



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

**Date:** 2/13/2006

**GAIN Report Number:** NZ6003

## New Zealand

### Livestock and Products

### Semi-Annual

### 2006

**Approved by:**

David Rosenbloom  
U.S. Embassy

**Prepared by:**

Alastair Patterson

---

**Report Highlights:**

New Zealand's total cattle slaughter is forecast to increase 4 percent to 735,000 tons in 2006. Beef exports are forecast to increase 5 percent to 625,000 tons. Beef breeding cow numbers continue to trend downwards, with a forecast decline of 2 percent in 2006. New Zealand's beef industry anticipates the re-entry of U.S. beef into Japan during 2006. Promotional export expenditures by New Zealand's beef industry will continue to focus on Japan, South Korea and Taiwan during 2006, in an attempt to retain market share gained during the absence of U.S. and Canadian product.

---

Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Semi-Annual Report  
Wellington [NZ1]  
[NZ]

## SECTION I. SITUATION AND OUTLOOK

New Zealand's total cattle slaughter is forecast to increase 4 percent to 735,000 tons<sup>1</sup> in 2006. Beef exports are forecast to increase 5 percent to 625,000 tons. This is an increase on Post's earlier forecast (see NZ5012) and includes a revision of the 2005 figures following availability of trade data. Higher adult cattle slaughter rates resulting from increased calf retention for beef production in 2004 is the dominant factor influencing increased beef production. Beef breeding cow numbers continue to trend downwards, with a forecast decline of 2 percent in 2006. This is the result of the steady conversion of farmland to other uses, particularly dairy and lamb. This figure is unchanged from Post's earlier forecast (see NZ5012). Despite this, New Zealand's beef exports continue to grow, fueled by increasing quantities of beef sourced from New Zealand's expanding dairy herd.

More uncertainty has been created in international markets following the Japanese reinstatement of the ban on U.S. beef. New Zealand's beef industry anticipates the re-entry of U.S. beef into Japan during 2006. The New Zealand industry, however, is not overly concerned about the trade impact of this. New Zealand's beef industry predicts that re-entry will be gradual, reflecting a buoyant U.S. market and the likelihood of a staged, rather than immediate, relaxation of Japanese import restrictions. Japan's beef imports during 2005 remained below 2003 levels and since New Zealand beef does not directly compete with U.S. beef, the impact of U.S. re-entry on New Zealand sales will be modest.

During 2004, following the exclusion of U.S. beef from the Japanese market, New Zealand's share of the Japanese market increased from 3 percent to nearly 8 percent. New Zealand's market share remained at 8 percent during 2005. The South Korean and Taiwanese markets reacted in a similar manner to the Japanese market following the detection of BSE in the United States. New Zealand's combined exports to these three markets increased 70 percent during 2004. This greatly increased the importance of these Asian markets to New Zealand, increasing their share of New Zealand's beef exports from 21 percent in 2003 to 32 percent by value in 2005.

Promotional expenditures by New Zealand's beef industry will continue to focus on Japan, South Korea and Taiwan during 2006. This is an attempt to retain market share gained following the ban on U.S. beef to these markets. The United States, Canada and Australia are expected to markedly increase promotional expenditures in these markets. New Zealand's beef promotional activity is focused on the restaurant and food service trade in Asia. New Zealand emphasizes food safety along with the free range and natural image of New Zealand beef.

Although the New Zealand Food Safety Authority (NZFSA) completed an assessment of the U.S. BSE regime in mid-2005 (see NZ5012) and determined that U.S. safeguards were equivalent to those provided by New Zealand's BSE measures, a final agreement has not yet been reached. Following certification agreement, NZFSA will remove its case-by-case assessment requirement for imports of U.S. bovine products. This measure was implemented following the detection of BSE in the United States in 2003.

Progress on creating national standards for livestock identification and traceability is ongoing. The Livestock Industry Working Group, responsible for managing the process to create these standards, released a report in January 2006. This report took into consideration submissions received from the public in response to the working group's earlier consultation report (see NZ5012). A governance group is to be formed in March to continue the process.

---

<sup>1</sup> All tonnages are in carcass weight equivalents

## SECTION II. PS&amp;D TABLES AND TRADE MATRIX

<b>New Zealand Animal Numbers, Cattle</b>						
	(1000 HEAD)					
	2004	Revised	2005	Estimate	2006	Forecast
Market Year Begin	USDA Official Post [Old]	Estimate [New] 01/2004	USDA Official Post [Old]	Estimate [New] 01/2005	USDA Official [Old]	Post Estimate [New] 01/2006
Total Cattle Beg. Stks	9540	9540	9415	9415	9575	9485
Dairy Cows Beg. Stks	3966	3966	4005	4005	4050	4050
Beef Cows Beg. Stocks	1230	1230	1220	1220	1200	1200
Production (Calf Crop)	4450	4450	4460	4460	4500	4500
Intra EC Imports	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	13990	13990	13875	13875	14075	13985
Intra EC Exports	0	0	0	0	0	0
Total Exports	69	60	50	50	50	50
TOTAL Exports	69	60	50	50	50	50
Cow Slaughter	900	900	800	830	850	850
Calf Slaughter	1380	1380	1550	1300	1600	1400
Other Slaughter	1800	1800	1610	1780	1780	1870
Total Slaughter	4080	4080	3960	3910	4230	4120
Loss	426	435	290	430	315	430
Ending Inventories	9415	9415	9575	9485	9480	9385
TOTAL DISTRIBUTION	13990	13990	13875	13875	14075	13985
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

<b>New Zealand Meat, Beef and Veal</b>						
	(1000 MT CWE)(1000 HEAD)					
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official	Post Estimate	USDA Official	Post Estimate	USDA Official	Post Estimate
	[Old]	[New]	[Old]	[New]	[Old]	[New]
Market Year Begin		01/2004		01/2005		01/2006
Slaughter (Reference)	4080	4080	3960	3710	4230	3990
Beginning Stocks	0	0	0	0	0	0
Production	720	720	685	705	725	735
Intra EC Imports	0	0	0	0	0	0
Total Imports	12	10	10	10	10	10
TOTAL Imports	12	10	10	10	10	10
TOTAL SUPPLY	732	730	695	715	735	745
Intra EC Exports	0	0	0	0	0	0
Total Exports	606	610	575	595	615	625
TOTAL Exports	606	610	575	595	615	625
Human Dom. Consumption	126	120	120	120	120	120
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	126	120	120	120	120	120
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	732	730	695	715	735	745
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	305	305	280	280	300	300

Trade Data<sup>2</sup>

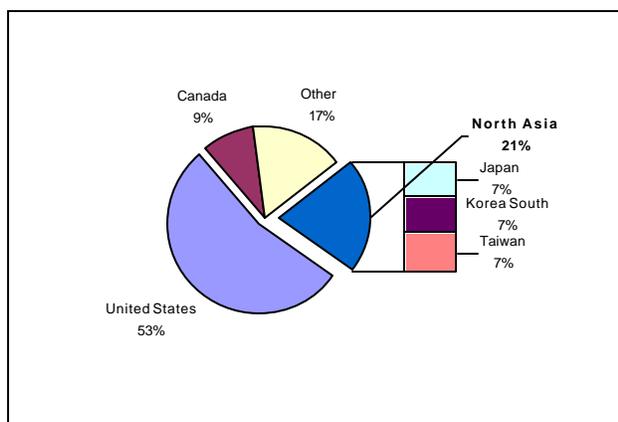
New Zealand Beef Exports by Volume			
Partner Country	Calendar Year		
	2003	2004	2005
United States	222,113	212,431	203,469
Korea South	27,625	50,951	45,844
Japan	20,915	38,146	42,591
Canada	41,718	29,494	29,823
Taiwan	22,221	30,372	29,426
Indonesia	9,015	12,421	14,177
Australia	2,942	5,287	6,819
Malaysia	6,878	7,738	6,624
Mexico	6,667	5,794	6,543
French Polynesia	5,563	5,812	5,481
Philippines	2,580	4,426	3,025
Hong Kong	3,009	2,843	2,427
Singapore	2,318	2,491	2,206
Other	17,864	15,965	13,850
World	391,428	424,171	412,305

Japanese Beef Imports by Volume			
Partner Country	Calendar Year		
	2003	2004	2005
Australia	289,124	402,368	419,135
New Zealand	18,051	34,674	39,255
United States	274,206	1,276	42
Other	9,734	9,723	25,011
Total	591,115	448,041	483,443
NZ Mkt Share	3%	8%	8%

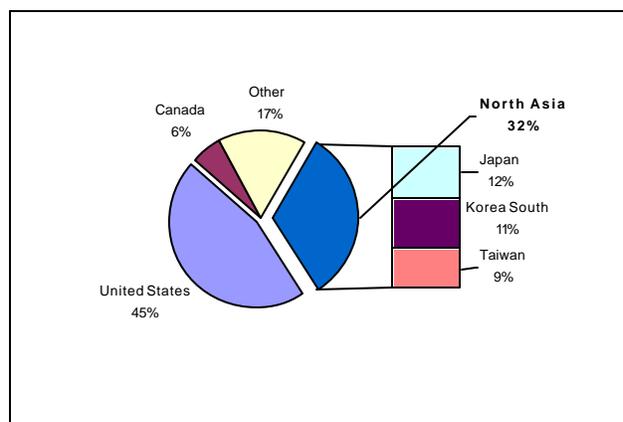
South Korean Beef Imports by Volume			
Partner Country	Calendar Year		
	2003	2004	2005
Australia	63,970	78,050	113,736
New Zealand	24,008	41,677	44,585
United States	206,897	25,130	722
Other	6,773	1,088	2,833
Total	301,648	145,945	161,876
NZ Mkt Share	8%	29%	28%

Taiwanese Beef Imports by Volume			
Partner Country	Calendar Year		
	2003	2004	2005
Australia	29,575	25,171	27,505
New Zealand	20,986	28,401	26,248
United States	14,931	649	7,041
Other	2,342	1,042	2,027
Total	67,834	55,263	62,821
NZ Mkt Share	31%	51%	42%

New Zealand Beef Exports by Value 2003



New Zealand Beef Exports by Value 2005



<sup>2</sup> All volumes in tons

## SECTION III. SUPPLY AND DEMAND, POLICY AND MARKETING

## BEEF AND VEAL PRODUCTION

## 2006 Outlook

New Zealand's total cattle slaughter is forecast to increase 4 percent to 735,000 tons<sup>3</sup> in 2006. Beef exports are forecast to increase 5 percent to 625,000 tons. This is an increase on Post's earlier forecast (see NZ5012) and includes a revision of the 2005 figures following availability of trade data. Higher adult cattle slaughter rates resulting from increased calf retention for beef production in 2004 is the dominant factor influencing increased beef production. The calf kill is forecast to increase slightly in 2006 as a result of lower retentions for future beef production, as many industry analysts are forecasting a softening of beef prices during 2006. The cow kill is forecast to rise slightly, returning to a level similar to that of 2003 and 2004.

New Zealand's beef industry has benefited from strong returns in international markets in recent years. The main influence has been the ban of Canadian and U.S. beef from Asian markets and, until recently, the ban of Canadian beef in the U.S. market. Strong returns from these markets have been offset by the strength of New Zealand's dollar. Prices in these markets are forecast to weaken during 2006. Industry participants are hopeful that New Zealand's dollar will begin to weaken during 2006 as predicted by many analysts, lessening the forecast decline in returns from international markets. To date the New Zealand dollar has remained strong.

## Stock Numbers

Beef breeding cow numbers continue to trend downwards, with a forecast decline of 2 percent in 2006. This is the result of the steady conversion of farmland to other uses, particularly dairy and lamb. This figure is unchanged from Post's earlier forecast (see NZ5012). Despite this, New Zealand's beef exports continue to grow, fueled by increasing quantities of beef sourced from New Zealand's expanding dairy herd. The dairy herd's rate of expansion has slowed during the past couple of years and this, combined with the much larger herd size, has increased the number of animals available for slaughter. New Zealand's beef industry has become very dependent on the dairy herd as a source of animals, not only for immediate processing (mainly calves and old cows), but also for calves to be raised over a period of between 18 months and two years for beef production. It is generally accepted that the level of calf retentions for fattening is predominantly influenced by calf availability and the beef schedule at the time of their availability.

## POLICY

## U.S. Re-entry to Asian Markets

New Zealand's beef industry is a price taker, and will respond to sales conditions in the U.S. market as well as the re-entry of U.S. and Canadian beef into Asian markets. More uncertainty has been created in international markets following the Japanese reinstatement of the ban of U.S. beef. This was the result of a U.S. exporter failing to comply with new export requirements, soon after access was granted. Despite this, New Zealand's beef industry anticipates the reentry of U.S. beef into Japan during 2006. New Zealand concern

---

<sup>3</sup> All tonnages are in carcass weight equivalents

regarding the reopening of the Japanese market to U.S. beef exports is minor. New Zealand's beef industry predicts that re-entry will be gradual, reflecting a buoyant U.S. market and the likelihood of a staged, rather than immediate, relaxation of Japanese import restrictions. As Japan's beef imports during 2005 remained below 2003 levels and New Zealand beef does not directly compete with U.S. beef, the impact of U.S. re-entry is lessened. Market share loss in the Japanese market will create a minor decrease in returns to farmers. In the long-term the effect will be greater and New Zealand is forecast to lose a large proportion of the market share it gained during U.S. exclusion from Japan.

During 2004, following the exclusion of U.S. beef from the Japanese market, New Zealand's beef exports to Japan rose 92 percent to 35,000 tons. This increased New Zealand's share of the Japanese market from 3 percent to nearly 8 percent. New Zealand's market share remained at 8 percent during 2005. New Zealand exporters have been actively promoting their beef in order to solidify their increased market share. This has been challenging for these exporters, as New Zealand beef is grass-fed, which has traditionally been seen as a lower quality product than U.S. grain-fed beef. How this promotion has influenced consumer perceptions of New Zealand and U.S. beef is unknown.

The South Korean and Taiwanese markets reacted in a similar manner to the Japanese market following the detection of BSE in the United States. New Zealand's combined exports to these three markets increased 70 percent during 2004. This greatly increased the importance of these Asian markets to New Zealand, increasing their share of New Zealand's beef exports from 21 percent in 2003 to 32 percent by value in 2005.

#### U.S. Beef Exports to New Zealand

Although the New Zealand Food Safety Authority (NZFSA) completed an assessment of the U.S. BSE regime in mid-2005 (see NZ5012) and determined that U.S. safeguards were equivalent to those provided by New Zealand's BSE measures, a final agreement has not yet been reached. Following certification agreement, NZFSA will remove its case-by-case assessment requirement for imports of U.S. bovine products. This follows New Zealand restricting imports of U.S. beef and beef variety meats following the December 2003, announcement of BSE in the United States. Import restrictions were also imposed on live cattle, certain pet food, and U.S. processed food products containing beef.

#### Ongoing Development of a New Zealand Animal Identification System

Progress on creating national standards for livestock identification and traceability is ongoing. The Livestock Industry Working Group, responsible for managing the process to create these standards, released a report in January 2006. This report took into consideration submissions received from the public in response to the working group's earlier consultation report (see NZ5012). A governance group is to be formed in March to continue the process. One of the first tasks of the new group will be gaining funding from the government and industry bodies. The working group was set up in response to the need for the implementation of a comprehensive mandatory traceability system. This system is critical to meet the increasingly stringent regulatory systems and consumer demands now and in the future as a result of food safety and biosecurity issues.

## New Zealand Beef Exports to South Korea and Malaysia Restricted

South Korea and Malaysia restricted imports of New Zealand beef following separate incidents during 2005. South Korea temporarily banned imports of New Zealand beef following detection of endosulfan contamination in a shipment of New Zealand beef in September 2005. South Korea allowed New Zealand beef back in under a more rigorous testing regime, while banning beef from the plant the contaminated beef was sourced from. In early 2006 South Korea relaxed these temporary restrictions, with all New Zealand beef now entering South Korea under the regulations used prior to the incident. The increased testing regime was frustrating to the industry, as it was disruptive to trade and created delays. Contamination levels were too low to pose a risk to human health, but breached international guidelines for export to the South Korean market.

The Malaysian suspension of certification of several New Zealand meat plants in June 2005 continues (see NZ5012). Malaysian authorities cited inconsistent halal standards as the motivation for this suspension. Only one New Zealand meat plant has been re-certified and New Zealand authorities hope to gain re-certification for all New Zealand meat plants eager to export to Malaysia.

## EU Quota

In October 2005, New Zealand negotiated an additional 1000 tons of quota for beef imports, following the enlargement of the EU. This brings New Zealand's total beef import quota to 1300 tons. This was the result of New Zealand traditionally exporting 1,000 tons of beef annually to Cyprus and Malta before they joined the EU (see NZ4014). The existing 20 percent in-quota tariff for high quality beef will continue to be applied.

## MARKETING

### Promotional Expenditure

Promotional expenditure by New Zealand's beef industry will continue to focus on Japan, South Korea and Taiwan during 2006. This is an attempt to retain market share gained following the ban of U.S. beef to these markets, as the United States, Canada and Australia are expected to markedly increase promotional expenditure in these markets during this time. This is part of Meat and Wool New Zealand's plan to increase levy expenditure on worldwide promotion from NZ\$ 3.94 million during 2004/05, to NZ\$ 4.84 million during the 2005/06 season (see NZ5012). New Zealand's beef promotional activity is focused on the restaurant and food service trade in Asia. New Zealand emphasizes food safety along with the free range, natural image of New Zealand beef. MWNZ will not allocate any of its funds to promote New Zealand beef in the United States despite the fact that nearly half of New Zealand's beef exports are sold to this market. New Zealand exports manufacturing grade beef to the United States that is largely used as a blending ingredient with U.S. product to produce ground meat (hamburger). New Zealand beef entering the United States contributes to generic promotional activity to promote beef consumption in the United States under USDA's check-off program.