

**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

RESTRICTED

IMC/INV/17/Rev.2
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Arrangement Regarding Bovine Meat

Original: English

INTERNATIONAL MEAT COUNCIL

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

Reply to Parts G and H of the Questionnaire

NEW ZEALAND

Revision

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 revised as and when changes are notified.

This set of documents constitutes 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).

Note: This document has been revised in accordance with the three-year rule contained in Rule 18 of the Rules of Procedure, and replaces all previous IMC/INV/17/... documents.

PART G

Part G 1. Information on Domestic Policies and Trade Measures

I. Production

(a) Description of beef industry

Cattle numbers in New Zealand at 30 June 1985 totalled 7.921 million, being 4.613 million beef cattle and 3.308 million dairy cattle. The total number at 30 June 1986 was estimated at 8.392 million but this number was artificially inflated by meatworks stoppages from an estimated normal figure of 8.04 million. Beef and veal production in the year ending 30 September 1986 totalled 467 thousand tonnes (bone-in weight). Exports in the same year totalled 208.5 thousand tonnes (product weight).

Meat production in New Zealand concentrates on sheepmeats and beef production. There are about 22,000 sheep and beef farm businesses in New Zealand that can be regarded as being economic units. According to the New Zealand Meat and Wool Boards Economic Service Surveys the all-classes-average enterprise runs about 2,900 sheep and 140 cattle. A farm this size requires just two labour units including the working owner. Ownership of farms is mainly in the private hands of the individual farmer's family. The individual farmer, taking into account climate, topography, and their particular capital structure, determines what product mix is most profitable. Livestock production is based upon extensive grassland farming. In recent years over 70 per cent of New Zealand's beef and veal production has been exported, and of this total about 85 per cent is exported to North American markets. As a result the price signals received by New Zealand producers are strongly influenced by the North American market.

The New Zealand beef industry can be separated into two distinct components:

(i) Traditional beef production

(ii) Dairy beef production

(i) Traditional beef production

Traditional beef production in New Zealand is based upon British breeds of beef cattle such as the Hereford, Angus and Shorthorn. Beef cattle tend to be bred on hill country then fattened for slaughter on lowland areas with better grazing. The use of breeding cattle on hill country farms was initially developed as a means of pasture management rather than as a means of directly earning income. Cattle were useful for breaking-in farmland, controlling weeds and overgrown pasture. This enabled sheep, the real income earners, to graze more efficiently. Since the mid 1960s, however, revenue from beef production has become and

remained an important part of New Zealand sheep and beef farm incomes, amounting to about 16 per cent of gross farm income on average in recent years. Over 75 per cent of New Zealand's beef cattle are located in the North Island.

Breeding cows on average hill country generally have their first calf in the spring as three-year olds, although calving at two years is becoming more widespread. A breeding cow can be expected to produce about five calves over a lifetime, so that about 20 per cent of the herd needs to be replaced annually. Cull cows are generally sold in the autumn, after weaning. Generally all weaner steers and those weaner heifers not needed as replacements are sold to fattening farms at six to nine months of age in autumn weaner sales. Some weaners can be kept over the winter and sold as yearlings in the spring, while on some very hard hill country steers may be kept for two or three years for use in pasture management before being sold in store condition. In 1983-84 income from cattle constituted about 24 per cent of gross farm income on an average North Island hill country sheep and cattle farm.

Store stock from hill country areas are generally finished on pasture on lowland fattening farms. Some breeding farms are also in the position where they have suitable areas of good quality grazing to fatten stock. Specialist fattening units mainly tend to buy in weaners in the autumn, then sell the cattle for slaughter at eighteen to twenty months the following autumn.

Other common management policies include buying in yearlings in the spring for sale at eighteen to twenty months the following autumn; buying in two-year olds in the spring for sale the following autumn; and buying in two-and-a-half-year old steers in the autumn for sale on the domestic market over the following winter. In 1983-84 income from cattle constituted about 21 per cent of gross farm income on an average North Island intensive fattening sheep and cattle farm.

(ii) Dairy beef production

Beef production from the dairy industry is an important part of total New Zealand beef production. In 1985-86 it is estimated that about 25 per cent of total beef and veal production was derived from cattle of dairy origin. These are:

- cull cows and heifers;
- bobby calves (calves of less than 45 kg. live weight of dairy origin that are sold for slaughter for the production of boneless veal); and
- dairy-bred bulls, steers and heifers reared for beef production.

About 15 per cent of dairy cows in milk are culled each year. The relative numbers of bobby calves killed and dairy calves retained for beef production varies from year to year depending on the financial attractiveness of calf rearing. It is estimated that some 40 per cent of all dairy calves born are available for rearing for beef production. Over recent years, about 60 per cent of this number have actually been retained. Between 30-50 per cent of those dairy calves retained for beef production are reared to slaughter on the dairy farms they were bred on, with the remainder being sold as weaners to separate fattening units.

(b) Government policies influencing production

Government policies for the agricultural sector have some minor influence for beef producers. Farmers receive compensation under the cattle tuberculosis and brucellosis eradication and control schemes. In 1985/86 the total cost was NZ\$ 13 million, of which NZ\$ 4.7 million was collected from producers in the form of a levy on cattle slaughtered. The Government also provided two thirds of the cost of meat inspection services at all meat export slaughterhouses and abattoirs until 1 October 1986 when its contribution was reduced to one third. A decision is yet to be made on whether the Government will withdraw from the service completely. Abattoirs supply meat only to the domestic market.

(c) Stabilization schemes

There is one industry-run price stabilization scheme for export beef production in New Zealand, namely the New Zealand Meat Producers Board price smoothing scheme. The Government has announced its intention of repealing the Act under which this scheme is administered. In the meantime, the minimum and trigger price levels for the 1986-87 season (commencing 1 October 1986) have been set at sufficiently low and high levels respectively such as to make the scheme inoperative in the 1986-87 season.

After levying beef exports by \$39.7 million during the 1978-79 season, payments were made to beef producers during the 1979-80, 1980-81 and 1981-82 seasons amounting to \$9.7 million, \$23.5 million and \$4.4 million respectively. In the 1983-84 season, levies totalling \$5.7 million were collected during the September quarter. There was no supplementation or levying during the 1984-85 season, and payments of \$1.4 million were made to farmers in the 1985-86 season. (All New Zealand dollars.)

II. Internal prices and consumption

Domestic meat prices to both producers and consumers are heavily influenced by export demand. There are no government policies aimed at influencing beef consumption levels and retail beef prices.

III. Measures at the Frontier

NEW ZEALAND TARIFF 1978
(as at July 1986)

Chapter 2

Meat and Edible Meat Offals

NOTE

This Chapter does not cover:

- (a) Products of the kinds described in headings Nos. 02.01, 02.02, 02.03, 02.04 and 02.06, unfit or unsuitable for human consumption;
- (b) Guts, bladders or stomachs of animals (heading No. 05.04) and animal blood (heading No. 05.15); or
- (c) Animal fat, other than products of heading No. 02.05 (Chapter 15).

Number	Goods	Rates of duty		Statistical key		
		Normal tariff	Preferential tariff	Code	Unit	Description
02.01	Meat and edible offals of the animals falling within heading Nos. 01.01, 01.02, 01.03 or 01.04, fresh, chilled or frozen					
02.02.001	- Meat of lambs	Free	Aul free	00F	kg.	
02.01.003	- Meat of swine	20	Aul free Can 5 LDC 16 LLDC free Pac free	00J	kg.	
02.01.007	- Meat of horses, asses, mules or hinnies	Free	Aul free Can free LDC free	00D	kg.	

Chapter 2 (cont'd)

Meat and Edible Meat Offals (cont'd)

Number	Goods	Rates of duty		Statistical key		
		Normal tariff	Preferential tariff	Code	Unit	Description
02.01.011	- Offals	20	Aul free Can 10 LDC16 LLDC free Pac free	00A	kg.	
02.01.019	- Other	Free	Aul free Can free	01L	kg.	Meat of bovine animals, with bone-in
				11H	kg.	Meat of bovine animals, boneless
				21E	kg.	Other meat of sheep or goats
02.02.000	Dead poultry (that is to say, fowls, ducks, geese, turkeys and guinea fowls) and edible offals thereof (except liver), fresh, chilled or frozen	7/86 28.5 7/87 25.5	Aul free Can 20 LDC 15 LLDC free Pac free	01A	kg.	Poultry: - Chicken
				11J	kg.	- Turkey
				21F	kg.	- Duck
				29A	kg.	- Other
				39J	kg.	Other
02.03.000	Poultry liver, fresh, chilled, frozen, salted or in brine	20	Aul free Can 10 LD. 5 LLDC free Pac free	00G	kg.	
02.04.000	Other meat and edible meat offals, fresh, chilled or frozen	20	Aul free Can 10 LDC 5 LLDC free Pac free	00L	kg.	
02.05.000	Pig fat free of lean meat and poultry fat (not rendered or solvent-extracted), fresh, chilled, frozen, salted, in brine, dried or smoked	Free	..	00D	tne	

Chapter 2 (cont'd)

Meat and Edible Meat Offals (cont'd)

Number	Goods	Rates of duty		Statistical key		
		Normal tariff	Preferential tariff	Code	Unit	Description
02.06	Meat and edible meat offals: (except poultry liver), salted, in brine, dried or smoked:					
02.06.001	- Mutton birds	15	Aul free Can 5 LDC 5 LLDC free Pac free	00D	kg.	
02.06.004	- Bacon, ham and other meat of domestic swine	10	Aul free LDC 8 LLDC free Pac free	01A 21F 29A	kg. kg. kg.	Bacon and ham Smoked meat Other
02.06.008	- Other	20	Aul free Can 10 LDC 16 LLDC free Pac free	01G 09B	kg. kg.	Lamb, smoked Other kinds

PART H

Information on Bilateral or Plurilateral Agreements in the
Field of Bovine Animals, Meat and Offals

The following is a list of trade agreements to which New Zealand is a signatory and which make specific provision for according preferential treatment to meat products:

(a) The trade agreement between the Government of New Zealand and the Government of the People's Republic of China (1973)

Both contracting parties agree to import from and export to the other country with particular importance being attached to certain products. In the case of China's export commodities, agricultural and animal by-products are included (Schedule A). As far as New Zealand exports to China are concerned, meat and animal by-products are included (Schedule B).

(b) The trade agreement between the Government of New Zealand and the Government of the Federation of Malaysia

The agreement (Article II) contains three categories of preferential treatment for goods enumerated in Schedule A attached to the agreement. The categories are as follows:

- (i) the goods listed in the aforesaid Schedule will have rates of duty not higher than those specified in that Schedule;
- (ii) the goods listed in Schedule B will have margins of preference not lower than those specified in that Schedule; and
- (iii) all other New Zealand goods receive the benefits of the preferential tariff of the Federation of Malaysia.

With regard to these three categories, therefore, New Zealand exports to Malaysia of the meat products listed below are entitled to rates of duty no higher than those specified in category (i) above.

Schedule A

<u>Federation of Malaysia</u> <u>Current tariff item</u> <u>(1978 tariff)</u>	<u>Description of goods</u>	<u>Rate of duty</u>
02.01.100 02.01.200	Meat of bovine cattle: beef and veal (fresh, chilled or frozen)	Free
02.01.300	Meat of sheep or lamb: mutton and lamb (fresh, chilled or frozen)	Free

(c) New Zealand-Canada Trade and Economic Co-operation Agreement (1981)

- (1) This Agreement was signed on 25 September 1981 and came into force on 1 January 1982 replacing the 1932 New Zealand/Canada Trade Agreement.
- (2) The 1981 Agreement, although removing obligations in respect of the levels of margins of preference between the m.f.n. rates and the special Canadian/New Zealand rates in each country's tariffs, maintains the existing preferential tariff rates applied by both countries and contains provisions to develop further trade co-operation between Canadian and New Zealand companies.
- (3) Under this Agreement the Government of Canada agreed to give notice in writing to New Zealand as far in advance as may be practicable, for any calendar year in which it restricts imports of fresh, chilled or frozen beef and veal into Canada and to give full consideration to representations made by New Zealand in respect of actual levels of permitted imports and arrangements for each year.
- (4) The Canadian Government also agreed to give favourable consideration to representations made by New Zealand in respect of shortfalls in deliveries of beef and veal from other countries and to re-apportion promptly such supplies taking account of New Zealand's position as a traditional supplier.
- (5) If, after consultation, intensification of quantitative restrictions still occurs resulting in substantial impairment of the Agreement, Canada is then required to offer a compensatory benefit.

(d) Results of bilateral negotiations between Canada and New Zealand at the Tokyo Round of multilateral trade negotiations

- (6) In response to a specific request from New Zealand, Canada reduced the rate of duty for fresh, chilled and frozen beef and veal to 2 cents per pound.
- (7) Canned beef from New Zealand enters Canada free of duty. While Australia shares this tariff preference pursuant to its trade agreement with Canada, duty rates for canned meat from other suppliers are BP 15 per cent, m.f.n. 15 per cent and GT 35 per cent.
- (8) Exchange of letters between Canada and New Zealand on beef and veal

The Government of Canada undertook to incorporate in Schedule V of the GATT, a base minimum global access commitment for fresh,

chilled and frozen beef and veal (Canadian tariff item number 701-1) of 139.2 million pounds for 1980. For subsequent years the base minimum global access commitment will be increased cumulatively by the same proportion as the increase in Canadian population.

For calendar years in which Canada restricts imports of fresh, chilled or frozen beef and veal Canada will give notice in writing to New Zealand as far in advance as may be practicable and shall afford New Zealand an opportunity to consult in respect of actual levels of permitted imports and arrangements for each year. Insofar as quantitative restrictions are in force in any year on products covered by this Arrangement, New Zealand's allocation will be made taking into account actual performance in a recent representative period. Any allocation to new suppliers will be the subject of consultation.

Canada and New Zealand undertook to hold consultations regarding the implementation of this Arrangement at the request of either party. These consultations could address measures to deal with any problems with respect to the patterns of shipment and product mix and any other relevant matter.

Canada undertook that "shortfalls" in deliveries by individual countries will be promptly re-apportioned each calendar year among traditional suppliers able to furnish additional quantities. Consultations on shortfalls may be held at any time at the request of either Canada or New Zealand.

(e) Results of bilateral negotiations between New Zealand and the United States at the Tokyo Round of multilateral trade negotiations

(1) The United States undertook to make a maximum effort to maintain the following tariff concessions:

- | | | |
|---|---|-------------|
| - | beef and veal, fresh, chilled, frozen | 2 cents/lb. |
| - | beef and veal prep. or pres., other, valued not over 30 cents/lb. | 2 cents/lb. |
| - | beef and veal, prep. or pres., other, valued over 30 cents/lb. | 4 per cent |

(2) Offer by the United States on imports of meat

The United States agreed to incorporate in Schedule XX a minimum global access commitment for imports of fresh, chilled or frozen beef, veal, mutton (excluding lamb meat) and goat meat (TSUS 106.10 and 106.20) at 1.2 billion pounds annually.

When the base quota calculated in accordance with the United States Meat Import Law (PL 88-482) is at or above this level and voluntary restraint agreements are in effect, a minimum global access level of 1.3 billion pounds would be provided.

If, in any year, the United States maintains limitations on imports, the United States agreed that country allocations within any minimum global access commitment or level shall be allocated among supplying countries on the basis of shares of the meat articles described in paragraph 1, taking into account the position of traditional suppliers during a representative period. Any allocation to new entrants shall be subject to consultation.

When imports through the operation of the United States Meat Import Law (PL 88-482) or any subsequent legislation have been allocated up to the levels provided for in this agreement, any shortfalls in country allocations will be re-apportioned promptly among those suppliers able to furnish additional quantities to maintain importations at the minimum levels set forth.

(f) Arrangement concerning beef between New Zealand and the European Community

As part of the 1979 Tokyo GATT MTN the European Community undertook to increase the global annual tariff quota (customs duty 20 per cent, levy - free) for frozen beef from 38,500 tonnes (boneless) to 50,000 tonnes (boneless) and, on request, to fix the levy for frozen beef in advance.

It also undertook to fix the suspension of the levy on imports of beef for processing, covered by the balance sheet arrangement, at the highest possible level. Imports under the balance sheet arrangement are either levy free or subject to a reduced levy, but still attract customs duty.

In order to determine the total quantity of beef to be imported under the beef balance sheet, the European Community, after consultation with third countries, estimates the total Community deficit of manufacturing grade beef for the year ahead. It was agreed that this should show an increase over several years in relation to increasing European Community consumption and needs.

(g) In addition to the trade agreements listed above in which specific provisions relating to meat products are given, New Zealand is also a signatory to a number of m.f.n. trade agreements with other countries where such meat products would be eligible to receive m.f.n. treatment. These countries are listed as follows:

- the Arab Republic of Egypt
- the Bulgarian People's Republic
- the German Democratic Republic
- the Hungarian People's Republic
- the Republic of Iraq

- the Republic of Italy
- the Republic of the Philippines
- the Polish People's Republic
- the Socialist Federal Republic of Yugoslavia
- the Socialist Republic of Romania
- the Union of Soviet Socialist Republics