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EXPORT PROSPECTS FOR NEW ZEALAND BEEF

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F. L. WARD,
District Officer, Christchurch.

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At the present time beef is in short supply in the United Kingdom and in Western Europe and as it forms a considerable part of the diet the shortage is causing some concern. It is also a major item (57 per cent.) in the per capita meat consumption in Canada and the United States. Even in New Zealand and Australia which are predominantly lamb and mutton exporting countries, beef provides a very large part of the meat consumed.

The New Zealand per capita consumption (1961/62) was 244 lb including 98lb or 40 per cent beef. In North America and Western Europe the class of meat consumed other than beef is mainly pig meat whereas in Australia and New Zealand, and to some extent in the United Kingdom, mutton and lamb is the other principal meat.

New Zealand has been exporting beef for a long time but the pattern of these exports has changed considerably as regards quality, destination and methods of processing.

The quality has improved considerably and a high proportion of the cattle produced are 20 to 24 months old and in the 500 to 600 lb range.

The destination of most of New Zealand beef was formerly the United Kingdom, but now (1962/63) 84 per cent of the beef exported goes to the United States.

The methods of processing have also undergone a change since the change of destination. Formerly beef was sold on a bone-in basis

but by 1962/63 some 93.5 per cent of the total beef export was boned.
Beef Export Agreement with U.S.A.

In the United States at the present time New Zealand and Australian beef is very much in the news and there is a lot of comment and criticism of U.S.A. beef imports by American cattlemen and politicians. Just recently, however, Australia and New Zealand have negotiated an agreement whereby they voluntarily restrict their exports to the United States. New Zealand producers of beef take a very keen interest in the American market as it absorbs such a high proportion of New Zealand beef.

TABLE 1
BEEF EXPORTS, 1st OCTOBER
1962 to 28th SEPTEMBER 1963

	Tons	Per cent of total
United States	91,440	84.1%
Canada	4,424	4.1%
West Indies	3,848	3.5%
Honolulu	3,532	3.2%
United Kingdom	1,253	1.2%
Pacific Area	952	.9%
Other Countries	3,302	3.0%
	<hr/> 108,751	<hr/> 100.0%

With 84 per cent of beef going to the U.S.A., New Zealand is nearly as dependent upon the U.S.A. market for beef as she is on the United Kingdom for the lamb exports. For that reason New Zealand is very willing to co-operate in measures

which will ensure continued access to such important markets.

Just recently the United States and New Zealand have agreed to adopt certain measures in the interest of promoting an orderly development of trade in beef and veal between the two countries. They have also agreed upon the desirability of preserving approximately the present pattern of trade in these products. The New Zealand Government has agreed to limit exports from New Zealand to the U.S.A. of beef and veal (in all forms except canned, corned and cooked meat and live cattle) in accordance with the following:

(a) Exports shall be limited to a total of 103,000 long tons in calendar year 1964, 107,000 long tons in calendar year 1965, and 111,000 long tons in calendar year 1966, all in terms of product weight.

(b) In each succeeding calendar year there shall be an increase corresponding to the estimated rate of increase in the total United States market for these meats. This increase in the total United States market is presently estimated to be 3.7 per cent annually.

(c) The purpose of the annual increases established in paragraphs (a) and (b) is to secure to New Zealand a fair and reasonable share in the growth of the United States market. There shall be a triennial review and, as appropriate, an adjustment of this estimated rate of increase in consumption to apply to the succeeding three year period. The first such review shall take place no later than 1 October, 1966.

(d) The New Zealand Government shall use its best endeavours to limit exports from New Zealand to the United States of better-quality primal cuts of beef and veal, such as steaks and roasts, approximately to the percentage these cuts currently constitute of total annual exports of beef and veal from New Zealand to the United States.

The New Zealand Government shall limit exports from New Zealand to U.S.A. on the understanding that New Zealand will not be placed at a disadvantage in relation to other substantial suppliers in the U.S.A. market and also that New Zealand access to the U.S.A. market for beef and veal is not limited by an increase in the duties on

these products. It is noted also that wider international arrangements could subsume this agreement. It was also agreed that either government may terminate this agreement effective at the end of a calendar year by written notice given at least 180 days prior to the end of the calendar year. The New Zealand Government stated that it was their policy to treat on an equal basis all meat exporters engaged in the export of beef and veal to the United States and that in implementing the agreement there will be no change in this policy.

The reason for this negotiated voluntary agreement was that American cattlemen have been protesting strongly at the level of U.S.A. beef imports and claiming that these imports were responsible for the decline in U.S.A. beef prices and were a threat to the domestic cattle industry. The United States Department of Agriculture estimates that there has been a drop of 3.70 dollars per cwt. in the price of cattle in the last year and of this 50 cents is due to increased imports, 20 cents is attributable to increased supplies of poultry and pork, and 3 dollars to the rise in domestic beef production.

In 1963 the per capita consumption of beef in the United States was 95 lb and it has been rising steadily (80 lb in 1954). Cattlemen have been stimulated to increase production using large scale feeding establishments and expensive capital equipment, and to make use of the cheap food supply made available by the government programme for disposal of surplus grain. Naturally, they wish to see a return for their investment and therefore have been exerting considerable pressure in the political field asking for quotas and protection, and this pressure is still continuing despite the negotiated agreement now in force. A Republican senator, however, recently criticised the quota proposals, saying that the American cattlemen were trying to make the consumer eat expensive steak and that if the quota proposals were enforced the price of hot dogs and hamburgers, etc. would rise by 4 to 6 per cent.

It will be very necessary for New Zealand to keep a careful watching brief on the American market and its requirements and to maintain a very high standard of hygiene in

processing as well as be ready to make alterations in that processing to suit what is a very important export market.

Beef Shortage in Western Europe

Meanwhile, in Western Europe and the United Kingdom there is a beef shortage. Consumption has increased and West Germany, France and Italy are seeking supplies. It also happens that the unusually severe winter conditions last year in Western Europe prevented the expected rise in meat output. The major factor, however, in the beef shortage and price rise in Smithfield market is the falling off in shipments of beef from the Argentine and the very uncertain future outlook for supplies from this source.

In the United Kingdom beef has not been in such short supply since the difficult days of the last war. Argentine supplies have been down by 600 tons per week. This situation in the United Kingdom and Western Europe has naturally attracted supplies from the North American market and it is interesting to speculate whether, in view of the demand and future supply uncertainties, New Zealand beef could again appear in some quantity on the U.K. market; but for how long will no doubt depend upon relative price levels. There is some speculation upon the reasons for the shortage of supplies from the Argentine, but it seems to be a combination of factors.

Last season Argentine exports were at a record level and this season following the 1962/63 drought, pastures have recovered and are in excellent condition and cattlemen are holding back stock from slaughter in order to rebuild herds. Domestic consumption is increasing rapidly and the exports could be maintained at recent levels only if there was some restraint placed upon this consumption, which would not be a very popular move.

Outlook for New Zealand Beef Exports

The net result of the beef shortage is that the export outlook for New Zealand beef is very bright, provided that access is still maintained into the American market. The future for mutton is also good with Japan asking for more, and the lamb market is quite reasonable. So in general, the sheep and cattle industry in New Zealand can

feel that its products are in demand overseas.

Beef Production in New Zealand

In New Zealand beef production is not a separate industry as it is in many other countries, and cattle and sheep are grazing partners on most of the hill country as well as on many of the fattening farms, particularly in the North Island. This partnership very often leads to a better utilisation of pasture since grazing habits of the animals differ and often, as well, to a more effective use of input factors such as topdressing and other development and maintenance items and labour.

Beef cattle numbers in New Zealand have been increasing steadily but a fairly constant relationship has been maintained between cattle and sheep.

TABLE 2
BEEF CATTLE NUMBERS,
1951 to 1962

Year	Total beef cattle	Beef cows for
		breeding as a percentage of total cattle
		%
1951	2,148,592	N.A.
1952	2,282,069	N.A.
1953	2,478,302	27.3
1954	2,634,454	28.2
1955	2,807,724	28.8
1956	N.A.	N.A.
1957	2,861,085	30.0
1958	2,915,339	30.7
1959	2,969,651	30.9
1960	3,019,162	32.1
1961	3,334,309	31.4
1962	3,462,362	32.2

Source: Farm Production Statistics of N.Z.

Beef cattle in the South Island total 563,000 or 16.25 per cent of total.

Most of the cattle are in the heavier rainfall areas of New Zealand mainly in the North Island, but a considerable build up in numbers is now taking place in the South Island. The proportion of breeding cows is increasing steadily, but this is to be expected in view of the development of country and a demand for younger cattle.

In earlier days in New Zealand cattle were regarded as implements on hill country, being used to eat and crush fern and scrub. These cattle at, say, 3 to 4 years or older were sent down country to fatten

and as older cattle develop excess fat in relation to weight they did not provide high quality beef. Since that time there has been a big change in cattle values and quality and they are now run as meat producers in their own right on a lot of hill and fattening country. The demand is for the chiller type beast 20 to 24 months, 500 to 600 lb weight.

Changes in cattle values relative to sheep in recent years have been quite marked.

TABLE 3
REVENUE FROM BEEF CATTLE
AND SHEEP, NORTH AND SOUTH
ISLAND HILL COUNTRY

Year	Revenue per	Revenue per
	head, sheep wintered (sheep lambs and wool) £ per head	head, cattle wintered £ per head
1949/50	2.1	2.6
1950/51	4.7	3.0
1951/52	2.5	4.1
1952/53	2.7	4.9
1953/54	2.8	5.1
1954/55	3.0	5.1
1955/56	2.9	4.3
1956/57	3.3	4.2
1957/58	2.8	7.2
1958/59	2.3	6.7
1959/60	2.4	6.8
1960/61	2.3	6.8
1961/62	2.1	5.7

Source: Economic Service data.

This increase in cattle returns is due to several factors:

- (1) A rise in beef values
- (2) An improvement in class of cattle offered
- (3) A greater output of cattle relative to numbers carried.

This trend in returns is shown more clearly when total cattle returns are shown in relation to total revenue.

Beef Production Potential

To produce high quality beef it is necessary to have good feeding standards and this has been accomplished very largely by means of aerial topdressing and oversowing of hill country. The results from topdressing were known and appreciated a long time ago on country accessible to wheeled vehicles. Topdressing and oversowing of hill country was not a new undertak-

ing but pre-war it was done by hand, but eventually labour cost and non-availability of labour for this work made it impossible to continue.

TABLE 4
REVENUE FROM BEEF CATTLE
AND SHEEP, NORTH AND SOUTH
ISLAND HILL COUNTRY

Year	Cattle revenue as percentage of total revenue %
1949/50	11.6
1950/51	5.4
1951/52	13.0
1952/53	16.5
1953/54	15.9
1954/55	16.7
1955/56	14.9
1956/57	12.3
1957/58	21.4
1958/59	23.3
1959/60	19.7
1960/61	20.7
1961/62	20.2

Source: Economic Service data.

Following World War II there were surplus aircraft and a reserve of experienced pilots, and it was not long before aerial topdressing and oversowing became an economic and potent factor in the development of hill country. The result was a rapidly increasing supply of good quality young cattle and an increased output of lambs, sheep and wool.

Considerable development has taken place on New Zealand farmland in recent years and with it a great increase in output of meat and wool. This development and increase in output has been in response to a number of factors, chief of which is the improved economic climate and ready demand in overseas markets for primary products.

It is highly desirable that this trend should not only continue but that the tempo should increase. If the export targets regarded as essential to maintain our future population are to be attained, considerable thought must be given to the factors involved in these production increases. Chief among them is the current economic situation as it affects the farmer. If returns are at a reasonable level development work can be undertaken with confidence, and increased production will be the result.

The greatest lifts in production in the past have followed higher prices for wool and/or meat, and the higher wool price this season has resulted in a greatly increased demand for fertiliser which will have its effect upon future production. Given a favourable economic climate for development and adequate supplies of fertiliser and fencing materials and other necessary improvements, this country has considerable production potential in terms of wool, mutton, lamb and beef. Production increases in the past have followed a fairly regular pattern in that as grassland has been improved and stock numbers increased, the proportion of breeding stock to total has also increased. In other words, development has meant more wool from more sheep and a greater relative output of sheep and lambs.

The development pattern of the future could change—wool, mutton and beef are in strong demand and for that matter so is lamb, but not over such a wide range of markets. Lamb will continue to be produced efficiently by our fat lamb farmers—the lambs come when the grass starts to grow and they are gone when the grass growth eases off—we hope! But on the hill country

and marginal fat lamb farms where the lambing percentages are not particularly high or where fattening feed has to be grown at some expense, the policy of a few more dry stock and beef cattle may fit the management and development policy very well.

It is very desirable to have a high gross return, but the cost of production has also to be taken into account, and a proportion of dry sheep and more cattle could be worthwhile as a proposition to the individual farmer and to the country as a whole.

The title of this paper is "Export Prospects for New Zealand Beef," and so far as we can tell the prospects are good. The next question is, can we supply the beef? With an incentive the answer is surely Yes. There is still a big potential in the grasslands of the North Island and we can look for a greatly increased production from the hill country and some of the high country of the South Island. When regular supplies of good quality young cattle become freely available and despite periodic dry conditions, a regular pattern of fattening will also develop on down country and farms in the South Island.

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