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New Zealand

Livestock and Products

Semi-Annual

2005

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Report Highlights:
New Zealand's total cattle slaughter is forecast to decline 10 percent to 645,000 tons in 2005. This will reduce beef exports 12 percent to 535,000 tons. Restrictions on U.S. beef and beef variety meats entering New Zealand following the December 2003, announcement of bovine spongiform encephalopathy (BSE) in the United States continue.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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Wellington [NZ1]
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SECTION I. SITUATION AND OUTLOOK

New Zealand's total cattle slaughter is forecast to decline 10 percent to 645,000 tons carcass weight equivalent (CWE) in 2005. This will reduce beef exports 12 percent to 535,000 tons (CWE). Production and trade estimates for 2004 and 2005 have been revised from Post's previous livestock report (see NZ4014).

New Zealand's capacity to take advantage of supply shortages during recent months in Asian markets has been limited by the fact that it produces mainly grass-fed beef. New Zealand exporters anticipate that they will eventually lose most of their market share gained to U.S. and Canadian suppliers once they are able to re-enter Asian markets. Exports to the U.S. market were not noticeably affected by the increased demand for New Zealand beef cuts in Asian markets, given that U.S. purchases from New Zealand consist largely of manufacturing beef and secondary cuts, rather than primary cuts. Prices paid for New Zealand beef in both Asian and North American markets have declined recently as traders anticipate the reopening of markets to Canadian and U.S. beef.

Restrictions on U.S. beef and beef variety meats entering New Zealand following the December 2003, announcement of bovine spongiform encephalopathy (BSE) in the United States continue. As of late January 2005, the New Zealand Food Safety Authority (NZFSA) had not yet responded to a USDA request for New Zealand to accept U.S. BSE control measures as equivalent to that of New Zealand. This would eliminate individual product approval procedures initiated following the detection of BSE in the United States.

An import health standard (IHS) released January 12, 2005 now allows fresh and frozen U.S. beef products free of specified risk materials to be imported into New Zealand for assessment on a case-by-case basis by NZFSA. New Zealand's import requirements for U.S. canned beef products have been less restrictive due to the requirement of high cooking temperatures during manufacture. However, imports of U.S. canned beef must also be assessed on a case-by-case basis following detection of BSE in the United States. A country assessment review by the Ministry of Agriculture and Forestry (MAF) is underway which will permit a re-instatement of New Zealand's IHS for U.S. live cattle and a resumption of trade.

SECTION II. PS&D TABLES AND TRADE MATRIX

New Zealand
Animal Numbers, Cattle

						(1000 HEAD)
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2003		01/2004		01/2005
Total Cattle Beg. Stks	9760	9760	9540	9540	9425	9415
Dairy Cows Beg. Stks	3927	3927	3966	3966	4005	4005
Beef Cows Beg. Stocks	1280	1280	1230	1230	1180	1180
Production (Calf Crop)	4475	4475	4470	4450	4460	4460
Intra EC Imports	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	14235	14235	14010	13990	13885	13875
Intra EC Exports	0	0	0	0	0	0
Total Exports	18	15	50	60	50	50
TOTAL Exports	18	15	50	60	50	50
Cow Slaughter	900	900	900	900	780	800
Calf Slaughter	1560	1560	1350	1380	1325	1450
Other Slaughter	1780	1780	1900	1800	1970	1610
Total Slaughter	4240	4240	4150	4080	4075	3860
Loss	437	440	385	435	250	430
Ending Inventories	9540	9540	9425	9415	9510	9575
TOTAL DISTRIBUTION	14235	14235	14010	13990	13885	13915
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

New Zealand
Meat, Beef and Veal

	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2003		01/2004		01/2005
					(1000 MT CWE)	(1000 HEAD)
Slaughter (Reference)	4240	4240	4150	4080	4075	3860
Beginning Stocks	0	0	0	0	0	0
Production	693	693	710	720	705	645
Intra EC Imports	0	0	0	0	0	0
Total Imports	13	13	10	10	10	10
TOTAL Imports	13	13	10	10	10	10
TOTAL SUPPLY	706	706	720	730	715	655
Intra EC Exports	0	0	0	0	0	0
Total Exports	578	585	600	610	605	535
TOTAL Exports	578	585	600	610	605	535
Human Dom. Consumption	128	121	120	120	110	120
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	128	121	120	120	110	120
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	706	706	720	730	715	655
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	300	300	305	305	270	280

Trade Matrix, New Zealand Beef Exports

	Calendar Year			January - November		
Partner Country	2001	2002	2003	2002	2003	2004
United States	191,150	202,798	222,113	185,200	199,839	194,370
Canada	49,225	41,546	41,718	38,776	40,175	27,729
Korea South	12,600	19,013	27,625	16,882	23,817	44,995
Taiwan	12,372	14,868	22,221	13,205	20,382	28,330
Japan	29,546	18,207	20,915	17,034	18,883	34,859
Other	49,935	42,920	56,836	40,231	51,834	58,751
World	344,828	339,352	391,428	311,328	354,930	389,034

Source: Statistics New Zealand. Note that product is in kilograms of shipped weight instead of CWE as with the PS&D tables.

SECTION III. SUPPLY AND DEMAND, POLICY AND MARKETING

BEEF AND VEAL PRODUCTION

2005 Outlook

New Zealand's total cattle slaughter is forecast to decline 10 percent to 645,000 tons carcass weight equivalent (CWE) in 2005. This will reduce beef exports 12 percent to 535,000 tons (CWE). This is based on the revision of Post's previous production and trade estimates for 2004 and 2005 (see NZ4014). Beef prices are forecast to ease in 2005, but still remain relatively strong. This, combined with the large beef kill in 2003 and 2004, will motivate farmers to begin rebuilding their beef herds during 2005, reducing the availability of stock for slaughter. Also, lower retention rates of bull dairy calves for beef production in 2003 will reduce slaughter, as these animals take two years to reach mature weight levels.

Stock Numbers

Post's forecast of New Zealand's cattle numbers has been adjusted since the initial forecast in September (see NZ4014). Strong beef prices in 2004 kept New Zealand's beef kill high, resulting in a 4 percent decline in beef cattle numbers. Overall, total beef cattle numbers in New Zealand continue to trend downward, as beef farmers convert to more profitable land use options, particularly sheep and dairy farming. This decline is not reflected in total beef production due to the rapid increase in the size of the dairy herd the past five years, increasing the availability of older cows for processing. Beef breeding cow numbers are forecast to decrease 4 percent in 2005, while dairy cow numbers are forecast to grow no more than 1 percent as the rate of growth of New Zealand's dairy herd has slowed considerably. The recent slow down in growth of the dairy herd has led to increased availability of calves for veal production. Fewer bull calves (both beef and dairy bred) will be retained for 2007 beef production in 2005 due to lower beef prices, but it is likely that more beef breed heifer calves will be retained for rebuilding of the beef herd. Overall, New Zealand's calf cull will increase 5 percent in 2005.

New Zealand's Primary Markets

New Zealand's capacity to take advantage of supply shortages during recent months in Asian markets has been limited by the fact that it produces mainly grass-fed beef. New Zealand exporters have been working hard to educate Asian purchasers of the benefits of grass-fed beef and have had some positive responses from the market. But grain-fed beef is still strongly preferred, especially by the high-end segment of the market. New Zealand exporters anticipate that they will eventually lose most of the market share they have gained back to U.S. and Canadian marketers once they are able to re-enter the Asian market. Exports to the U.S. market were not noticeably affected by the increased demand for New Zealand beef cuts in Asian markets given that the United States purchases from New Zealand consist largely of manufacturing beef and secondary cuts, rather than primary cuts from New Zealand. Exports to the U.S. market in 2005 will decrease, but not to the same extent as total export volume due to the importance of this market to New Zealand exporters. Prices paid for New Zealand beef in both Asian and North American markets have declined recently as many traders anticipate the reopening of markets for Canadian and U.S. beef. If these markets do reopen beef exports are likely to be lower than forecast due to lower resulting prices. The focus for many New Zealand beef farmers in 2005 will be on herd rebuilding, following high slaughter levels during 2003 and 2004 as a result of strong prices and the higher than average number of cows that failed to get in calf during 2004.

Live Cattle Exports
Live cattle exports are forecast to remain high after increasing significantly in 2004 due to strong Chinese demand for New Zealand bred Friesian dairy cows with specific attributes. The value of these particular animals is substantially higher when exported to China rather than sold domestically. New Zealand currently has advantage over other potential export countries, as it is free of major bovine diseases such as BSE. Exports between January and November 2004 of all cattle (both beef and dairy) totaled 61,621 animals, an increase of 320 percent over the same period in 2003. Exports of dairy cows to China were 54,612 of this total.

POLICY

BSE
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IHS's can be found at:
http://www.biosecurity.govt.nz/imports/animals/standards/meabeeic.nam.htm
http://www.biosecurity.govt.nz/imports/animals/standards/edibloic.nam.htm
http://www.biosecurity.govt.nz/imports/animals/standards/petbovic.spe.htm

Other Import Health Standards
The import health standard for bovine embryos from the United States was updated January 20, 2005 and for bovine semen from the United States on November 15, 2004. Both instances were administrative updates with very minor changes, unrelated to BSE.

IHS's can be found at:
http://www.biosecurity.govt.nz/imports/animals/standards/bovembic.usa.htm
http://www.biosecurity.govt.nz/imports/animals/standards/bovsemic.usa.htm

China
New Zealand is still negotiating with China for the New Zealand Food Safety Authority (NZFSA) to certify meat processors for export to China, rather than have Chinese inspectors inspect every plant applying for certification (see NZ4014). The small volumes and low value of product entering the Chinese market reduce the importance of this issue for the beef industry, although it is critical for New Zealand sheep meat exports.

Trade and economic framework discussions for a Free Trade Agreement (FTA) with China were initiated in January 2004. New Zealand and China are currently undertaking a joint feasibility study. New Zealand hopes that this will lead to negotiations on a trade deal, which is expected to commence in early 2005. Both countries have expressed a desire to conclude a FTA in 2005. New Zealand's efforts to reach a trade accord with China were enhanced by its willingness to meet China's demand to be recognized as a market economy. This provides China with relief from the anti-dumping provisions it accepted when it joined the WTO. New Zealand's beef trade will receive little benefit from a FTA due to the limited market for high value cuts of beef and China's rapidly increasing domestic beef production.