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New Zealand

Agricultural Situation

N.Z. AGRIBUSINESS UPDATE August 1999

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Report Highlights: **N.Z. Meat Companies Consolidate Plants**
 Dairy Board Increases Research Spending
 Heinz-Wattie & Lincoln Form Organic Joint Venture
 Ex-Fed Farmers President Now Special Trade Envoy

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

N.Z. Meat Companies Consolidate Plants

Hastings-based meat processor and exporter, Richmond, is to centralize most of its value-added lamb cutting business in a new NZ\$14 million (U.S.\$7.5 million) facility within its Takapau, Hawke's Bay site. The plant will significantly lower overhead costs and improve the overall competitiveness of the company. South Island processor Alliance Group has also announced the closure of its Makarewa sheep and lamb processing plant and expects to announce the closure of one of its northern plants in 2000. The rationalization is being driven by the decline in stock numbers and continuing pressure to reduce costs.

Dairy Board Increases Research Spend

The New Zealand Dairy Board has announced it will increase its research spending by up to N.Z.\$150 million (U.S.\$80.8 million) over the next five years to investigate biotechnology applications for the dairy industry. The Board already invests N.Z.\$55 million (U.S.\$29.6 million) a year in research and development - about 0.8 percent of its turnover - and uses another N.Z.\$13.5 million (U.S.\$7.2 million) from the Government's Public Good Science Fund. The latest boost in spending - between N.Z.\$20 million and N.Z.\$30 million annually (U.S.\$10.7 - 16.1million) - will take the Board's total investment in research and development to over 1 percent of turnover.

Heinz-Wattie & Lincoln University Form Organic Joint Venture

New Zealand's organic industry will benefit from the development of a joint venture organic farm between Heinz-Wattie Australasia and Lincoln University. The 57 hectare organic farm will be a commercial unit producing crops and stock. It is hoped that the farm will encourage more farmers to convert to organic production methods. Despite premiums of between 20 and 200 percent for organic produce, Canterbury growers have been slow to convert to organic production. Heinz-Wattie and Lincoln University hope the demonstration farm will show farmers that the technology of growing organic is "do-able". Heinz Wattie has developed a profitable export organic business over the last 10 years but the number of growers in Canterbury had been static since 1992. The company exports all of its organic produce.

Ex-Fed Farmers President Now Special Trade Envoy

Outgoing President of N.Z. Federated Farmers, Malcolm Bailey, has been appointed Special Agriculture Trade Envoy for New Zealand by the Prime Minister. His role will be to promote and defend New Zealand's agricultural trading interests in such key agriculture export markets as the European Union, the United States and Japan. Mr Bailey will undertake a major program of meetings with overseas farmers and farm groups, attend conferences and speak to the international media.

Mr Bailey owns a mixed dairy and beef farm near Fielding, in the central North Island of New Zealand. He was elected President of Federated Farmers in 1996 after completing a term as National Dairy Section Chairman. Mr Bailey has a degree in Agricultural Economics from Massey University, and spent three years as an economist with the Reserve Bank of New Zealand (1980-82).