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Agricultural Situation

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Report Highlights:

New Zealand Dairy Board Expanding in Europe

US Lamb Quota on Target

Value of New Zealand Wood Exports to Increase

Increase in Avocado Export Earnings Expected

Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

Wellington [NZ1], NZ

FORESTRY***Value of New Zealand Wood Exports to Increase***

The value of New Zealand exported wood products is expected to increase by more than 50 percent during the next four years as volumes continue to increase from more forests coming into production. March year forecasts issued by the New Zealand Agriculture and Forestry Ministry show that the increase will be led by log exports. A reason given was that the Korean recovery had been stronger than anticipated, with increased activity from consumption rather than log-stock replenishment. As well, wood available in New Zealand for harvesting would push production up as companies sought to maximize utilization and cash flow. With a steady domestic market, extra logs would have to be exported.

The forecast report says that export markets are available for the production-led situation. There is an increasing potential to lift log sales to the United States, and a decrease in tropical hardwood supplies would generate demand for softwood logs in Malaysia, the Philippines and India. The Chinese market for New Zealand logs also holds great potential.

The forecast shows that prices for logs will plateau next year and the following year and then hold steady because of increased supply.

DAIRY***New Zealand Dairy Board Expanding in Europe***

The New Zealand Dairy Board has opened a new office in Brussels as part of its efforts to expand its operations in the EU. The Dairy Board chairman has also announced a significant reinvestment in the Anchor business in Britain and moving the DairyBoard's European ingredients business to Germany. The chairman said that the Board was committed to being in Europe for the long term and was investigating opportunities to work with European partners in the EU and elsewhere.

New Zealand Dairy Earnings up by NZ \$500 million

Despite lower average international commodity prices, the New Zealand Dairy Board's 1999/00 end of season payout of NZ \$3.35 c/kg milksolids was 15c/kg ahead of the price estimated at the start of the season. The combination of the increased payout over last year's NZ \$3.25c/kg and record milk production has led to an increase in earnings by the New Zealand dairy industry of more than NZ \$500 million (U.S. \$250 million) over the previous season's earnings paid as milk value of NZ \$2.6 billion (U.S. \$1.3 billion). The excellent outcome has reportedly been the result of favorable currency movements and strong profit performances from both the Board's strategic business units.

NZMP, the Board's ingredients business, is forecast to achieve a profit of NZ \$320 million (U.S. \$160 million) up NZ \$80 million (U.S. \$40 million) on the previous year. NZMP's sales revenue will be a record NZ \$4.8 billion (U.S. \$2.4 billion), which was up NZ \$200 million on the previous year's figure and particularly significant given the overall lower commodity prices prevailing during the year.

NEW ZEALAND MILK, the Board's fast moving consumer goods business, will record a profit of NZ \$250 million (U.S. \$125 million), which is 4.5 percent ahead of the 1998/99 result.

Contributing to this strong performance were a recovery in demand in Asia markets and a 15 percent lift in returns by NEW ZEALAND MILK Foodservice. The Board has indicated a NZ \$3.65-\$3.75 c/kg milksolids payout range for the new season.

LIVESTOCK AND PRODUCTS

US Lamb Quota on Target

According to Meat New Zealand, New Zealand's lamb exports to the US are right in line with expectations after 10 months of the first quota year. Up to May, Meat New Zealand had issued quota certificates for 11,593 tonnes of lamb, approximately 80 percent of the total quota of 14,481 tonnes. The increase in the chilled lamb share of the total of exports sent to the US, had helped to counter the negative impact of the 9 percent levy imposed on US imports.

Meat New Zealand's Biotechnology Policy

Meat New Zealand (The New Zealand Meat Board) has released a draft policy paper outlining its approach to biotechnology. The paper is the result of discussions with farmers around the country and with other industry groups, as well as extensive study within Meat New Zealand.

Important points of the policy are as follows:

Meat New Zealand recognizes there is a huge potential for New Zealand sheep and beef farmers to benefit from the knowledge that could be gained through applications of biotechnology. However, they also recognize that New Zealand's reputation as a supplier of top quality beef and lamb is largely based on New Zealand's natural production systems and that nothing must be done to damage that reputation. As a result the policy focuses on the use of knowledge of genes and how they function to enhance traditional breeding and management approaches, such as market assisted selection.

The policy proposes that Meat New Zealand should invest in biotechnology projects, on a strictly commercial basis to ensure maximum emphasis is placed on performance and rapid delivery of outcomes to stakeholders. Where possible, this work should be undertaken in conjunction with others in the pastoral sector, including other producer boards.

HORTICULTURE

Kiwi Gold On Its Way

The first commercial shipment of Zespri Gold kiwifruit for Europe has left New Zealand. Early in May, a quantity of the golden-fleshed fruit was airfreighted to Europe for presentation at trade shows. Zespri reported the product generated a lot of excitement in the trade when the first shipments arrived in June. At Spain's Salimat Food Fair, which attracted more than 300,000 fruit growers, distributors and consumers, Zespri gold was awarded the Salimat prize for the most innovative product at the fair.

Increase in Avocado Export Earnings Expected

New Zealand's export earnings from avocados are expected to leap by NZ \$12 million (U.S. \$6 million) this coming season to NZ \$50 million (U.S. \$25 million), as the industry continues its 40

percent annual yield increase. Earnings are expected to rise to NZ \$750 million (U.S. \$375 million) by 2010. The industry has recorded two years of 40 percent yield increases and expected the rate to continue in the next few decades. This year 100,000 more trees were planted, and last year 70,000.

The interest in growing avocados was spurred by the excellent export money received. This year the average net return a tray, 5.5 kilograms, would be NZ \$15 (U.S. \$7.50).

Eighty percent of the New Zealand crop was exported, the main markets being the United States and Australia. Last season, 34 percent of the crop, or 3074 tonnes, went to Australia, and 32 percent, or 2900 tonnes to the United States. This season's crop is expected to rise from 9000 tonnes to 12,000 tonnes.

WINE

New Zealand 2000 Grape Vintage Hits Record High

The first grape vintage of the new century is the most prolific yet for the New Zealand wine industry. 80,100 tons of grapes have been harvested in 2000. This marginally exceeds the previous record vintage for the industry set last year when 79,000 tons were picked. However, despite the record harvest it was smaller than had been expected by the industry. An industry pre-harvest survey revealed winemakers expected a vintage of around 86,000 tons.

The overall increase in production from the vintage masks wide variations in the production of individual grape varieties. Most marked are the sharp rises in production of Chardonnay, Pinot noir and Merlot, while conversely, the Sauvignon blanc crop dropped sharply. The drop in the Sauvignon blanc harvest, New Zealand's major export variety, will impact on overall industry growth over the next year.

Another record exceeded this year for New Zealand wine, is the NZ \$150 million (U.S. \$75 million) mark for wine exports. For the 12 months to 31 March 2000, wine exports totaled 17.9 million litres valued at NZ \$150.9 million, an increase of 6.5 percent in volume and 22.2 percent in value on the same period in 1998/99.