

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

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STATE-TRADING

Notification Pursuant to Article XVII:4(a)

NEW ZEALAND

The following communication, dated 20 December, has been received from the Permanent Mission of New Zealand.

I. Product covered by Article XVII

The following list identifies the products in respect of which exclusive or special privileges, covered by Article XVII, are maintained by New Zealand.

- (a) apples and pears
- (b) hops
- (c) dairy products
- (d) raspberries
- (e) kiwifruit

All other State-trading enterprises notified in our last notification, dated 2 September 1981, covering the products wheat and flour, citrus fruits, bananas, pineapples and grapes; honey; eggs; and, potatoes have been abolished.

II. Reasons and purposes for introducing and maintaining State-trading enterprises

Despite the rise in exports of forest products, fish and in recent years manufacturing exports, New Zealand remains reliant on the export of agricultural products. Agricultural products now account for around 55 per cent of New Zealand's total merchandise exports. Given this reliance on agricultural exports, New Zealand has seen the value of establishing marketing structures so as to obtain the best possible return from world markets for New Zealand producers.

Current Government policy is directed toward establishing a competitive free market economy. In this regard, the operations of the State-trading enterprises are continually under review to make sure they are in line with general economic liberalization. Although established under statute, the enterprises trade as commercial entities free from Government direction and therefore conform fully to Article XVII.

(a) Apples and Pears

The New Zealand Apple and Pear Marketing Board was established to administer the orderly marketing of apples and pears, both locally and overseas. The Government has recently announced that the domestic market for apples and pears will be deregulated from 1 January 1994.

(b) Hops

The Hop Marketing Committee was established to regulate and control the marketing, both locally and overseas, of all hops produced in New Zealand, and to assist the industry generally.

(c) Dairy Products

The New Zealand Dairy Board is concerned with the development of the dairy industry, including promotion and research, and the marketing of export dairy products. Its purpose is to maximize the income of New Zealand dairy farmers.

(d) Raspberry

The Raspberry Marketing Council was established in 1979 to administer the orderly marketing of raspberries, both locally and overseas.

(e) Kiwifruit

The New Zealand Kiwifruit Marketing Board was established in 1988 to organize and control, for the benefit of growers, the marketing of all kiwifruit intended for export other than to Australia.

III. Description of the functioning of the State-trading enterprises

(a) Apples and Pears

The New Zealand Apple and Pear Marketing Board was originally established in 1948, and operates under the Apple and Pear Marketing Act 1971 (as amended). The Board was established to organize and control the marketing of apples and pears for the benefit of growers. It should be noted that the description below relates to the functions of the Board up until December 1993. The Government has decided that it will remove the Board's import and domestic marketing monopoly as from 1 January 1994. Beyond this date the Board's function will be to export apples and pears produced in New Zealand, although it will be able to trade in the domestic market along with other participants.

The principal functions of the Board are to:

- (i) acquire and market apples and pears grown in New Zealand, or imported into New Zealand; and
- (ii) determine the prices which the Board is to pay for such apples and pears.

The Board has a monopoly on:

- (i) all exports of apples and pears;

- (ii) all apple and pear sales in New Zealand, bar limited quantities sold at the orchard gate direct to consumers; and
- (iii) all imports of apples and pears, except for imports from Australia.

The Board must accept, and pay for, all apples and pears offered to it by growers, provided the fruit meets specified standards which are laid down by the Board.

Imports and exports of apples and pears by private traders are prohibited, unless they have the prior consent of the Board.

The Board has total discretion over the quantities it decides to export and import. Generally, the Board will export all available apples and pears of export standard, but this is sometimes constrained by market demand. The Board generally imports fruit during the domestic off-season.

Prices paid to growers are determined by the Board. Under its Act, the Board, when establishing prices for fruit it acquires, must have regard to:

- (i) the desirability of maintaining the stability and efficiency of the apple and pear growing industry;
- (ii) movements in the costs of marketing apples or pears;
- (iii) market realizations for apples and pears;
- (iv) market prospects for apples and pears;
- (v) the present and prospective state of the Board's accounts and reserves; and
- (vi) any other matters the Board thinks relevant.

The mark-up on imported apples is determined by the Board. Generally, export prices exceed domestic prices, as the Board has taken a responsibility to ensure New Zealand consumers get reasonably priced apples and pears. As a rule, apples and pears are only imported when domestic supplies have ceased. Therefore, in these circumstances the domestic price will equal the imported price.

The Board generally enters into short-term, year-by-year supply contracts with its customers. the Government does not enter into contractual obligations regarding these products.

(b) Hops

The growing and selling of hops are regulated under the Hop Marketing Regulations 1939, which are made pursuant to the Marketing Act 1936 and the Agriculture (Emergency Powers) Act 1934. The Regulations provide for a Hop Marketing Board, consisting of six members, five representing hop producers, and one Government representative.

The Hop Marketing Regulations give the Board wide powers to regulate and control the growing and marketing of hops in New Zealand and the marketing of hops overseas. Key regulations are 14, 15 and 16 which in summary provide for the Board to:

- (i) regulate and control in such manner as it sees fit (but subject to Ministerial approval) the marketing of hops in New Zealand and overseas;

- (ii) determine the amount of hops to be imported for local brewing purposes;
- (iii) be the sole agent for hop producers; and
- (iv) enter into contracts, arrangements or agreements and give such directions as are necessary or required in respect of the following matters:
 - 1. for the handling, pooling, and storage of hops;
 - 2. for the shipment of hops beyond New Zealand;
 - 3. for the sale and disposal of hops;
 - 4. for the making of forward contracts for the sale of hops;
 - 5. for the promotion of hops;
 - 6. for the grading of hops;
 - 7. for the registration of producers and of land used for the growing of hops;
and
 - 8. for the allocation of production quotas.

Legally, Regulation 14 provides that one of the functions of the Board is to determine and recommend to the Minister, after consultation with the Brewers Association, the quantity of bulk hops to be imported. In practice very few hops are imported due to phytosanitary restrictions, and due to domestic brewers needs being totally met from domestic production.

Export prices are determined by the Hop Marketing Board. The Board does not enter into long-term supply contracts with its customers. The Government does not enter into contractual obligations regarding this product.

It should be noted that the New Zealand Government has agreed to review the Hop Marketing Regulations, to determine whether the Board is providing a net benefit to the country. This review will be happening in the near future.

(c) Dairy Products

The export marketing of New Zealand's dairy produce is the responsibility of the New Zealand Dairy Board. The Board is a statutory producer board established under the Dairy Board Act 1961. the Board's mission is to maximize the income of New Zealand dairy farmers through excellence in the global marketing of dairy products. the Board does not have statutory powers relating to imports.

The Board has powers of a natural person, which enable it to do anything an individual or corporate entity can do in competition with others, provided it is in keeping with the Board's functions.

The Act does not require the New Zealand Dairy Board to acquire all export dairy produce; rather it empowers the Board to acquire and market such export dairy produce as the Board may from time to time determine. In practise though, the Board has in the past acquired and marketed the entire quantity of New Zealand's export dairy produce.

The Dairy Board Amendment Act 1992 inserted into the principal Act a provision enabling the Board to grant permission for parties other than itself to export dairy produce. The onus is on the applicant to provide all the required information for the Board to make its decision. The Board may grant permission to the other party to export unconditionally, or subject to any condition it thinks fit. However, should the Board refuse an applicant permission to export, it must state its reasons for doing so in writing. A refusal may be challenged in the Courts.

Apart from butter exports to the United Kingdom, where the quantity able to be exported is included under a special government to government arrangement with the European Community, the Board negotiates with overseas buyers in respect of product description, quantities and price. As such, prices received are the result of normal commercial negotiations. The Board averages the returns received from its export sales and pays this to the dairy companies on a milk solids basis.

With regard to prices on the domestic market, there is a provision in the Dairy Board Act which enables the Board to equalize domestic prices of nominated dairy products with export returns. This is to minimize the divergence between export and domestic prices, and so maintain an adequate supply of produce onto the domestic market. As a result, over time, domestic prices follow movements in the international price.

As a general observation, the Board does not enter into long term contracts. However, it is prepared to make long term commitments to certain markets through establishing subsidiary and joint venture marketing agencies in the market place.

As mentioned above, the Board operates in the UK butter market to fulfil contractual obligations entered into by the Government. This is the only dairy market where this occurs.

(d) Raspberries

The Raspberry Marketing Council was established under the Raspberry Marketing Regulations 1979, pursuant to the Primary Products Marketing Act 1953.

The principal functions of the Council are:

- (i) to regulate and control the marketing, in New Zealand and export, of raspberries;
- (ii) to promote the sale and consumption of raspberries;
- (iii) to promote and organize the orderly development of the raspberry industry; and
- (iv) to carry out and promote research in relation to the growing and marketing of raspberries.

The Council has the power to regulate and control exports, but has no regulatory power over imports. Relating to export, the Council has the power to purchase, sell, or dispose of raspberries on the world market as it thinks fit. It also has the power to fix quotas for supply to domestic manufacturers and resellers. Private traders cannot export, unless acting as an agent of the Council on whatever terms the Council and the agent agree.

The Council generally enters into short-term, year-by-year contracts with its customers. The Government does not enter into contractual obligations regarding this product.

It should be noted that the New Zealand Government has agreed to review the Raspberry Marketing Regulations, to determine whether the Council is providing a net benefit to the country. This review will be happening in the near future.

(e) Kiwifruit

The New Zealand Kiwifruit Marketing Board was established in 1988 under the Kiwifruit Marketing Regulations 1977, which are pursuant to the Primary Products Marketing Act 1953. the Board was established to organize and control the marketing of all kiwifruit intended for export, other than to Australia, for the benefit of growers.

(In 1988 the Kiwifruit Marketing Board replaced the New Zealand Kiwifruit Authority, a body which co-ordinated exports, and undertook licensing of private kiwifruit exporters).

The objective of the Board is to obtain, in the interests of New Zealand producers, the best possible long-term returns for kiwifruit intended for export. The Board has no regulatory power over imports or the domestic marketing of kiwifruit.

The principal functions of the Board are to:

- (i) acquire and cause to be marketed kiwifruit produced in New Zealand and intended for export;
- (ii) determine payments it makes for kiwifruit it acquires; and
- (iii) help the general development of the kiwifruit industry.

Private traders cannot export kiwifruit without prior permission of the Board.

The Board has total discretion over the quantities it decides to export. Generally, the Board will export all available kiwifruit of export standard, but this is sometimes constrained by market demand.

Prices paid to growers are determined by the Board. Under its Regulations, the Board, when establishing prices for kiwifruit it acquires, must have regard to:

- (i) the desirability of maintaining the stability and efficiency of the kiwifruit industry;
- (ii) movements in the costs of acquiring and marketing kiwifruit;
- (iii) market realizations for kiwifruit; and
- (iv) market prospects for kiwifruit.

Export prices exceed domestic prices, as the domestic market is unregulated and is supplied with abundant quantities of Class II or export reject kiwifruit.

The Board generally enters into short-term, year--by-year supply contracts with its customers. The Government does not enter into contractual obligations regarding this product.

IV. Statistical information

The attached annex provides the statistical information required.

V. Reasons why no foreign trade has taken place (if this is the case) in products affected

There were exports of all products concerned during the period 1990-92. Except for apples and pears, and hops, imports of all products concerned are not restricted by State-trading enterprises. If imports of these products do not occur it is because they either do not meet New Zealand's sanitary and phytosanitary requirements or because the market does not demand them. There were no imports of hops in 1990 and 1991 because demand was met from the domestic crop.

STATE-TRADING NOTIFICATION							
Commodity	Year	NZ Production		Exports		Imports	
		(000 T)	(mill \$)	(000 T)	(mill \$)	(000 T)	(mill \$)
(a) Apples & Pears	1990	361.0	184.1	204.0	216.3		4.3
	1991	372.0	260.0	210.0	300.4		1.6
	1992	394.0	268.3	214.0	329.9		0.6
Sources: Ministry of Agriculture and Fisheries, Department of Statistics							
Notes: (1) Value of NZ production represents price paid to NZ farmer							
(2) Production statistics are on a year ended September basis							
(3) Trade statistics are on a year ended June basis							
(4) All trade, both export and import, is undertaken by the Apple and Pear Board							
(b) Hops	1990	0.442	2.9	0.217	1.4		0.0
	1991	0.470	3.1	0.332	2.5		0.0
	1992	0.480	3.1	0.362	3.2		0.02
Sources: Ministry of Agriculture and Fisheries, Department of Statistics							
Notes: (1) Value of NZ production represents price paid to NZ farmer							
(2) Production statistics are on a year ended March basis							
(3) Trade statistics are on a year ended June basis							
(4) All trade, both export and import, is undertaken by the Hop Marketing Board							
(c) Dairy Products							
- Butter	1990	275.5		217.0	710.5		0.4
	1991	268.7		170.0	542.1		0.06
	1992	286.7		213.0	701.6		0.02
- Cheese	1990	120.0		90.0	341.0		4.8
	1991	124.8		103.0	358.0		4.9
	1992	139.5		107.0	412.1		5.0

[illegible]

Commodity	Year	NZ Production		Exports		Imports	
		(000 T)	(mill \$)	(000 T)	(mill \$)	(000 T)	(mill \$)
(e) Kiwifruit	1990	190.0	321.0	237.0	539.1		0.0
	1991	280.0	353.0	250.0	519.7		0.0
	1992	233.0	373.0	242.0	492.7		0.0
Sources: Ministry of Agriculture and Fisheries, Department of Statistics							
Notes: (1) Value of NZ production: represents price paid to NZ farmer							
(2) Production statistics are on a year ended March basis							
(3) Trade statistics are on a year ended June basis							
(4) Exports are controlled by the Kiwifruit Marketing Board. Imports are freely traded							