In commenting on the current situation and the foreseeable outlook I must begin by noting that the continuation of depressed world market prices for beef and mutton during 1975 and 1976 has adversely affected the New Zealand economy, producer incomes and confidence, and the operations of the New Zealand meat industry.

Declining world demand for beef, accentuated by severe trade restrictions, coincided with a marked expansion in New Zealand beef production. Despite market support measures instituted by the New Zealand Meat Producers Board, producer confidence in the profitability of beef production has been severely shaken as is reflected in the high levels of slaughterings of beef cows and breeding heifers during 1975 and 1976. Improvements in the relative and absolute profitability of sheep production during 1976, arising from substantially improved wool and lamb prices could result in an expansion of sheep farming at the expense of beef production.

A number of new policy measures have been introduced during 1976 which are designed to maintain farm investment levels, to retain producer confidence in farm development, to promote the expansion of livestock production and exports, and to reduce the effects of large price fluctuations on the national economy and producer incomes.

On the production side, 1974-75 and 1975-76 realized the production potential provided by rapidly increasing cattle numbers in previous years. In 1975 production increased by 25 per cent over the previous year. This increase arose primarily from an 18 per cent increase in cattle slaughterings which, however, was not as great as could have been expected, considering the price and stock situation. Consequently, there was a substantial carry-over of killable steers into the 1975-76 season which, together with above average beef cow slaughterings, heavy slaughterings of beef heifers, and higher carcass weights, resulted in the production of a provisionally
estimated 612,500 tonnes, an increase of 21 per cent over the previous season. As I have just noted during the previous season itself production had increased by 25 per cent over year earlier levels.

With regard to exports, 192,700 tonnes (shipping weight) of beef and veal were exported in 1974-75. Although export production in 1975-76 is provisionally estimated to have been 286,000 tonnes (shipping weight), only 243,000 tonnes were shipped. Consequently, there has been an above-average carry-over of stocks into the 1976-77 season.

For the season just started, beef and veal production will be highly dependent on producer confidence in the profitability of beef production. Developments in wool and sheepmeat prices, and government policies designed to promote income stability and general confidence in the sector are also likely to influence producer actions. Assuming no abnormal carry-over of killable prime cattle from the 1975-76 season and a return to more normal levels of cow slaughtering, the production of 476,000 tonnes (bone-in-weight) is forecast for 1976-77. This represents a 22 per cent drop from the level of the previous year.

Taking account of the present abnormal carry-over of beef stocks and assuming a return to more normal levels by the end of the year, New Zealand expects to export 240,000 tonnes (shipping weight) of beef and veal during 1976-77, that is, a similar quantity to that exported last season.

As far as prices are concerned the c.i.f. price of manufacturing cow beef in the United States, New Zealand's major market, bottomed out during the spring of 1975. It rose steadily during the rest of the year until April 1976. Contrary to expectations however, prices declined after April. A price recovery in August proved to be only temporary and further price declines were recorded during September and October.

To comment briefly on markets, we have noted that although EEC beef production in 1977 is expected to be 6 per cent less than in 1976 the prospects for a significant resumption of beef imports are uncertain. Production may not decline significantly until the second half of 1977. Intervention stocks are expected to rise to 350,000 tonnes during the current month. Consumption levels in Italy and the United Kingdom are expected to be "restrained". These three factors imply that the EEC may permit only modest imports of beef during the first half of 1977. We have noted that new beef import arrangements are currently being discussed in Brussels. New Zealand will be following carefully the evolution of these discussions, particularly in view of the current situation concerning access conditions for beef in all major markets.
With regard to the United States it appears that unless breeding herd liquidization continues into 1977 there is widespread agreement that United States beef production in 1977 will be significantly below the 1976 level. However, experts differ over the magnitude of the likely decline. One school argues that lower feed grain prices will encourage higher levels of feeding which will result in higher carcass weights. Other experts consider that feed prices will remain high and this together with the reduced cattle population implies a greater reduction in production than 4-5 per cent forecast by the optimists. We hope that by the end of this year sufficient data should be available to permit a reasonably accurate forecast of United States beef production next year.

Contrary to expectations, and I recall in particular the remarks on this matter made at our last meeting, it appears that the Russians are still in the market for meat. The USSR has, we understand, asked the Australian Meat Board to tender for supply of boneless and bone-in-beef and carcass mutton. If a contract is made, however, prices are unlikely to be as low as for recent Australian sales to that market.

In concluding this section of my statement, Mr. Chairman, I must comment briefly on the current access situation for beef following the recent United States and Canadian actions. The recent decisions by these two countries to impose quotas on beef imports for the remainder of 1976 will affect New Zealand exports to Canada more than those to the United States. The United States quota allows New Zealand to ship the 118,000 tonnes provided for under the 1976 voluntary Restraint Agreement, whereas Canada has restricted fourth-quarter imports from all sources to about 8,000 tonnes, and only New Zealand beef shipped before 18 October is likely to gain entry to Canada this year. As New Zealand stated in the GATT Council last week we deplore these actions which can only exacerbate the problems confronting world trade in beef and add to the lack of confidence felt by producers, with serious implications for the future viability of beef-farming. However, we do take encouragement from the intended temporary nature of these restrictive actions and look forward to a return to freer and liberalized beef régimes in North America in 1977.

With regard to other import régimes I have mentioned that we are still awaiting a Community decision from Brussels. While indications of the nature of the régime being proposed are not encouraging we would express the hope that the Community will not adopt a restrictive régime and that we can look forward to an early resumption of significant importing by the Community.

We are a little disturbed at recent developments in the operation of the Japanese import régime for beef. In particular we are concerned that the way in which the régime operates offers little scope for predictability and planning by
exporters. If it is an objective of this Group to attain and maintain some degree of stability in world beef trade it is essential that exporters should be able to plan their production and exports on the basis of reasonably advanced knowledge of importers' requirements.

Mr. Chairman, earlier in my statement, I referred to various measures being adopted by the New Zealand Meat Producers Board and the Government to stabilize incomes and maintain farm investment levels. A recurring problem in the New Zealand agricultural sector is that of the fluctuation in producer incomes arising from fluctuations in prices. This factor, together with the remorseless increase in farm input costs and the costs of processing and shipping exports, have had serious effects on producers' ability to sustain the levels of investment necessary to ensure the maintenance and increase of production required to sustain export earnings.

Accordingly price stabilization schemes have been introduced in 1976, replacing previous minimum producer price arrangements for meat by a more comprehensive price stabilization scheme.

The salient features of the scheme, which will operate from 1 October 1976, are as follows:

Minimum (and trigger) schedule prices for "bench mark" grades of export meat will be fixed in advance of each season by the five-member Meat Export Prices Committee after consultation with the Minister of Agriculture and Fisheries. Minimum prices for the remaining grades of export meat will be established by the Meat Board in relation to these "bench mark" classes in accordance with the appropriate relativities between individual products and grades. Meat from bobby calves, pigs, goats and deer will be excluded from the scheme.

In normal circumstances, the minimum prices for each "bench mark" grade of meat will be set within a band 10 per cent above or below a moving three-year average price calculated from:

1. the assessed actual average market price for the preceding season converted to a schedule equivalent;
2. the estimated average market price for the current season at schedule;
3. the forecast average market price for the season for which the minimum prices are being established at schedule.
In determining where in the band around the moving average the minimum prices will be set, the Prices Committee will be required to have regard to the following factors:

(a) the ruling price levels, of, and market prospects for, various types of meat;
(b) the ruling price levels of, and market prospects for, other farm products, especially those associated with the meat industry;
(c) the state of funds in the individual beef and sheepmeat commodity accounts established for the purpose of the Act within the Meat Industry Stabilisation Account; and
(d) such other matters as the Committee may consider relevant.

Should market realizations not enable exporters to pay a schedule at least equivalent to the minimum price set for a given class of export meat, the Meat Board will either make supplementary payments to producers from the appropriate commodity account in the Meat Industry Stabilisation Account or intervene in the market itself, or both, to ensure that the producer receives the minimum price.

In addition to setting minimum prices, trigger prices for each of the "benchmark" grades - at some point above the respective minimum price - will be established by the Meat Export Prices Committee prior to the start of each new meat year. Trigger prices for other grades will be set by the Board relative to those for the "benchmark" grades. The Committee, in setting trigger prices, will be required to consider the same factors as outlined for the minimum price with the addition of one further criterion, that being "the desirability of maintaining a margin above the minimum price sufficient to allow normal marketing".

If, for any week, the announced schedule exceeds the trigger price for the relevant grade, a levy of 50 per cent of the difference by which the schedule exceeds the trigger level will be paid into the appropriate commodity stabilization account. The levy will be collected at the time of slaughter by holders of Meat Export Slaughterhouse Licences and other holders of licences to slaughter stock for export.

Producers selling stock on owners' account and through company pools will pay a similar stabilization levy per kg. (or receive a similar supplementary payment) regardless of eventual market realizations.

Separate stabilization accounts for beef and sheepmeats will be established at the Reserve Bank, within the Meat Industry Stabilisation Account, bearing interest at 1 per cent. It is intended that these accounts be self-balancing over time.

The scheme will be administered by the Meat Producers Board.