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New Zealand

Agricultural Situation

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Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

Wellington [NZ1], NZ

New Zealand Meat Consumption Per Capita
(Kg/capita; carcass weight basis) September Years

	Pork	Beef & Veal	Sheepmeat	Poultry
1996	16.2	36.56	20.30	24.54
1997	15.8	39.03	17.84	24.00
1998	16.2	37.62	17.16	26.29
1999	17.1	31.49	14.35	26.80

Domestic meat consumption in New Zealand is following the global trend of decreasing red meat consumption and increasing white meat consumption. Beef and Sheepmeat consumption is continuing to fall with 31kg and 14kg per capita consumption in 1999 respectively. Poultry consumption has increased slightly, and pork consumption has increased to 17 kg, with almost 4.5kg of this made up from imported pork.

New Zealand Dairy Board Payout Lifted

The New Zealand Dairy Board announced in the middle of February that it has raised its estimated 1999/2000 end-of-season pay-out from NZ\$3.10-\$3.15/kgMS at the start of the season to \$3.25-\$3.30 a kg. Every 5 cent lift adds nearly \$50 million to the total payout; since this is the second increase since the start of the season, dairy farmers are already \$100 million better than expected against initial predictions at the start of the season. The increased payout can be attributed to three important factors - record production due to favorable weather, improving commodity prices and a favorable exchange rate. In the month to the end of January overseas prices for milkpowder rose by \$US60 to \$90 a tonne. Cheese prices also rose slightly. (1\$NZ=\$US 0.49).

New Zealand Dairy Mega-Merger

Plans to merge New Zealand's dairy industry into a mega co-operative are progressing slowly. A business plan has been presented to the Dairy Industry Establishment Board and further passed onto the nine dairy companies for review. However, for the plan to succeed the mega-co-op still requires the two largest dairy companies, New Zealand Dairy Group and Kiwi Dairies to merge. The merger between these two companies has to evolve before March 31, as the plan requires Commerce Commission approval, which may take at least 3 months to review the plan, and then it has to go to New Zealand dairy farmer vote. The deadline for the merger to be approved by all parties involved is September 1 2000.

To make the mega-merger viable, analysts report that the industry needs to stick to the commercial disciplines and conditions laid down by the architects of the proposal, McKinsey and Company. McKinsey said that if the mega-merger was to work, international benchmarks had to be followed.

They included 15 percent annual top-line revenue growth, a 4 percent real productivity target on-farm and off-farm, and a minimum return on gross assets of 15 percent.

New Zealand Dairy Board Assessing Organics Market

The United Kingdom subsidiary of the New Zealand Dairy Board, New Zealand Milk (UK), is assessing the potential of organics with the launch of an organic butter spread on the UK market. The product has been introduced under the Anchor brand and although presently made from European milk, production could be switched to New Zealand if the market proves successful. Experts on global marketing say that the potential offered by the production of organic milk in New Zealand should not be underestimated. It is thought that the establishment of a mega co-op would facilitate any major move into organics by the industry, should it be justified.

New Zealand Organic Exports

In 1994-95 New Zealand's organic exports were worth NZ\$8 million. They are projected to grow to NZ\$60 million in the next two years. Japan with 47 percent mainly in kiwifruit, processed vegetables and babyfood is New Zealand's largest organic market, with Europe at 32 percent, mainly for fruit and vegetables. Australia is a growing market offering good opportunities for smaller growers to export to a sophisticated group of consumers. At present, most organic product is in the fresh fruit or processed vegetable category, with organic meat and wool and dairy products nearly invisible. However, the New Zealand domestic market is growing rapidly as all three supermarket chains take organics more seriously. Global trends are also escalating, with the value of organic products predicted to rise from \$US11 billion in 1997 to \$100 billion in 2006.

Organic Kiwifruit Increasing

New Zealand's biggest grower of organic produce, the kiwifruit industry, is set to almost double its exports of organic fruit this season. This is because many growers decided to make the decision to change to organic three years ago, and are now coming into fully certified product this year. This will result in an estimated 80 percent increase in the volume of the organic crop. This represents about 4 percent of total production. This is expected to rise to about 8-10 percent of the national production in the next five years. Organic kiwifruit have been fetching premiums of about 8-15 percent above conventional fruit in the main organic markets Europe, Japan and the U.S.

Kiwifruit Prices Released

Kiwifruit growers will get an average payout of NZ\$7.58 a tray if forecast returns remained steady at NZ\$410.7 million. The average tray price is \$1.08 ahead of last season's \$6.50 for a crop that was 14 percent smaller. The orchard gate return was forecast at \$283.3 million, which represented a 10 percent growth on last year and an 80 percent lift since 1997.

New Zealand Lumber Exports Strong

For the first time ever in March 1999, lumber exports to the United States outperformed exports to Australia. This situation remained through to September, with August/September exports to the U.S. being 56 percent higher than those to Australia. However, in October/ November Australia increased its import demand and exports to this market rose to NZ\$21.6 million in October and NZ\$22.4 million in November. This is a 26 percent increase in exports from the same time last year. All other export

markets remain firm on volume with prices in US dollars holding.

Avocado Exports: A Growing Market

A successful trial of a new avocado packaging system may pave the way for increased foreign exchange earnings in the U.S. New Zealand growers have been shipping avocados to the U.S. in moderate numbers since the mid-1990s. The market is a growing one; earnings of NZ\$30 million are predicted for the 1999-2000 season, compared with NZ\$21 million the previous season.

The market has great potential, with the New Zealand Avocado Industry Council estimating New Zealand's total avocado production this season would only supply the U.S. market for 4-5 days. Demand is also increasing, partly driven by imports of low priced avocados from Mexico into the U.S., which is generating consumer interest in the fruit. New Zealand growers hope to be exporting fruit worth NZ\$100million by 2005.

Currently most of New Zealand's avocado production is shipped to Australia as avocados are poor travelers and ripen quickly in transit. A new packaging system has been designed that delays the onset of ripening by improving airflow between stacked cartons, making access to the U.S. market more efficient.

Cervena Success Continues

Record results were achieved by the deer industry's Cervena branded venison program in the year ended September 1999. Latest figures reveal that the United States bought 1025 tonnes of Cervena, which earned NZ\$18.3 million in export receipts. Since 1992 Cervena export volumes have increased by 85 percent and export earnings by 149 percent. The average value per kilogram of Cervena venison increased by 35 percent in the past seven years, compared with an 8 percent increase in venison prices across all markets. The U.S. now accounts for 14 percent of New Zealand's venison income.

Focus on Australia's ban of New Zealand Apples

The New Zealand Trade Negotiations Minister says he is pushing to have the long-standing ban on New Zealand apples in Australia lifted this year. Australia has kept the door shut on New Zealand apples for 75 years because of fears the trade would increase the risk of introducing the plant disease fire blight there. Australian quarantine authorities are conducting yet another technical risk assessment of New Zealand's case, but the review keeps being delayed.

