RESTRICTED
COM.AG/W/18/Add.9
24 July 1969
Special Distribution

GENERAL AGREEMENT ON TARIFFS AND TRADE

Agriculture Committee

Original: English

NEW ZEALAND

Information Supplied in Respect of Secretariat Note COM.AG/12

relating to

EXPORTS AND IMPORTS

Note: Corrections submitted in respect of tables prepared by the secretariat will be taken into account in the revised tables, and are in general not reproduced in the present document.

1. The note COM.AG/12 suggests further data which might be made available by members of the Agriculture Committee so that the tables dealing with exports (Spec(69)9 to 15 inclusive) and imports (Spec(69)16 to 22 inclusive) can be revised, and for use when further discussing production policies. The comments which follow supplement but do not, in general, up-date the information already supplied.

2. The note suggests a formula for assessing the incidence of certain measures affecting exports. We interpret "incidence" in this context to mean "level of subsidization".

3. New Zealand has considered the formula proposed and has concluded that it would not be practicable, or indeed, appropriate, to apply it to New Zealand. The reasons for this view are set out below for the specific products covered by the documents in question.

Exports

4. Spec(69)9 - Dairy products

Although the Dairy Products Prices Authority fixes each year prices to be paid by the Dairy Board for butter which becomes the property of the Board, the dairy companies manufacturing butter pay farmers a price expressed in terms of butterfat. In addition the supplier of wholemilk to a butter factory receives the equivalent of overseas market realizations for skim milk powder or casein. The prices paid to suppliers by the various dairy companies for butterfat in cream and for skim powder or casein will vary depending upon their relative efficiencies in manufacturing.

Similarly, the Dairy Board fixes advance purchase prices to be paid by the Board to dairy companies for cheese, but the dairy companies making cheese pay their suppliers a price expressed in terms of butterfat. Prices paid to farmers supplying wholemilk to cheese factories are finally equated with the return to suppliers of wholemilk for the manufacture of butter and skim powder or butter and casein. Again pay-outs to individual suppliers will vary from factory to factory.

To determine the "average unit-receipts by farmers in respect of total sales" for any specific dairy product would require an examination of the accounts of all dairy companies. This is not practicable. In any case, New Zealand reiterates that it does not subsidize exports but operates a stabilization system. The state of the Dairy Produce Account over a number of years is shown below.

Year	$'000[1]	Year	$'000[1]
1957	27,826	1963	- 8,428
1958	- 14,698	1964	- 7,130
1959	4,264	1965	373
1960	3,872	1966	- 578
1961	- 10,338	1967	- 11,191
1962	- 13,380	1968	- 12,844

[1]At 31 July up to 1961; at 31 May since.

It is clear from the above that the balance in the account which represents the accumulated surplus or deficit incurred by the Dairy Board, has fluctuated and has been operated with a view to producing stability in the industry. The accumulated deficits of the past two years can be attributed largely to the heavy subsidization of exports by other countries. The deficits should not be interpreted as indicating that the system in force in New Zealand is other than a genuine stabilization scheme.

5. Spec(69)10 - Grains

COM.AG/12 does not apply.

6. Spec(69)11 - Beef and veal, live cattle, processed meats; other meats

As stated in the document, exports are not subsidized. A minimum floor price scheme is operated for meat but the floor prices fixed each year have been, in general, below market realizations. The reserve funds of the industry (built up entirely by the industry itself) have, therefore, been used only to a very limited extent in making supplementary (stabilization) payments for any specific meat exported. The state of the Meat Industry Reserve Account over the years clearly reflects this fact.

Meat Industry Reserve Account at 30 September

Year	$'000	Year	$'000
1957	82,584	1963	88,088
1958	84,456	1964	89,482
1959	86,436	1965	90,940
1960	86,888	1966	93,497
1961	89,626	1967	95,296
1962	86,336		

7. Spec(69)12 - Fruit and vegetables

The document includes the statement that New Zealand has no export subsidies and no export credit arrangements.

A stabilization arrangement applies in respect of apples and pears. The state of the Reserve Fund at the end of recent seasons is shown below.

Season	$'000	Season	$'000
1956-57	2,977	1962-63	2,489
1957-58	3,134	1963-64	1,241
1958-59	2,266	1964-65	1,680
1959-60	2,875	1965-66	- 143
1960-61	2,605	1966-67	1,222
1961-62	2,628		

Attention is drawn to the error made in incorporating New Zealand's exports of apples and pears in the document - exports to the United Kingdom only are included.

8. Spec(69)13 - Vegetable oils and oilseeds

As stated in the document New Zealand has no export aid measures and exports are negligible.

9. Spec(69)14 - Tobacco

Exports of tobacco are negligible.

10. Spec(69)15 - Wine

There is no special marketing system in operation for wine. Exports are insignificant.

Imports

11. Regarding the investigation of measures having an effect on imports, and the measurement of the incidence of quantitative restrictions, deficiency payments, etc. by the formula suggested in the note, New Zealand's replies, assuming "incidence" to be synonymous with the "margin of support", are as follows:

12. Spec(69)16 - Dairy products

Butter and cheese are liberalized and it can be seen from the document that imports of cheese increased at a marked rate during the years shown. Other dairy products are subject to import licences for balance-of-payments reasons. Because it is generally recognized that New Zealand is the lowest cost producer of dairy products in the world, it is considered that the incidence of protection afforded by the operation of quantitative restrictions on dairy products, other than butter and cheese, is nil. The impracticability of determining "average unit receipts by farmers in respect of total sales" for any specific dairy product is explained in paragraph 4 above.

13. Spec(69)17 - Grains

Spec(69)17 says that the Wheat Board is responsible for imports of wheat, and that for wheat, meslin, rye, barley, oats, and maize, import licences are granted only in exceptional circumstances. Grain sorghum is also subject to import licensing.

Under the provisions of the Wheat Board Act and Regulations, all wheat of milling standard, unless the Board decides otherwise, must be sold to the Board. The price paid by the Board for domestic wheat is determined by Government. Since the 1965-66 season, the price to growers for locally-produced wheat has been $NZ 1.45 a bushel (South Island) and $NZ 1.65 a bushel (North Island). For the 1967-68 harvest and the 1968-69 harvest the basic price is subject to the retention of 12 cents a bushel to cover any losses incurred in the marketing of wheat and the cost of storing and handling any wheat declared surplus to requirements. Any surplus retention funds will be returned to the growers. A system involving the payment of a discount on one variety and a premium on another operates. Storage increments are paid to growers when wheat is stored for sale later in the season.

Oats, barley and maize prices are not subject to control and no system of support prices exists for them.

The following table compares the price to the New Zealand grower of wheat with the estimated c.i.f. price of imported wheat during recent years.

	North Island Wheat[1]	South Island Wheat[1]	Imported[2]
1964-65	$1.55	$1.35	$1.41
1965-66	$1.55[3]	$1.35[3]	$1.33
1966-67	$1.65	$1.45	$1.45
1967-68	$1.65	$1.45	$1.55
1968-69	$1.65	$1.45	$1.43

[1] Price per bushel f.o.r.

[2] Average c.i.f. price paid during the years 1 July/30 June.

[3] Prices increased January 1966.

Note: The overwhelming proportion of the wheat produced is grown in the South Island.

In respect of coarse grains, it is not considered that the quantitative restrictions contain other than a minimal element of support because New Zealand's climate, in certain areas, is reasonably favourable to the production of these cereals. It is not possible to apply the formula suggested in paragraph 10 of COM.AG/12 because of the lack of data. On this point, it should be stated that in New Zealand producers combine the production of cash crops, such as cereals, with the grazing of animals as part of the management pattern, to maintain the fertility of the soil, and to maximize revenue from all pursuits.

14. Spec(69)18 - Beef and veal, live cattle, processed meats; other meats

Spec(69)18 says that imports of live animals and meats are generally free from the requirement of import licences, except poultry, sausages, and meat preparations for which there are quantitative import restrictions. Imports are stated to be negligible. New Zealand's annual per capita consumption of red meats exceeds 230 lb. Consumption of poultry is insignificant.

No data is available from which average receipts by farmers in respect of total sales from poultry, sausages and meat preparations can be calculated.

15. Spec(69)19 - Fruit and vegetables

The document points out that imports of citrus fruit, pineapples and grapes are subject to import licensing, and that one marketing company has the sole right to import and market citrus fruit, bananas, pineapples and grapes.

New Zealand's climate is not particularly suited to the growing of oranges and other tropical or semi-tropical fruits although some citrus fruits such as lemons and grapefruit are grown very satisfactorily. Certain areas are also favourable to grape production. The quantitative controls maintained on citrus fruit and grapes provide incidental protection to the domestic producer but it is not possible to apply the formula suggested in paragraph 10 of COM.AG/12 to these products because of the lack of data regarding farmers' receipts. The local citrus growing industry is small and the protection afforded it by the licensing of imports is negligible when viewed in the light of the concept of the margin of support to national agriculture. Similar remarks are appropriate to grape growing in New Zealand.

Vegetables are not discussed above as it is considered that for the types grown in quantity in New Zealand the natural advantages in production are such that any measures affecting imports would have little if any element of support to domestic producers.

16. Spec(69)20 - Vegetable oils and oilseeds

The document says all oilseeds except groundnuts in shell and mustard seed are subject to quantitative restriction, and that all oilseeds, except soyabeans, are duty free from all sources. Vegetable oils, other than linseed oil and coconut oil, in containers of 1 gallon or more are liberalized and duty free from all sources. Vegetable oils in containers of less than 1 gallon are restricted and subject to duty.

Because of the relative unimportance of these products to New Zealand, both from the production and consumption point of view, it is considered that data on tariffs and controls on imports have little relevance to the issue of the "margin of support" for New Zealand agriculture.

17. Spec(69)19 - Tobacco

Unmanufactured tobacco is exempt from import licensing.

18. Spec(69)20 - Wine

In general wines are subject to quantitative import controls. There is a large number of wine makers in New Zealand (140 in 1967, the latest date for which statistics are available). A variety of wines are produced. It is not possible to say what the average unit receipt by producers was, and compare it with the average unit import price because of the wide variety of wines produced and imported, and their varying qualities which have a significant effect on specific prices.

19. The information requested in COM.AG/12 on self-sufficiency ratios is reproduced in COM.AG/W/18/Add.10.