NEW ZEALAND AND THE WORLD MEAT INDUSTRY

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This paper will address firstly an overview, then trends on the world meat scene looking into the future, and finally New Zealand's place in th

1. Overview

There are a series of factors that contribute to the current situation in world meat markets. Perhaps key in these is the level of econ activity in the main consuming countries, and for exporters such as New Zealand, especially economic activity in the importing coun Factors such as disposable income levels per capita and level of population growth all contribute to the demand overall for meat.

The expectation is that economic growth in the OECD country group will be low, with inflation at relatively low levels throughout next few years. Real GDP of around 2 to 2.5 percent across the OECD in the current year is expected.

In contrast economic growth in the developing countries is on the increase with especially strong growth occurring in the Asian re and some Latin American countries. Also higher GDP growth is expected in the former Soviet Union and Central and Eastern Euro countries.

Clearly how fast some of the new policy settings which result from the WTO round will impact is yet to be seen, though major play the world meat scene, eg. USA and the EU, both have changes under way which will have quite wide effects on their actions, and of their trading partners over the next few years.

Looking in more detail at the main factors affecting the main markets, these include:

i. Higher feed costs in many countries, costs of new environmental protection policies, resource management policies and a shift in the beef cycle in the US will affect overall beef production in the OECD countries, and result in lower beef productio

ii. While meat consumption overall is unlikely to increase, the exception is poultry, and there are signs of improved sheep consumption. While beef and pigmeat consumption may well fall overall, there is likely to be increased consumption in b Asia against falling consumption in the more traditional beef markets of Europe and North America. Clearly this re difference is of great interest and value to New Zealand. Australia and North America too will likely avail themselves of growing opportunity, especially in Asia.

iii. Above all, countries where changing consumer habits are being reflected in opportunities for exporters, Japan stands out. other countries in Asia the growth is from a very low base, as compared to western countries and, coupled with large popula provide exciting opportunities for exporting countries.

iv. While most of the world markets are responding to true market signals, the EU, a major producing bloc in the world beef s continues a policy which is not related to world market trends, and this results in stockpile build-up. This in turn destabilis world meat scene, not only for beef, but also for other meats such as sheepmeats.

v. A trend which was apparent before the last WTO round concluded, but which has been given greater emphasis since, has bee globalisation of world trade in a range of items, including meat, and especially beef. This is a result of freer trade, impr access, less subsidised product in world trade and the move to a foot and mouth free Southern America. All these will te contribute to a more global environment and a move away from the Atlantic and Pacific regional differences over time.

vi. A new factor in global world meat markets is the impact of an increasingly more cost-effective specialised pigmeat industry i US, where production costs are being driven down to very low levels. The result of this will be greater competition on w markets in pigmeat. Low cost pigmeat will compete with other meats on global world markets in the future, and even i growing beef markets of Asia. One factor in this is the extent to which different countries apply environmental prote measures to their intensive livestock industries. This can have a major affect on the production costs of such industries, and r in a competitive position being attained on world markets.

vii. Food safety issues remain of major concern in many countries, and of growing concern in others. This was demonstrated visibly in the 1996 BSE outbreak in the UK. While impacting dramatically on the UK and other European countries, the was not confined to those countries. Beef demand in Asia and Japan in particular, was adversely affected and has not recovered. Further concerns have been raised with E-Coli and other such outbreaks in various countries, all of which uncertainty and apprehensiveness in the total food delivery system.

For some reason red meats seem to attract more attention in this regard, with fish and poultry not seen as such threats. more removed are the other protein areas such as pasta.

viii. Environmental and animal welfare considerations are major factors which have to be considered, and which various governments and consumer groups within individual countries, mainly in the west, express concern over. Clearly the meat industry is part of an ever more sophisticated food chain, and these issues are of concern. To address these care and not inconsiderable resources are required. Care of the environment, and confidence in the production system, are now accepted as necessary, but different countries with different natural resources and attitudes can use these issues to gain competitive advantage.

ix. Presentation of product to meet consumer needs is a must. Increasingly the consumer is faced with a wide choice, between various meats and alternative protein products. Products that allow quick, attractive meal solutions will find customers, more inclined to pay well for the product. The products must be easy to prepare, contemporary in style and with special features that differentiate the product from others. For sheepmeat in particular, the present low level of consumption in many countries makes it a special occasion item.

The areas mentioned above are now, and will in the future, all impact on the total world scene for meats, but will fall unevenly in individual countries. That is where New Zealand, selling into over 80 countries around the world, can achieve a degree of flexibility in marketing which can be of benefit. However the pressure is on to provide the consumer with a safe, wholesome and contemporary product if meat is to retain its position as a central item in the diets of the majority of the world's population.

<u>New Zealand in the World Scene</u>

New Zealand is a significant player on the world meat scene and is seen as a leader in some areas.

In terms of beef, we produce only around one percent of world production, nearly 80 percent of that exported, and this makes up 6 percent of world trade. At this level New Zealand is the world's fifth largest beef exporter. For sheepmeat the figure is 85 percent exported, 7 percent of world production and 65 percent of world trade.

Thus for lamb there is the opportunity to establish a significant presence in the key markets, and this has been achieved. New Zealand product is now well known as "New Zealand Lamb" and respected for its quality and reliability. It is seen as a leader and trend-setter in the key sheepmeat markets of the world. This position, reached after considerable investment in processing technology, generic promotion and product development, is not yet matched in the beef sector, though progress is being made.

Much is made of the progress and increased share of the market now held by pork and especially poultry in New Zealand compared to earlier periods. However, chicken is becoming relatively cheaper and, displaying a variety of more convenient items, has gained market share. This is why it is important to differentiate the red meat products for their different qualities, and suitable for special occasions. We need to present more of our products as a top quality product, positioned so as to attract consumers who will buy on other than price, who will value the special attributes of the New Zealand product. This has been achieved with lamb, but not yet to the same extent with our beef products.

The New Zealand meat industry incorporating on-farm, off-farm activities, processing and marketing, has made great progress in recent years.

In areas such as research and development in the processing industry, food safety, meat quality and animal production have all produced remarkable results, all designed to position New Zealand more advantageously in the international marketplace. Science input into the industry over the last few decades has been a major factor in our success.

At the farm level increased animal performance, both in volume and quality of output, is being achieved throughout the sheep and beef industry.

Increasingly processors are moving to adopt HACCP systems (Hazard Analysis Critical Control Point) across the industry on which to base production and inspection systems, with the aim of improving quality and reducing processing and inspection costs.

New Zealand spends considerable reserves on in-market promotion and market development. Lifting the image of New Zealand product and its qualities is important and when done on a generic base, complements the work of individual exporters in the key markets.

On the local New Zealand scene, a campaign outlining the value and importance of iron has been initiated with considerable success, and this will be followed by a quality mark later in the year - all designed to promote the high quality and consistent nature of New Zealand beef and lamb, and the value of the local market.

Even though New Zealand sheepmeat volumes are significant on the world scene, and for beef less so, it is critically important that we continually move in the direction of positioning the New Zealand product at the top end of the scale; as a special product worthy of attracting a high unit price. New Zealand lives and survives in the international marketplace, and only by moving in this direction, appealing to those who have higher discretionary income, will the industry survive. We have little choice but to continually strive to be more competitive on the international scene.