

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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STATE TRADING

Notifications Pursuant to Article XVII:4(a)

NEW ZEALAND

The following communication, dated 1 May 1980, has been received from the Permanent Mission of New Zealand.

I Products Covered by Article XVII

Products in respect of which exclusive or special privileges enterprises covered by Article XVII are maintained:

- (a) wheat and flour
- (b) citrus fruits, bananas, pineapples and grapes
- (c) apples and pears
- (d) honey
- (e) hops
- (f) eggs
- (g) dairy products
- (h) potatoes

II Reasons and Purposes for Introducing and Maintaining Such Enterprises

Despite the rise during the last decade in exports of timber, wood pulp and paper, and manufactured products in general, products of animal origin still contribute annually over 70 percent of the total value of New Zealand's exports. For a country which is very dependent upon overseas trade, efficient organisation in the marketing of primary produce takes on a special importance. The principle has been accepted in New Zealand that producers should be predominantly responsible for the marketing of their products through producer organisations with a statutory basis.

(a) Wheat and Flour

The Wheat Board controls the importation, acquisition and distribution of wheat and flour. It was established as a means of rationalising the production and disposal of wheat in New Zealand (and sometimes abroad) and ensuring adequate supplies of this basic foodstuff were maintained.

(b) Citrus Fruits, Bananas, Pineapples and Grapes

The arrangement by which imports are made by a central organisation (Fruit Distributors Ltd) was introduced, and is maintained, in order to ensure the orderly disposal of these products within New Zealand and to provide a measure of stability for growers in the Pacific Islands, including the independent States of Western Samoa, Fiji, Tonga and the Cook Islands. The Citrus Marketing Authority handles on a voluntary basis the marketing of domestically produced New Zealand citrus fruit.

(c) Apples and Pears

The New Zealand Apple and Pear Marketing Board was established to administer the orderly marketing of apples and pears, both internally and externally.

(d) Honey

The Honey Marketing Authority was established to promote the orderly marketing of honey. It also disposes of, either locally or overseas, stocks voluntarily offered to it by beekeepers. Two thirds of New Zealand production is sold by producers through ordinary commercial channels, or at the gate.

(e) Hops

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

(f) Eggs

The Egg Marketing Authority was established in order to ensure a sufficient supply and equitable distribution of eggs in the general interests of consumers and producers.

(g) Dairy Products

The New Zealand Dairy Board is concerned with the development of the dairy industry and the marketing of one of New Zealand's major export products. The Dairy Board also administers a guaranteed price scheme for milkfat and solids not fat produced by dairy farmers and the domestic marketing of butter and cheese.

(h) Potatoes

The Potato Board ensures that adequate supplies of potatoes are available for consumption in New Zealand. The Board supervises the importation of potatoes, when required, and similarly their export when supplies are available.

III Description of the Functioning of the Enterprises Concerned

(a) Wheat and Flour

Control of the importation of wheat and flour and of the distribution of both the imported and locally produced products rests with the Wheat Board. The operations of the Board are governed by the Wheat Board Act 1965. The Board consists of representatives of flour millers, wheat growers, bakers, grain seed and produce businesses, and the Department of Trade and

Industry with the Minister of Trade and Industry as Chairman and his nominee as Deputy Chairman.

The Board purchases New Zealand wheat from farmers through the agency of grain brokers. It is responsible for the importation of any wheat and flour, and allocates supplies to individual millers.

The prices payable to New Zealand producers of wheat are determined annually by Government and the prices of both flour and bread are under price control.

Wheat is imported as necessary to augment local supplies. Imported grain is purchased at market prices. The price paid by consumers for flour and for wheat are the same, irrespective of the source of supplies. In recent times some quantities of wheat have been exported when production has been in excess of domestic demand.

(b) Citrus Fruit, Bananas, Pineapples and Grapes

The Citrus Marketing Authority was established in 1953 to market fresh lemons and sweet oranges. It has a membership of six, five of whom are nominated by the New Zealand Citrus and Sub-Tropical Council and represent the producers, and one appointed by the Minister of Agriculture and Fisheries.

The Authority although originally empowered to control the assembly, distribution and marketing of New Zealand grown standard and Meyer lemons and sweet oranges, now runs a national voluntary marketing scheme for all citrus and some subtropical fruits. It packs and markets fruit on behalf of whole of crop contracted growers. The fruit, when received at the shed is sold either through Fruit Distributors Ltd or marketed directly by the Authority. Unmarketable, but otherwise sound, fruit is processed by the Authority into by products such as fruit juice and lemon peel.

Fruit Distributors Ltd is a registered company owned by wholesale fruit merchants and established by agreement with the Government. In addition to its role in relation to locally produced fruit, the company has the sole right of importing and marketing citrus fruits, bananas, pineapples and grapes. Fruit Distributors Ltd imports only sufficient quantities of these fruits to meet the reasonable needs of consumers during periods when local supplies are inadequate. Price control operates at the retail level in respect of bananas and imported oranges.

The Citrus Marketing Authority does not enter into long term market contracts. The agreement between the Government and Fruit Distributors Ltd provides that the company shall not without the consent of the Minister of Agriculture, enter into contracts for the importation of fruit for a longer period than two years.

(c) Apples and Pears

The New Zealand Apple and Pear Marketing Board was established by the Apple and Pear Marketing Act 1948, as amended in 1971 and 1977 to direct the marketing of the New Zealand apple and pear crop.

The Board consists of four members nominated by the national grower organisation and two members representing the interests of the consumer. A chairman and deputy chairman are elected from among the six sitting members at the first meeting of each season.

With the following exceptions, all fruit must be offered to the Board, and accepted by it if the fruit comes within the scope of the New Zealand Grown Fruit and Vegetables Regulations 1975. These regulations provide for the setting of standard grades with which the packed fruit must conform. The exceptions are:

- (i) Growers may sell direct to consumers in lots of two bushells or less or to retailers in some cases, with the permission of the Board.
- (ii) Manufacturers may be licensed by the Board to purchase their requirements direct from growers.
- (iii) Growers may also be permitted by the Board to sell at municipal markets established under the Municipal Corporations Act 1954. The Board is then not obliged to accept fruit from a grower while he holds a permit to sell at such a market.

Prices of apples and pears are controlled by the Apple and Pear Prices Authority, set up under the amended Act of 1971. The Authority is empowered to fix an "average price" paid to growers by the Board for supplies of New Zealand grown fruit acquired under the Act in any given season. The average price may be fixed only after consultation with the Minister of Agriculture.

The average price cannot vary more than plus 10% or minus 5% from that of the previous season and in fixing the price the Authority must have regard to:

- (i) The stability and efficiency of the apple and pear growing industry in New Zealand.
- (ii) Movements in the costs of marketing apples and pears.
- (iii) Market realisations for fruit sold by the Board, market prospects for the season and any other trends known to, or anticipated by, the Authority.
- (iv) The current financial status of the Board.

- (v) Current and future capital requirements of the Board.
- (vi) Submissions from grower organisations.
- (vii) Any other matters considered relevant by the Authority.

Apples and pears are no longer subject to import licensing but phyto-sanitary regulations are strictly enforced and limit sources of supply for imported fruit. As the Board has control over the marketing and distribution of apples and pears in New Zealand, whether the fruit be of domestic or imported origin, the Board is effectively the sole importer of pip fruits.

Export prices are determined by the free play of market forces and are usually higher than the equivalent domestic prices. This is because fruit is sold fresh during the Northern Hemisphere "off season", thereby receiving premium prices.

The Board has not as yet entered into long term market contracts and is not used to fulfil contractual obligations entered into by the Government.

(d) Honey

The Honey Marketing Authority Regulations 1953, made under the Primary Products Marketing Act 1953, provided for the formation of a Honey Marketing Authority. The Authority, now operating under the Honey Marketing Authority Regulations 1975, comprises four elected producer members and one government nominee who, inter alia, protect the interests of the consumer.

The Authority receives whatever honey is voluntarily offered by beekeepers; usually the surplus which they do not wish, or are unable, to sell locally. This honey is packed or blended and sold within New Zealand or exported.

(e) Hops

A Hop Marketing Committee of six members (one Government and five producers) was established by the Hop Marketing Regulations 1939 to regulate and control the marketing of hops.

(f) Eggs

The regulation and control of the marketing and distribution of eggs is a function of the Egg Marketing Authority which was established in 1953. The Authority consists of five producer members of the New Zealand Poultry Board and three Government representatives.

The principal function of the Authority is to ensure as far as possible sufficient supplies of eggs and their equitable distribution in the general interests of producers and consumers. The productive capacity of the local poultry industry is ample and the Authority's basic task is the equation of local supply and demand; trade beyond the national frontier is only necessary when imbalances occur.

The Authority operates principally through licensed distributors (egg floors) who, on commission, receive and resell eggs, or, as directed by the Authority, manufacture egg pulp for the use of bakers and pastry cooks. Egg floors are privately or co-operatively owned.

Producers may sell eggs direct to consumers, but such eggs may not be re-offered for sale in marketing areas which are served by "egg floors". In these areas producers may not sell to retailers. It is estimated that, of the eggs produced in New Zealand about 60 percent pass through the egg floors; the remainder being disposed of directly by producers.

The Authority arranges for the pulping of eggs surplus to local requirements. The pulp is sold to bakers and pastry cooks and any surplus is exported. New Zealand is, in general, self sufficient in eggs at all times of the year and no imports of eggs in shell, egg pulp or egg powder are required.

Prices for eggs vary according to grade and are sold at prices fixed by the Secretary of Trade and Industry on the recommendation of the Egg Marketing Authority. The latter endeavours to obtain for the producer an average overall annual price in line with assessed costs of production. Egg pulp is also subject to price control.

There is no statutory provision that the Authority has the sole right of exporting or importing eggs or egg products, but by reason of the Authority's place in the industry, it does acquire surplus stocks of egg pulp which are exported. Similarly the Authority arranges for imports of egg pulp when local supplies are inadequate.

The Authority does not enter into any long term contracts, nor is it used to fulfil contractual obligations entered into by the Government.

(g) Dairy Produce

The marketing of dairy produce is the responsibility of the New Zealand Dairy Board, a statutory authority which was established in 1961 by an Act of Parliament, as a result of the amalgamation of the New Zealand Dairy Board and the New Zealand Dairy Products Marketing Commission. The Board has a membership of 13, of whom

11 are elected by producers, and two are appointed by the Government. The Chairman is elected from among the members of the Board.

The Board sells its products throughout the world, and is currently exporting to over 90 countries. Sales are made in the United Kingdom through the Board's own sales organisation. In other markets, the Board sells through local agents, or in the case of some buyers it sells direct on a contract basis. The Dairy Board exports annually about 600,000 tons of manufactured dairy products, of which about 200,000 tons is destined for Europe (in particular the United Kingdom), North America and Japan and about 450,000 tons to the rest of the world, mainly South-East Asia and Latin America.

Apart from the butter and cheese exports to the United Kingdom, which are specified under Protocol 18 of the EEC Treaty of Accession, the Board negotiates with overseas buyers in respect of prices and quantities of export dairy produce. The Board acquires and provides for the handling of the New Zealand export production and oversees the marketing of butter and cheese on the domestic market. Export prices, other than those negotiated under Protocol 18 for butter and cheese entering the United Kingdom, received for New Zealand dairy produce are the result of normal commercial negotiations between the Dairy Board on the one hand and overseas buyers on the other.

Dairy products manufactured overseas are not normally competitive in price on the domestic market compared with those produced locally and imports are insignificant. The Board does not enter into long term selling contracts except those in the form of "evergreen" contracts which are loose arrangements for renegotiating contracts normally for milk powders and AMF. The New Zealand dairy industry has been developed primarily for the export trade. The Board is vested with the sole right to export dairy produce, but the import trade, which is very small, is in the hands of private traders.

(h) Potatoes

The Potato Growing Industry Act 1950 and the original Potato Board were abolished on February 9 1978 when the Potato Industry Act 1977 came into force. The new Act covers all potatoes, not just the main crop. The new Potato Board comprises six elected grower representatives (three representing early crop and three representing main crop growers), one government nominee, one merchant and one auctioneer representative. There is provision under the new Act for the registration of plantings by area and a fee payable on registered plantings to meet the Board's expenditure.

IV Statistical Information

See Annexes I and II.

V Reasons Why No Foreign Trade Has Taken Place in Products Affected

There is foreign trade in all the products concerned, although on some occasions exports may depend on the availability of supplies once domestic demand has been satisfied (e.g., wheat and potatoes).

March 1980

ANNEX I

PRODUCTION STATISTICS

NEW ZEALAND

Commodity	Units	Years Ending	Year	Production	Source
Wheat	'000 tonnes	30 June	1975-76	388.2	Department of Statistics
			1976-77	354.0	Department of Statistics
			1977-78	328.8	Department of Statistics
			1978-79	326.9	Ministry of Agriculture
			1979-80	320.0	Ministry of Agriculture
Flour	'000 tonnes	31 Dec	1974	212.6	Department of Statistics
			1975	219.2	Department of Statistics
			1976	211.1	Department of Statistics
			1977	220.1	Department of Statistics
			1978	218.7	Department of Statistics
Wheatmeal and wholemeal	tonnes	31 Dec	1974	5407	Department of Statistics
			1975	4860	Department of Statistics
			1976	4963	Department of Statistics
			1977	5419	Department of Statistics
			1978	6241	Department of Statistics
Collection of these statistics have been discontinued.					
Citrus Fruits	'000 tonnes	30 Nov	1974	13.9	Ministry of Agriculture
			1975	14.5	Ministry of Agriculture
			1976	17.7	Ministry of Agriculture
			1977	16.7	Ministry of Agriculture
			1978	20.9	Ministry of Agriculture

Commodity	Units	Years Ending	Year	Production	Source
Apples and Pears (total production)	'000 tonnes	31 Oct	1974/75	176.8	Ministry of Agriculture
			1975/76	186.4	Ministry of Agriculture
			1976/77	157.3	Ministry of Agriculture
			1977/78	199.4	Ministry of Agriculture
			1978/79 (est)	199.5	Ministry of Agriculture
Apples and Pears (total acquired by marketing authority)	'000 tonnes	30 Nov	1973/74	127.5	Apple & Pear Mark. Board
			1974/75	131.8	Apple & Pear Mark. Board
			1975/76	141.7	Apple & Pear Mark. Board
			1976/77	110.7	Apple & Pear Mark. Board
			1977/78	152.0	Apple & Pear Mark. Board
Honey (total production) tonnes	tonnes	31 May	1973/74	5262	Ministry of Agriculture
			1974/75	7380	Ministry of Agriculture
			1975/76	4915	Ministry of Agriculture
			1976/77	6078	Ministry of Agriculture
			1977/78	8279	Ministry of Agriculture
Honey (total acquired by marketing authority)	tonnes	31 Aug	1974/75	1456	NZ Honey Mark. Authority
			1975/76	2914	NZ Honey Mark. Authority
			1976/77	1700	NZ Honey Mark. Authority
			1977/78	2441	NZ Honey Mark. Authority
			1978/79	1766	NZ Honey Mark. Authority
Grapes (production for wine manufacture only)	tonnes	30 June	1974/75	24012	Ministry of Agriculture
			1975/76	N.A.	-
			1976/77	N.A.	-
			1977/78	29052	Department of Statistics

Note: Ministry of Agriculture collects grape statistics, i.e., 5-yearly survey.
Department of Statistics commenced collection of grape statistics in 1977.

Commodity	Units	Years Ending	Year	Production	Source
Skim Milk Powder	'000 tonnes	31 May	1975/76	206.99	Department of Statistics
			1976/77	205.69	Department of Statistics
			1977/78	172.87	Department of Statistics
			1978/79	174.36	Department of Statistics
Buttermilk Powder	'000 tonnes	31 May	1975/76	24.32	Department of Statistics
			1976/77	23.50	Department of Statistics
			1977/78	19.90	Department of Statistics
			1978/79	23.70	Department of Statistics
Casein	'000 tonnes	31 May	1975/76	52.74	Department of Statistics
			1976/77	56.95	Department of Statistics
			1977/78	57.00	Department of Statistics
			1978/79	63.53	Department of Statistics
Eggs* (including egg pulp) Handled by Licensed Distributors	million dozen	30 June	1976	51.2	Egg Marketing Authority
			1977	56.1	Egg Marketing Authority
			1978	51.8	Egg Marketing Authority
			1979	50.7	Egg Marketing Authority
Egg Pulp* & Powder (included above)	tonnes	30 June	1979	2639	Egg Marketing Authority
Egg Pulp* & Powder	million dozen equivalent	30 June	1976	4.7	Egg Marketing Authority
			1977	9.9	Egg Marketing Authority
			1978	8.9	Egg Marketing Authority
			1979	7.2	Egg Marketing Authority

* Eggs by Licensed Distributors only.

+ Represents about 65 per cent of total egg production.

Commodity	Units	Years Ending	Year	Production	Source
Butter (creamy)	'000 tonnes	31 May	1975/76	255.60	Department of Statistics
			1976/77	277.10	Department of Statistics
			1977/78	233.60	Department of Statistics
			1978/79	251.80	Department of Statistics
Cheese	'000 tonnes	31 May	1975/76	104.80	Department of Statistics
			1976/77	81.00	Department of Statistics
			1977/78	78.30	Department of Statistics
			1978/79	90.20	Department of Statistics
Condensed Milk and WHOLEMILK Powder	'000 tonnes	31 May	1975/76	46.76	Department of Statistics
			1976/77	77.89	Department of Statistics
			1977/78	78.67	Department of Statistics
			1978/79	77.35	Department of Statistics

ANNEX II

NEW ZEALAND

Imports of Agricultural Commodities by Enterprises Covered
by Article XVII

Year Ended 30 June

1978/79

<u>Commodity</u>	<u>Unit of</u>	<u>Quantity</u>	<u>NZ\$ (CIF)</u>
Wheat	tonnes	31758	5 680 595
Citrus Fruits	tonnes	25489	6 121 051
Bananas	tonnes	35102	8 151 695
Grapes	kg	506395	628 742
Pineapples	kg	350808	229 898

Exports of Commodities by Enterprises Covered by Article XVII

Year ended 30 June

1978/79

<u>Commodity</u>	<u>Unit of Measure</u>	<u>Quantity</u>	<u>NZ\$ (FOB)</u>
Apples	kilogramme	84 292 900	30 324 500
Pears	kilogramme	1 584 500	600 000
Honey	kilogramme	2 215 357	3 152 838
Egg Pulp & Powder	tonne	2 078.37	1 612 060.73
Butter *	tonne	1 088	3 481
Cheese	tonne	83 415	251 471
Milk Powder	tonne	243 220 312	110 122 318
Casein and Caseinates	tonne	67 842 947	65 858 991

* includes butter equivalent of AMF.

