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Annual Livestock Report

1999

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Report Highlights: Beef cattle numbers are expected to increase to 4.76 million head in 2000 while production is expected to climb to 580,000 MT. Sheep numbers are expected to stabilize at 46.13 million head in 2000. Full recovery of the beef herd and sheep flock will continue to be constrained by land-use changes to dairy and forestry. The New Zealand Government has requested WTO dispute settlement consultations following the United States' decision to impose a tariff rate quota on N.Z. lamb imports.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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SECTION I SITUATION AND OUTLOOK

Beef and veal production in 2000 is expected to increase 3.9 percent to 580,000 MT, reflecting the impact of increased dairy calf retentions in 1998 for beef production. Production in 1999 is expected to decline 10.0 percent following the high, drought-induced slaughter in 1998. Beef cattle numbers in 2000 are expected to increase 3.1 percent to 4.76 million head as farmers continue to use dairy calves to rebuild herds.

Sheep numbers stabilized at 46.46 million head in 1999 despite continued drought conditions putting pressure on farmers to lower stocking rates. Export lamb production in 1999 is expected to decline 6.0 percent reflecting lower breeding ewe numbers and farmers retaining lambs after destocking in the 1998/99 drought. Higher lamb slaughter weights will contribute to a 1.8 percent increase in 2000 lamb production of 398,000 MT. Total sheep numbers in 2000 are expected to stabilize at 46.13 million head.

New Zealand beef exports year-to-date January-May 1999 at 159,693 MT are 18.6 percent lower than the same period in 1998. Exports to the United States are down 17.7 percent while exports to Japan, Hong Kong and Singapore are down 22.0 percent, 49.4 percent and 35.8 percent respectively. The decline in exports is in part due to the fall in beef production this year and also due to lower demand in key Asian markets. New Zealand's lamb exports to the United States this year (1998/99) are not expected to be affected by the July 22 imposition of a tariff rate quota because exporters had already delivered the majority of shipments and New Zealand is now moving into a quieter exporting period.

The New Zealand Government has formally requested dispute settlement consultations with the United States under World Trade Organization (WTO) rules following the United States' decision to impose a tariff rate quota on N.Z. lamb imports. The initiation of dispute settlement consultations is the first step towards obtaining a decision on the WTO consistency of the U.S. safeguard measure.

Reform of the New Zealand Meat Board (Meat New Zealand) is progressing slowly. The Government is questioning whether the Board requires its own legislation and the power to levy farmers. It is also concerned that farmers should not pay levies for activities that are essentially commercial activities. Also at stake is the Meat Board's cash reserves of N.Z.\$104.3 million (U.S.\$56.3 million).

SECTION II STATISTICAL SECTION

PSD TABLE - CATTLE NUMBERS

PSD Table						
Country	New Zealand					
Commodity	Animal Numbers, Cattle				(1000 HEAD)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Total Cattle Beg. Stks	9150	9150	8870	8870	0	9110
Dairy Cows Beg. Stocks	3270	3270	3285	3285	0	3300
Beef Cows Beg. Stocks	1444	1444	1478	1478	0	1540
Production (Calf Crop)	3469	3472	3900	3775	0	3790
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	12619	12622	12770	12645	0	12900
Intra EC Exports	0	0	0	0	0	0
Other Exports	8	8	8	8	0	8
TOTAL Exports	8	8	8	8	0	8
Cow Slaughter	854	855	750	750	0	765
Calf Slaughter	1343	1343	1300	1350	0	1370
Other Slaughter	1504	1506	1600	1385	0	1422
Total Slaughter	3701	3704	3650	3485	0	3557
Loss	40	40	42	42	0	45
Ending Inventories	8870	8870	9070	9110	0	9290
TOTAL DISTRIBUTION	12619	12622	12770	12645	0	12900
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PSD TABLE - SHEEP NUMBERS

PSD Table						
Country	New Zealand					
Commodity	Animal Numbers, Sheep				(1000 HEAD)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
TOTAL Beginning Stocks	46970	46970	46150	46150	0	46460
Ewes, Beginning Stocks	32524	32524	32450	32545	0	32545
Production (Lamb Crop)	36760	36760	35340	34825	0	35800
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	83730	83730	81490	80975	0	82260
Intra EC Exports	0	0	0	0	0	0
Other Exports	140	140	140	140	0	300
TOTAL Exports	140	140	140	140	0	300
Ewe Slaughter	5080	5100	5000	4600	0	4870
Lamb Slaughter	26500	26555	24750	24960	0	25170
Other Slaughter	250	246	300	210	0	225
TOTAL Slaughter	31830	31901	30050	29770	0	30265
Loss	5610	5539	5268	4605	0	5560
Ending Inventories	46150	46150	46032	46460	0	46135
TOTAL DISTRIBUTION	83730	83730	81490	80975	0	82260
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PSD TABLE - BEEF/VEAL PRODUCTION

PSD Table						
Country	New Zealand					
Commodity	Meat, Beef and Veal				(1000 MT CWE)(1000 HEAD)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Slaughter (Reference)	3701	3704	3650	3485	0	3557
Beginning Stocks	75	75	38	38	0	38
Production	620	620	619	558	0	580
Intra EC Imports	0	0	0	0	0	0
Other Imports	2	2	2	2	0	2
TOTAL Imports	2	2	2	2	0	2
TOTAL SUPPLY	697	697	659	598	0	620
Intra EC Exports	0	0	0	0	0	0
Other Exports	519	519	496	420	0	450
TOTAL Exports	519	519	496	420	0	450
Human Dom. Consumption	140	140	135	140	0	140
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	140	140	135	140	0	140
Ending Stocks	38	38	28	38	0	30
TOTAL DISTRIBUTION	697	697	659	598	0	620
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PSD TABLE - SHEEP MEAT PRODUCTION

PSD Table						
Country	New Zealand					
Commodity	Meat, Lamb, Mutton and Goat				(1000 MT CWE)(1000 HEAD)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Slaughter (Reference)	31830	31901	30050	29770	0	30265
Beginning Stocks	36	36	31	31	0	25
Production	530	530	508	499	0	510
Intra EC Imports	0	0	0	0	0	0
Other Imports	2	2	2	2	0	2
TOTAL Imports	2	2	2	2	0	2
TOTAL SUPPLY	568	568	541	532	0	537
Intra EC Exports	0	0	0	0	0	0
Other Exports	430	430	403	400	0	405
TOTAL Exports	430	430	403	400	0	405
Human Dom. Consumption	107	107	107	107	0	107
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	107	107	107	107	0	107
Ending Stocks	31	31	31	25	0	25
TOTAL DISTRIBUTION	568	568	541	532	0	537
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PSD TABLE - HIDES & SKINS

PSD Table						
Country	New Zealand					
Commodity	Hides & Skins, Bovine				(1000 MT)(1000 PCS)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Beginning Stocks	12	12	13	13	0	11
Production In MT	44	44	43	41	0	42
Production In Pieces	3701	3704	3650	3485	0	3557
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	56	56	56	54	0	53
Intra EC Exports	0	0	0	0	0	0
Other Exports	28	28	30	28	0	28
TOTAL Exports	28	28	30	28	0	28
Domestic Consumption	15	15	15	15	0	15
Ending Stocks	13	13	11	11	0	10
TOTAL DISTRIBUTION	56	56	56	54	0	53
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PSD TABLE - BY PRODUCTS, TALLOW & GREASE

PSD Table						
Country	New Zealand					
Commodity	By-Products, Tallow & Grease				(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Beginning Stocks	2	2	7	20	0	10
Production	150	150	149	135	0	140
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	152	152	156	155	0	150
Intra EC Exports	0	0	0	0	0	0
Other Exports	135	122	140	135	0	135
TOTAL Exports	135	122	140	135	0	135
Domestic Consumption	10	10	10	10	0	10
Ending Stocks	7	20	6	10	0	5
TOTAL DISTRIBUTION	152	152	156	155	0	150
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

NEW ZEALAND BEEF & VEAL EXPORTS Calendar years, Metric Tons Product Weight				
<i>Destination:</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999 Year-to-Date*</i>
United States	170,878	199,298	211,276	106,174
Canada	46,925	37,514	27,449	15,918
Japan	26,591	22,666	19,302	7,831
Taiwan	12,972	14,274	10,918	7,759
Hong Kong	6,136	6,223	7,108	1,988
Singapore	5,587	5,635	6,249	2,234
United Kingdom	NA	5,297	4,619	444
Philippines	NA	6,836	4,329	1,363
South Korea	23,775	11,762	3,849	3,568
Malaysia	6,357	6,489	3,582	2,243
Indonesia	6,724	7,613	508	235
Other	37,325	25,334	35,994	9,935
TOTAL	343,270	348,941	335,183	159,693
* January - May 1999. Source: Statistics New Zealand.				

LAMB, MUTTON AND GOAT EXPORTS Metric Tons Product Weight, Calendar Years				
<i>Destination:</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999 Year-to-Date*</i>
Other EU	83,945	94,349	92,887	24,763
United Kingdom	103,337	97,835	80,921	26,301
Pacific	35,287	35,924	32,477	7,658
United States	13,771	17,414	20,868	5,787
Saudi Arabia	16,266	19,606	15,827	5,876
Japan	14,791	16,799	14,439	2,487
Other Middle East	17,490	17,918	14,240	6,414
Canada	6,139	6,914	5,469	2,101
South Korea	8,578	11,138	5,052	745
Russia	2,894	1,372	972	111
Iran	29,102	0	35	0
Other	39,645	41,625	45,679	12,932
TOTAL	371,244	360,894	328,867	95,175
* January - March Quarter 1999. Source: Statistics New Zealand.				

New Zealand Beef Offal Exports (Metric tons, Calendar year)				
<i>Destination</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999 Year-to-Date*</i>
Malaysia	4,859	5,897	3,098	1,171
South Africa	2,497	3,241	2,898	553
Indonesia	3,057	2,815	593	534
United States	1,964	2,443	2,401	618
Japan	2,900	2,071	2,404	617
France	1,620	1,688	1,349	271
Singapore	1,460	1,937	1,380	429
Hong Kong	1,873	1,353	2,103	289
Russia	1,112	1,120	1,762	283
Korea	725	770	789	414
United Kingdom	1,328	675	1,140	307
China	160	325	144	71
Finland	1,159	274	16	0
Chile	571	246	165	32
Netherlands	235	138	192	30
Other	3,177	3,604	4,448	1,141
TOTAL	28,698	28,596	24,882	6,760
* January - March Quarter 1999. Source: Statistics New Zealand.				

NZ BOVINE FAT EXPORTS (Metric tons, Calendar years)				
<i>Destination:</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999 Year-to-Date*</i>
China	53,793	77,895	51,438	22,598
Taiwan	34,199	22,666	16,157	5,205
Korea	25	923	3,908	500
Pakistan	6,035	6,908	9,455	500
Bangladesh	6,031	4,127	2,311	114
Singapore	8,253	20,355	14	43
South Africa	5,461	239	0	0
Fiji	4,560	3,250	2,943	694
Switzerland	2,148	1,490	0	0
Thailand	388	145	401	547
Australia	621	1,617	1,634	91
Sudan	0	0	7,174	0
Egypt	4,060	14,390	6,995	0
Nigeria	4,349	0	3,065	0
Mozambique	NA	NA	4,043	0
Other	7,833	6,777	12,464	4,053
Total	138,954	160,784	122,002	34,345
* January - March Quarter 1999. Source: Statistics New Zealand.				

N.Z.\$: U.S.\$ EXCHANGE RATE (Calendar Year, average mid-rates for period)	
1996	0.6896
1997	0.6630
1998	0.5367
1999 Jan - Jun	0.5407
2000f	0.5200

Source: Reserve Bank of New Zealand.

SECTION III SUPPLY, DEMAND AND MARKETING

STOCK NUMBERS - CATTLE

Over the decade to June 30 1999, total beef cattle numbers increased 2.0 percent from 4.53 million head to 4.62 million head. In 1999 the beef herd is expected to increase 2.7 percent to 4.617 million head as farmers use dairy beef calves to rebuild herd numbers. Dairy beef retentions (calves born in September 1998) figured prominently in the rebuilding of the cattle herd in 1999, particularly in the drought affected eastern regions of New Zealand.

In the forecast year 2000 the beef herd is expected to increase 3.1 percent (+145,000 head) to 4.76 million head as farmers continue to use dairy beef calves to boost herd numbers. Dairy retentions for beef production in the year to June 2000 (calves born in September 1999) are expected to be up 7.6 percent (+40,000 head) to 567,000 head. The expectation of increased dairy retentions reflect returning farmer confidence in the beef industry, based on improving beef prices and the opportunity to rebuild beef herds. Beef cattle numbers are expected to increase in all regions following the past two seasons of drought and feed shortages. Full recovery of the beef herd (and sheep flock) will continue to be constrained by sheep and beef farm conversions to dairy production, forestry and life-style blocks (single houses on small rural holdings of 5-10 acres not used for agricultural production).

El Nino/La Nina Conditions Continue

Soil moisture levels at the end of June 1999 were still a concern to farmers in South Canterbury and Otago where levels were drier than average for this time of the year. But farmers in the drought prone areas of Hawke's Bay, Marlborough and Canterbury report soil moisture levels being higher than last year. Winter and early spring are expected to remain warmer than usual and rainfall is expected to be about average in most areas through July, August and September. La Nina has weakened over the last two months but is expected to strengthen again in Spring. Warm La Nina conditions will continue to influence New Zealand's climate up until the end of September this year.

Farm Expenditure

Farm expenditure is expected to remain tightly controlled throughout the 1999/00 season and will increase 0.6 percent to NZ\$141,400 per farm (U.S.\$73,530) reflecting rising interest costs. Although considered a discretionary expense, spending on fertilizer is expected to be maintained at last seasons's level in 1999/00 - an average of 59.9 MT per farm.

PRODUCTION - BEEF & VEAL

Total beef slaughterings in 1999 are expected to fall 5.9 percent to 3.485 million head, following high slaughter levels in 1998 (3.7 million head). Due to severe El Nino drought conditions in 1998, farmers were forced to slaughter stock when faced with tight feed supplies. Year-to-date January-June 1999 data shows the cow slaughter down 16.2 percent compared to the same period in 1998, while the combined bull, steer and heifer slaughter is down 8.3 percent. Calf slaughterings in 1999 are expected to increase to 1.35 million head compared to 1.34 million head the previous year. Beef production in 1999 has been revised to reflect lower year-to-date slaughter data and is now expected to decline 10 percent to 558,000 MT compared to 1998 production (620,000 MT). Estimated 1999 average beef slaughter weights at 251.1 kg are expected to be the lowest since 1991.

Export beef slaughterings in 2000 are expected to increase 2.06 percent (+72,000 head) to 3.55 million head compared with the previous season. This increase reflects the impact of increased use of dairy beef retentions in the spring of 1998. The calf slaughter is expected to increase 1.5 percent to 1.37 million head in 2000, reflecting a further increase in the dairy cow herd and the subsequent number of calves born. Total beef production in 2000 is expected to increase 3.9 percent to 580,000 MT. This reflects the increased slaughter and, providing weather conditions return to "normal" in 2000, improved average carcase weights up 1.3 percent to 254.4 kg.

STOCK NUMBERS - SHEEP

New Zealand sheep numbers at 46.46 million head in 1999 increased marginally despite severe drought conditions putting pressure on farmers to reduce stock numbers. The majority of the increase is attributed to lambs retained for slaughter due to improved feed availability in late autumn and early winter of 1999. South Island sheep numbers are reported to have fallen 17 percent, from 30.0 million in 1990 to 24.9 million as at June 30 1999. The dramatic fall reflects a change in land use from sheep farming to dairying and deer in the region. Total breeding ewe numbers in 1999 are stable at an estimated 32.54 million head, up 0.1 percent on the previous year.

Farmers faced a second year of La Nina drought conditions over the 1998/99 season, putting severe pressure on feed supplies, even in normally "summer-safe" regions. Stock health problems included viral pneumonia in lambs and warm, moist autumn conditions resulted in widespread facial eczema in the North Island and in the north of the South Island. Facial eczema may result in higher stock losses and lower stock performance during the coming year.

The 1999 lamb crop is forecast to be 34.8 million head. The average lambing percentage is estimated to be 107.0 percent, down from last season's lambing of 113.0 percent. This lower forecast assumes lower conception rates due to drought and facial eczema. Ewe pregnancy scanning results in the East Coast of the North Island already show dry ewe numbers are considerably higher than in recent years. The expectation for the 1999 lamb crop at 34.825 million head is conservative and could go higher.

New Zealand sheep numbers are expected to stabilize at 46.13 million head (-0.7 percent) in 2000, reflecting less lambs being born (in 1998) and a decline in hogget retention. Breeding ewe numbers are also expected to remain stable in 2000. The expectation for the 2000 lamb crop is for 35.8 million head, reflecting an improved lambing rate of 110 percent . Longer term (over the next 3 to 5 years), the Meat and Wool Economic Service expects sheep numbers to remain stable, declining less than 1.0 percent per year.

Live Sheep Shipments

New Zealand live sheep shipments in 1999 are expected to be 140,000 head, similar to last year's exports. Fifteen thousand Awassi lambs will be shipped from New Zealand to the Middle East this year under a commercial Awassi-breeding program. Farmers are contracted to breed Awassi lambs for the live trade where the lambs are raised on a fixed-price contract (per kilogram of live weight) buyback system. Total live sheep shipments in 2000 to Saudi Arabia are forecast to increase to 300,000 head, comprised of 60,000 lambs and 240,000 adult sheep.

PRODUCTION - LAMB, MUTTON & GOAT

1999 Production

Export lamb slaughter in 1999 is expected to fall 6.0 percent to 24.96 million head reflecting lower breeding ewe numbers, poorer lambing in 1998 and farmers retaining lambs after destocking during the 1998 drought. Lamb slaughter weights in 1999 are expected to increase 1.2 percent to 15.66 kg (CWE) compared to last season's 14.47 kg per head. Export lamb production in 1999 is expected to decline 4.85 percent to 390,000 MT, compared to 410,800 MT in 1998.

Despite two seasons of severe drought conditions, average mutton slaughter weights in 1999 are expected to reach a record weight of 22.97 kg. The export mutton slaughter is expected to decline 9.8 percent in 1999 to 4.6 million head; consequently production is expected to decline 8.6 percent to 105,660 MT. Total sheepmeat production in 1999 is expected to decline 5.8 percent to 499,000 MT compared to 530,000 MT in 1998.

2000 Production

In the forecast year 2000 the export lamb slaughter is expected to be 25.1 million head, similar (+0.8 percent) to the 1999 slaughter. This reflects static breeding ewe numbers and an estimated lambing percentage of 107 percent in 1999 compared to 113.0 percent in September 1998. Lamb slaughter weights are expected to increase 0.15 kg (+1.0 percent) to an average weight of 15.81 kg in 2000. Total export lamb production is expected to increase 1.8 percent to 397,940 MT in 2000.

Given the expected low mutton slaughter in 1999, the mutton slaughter in 2000 is expected to increase 5.8 percent to 4.87 million head. While the mutton slaughter in the North Island is expected to increase, farmers in the South Island will retain ewes to rebuild their sheep flocks, resulting in a 10 percent decline in the South Island slaughter. Overall, increased slaughter numbers will offset lower slaughter weights (22.32kg) to provide mutton production of 108,700 MT in 2000. Total sheepmeat production in the forecast year 2000 is expected to increase 2.4 percent to 510,000 MT.

Export slaughter weights have been converted into carcase weight equivalent (CWE) in the PSD table using Meat Board conversion ratios.

PRODUCTION - BOVINE HIDES & SKINS

Hide processing in New Zealand is seasonal, reflecting the beef kill, with minimal processing during August, September and October. Hide production has been revised to reflect slaughter estimates. Hides, which can make up 17 - 18 percent of total receipts for beef and beef co-products, have experienced a substantial decline in values. At the beginning of March 1999, steer hides were fetching N.Z.\$72 (U.S.\$38.9) a head, down N.Z.\$7-8 compared to six months ago. In recent weeks prices have fallen considerably. Commentators blame financial turmoil in Russia, Asia and more recently Latin America. As a major market, lack of demand from Russia has significantly affected New Zealand exports and prices. The value of raw hide and skin exports in the year ended May 1999 fell 19.6 percent to FOB N.Z.\$275.5 million (U.S.\$145.2 million) compared to FOB N.Z.\$342.8 million (U.S.\$208.4 million) the previous year. New Zealand hide exports are mainly used in shoe and upholstery production. Increases in hide payments are not expected until 2001.

PRODUCTION - TALLOW & GREASE

New Zealand tallow production is seasonal and parallel to the beef kill. There is minimal processing during

August, September and October. Tallow production has been revised to reflect the decline in slaughter numbers in 1999 and the expected increase in beef production in 1999. Tallow exports in 1998 have been revised to reflect final calendar year data while 1999 export data has been revised to year-to-date January - March trade data and declining production in 2000.

TRADE

Lamb Exports to United States Continue Despite Tariff Rate Quota

New Zealand lamb exports to the United States are expected to continue, despite the tariff rate quota being imposed by the United States Government. Meat exporters have made significant investment in the North American region in recent years, including building costly distribution networks and industry analysts believe most companies will continue to market New Zealand lamb based on the longer-term prospects for the U.S. market. New Zealand lamb exports to the United States rose from 7,200 MT in 1993/94 to 17,700 MT in 1997/98 (year end September 30). Average returns for lamb exports to the United States in 1997/98 were N.Z.\$7,220/MT (U.S.\$4,038/MT), substantially higher than the N.Z.\$5,713/MT (U.S.\$3,195/MT) received for the 155,400 MT of lamb sold to Europe. Other countries returned an average of N.Z.\$2,550/MT (U.S.\$1,426/MT). As well as offering excellent returns, New Zealand exporters believe the United States market has huge potential for growth - industry contacts believe New Zealand lamb exports to the U.S. could grow to N.Z.\$200 million (U.S.\$104 million) in five years. The U.S. tariff on New Zealand lamb is not expected to have much of an impact until next year. This is because the majority of shipments had already been delivered and New Zealand is now entering a quieter export period. Also, New Zealand exporters believe they will be able to recover some of the 9 percent tariff from the market place.

1999 Beef Trade Lags Behind 1998

Year-to-date (January-May 1999) beef exports at 159,693 MT are 18.6 percent below last year's trade of 175,969 MT for the same period. Beef exports to the United States, Japan and Singapore are down 17.7 percent, 22.0 percent and 35.8 percent respectively. Year-to-date exports to South Korea at 3,568 MT are up 89.1 percent while trade to Taiwan is also up (23.0 percent) at 7,759 MT. The United States continues to be New Zealand's largest beef market, taking 63.0 percent of total exports in 1998.

Chilled, Value-Added N.Z. Meat Exports Outweigh Frozen

For the first time in the New Zealand meat industry's 115-year history, volumes of chilled product in 1998/99 (year end September) are expected to be greater than the volume of product shipped as frozen carcasses. At the start of the decade, 80 percent of the sheepmeat trade was exported as carcasses - in the September 1998/99 year, just 10 percent of sheepmeat exports are expected to be in frozen carcass form. In the beef trade, except for the quarter beef trade with Korea, exports are value added and ready for display in supermarket cabinets.

These trends have resulted in increased investment in processing plants by meat companies - typically N.Z.\$6-8 million per plant (U.S.\$3.2 - 4.3 million). Productivity gains have also been made. In 1990 the average slaughter chain would process 3,200 sheep and require 50-60 workers each day. In 1999, a converted processing plant can process 5,000 carcasses a day with around 25 workers.

POLICY

NZ Seeks WTO Dispute Settlement Over U.S. Lamb Safeguard Restrictions

The New Zealand Government has formally requested dispute settlement consultations with the United States under World Trade Organization (WTO) rules. New Zealand lodged its request for dispute settlement consultations in Geneva on July 16, following the United States decision to impose tariff rate quotas for three years against imports of New Zealand lamb. For the first year, effective July 22 1999, the United States has imposed a 9 percent tariff on existing volumes (1998 levels) of lamb imports from New Zealand and Australia and a 40 percent tariff on imports above that level. Both tariffs (in and out of quota) will be reduced over three years.

On July 14, 1999, New Zealand held unsuccessful consultations with the United States under the Safeguards Agreement of the WTO. The initiation of dispute settlement consultations is the first step towards obtaining a decision on the WTO consistency of the U.S. Safeguard measure. If the dispute is not resolved during those consultations, a panel may be established to rule on the tariff quota's validity with WTO rules. New Zealand and the United States may hold their first dispute settlement consultations in Geneva in late August.

The United States took the Safeguard Action in response to a unanimous finding by the U.S. International Trade Commission that imports of lamb threaten serious injury to the U.S. lamb industry. New Zealand lamb exports to the U.S. had more than tripled since 1992 and doubled since 1995. A U.S.\$100 million assistance package for the U.S. domestic lamb industry was also announced.

Meat New Zealand Carves Up US Lamb Quota

Meat New Zealand (MNZ) is working on how to allocate its 14,481,603 kg share of the U.S. lamb quota after the United States Government announced the imposition of tariffs on New Zealand and Australian lamb imports. Country specific tariffs on imports from Australia and New Zealand are set at specific volumes; Australia has 17,139,582 kg of the quota and New Zealand 14,481,603 kg. A tariff of 9 percent will apply in the first year, declining to 6 percent in the second year and 3 percent in the final year. In addition, New Zealand's quota level will increase by 390 MT in both the second and third year. Out of quota tariffs of 40 percent in the first year will fall to 32 percent in the second year and 24 percent in the third year.

This raises quota management issues for Meat New Zealand, which has contacted the affected meat exporters with a draft proposal and invited submissions. Under the proposal put to the meat companies, the quota rights would be allocated on the basis of their trade last year. This differs significantly from other quota management allocations MNZ handles. Quota into the European Union for sheep and into the U.S. for beef are based on a rolling three year average of each company's share of the national kill. While the Board is proposing a similar performance based system, it is pegged to a single year. New Zealand meat companies are reported as supporting the Board's proposal to base the quota allocation on export performance rather than production. A final decision on U.S. lamb quota allocation will be made on August 4, 1999 by MNZ. Under the current Meat Act 1997, MNZ is obliged to ensure the allocations are tradeable.

Meat Board Deregulation

In November 1998, the New Zealand Meat Board presented its Plan for Change to the Government as requested in the May 1998 Budget. Since then the Government has been reviewing the plan in consultation with the Meat Board. The Meat Board proposed to the Government that the Board should: continue to be established under the Meat Board Act 1997; retain statutory powers for levying and quota management; establish a constitution under the Meat Board Act 1997, but not corporatize or define ownership shares; establish rules under the constitution, by vote of levy payers, to govern operational aspects of the Board's activities; and place Meat Board reserves (worth an estimated N.Z.\$104.3 million/U.S.\$56.3 million) in a Trust for the benefit of farmers.

The Government is focusing on four key issues:

- **Governance** - The Government is questioning whether the Board requires its own legislation. Alternatives include the Meat Board being established under existing generic legislation e.g.: the Companies Act, the Cooperative Companies Act, or the Incorporated Societies Act.
- **Levy** - The power to raise a compulsory levy is only possible with legislative backing. The Meat Board currently levies producers under its own Act but levy payers do not vote in determining whether a levy should be paid, its size or how it should be spent. The Government is recommending use of new generic legislation to fund “industry good” activities where:
 - farmers can vote whether there is a levy, how much it is and how it is spent;
 - administrative costs and the role of Government are kept to a minimum;
 - there are appropriate criteria for industry good activities on which levies can be spent.
- **Commercial Activities** - The Government believes that any levy system should not crowd out commercial enterprise. Nor should farmers pay a levy for activities that are essentially commercial. Business activities are best funded by voluntary capital rather than taxes or compulsory levies.
- **Reserves** - The Meat Board has cash reserves of N.Z.\$104.3 million. The Government believes that the owners of these reserves, levy paying farmers, should decide the future of these reserves.

While attention has been focused on the proposed legislation of the three trading boards (dairy, apples/pears, and kiwifruit), the non-trading boards (game, meat and wool) have been considering the draft Bill on levying mechanisms. The Bill is intended to replace the Commodity Levies Act and deals only with generic levying issues. Briefly, the Bill requires a higher level of industry support to approve levies, sets a five-year expiry date for levies and narrows the definition of “industry good” (for example, research and development) as distinct from private good. Legislation addressing non-trading boards is in final preparation.

New Food Authority in Limbo

The New Zealand Government has agreed in principle to set up a single, separate Ministry to handle all food regulatory and administration issues. The new Ministry will combine responsibility for food safety for both the domestic market currently held by the Ministry of Health (MoH) and for export markets and domestic primary produce, currently held by the Ministry of Agriculture and Forestry (MAF). The Government’s initial proposal to transfer food administration to MAF and relevant staff from MoH to a single agency within MAF, to be operational by July 1, 2000, will not proceed.

MAF has, however, already restructured its Regulatory Authority to form a Food Assurance Authority and a Biosecurity Authority, which became operational on July 1, 1999. For the time being, the status quo of dual food regulatory systems and staff in MoH and MAF will remain, with the two Ministries harmonizing the respective regulatory systems to the maximum extent possible. A final decision is expected in March 2000.

Herd Identification Scheme Implemented

The Animal Health Board’s (AHB) animal identification scheme came into affect July 1, 1999. The Board’s ID scheme requires identification to be applied to all cattle and deer over one month of age before they leave their herd of origin. The system is compulsory for all new-born stock from 1 July 1999 and for all other stock from 1 July 2001. Farmers will be responsible for purchasing and applying approved ID. As well as identifying the herd of origin (which is compulsory), the AHB will supply ID which also has a unique animal ID number, so the system will allow for individual identification should farmers and industry wish to use it.

MARKETING

Meat New Zealand Promotional Activities:

- ***New Beef Marketing Logo Introduced***

Meat New Zealand has launched a major campaign to boost the image of New Zealand beef in overseas markets. MNZ's latest promotional campaign has been developed using the New Zealand silver fern, a plate and a hand. The "Beef Service Mark" logo will become the "country of origin" mark for New Zealand beef. Source: MNZ.

- ***MNZ Sponsors Japanese Beef Seminar***

Meat New Zealand organized a beef training session at the Utsunomiya Chef School in Japan in June 1999. The seminar, attended by hotel, restaurant, and food industry representatives, included an introduction to the New Zealand meat industry, food safety, processed beef items and a cooking demonstration preparing eight different meat cuts in traditional Japanese style using New Zealand beef and other New Zealand foods. Source: MNZ.

- ***MNZ Launches Summer Lamb Campaign in the United States***

Meat New Zealand launched a summer lamb campaign in Washington D.C. in June 1999, featuring a group of "celebrity" Washington D.C. and Baltimore chefs preparing barbecued lamb. The campaign, "Cooking Lamb Outdoors", will be supported by advertisements in the June, July and August editions in three national cuisine magazines. Readers are invited to call a toll free number to request a free lamb barbeque recipe book. Meat New Zealand will continue to promote New Zealand lamb in the U.S. market despite the decision by the United States Government to impose tariff rate quotas on New Zealand lamb imports. Source: MNZ.