

28 October 2003

MEDIA RELEASE

MEAT TRADE TO CHINA FORMALISED – POTENTIAL FOR MARKET DIVERSIFICATION AND IMPROVED RETURNS SECURED

The veterinary protocols signed this weekend by Minister Sutton and China's Minister Li Changjiang formalise important market access arrangements with China for New Zealand's exports of beef, sheep and goat meat and meat products for human consumption. Whilst beef and sheep meat has been exported to China from New Zealand in the past, these exports have been without negotiated protocols. From time to time this resulted in difficulties and delays at different ports of entry that are now resolved with the protocols putting the trade on a sure footing and further reinforcing China's confidence in New Zealand as a trusted supplier of high quality safe food.

MIA Chief Executive Caryll Shailer said, "The MIA and Meat NZ had jointly advised the government that China was a "priority A" country in terms of trade negotiation objectives for the meat industry and so we are delighted that the many hours of hard work put in by both Governments, in particular Minister Sutton and officials from the NZFSA, MAF and MFAT, has culminated in the signature of the protocols, and that the ground has now been set for framework discussions on a free trade agreement to commence in the next weeks."

China is a key (and growing) market for lamb products and fancy meats, beef cuts and offals. It is an important diversification market for companies looking for alternatives to quota controlled markets, with substantial opportunity for expansion for all product types.

Economic prosperity in China is leading to increased meat protein consumption and this is expected to continue. Supermarket chains and distribution systems are improving and the effect of changing demographics, such as the increase in urban populations and the relative proportion of young cosmopolitan consumers offers further marketing opportunities for our exporters. "China's accession to the WTO has increased the competitiveness and availability for all imported food products – before this happened we were restricted to supplying only meat for further processing, for re-export or for sale to the HRI trade – we could not directly supply supermarket chains for example", Shailer said.

China is a market well used to consuming sheep and beef meat – it has the world's largest national sheep flock of approx 130 million and for beef its 120 million cattle make it third behind India (317million) and Brazil (156million) in terms of numbers. With 1.3 billion people to feed, imports are an important supplement to China's own production and for its overall food supply.

Shailer said “The security of agreed trade protocols means that our meat exporters can now consider further diversification into niche market areas, higher value cuts and the lucrative chilled product market – the potential in these areas alone is, as yet, almost untapped, and increased sales in those areas would substantively increase returns to our industry and the farmers who supply them”.

Remaining priorities for the meat industry include securing further tariff rate cuts. Mainland China has a large number of tariff bound items. As part of China’s accession to the WTO, our government negotiators secured tariff (one of the costs of ‘getting across the border’) cuts, most of which are projected to take effect by 2004. For example, beef tariffs range from 25-33% with most projected to halve by 2004. Sheepmeat faces tariffs ranging from 18.2% to 23% with most projected to drop to 15% in 2004. Tariffs on offals are scheduled to drop from 15.2% to 12% in 2004.

China is New Zealand’s 4th largest sheepmeat market by volume and 8th largest by value. New Zealand is the largest supplier of imported sheepmeat to China but currently accounts for only 2% of the imported beef volumes. Meat exports make up 4% of the total New Zealand primary sector exports to China of \$NZ 1.5 billion, however when casings (5%) and hides and skins (8%) are included, this increases to 17% or \$NZ 255 million. If slipe wool exports are added, the value of the market to New Zealand increases even further. “It is this diverse product mix and the significant growth potential that makes China such an important market for the New Zealand meat industry”.

Contact for further information:

Caryll Shailer
Chief Executive Officer
Meat Industry Association

Phone: 04 472 5692
Mobile: 021 588 845