



Foreign Agricultural Service

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## **New Zealand**

### **Agricultural Situation**

### **Agribusiness Report - June**

## **2001**

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#### **Report Highlights:**

**Alliance to benefit dairy sector**

**Record venison prices**

**Avocado export growth**

**New food authority approved**

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Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

Wellington [NZ1], NZ

**DAIRY*****US alliance to benefit dairy sector***

An alliance between the New Zealand Dairy Board and a US genomics researcher could help the New Zealand dairy industry regain some of its lost lead in efficiency. The venture between the board subsidiary ViaLactia Biosciences and U.S. based Orion Genomics will use recently developed gene sequencing technology to develop improved forage plants, such as grass, and grow crops such as corn, wheat and soybean. A spokesman said the venture had immense significance for the NZ dairy industry by boosting the cows capacity to turn grass into milk. It was stressed that the improvements would use conventional techniques. The plan was for Orion to use its proprietary technology to sequence and identify the complete gene set of a key forage grass species. Orion and ViaLactia will the develop specialized genome research tools to achieve more rapid and precise forage plant improvements, such as greater digestibility and protein content.

***Spreadable butter no longer just butter***

New Zealand Dairy Foods and the Dairy Board have changed the formula of their successful spreadable butter product. The product has caused huge controversy in the UK during the last six years after crippling tariffs were imposed by British authorities on the grounds the product was not butter. But New Zealand authorities subsequently won their case. However, research in the UK has shown that British consumers do not believe the product is purely butter and taste testing showed they preferred a version with 12gms of added canola oil per 100gms of butter.

***New export link to South America***

New Zealand food exporters will exporters will now have better access to North and South America. Shipping line Maersk Sealand and the country's biggest exporter, the New Zealand Dairy Board, this week announced they had reached an agreement assuring economic cargoes. Maersk says the new fortnightly fixed day service would link New Zealand ports to the Caribbean and Latin America. It will also service the east and west coasts of North America. The new routes result from a long term agreement with the Dairy Board and other key customers to provide the foundation cargo needed to make them economic. Ships will run direct to Balboa and Manzanillo in Panama, and Freeport in the Bahamas, which are Maersk's hubbing ports for Central and South America.

***China offers huge opportunity for dairy exporters***

Dairy industry leaders say the market for New Zealand dairy goods in China is becoming big business for local exporters, who supply roughly a third of China's dairy imports. There is no history in China of milk-based foods, yet during the last ten years, the trend towards dairy consumption has risen dramatically and the New Zealand Dairy Board has watched its sales to the country, including Hong Kong, rise by over 400% to over US \$127 million. This figure is likely to increase further with the Board's purchase of a 25% share of Australian dairy company Bonlac. Under terms of the merger deal, NZDB will take over the marketing of Bonlac's products sold internationally. NZ dairy officials say the China food market is growing at 12%, but their consumption of dairy goods is rising even faster at 15% a year.

**LIVESTOCK**

***Canada opens markets to NZ bobby veal***

Canada has opened its markets to bobby calf veal products from New Zealand, with the gazetting of new market access arrangements last month. A Canadian restriction previously prevented the entry of products from 'immature' animals, with the threshold of maturity set at 14 days.

***Record venison prices***

Record prices for venison have pushed deer industry export earnings to new highs. Venison exports for the year ended 30 March topped NZ \$200 million (US \$ 84 million) for the first time. Total deer industry export earnings, including velvet and other products, rose to more than NZ \$270 million (US \$113 million), more than one third up on last year. Farmers are now getting well over NZ \$8/kg (US \$ 3.36/kg for venison) and prices are set to go higher again according to industry officials. But current strong demand for venison in Europe resulting from BSE and FMD concerns is not expected to last.

***New Zealand' BSE status confirmed in top group***

The European Commission (EC) has implemented a directive that places NZ in an elite group of just 13 countries defined as highly unlikely to present a BSE risk. The most significant benefit from the directive is that NZ exporters will not have to remove 'specified risk materials' (which include among others the spinal cord) from meat products destined for Europe. Having to remove these materials could have cost exporters up to NZ \$30 million (US \$ 12.6 million) a year.

***Wool exports hold value***

Wool exports are holding their value despite major currency movements in the last 12 months. In the year ended February 2001, wool exports grew in volume by 1% and in value by 11.6%, to reach NZ \$845 million (US \$355 million). When the figures were adjusted by the movement in Wool Trade Weighted Index, the increase fell to 1%. Taking into account the currency movements, it meant the real value of a kilogram of average New Zealand wool had held its value in the last 12 months.

***FMD has impact on UK wool***

Wool exports to the United Kingdom, New Zealand's 2<sup>nd</sup>-largest customer, increased by 17% in volume and 20% by value in the year ended February. This was a very strong result given the stable carpet market in the UK and that there had been no significant increase in the affordability of NZ wool in British pounds. It was likely that exports to the UK would pick up further as a result of foot and mouth disease, which was likely to result in a permanent drop in sheep numbers and wool production.

***New advertising campaign in the UK***

A new campaign advertising the quality of New Zealand lamb is set to be launched in the United Kingdom. Meat promotion in the UK was stopped when FMD broke out, but now Meat NZ and meat companies are planning to launch a fresh campaign. This will focus on the quality of New Zealand sheepmeat and the high standard of animal health in the national flock.

**HORTICULTURE*****Kiwifruit biggest horticultural export***

Kiwifruit is currently New Zealand's biggest horticultural export with the value of fresh kiwifruit

exports increasing by 70%, from NZ \$345 million (US \$145 million) in 1994 to NZ \$588 million (US \$247 million) for the year to 31 March 2001. The volume of kiwifruit exports for the same period, went up only 11%, and the area planted has remained virtually unchanged over the past six years at 12,184 ha.

### ***Apple exports***

Apple exports increased by 86,000 tons from the 1994 total to 310,000 ended 31 March 2001, with the value growing less dramatically from NZ \$355 million (US \$ 149 million) in 1994 to NZ \$369 million (US \$155 million). However, there was a decrease in export earnings of NZ \$116 million (US \$49 million) for the period 2000-2001, due to lower international prices. The area in apples also decreased from 15,257ha in 1994 to 14,114ha at June 2000.

### ***Avocado growth***

Avocado growth has almost doubled over the period from June 1994 to June 2000. In 1994, there were 1,375ha of avocados planted and by June 2000 this had increased to 2,646ha. The export value of avocados has increased dramatically from NZ \$6.5 million (US \$2.7 million) in 1994 to NZ \$26 million (US \$11 million) in the year ending 31 March 2001. The quantity of avocados for export has also increased, to 6,727 tons from the 1,900 tons exported in 1994.

### ***Flower growers say no to levy***

Flower growers have rejected a proposal for an industry levy to fund florafed (NZ Flower Industry Federation) activities and promotions. Growers producing blooms other than orchids rejected a levy on export flowers.

## **FORESTRY**

### ***Timber Globalco idea mooted***

New Zealand timber giant Carter Holt Harvey (CHH) is putting forward the idea of a marketing "Globalco" for the wood industry. CHH officials are warning that the NZ \$3.6 billion (US \$1.5 billion) timber industry must consolidate its export marketing into a single unit to avoid the looming crisis created by a 30 million ton "wall of wood" within 5 years. It is suggested that the marketing group could follow the dairy industry concept, with major companies selling their trees through a corporation or joint markets. In New Zealand CHH, Fletcher Challenge and the Central North Island Forestry Partnership handled 80% of NZ's export log business and could form the basis for a single approach to off-shore marketing.

## **GENERAL**

### ***GM royal commission granted time extension***

The New Zealand Royal Commission on Genetic Modification will now present its report on July 27, not June 1 as originally planned. Government approved a two month extension after the Commission requested more time to deal with the large amount of material gathered on the genetic modification issue. Government was satisfied it would be able to deal with any immediate issues from the report in the month before the Voluntary Moratorium on applications for GMO field testing or release ends on August 31.

### ***New food administration authority***

The NZ Government has announced its decision to create a Food Administration Authority. The

authority will integrate the food regulatory functions of the Ministry of Agriculture and Forestry (MAF) with those of the Ministry of Health. It will be a semi autonomous body attached to MAF. At present, the Ministry of Health is responsible for administering regulations covering food sold within New Zealand, while MAF is responsible for primary production and export food. The aim is to create a food safety program that meets the needs of New Zealand consumers and producers as well as its overseas trading partners. A food implementation team has been established to set up the new organization, which is expected to be launched within the next twelve months.