

1980/81 MEAT INDUSTRY REVIEW

The following article describes the 1980/81 meat season, with particular emphasis on international markets for New Zealand meat. During the 1980/81 season production of beef, mutton and lamb all increased. Export receipts for meat and meat by-products increased by 13 per cent to a record \$2.058 billion:

LIVESTOCK NUMBERS

Since 1975 there has been a substantial increase in sheep numbers, attributable to a number of factors such as favourable weather conditions, a decline in cattle numbers and new government incentive schemes. Between June 1975 and June 1981 the N.Z. sheep flock increased by 29 per cent from 55.4 million to an estimated 71.2 million.

Beef cattle numbers declined from 6.29 million to 5.12 million between June 1975 and June 1979. In 1980 and 1981, however, beef cattle numbers began increasing again, although at a relatively slow rate, reaching an estimated 5.2 million by June 1981.

In the current season the rate of increase in sheep numbers is expected to slow from the very rapid rates of increase recorded in 1978/79 and 1979/80. In part this stems from less favourable weather conditions and falling real net farm incomes but is also a reflection of the fact that very rapid rates of increase in stock numbers cannot easily be sustained over prolonged periods. This is because higher-than-normal retentions of adult breeding stock normally form an integral part of any upward surge in livestock numbers. As it becomes necessary to cull these animals in later years the impetus of expansion tends to weaken. In the year to June 1982 sheep numbers are forecast to rise by 3 per cent to 73.4 million, while beef cattle numbers are forecast to rise marginally to 5.25 million.

NEW ZEALAND MEAT PRODUCTION

N.Z. meat production measured on a bone-in basis totalled 1,207 thousand tonnes in the 1980/81 season, an increase of 5 per cent over the previous year but still 2 per cent below the record level of production achieved in the 1975/76 season. Mutton production, at 200.5 thousand tonnes, was at its highest level since 1973 while lamb production rose to a record 425.7 thousand tonnes. Production of beef and veal increased only marginally from the previous year to 498.8 thousand tonnes, while production of pigmeat and other meat including offal fell by 6 per cent and 17 per cent respectively. Details of meat production over the last five seasons are shown in table 1.

Seasonal conditions in 1980/81 were less favourable than in 1979/81, with drought in some areas and outbreaks of facial eczema being experienced. This, combined with the higher stock numbers, created more competition for available feed and had an adverse effect on stock performance. Consequently carcase weights were lower than in the 1979/80 season, but still close to the average over the period 1970 to 1981 (see table 2).

The lower slaughter weights for lamb and mutton were more than offset by an increase in numbers slaughtered. Thirteen per cent more lambs were slaughtered at meat export works and abattoirs in

TABLE 1
ESTIMATED MEAT PRODUCTION
(000 tonnes, bone-in basis)

<i>Season Ended September</i>	1977	1978	1979	1980	1981
Lamb	341.5	342.0	351.1	391.2	425.7
Mutton	156.2	159.6	162.8	168.5	200.5
Beef	529.9	533.7	490.5	478.8	480.8
Veal	27.8	27.8	21.1	16.9	17.3
Pigmeat	39.0	38.2	35.7	34.5	32.5
Other (including offal)	58.0	58.8	58.1	61.0	50.6
Total	1,152.5	1,160.3	1,119.3	1,150.9	1,207.4

Source: Department of Statistics.

TABLE 2
EXPORT CARCASE WEIGHTS
(kilograms)

<i>Season Ended September</i>	Lamb	Mutton	Beef
1970	13.2	19.8	232.4
1971	13.2	20.3	232.7
1972	13.2	20.0	249.6
1973	12.7	18.3	235.4
1974	13.1	19.5	243.7
1975	12.9	19.5	249.2
1976	13.7	19.8	222.7
1977	13.4	19.9	222.8
1978	12.9	17.9	209.8
1979	13.3	19.5	216.5
1980	13.6	19.9	229.2
1981	13.1	19.6	229.0
Average	13.2	19.5	231.1

Source: NZ Meat Producers Board.

1980/81, reflecting the exceptionally high lambing percentage in the spring of 1980 and the rapid growth in sheep numbers over the last five years. The numbers of adult sheep slaughtered at meat export works and abattoirs rose by 23 per cent largely because of tight feed conditions and the slaughter of ewes suffering from facial eczema. Slaughtering of cattle rose only marginally over the previous season with cow and bull slaughtering increasing quite markedly but steer and heifer slaughtering declining as young animals were retained for herd rebuilding. Livestock slaughter statistics for the last five seasons are shown in table 3.

Domestic consumption of meat (see table 4) fell by 4 per cent in 1980/81, continuing the trend of recent years. Since the 1976/77 season domestic consumption has fallen by 15 per cent with consumption of all types of meat except mutton having fallen over this period. The small increase in domestic consumption of mutton over the period can probably be attributed to the fact that mutton is a cheaper meat and hence has become more popular as prices have risen. The overall decline in meat consumption probably results both from a shift in consumer preference towards poultry and fish and from the relatively large increase in the price of meat compared with poultry over the last five years. (The CPI sub index for meat, fish and poultry rose by 91.4 per cent between 1977 and 1981 while the food sub index rose by 82.7 per cent and the all groups index rose by 72 per cent over the same period.)

TABLE 3
NZ LIVESTOCK SLAUGHTER¹
(000's)

Season Ended September	1977	1978	1979	1980	1981 ^p
Lambs	25,417	26,326	26,042	28,698	32,300
Ewes	5,754	5,861	5,665	6,062	7,692
Other Sheep	1,146	1,833	1,708	1,399	1,456
Total Sheep and Lambs	32,317	34,021	33,414	36,159	41,437
Calves (less than 27 kg)	1,201	1,107	1,107	931	964
Vealers (27-159 kg)	82	83	58	33	33
Heifers	457	461	459	417	382
Steers	892	877	846	762	733
Cows	784	882	646	654	735
Bulls	154	185	176	183	206
Total Cattle²	2,369	2,488	2,185	2,049	2,089
Pigs	826	802	725	718	713

Source: NZ Ministry of Agriculture and Fisheries.

1. Slaughtering at Meat Export Works and Abattoirs.

2. Excludes calves under 27 kg.

p Provisional.

TABLE 4
DOMESTIC CONSUMPTION OF MEAT
(000 tonnes, bone-in basis)

Season Ended September	1977	1978	1979	1980	1981
Lamb	35.0	33.6	34.5	33.5	29.3
Mutton	60.2	63.3	63.9	64.9	63.0
Beef	176.4	178.8	160.7	147.1	144.1
Veal	9.8	9.3	6.1	3.6	3.8
Pigmeat	39.4	40.5	38.0	36.2	32.0
Other (including offal)	17.2	17.3	15.5	15.8	15.9
Total	338.1	342.8	318.8	301.2	288.1

Source: Department of Statistics.

The decline in domestic consumption in the 1980/81 season resulted in a somewhat larger increase in the availability of meat for export than occurred in total meat production. Export lamb production rose by 10 per cent, export mutton production rose by 27 per cent and export beef production by 8 per cent in 1980/81, compared with increases in these categories of total meat production of 9 per cent, 19 per cent and 2 per cent respectively. However, actual export shipments of meat from N.Z. rose by only 8 per cent since stocks of mutton and lamb built up towards the end of the season. As in recent seasons the bulk of mutton and lamb exported was shipped in carcass form while a large proportion of the beef exported was manufacturing grade beef. Export meat production in recent seasons is shown in table 5 and export shipments of meat are shown in table 6.

In 1981/82 total meat production is forecast to fall by 4 per cent mainly because of a reduction in livestock performance. Dry summer and autumn conditions in 1981, outbreaks of facial eczema plus drought conditions in early 1982 are all likely to have an adverse effect on carcass weights. In addition the 1981 lambing percentage fell to 97.6 per cent compared with 103.9 per cent in 1980. Mutton production is expected to fall by 4

TABLE 5
MEAT PRODUCTION AVAILABLE FOR EXPORT¹
(Bone-in weights — estimated)
(000 tonnes)

Season Ended September	1977	1978	1979	1980	1981 ^p
Lamb	320.0	322.6	329.3	270.8	408.7
Mutton	99.4	97.3	104.2	108.2	137.5
Beef	367.0	371.4	338.1	324.2	350.7
Veal	18.5	17.6	15.4	13.5	13.0
Pigmeat	1.4	2.3	1.0	0.9	..
Edible Offal	44.1	44.3	44.3	47.3	..
Total	850.4	855.1	831.7	882.5	..

Source: NZ Meat Producers Board.

1. Includes production withdrawn for local consumption.

p Provisional.

TABLE 6
EXPORT SHIPMENTS
(tonnes, shipping weight)

Seasons Ended September	1979	1980	1981
Chilled Lamb	554	779	700
Frozen Lamb, carcasses	258,586	279,132	313,651
Frozen Lamb, cuts and boneless	60,678	59,218	64,631
Total Lamb	319,818	339,129	378,982
Mutton, carcass	106,549	90,161	82,216
Mutton, cuts and boneless	9,183	6,831	9,119
Total Mutton	115,732	96,992	91,335
Chilled Beef	4,198	4,724	5,548
Frozen Beef, quarters and cuts	44,551	43,357	80,854
Frozen Beef and Veal, manufacturing	166,537	162,937	131,949
Vealer, quarters and cuts	90	24	11
Bobby Veal	9,186	7,515	7,530
Total Beef and Veal	224,562	218,557	225,892
Pig and Other Meat	1,005	509	420
Fancy Meat	44,443	41,030	48,994
Inedible Meat and Offal	15,928	14,717	22,092
Total Other	61,376	56,256	71,506
Total Meat Production for Export	721,486	710,937	767,722

Source: NZ Meat Producers Board.

per cent, beef production to fall by 2 per cent and lamb production to remain at about the same level as in 1980/81.

PRICE STABILISATION SCHEMES

Two meat price stabilisation schemes operate in N.Z., one funded by the New Zealand Meat Producers Board and the other by the Government. Under the Meat Producers scheme minimum and trigger prices are set each season for benchmark grades of meat. If the schedule price exceeds the trigger price a compulsory levy is deducted and if it falls below the minimum price the shortfall is made good from the meat income stabilisation account, the account into which any levies are deposited. Over the time the scheme is self balancing.

Alongside the Meat Board Scheme the Government operates the supplementary minimum prices scheme. Under this scheme a supplementary minimum price is set for each grade of meat before the beginning of the season. If prices fall below the SMP the Government pays a supplement to bring the price up to the SMP level. Money to fund the scheme comes directly from the Government. If prices fall below the Meat Producers minimum prices the Government's supplementation is limited to bridging the gap between the Producers minimum and the SMP (when the SMP is higher than the Producers minimum). Minimum and trigger prices applying in the 1980/81 season are shown in table 7.

During the 1980/81 season schedule prices for mutton mostly remained well above the supplementary minimum price so no supplementation was required under either scheme. Although the schedule price for lamb was at or only slightly above the Board minimum price for much of the early part of the season, no supplementation was required for lamb in 1980/81.

Since the 1974/75 season payments to beef producers have been supplemented by the Board for at least part of the season in five out of seven years. In 1980/81 low prices for beef on the U.S. market brought supplementary payments to beef producers to their highest level since the collapse of world beef prices in 1974/75. Some grades of beef were at times supplemented by as much as 13 cents/kg by the Board. Payments to beef producers under the Meat Board price stabilisation scheme totalled \$23.4 million over the whole season.

For the first time since it introduced the SMP scheme in 1978 the Government was required to support producers returns for meat. The SMP for M grade cow beef was 2 cents above the Meat Board minimum price so when prices fell below the Meat Board minimum price the Government provided a supplement of 2 cents/kg over and above the Meat Board supplement in order to bring prices up to the SMP level. A total of \$1.92 million was paid out by the Government under the SMP scheme for M cow related grades of beef in 1980/81. The SMP prices for the 1981/82 season have been set at levels considerably above those for the 1980/81 season and substantial payments have already been made under the scheme in the 1981/82 season to date.

BEEF MARKETS

Shipments of beef and veal totalled 225.9 thousand tonnes in the 1980 season, remaining at about the same level as in 1980/81 and 1979/80. The United States as usual was the largest market, taking 163.7 thousand tonnes or 72 per cent of the total. The next largest markets were Canada and the United Kingdom which took 24.8 thousand tonnes and 6 thousand tonnes respectively. Exports to other significant markets, including Japan, Okinawa, Singapore and Hong Kong increased slightly over the previous year.

U.S. demand for meat and poultry was relatively weak, while supplies were at record levels. As a result prices for N.Z. beef sold in the U.S. were generally low. N.Z. manufacturing grade cow beef sold at prices ranging between 129 US cents/lb cif near the start of the season and 102 US cents/lb cif towards the end of the season, giving an average price for the season as a whole of 112 US cents/lb. These prices were well below the

TABLE 7
1980/81 MINIMUM AND TRIGGER PRICES¹
(cents/kg)

	Government Supplementary Minimum Price	Meat Board Minimum Price	Meat Board Trigger Price
Lamb			
— PM	110 (145)	113 (116)	155 (160)
Mutton			
— ML1	43 (50)	40 (43)	60 (65)
Beef			
— Cow M	105 (125)	103 (100)	150 (150)
Steer P1	120 (143)	120 (125)	170 (175)
Bull	120 (143)	120 (124)	175 (175)

1. 1981/82 prices are shown in brackets.

record price of 143 US cents/lb achieved in April 1979, and the average price for the season as a whole was 7 per cent below the average price for the 1979/80 season of 121 US cents/lb. In terms of N.Z. dollars (see table 8) the generally falling trend in prices during the 1980/81 season was offset by a 13 per cent devaluation of the N.Z. dollar against the U.S. dollar.

The major factor contributing to the weakness in demand for meat in the U.S. was the recession being experienced in that country. Although conditions were relatively buoyant in the first half of 1981, when real GNP grew by 4.7 per cent, the economy was in recession for much of the 1980/81 year. Real GNP fell by 0.5 per cent in the second half of 1980 and by an estimated 1.5 per cent in the second half of 1981. Unemployment was high and real disposable incomes grew only sluggishly over the period.

Demand for beef relative to other meats has been falling in recent years. Tastes have been gradually changing and pork and poultry have become increasingly popular. Although per capita beef consumption rose in 1981 it was still 16 per cent lower than it had been in 1977. In contrast per capita consumption of pork and chicken increased substantially over the same period. Retail prices for chicken and pork are much lower than those for beef.

U.S. supplies of meat and poultry were at record levels during 1981, as production was 2 per cent higher than in 1980. The herd rebuilding phase of the U.S. cattle cycle continued during 1981, although at a slower pace than had been anticipated. The U.S. cattle herd totalled 115.7 million head at January 1982, an increase of 4 per cent from January 1979. The drought in 1980/81 resulted in poor quality forage and reduced supplies contributing to a lower than normal calving percentage. In addition there was little incentive to place cattle on feed as poor returns, high feed grain costs and high interest rates made it more profitable to slaughter cattle. As a consequence beef production, which had been expected to fall during 1981, actually rose by 3 per cent. Production of poultry rose by 6 per cent and pork production fell by 4 per cent but was still at a near record level.

Efforts to impose further restrictions on the import of meat into the U.S. continued in 1981. Only one of the restrictive measures considered during the year would have had any direct impact on New Zealand's beef exports had it been passed. This was a proposed amendment to the 1981 farm bill which stated that imports of any meats 'which have been produced using agricultural chemicals, animal drugs or medicated feeds

TABLE 8
SELECTED MID MONTH PRICES FOR NEW ZEALAND BONELESS COW BEEF IN THE UNITED STATES
 (converted to NZ c/kg cif prices)

	<i>Jan.</i>	<i>Feb.</i>	<i>Mar.</i>	<i>Apr.</i>	<i>May</i>	<i>June</i>	<i>July</i>	<i>Aug.</i>	<i>Sept.</i>	<i>Oct.</i>	<i>Nov.</i>	<i>Dec.</i>
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	286.4
1980	287.0	296.3	247.0	248.3	236.1	241.7	258.4	284.6	276.3	274.7	289.3	269.9
1981	271.5	264.1	254.7	264.9	264.5	268.2	271.6	279.0	248.8	277.4	275.4	268.5

Source: NZ Meat Producers Board.

which are not currently approved for the same use in the United States' would be prohibited. Had this amendment been accepted it would have effectively stopped exports of all N.Z. meat into the U.S. since pest problems in N.Z. differ from those in the U.S. and therefore require different remedies. After a period of intensive lobbying this amendment was eventually replaced by a compromise clause which requires only that meat imports into the U.S. comply with American standards of inspection and have the species verified. The procedures which will apply under this bill have not as yet been finalised but it is probable that the N.Z. Ministry of Agriculture and Fisheries will take the responsibility for verifying the species of all meat exported to the U.S.

MUTTON MARKETS

In the year ended September 1981 exports of mutton from N.Z. totalled 91.3 thousand tonnes, a decline of 9 per cent from the previous season. The USSR was again the major importer of N.Z. mutton, taking 49.6 thousand tonnes or 54 per cent of total exports, compared with 61.9 thousand tonnes in 1979/80. Japan was the second largest buyer, taking 20.8 thousand tonnes, an increase of 44 per cent from the previous year but still well below the quantity taken in 1979. Sales to South Korea remained at about the same level as in the 1979/80 season, but sales to the United Kingdom and Saudi Arabia increased substantially.

The USSR began purchasing N.Z. mutton early in the 1980/81 season and by the beginning of 1981 over 9,000 tonnes had already been shipped there. As a result shipments to Japan were relatively low in the early part of the season and prices remained above 70 US cents/lb, c. & f. (costs including freight) for ML1 grade up until late April. By May increased quantities of mutton were being sent to Japan and prices there began falling, reaching a low of 57 US cents/lb c. & f. for ML1 grade in August.

A number of factors contributed to the generally weak demand for mutton in Japan. In recent years there has been some shift in consumer preference away from lower quality processed meat products, particularly pressed hams, the major end use for N.Z. mutton. Production of pressed hams fell by 43 per cent between 1977 and 1981. At the same time pork production has increased substantially, rising from 1,039.6 thousand tonnes in 1975 to 1,474.7 thousand tonnes in 1980, and 1,395.6 thousand tonnes in 1981. This has caused a drop in pork prices and created increased competition for mutton. The international recession has also had some impact, causing private consumption in Japan to grow only sluggishly during 1981.

The USSR suffered its third year in succession of declining agricultural performance in 1981. Meat

production totalled 15.7 million tonnes, an increase of only 0.7 per cent on 1980, compared with a planning target increase of 6.8 per cent. This necessitated the purchase of a relatively large quantity of mutton from N.Z. in the 1980/81 season, although a shortage of hard currency probably resulted in purchases being lower than would otherwise have been the case.

LAMB MARKETS

Export shipments of lamb rose by 8 per cent to 379 thousand tonnes in the 1980/81 season. The United Kingdom, traditionally the major market for N.Z. lamb, remained so in 1980/81, despite a 16 per cent reduction in shipments to that country. Exports to the U.K. made up 40 per cent of total lamb exports in 1980/81 compared with 52 per cent in 1979/80. Iran is now the second largest importer of N.Z. lamb taking 92.5 thousand tonnes or 24 per cent of total exports in 1980/81, an increase of 43 per cent over the previous season. Shipments to Iraq also increased substantially, rising from 11.7 thousand tonnes to 29.7 thousand tonnes. Japan, the U.S. and Greece also imported an increased quantity of N.Z. lamb in 1980/81 but sales to Saudi Arabia and Canada declined marginally. Details of shipments to major markets over the last three seasons are shown in table 10.

As the largest market for N.Z. lamb the U.K. is regarded as the price setter for other markets. In 1980/81 the average price for PM grade N.Z. lamb at Smithfield was 56 p/lb, 6 per cent higher than in 1979/80. However, market conditions were much more volatile than usual and prices varied between 45 p/lb and 70 p/lb. At the start of the season the disruption caused by the introduction of the EEC sheepmeats regime on the 20 October 1980 was a major influence on U.K. market prices for lamb. Under the regime EEC producers are given a guarantee that any shortfall between the average market price over a season and the annually adjusted 'reference' price is made up by means of a compensation premium. This effectively means that U.K. producers were able to increase their returns by about 16 per cent once the system was introduced. Farmers held back sheep prior to the introduction of the regime in order to take advantage of the increase in returns it offered. Once the regime came into effect supplies increased sharply and prices fell to very low levels. The problem was further exacerbated by the 'clawback' arrangements made for U.K. sheepmeat. In order to prevent U.K. producers undercutting the French market and thus increasing intervention purchases there, variable premiums paid in the U.K. are 'clawed' back in the form of levies applied to U.K. exports to other EEC countries and this had the effect of reducing U.K. exports of lamb and increasing the domestic supply. In January a seamen's strike caused prices to firm but once the strike was resolved they fell

TABLE 9
SELECTED MID MONTH PRICES FOR NEW ZEALAND LAMB AT SMITHFIELD
 (converted to NZ c/kg)

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1977	194.2	166.9	164.1	160.2	164.4	165.1	159.9	158.9	165.8	176.1	184.1	187.0
1978	192.6	184.5	181.2	180.8	192.6	201.6	216.0	215.6	219.6	231.3	213.0	209.7
1979	214.2	202.6	201.2	211.6	219.3	223.8	236.8	228.3	223.4	227.0	237.2	224.2
1980	225.2	260.9	256.9	298.2	302.1	290.8	294.2	269.8	262.8	260.9	241.5	248.7
1981	289.7	315.9	382.2	316.4	348.3	349.6	283.9	253.1	269.8	312.9	317.8	321.4

Source: NZ Meat Producers Board.

again. However, the sale of an extra 25,000 tonnes of N.Z. lamb to Iran in April and the realisation that supplies of N.Z. lamb to the U.K. market would be lower than normal resulted in prices strengthening considerably. In July prices began falling as large quantities of U.K. domestic lamb came onto the market, but by the end of August prices had begun to strengthen again with an improvement in retail demand.

While short-term factors had a considerable impact on price volatility for lamb, overall demand for meat including lamb was adversely affected by the economic recession in the U.K. Domestic demand fell by an estimated 1.25 per cent in 1981 and unemployment increased from 7 per cent of the workforce in 1980 to 10.5 per cent in 1981. Consumer spending on meat and bacon as a proportion of total consumer spending has fallen in recent years as consumers have been tending to spend an increased proportion of their income on durables.

Supplies of domestic lamb and mutton in the U.K. have increased in recent years and this has also tended to have a depressing effect on prices. Production rose from 228 thousand tonnes in 1977 to an estimated 263 thousand tonnes in 1981, while exports declined from 44.6 thousand tonnes to 37.1 thousand tonnes over the same period. The EEC sheepmeats regime has been partly responsible for this trend. Since its introduction in 1980 U.K. farmers have been encouraged to increase production by the payment of compensation premiums while U.K. exports have been discouraged by the application of the 'clawback' on exports to other EEC countries. The overall effect of this trend has been a sharp increase in U.K. self sufficiency in sheepmeats which rose from 55.8 per cent in 1975 to 64.9 per cent in 1980.

The Middle East has become increasingly important to New Zealand's lamb trade in recent years and in 1980/81 shipments of lamb to Iran and Iraq were at record levels. Contracts accounting for more than a quarter of the season's production had been finalised before the start of the season and a contract for a further 25,000 tonnes was signed with Iran in April.

However in mid August letters of credit to cover shipments of meat enroute to Iran failed to arrive and the N.Z. Meat Board suspended further shipments until payment was received. Administrative difficulties due to the reorganisation of the Iranian Meat Organisation and the Iranian Central Bank plus the Iran-Iraq war were responsible for the delay in payment. The matter was finally settled in December and January when the \$43.5 million outstanding was received.

In the 1980/81 season demand for lamb in North American markets was adversely affected by generally sluggish consumer demand, high interest rates and record supplies of cheaper competing meats. Despite

TABLE 10
NEW ZEALAND MEAT SHIPMENTS BY
PRINCIPAL DESTINATIONS
 (000 tonnes shipping weight)

Year Ended September	1979	1980	1981
Lamb			
United Kingdom	205.4	180.7	152.0
Iran	3.7	64.6	92.5
Iraq	13.1	11.7	29.7
Japan	18.2	12.7	16.2
United States	14.2	11.4	15.0
Saudi Arabia	1.6	11.2	11.1
Greece	14.3	4.7	10.1
Canada	8.6	10.0	9.5
Other Markets	40.7	43.2	42.9
Total Shipments:	319.8	350.2	379.0
Mutton			
USSR	54.2	61.9	49.6
Japan	26.0	14.4	20.8
South Korea	23.6	7.1	6.9
United Kingdom	5.2	3.7	5.6
Saudi Arabia	0.4	0.7	2.0
Peru	—	1.0	0.8
Egypt	—	5.8	—
Other Markets	6.3	5.4	5.6
Total Shipments:	115.7	100.0	91.3
Beef and Veal			
United States	162.8	164.1	163.7
Canada	27.3	24.2	24.8
United Kingdom	4.0	6.2	6.0
Japan	2.7	0.8	3.8
Okinawa	1.7	2.5	2.8
Singapore	2.4	2.2	2.6
Hong Kong	2.2	2.4	2.5
Trinidad and Tobago	1.1	0.8	1.9
Saudi Arabia	1.5	1.5	1.3
Other Markets	18.9	20.5	16.5
Total Shipments:	224.6	225.2	225.9

Source: NZ Meat Producers Board.

this prices rose by an average 15 cents/lb U.S. and the volume shipped increased.

In both Canada and the U.S. producers lobbied for further restrictions on imports of N.Z. lamb. In the U.S. bills were introduced into the Senate and House of Representatives seeking to restrict imports of lamb to 31 million pounds or 12 per cent of domestic production whichever was the smaller. In addition the National Woolgrowers and National Lamb Feeders Associations lodged a countervailing duty petition with the U.S. Department of Commerce, alleging unfair competition from subsidised N.Z. lamb. A preliminary determination by the U.S. Commerce Department resulted in a 6.19 per cent countervailing duty being

applied to imports of N.Z. lamb into the U.S. However, the petition was subsequently withdrawn.

In Canada hearings on the Meat Import Bill, which sets down a counter cyclical formula for beef imports, were held in 1981. Under the countercyclical formula imports of meat are reduced when domestic production is high and vice versa. Attempts were made to include lamb in the provisions of the bill but these were unsuccessful.

BY-PRODUCTS

Production of edible offal totalled 50.6 thousand tonnes in the 1980/81 season, compared with 61 thousand tonnes in 1979/80. Exports of offal rose by 19 per cent to 49 thousand tonnes. The three largest markets were the U.K. which took 30.3 thousand tonnes or 62 per cent of the total, Japan which took 4.2 thousand tonnes or 9 per cent of the total and France which took 4 thousand tonnes or 8 per cent of the total. Other major markets included the Netherlands, Peru, Egypt and Saudi Arabia. U.K. prices for some types of offals were substantially lower than in the previous season, reflecting generally weak demand for meat. Lamb and beef liver and hearts were selling at prices as much as 40 per cent below year earlier levels. However, prices for beef kidneys were fairly static and prices for lamb kidneys which were very low at the start of the season rose quite strongly towards the end of the year.

Exports of cattle hides and skins rose by 30 per cent in 1980/81, but prices were generally depressed. Demand for leather tends to be centred on trade in luxury items and consequently the international recession has a particularly severe effect on demand for hides and skins.

Exports of sheepskins and pelts were 31 per cent higher in 1980/81, reflecting in part the increased number of sheep and lambs slaughtered during the year. Demand for sheepskins and pelts is to a large extent determined by fashion trends which unfortunately were not favourable in 1980/81. Prices were extremely low for most of the season, although some improvement was evident towards the end of the year.

Exports of tallow and sausage casing rose by 28 per cent and 11 per cent respectively in 1980/81. Prices for casing rose quite strongly during the season but prices for tallow fell mainly due to the impact of the U.S. recession.

EXPORT RECEIPTS

Export receipts for meat and meat by-products over the last few seasons are shown in table 11. Exchange transactions shown in the table refer to foreign currency proceeds received through the banking system during the period stated and not directly to exports made in that period. There are usually lags between shipment and payment which may vary over time. In addition there is some difference in the basis of valuation between official trade statistics and OET receipts.

Export receipts for meat and meat by-products totalled a record \$2,058.1 million in the year ended September 1981, an increase of 13.4 per cent over the previous year. Export receipts for meat increased by 18.6 per cent to \$1,702 million, while export receipts for by-products declined by 6.4 per cent to \$356.1 million.

The United States has now supplanted the United Kingdom as the major market for N.Z. meat and in 1980/81 it accounted for 24.3 per cent of total meat receipts, compared with 31.1 per cent in 1979/80. The United Kingdom is the second largest market, accounting for 23.7 per cent of total meat export receipts, compared with 25.5 per cent last season. The diminishing importance of these two major markets is illustrated by the decline in the proportion of receipts they provide. In 1977/78 they together provided 58.3 per cent of receipts while in 1980/81 they provided 47.9 per cent. The main reason for this decline is the emergence of the Middle East as a major buyer of N.Z. meat (mainly lamb). In 1980/81 the Middle East was the source of 22.3 per cent of meat export receipts compared with 5 per cent in 1977/78.

Meat export receipts from Russia declined by 20 per cent in 1980/81, in line with the decline in exports of mutton to that country. Export receipts from EEC countries excluding the UK rose by 28 per cent largely as a result of increased shipments of lamb to Greece, Germany, Italy, France and the Netherlands.

TABLE 11
NEW ZEALAND OVERSEAS
EXCHANGE TRANSACTIONS
Export Receipts: Meat Industry
\$ million

Year Ended September	1978	1979	1980	1981
Meat:				
United Kingdom	302.1	393.9	366.2	402.7
United States	247.4	392.3	445.6	413.4
Canada	72.8	88.4	94.2	99.7
Japan	75.7	94.7	73.4	109.9
USSR	21.4	48.6	63.3	50.4
Middle East	46.9	38.3	209.6	379.0
Caribbean	18.9	15.7	17.4	19.4
EEC (excluding UK)	48.8	57.5	49.4	63.2
Other	107.9	134.2	115.8	164.3
Total:	941.9	1,263.6	1,434.9	1,702.0
Meat Industry By-Products:				
Hides and Skins	80.0	110.7	112.0	90.3
Sheepskins and Pelts	109.5	138.4	149.8	110.8
Sausage Casings	28.1	32.8	34.5	49.1
Tallow	38.4	47.0	49.6	65.1
Inedible By-Products	23.5	36.0	34.7	40.8
Total By-Products:	279.4	364.9	380.6	356.1
Total Meat Industry:	1,221.3	1,628.5	1,815.5	2,058.1

OUTLOOK FOR MEAT EXPORTS

The short-term outlook for New Zealand's meat export trade is not particularly favourable. The international recession, the worldwide shift in tastes away from red meats, restrictions on trade, high levels of meat production in importing countries and New Zealand's dependence on only a handful of countries for the bulk of its trade are all contributing to problems in the current season.

Prices for mutton have been well below year earlier levels so far this season. For example in mid April 1982 ML1 grade was selling at 60 US cents/lb in Tokyo, 15 per cent below the average price a year earlier. Early in the current season the N.Z. Meat Producers Board assumed responsibility for marketing mutton as exporters were unable to meet the Board's minimum

price of 43 cents/kg (ML1 grade). So far the Board has been able to dispose of most of the meat it has bought in, but future success will depend largely on whether or not the USSR continues to be active in the market. So far this season it has bought 35,000 tonnes but it is very difficult to predict whether or not future purchases will be made. Although it is clear that the USSR needs to import increased quantities of meat after three years in succession of poor agricultural performance, hard currency shortages and the availability of alternative supplies of cheap meat such as Argentinian beef could preclude further imports of New Zealand mutton. In Japan demand is likely to remain depressed for the rest of the current season as ample supplies of cheap alternative meats are available and there appears to have been a shift in tastes away from mutton based processed meat products. However sales of boned-out mutton to Greece and the U.K. have been made at reasonably attractive prices and further sales to these countries can be expected later in the season.

New Zealand lamb has been selling at higher prices in the U.K. this season. In mid April PM grade was selling at about 66 U.K. p/lb, compared with 60 p/lb a year earlier. However the 1981/82 contract with Iran for the purchase of New Zealand lamb has yet to be successfully concluded and this has created difficulties for New Zealand. In March the N.Z. Meat Producers Board began buying in lamb as meat exporters were no longer prepared to buy lamb at the Board's minimum price of 116 cents/kg when there was no certainty of markets being available. There are no obvious alternative markets capable of absorbing the 70,000 tonnes of lamb 'earmarked' for Iran since New Zealand lamb and mutton exports to the U.K. are subject to a 'voluntary restraint' quota of 245,000 tonnes, Iraq has substantial stocks of lamb in its cool stores already and

consumption of lamb in the U.S. is currently falling.

Prospects for beef exports are also not particularly favourable in the current season but there should be no difficulty in disposing of the entire season's production. Prices in the U.S. are expected to remain low throughout 1981/82 as U.S. beef production is expected to rise by about 3 per cent in 1981 and total meat supplies are likely to remain only slightly below the record level of 1981. In addition the economic recession and shift in preference towards white rather than red meats are likely to lead to a continuation of the current weak demand situation.

In the longer term, the outlook for New Zealand meat exports remains uncertain. The recovery in the international economy predicted to occur in the second half of 1982 should assist demand for meat and lead to higher prices. However difficulties in finding markets for New Zealand meat appear likely to persist. Restrictions on New Zealand's trade with its traditional markets seem likely to continue in the foreseeable future, forcing New Zealand to sell more meat to non-traditional markets which tend to be much less stable in their demand for imported meat. Although there is undoubtedly considerable potential for increased sales of sheepmeat to Middle Eastern Countries, political instability and a predicted decline in oil prices could reduce the level of their demand for New Zealand meat. Essentially New Zealand faces a problem of adjustment to new more uncertain marketing conditions in which its traditional markets become less secure and replacements for those markets offer less certain levels of demand from year to year. This is a problem further compounded by the worldwide decline in red meat consumption and increasing production in the major importing countries.