Reproduced herewith is a reply by the delegation of New Zealand to a question raised by the delegation of the United States in document SCM/W/162 on the notification of subsidies by New Zealand (document L/6111/Add.20).

The US has asked why New Zealand did not report the existence and subsequent termination of the meat producers price support scheme.

As members of the Committee will know the present New Zealand Government has, since 1984, moved systematically to reduce assistance levels to all sectors. One aspect of this dismantling exercise was the debt burden of the Meat Producers Board arising through operation of its price stabilization mechanism which amounted to $NZ 1,029 million. In order to remove this debt burden it was agreed by the Government that $NZ 929 million of the debt, which occurred in the financial years of 1982-86, would be underwritten, and the marketing of sheepmeat would occur in a competitive environment. This has now been achieved.

On the question of the lack of reference to this in our 1987 subsidies notification L/6111/Add.20, New Zealand was caught in a peculiar situation: the write-off, in terms of when the assistance was provided to the industry, actually occurred in the 1982-86 financial years despite satisfaction of the debt occurring in March 1987.

To clarify:

No benefits were paid to farmers under the scheme after December 1985. The actual delivery of assistance to the industry occurred in the 1982-86 financial years and not 1987 - the year of notification subject to the US question. This is because it was in those earlier financial years that the prices received by producers for their meat would have been actually affected.

A debt therefore existed in the 1982-86 period which was not at that time underwritten and therefore not then notified. The actual write-off occurred in 1987, but the effective assistance to industry was not delivered in 1987; but rather in the earlier years.
New Zealand accepts that the practical upshot of this situation is that there has been no actual notification of these matters in its subsidies notification. I might note in passing however that New Zealand did notify these matters in its 1987 AG/FOR Notification, but we acknowledge the specific obligations of the Subsidies Code, and trust that the above clarification answers the question raised by the US.