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New Zealand

Livestock and Products Annual

New Zealand Cattle and Beef Production Annual Report 2017

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Report Highlights:

New Zealand total cattle numbers continue to increase and are forecast to reach 10.38 million head by 2018, up by 1.2 percent from 10.26 million head in 2017. However on the export front, volumes are forecast to be relatively stable at 566,000 MT carcass weight equivalents in 2017 and 568,000 MT carcass weight equivalents in 2018. Japan's 50% safeguard tariff on beef imports from August 2017 to March 2018 is likely to disrupt trade to this market and will overshadow New Zealand's recent trade policy wins including its beef and sheepmeat market access agreement with Iran and its trial market access for chilled beef and sheepmeat into China.

Executive Summary

Both the dairy and beef sectors are growing again with cattle numbers forecast at 10.38 million (m) head by the end of 2018. This is 1.2%, or 126,000 head, greater than at the same point in 2017. The dairy sector is expected to reach maturity, and there is not going to be the continued growth previously observed. Beef herd numbers may have a year or two of growth to fill the void for on-farm numbers from recent regional droughts and less dairy sector young stock being grazed on sheep and beef farms. Total cattle numbers for the end of 2017 have been revised up again to 10.26m head.

Total slaughter numbers forecast for 2018 are 4.25m head, 37,000 head or 0.9% greater than 2017. The increase is the result of extra adult cattle maturing that had originally been retained from the dairy industry during 2016 and 2017.

For 2017, total slaughter numbers are revised up slightly to 4.21m head. This is still 190,000 head, or 4% down, from the 4.4m head slaughtered in 2016. Significant reductions to the cow and calf kills are behind this reduction.

Beef production in 2018 is forecast at 638,000 metric tons (MT) carcass weight equivalents (CWE), only a 2,000 MT increase over 2017. The revised estimate for 2017 beef production is 636,000MT CWE, 1.85% less than 2016 because of the reduced cow and calf slaughter numbers.

Beef exports in 2018 are forecast at 568,000MT CWE, just 2,000 less than the revised result for 2017. 2017 exports are expected to reach 566,000MT CWE, down 3.6% from the strong result in 2016 of 587,000MT CWE. Again this is due to reduced cow and calf slaughter numbers in 2017.

Exports to the United States are declining from the peak in 2015 (316,576MT CWE) and forecast at 259,000MT CWE and 245,000MT CWE for 2017 and 2018 respectively.

Exports to China, after a blip in 2016, are on an upward trend and are expected to be over 105,000MT CWE in 2017 then close to 120,000MT CWE in 2018.

On the trade policy front, the Iran meat access agreement and the chilled meat trial access in to China may be overshadowed by Japan's 50% safeguard tariff on beef imports from August 2017 to March 2018. This is likely to disrupt trade for at least a few months.

Note: the Marketing Year (MY) is the calendar year; the MY2017 marketing year is shown as 2017

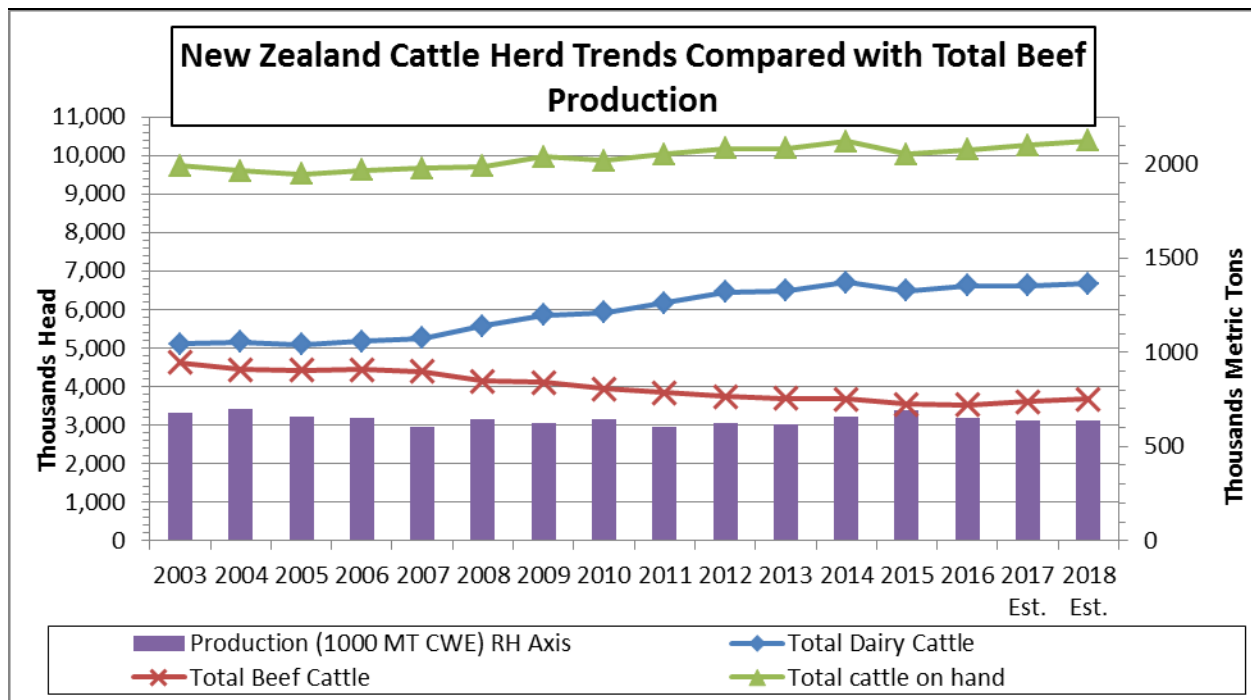
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Cattle Situation

Inventory Changes - 2018

2018 is forecast to end with the total cattle herd standing at 10.38 million (m) head, 126,000 head, or 1.2% greater, than 2017. The drivers behind this are:

- The total dairy herd is forecast up 50,000 head (0.75%) because of extra heifers being retained for herd replacement. The number of dairy cows is expected to be stable from 2017 to 2018.
- Confidence remains for beef production versus sheepmeat production or providing dairy support services due to the relatively better profitability. This is likely to drive overall beef herd expansion by 75,000 head (2%) to 3.71m head in total.
- The increase in the beef herd is being driven by extra animals sourced from the dairy sector, which will be grown out to go directly to meat production. The reproductive cow herd is forecast to grow by only 5,000 head.



Source: StatsNZ, B+LNZ, Post estimates

With a relatively stable beef cow herd, which is expected to continue into the future, the beef sector is becoming ever more reliant on sourcing replacement stock from the dairy sector. This is particularly apparent if the sector wants to grow production. Some dairy farmers are responding to the demand by using dedicated beef semen over some of the herd at mating and/or purchasing bulls with better beef genetics for natural mating, once the artificial breeding season is finished each year. Lower cost sexed semen that had the same success rate as normal semen would assist this move. The value of a four day old male calf can be lifted from NZ\$20-25/head to NZ\$100-150/head if the genetics suit the beef sector.

2017

Based on the latest New Zealand Government estimates for 2016 (available May 2017), total 2017 ending cattle inventory is forecast at 10.26m head. This is a 1.2%, or 103,000 head, increase from the end of 2016. The national dairy herd is expected to be stable just increasing marginally by 3,000 to 4,000 head during the year. The drivers behind the increase lie with the beef herd where:

- The total beef herd is forecast to increase by 100,000 head to 3.63m head (2.8%) during 2017.
- Relatively better profitability for beef animal finishing operations is driving confidence.
- There is also a genuine shortage of stock in many regions where: farmers have recovered from drought and need greater stock numbers; or farmers previously growing on replacement heifers for the dairy sector no longer have access to those stock; or farms that have reduced sheep numbers are making a switch to greater cattle numbers.
- Retentions from dairy sector progeny are estimated to provide over 80% of the numbers needed for the increase. This stock will primarily become part of the stock directly finished for meat production rather than becoming reproductive stock.

2016 Review

Actual overall cattle numbers for yearend 2016, based on the final adjusted Statistics NZ data released May 2017, are now 10.15m head. This amendment is 119,000 head, or 1.8%, up from the previous year. The unexpected 148,000 head increase to the dairy cow herd was the main factor behind the increase. The national beef herd is now put at 3.53m head. While this is a 60,000 head increase to post's previous forecast, the 2016 beef herd was still 14,000 head less than in 2015.

It seems despite very high beef prices back in 2014/2015, hill country farmers continued to run down their beef cow numbers (-28,000 head during 2016) especially in the areas that endured drought conditions for nearly two years (inland Canterbury). Additionally steer numbers were run down (-32,000) possibly due to farmers taking advantage of historically high prices. On the other hand, other farmers perhaps sensing continued relatively higher beef profitability increased the numbers of meat bulls and heifers during the year by a combined total of 55,000 head. This increase was achieved with retentions from the dairy sector progeny.

Cattle Production

2018

Total slaughter numbers for 2018 are forecast at 4.25m head, 37,000 head or 0.9% greater than 2017. The main driver behind this increase is the 26,000 head (1.8%) increase in other adult cattle kill, the

result of the extra retentions from the dairy sector during 2016 and 2017 growing out to maturity. The cow slaughter at 930,000 head is forecast to be in the middle of the range from 900,000 to 960,000 head. This is the expected sustainable slaughter volume if overall cow numbers are to be maintained at a static 6.175m head as forecast.

2017

The estimate for total slaughter numbers during 2017 has been revised to 4.21m head. This is only a 10,000 head increase on the previous forecast, but it is 190,000 head, or 4.3%, less than the 2016 total slaughter number owing to reduced cow and calf kills in 2017 compared with 2016. However, the marginal change in this revision masks more significant changes to the structure of the 2017 kill.

The calf slaughter is estimated down 75,000 head from the previous forecast, as more calves are being retained for both the dairy and beef sector herds. The revised adult cattle kill number is forecast to be up 65,000 head over the previous forecast, as extra retentions from the dairy industry in 2015 and 2016, reach maturity. The other adult kill is now estimated to be 43,000 head, or 3%, ahead of 2016, which is a reversal from the previous revision. By yearend, the cow kill is estimated to be 930,000 head, 20,000 head above the previous forecast, on the strength of the year-to-date kill numbers.

Beef Production

2018

Total beef production for 2018 is forecast at 638,000 metric tons (MT) carcass weight equivalents (CWE), only a 2,000 MT increase on 2017. Over the last two years the cow kill has reduced to a sustainable level, which has reduced the beef production derived from the cow category. At the same time, steer, bull, and heifer beef production should increase as the extra cattle retained from the dairy sector grow out to maturity. With an assumed normal pasture growing year, average carcass weights are forecast to reduce slightly and be closer to five year averages.

The proportion of beef production that goes directly to the manufacturing/ingredient grades is likely to reduce slightly from 55-60% to 50-55%, as calf and cow beef production is reduced.

New Zealand Beef Production Table									
Marketing Year	2016		Actual	2017			2018		Forecasts
Category	CW kgs/hd	Numbers to kill (1000's)	Total tons Beef	CW kgs/hd	Numbers to kill (1000's)	Total tons Beef	Est. CW kgs/hd	Numbers to kill (1000's)	Total tons Beef
Cow Slaughter	195.4	1,073	209,711	198.0	930	184,140	196	930	182,280
Calf Slaughter	15.6	1,890	29,543	16.0	1,800	28,800	16.0	1,811	28,976
Heifer Slaughter	237.3	479	113,680	241.2	485	117,000	235	485	113,975
Steer slaughter	309.4	512	158,391	312.0	530	165,360	311	544	169,184

Bull Slaughter	305. 7	446	136,1 83	302. 5	465	140,6 63	300	480	144,00 0
Other Adult Cattle SubTotal	284. 2	1,437	408,2 54	285. 8	1,480	423,0 23	283	1,509	427,15 9
Total Slaughter	147. 2	4,400	647,5 08	151. 1	4,210	635,9 63	150. 2	4,250	638,41 5
% Change from Previous Year									
Cow Slaughter	0.6%	-7.8%	-8.4%	1.3%	-13.3%	12.2%	1.0%	0.0%	-1.0%
Calf Slaughter	1.3%	-11.5%	12.7%	2.4%	-4.8%	-2.5%	0.0%	0.6%	0.6%
Heifer Slaughter	2.1%	-2.7%	-0.7%	1.7%	1.2%	2.9%	2.6%	0.0%	-2.6%
Steer slaughter	2.8%	-7.8%	-5.2%	0.8%	3.5%	4.4%	0.3%	2.6%	2.3%
Bull Slaughter	2.8%	-9.2%	-6.6%	1.0%	4.4%	3.3%	0.8%	3.2%	2.4%
Other Adult Cattle SubTotal	2.3%	-6.6%	-4.5%	0.6%	3.0%	3.6%	1.0%	2.0%	1.0%
Total Slaughter	3%	-9%	-6%	2.6%	-4.3%	-1.8%	0.6%	1.0%	0.39%

Source: StatsNZ, B+LNZ, Post Estimates

2017

For 2017, Post now estimates total beef production at 636,000 MT CWE, a 25,000 MT CWE or 4% upward revision, to the previous forecast. The change is mainly due to a 5.5 kg/head (4%) average carcass weight increase as a result of better pasture conditions throughout the country in the first half of the year. Even though the winter has been significantly wetter than normal, the average weight advantage will be maintained in the second half of 2017. The revised production increases mainly have come from the adult cattle classes which include:

- A 7,000 MT CWE increase in steer meat from 20,000 extra steers being killed than had been previously expected at a 2kg/head better weight.
- A 12,500 MT CWE increase in heifer beef production from 40,000 extra being killed than had been previously expected at a 5kg/head better weight.
- A 6,000 MT CWE increase in cow beef production from 20,000 extra being killed than had been previously expected at a 2kg/head better weight.

Production Supply & Demand – Cattle Numbers

Animal Numbers, Cattle New Zealand (1000hd, %)	2016		2017		2017		% Change 2018 New Post Data from 2017 New Post Data	% Change 2017 New Post Data from 2016 New Post Est.
	Market Year Begin: Jan 2016		Market Year Begin: Jan 2017		Market Year Begin: Jan 2018			
	Off. Data	New Post Data	Off. Data	New Post Data	Off. Data	New Post Data		
Total Cattle Beg. Stks	10,033	10,033	9,971	10,152		10,255	1.0%	1.8%
Dairy Cows Beg. Stocks	5,056	5,056	5,123	5,202		5,203	0.0%	1.5%
Beef Cows Beg. Stocks	982	982	929	954		970	1.7%	2.7%
Production (Calf Crop)	4,855	5,060	4,849	4,834		4,925	1.9%	-0.3%
Total Imports	0	0	0	0		0		
Total Supply	14,888	15,093	14,820	14,986		15,155	1.1%	1.1%
Total Exports	41	41	50	21		24	14.3%	-40.0%
Cow Slaughter	1,071	1,073	910	930		930	0.0%	2.2%
Calf Slaughter	1,868	1,890	1,850	1,800		1,811	0.6%	-4.0%
Other Slaughter	1,437	1,437	1,415	1,480		1,509	2.0%	4.6%
Total Slaughter	4,376	4,400	4,175	4,210		4,250	1.0%	0.2%
Loss	500	500	475	500		500	0.0%	11.1%
Ending Inventories	9,971	10,152	10,120	10,255		10,381	1.2%	1.2%
Total Distribution	14,888	15,093	14,820	14,986		15,155	1.1%	1.1%
Balance	0	(0)	0	0		0		
Inventory Balance	(62)	119	149	103		126		
Inventory Change	(1)	(3)	1	1		1		
Cow Change	(2)	(2)	0	2		0		
Production Change	(4)	0	0	(4)		2		
Production to Cows	80	84	80	79		79		
Slaughter to Inventory	44	44	42	41		41		
Slaughter to Total Supply	29	29	28	28		28		
Cows Entering the Herd	1,011	1,011	1,085	1,191		947		
TS=TD	0	(0)	0	0		0		

Not Official USDA Data

Production Supply & Demand – Beef Production

Meat, Beef & Veal New Zealand (1000hd,1000MT CWE, kg, %)	2016		2017		2018		% Change 2018 New Post Data from 2017 New Post Data	% Change 2017 New Post Data from 2017 last Post Est.
	Market Year Begin: Jan 2016		Market Year Begin: Jan 2017		Market Year Begin: Jan 2018			
	Off. Data	New Post Data	Off. Data	New Post Data	Off. Data	New Post Data		
Slaughter (Reference)	4,376	4,400	4,175	4,210		4,250	0.95%	0.24%
Beginning Stocks	0	0	0	0		0		
Production	648	648	610	636		638	0.31%	4.09%
Total Imports	11	11	12	10		11	10.00%	-16.67%
Total Supply	659	659	622	646		649	0.46%	3.69%
Total Exports	587	587	545	566		568	0.35%	4.24%
Human Dom. Consumption	72	72	77	80		81	1.25%	0.00%
Other Use, Losses	0	0	0	0		0		
Total Dom. Consumption	72	72	77	80		81	1.25%	0.00%
Ending Stocks	0	0	0	0		0		
Total Distribution	659	659	622	646		649	0.46%	3.69%
Balance	0	0	0	0		0		
Inventory Balance	0	0	0	0		0		
Weights	148	147	146	151		150	-0.66%	4.14%
Production Change %	(6)	(6)	(6)	(2)		0		
Import Change %	(31)	(31)	9	(9)		10		
Export Change %	(8)	(8)	(7)	(4)		0		
Consumption Change %	7	9	7	11		1		
Imports Percent Consumption	15	15	16	13		14		
Exports Percent Production	91	91	89	89		89		
Population	4474549	4474549	4510327	4510327		4610327		
Per Capita Consumption	16.1	16.1	17.1	17.7		17.6		
Annual % Change Per Cap. Cons.	6.6	8.1	6.2	9.9		(0.6)		
TS=TD	0	0	0	0	0	0		

Not Official USDA Data

Exports and Trade

Live Animal Exports

The rate of live animal exports in the first half of 2017 has halved. 2017 live cattle exports are forecast at 21,000 head. China is still taking 80% of total shipments. 2018 exports are forecast at 24,000 head.

Beef Exports

2018

Beef exports for 2018 are forecast to reach 568,000MT CWE, just a marginal 2,000 MT increase over the revised 2017 figure. In the overall product mix, there will be a net reduction in manufacturing beef (lower cow beef production) to sell and slightly more prime steer beef coming to market.

New Zealand's major beef export destination is the United States, which consistently imports 40% to 50% of the total beef shipped from New Zealand, but this market may be set for some disruption in 2018. Post is forecasting at 245,000MT CWE shipped to the United States, a 5% reduction from the 2017 forecast volume as exporters diversify some product away from this market. There are two factors set to cause disruption for New Zealand exporters to the United States market:

Firstly, according to trade sources within New Zealand a major United States end-user of imported beef is planning to phase in using only fresh ground beef in a sizeable proportion of its product offering. At present, New Zealand only ships frozen manufacturing beef to the United States, so this will preclude New Zealand meat from being included in the new formulation. Replacing the imported content of this product range with solely domestic cow beef is likely to bid up the price on the supply of U.S. domestic cow beef. Initially the demand for imported manufacturing beef may reduce. However if the spread between domestic cow 90% chemical lean beef price and imported 90% chemical lean beef prices gets too wide other beef grinders and patty manufacturers will start to purchase more imported product to reduce the cost of their formulations. This may then offset the initial reduced demand for imported lean beef.

Secondly, perhaps of even greater concern for New Zealand exporters is how much beef Australian exporters will send to the United States over the next eighteen months. If shipments rebound back to historical levels this will have a lot more of a dampening effect on prices than any one end-user changing their product formulation.

Even though New Zealand's total beef export volume is likely to be relatively stable between 2017 and 2018, the forecast volume reduction going to the United States (14,000MT CWE) is likely to be used to

bolster exports to China in the first instance. Given current trends, the licensing of additional meat plants in New Zealand and a successful trial for chilled meat access the amount forecast to be shipped to China in 2018 is likely to be between 110,000MT to 120,000MT CWE

New Zealand Beef Export Statistics									
Harmonizing Codes: 0201, 0202, 021020, 160250 by Product Weight Shipped									
Year To Date: January - June									
Partner Country	2015			2016			2017		
	Quantity (MT)	Average FOB Price USD/MT	Average FOB Price NZD/MT	Quantity (MT)	Average FOB Price USD/MT	Average FOB Price NZD/MT	Quantity (MT)	Average FOB Price USD/MT	Average FOB Price NZD/MT
United States	151,128	\$5,294	\$7,133	134,357	\$4,419	\$6,508	123,828	\$4,655	\$6,571
China	38,064	\$5,135	\$6,955	41,569	\$4,558	\$6,719	47,040	\$4,783	\$6,741
Taiwan	13,656	\$5,908	\$8,002	16,239	\$5,537	\$8,155	12,617	\$5,729	\$8,084
Japan	10,426	\$6,455	\$8,715	8,764	\$6,246	\$9,174	10,362	\$5,933	\$8,377
Korea South	13,558	\$3,915	\$5,266	14,127	\$3,831	\$5,661	12,879	\$3,923	\$5,533
Canada	10,938	\$4,936	\$6,666	9,740	\$4,125	\$6,080	9,711	\$4,345	\$6,132
Australia	3,224	\$4,934	\$6,675	3,176	\$6,121	\$8,983	3,918	\$5,898	\$8,333
Netherlands	1,680	\$11,932	\$16,196	1,863	\$12,766	\$18,771	1,572	\$13,621	\$19,206
Indonesia	3,709	\$5,244	\$7,049	6,408	\$3,913	\$5,756	4,181	\$3,610	\$5,088
Hong Kong	1,353	\$8,169	\$11,006	1,462	\$7,934	\$11,726	1,782	\$8,402	\$11,860
Singapore	1,911	\$6,843	\$9,208	1,276	\$7,340	\$10,776	1,712	\$7,528	\$10,626
Rest of World	24,567	\$6,287	\$8,477	21,094	\$5,803	\$8,560	20,515	\$5,900	\$8,325
World	274,214	\$5,414	\$7,304	260,075	\$4,744	\$6,989	250,117	\$4,944	\$6,975

Source: GTA

2017

Post has revised the 2017 beef export volume up to 566,000MT CWE. This 23,000MT CWE or 4% upward swing is the result of the improved outlook for beef production in 2017. Primarily the increased average carcass weights and the higher numbers of adult cattle forecast to be slaughtered are driving this.

While exports to the United States in 2017 are set to be less than 2016, the reduction is not going to be as severe as expected previously. The forecast is now for 259,000MT CWE to be shipped to the US, 19,000MT higher than the previous forecast of 240,000MT CWE. More manufacturing beef being produced than originally expected, accounts for the change.

Exports to China for the first half of 2017 are comfortably ahead of the prior comparable period. More meat plants are now licensed to export to China, and there is no information to suggest the rate of shipping will change in the second half of the year. Post expects exports to China to reach somewhere in the range of 105,000 MT to 110,000MT CWE for 2017.

Japan is a high value market for New Zealand even though the tonnages shipped there over the last three years have dwindled somewhat. The imposition of a safeguard tariff (at 50%, up from normal MFN rate of 38.5%) for eight months from August 2017 will disrupt the import market. Countries with FTAs with Japan are not subject to this safeguard action. One leading New Zealand exporter to Japan who has very long term customers is planning to increase prices to cover the tariff. Other exporters may not be able to do this especially if they are in direct competition with Australian beef, which under the Japan/Australia FTA face a significantly lower 27% tariff.

New Zealand Beef Export Statistics									
Harmonizing Codes: 0201, 0202, 021020, 160250 by Product Weight Shipped									
Calendar Year/Marketing Year: 2014 - 2016									
Partner Country	2014			2015			2016		
	Quantity (MT)	Average FOB Price USD/MT	Average FOB Price NZD/MT	Quantity (MT)	Average FOB Price USD/MT	Average FOB Price NZD/MT	Quantity (MT)	Average FOB Price USD/MT	Average FOB Price NZD/MT
United States	206,522	\$4,984	\$6,004	226,126	\$5,174	\$7,250	194,397	\$4,459	\$6,461
China	41,717	\$4,684	\$5,594	74,125	\$4,937	\$7,054	71,174	\$4,454	\$6,429
Taiwan	19,575	\$5,920	\$7,074	23,458	\$5,695	\$8,073	25,908	\$5,489	\$7,931
Japan	25,536	\$5,574	\$6,706	16,796	\$6,469	\$9,143	17,673	\$5,988	\$8,584
Korea South	24,143	\$4,483	\$5,385	20,961	\$3,838	\$5,378	23,933	\$3,946	\$5,697
Canada	14,455	\$4,740	\$5,675	23,673	\$4,692	\$6,751	18,085	\$4,207	\$6,040
Australia	6,456	\$5,467	\$6,607	6,444	\$5,282	\$7,599	8,129	\$5,694	\$8,119
Indonesia	13,248	\$4,118	\$4,894	7,737	\$4,574	\$6,506	11,699	\$3,819	\$5,488
Netherlands	2,453	\$12,392	\$14,795	2,828	\$11,902	\$16,912	2,855	\$12,448	\$17,992
French Polynesia	3,968	\$7,709	\$9,268	3,664	\$7,110	\$10,150	3,305	\$7,679	\$11,015
Rest of World	55,791	\$6,292	\$7,573	50,380	\$6,082	\$8,681	42,019	\$6,133	\$8,806
World	413,864	\$5,223	\$6,278	456,192	\$5,273	\$7,452	419,177	\$4,800	\$6,929

Trade Policy

Russia

On February 6, 2017, Russian veterinary and phytosanitary authorities placed a ban on imports of New Zealand beef and bovine by-products. This was in response to alleged detections of *Listeria* bacteria and the beta-agonist growth promotant, ractopamine, in shipments from one particular meat plant in 2016. Use of ractopamine is prohibited in beef and sheep feed in New Zealand. New Zealand beef and bovine offals exported to Russia totaled USD10.3m in 2016. Of this total nearly USD8m was for livers and other offal products. The by-products total in volume terms was 6,600MT. These issues have still not been resolved.

Iran

The “Meat Arrangement” a sanitary/phyto-sanitary agreement negotiated between the Iranian Veterinary Organisation (IVO) and the New Zealand Ministry for Primary Industries provides for market access for chilled and frozen sheep meat and beef exports from New Zealand to resume with Iran. The agreement was completed in February 2017, and there has already been a shipment of sheep meat. One complication with this trade is the Halal requirements are conditional on an Iranian vet and a Mullah being present at the meat processing facility, which is more than the usual requirements for New Zealand Halal certification.

South Korea

Another market access gain has been an agreement reached with South Korea for Halal certification for meat.

Indonesia

New Zealand challenged Indonesia’s agricultural trade restrictions through the WTO dispute settlement mechanism as a response to their significant impact on New Zealand exports. Beef exports were especially hard hit. From being previously New Zealand’s second-largest beef export market by volume prior to 2011, they have fallen by over 80 percent. The accumulated trade impact on the beef sector is now estimated at between NZ\$0.5 and 1 billion. The case covers a range of inter-related trade barriers imposed by Indonesia on agricultural imports since 2011. There are over a dozen separate trade restrictive measures, which center around restricting imports to bolster domestic beef and include import licensing restrictions and domestic sales restrictions on imported beef.

On 22 December 2016 the WTO Panel ruled in New Zealand's favor for all 18 measures challenged by New Zealand. The WTO panel concluded that each of the measures is inconsistent with Article XI: 1 of the GATT 1994, which prohibits measures that prohibit or restrict imports of goods.

Indonesia appealed the Panel decision on 17 February 2017 and New Zealand filed its response submission on 7 March 2017. An appeal hearing is scheduled for the second half of 2017 at the WTO, and an Appellate Body decision is expected to be made before the end of the year.

Ongoing Trade Policy Work by the New Zealand Government

The New Zealand Government through its Ministry of Foreign Affairs and Trade (MFAT) has refreshed and renewed its long term trade policy goals. By 2030 the overall goal is have 90% of all exports trading in markets covered by Free Trade Agreements (FTA). Now 53% of exports go to countries covered by FTAs. New trade agreements that are being are being pursued, which could have benefits for meat exporters are:

- TPP11- the eleven countries left in the TPP after the US withdrew are still negotiating. New Zealand trade officials hope there will be a significant announcement on the future of this agreement before the end of 2017.
- Negotiations with India for an FTA are ongoing.
- It is hoped that formal negotiations with the European Union for an FTA will begin soon. Preliminary work on the business case to support it has been completed, but the European Union members now need to agree to opening negotiations.
- Britain/U.K. Now that Brexit will take place New Zealand is looking to be at the start of the queue to negotiate a trade agreement with Britain. The sheepmeat trade with Britain is very important, and New Zealand does not want to lose any of its current access and would like to get better access for beef.

Bio-Security

Mycoplasma Bovis outbreak

Mycoplasma Bovis (M. Bovis), a bacterial disease that affects cattle, common in many countries has never been identified in New Zealand before. In late July 2017, the Ministry for Primary Industries (MPI) confirmed the disease was present on a dairy farm in South Canterbury. The disease does not infect humans and presents no food safety risk. Rather, the disease can have serious effects on cattle, including udder infection, abortion, pneumonia and arthritis. There is no recovery or cure for the disease. The initial discovery on the farm, which is part of a large family-owned dairying business spread over 16 farms and 15,000 cows, found 14 cows confirmed with M. Bovis and around 150 more showing clinical infection signs. Since the discovery in the first farm, MPI has now confirmed the disease is present on a second farm of this particular farming business.

The problem for MPI is to be able to ascertain whether this is a new incursion of this disease, or if the disease has been present in New Zealand for some time but at virtually undetectable levels. A mass

screening of milk samples is being rushed into action to test milk from thousands of cows over the country. However, getting results is being hampered by a shortage of testing kits. The results of this testing will determine whether the disease can be isolated and potentially eliminated, or if it is another disease farmers will have to cope with permanently.

Commodities:

Animal Numbers, Cattle

Meat, Beef and Veal