

1978/79 MEAT INDUSTRY REVIEW

In the year ended September 1979 meat industry export receipts rose by 33.3 per cent despite a marginal decline in meat production for export. The following article briefly describes the 1978/79 meat season, with particular emphasis on international markets for New Zealand meat.

NEW ZEALAND MEAT PRODUCTION

Total New Zealand meat production, measured on a bone-in basis, declined to an estimated 1,101 thousand tonnes in the year ended September 1979, 5.1 per cent below the previous season and 10.8 per cent below the record level of production achieved in the 1975/76 season. Most of this decline was due to a 10.6 per cent drop in beef and veal production. Production of pigmeat and edible offal also declined, while lamb and mutton production were up from the previous season by 1.2 per cent and 2.1 per cent respectively. Details of total New Zealand meat production for the past five years are shown in table 1, while livestock slaughter statistics for meat export works and abattoirs are shown in table 2.

TABLE 1
Estimated Meat Production
(000 tonnes, bone-in basis)

Season Ended September	1975	1976	1977	1978	1979*
Lamb	327.0	357.6	341.5	342.0	346
Mutton	163.9	155.2	156.2	159.6	163
Beef	477.0	599.0	529.9	533.7	477
Veal	31.1	29.1	27.8	27.8	25
Pigmeat	34.2	32.8	39.0	38.2	35
Edible Offal	55.5	60.6	58.0	58.8	55
TOTAL	1,088.7	1,234.3	1,152.5	1,160.3	1,101

Source: Department of Statistics.

* Ministry of Agriculture and Fisheries provisional estimates.

TABLE 2
New Zealand Livestock Slaughter
(Thousands)

Season Ended September	1975	1976	1977	1978	1979
Lambs	25,428	25,961	25,417	26,326	26,042
Ewes	5,436	5,450	5,754	5,861	5,665
Other Sheep	1,659	1,142	1,146	1,833	1,770
Total Sheep and Lambs:	32,523	32,553	32,317	34,021	33,477
Calves (less than 27kg)	1,332	1,201	1,201	1,107	1,017
Vealers (27-159kg)	109	94	82	83	58
Heifers	355	472	457	461	459
Steers	857	1,030	892	877	848
Cows	699	849	784	882	648
Bulls	226	222	154	185	176
Total Cattle:	2,246	2,667	2,369	2,488	2,187
Pigs	720	721	826	802	725

Source: New Zealand Ministry of Agriculture and Fisheries.

1. Slaughtering at Meat Export Works and Abattoirs.

2. Excludes Calves Under 27kg.

Meat production for export, measured on a product weight basis, fell by 1.5 per cent in the 1978/79 season to 694 thousand tonnes, the lowest level since 1974/75 and 9.4 per cent below the record 766 thousand tonnes produced in 1975/76. Although export mutton production increased by 5 per cent and export lamb production increased by 1.2 per cent, these increases were more than offset by a 7.7 per cent drop in export beef and veal production. Export production of the main categories of meat in the past three seasons are shown in table 3.

The increase of 1.2 per cent in total lamb production was entirely due to an increase in carcass weights as the number of lambs slaughtered fell by 1.1 per cent. The average carcass weight for the 1978/79 season was 13.28 kg, compared with only 12.85 kg the previous season, when a drought occurred in the late summer and autumn. The percentage of lambs slaughtered being killed for export remained at approximately 95 per cent, the same as the previous season.

Increased carcass weights were also responsible for a 2.1 per cent increase in total mutton production, since the slaughter rate dropped by 3.4 per cent. Export mutton production however increased by 5 per cent to 95,179 tonnes, mainly because of a continued decline in domestic mutton consumption. Domestic mutton consumption for the year ended September 1979 was estimated at 67,000 tonnes compared with 95,400 tonnes in the year ended September 1972.

TABLE 3
Meat Production for Export
(tonnes, product weight basis)

Season Ended September	1977	1978	1979
Lamb, carcass	264,183	257,317	257,491
Lamb, cuts and boneless	48,736	56,295	59,846
Total Lamb:	312,919	313,612	317,338
Ewe, carcass	85,251	83,237	86,135
Hogget and wether carcass	1,729	602	631
Mutton cuts	931	1,148	1,135
Boneless mutton	4,955	5,684	7,278
Total Mutton:	92,866	90,671	95,179
Chilled beef	3,266	3,570	4,217
Ox and heifer carcass	10,618	790	293
Cow and bull carcass	1,550	492	391
Ox and heifer cuts	43,237	41,903	38,638
Cow cuts	7,067	6,066	5,400
Ox, heifer & cow manufacturing	134,709	145,571	133,022
Bull manufacturing	26,016	27,547	28,033
Vealer	285	88	87
Bobby veal	9,536	10,384	8,131
Total Beef and Veal:	236,281	236,411	218,212
Other meat	1,435	1,182	950
Edible offal	44,116	44,331	44,345
Inedible meat and offal	15,166	18,405	18,046
Total Meat Production for Export:	702,783	704,613	694,071

The lambing percentage for 1978 was only 90.4 per cent, compared with 93.3 percent in 1977 and 96.4 in 1976, because of the drought conditions experienced early in the year. However, sheep numbers are continuing to grow and were estimated at 62.2 million at June 1978 and a record 63.5 million at June 1979.

Total beef and veal production fell by 10.6 percent to 502 thousand tonnes in 1978/79, reflecting a 12.1 per cent drop in the slaughter rate. Beef cattle numbers are continuing to decline and stood at 5.507 million as at June 1978 compared with 5.840 million the previous year and a peak of 6.294 million in June 1975.

PRICE STABILISATION SCHEMES

The New Zealand Meat Producers Board operates a price smoothing scheme, first introduced in 1976, under which it sets minimum and trigger prices for certain benchmark grades of meat each season. Whenever the schedule price falls below the minimum price the difference between the two prices is made up and whenever the schedule price exceeds the trigger price a percentage of producers' returns is deducted according to a set formula.

The levies deducted are paid into one of two buffer accounts (one for sheepmeat and one for beef) and are used to finance the payments required when the schedule price falls below the minimum price. These buffer accounts are intended to be self balancing over time.

In the June 1978 budget the Government introduced a supplementary minimum price scheme to be administered by the Meat Board but to operate alongside and independently of the Board's own scheme. Under the Government scheme a minimum price is set each season and guaranteed to producers. All funds required are supplied by Government. Details of minimum and trigger prices for both schemes in the 1978/79 and 1979/80 seasons are shown in table 4.

During the 1978/79 season no supplementary payments were made under either scheme, although the schedule price for ML1 grade mutton was the same as the minimum price in the early part of the season. However for much of the remainder of the season the schedule price for ML1 grade mutton was above the trigger price. M grade cow beef and steer beef both exceeded their trigger prices for most of the season, while PM lamb prices remained between the minimum and trigger prices for the entire season. As a result, payments into the Meat Income Stabilisation Account (equal to the balance of the Sheepmeat and Beef accounts) during the 1978/79 season totalled \$40.378 million of which \$39.731 million went into the Beef account. At 30th September 1979 the Sheepmeat

account had a credit balance of \$7.262 million compared with a credit balance of \$6.615 million in the previous year, while the beef account moved from a debit balance of \$14,691 million to a credit balance of \$25.040 million over the same period.

TABLE 4
1978/79 Minimum and Trigger Prices¹
(cents/kg)

	Government Supplementary Minimum Price	Meat Board Minimum Price	Meat Board Trigger Price
Lamb			
— PM (13-16 kg)	70 (86)	72 (86)	95 (120)
Mutton			
— ML1 (22 kg and under)	30 (40)	30.5 (35)	42 (50)
Beef			
— Cow M (140 kg and over)	70 (100)	58 (100)	80 (140)
— Steer P1 (245-270 kg)	80 (110)	70 (112)	96 (158)
— Bull (220.5-245 kg)	— —	— (110)	— (160)

1. 1979/80 prices are shown in brackets.

BEEF MARKETS

The U.S. was as usual New Zealand's major Customer for beef and veal in the year ended September 1979, taking 165,772 tonnes or 73.8% of total exports compared with 142,175 tonnes or 62.7% of total exports in the previous year. The second largest market for New Zealand beef and veal was Canada, which took 27,254 tonnes, 4.4% less than the previous year. Sales to most other markets declined, largely because the U.S. absorbed a greater proportion of the lower level of production available for export.

Prime beef in the U.S. is produced from grain fed cattle, while manufacturing grade beef (the type supplied by New Zealand) is produced as a by product from cattle held for breeding purposes, which are usually fed on grass. As a result the supply and price of manufacturing grade beef tend to fluctuate much more widely during the cattle cycle, than they do for prime beef. Since the U.S. is the major importer of New Zealand beef the New Zealand cattle cycle follows the U.S. cycle very closely. U.S. cattle numbers climbed rapidly in the early 70's, increasing by 20 million to 132 million in the space of 5 years. However by 1976 the liquidation phase of the cattle cycle had begun and numbers dropped equally rapidly. By January 1979 the

TABLE 5
Selected Mid-month Prices for New Zealand Boneless Cow Beef in the United States
(Converted to N.Z.c/kg; cif Prices)

Month	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1975	78.6	79.1	74.5	89.7	94.4	88.1	99.0	108.0	120.0	133.2	127.5	126.9
1976	132.8	146.5	158.3	169.8	167.6	142.1	144.5	147.6	148.4	140.7	136.5	150.8
1977	149.7	163.1	158.0	150.6	142.9	135.4	133.5	127.4	132.3	132.8	135.9	146.6
1978	165.7	181.0	190.0	214.5	223.2	187.5	178.8	176.9	197.8	208.0	217.3	234.6
1979	259.7	269.6	279.9	299.6	268.4	249.2	213.2	245.1	278.8	275.6	296.8	

Source: New Zealand Meat Producer.

U.S. cattle herd had declined to 110.9 million. Following a similar trend, the New Zealand beef cattle herd rose from 5.0 million in January 1970 to 6.8 million in January 1976 and then dropped back again to 5.6 million by January 1979.

Imports of beef into the United States and Canada are restricted by a quota system. In 1979 New Zealand's total quota for both countries amounted to 190,000 tonnes. On 31st December 1979 a new meat import Act, known as the Ullman Bill, was made law in the U.S. under which a new system of setting quotas was introduced. Quotas will now be calculated from a new base which covers a full cattle cycle. As well a counter-cyclical adjustment factor was introduced, which will allow imports to be increased when U.S. domestic beef supplies are low and will restrict imports when supplies are plentiful. Presidential discretion is severely restricted under the new law and a minimum quota is set. This new bill will create problems for the New Zealand beef industry. The effect of the bill may in fact be to destabilise the cattle cycle even further as the greater depressant effect on the downward phase of the cycle may mean that countries such as New Zealand and Australia will be unable to supply U.S. requirements when herds are being built up and prices are high. It seems likely that Canada will introduce a similar bill in the near future.

In 1979, increased numbers of heifers were retained for breeding in the U.S. and the slaughter rate was down substantially from the previous year. As a result U.S. beef and veal production in the first 9 months of 1979 was 12% below the relatively low level of production achieved in the same period a year earlier. This shortage of beef in the U.S. was responsible for a sharp rise in prices. The U.S. price for manufacturing grade beef rose to a peak of 143 U.S. cents/lb in April, approximately 72% above the average price for the 1977/78 season. By May however, prices had begun to fall again and they reached a low point of 100 U.S. cents/lb in July. The reasons for the decline were numerous. Plentiful supplies of cheap pork and chicken, a drop in sales of hamburgers at fast food outlets due to the petrol crisis and wet summer weather in some areas, the inability of traders to finance the purchase of large quantities of beef at higher prices and interest rates, the economic recession and the truckers strike all made some contribution.

Mid-month prices for boneless cow beef on the New York market in New Zealand dollar terms are given in table 5. It must be remembered, however that part of the movement in prices shown is due to exchange rate changes. In particular, New Zealand devalued the dollar by 5% against a basket of the currencies of its major trading partners in June 1979.

Exports of New Zealand beef and veal to markets other than the U.S. declined in 1978/79 as returns from the U.S. market were higher and supplies were limited. Sales to Japan fell by 58.4% to 2,743 tonnes, sales to the U.K. fell by 2.2% and sales to Canada dropped by 4.4%.

LAMB MARKETS

Export shipments of New Zealand lamb rose by 5.4 percent to 319.8 thousand tonnes in the year ended September 1979. Increased shipments went to the United Kingdom, Iraq, the United States and Japan, while sales to Iran, Greece and Canada declined.

The United Kingdom remained by far the largest market for New Zealand lamb, taking 205.4 thousand tonnes or 64.2 percent of total shipments, compared with 179.9 thousand tonnes or 59.3 percent of total shipments the previous year. Sales to Japan also grew and it displaced Iran as the second largest market for New Zealand lamb, taking 18.2 thousand tonnes, 19.4 percent more than the previous year. Sales to the United States increased by 14.4 percent, but the most dramatic increase was in sales to Iraq which more than quadrupled to 13.1 thousand tonnes. Sales to Iran dwindled from 27.1 thousand tonnes the previous season to only 3.7 thousand tonnes in 1978/79 since the Iranian market was closed to shipments of New Zealand lamb during the political crisis. Details of shipments by destination are given in table 6.

At the beginning of the 1978/79 season prices for New Zealand lamb sold on the U.K. market reached record levels of around 56.5 UK p/lb, 15 percent above the average price for the previous season of 49 p/lb. However the closure of the French market to British lamb plus the diversion of New Zealand and Australian lamb away from the Iranian market and to the United Kingdom resulted in an increased supply of lamb and by the end of November 1978 prices began to drop. In January a three week transport strike disrupted distribution of meat and caused a temporary increase in prices. However it also caused a build up of stocks of New Zealand lamb held in U.K. cold stores, as ship-

TABLE 6
New Zealand Meat Shipments by Principal Destinations
(000 tonnes shipping weight)

<i>Year Ended September</i>	1977	1978	1979
		<i>Lamb</i>	
United Kingdom	210.1	179.9	205.4
Iran	27.4	27.1	3.7
Greece	4.4	14.9	14.3
Iraq	9.1	2.7	13.1
U.S.A.	7.5	12.7	14.6
Japan	14.3	15.3	18.2
Canada	7.1	9.1	8.6
Other EEC	11.3	20.5	18.1
Other Markets	20.2	21.3	23.8
Total Shipments	311.4	303.5	319.8
		<i>Mutton</i>	
U.S.S.R.	45.0	6.2	54.2
Japan	25.6	28.1	26.0
United Kingdom	7.7	14.1	5.2
South Korea	12.7	21.4	23.6
Peru	—	—	—
Jamaica	1.3	1.0	1.0
Iraq	—	—	—
Other EEC	0.5	1.6	1.3
Other Markets	2.2	2.3	4.4
Total Shipments	95.0	74.7	115.7
		<i>Beef and Veal</i>	
U.S.A.	120.6	142.2	165.8
Canada	24.3	28.5	27.3
U.S.S.R.	36.3	9.4	—
Greece	—	—	—
United Kingdom	11.6	4.1	4.0
Japan	4.8	6.6	2.7
Carribbean	9.4	6.5	3.5
Other E.E.C.	3.3	0.8	0.6
Other Markets	39.7	28.7	20.7
Total Shipments	250.0	226.8	224.6

ments at this time were relatively heavy and this combined with generally sluggish retail demand for New Zealand lamb, caused both by declining levels of real consumption and a continuing long term shift in consumer tastes away from lamb and towards other meats, resulted in the price remaining at a relatively low level for the remainder of the season. Once the transport strike was over, prices fluctuated between 47.5 p/lb and 51.5 p/lb. Wholesale prices for selected meats in the United Kingdom over the past three years are shown in table 7. As can be seen from the table, the price of lamb relative to other competing meats was lower than normal in 1978/79.

At the beginning of the 1978/79 season stocks of lamb held in U.K. cold stores stood at 14.1 thousand tonnes, but by April they had risen to 37.7 thousand tonnes, the highest level since 1971. However by the end of the season stocks had been reduced to 24.6 thousand tonnes, not abnormally high for that time of the year.

On the North American market, high prices for beef encouraged consumers to consider cheaper alternatives including lamb, although plentiful supplies of cheap pork and chicken provided strong competition for lamb. The New Zealand Meat Board has been promoting New Zealand lamb very strongly in the United States and its efforts have been rewarded by a steady growth in demand.

Although sales to the Middle East suffered a temporary set back with the crisis in Iran, sales to Iraq were up markedly from the previous season and Iran has since re-emerged as a major customer for the 1979/80 season.

New Zealand lamb faced competition from low pork prices on the Japanese market but demand was good and sales were at record levels.

MUTTON MARKETS

In the year ended September 1979 total mutton shipments grew by 55.0 percent to 115,729 tonnes. In the previous year industrial disputes had restricted shipments to a very low level so most of the increase was due to a rundown of stocks held over from the 1977/78 season.

The largest market for New Zealand mutton during the 1978/79 season was the U.S.S.R., which took 54,226 tonnes (equivalent to 46.9 percent of total exports) compared with only 6,171 tonnes (8.3 percent of total exports) the previous season. The re-emergence of the U.S.S.R. in the market for New Zealand mutton which occurred in late December 1978 lifted prices above the relatively depressed levels prevailing in the early part of the season. In October 1978 MLI mutton was being quoted at 101.0 NZ cents/kg c. and f. in Japan but by January the price had risen to 112.4 cents/kg and by June to 155.8 cents/kg.

Apart from the U.S.S.R., Japan and South Korea were the major importers of New Zealand mutton in 1978/79, with Japan taking 25,972 tonnes and South Korea 23,616 tonnes compared with 28,088 tonnes and 21,411 tonnes respectively the previous year. Sales of mutton to South Korea have grown substantially in recent years as in the period from 1975 to 1977 sales averaged around 12,300 tonnes per annum. However it appears that some of these exports are being processed in Korea by Japanese companies and then being re-exported to Japan.

TABLE 7
United Kingdom Wholesale Meat Prices¹
(pence per lb, carcass weight)

Year Quarter	N.Z. Lamb	English Lamb	Beef	Pork	Chicken
1977 —					
March	44.3	52.7	47.0	31.8	28.6
June	41.4	59.3	46.6	32.7	29.3
September	41.1	47.3	48.3	34.2	26.3
December	45.1	47.8	46.7	37.5	26.2
Average	43.0	51.8	47.2	34.1	27.6
Price Ratio ²	1.00	1.20	1.10	0.79	0.64
1978 —					
March	45.3	53.0	50.8	38.5	28.5
June	51.0	62.0	56.0	39.0	30.0
September	55.3	56.5	56.0	39.0	29.5
December	52.0	51.0	57.0	39.5	29.5
Average	50.9	55.6	55.0	39.0	29.4
Price Ratio ²	1.00	1.09	1.08	0.77	0.56
1979 —					
March	48.0	59.0	56.5	39.5	31.5
June	51.5	72.0	67.0	37.8	33.5
September	48.0	55.0	62.5	40.0	30.5
December	47.5	48.0	64.5	44.5	32.5
Average	48.8	58.5	62.6	40.0	32.0
Price Ratio ²	1.00	1.20	1.28	0.82	0.66

Source: London Central Markets Authority and New Zealand Meat Producers Board.

1 Average of mid-month prices taken at the mid-point of quoted range for: New Zealand lamb (PM), English lamb, beef (Scotch sides), pork (121-160lb), chicken (non-enscimated 2-3lb).

2 Price ratio uses New Zealand lamb (PM) prices as base = 1.00.

BY-PRODUCTS MARKETS

Export production of edible offal amounted to 44,345 tonnes in the year ended September 1979, almost the same as the previous year. Shipments during the season totalled 44,443 tonnes of which 27,005 tonnes or 60.8 percent went to the U.K., 4,883 tonnes or 11.0 percent went to Japan and 4,238 tonnes or 9.5 percent went to France. Prices for edible offal on the U.K. market tended to fall during the season, with prices for kidneys dropping by about 25 percent. However prices for hearts rose quite strongly, especially in April and May and then declined again towards the end of the season.

For most of the 1978/79 season demand for leather was strong and prices for hides and pelts rose to record levels. The U.S. cattle kill was substantially lower than normal in 1979 and this was the major reason for the increase in prices for hides. As the quantity of New Zealand hides available for export is insignificant by world standards, prices for New Zealand hides tend to follow the pattern set in the U.S. Towards the end of the season prices dropped substantially despite the shortage of supply. Reasons given for the collapse of the market were the build up of massive surplus stocks in Korea, effluent problems in the major tanning centres of Northern Italy and increases in interest rates in the U.S. New Zealand prices did not fall as much as world prices, mainly because of local supply shortages. Prices for sheep and lamb pelts were also affected by a world-wide shortage of raw stock and rose strongly during the season.

EXPORT RECEIPTS

Export receipts for meat and meat by products for the last four September years are shown in table 8. Since

figures for exchange transactions shown in the table refer to foreign currency proceeds received through the banking system in the period stated and not directly to exports made in that period, changes in time lags between shipment and payment can alter the pattern of receipts so this should be taken into account when comparing shipments with receipts. There is also a slight difference in the basis of valuation between the official trade statistics and O.E.T. receipts.

In the year ended September 1979 meat industry export receipts totalled \$1,628.4 million, 33.3 percent higher than the previous year. This increase was made up by a 30.6 percent increase in receipts for meat industry by products and a 34.2 percent increase in meat receipts.

The United States and the United Kingdom remained the two largest markets for New Zealand meat in 1978/79, together accounting for 62.2 percent of meat export receipts, compared with 58.3 percent the previous year. This increase was however due entirely to an increase in the proportion of receipts derived from the United States, as the proportion of receipts from the United Kingdom declined marginally. Japan and Canada were the third and fourth largest markets respectively for New Zealand meat, but were together responsible for only 14.5 percent of total receipts.

Receipts from the U.S.S.R. tend to fluctuate from year to year as a result of an irregular pattern of demand for New Zealand mutton. In 1978/79 the U.S.S.R. was the only major country apart from the United States for which an increase in the proportion of receipts was recorded. Receipts from the Middle East declined by 18.3 percent from the previous year mainly because the Iranian market was closed to imports of New Zealand lamb during the political crisis.

OUTLOOK FOR MEAT EXPORTS

In the short term, demand for New Zealand meat on the international market should be relatively strong, especially for beef. However in the longer term the introduction of restrictive legislation in some of the major importing countries will make the marketing of New Zealand meat increasingly difficult. The United States and Canadian counter-cyclical meat import laws will restrict exports of New Zealand beef to these countries to a low level at the time when New Zealand production is at its greatest. As well it appears likely that the EEC will introduce a Common sheepmeat regime in 1980, under which quotas will be set for imports of New Zealand lamb into the U.K.

Prices for New Zealand beef sold on the U.S. market should continue to rise steadily in 1980, as U.S. beef supplies are expected to fall again. Rebuilding of the U.S. cattle herd is underway and it is expected to increase by 5 percent to 116.5 million over the year to January 1981. However it is unlikely that the rise in beef prices will be too spectacular as real consumer incomes in the U.S. are expected to drop in 1980 and sales of hamburgers at fast food outlets are likely to be adversely affected by the continuing fuel crisis. As well total U.S. meat supplies are expected to grow to record

TABLE 8
New Zealand Overseas Exchange Transactions
Export Receipts: Meat Industry
(NZ \$million)

<i>Year Ended September</i>	1976	1977	1978	1979
<i>Meat:</i>				
United Kingdom	244.0	245.5	302.1	393.9
United States	205.0	211.1	247.4	392.3
Canada	57.8	58.0	72.8	88.4
Japan	49.0	61.5	75.7	94.7
U.S.S.R.	21.9	75.9	21.4	48.6
Middle East	41.4	52.5	46.9	38.3
EEC (excluding U.K.)	36.1	40.0	48.8	57.5
Caribbean	22.0	19.6	18.9	15.7
Other	70.3	108.2	107.9	134.2
Total:	747.5	872.3	941.9	1,263.6
<i>Meat Industry By Products</i>				
Hides and Skins	44.2	69.4	80.0	110.7
Sheepskins and Pelts	58.7	96.4	109.5	138.4
Sausage Casings	22.7	24.1	28.1	32.8
Tallow	35.3	43.2	38.4	47.0
Inedible By Products	20.2	26.5	23.5	36.0
Total By Products:	181.1	259.6	279.4	364.9
Total Meat Industry:	928.6	1,131.9	1,221.3	1,628.4

levels in 1980, with production of pork likely to be up by 15 — 20 percent and an increase in poultry production also expected.

In 1980, U.K. domestic lamb production is expected to increase by about 7 percent, but actual supplies available will depend on the outcome of the EEC Common Sheepmeat regime negotiations and on whether or not the French market is open to imports of U.K. lamb. It seems likely however that supplies of lamb will be greater than they were in 1979. This increase in supply combined with a poor economic outlook for the U.K. means that prospects for New Zealand lamb on the U.K. market are not particularly bright. However sales to Japan, North America and the Middle East are expected to increase in the 1979/80 season. Of particular importance is the re-emergence of Iran as a major purchaser, with the signing of a contract for the sale of 49,500 tonnes to that country in 1979/80.

The outlook for mutton exports in the 1979/80 season is good as the U.S.S.R. has already committed itself to taking a substantial proportion of New Zealand exports. However, the Japanese market is likely to be relatively depressed as stocks of pork are high and prices low.

A further decrease in total meat production of about 2 percent is expected in the year ended September 1980. Almost all of the decrease will be due to a further decline of about 10 percent in beef and veal production, offset by an increase of about 6 percent in mutton and lamb production. Carcase weights are expected to change little from 1978/79, while slaughter rates for sheep and lamb will rise and slaughter rates for cattle decline. Sheep numbers are expected to grow by 2 percent in the year to June 1980, reaching a record level of 65.0 million, while cattle numbers are expected to decline by 2 percent to 5.1 million over the same period.