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Agricultural Situation

Agribusiness Report - January

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Report Highlights: General: Saboteurs destroy genetically modified potatoes. Dairy: Record number of dairy cows. Livestock: Dairy beef production increases. Horticulture: Rise in horticultural exports predicted. Wine: Vineyard expansion continues.

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

GENERAL***Saboteurs destroy GE crop***

Saboteurs have destroyed a genetically engineered (GE) potato crop at the Crop and Food Research Complex at the Lincoln Agriculture and Science Center near Christchurch. A spokesperson said 1,334 plants from 3 projects were been damaged at a cost of NZ \$100,000 (US \$42,000) and caused a severe setback to three years of research. The plants were being grown in a laboratory and were not a field trial.

DAIRY***Record tally of nearly 3.5 million cows***

New Zealand dairy farmers last season milked a record number of cows at 3.486 million, a million more than just 10 years previously. Average herd size grew from 112 cows in 1974/75 to 251 cows in 2000/01. Stocking rate rose from around 2 cows per hectare 20 years ago to 2.7 cows/ha on average from a farm size of 96ha last season. Per cow production is at a record average 310kg of milksolids per cow, but rose just 3 percent in total over the last 5 seasons. Per hectare production rose more than 11 percent on average over those seasons. NZ Dairy statistics reported that 3,600 herds (26 percent of the national total) have more than 300 cows. More than half the nations herds have between 150 and 299 cows. The most common herd size is between 150 and 199 cows. South Island herds average 354 cows, compared with the North Island's average 232 cows. The South Island has 15 percent of the nation's dairy farms but 21.5 percent of total cows.

NZ genetics servicing Northern Hemisphere

New Zealand bulls are picking up steady trade around the world starting the northern hemisphere sales season. NZ bulls frozen semen is selling on its merits as farmers in other countries pick up on the efficiencies in milk production from pasture. Northern hemisphere buyers are mainly in United Kingdom and Ireland, with some in the United States. In the Southern hemisphere, Australia is expected to be the biggest market, with the market looking promising after a good season for many farmers. Dairy feeding systems in Australia are a mix of pasture and grain, and NZ genetics are proving efficient and profitable. South Africa is providing solid business with potential as the dairy industry grows. Argentina has been a major market for NZ genetics.

NZ dairy returns hit by butter price slide

A sharp drop in butter prices in later January has pushed international dairy export returns down a further 4 percent and 18 percent below levels a year ago. The main change was a drop in butter prices. A spokesperson for New Zealand's mega-dairy company Fonterra said that the price declines were a result of the European Union adjusting export subsidy rates on milk powder and butter for the third time since July. The adjustments were a EU response to lower than desirable dairy product exports from Europe. Butter prices were now below US \$1,100 a ton from US \$1,150 last month, and milk powder prices had fallen below US \$1,700. Last year, milk powder was fetching US\$2,200 per ton. The decline in dairy prices was not expected to affect Fonterra's payout forecasts to farmers for the current 2001/02 season of NZ \$5.20 per kilogram of milksolids (US \$2.23 per kilogram of milksolids) because much of this season's export volumes were contracted at earlier higher prices. However, a Fonterra spokesperson has warned the company's dairy farmers that price prospects for the 2002/03 season are not so good.

LIVESTOCK

New Zealand wool production decreases

Total wool sales in New Zealand in the 2000/01 season amounted to 178,435 tons clean (236,661 tons greasy). Sales were down 8 percent on the 1999/00 season total of 193,279 tons clean. The fall in sales reflects the fall in sheep numbers and a probable build up in stocks held in grower and broker stores as a result in a change in the wool board levy. On April 22, 2001, it was announced that the Wool Board would reduce its levy from 5 percent to 2 percent on July 1, 2001. Wool fibre exports decreased 3 percent from 169,938 tons in 1999/00 to 165,485 tons in 2000/01. Scoured wool accounted for 72 percent of total wool fibre exports, and greasy wool 27 percent.

China was the largest market for NZ wool fibre exports in 2000/01, followed by the United Kingdom, Italy, India, Germany, Belgium and Australia. Exports to China rose 8 percent in 2000/01, from 27,350 tons to 29,431 tons. The United Kingdom remained the second largest market for NZ wool fibre and exports to that market increased 11 percent. Exports to India, Belgium and Australia fell significantly by 29 percent, 16 percent, and 25 percent respectively. Exports to Italy increased 7 percent, while exports to Germany remained largely unchanged. The top ten export destinations for NZ wool fibre accounted for 84 percent of total wool fibre export volumes in the 2000/01 season. The value of total wool sector exports, including all manufactured wool products, rose 10 percent to NZ \$1.2 million (US \$540,000) in 2000/01.

Dairy beef production increases

New Zealand farmers are converting to dairy at a rapid rate changing the structure of the NZ beef exporting industry. It is expected that cheaper manufacturing beef from dairy cattle will outstrip the prime beef supply very shortly. By 2003, cattle originating from the dairy industry are expected to account for 65 percent of beef production compared with just over 50 percent in 1995 when dairy conversions began to gain pace. As a result prime breeding cow numbers are set to drop. At the next peak in the New Zealand breeding cow cycle, which Meat New Zealand expects to be 2003/04, prime breeding cow numbers are forecast to be 1.52 million, down 90,000 or 5.6 percent on the previous peak five years ago.

Cattle originating from the dairy industry tend to end up mainly as manufacturing beef rather than prime cuts such as rump or sirloin. Most of NZ's manufacturing beef is destined for the U.S. and Canadian markets - markets which pay a superior price for this product compared to the rest of the world but which have import quotas. A growing volume of this New Zealand beef will have to be placed in alternative markets. Some NZ exporters are already directing some of their secondary beef cuts from North America into Asia, freeing up quota for more manufacturing grade beef to go into North America.

HORTICULTURE

Rotten weather for berries

Wet weather through December has ruined berry crops nationwide in New Zealand. Strawberries, cherries and raspberries have been among the hardest-hit crops. Otago raspberry growers reported the worst season for 20 years. Central Otago cherry growers have been fighting persistent rain to harvest fruit before it splits. While there has been some very good fruit, a lot was of lower quality and New Zealand's exports have been unable to compete with better quality

fruit from Australia and Chile. Vegfed and Grain council have also reported serious problems with vegetable and arable crop production.

Kumara prices are expected to 'go through the roof' this season as most growers around Dargaville - the country's Kumara capital - have been unable to plant crop because of constant rain. A spokesperson said only a third of the kumara crop normally in the ground before January had been planted.

Tariff lifted on NZ boysenberries

The European Union has removed the tariff on imports of New Zealand frozen boysenberries opening the way for expansion of our berry trade. The quota of 1,500 tons, during the period January 1, 2002 - June 30, 2002 remains the same. After this the tariff rate of 12 percent will be removed. NZ exported over 2000 tons (fresh fruit equivalent) of boysenberries during 2001, a trade worth NZ \$5.4 million (US \$2.3 million). Most fruit is block frozen, but some is exported as juice concentrate and a small amount shipped fresh. Around half of NZ's exports go to Europe. Other key markets include the U.S., Australia, Japan and the Middle East.

New Zealand apple growers outraged over Australian panel

Outraged New Zealand apple growers are appealing to their Government to take action against the inclusion of an Australian grower on a panel assessing the risk of importing their fruit. On January 9, Biosecurity Australia announced that the final member of the panel to look at fire blight risk would be an apple grower from Victoria, Australia. A New Zealand spokesperson said this put the whole independence of the panel in doubt. Biosecurity Australia agreed to the appointment after the Australian Apple and Pear Growers Association appealed the original make-up of the panel.

Rise in horticultural exports predicted

The New Zealand Ministry of Agricultural and Forestry (MAF) estimate that horticultural exports will rise by 1 percent to NZ \$2.04 billion (US \$857 million) for the year ending March 2002, mainly reflecting a rise in apple prices moderated by a fall in kiwifruit prices. By the year ending March 2005, horticultural export value is projected to increase to NZ \$2.22 billion (US \$932 million), mainly reflecting the growth in wine from a value of NZ \$226 million (US \$95 million) to NZ \$325 million (NZ \$137 million).

MAF says apple crops will likely plateau from 2002 onwards, reflecting the removal of older apple trees set against almost no new plantings. Competition from European and US apple producers should ease, with apple production in both regions predicted to fall by 9 percent and 10 percent respectively. Reduced world supply and continuing emphasis on quality by NZ exporters are expected to result in some improvement in apple prices in the 2002/03 season. International prices are predicted to be weaker and flat over the medium-term.

MAF predicts that kiwifruit should continue with its gradual increase in volumes thanks to maturation of grafted and newly planted vines, but this is assuming the varoa mite infestation of NZ beehives will have no effect on pollination. Prices for kiwifruit are expected to decline slightly in the short to medium term as a result of increasing supply and an appreciating exchange

rate.

MAF also notes that other horticultural crops will continue to build export gains. Wine is an obvious example, but citrus, cherries and avocados are all marked to improve export values as new trees come into full production, provided prices can be maintained as supply increases.

WINE

Vineyard expansion continues

Vineyard expansion in New Zealand continues, now largely driven by corporate involvement in the wine industry. The country's second biggest wine maker, Nobile Wine Group, said last year that it would spend up to NZ \$40 million (US \$17 million) over the next few years to achieve a 4-fold increase in production and boosting exports from NZ \$20 million (US \$8.5 million) to NZ \$50 million (US \$21 million) by 2005. Babich Wines last month bought new holdings in Hawkes Bay and Marlborough with the aim of doubling output by 2006.

FORESTRY

Northland promotion

The Northland region (north of Auckland) is being promoted to wood processing companies in a report prepared for Investment New Zealand. Northland's timber harvest between now and 2010 is expected to be about 3 million cubic meters per year, about three times the current level. Within the next five years, the region is expected to become the second largest source of wood in NZ, behind the central North Island. The challenge will be to add value to the resource rather than just export it as logs.