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New Zealand

Livestock and Products

New Zealand Reaction to U.S. Beef in Japan 2005

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Report Highlights:

Post forecasts a minor decline in exports of New Zealand beef to the Japanese market during 2006. New Zealand's total exports of beef are forecast to remain unchanged from earlier forecasts. Despite the forecast of minor price declines to New Zealand beef farmers in 2006, the PS&D tables remain unchanged.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Wellington [NZ1]
[NZ]

Post forecasts a minor decline in exports of New Zealand beef to the Japanese market during 2006. New Zealand's total exports of beef are forecast to remain unchanged from earlier forecasts. The small amount of product displaced from the Japanese market will be diverted to other export markets. New Zealand concern about the reopening of the Japanese market to U.S. beef exports is minor. New Zealand's beef industry predicts that re-entry will be gradual, reflecting a buoyant U.S. market and the likelihood of a staged, rather than immediate, relaxation of Japanese import restrictions. The New Zealand media has reported that strong Japanese consumer resistance to U.S. beef may slow U.S. re-entry into the market. As discussed in the Livestock Annual in September 2005 (NZ5012), New Zealand's total cattle slaughter will increase in 2006 as a result of increased calf retention for beef production in 2004 and the increasing quantities of beef sourced from New Zealand's dairy herd. Small reductions in sales to the Japanese market are unlikely to affect this. These factors mean that, despite the forecast of minor price declines to New Zealand beef farmers in 2006, the PS&D tables will remain unchanged.

During 2004, following the exclusion of U.S. beef from the Japanese market in December 2003, New Zealand's beef exports to Japan rose 92 percent to 35,000 tons. This increased New Zealand's share of the Japanese market from 3 percent to nearly 8 percent. New Zealand exporters have been actively promoting their beef in order to solidify their increased market share. This has been challenging for these exporters, as New Zealand beef is grass-fed, which has traditionally been seen as a lower quality product than U.S. grain-fed beef. New Zealand exporters will fight to retain the market share they have gained, although they do expect to gradually lose share back to U.S. exporters. This will not have a dramatic impact on New Zealand's beef industry during 2006 as, even if New Zealand were to lose 25 percent of its market share in Japan during 2006 for example, this would account for less than 2 percent of New Zealand's total exports. This displaced product will be diverted to other markets. New Zealand's domestic market will only be able to absorb a small amount of diverted product as 90 percent of its beef production is exported. Market share loss in the Japanese market will create a minor decrease in returns to farmers. In the long-term the effect will be greater and New Zealand is forecast to lose a large proportion of the market share it gained during U.S. exclusion from the market.

The South Korean and Taiwanese markets reacted in a similar manner to the Japanese market following the detection of BSE in the United States. New Zealand exports to these three markets increased 70 percent during 2004. This greatly increased their importance to New Zealand, increasing their share of New Zealand's beef exports from 15 percent to approximately 30 percent by volume and value. The Korean and Taiwanese markets are forecast to follow Japan's lead and reopen their markets to U.S. beef in the short term, allowing the gradual reentry of U.S. exports.