

# NON-PASTORAL EXPORTS

## Introduction

The growing importance of the non-pastoral export sector which covers manufacturing, forestry and other primary product exports has prompted this article which analyses the recent performance and prospects of the sector. It is the first of what will be a regular annual article.

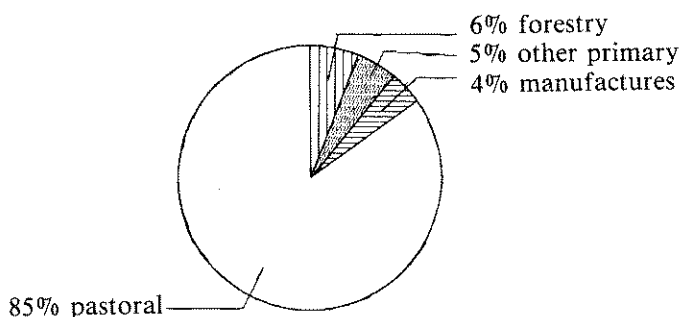
Previous issues of the *Bulletin* have regularly reviewed the performance of each of the pastoral export categories, dairy, meat and wool.<sup>1</sup> Although these traditional export categories remain important foreign exchange earners their historical dominance of the export sector has declined markedly since the 1960s. The changing importance of the various sectors is highlighted in graph 1, where non-pastoral receipts have increased from 15 per cent of total export receipts in 1969/70 to 37 per cent in 1983/84 (years ending June).

Whereas previous *Bulletin* articles discussing developments in New Zealand's exports have been mainly based on overseas exchange transactions (OET) data, this review uses Department of Statistics external trade data. This change is made possible by improvements in the accessibility and timeliness of external trade data and is designed to provide a more accurate discussion of developments in the real sector as opposed to changes in cash flows as measured by the OETs.

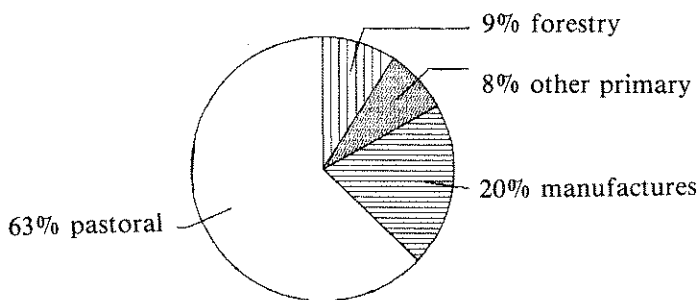
The three non-pastoral export sectors are discussed separately in this article. A brief historical review is presented for each sector, prior to discussing more recent trends and the outlook for 1984/85. Throughout the article statistics are presented on a June year basis unless indicated otherwise.

<sup>1</sup> The intention with respect to the pastoral sector is to combine the three articles (dairy, meat and wool) into one annual article. The new format covering both pastoral and non-pastoral exports should provide readers with a more balanced view of developments in New Zealand's export sector.

Graph 1



Proportion of Exports by Sector 1969/70



Proportion of Exports by Sector 1983/84

## Manufactured Exports

The significant expansion in manufactured exports which occurred over the 1970s and 1980s is illustrated in table 1 where, manufactured goods increased from 4 per cent of total exports in 1969/70 (\$56 million) to 20 per cent in 1983/84 (\$1,813 million).

The relatively recent development of this sector is highlighted by the fact that until 1960 New Zealand's foreign exchange earnings from manufactured exports were comparatively small; for instance, receipts from fish exports or apple and pear exports were larger. However, during the late 1960s the potential of the manufacturing sector as an export income earner was recognised. For example, the Manufacturing Committee of the National Development Conference in 1969 noted that the achievement of a higher rate of growth in manufacturing output, particularly exports, was necessary to increase the rate of growth in real national income. In addition, the committee recognised that the diversification of New Zealand's exports would provide a greater degree of stability in the external accounts reducing the traditional dependence on pastoral exports.

The expansion in manufacturing through the 1970s and early 1980s was initiated by specific export incentives which in part acted as compensation for an overvalued exchange rate. Government sponsored development of large manufacturing enterprises like the aluminium smelter at Tiwai Point and the Glenbrook steel plant also provided a significant boost to export volumes. Meanwhile specific trans-Tasman trade agreements, firstly with NAFTA and more recently with CER played an important role in improving market opportunities. They have provided security to exporters in that no further barriers to trade can be set in place and specific phase out programmes for current trade barriers have been established. These trade agreements have undoubtedly aided the development of Australia as New Zealand's major market for manufacturing exports. (For more information on the Australian market refer to the August 1984 *Bulletin* article entitled *Manufactured Exports to Australia*).

Over recent years the above developments have been assisted by the increasing relative competitiveness of New Zealand manufacturers in the Australian market. Table 2 indicates the sustained improvement in New Zealand manufacturers' competitiveness on the Australian market, with the bilateral real exchange rate

TABLE 1  
New Zealand Composition of Exports  
(percentage share)

	Forestry	Other Primary	Manufacturing	Total Non-Pastoral <sup>1</sup>	Pastoral <sup>2</sup>
1970	5.8	5.2	4.2	15	85
1975	8.8	4.5	12.6	27	73
1980	9.7	5.2	16.0	32	68
1981	9.5	5.2	16.6	32	68
1982	9.1	6.1	17.9	34	66
1983	7.9	6.2	19.2	34	66
1984	8.6	7.7	19.8	37	63
1985 (est)	10.1	8.7	23.8	44	56

Source: Reserve Bank of New Zealand, Overseas Exchange Transaction data.

1. Also includes miscellaneous exports like coal and gold.

2. Includes meat, wool, dairy and other animal products.

TABLE 2  
An Indicator of  
New Zealand Manufacturer's Competitiveness

	NZ Manufacturer's Input Cost Index Adjusted for Export Incentives A	Australian Manufacturer's Input Cost Index B	Australia/New Zealand Bilateral Exchange Rate Index C	Real Exchange Rate <sup>1</sup>
June years				
1979	415	249	.9229	1539
1980	455	322	.8762	1238
1981	532	353	.8075	1217
1982	602	359	.7273	1220
1983	636	388	.7506	1230
1984p	724	402	.7229	1302
Quarters 1984				
Mar	740	402	.7082	1304
June p	748	404	.7216	1336
Sept p	787	411	.5900	1128

Sources:

A. New Zealand Manufacturer's input costs — New Zealand Monthly Abstract of Statistics.

B. Australia Manufacturer's input costs — Australian Monthly Abstract of Statistics.

C. Exchange Rates — Reserve Bank of New Zealand.

1. Real Exchange Rate =  $\frac{A \times C}{B}$

A decline in the index indicates a depreciation of the real exchange rate.

B

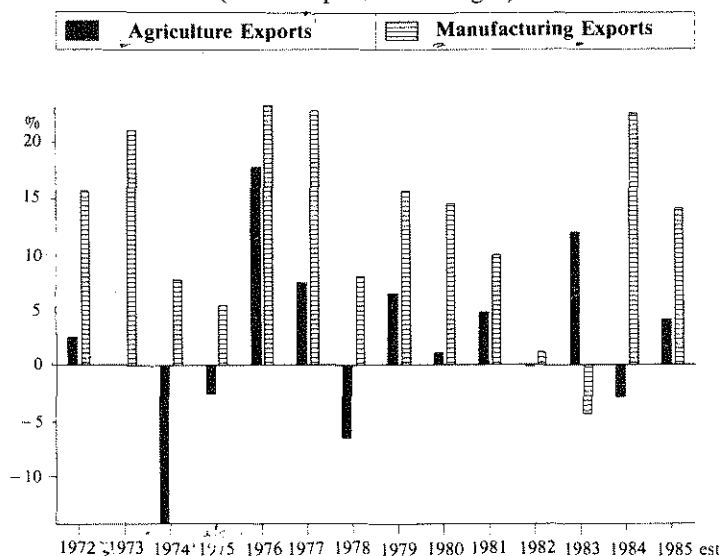
falling by about 20 per cent in 1979/80 and remaining at that level until mid-1983/84. Although competitiveness was slightly eroded during 1983/84, exports to Australia continued to grow strongly. This growth was partially attributable to the first full year of CER but occurred mainly because of the strong economic growth and associated rise in consumer spending in Australia. Provisional real exchange rate figures for the September quarter 1984 show the marked improvement in competitiveness derived from the July 1984 devaluation of the New Zealand dollar. However, subsequently the Australian dollar has weakened, eroding some of the advantage provided by the devaluation.

Reference to Graph 2 shows that throughout the 1970s and 1980s manufacturing export volume growth has been significantly faster than the growth achieved by the pastoral sector. One exception was the 1982/83 year when manufacturing export volumes declined by around 4 per cent mainly as a result of depressed demand conditions in international markets, especially in Australia. Underpinning this rapid expansion has been an increase in the proportion of total manufactured output that is exported — in 1982/83 18 per cent of output went to foreign markets whereas a decade earlier it was only 8 per cent.

The breakdown of total manufacturing exports into commodities in table 3 indicates that the expansion in exports has been broadly based, with all commodity groups recording strong growth since 1979/80. Of significance is the substantial growth recorded in *non-ferrous metals*. This followed the development of the Bluff aluminium smelter and the recent commissioning of another potline.

In value terms manufactured exports increased by about 40 per cent to \$1,813 million in 1983/84. This

**Graph 2**  
**Comparison of Agriculture and Manufacturing Export**  
**Volume Growth**  
(Annual percent changes)



exceptional growth was mainly attributable to a 25 per cent volume increase associated with improved competitiveness over recent years combined with a recovery in foreign consumption expenditure, particularly in Australia. Export volume growth in 1984/85 is expected to continue as a result of the gain in competitiveness provided by the July 1984 devaluation and continued positive economic growth, albeit at lower levels, in our major manufactured goods markets. However, the phasing out of export incentives and the recent weakening of the Australian dollar will contribute to a deceleration in the rate of growth.

**TABLE 3**  
**Exports of Manufactured Goods<sup>1</sup>**  
**\$NZ millions, FOB**

Years ended June	1970	1975	1980	1981	1982	1983	1984
Chemicals <sup>2</sup>							
Sections 5	5.6	14.7	56.1	80.4	91.7	95.9	134.2
Leather, Furs and Products							
Division 61	1.0	9.5	82.0	56.1	66.2	96.3	103.2
Rubber Manufactures							
Division 62	1.1	2.1	9.0	15.7	18.6	18.7	13.7
Textiles Yarn Fabrics							
Division 65	10.7	20.1	95.2	103.7	123.1	126.7	166.4
Non-metallic Mineral Manufactures							
Division 66	2.4	3.0	22.1	31.1	38.2	40.5	46.3
Iron and Steel							
Division 67	1.1	11.8	49.7	44.9	50.8	47.4	86.5
Non-Ferrous Metals							
Division 68	4.3	37.1	168.7	226.7	214.7	302.8	480.6
Manufactures of Metals							
Division 69	4.2	11.8	59.3	73.7	89.3	101.4	142.8
Machinery other than Electric <sup>4</sup>							
Division 71	7.0	23.1	71.7	93.9	118.3	111.6	138.8
Electric Machinery and Appliance <sup>4</sup>							
Division 72	6.8	22.6	54.9	82.1	97.5	89.4	116.2
Transport Equipment <sup>4</sup>							
Division 73	1.8	10.2	40.9	50.4	42.6	33.4	46.2
Furniture and Fixtures							
Division 82	0.8	2.0	16.4	21.1	25.8	23.1	36.6
Clothing and Footwear							
Division 84, 85	2.2	5.2	35.0	50.4	61.3	65.3	76.8
Other <sup>5</sup>	6.7	14.2	58.8	79.4	106.9	124.9	224.7
<b>Total Manufactured Articles</b>	<b>55.7</b>	<b>187.4</b>	<b>819.8</b>	<b>1,010.1</b>	<b>1,145.0</b>	<b>1,277.4</b>	<b>1,813.0</b>

Source: Department of Statistics.

1. Manufactured Goods (excluding re-exports), Standard Industrial Trade Classification sections 5, 6, (excluding divisions 63, 64), 7 and 8.
2. Section 5, excluding processed food items 592.111.1, 592.112.1, 592.120.0; casein and caseinate items 592.210.1/592.212.9; lactalbumin 592.220.1; other albumin 592.220.9; gelatin 592.230.1; and tall oil 598.110.0.
3. Includes divisions; 81 plumbing and lighting fittings; 83 travel goods; 87 scientific instruments; 88 photographic apparatus; 89 miscellaneous items except group 896, works of art; and confidential items.
4. From 1981 onwards includes divisions 71-74.
5. From 1981 onwards includes divisions 75-77.
6. From 1981 onwards includes divisions 78-79.

### Commodity Export Trends (refer table 3)

New Zealand's *manufactured chemical* exports include mainly dyes, paints, pharmaceuticals, cosmetics, fertilizers and agricultural chemicals. Over recent years rates of increase in export revenue in this category have been modest, however, in 1983/84 a very strong 40 per cent rise to \$134 million was recorded. In the main this reflected increased exports of both medicinal/pharmaceutical products to Australia, and cosmetic and cleansing products to many Pacific Island nations.

*Leather and fur product* exports exceeded \$100 million in 1983/84 for the first time, with Australia purchasing about 25 per cent of the total. Australia also purchased over 75 per cent of New Zealand's *carpet and textile* exports. Following relatively static growth in the early 1980s, carpet and textile exports grew rapidly during 1983/84, with carpet exports increasing in response to Australian demand associated with an increase in building starts.

The spectacular doubling of *iron and steel* exports in 1983/84 compared to 1982/83 was associated with a larger proportion of steel billet production being exported following a fall-off in domestic demand early in 1983/84. Another development over recent years is that an increasing percentage of steel exports have been in processed rather than billet form. New Zealand's two major markets for iron and steel are the United States and Australia, whilst Fiji remains an important buyer.

Exports of *machinery and electrical appliances* have exhibited steady annual rates of increase since 1970, with Australia again the most important market (especially for whiteware). The unusual decline recorded in 1982/83 reflected depressed economic activity in Australia in that year, whilst the subsequent economic upturn and CER have since contributed to the resumption of strong growth in 1983/84.

### Forestry Exports

New Zealand's forestry exports, although not expanding as rapidly as manufacturing exports, have nevertheless increased in importance as an export earner over the last decade. In 1983/84, 9 per cent of total export receipts originated from forestry exports compared with 6 per cent in 1969/70. The forestry sector recorded strong export growth in 1983/84 increasing in value terms by about 22 per cent to \$613 million. This occurred despite production constraints arising from the available stock of mature timber, a factor that will inhibit export growth until the early 1990s.

### Historical Perspective

The quantity of forestry products available now for export was to a large extent determined 25 — 35 years ago. Prior to 1930, indigenous (native) timbers produced the bulk of roundwood removals from New Zealand forests. During the decade ended 1936, which mainly comprised the depression years, there was a tripling of the area planted in exotic timber so that by the end of 1937 321,000 hectares (ha) had been planted in exotic forest (this compares with the grasslands area used for pastoral farming of 7,086,000 ha). By 1983, the area planted in exotic forest had tripled again to total 1,001,000 ha whilst pastoral grasslands had only increased to 9,372,000 ha.

Although industrial development of timber, pulp, newsprint and wood panel factories occurred during the mid-1950s, the first major impact of the expansion in forestry area planted during the depression occurred in the late 1960s with a jump in exports of exotic logs/poles and sawn timber. For example, between 1967 and 1970 export volumes of these commodities tripled. A further expansion of timber processing industries occurred in the early 1970s as indicated by the marked rise in the export revenue from pulp, paper and wood panel products over this period. This industrial development recognised the comparative advantage New Zealand possessed with energy and water resources, both of which are necessary inputs into the production of processed timber products. Additional impetus to add further value to the primary wood resource came during the early 1970s in the form of foreign investment through joint ventures<sup>2</sup> and export incentives.

While the value of forestry exports has increased significantly during the 1970s and early 1980s, due mainly to additional processing, the quantity of wood felled has increased only modestly. This is because the area planted in exotic timber did not increase markedly between 1940 and 1960 implying a similarly low growth in roundwood removals between 1970 and 1990. Since the mid-1960s the growth rate in the area planted has increased with an average 14,000 ha being added to New Zealand's exotic forests each year, compared with 4,000 ha in the 1950s. This growth rate increased to average 40,000 ha per annum in the 1970s. These statistics highlight two important features; namely, that current export volumes are constrained primarily by the available stock of mature timber and that the industry faces a period of spectacular growth from 1990 if foreign demand holds up.

### Commodity Trends

Export volume and value data for New Zealand's major forestry exports are shown in table 4. The three main commodities (wood, woodpulp and paper) accounted for 82 per cent, or \$503 million, of total forestry exports in 1983/84. The remaining 18 per cent of forestry exports include wood panel products and manufactures of paper and paperboard. Whereas both woodpulp and paper exports have remained equally important export earners since 1980/81, wood exports have declined in relative importance.

Although total *wood exports* declined from \$157 million in 1980/81 to \$125 million in 1983/84, an increased proportion was exported as sawn timber, rather than as wood chips or logs and poles. The overall decline in wood exports that occurred while total forestry exports were increasing, highlights the increase in added value exports of New Zealand's timber resources.

*Paper* (mainly newsprint) and paperboard products were first exported in large quantities in 1956. Further expansions in manufacturing capacity occurred in the mid-1960s and late-1970s. Following the latter expansion, exports of paper and paperboard became the forestry sector's most important foreign exchange earner, although due to industrial stoppages in 1983 paper exports were significantly reduced. Australia is New Zealand's major paper market, taking almost half

2 Winstone-Samsung (South Korea) and Cater Holt-Oji (Japan).

**TABLE 4**  
**A. Export Volumes of Major Forestry Products**

Year ending June	Wood				
	Wood Chips Bals	Logs Poles 000m <sup>3</sup>	Sawn Timber 000m <sup>3</sup>	Wood Pulp 000 tonnes	Paper Paperboard 000 tonnes
1970	35	1800	264	82	153
1975	154	695	170	313	173
1980	192	1247	553	478	318
1981	203	803	596	515	328
1982	234	473	496	422	313
1983	263	440	440	451	243
1984	282	540	322	480	319
1985 (est) <sup>1</sup>	290	450	530	515	340

**B. Export Values of Major Forestry Products**  
(NZ\$ million FOB)

Year ending June	Wood						
	Wood Chips	Logs Poles	Saws Timber	Wood Pulp	Paper Paperboard	Other <sup>2</sup>	Total
1970	1.0	24.1	10.0	7.2	20.4	3.8	66.5
1975	5.6	17.6	10.5	43.6	35.9	5.8	119.0
1980	13.1	62.1	64.8	120.2	124.1	61.4	445.7
1981	20.1	49.4	87.2	151.3	153.0	71.8	532.8
1982	23.1	28.9	79.7	155.7	182.8	80.7	550.9
1983	27.0	28.3	72.4	161.3	134.4	79.0	502.4
1984	30.5	39.5	55.0	186.5	191.9	109.6	613.0

Sources: Department of Statistics.  
New Zealand Forest Service.

1. Reserve Bank of New Zealand estimate.
2. Includes wood panel products and manufactures of paper and paperboard.

of the \$192 million exported in 1983/84. Australian consumption of paper and paper products is expected to grow by around 5 per cent in 1984/85, increasing imports by 8 per cent. As a result New Zealand's exports of paper and paperboard are likely to rise significantly in 1984/85 to exceed the previous record level set in 1980/81.

Japan and Australia are equally important markets for New Zealand *woodpulp*, although South Korea (through a joint venture arrangement) and the Peoples' Republic of China are significant importers. Woodpulp is an internationally traded commodity and is subject to cyclical demand associated with economic conditions in the world's major economies. An average measure of prices received for woodpulp indicates that export prices in New Zealand dollar terms fell from their peak during late 1982 and remained low in 1983 resulting in essentially static export receipts during 1981/82 and 1982/83 despite increased export volumes. Prices improved late in 1983 as a result of an increase in world demand for paper products and the value of woodpulp exports increased to \$187 million. Export volumes in 1984/85 are expected to reach 1980/81 record levels, taking advantage of the current high world demand and New Zealand's competitive advantage gained by the devaluation. Production capacity has also expanded at some mills.

Exotic *sawn timber* exports became an increasingly important foreign exchange earner in the early 1950s although it was not until the late 1970s that the sector expanded rapidly. Since reaching a peak in 1981 *sawn timber* exports have declined by both volume and value. This illustrates the impact of falling world *sawn timber* prices (which occurred during the world recession 1981-1983). In 1983/84 the value of *sawn timber*

exports fell to \$55 million, however, a rise is forecast in 1984/85 because of the recent substantial rise in the price of *sawn timber*. This price rise is associated with increases in Japanese and Australian building starts — 40 and 44 per cent of New Zealand *sawn timber* was exported to these markets in 1983/84.

Exports of exotic *logs and poles* began in the 1950s and steadily increased during the 1960s so that by 1970 *log and pole* exports accounted for over a third of the sector's export earnings, amounting to \$24 million. During the early 1970s exports of *logs and poles* reached record levels in terms of quantity and value. Since then the development of the pulp and *sawn timber* industry has reduced the amount of wood exported in this 'raw' form. The Japanese market takes over three-quarters of New Zealand's exports of *logs and poles*, but prices received are generally determined by the world market for *timber*. These prices fell in New Zealand currency terms between September 1981 and December 1982. Since then the market has recovered, although prices weakened early in 1984 as stocks of *logs and poles* had increased markedly in some markets reflecting an over reaction by suppliers in anticipation of the impact of the world recovery on *timber* demand. The fall off in estimated *log* export volumes in 1984/85 reflects mainly the increased relative return presently received for *sawn timber* as opposed to *logs*.

When converted to roundwood equivalents New Zealand's *wood chip* exports account for as much exported *timber* resource as *sawn timber* exports, however, their value is considerably lower amounting to 5 per cent of total forestry earnings in 1983/84. Japan is New Zealand's major market taking 87 per cent of 1983/84 production for use in *woodpulp*, paper and reconstituted board production.

## Other Primary Exports

The other primary products category is a residual aggregate that incorporates all of those exports that are derived directly from the land or sea but are not classified as pastoral or forestry exports. The main established sectors discussed under this heading are the fishing, pipfruit and kiwifruit industries. The other primary products category also includes the wide range of horticultural products that have evolved as alternatives to other land use options.

Other primary product export receipts have recorded very large annual rates of increase over the 1980s. Indicative of the magnitudes involved is the large 44 per cent increase recorded in 1983/84 which took the level of receipts to \$834 million. This represented about 8 per cent of New Zealand's total export receipts in that year which compares with 5 per cent in 1969/70. The important products contributing to this expansion were fin fish, pipfruit and kiwifruit. In 1984/85 the sector is expected to experience continued volume growth, albeit at a lower level.

### Fishing Industry

Prior to the inception of the 200 mile exclusive economic zone (EEZ) in 1978 receipts from fish exports were negligible. Although the fishing industry is one of New Zealand's earliest, dating back to the whaling days, surplus fin fish available for export has historically never been a significant source of foreign exchange earnings. Earnings from rock lobster exports, mainly to the United States, accounted for the majority of the fishing industry's export receipts between 1960 and 1975.

The EEZ combined with Government assistance schemes has encouraged development of New Zealand's fishing industry over the late 1970s. New Zealand now manages the resources within a sea area fifteen times that of its land area but, in accord with the International Law of the Sea Conference Agreement, New Zealand must allocate 'surplus catch' to foreign concerns. The total allowable catch for fin fish has been set by New Zealand's Minister of Agriculture and Fisheries at 369,000 tonnes for 1984/85, an increase of 4,000 tonnes (all orange roughy) on 1983/84. Of this, an increased proportion has been allocated to New Zealand registered vessels (246,900 tonnes), the remainder to Japan, the Soviet Union and the Republic of Korea. Foreign licence fees, for fishing within New Zealand's EEZ, have recently been increased reflecting improved international market prices for fish.

The establishment of the EEZ has encouraged the development of joint venture operations between New Zealand and foreign fishing interests, thereby expanding the New Zealand industry at a faster rate than would otherwise have been possible. The introduction of joint venture fishing in deeper waters has provided access to a much larger fin fish resource base, and more significantly to new species of fish. One of the major new species is orange roughy (formerly known as deep sea perch), a fin fish targeted by New Zealand fishermen since 1979 because of the premium price it receives in world markets, particularly the United States. Prior to 1979 export receipts of orange roughy were negligible, in 1983/84 they were New Zealand's most significant fin fish export.

The above developments together with increased investment in deep sea fishing vessels and in domestic

processing has seen fin fish exports emerging over the 1980s as the largest export earner in the other primary products group. The average annual tonnage exported over the 1980s was around 80,000 tonnes which compares with only 11,000 tonnes in 1974/75.

A significant development in 1983/84 was the increase in export volumes of fin fish associated with contributions from the inshore fishery. However, the industry has recognised the need for stock conservation in inshore fishing grounds and as a result a system of individual transferable quotas (ITQs) has been proposed and is likely to be introduced in 1985/86. As a consequence the contribution from the inshore fishery to export volumes in that year is expected to be significantly lower than at present. An estimated reduction in fin fish export volumes in 1984/85 reflects the impact of further domestic processing of fish lowering the tonnage of fish exported but significantly increasing the value added.

*Squid* exports have emerged as the second largest source of revenue for the fishing sector, and at \$89 million represented 24 per cent of total fish export earnings in 1983/84. Most of the product is destined for the Japanese market. Unlike fin fish exports, squid exports display a marked seasonal pattern with over 70 per cent being exported in the June quarter of each year. As data to date only incorporates about 25 per cent of the 1984/85 catch, the export volume estimate for that year has a large margin of error but the present outlook is for it to be slightly down on last year's record.

*Rock lobster* export volumes have remained at about 2,500 tonnes per annum for the last five years. By value this category is now relegated to the smallest source of export revenue for the fishing sector, a complete reversal of its ranking ten years earlier. Information to date suggests that export volumes in 1984/85 will remain at levels similar to those of previous years. This is despite a record 50 per cent increase in New Zealand dollar prices since June 1984, a reflection of the July 1984 devaluation, the strength of the United States dollar and strong overseas demand. The lack of an export volume response to these price signals reflects the nature of the industry which like the forestry sector is constrained by the available resource.

Between 1979/80 and 1983/84 export prices for New Zealand's fishery products have increased by 77 per cent compared with a 35 per cent rise for pastoral exports. To a large extent this reflects changing consumer demand away from protein sources with relatively high fat levels to those with a lower fat content. An additional factor has been an increase in the demand for premium fish products like rock lobster and orange roughy. A constraint of available supply especially since late 1983 has exerted further upward pressure on prices, particularly in the United States, New Zealand's second largest fish market.

### Horticultural Industry

Although New Zealand's horticultural exports are dominated by two major crops, kiwifruit and pipfruit, a mild climate and well distributed rainfall allow production of a diverse range of export crops ranging from subtropical fruits to onions and squash.

Prior to 1975 the majority of the sector's export earnings were derived from fresh *apple and pear* (pipfruit) exports. Despite considerable yearly volume fluctuations caused by seasonal factors, pipfruit exports have shown a significant upward trend since 1960.

**TABLE 5**  
**A. Export Volumes of Major Other Primary Products**  
**000 tonnes**

Year ending June	Rock <sup>1</sup> Lobster	Fin <sup>2</sup> Fish	Squid <sup>3</sup>	Apples <sup>3</sup> Pears	Kiwifruit <sup>3</sup>
1970	2.5	5.1	—	57.7	0.5
1975	1.6	10.5	—	81.3	3.1
1980	2.3	57.7	24.5	94.5	16.1
1981	2.5	85.5	30.5	101.9	17.9
1982	2.6	79.4	42.3	98.6	20.2
1983	2.5	80.9	41.6	93.5	29.4
1984	2.5	89.1	45.3	127.6	44.8
1985 (est) <sup>4</sup>	2.5	85.0	42.0-44.0	128.0	62.0

**B. Export Values of Major Other Primary Products**  
**NZ\$ million FOB**

Year ending June	Rock Lobster	Fin Fish	Squid	Apples Pears	Kiwifruit	Other <sup>5</sup>	Total
1970	11.4	2.9	—	9.4	0.3	..	..
1975	10.7	7.2	—	19.7	2.9	..	..
1980	28.4	62.2	30.5	36.6	34.5	..	..
1981	31.8	100.7	28.2	43.5	41.8	..	..
1982	41.4	111.7	59.5	53.4	52.7	152.3	471.0
1983	48.4	146.1	68.5	60.7	86.8	168.1	578.6
1984	54.2	190.0	89.0	89.3	125.9	285.2	833.6

1. Unprocessed.
2. Fresh or frozen.
3. Fresh.
4. Reserve Bank of New Zealand estimate.
5. Includes other fish, cereals, other horticultural products, honey, eggs.

Sources: Fishing Industry Board.  
Department of Statistics.

Although the destination of New Zealand's pipfruit exports has varied markedly over the years, the EEC countries have been the principal markets with the United Kingdom being the single largest importer. More recently there has been an expansion of exports to non-traditional markets like South East Asia, South America and Pacific rim nations.

The June year pipfruit tonnages in table 5 reflect contributions from two seasons production as the export season extends from April through to September. Export volumes remained essentially static between 1979/80 and 1982/83 despite a continuing investment in the area planted in pipfruit since 1975. To a large extent this was a reflection of unfavourable growing conditions over this period. Excellent growing conditions in 1983/84 provided a crop much larger than expected, and as a result export volumes increased by a strong 36 per cent. The combined impact of half of last season's record increase in the current June year, results in a slight increase in expected export volumes of pipfruit during 1984/85.

Market conditions indicate that the 1984 season EEC apple crop was only of average quality and of lower yield compared to previous seasons. As a consequence the outlook for the New Zealand export crop for the remainder of this 1984/85 year is for essentially unchanged foreign currency prices. This, together with the impact of the July 1984 devaluation, is expected to lead to a modest increase in the New Zealand dollar value of pipfruit exported over 1984/85.

Developments in the *kiwifruit* industry have been well documented over the last five years. The sector has been

regarded as a glamour industry not only because of its spectacular export growth but also for the massive investment flows it has attracted. The area planted in kiwifruit surpassed that planted in pipfruit during 1980, and in the four years since then the area planted has again doubled. To a large extent the expansion has been at the expense of dairy production as fertile land previously used for pastoral production has been converted to horticultural land.

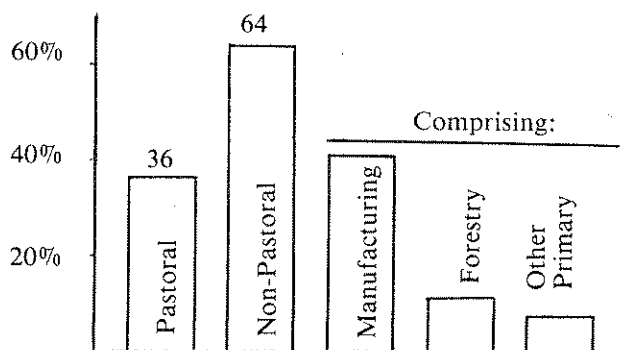
Kiwifruit exports have grown from 500 tonnes in 1969/70 to 44,800 tonnes in 1983/84. In value terms, over the same period, export revenue has climbed from around \$0.5 million to \$126 million. Like pipfruit, the kiwifruit export season spans June years, although most of a season's revenue is derived after June. The spectacular growth in exports since 1981/82 reflects the massive expansion in kiwifruit vine plantings in 1979 and 1980 (the area planted increased by about 55 per cent both years). Since then the industry has continued to expand rapidly although at lower growth rates. Crop estimates for 1984/85 indicate an expected increase in crop yield of about 60 per cent which would imply a growth rate of about 40 per cent in export volumes in that year.

Kiwifruit are exported to three major markets — Japan, West Germany and the United States. Although the July 1984 devaluation provided a significant boost to returns from these markets, the substantial increase in export volumes expected in the coming season will to some extent lead to an easing in world prices thereby dampening any increase in the New Zealand dollar price per tray.

## Summary and Conclusions

The main feature of the above commentary is that New Zealand's non-pastoral export sector has become increasingly dynamic over the last decade. The significance of this development is highlighted by the sharp reduction in New Zealand's dependence on pastoral export receipts and the conditions prevailing in traditional markets. Whereas a decade ago non-pastoral exports accounted for only 27 per cent of total exports, that proportion is expected to have increased to an estimated 44 per cent in 1984/85. More important in terms of New Zealand's economic growth is the contribution of this sector to total export volume growth. Graph 3 illustrates the estimated percentage contribution of the non-pastoral export sector to total export volume growth in 1984/85. It shows that New Zealand's manufacturing sector, is expected to contribute more to total export volume growth than the pastoral sector during the current year.

**Graph 3**  
**Percentage Contribution**  
**to Export Volume Growth**  
**in 1984/85**



Source: Reserve Bank of New Zealand estimate.

between 1979 and mid-1982 by the crawling peg exchange rate regime. The manufacturing sector, in particular, responded to this improvement in its competitive position by increasing the proportion of domestic production exported. Some erosion of competitiveness occurred during 1982/83 and 1983/84 but further improvement followed from the July 1984 devaluation. More recent developments such as the export incentive phase out and the appreciation of the New Zealand dollar against the Australian dollar will in part offset earlier competitive gains. As a consequence non-pastoral export volumes are likely to expand over the year ahead at lower rates than those of 1983/84.

- Increased demand for non-pastoral products arising from developments in the international economy. The recent upswing in international demand was led by an economic recovery in the United States which flowed through to New Zealand's other major markets, Australia and Japan. New Zealand's forestry and manufactured exports have benefitted substantially from the international economic upturn. Alternatively, world meat and dairy prices have failed to respond to this recovery largely because of oversupply on international markets. As a consequence, the relative importance of the non-pastoral sector has increased.
- The impact of CER. This agreement has had an important effect on New Zealand's manufacturing sector. It has expanded market opportunities, encouraging manufacturers to orientate their production toward the Australian market. Moreover, it has provided security and certainty to exports of manufactured goods in that the agreement provides a specific phasing out of existing trade barriers.
- Supply constraints and production response lags in the non-pastoral sectors. These have placed limits on the ability of the sector to respond rapidly. Although the July 1984 devaluation provided a significant incentive to increase export production, the rate of growth in export volumes of forestry and many horticultural products is determined by investment decisions made in the past. Constraints also exist in the fishing industry where the total available fish catch is derived from calculations of the sustainable yield. The present environment of high capacity utilisation levels in the manufacturing sector limits this sector's ability to respond to an increase in demand unless they undergo further investment to expand capacity. Hopefully, the present environment for exporting will encourage this investment to occur.

- Increased competitiveness. This arose initially from the favourable impact of export incentives on the real exchange rate and was subsequently maintained