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New Zealand

Agricultural Situation

Agribusiness Report - December 2002

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Report Highlights: General: Mandatory labeling of GM foods in NZ. Dairy: NZ takes Canadian dairy case back to WTO. Wine: NZ Minister welcomes signing of wine agreement. Forestry: NZ forest product exports strong in third quarter.

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

GENERAL***Mandatory labeling of GM foods***

Mandatory labeling laws for genetically modified foods came into effect on December 7, 2001. GM food products now on sale in NZ and Australia - either as a whole food or as an ingredient - must have their GM status identified (noted on the ingredient list) if modified genetic material or protein is present (detectable) in the final food. Labeling exemptions include some refined oils, flavorings, and processing aids, as well as food deemed prepared at 'point of sale', such as in restaurants, takeaway bars or supermarket delicatessens, and also allow a maximum one percent unintended GM presence per ingredient. In addition, the Australia New Zealand Food Standards Council in November 2001, agreed to allow products containing GM ingredients, if produced and packaged before December 7, 2001, even if imported after that date, to remain on supermarket shelves for up to 12 months.

Low-risk GM regulations to be streamlined

NZ scientists concerns about high application costs for genetic modification research were eased slightly on January 3, 2002, with a Government announcement that regulations for low-risk work are to be streamlined. Arguing for the relaxation of the rules governing low-risk GM research, governed by the Hazardous Substances and New Organisms Act through the Environmental Risk Management Authority, researchers told last year's Royal Commission on Genetic Modification that important research would not get done. The latest revisions simplified the approval process and reduce the time between an application and a decision. The changes would not alter the scope of work permitted under the regulations or change the level of risk permissible. According to the draft regulations, 'low-risk' refers to clearly classifiable organisms that are not pathogenic or toxic and are unlikely to infect humans. It does not cover the field testing in containment, or release, of GM organisms (GMOs). The Government will introduce legislation in early 2002 to approve a two-year moratorium announced in October 2001, on the commercial release into the environment of any GMOs (i.e., GM crops for planting), excluding GM medicines.

Foreign land buyer rules tightened

The New Zealand Government has just implemented tougher rules for foreign ownership of NZ farmland. The key change is that any NZ farmland must first be offered for sale to New Zealanders, and that any waiver of this requirement must be in New Zealand's best interest. The changes also mean the Overseas Investment Commission cannot approve farmland for sale unless it has been offered to New Zealanders on the open market. The amendment also reduced the threshold for requiring commission consent for sales of land adjoining or including the foreshore from 0.4ha to 0.2ha. At the end of 1997, the commission estimated that 777,500ha or 2.9 percent, of NZ's 26.8 million hectares of total area was foreign owned.

Organic sector to get funding boost

The NZ Government is to pay for the development of a strategic plan for the organic agriculture sector. The plan will have a particular focus on the needs for training and development of organic advisors, the understanding of farm economics, and a coordinated research, science and technology strategy. US \$16,800 would be available this financial year, and another US \$16,800 next financial year. This is in addition to the US \$105,000 allocated earlier in 2001 to develop a national minimum standard for organic products by Standards New Zealand and the small-scale organic producers certification scheme. US \$19 million a year is allocated to research that

contributes to the organic sector. Of this about US \$8.4 million is for sustainable management research and US \$9.45 million for integrated pest management, biological controls, and reduced chemical input systems, and another US \$1.1 million is for organic systems.

Report provides useful benchmark

The NZ Government would monitor the effects of new regulatory regimes on the provision of agricultural chemicals and the introduction of new plants and animals the Agriculture Minister stated recently. To help that process, the Ministry of Agriculture and Forestry (MAF) had commissioned a report which would act as a benchmark in assessing effects of the implementation of Hazardous Substances and New Organisms Act and Agricultural Compounds and Veterinary Medicines Act. The report says that there is a significant risk of a substantial increase in the cost of compliance on the industry.

Cold beverages

Cold beverages are hot sellers: According to recent data, the total New Zealand fruit drinks market is up NZ \$10.3 million (US \$4.3 million) to NZ \$110 million (US \$46.2 million) as of November 2001. Fruit drinks and fruit juices contributed 18.6 percent and 81.4 percent value shares respectively - their respective shares unchanged from the previous year. The total fruit drinks market is up 12 percent by volume and 7.6 percent measured in package sales. The fruit juice and drinks market is ahead of total beverage growth, which is up 7.2 percent by value and 3.1 percent in package sales. The market is split into different categories, fruit drinks, fruit juice, mineral water and new age beverages including energy and sports drinks. The new age beverage section has seen rapid growth and is now worth NZ \$23 million (US \$9.7 million) with a growth value of 11.7 percent. Energy drinks have continued to grow their share of new age beverages, up 2.5 percent on their 54.7 percent value share while sport drinks at 45.3 percent dropped 2.5 percent. Growth figures for energy drinks and sports drinks have continued to be in positive territory as manufacturers move to stabilize their brands within this category.

The water category in NZ is showing exceptional growth - 17.2 percent value growth in grocery sales and 36.6 percent sales gains at mini-markets and gasoline stations. This category growth is being driven by the introduction of a new flavored water product, which was introduced to the market in November 2000. An industry spokesperson said that convenience is still a key driver in the water category - people want to purchase bottled water while they are out and about. This is evidenced by the continued growth of the sipper top segment of the water market.

DAIRY***NZ takes Canadian dairy case back to WTO***

New Zealand, along with the United States, has successfully applied for the World Trade Organization to re-hear their case against a Canadian dairy export scheme which both countries believe is illegal. NZ firmly rejected Canada's view that the WTO appellate body's decision earlier this month was the end of the matter. The appellate body declined to rule on the complaint that Canada was providing illegal export subsidies to its dairy industry, as it felt it had insufficient information at this stage to make any determination. Canada's de facto export subsidies cost NZ about US \$33.6 million a year because of their depressing effect on world dairy prices.

HORTICULTURE

Horticulture supply to Mexico

New Zealand horticultural supply companies have a ready export market in Mexico says a Trade New Zealand official. He said there was a high demand in Mexico, Central America, and the Spanish Carribean Islands for greenhouses, hydroponics, freeze-dry and dehydration systems in floriculture. The main reason for the demand was a lack of high-quality export fruit and vegetables from local sources.

WINE

Minister welcomes signing of wine agreement

The New World Wine Agreement signed on December 19, 2001, in Canada, will protect the expanding international wine trade from unnecessary regulatory barriers says NZ's Trade Negotiations Minister. The treaty, negotiated by a group of Government and industry representatives from New Zealand, Australia, Canada, the United States, Argentina, Chile and South Africa - countries with a shared interest in keeping international wine markets open - provides for the mutual acceptance by its parties of each other's regulatory requirements on wine making practices. Five nations signed the agreement on December 19, which included New Zealand, Australia, Chile, the United States, and Canada. They will now embark on their respective domestic processes to ratify the agreement, which will enter into force as soon as two nations have done so. The treaty will facilitate and protect overseas market access for New Zealand wine exports.

FORESTRY

NZ forest product exports up in third quarter 2001

The New Zealand Timber Industry Federation (NZTIF) reports that lumber exports overall remained strong in the third quarter of 2001, up 4 percent over the previous year's period. But lumber exports were basically flat for the September year. The NZTIF believes that lumber exports may be up by another 4 percent in 2002. The Australian market in the September quarter continued its seasonally adjusted recovery in sales but was still 27 percent below 2000.

Annual exports from New Zealand						
	Lumber			Logs		
Year to	\$NZ mill	000m3	unit val	\$NZ mill	000m3	unit val
30 Sept 99	589.1	1339.9	439.66	531.4	5823.8	91.25
30 Sept 00	768.1	1528	502.68	675.6	5872.5	115.04
30 Sept 01	777.9	1532.9	507.47	762.9	6896.7	110.62

There continues to be massive growth in log exports - and there has to be to accommodate the "wall of wood"-the large volumes of radiate pine increasingly available for harvesting. Log exports totaled 6,896,000m3 (Sept year) - up 17 percent and there is evidence of a dramatic increase in that growth rate with log exports in the Sept quarter up 34 percent on September 2000. This however was at the expense of price with average unit values falling by 18 percent.

Log exports to Japan were down 20 percent (85,000m3) in the September quarter over the same time in 2000 and unit values decreased 15 percent. This slump has been more than compensated for by the emerging market of China up 115,000m3 (47 percent) over that period. The Korean market grew by 456,000m3 or 67 percent in the September quarter over a year earlier. China now takes two-thirds of the volume going to Japan (and Korea is more than three times bigger than Japan). Within 3-5 years, officials believe China will be a bigger log market for New Zealand than Japan.