Arrangement Regarding Bovine Meat

INTERNATIONAL MEAT COUNCIL

Inventory of Domestic Policies and Trade Measures
and Information on Bilateral, Plurilateral
or Multilateral Commitments

Reply to Parts G and H¹ of the Questionnaire

NEW ZEALAND²

Supplement

The participants have agreed to provide information concerning their domestic policies and trade measures including bilateral and plurilateral commitments on the basis of Parts G and H of the Questionnaire (Rule 16 of the Procedure). The documents containing replies to these parts of the Questionnaire are circulated under the symbol IMC/INV; they will be partly revised as and when changes are notified.

This set of documents will constitute the inventory of all measures affecting trade in bovine meat, including commitments resulting from bilateral, plurilateral and multilateral negotiations, which the Council has instructed the secretariat to draw up and keep up to date, under the provisions of Article III of the Arrangement (Note to Article III of the Arrangement and Rule 18 of the Rules of Procedure).

¹For reply to Part H, see IMC/INV/17.
²For replies to the statistical parts, see IMC/STAT/17.
Part G.1. Information on Domestic Policies

I. Production

(a) Factors affecting meat production:

New Zealand beef and veal supply responds to changes in its profitability relative to other forms of production, principally sheep products. As most production is pastoral, variability in weather conditions can also have a major effect on production levels.

As only 40% of total beef production is consumed within New Zealand, the most critical profitability factor is the export price. A lagged response based on the biological constraints of bovine reproduction and growth helps to create the typical cyclical pattern evident in other countries. Between 1950 and 1974, relatively high beef prices were reflected in a change in the ratio of beef cattle to sheep from 1:16 to 1:10.

Further influences on profitability are processing and marketing charges and the cost of farm inputs.

About 75% of New Zealand beef production comes from specialist beef breeds reared on hill country in conjunction with sheep, and fattened pastorally on flatter down land. The remaining 25% is principally beef produced from the dairy herd. This latter system forms a majority of beef exports to the North American manufacturing market.

(b) Policies and Measures other than Support or Stabilisation Measures:

A number of incentives are available to New Zealand farmers which specifically relate to increased livestock numbers. These include long-term stock loans from the Rural Banking and Finance Corporation, "nil" livestock values for the purpose of calculating taxation on livestock increases and the livestock incentive scheme. The latter scheme involves interest-free suspensory loans to farmers from the Rural Bank which can be written off if a proposed increase in stock units is sustained for two years.

Measures which relate to increased production generally include land development encouragement loans, plant and machinery taxation allowances, and an artificial breeding incentive scheme.

(c) Support or Stabilisation Measures:

(i) Two stabilisation schemes run concurrently
(1) The meat income stabilisation arrangements established in 1976 work as follows:

A Meat Export Prices Committee (M.E.P.C.) establishes "minimum" and "trigger" prices for benchmark grades of export meat before the start of each selling year. If the exporters' schedule price for the benchmark grade falls below the minimum level, the N.Z. Meat Producers' Board must establish minimum prices for all grades of the type of meat, and if necessary, make supplementary payments from the Meat Income Stabilisation Account held at the Reserve Bank of New Zealand, or purchase the meat itself. When the schedule price of the benchmark grade exceeds its trigger price, a levy is imposed at a rate of 50% of the excess. This amount is then expressed as a percentage of the schedule price and the percentage is levied on all grades of the type of meat. Levies imposed in times of high prices finance payments made in times of low prices, with the Account balancing over time.

(2) The Supplementary Minimum Prices Scheme:

The S.M.P. scheme was introduced for the '78, '79 and 79/80 seasons and has since been extended for '80/81. It is a special scheme whereby the Government establishes minimum prices for the current season and the season following. Should the market prices fall to between the supplementary minimum prices and the minimum prices described previously, the difference between the two will be paid out of a Special Reserve Bank Account.

(ii) For the season ended September '81, minimum, trigger and supplementary prices are set as follows:

<table>
<thead>
<tr>
<th>Benchmark Grade</th>
<th>Minimum</th>
<th>Trigger</th>
<th>S.M.P.</th>
</tr>
</thead>
<tbody>
<tr>
<td>M cow</td>
<td>103.0</td>
<td>150.0</td>
<td>105.0</td>
</tr>
<tr>
<td>Bull</td>
<td>120.0</td>
<td>175.0</td>
<td>120.0</td>
</tr>
<tr>
<td>P1 Steer</td>
<td>120.0</td>
<td>170.0</td>
<td>120.0</td>
</tr>
</tbody>
</table>

(iii) No payments have been made under the Minimum Supplementary Price Scheme to date.

(iv) Returns to producers are determined by the freezing companies in setting schedule prices for all grades of meat. Transport charges from farm to freezing works are paid for by the farmer. The schedule price is an estimation of the price at which beef is sold overseas, less the costs of freight and insurance involved in shipping, less further transport costs and processing costs (including company profit) within New Zealand. It is a price expressed in terms of carcase weight, bone-in form.

The price at which beef is sold on the local market is closely related to the schedule price during
the export season. The majority of local fat stock is sold in large commercial saleyards where it will be purchased by wholesale and retail butchers. Farmers require prices as good or better than export prices to sell locally, and any premium is simply added to the price of beef in butchers shops. There appears to be a low price elasticity of demand among local consumers. During the off-season, a premium is paid for beef on the local market.

II. Internal Prices & Consumption

(a) Factors which condition the evolution of Internal Consumption:

Beef is the only edible meat commodity to have shown sharp variations in consumption levels in recent years. In times of high prices and low incomes consumers switch to cheaper sheepmeat and poultry.

Meat Consumption (Bone-in Weight in tonnes '000)

<table>
<thead>
<tr>
<th>Year</th>
<th>Beef</th>
<th>Veal</th>
<th>Mutton</th>
<th>Lamb</th>
<th>Pigmeats</th>
<th>Other</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>176.4</td>
<td>9.8</td>
<td>60.2</td>
<td>35.0</td>
<td>39.4</td>
<td>17.2</td>
<td>338.1</td>
</tr>
<tr>
<td>1978</td>
<td>178.4</td>
<td>9.3</td>
<td>63.3</td>
<td>33.6</td>
<td>40.5</td>
<td>17.3</td>
<td>342.8</td>
</tr>
<tr>
<td>1979</td>
<td>160.7</td>
<td>6.1</td>
<td>63.9</td>
<td>34.5</td>
<td>38.0</td>
<td>15.5</td>
<td>318.8</td>
</tr>
</tbody>
</table>

(b) Policies and Measures Affecting Consumption:

Meat in New Zealand is not subject to price control. To a large extent domestic prices follow those on overseas markets. Consumer subsidies are not normally used.