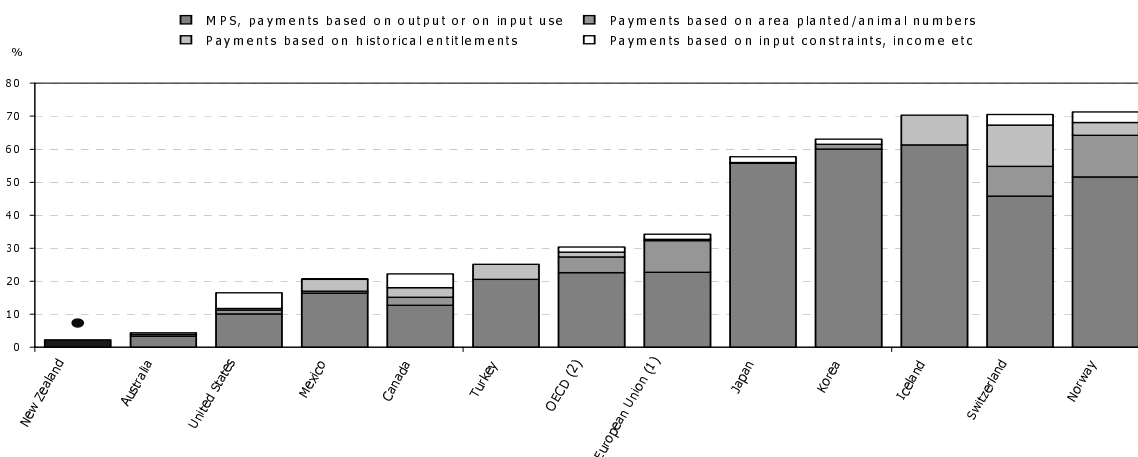


## NEW ZEALAND

### Evaluation of policy developments

- Overall, significant progress has been made since 1986-88 in removing policies causing agricultural production and trade distortions. The level of producer support is the lowest across OECD members, domestic and border prices are aligned, and payments are only provided for pest control or relief against climate disasters.
- Efforts to deregulate the producer and marketing boards continued, with the *Meat Board* and *Wool Board* merging their research and marketing promotion functions. This should result in efficiency gains for the sector.
- Food safety and biosecurity were the focus of considerable attention, responding to consumer concerns. Food safety has been reinforced by consolidation of legislation covering animal products. The creation of *Biosecurity New Zealand* should improve consistency in risk assessment and efforts to deal with unwanted pests and diseases.
- A partnership between the dairy industry and both central and local governments has the potential to reduce water pollution. The government's effort to develop additional market-based approaches to deal with both water quality and quantity issues highlights the need for action and should be encouraged.
- Agriculture is a market driven export-oriented sector, and trade policy is continuing to press strongly for more open global agricultural markets, while domestic policy efforts continue to address environmental and food safety issues.

**Producer Support Estimate by country, 2002-04**  
(Percent of gross farm receipts)



**Notes:**

1. EU15 for 2002-03; EU25 for 2004.

2. The OECD total does not include the six non-OECD EU member states.

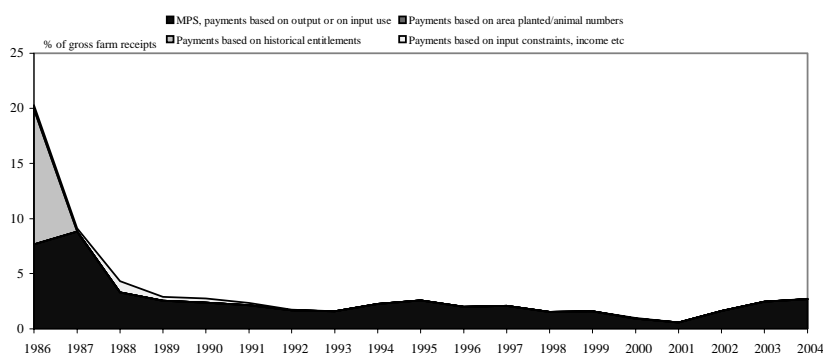
Source: OECD, PSE/CSE database, 2005.

## Summary of policy developments

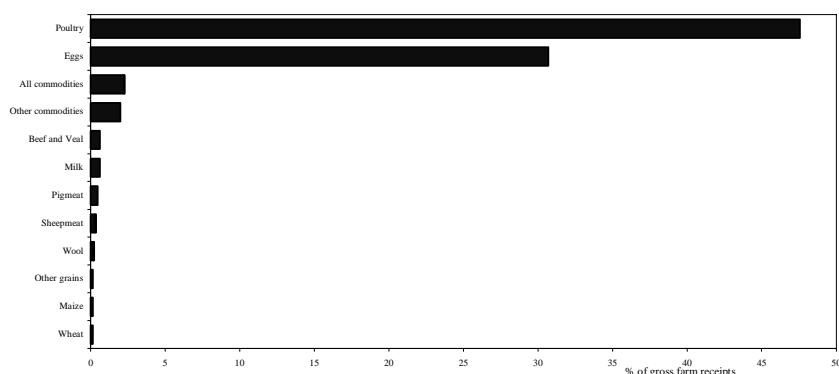
The main policy developments in 2004 include the establishment of a single biosecurity authority, the merging of the Meat and Wool Boards' industry good functions, and programmes to assist farmers and rural communities in response to severe storm damage. A climate change research strategy was finalised, and new policy measures to address water quality and water use issues are being developed. Reviews of both domestic and imported food regimes are also underway.

- Support to producers (%PSE) was 2% in 2002-04, down from 11% in 1986-88. Support is very low across all commodities. Poultry and eggs are supported through MPS due to sanitary measures at the border. Prices received by farmers have been aligned with those on the world market since 1988.
- The share of input payments, which is the only other heading under which producer support arises in New Zealand, has decreased from 39% of the PSE in 1986-88 to 17% in 2002-04.
- The cost imposed on consumers, as measured by the %CSE, was 8% in 2002-04 (9% in 1986-88).
- Support for general services provided to agriculture as a share of total support increased between 1986-88 and 2002-04, from 17% to 40%. It consists mainly of basic research and the control of pests and diseases.
- Total support to agriculture as a share of GDP is the lowest among the OECD countries at 0.4%, which is a quarter of the share in 1986-88.

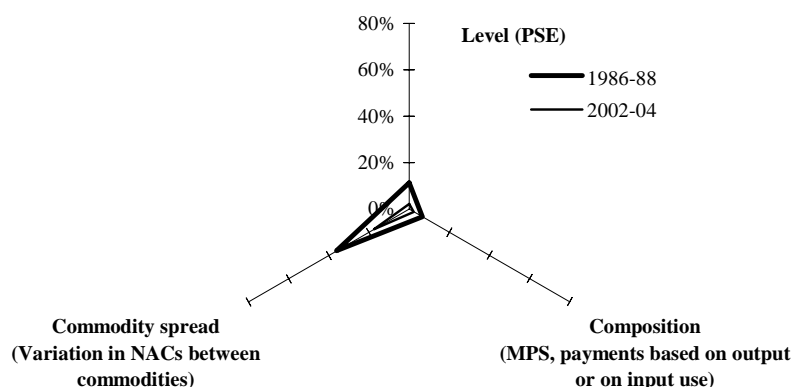
### Producer Support Estimate (PSE) Level and composition over time...



### ... by commodity, 2002-04 average



### ... and reform progress



Agriculture contributes nearly 9% of GDP and 8% of employment although the real net value of agricultural production has been falling. A large proportion of agricultural output is exported. Agriculture accounts for 43% of total exports, with meat and dairy exports accounting for more than half of this.

**Table 2.9. New Zealand: Estimates of support to agriculture**

(NZD million)	1986-88	2002-04	2002	2003	2004p
<b>Total value of production (at farm gate)</b>	<b>6 860</b>	<b>13 933</b>	<b>13 697</b>	<b>13 848</b>	<b>14 252</b>
<i>of which share of MPS commodities (%)</i>	72	72	73	71	71
<b>Total value of consumption (at farm gate)</b>	<b>1 671</b>	<b>3 052</b>	<b>3 005</b>	<b>3 011</b>	<b>3 139</b>
<b>Producer Support Estimate (PSE)</b>	<b>852</b>	<b>318</b>	<b>223</b>	<b>342</b>	<b>390</b>
Market Price Support (MPS)	158	262	172	289	324
<i>of which MPS commodities</i>	114	187	127	205	229
Payments based on output	3	0	0	0	0
Payments based on area planted/animal numbers	0	0	0	0	0
Payments based on historical entitlements	315	0	0	0	0
Payments based on input use	334	55	51	53	60
Payments based on input constraints	0	0	0	0	0
Payments based on overall farming income	42	2	0	0	6
Miscellaneous payments	0	0	0	0	0
<b>Percentage PSE</b>	<b>11</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>
<b>Producer NPC</b>	<b>1.02</b>	<b>1.02</b>	<b>1.01</b>	<b>1.02</b>	<b>1.02</b>
<b>Producer NAC</b>	<b>1.13</b>	<b>1.02</b>	<b>1.02</b>	<b>1.03</b>	<b>1.03</b>
<b>General Services Support Estimate (GSSE)</b>	<b>177</b>	<b>207</b>	<b>197</b>	<b>209</b>	<b>214</b>
Research and development	77	99	102	98	96
Agricultural schools	0	13	6	15	18
Inspection services	54	66	59	69	69
Infrastructure	47	29	30	28	29
Marketing and promotion	0	0	0	0	0
Public stockholding	0	0	0	0	0
Miscellaneous	0	1	0	0	1
<b>GSSE as a share of TSE (%)</b>	<b>17.2</b>	<b>39.4</b>	<b>46.9</b>	<b>38.0</b>	<b>35.4</b>
<b>Consumer Support Estimate (CSE)</b>	<b>-156</b>	<b>-254</b>	<b>-166</b>	<b>-276</b>	<b>-319</b>
Transfers to producers from consumers	-152	-254	-166	-276	-319
Other transfers from consumers	-4	0	0	0	0
Transfers to consumers from taxpayers	0	0	0	0	0
Excess feed cost	0	0	0	0	0
<b>Percentage CSE</b>	<b>-9</b>	<b>-8</b>	<b>-6</b>	<b>-9</b>	<b>-10</b>
<b>Consumer NPC</b>	<b>1.10</b>	<b>1.09</b>	<b>1.06</b>	<b>1.10</b>	<b>1.11</b>
<b>Consumer NAC</b>	<b>1.10</b>	<b>1.09</b>	<b>1.06</b>	<b>1.10</b>	<b>1.11</b>
<b>Total Support Estimate (TSE)</b>	<b>1 029</b>	<b>525</b>	<b>420</b>	<b>551</b>	<b>603</b>
Transfers from consumers	156	254	166	276	319
Transfers from taxpayers	877	271	254	275	284
Budget revenues	-4	0	0	0	0
<b>Percentage TSE (expressed as share of GDP)</b>	<b>1.71</b>	<b>0.39</b>	<b>0.33</b>	<b>0.41</b>	<b>0.42</b>
<b>GDP deflator 1986-88 = 100</b>	<b>100</b>	<b>148</b>	<b>145</b>	<b>148</b>	<b>152</b>

Notes: p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.

Market price support is net of producer levies and excess feed costs.

MPS commodities for New Zealand are: wheat, maize, other grains, milk, beef and veal, sheepmeat, wool, pigmeat, poultry and eggs.

Source: OECD, PSE/CSE database 2005.