



10 February 2004

What does the Australia-US Free Trade Agreement mean for New Zealand Meat Exporters?

“The US market is very important to the New Zealand meat industry with returns running at approximately NZD \$1 billion annually. Of that, beef exports are a significant component, at 88% of the volume and 80% by value”, Caryll Shailer, Chief Executive of the Meat Industry Association said today. New Zealand beef exports in volume to the USA commenced in 1957 and our beef imports have been subject to meat import controls on a periodic basis since 1964.

“A cautious, “let’s work it through first” approach, has been the immediate reaction from the New Zealand meat industry to the announcement on the conclusion of the text of an Australia-USA Free Trade Agreement, primarily because there is little detail yet available for evaluation and it may be some time before the majority of the changes take effect”, she said.

Shailer said “it is important to recognise that it was the expansion of the US beef market that provided the driving force for the growth of New Zealand’s beef export trade, so any change that might affect our ongoing competitiveness in the US market will naturally be subject to intense scrutiny.”

“It is clear that there will be some gains for Australian beef and sheepmeat exporters, particularly with the immediate elimination of tariffs for in-quota beef and all sheepmeat – what cannot be quantified at the moment is whether or not the long-run effects of the proposals will translate out into a genuine competitive advantage – but this prospect will be evaluated more thoroughly when the detailed arrangements are known”, Shailer said.

Trade Liberalisation

Whilst Australia and the United States of America have the most to gain in the short-term, the clear signals the agreed text gives on reducing and/or eliminating tariffs on imports are welcomed and are consistent with the overall trade liberalisation agenda. Shailer also noted that those signals may lead to better outcomes on import tariff reductions in the upcoming multi-lateral agriculture negotiations.

Beef

- In-quota tariffs of 4.4c/kg will be eliminated immediately – effectively a USD \$16.6 million annual tariff saving available only to US importers and Australian exporters.
- In addition to the substantial beef quota (378,214 tonnes) that Australia already holds, Australian producers will have tariff-free access for an additional 15,000 tonnes of beef in year 2, increasing to 70,000 tonnes by year 18. New Zealand’s current beef quota of 213,402

tonnes, which is subject to an annual in-quota tariff cost of approximately USD \$9.4 million, remains unchanged.

The substantial out-of-quota tariff (approximately 26.4%, with certain other provisos) is to be phased out from years 9 to 18 for beef exports from Australia.

“Multiple variables are considered when concluding any commercial purchase arrangement, such as the capacity to supply, the price that the market can withstand and prices that can be commanded elsewhere. Our exporters and the farmers that supply them will be watching closely the effect in the market place, particularly whether the cumulative changes signalled in this agreement result in a market differential – with the US preferentially sourcing the same type product from Australia instead of New Zealand. On the other hand, if Australian producers export more beef to the US, further diversification options for New Zealand beef into non-US markets may result”, Shailer said.

Sheepmeat

Tariffs on lamb (0.7c/kg) and mutton (2.8c/kg) will be zero from the day the agreement takes effect. Australia exported approximately 50,000 tonnes of sheepmeat in 2003. Removal of this tariff on that volume of sendings converts to a saving of approximately USD\$600,000/annum. The savings will increase if export volumes grow.

“New Zealand sheepmeat exporters will be disadvantaged to the extent of the 0.7-2.8c/kg tariff that will still apply to our exports of lamb and mutton respectively”.

Shailer said, “all-in-all, it is plausible that the Australian beef and sheepmeat producers may describe the outcomes of the negotiation as ‘lean-pickings’, but their preferential access to the world’s highest price beef market should not be underestimated. For our exporters, the most positive outcome is the US indication that it is prepared to engage on reducing import barriers – this is certainly a step in the right direction.”

“The US market is the benchmark for manufacturing beef sales – access on terms at least equal to those of our competitors is extremely important to our exporters - and will continue to be a key focus”, Shailer concluded.

Contact for Enquiries

Caryll Shailer, Chief Executive Officer
Meat Industry Association
Phone: 04 472 5692
Mobile: 021 588 845