted. Indian apple production is 6 million tons just in the Uttar Pradesh state. The amount coming in from overseas is very small in comparison. ENZA is exporting approximately 900 tons. Indian apples are also competing in a different market than ENZA apples as Indian apples are cheaper and of lower quality.

New Zealand apple growers send 40,000-50,000 cartons a year to India, worth around NZ \$18 million. New Zealand officials estimate New Zealand apple exports will fall by around 20 percent

because of the duty increase.

FORESTRY

Forestry Exports for Year ended 31 March 2000

Total value of New Zealand forestry products exported for the year ended 31 March 2000 was NZ \$2,831 million (US \$1,359 million). This was an increase of 18.7 percent from the value of NZ \$2,385 (US \$1,145 million) from the previous year.

For the March 2000 year, Australia was the leading market for New Zealand's forestry products exports. Over the year since March 1999, sawn timber exports to Australia increased 8.7 percent by value but decreased 3.0 percent by volume. Paper and paperboard exports decreased 16.5 percent by value and 21.7 percent by volume. Wood pulp exports decreased 8.2 percent by value and 17.7 percent by volume. Fibreboard exports increased 62.8 percent by value and 60.9 percent by volume, and plywood exports increased 4.1 percent by value and 2.3 percent by volume.

Exports to Japan increased in value by 11.4 percent in the March 2000 year. Log exports decreased 0.6 percent by value and 8.4 percent by volume. Sawn timber exports to Japan increased 19.4 percent by value and 1.7 percent by volume, fibreboard exports increased 52.5 percent by value and 38.8 percent by volume, and plywood exports increased 17.1 percent by value and 2 percent by volume. Wood pulp exports decreased 8.7 percent by value and 0.8 percent by volume.

Log exports to Korea increased 53.1 percent by value and 32.3 percent by volume and wood pulp exports increased 70.7 percent by value and 28.6 percent by volume.

Exports to USA increased in value by 48.0 percent in the March 2000 year. The major component of New Zealand's exports to USA was sawn timber (72.1 percent by value in the March 2000 year, 74.9 percent by value in the March 1999 year).

Exports to Taiwan increased in value by 24.3 percent in the March 2000 year. Sawn timber exports to Taiwan increased 10.2 percent by value and 5.8 percent by volume, wood pulp exports increased 3.9 percent by value but decreased 26.3 percent by volume.

Export sales of processed pine products have grown to NZ\$334 million, or 12 percent of all forestry and wood product exports. The value-added products include window and door frames, finger-jointed products, mouldings, and posts and beams. The US buys about 43 percent of New Zealand manufactured pine products, with Australia at 30 percent.

GENERAL

Royal Commission of Inquiry into Genetic Modification - Voluntary Moratorium on Field Trials

The New Zealand Life Sciences Network, which supports responsible use and development of modern biotechnology, has agreed to accept the Government's version of a voluntary moratorium on field trials

of new GMOs during the time of the Royal Commission of Inquiry into Genetic Modification (for more detail see report NZ0023).

In agreeing to the moratorium the Life Sciences Network made the following points:

- The moratorium has no credible basis in science;
- Is being imposed on the scientific community to satisfy political needs; and
- Exposes the country to a risk of major loss of scientific intellectual capital.

The moratorium on new field trials has been imposed for one year.

US Bulk Retailer Leaves New Zealand Market After Six Months

United States bulk retailer Cost-U-Less is withdrawing from the New Zealand market after only six months, saying its American products were not as popular here as it had expected. Cost-U-Less has 13 stores, mostly in small island nations. Its first New Zealand store opened in Rotorua in November, followed by a Porirua store in December. Though it had plans for up to 20 stores in New Zealand, after a few months it became apparent that sales targets were not going to be met. Cost-U-Less officials have said that given time the New Zealand market would have proved successful, however the demand for US goods was below expectations and the substantial capital required to develop this market was compromising their ability to expand into other markets. He also said that Cost-U-Less could have stayed in New Zealand if it had found a partner. The weak Kiwi dollar, which hit a 15 year low in May and has lost 20 percent of its value versus the U.S. dollar over the last year, was an important factor affecting U.S sales.