The Global Meat Market

A New Zealand Perspective
Outline

• Background to New Zealand
• Meat Exporting History
• Market Access
• Farming Without Subsidies
• Animal and Public Health Protection
• New Zealand in 2004
• Conclusion
Background

• British colony
• US representative – 1839
• Treaty of Waitangi – 1840
• Independence from UK – Sep 1907
• Parliamentary Democracy
• One House of Representatives
  – Parliament
  – 120 members
  – MMP – mixed member proportional
  – 69 seats elected directly
  – 51 from party “list”
Beginnings of the Meat Export Industry

- **1830s**  First sheep arrived
- **1871**  9.7 million sheep – 250,000 humans
- **1880**  13 million sheep – 490,000 humans
-  Refrigeration experiments
- **1882**  SS Dunedin sails – 4,909 frozen lamb carcasses
- **1891**  17 processing plants – 3.5 million carcasses
- **1890-1914**  Quantities increased
- **1914-1918**  WWI – production expanded further
- **1920**  Contract ended

» Meat Export Control Act established the New Zealand Meat Producers Board
1920s to 1960s

- **1920s** Orderly marketing
  - Improve efficiency
  - Improve quality
  - Control costs – parcels, shipping
  - Promote New Zealand Lamb
- **1928-29** Trial shipments to Canada and the US
- **1939** WWII – bulk purchase agreement

**Post-war**

- **1950** Diversification to other markets
- **1958** First boxed beef shipment to the US
- **Late 1950s** Japan explored
- **1960s** NZL air freighted to Canada
Market Access – Europe

- **1970s**
  - UK access changes – duty increases
  - European Economic Community (EEC) effectively prevented imports of New Zealand Lamb

- **1973**
  - Britain joins EEC
  - 280,000 tonnes – 90% of NZL – CET of 20%
  - 14,000 tonnes of beef – stopped overnight
  - over 40,000 tonnes of variety meats

- **1980**
  - Voluntary Restraint Agreement (VRA)
  - New Zealand exports restricted – 10% duty

- **1989-94**
  - Derogation
  - reduced volume, zero duty, restrictions on chilled NZL

- **1995**
  - GATT Uruguay Round Agreement implemented
  - Tariff-Rate Quota (TRQ)
Market Access – USA

- **Early 1970s** President Nixon lifted all quotas on imported beef
  - Cattlemen lobbied for a countercyclical measure
  - Meat Import Law (MIL) – end of 1979
- **Late 1970s** US lamb industry lobbied for protection
- **Late 1982** Beef VRA under 1979 MIL
  - Alternative markets explored
- **1985** New Zealand adopts anti-nuclear policy
  - US withdraws “most favored nation” (MFN) status
  - Lamb industry petitions
  - $18/cwt CVD applied
- **1995** CVD finally formally removed
- **1998** US lamb industry petitions ITC
  - President Clinton imposes three-year TRQ
  - NZ and AU take WTO case
  - TRQ removed in November 2001
The Last Two Decades

- In last 20 years
  - Quality of access improved very gradually through bilateral and multilateral agreements
  - The two major markets remain substantially restricted by tariff and non-tariff barriers

- Response
  - Continuous improvement in quality and added value

- Early 1980s
  - Over 80% of lamb exports in carcass form

- 2004
  - Less than 5%
  - Market development – cuts, chilled lamb
Farming Without Subsidies

- Nov 1984  Budget abolished subsidies overnight
- Pre-1984  NZ taxpayer provided increasing subsidies to:
  » Stimulate production and generate export income;
  and
  » Defend against 1970s oil shocks and the effect of Britain joining the EEC
- Early 1980s 40% of farm income from government payments
- By 1985  Almost all support removed
Farming Without Subsidies

- March 1985 NZ dollar floated and rose
  - Interest rates rose
  - Further pressure to the agricultural sector
  - Returns fell, but input prices continued to rise
  - Land prices had fell sharply
Exchange Rate

Source: MWI Economic Service, Reserve Bank of New Zealand
Farming Without Subsidies

- Farm business failures
  - 10% predicted
  - 1% occurred

<table>
<thead>
<tr>
<th></th>
<th>1984-85</th>
<th>2002-03</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Sheep &amp; Beef Farms</td>
<td>22,000</td>
<td>15,290</td>
<td>-31%</td>
</tr>
<tr>
<td>Average Stock Units</td>
<td>3,424</td>
<td>4,070</td>
<td>+19%</td>
</tr>
<tr>
<td>Number of Dairy Herds</td>
<td>15,881</td>
<td>13,200</td>
<td>-15%</td>
</tr>
<tr>
<td>Average Cows at peak</td>
<td>144</td>
<td>285</td>
<td>+98%</td>
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</table>
Farming Without Subsidies

• Farming industry felt government had turned its back
• But, the situation improved …
<table>
<thead>
<tr>
<th>Product</th>
<th>1990-91</th>
<th>2002-03</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lambing</td>
<td>%</td>
<td>100.4</td>
</tr>
<tr>
<td>Average Lamb Weight</td>
<td>kg</td>
<td>14.35</td>
</tr>
<tr>
<td>Lamb sold</td>
<td>kg/ewe</td>
<td>9.76</td>
</tr>
<tr>
<td>Wool</td>
<td>kg/head</td>
<td>5.28</td>
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<tr>
<td>Average Steer Weight</td>
<td>kg</td>
<td>297</td>
</tr>
<tr>
<td>Milk Solids</td>
<td>kg/cow</td>
<td>260</td>
</tr>
<tr>
<td>Product</td>
<td>Unit</td>
<td>Change</td>
</tr>
<tr>
<td>------------------</td>
<td>-------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>Lamb</td>
<td>kg per sheep</td>
<td>+4.0%</td>
</tr>
<tr>
<td>Beef</td>
<td>kg per head</td>
<td>-0.3%</td>
</tr>
<tr>
<td>Wool</td>
<td>kg per sheep</td>
<td>+1.0%</td>
</tr>
<tr>
<td>Milk Solids</td>
<td>kg per cow</td>
<td>+1.2%</td>
</tr>
</tbody>
</table>
Sheep and Beef Farm Profit
(per farm, Real 2002-03 Dollars)

Source: MWI Economic Service
Sheep and Beef Farm Survey, All Classes
Composition of New Zealand Sheepmeat Exports to the EU

- Chilled
- Frozen Boneless Cuts
- Frozen Bone-in Cuts
- Frozen Carcass

<table>
<thead>
<tr>
<th>Year</th>
<th>Chilled</th>
<th>Frozen Boneless Cuts</th>
<th>Frozen Bone-in Cuts</th>
<th>Frozen Carcass</th>
</tr>
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<tbody>
<tr>
<td>1982</td>
<td>80%</td>
<td>20%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>1987</td>
<td>80%</td>
<td>20%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>1992</td>
<td>80%</td>
<td>20%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>1997</td>
<td>80%</td>
<td>20%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2002</td>
<td>80%</td>
<td>20%</td>
<td>0%</td>
<td>0%</td>
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</tbody>
</table>
## Producer Support Estimate (PSE) 2002

<table>
<thead>
<tr>
<th>Region</th>
<th>Sheepmeat</th>
<th>Beef and Veal</th>
</tr>
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<tbody>
<tr>
<td>New Zealand</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>EU</td>
<td>38%</td>
<td>79%</td>
</tr>
<tr>
<td>US</td>
<td>19%</td>
<td>5%</td>
</tr>
<tr>
<td>OECD</td>
<td>27%</td>
<td>37%</td>
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Source: OECD PSE/CSE Database 2003
Animal and Public Health Protection

- International forums, agreements, guidelines and standards are vitally important to New Zealand
- New Zealand is a strong supporter of Codex, OIE, WTO
- New Zealand plays key role in international forums
- Equivalence, harmonization, transparency, consistency and regionalization
- Risk management vs. hazard elimination
- Quality is:
  » Fitness for purpose
  » Consumer is final judge
  » Incentives for differentiation
  » Financial viability vs. mandatory regulation
  » A Non-Tariff Barrier
Food Safety

- 1970s  Wholesome Meat Act 1967
  EC’s Third Country Veterinary Directive (3CVD)
- Significant changes required
  » Re-construction
  » Meat inspectors trebled
- 1982  “the cleanest I’ve ever visited” – Dr Grandin
- Outcome  Sound science
  » world-class systems and performance
2004

- Profitability- and Export-driven
- High-returning markets are primary targets
- Impact of measures on returns
- Main Export Markets – FY 2002-03
  - Beef:
    - US 49% of production
    - New Zealand 18%
    - Canada 10%
    - South Korea, Taiwan and Japan 4-5% each
  - Lamb:
    - EU 51% UK dominates
    - China
    - France
    - USA
Conclusion

- Geographic Isolation
- Importance of Exporting
- Consumer Focus
- Market Access Challenges
- Structural Changes
- Importance of International Structures, Standards and Guidelines