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INVITED PAPERS

Changes in New Zealand Marketing Boards

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New Zealand may be a small country in terms of geographic area and population (3.5 million) but the country is a "world class global competitor" when considering agricultural food production, processing, and international marketing. New Zealand has no government subsidy for agricultural production, processing, or marketing. The result is a low cost, highly efficient agricultural production system producing high quality products, and a productive, technologically advanced agricultural processing system. The third key ingredient to New Zealand's success in the world food market pertains to the marketing boards that provide the framework for the coordination and integration of production, processing and marketing, and the marketing skills and organizations needed to compete in the competitive, rapidly changing global food marketplace. This paper is concerned with the objectives, operations, and the changes the marketing boards (Apple and Pear, Dairy, and Meat) have made in order to continue their successful operations and strengthen New Zealand's position in international food markets. Agricultural producers and marketing organizations in the United States could learn from the very successful strategies pursued by the agricultural production sector and the marketing boards in New Zealand.

New Zealand Dairy Board

The New Zealand Dairy Board, present form, was established by an Act of Parliament in 1961. This Act empowers the Board to purchase, market, and control all dairy products manufactured in New Zealand for export. The Board does this by purchasing dairy products from the cooperative manufacturing dairy companies and selling them through a worldwide marketing network of subsidiary and associate companies, distributors, and agents. This involves integrating the industry's product, packaging, transport, storage, and quality control activities to match the international marketplace demands and providing the necessary support services such as financial, data processing, administration, livestock improvement, research, and product development. The Dairy Board operates as an export monopoly protected by statute and is owned by and thus fully accountable to the New Zealand dairy industry (farmers and producer cooperatives). Therefore, the Board acts as an umbrella for a number of large regional producer cooperatives and operates in conjunction with these organizations as one large company.

Scope of Operation

The Dairy Board purchases all dairy products that are exported, and in the 1992/1993 season this was approximately 90 percent of the total of 980,000 tons manufactured. Export sales were as follows:

New Zealand Dairy Exports By Product

Product Category	Approximate Tonnage	Major Markets
Butter and Cream	250,000 Tons	Great Britain, Soviet Union, & Middle East
Cheese	120,000 Tons	Japan & United States
Milk powders	430,000 Tons	Asia, Latin America, & North Africa
Milk Proteins	80,000 Tons	North America, Asia & EC

The New Zealand Dairy Board is the country's largest exporter of products, of any type, with total annual sales (1993) of about $3.3 billion (New Zealand), which is approximately 18 percent of New Zealand's total export earnings. Even though New

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Zealand produces only 1.5 percent of the total world milk production, the country accounts for 24 percent of the international dairy trade. This makes New Zealand the second largest exporter of dairy products in the international market and the only dairy exporter that does not have production subsidies or a protected domestic market. The Dairy Board has more than 50 subsidiary and associate companies, and offices worldwide that develop distribution, marketing, and manufacturing opportunities in over 100 international markets.

Therefore, New Zealand is the only supplier to the international dairy market whose producers earn a living from market returns alone. Consequently, the need to maximize dairy farmers' incomes is an important spur to the overall efficiency of the manufacturing sector and the Board's activities in international markets. The Board has been successful in adapting to this heavily subsidized, competitive, hostile environment, and the key element of their strategy has been the development of highly specialized products for niche markets.

Changes In The Dairy Board's Operations

Until 1973 the Board's primary business in the international market was to supply butter and cheese to Great Britain. Then in 1973 when Great Britain joined the EEC, severe restrictions were placed on the quantity of food products, including dairy products, that Great Britain could buy from New Zealand. This brought about major changes in the thrust and operations of the Dairy Board in the global food marketplace and a highly successful change in strategy. The result has been a reduction of dependence on the traditional markets and the sale of bulk commodity products. Standard commodities in 1982 accounted for about 55 percent of the Board's total sales, and Board branded consumer product sales were only five percent. However, by 1992 standard commodities had dropped to 25 percent of total sales, and the branded consumer products increased to 26 percent. For example, "Anchor" is the world's leading butter brand and is number two in international branded milk powder sales. Another change has been the pursuit of a strategy to develop sales to specialized industrial markets that require sophisticated dairy byproduct ingredients that possess specific functional properties. The growth in the ingredient market also has resulted in the development of close alliances with some of the world's leading food manufacturers and users of dairy based ingredients such as Kraft, Pillsbury, McDonald's, and Pizza Hut.

Whenever possible the Board has attempted to develop fully owned in-market operations with maximum involvement in downstream activities such as storage, packaging, and distribution. The successful in-market penetration provides the Board with the greatest possible control over products and their marketing, shortens the chain of distribution, and allows a quick response to changing customer needs. Several of the Board's subsidiaries also operate processing facilities such as Dorman Roth in the United States, Milk Products Holdings in Singapore, and Anchor Foods in Great Britain where raw materials from New Zealand are used and processed further for local or regional consumption. A number of the offshore companies are involved in research and development activities for their local markets. The Board also has joint ventures with local companies in other countries, and this is another way by which the Board is able to build an in-market presence. These ventures often use a local milk supply initially, and later when the Board has strengthened their position in the market, this then creates opportunities for the additional import of New Zealand dairy products.

Criticisms

There have been a number of criticisms directed toward the Board's structure and operations in recent years. Fluctuations in payout to dairy farmers have resulted in criticism of the Board, but the organization is subject to changing supply and price conditions in the world market from year to year. A recent criticism of the Board is that it should operate only as a marketing company. Another criticism is there is some dissatisfaction that the Board and its assets are not directly owned by farmers through the cooperatives. There is concern that new milk coming into the industry is being given access to the Board's marketing resources at too low a cost. Also, the question is being raised about how the Board's $3.2 billion (New Zealand) assets would be distributed in the unlikely event the Board is ever dissolved.

The Board has some excellent future marketing opportunities and has devised a strategy for the dairy industry. The achievement of the proposed objectives could involve an expenditure of up to $7 billion over the next ten years. This does not include investment by dairy companies for extra processing equipment and facilities or for on farm expenditures. This could possibly give farmers an extra annual payout of $2.50 (New Zealand) per kilogram of milk solids over the recent payout. Presently there are some criticisms from the dairy farmers and the cooperative dairy manufacturing companies about this large expenditure and the risk involved.

The Board has been very successful in the past. However, if the criticisms result in changes in the

board's structure, mission and operations, the future results may be different than the past profitable achievements.

Conclusion

There has been some opposition to the Dairy Board largely on commercial and philosophical grounds, but the organization has successfully accomplished their mission of being the world's leading marketer of dairy products and maximizing returns to producers. The relationships within the dairy industry are good in comparison to some other agricultural sectors. Even though bulk dairy commodity products still constitute an important part of the Board's international business, the marketing strategy is now focused on branded consumer business, sales of specialized dairy based products to the industrial market and food ingredients tailored to the needs of specific customers. The Board's worldwide network of in-market companies and the ability of these companies to respond quickly to changing consumers needs are critical to the success of the strategy. The marketing efforts are thus focused on pursuing long-term secure business opportunities and maximizing returns to farmers. The dairy industry and the Dairy Board have been successful due to vertical integration of operations, a commitment to efficiency, research and development of new products, quality, and fully owned or joint ventures in many offshore markets. This strategy has worked for the marketing of New Zealand dairy products, and the Dairy Board, operating with sole-seller status, has provided a good return to New Zealand's dairy farmers without any government subsidy to the industry.

New Zealand Apple and Pear Marketing Board

The New Zealand Apple and Pear Marketing Board is a New Zealand and "World" success story for the marketing of fresh apples and pears. This organization was established by the Apple and Pear Act of 1948. The principle functions are to make provisions for acquisition and marketing of apples and pears, to provide for the fixing of prices to be paid for apples and pears so acquired, and to make provisions for the regulation of the marketing of apples and pears. In essence, the Board is a cooperative established, owned, and controlled by the growers. The Board has the responsibility for encouraging growers to meet consumer demands in the domestic and export markets, and these powers were given with the understanding that this would give stability and security to a rapidly expanding industry. Therefore, this act set up a Board with the power to acquire and market all apples and pears grown in New Zealand. Since the apple and pear export sector is totally controlled by the Board acting as a single-desk seller, it does not have the powerful sub-cooperatives with which the Dairy and Meat Boards must contend.

The provisions of the Act remained the same until 1993 when the Government passed legislation to deregulate the local market. This meant that beginning in January 1994, fruit growers were able to sell their production to a wholesaler or food retailer in New Zealand or to the Board. Also, groups can now apply for an export license if the groups meet the export guidelines established by the Board. Presently the Board remains the sole export marketing authority for pipfruit which allows it to use vertical integration, coordinate an orderly marketing operation, and establish the reputation for New Zealand throughout the world as a top quality fruit producer.

Scope of Operations

The New Zealand Apple and Pear Marketing Board has been able to develop an industry structure which allows for a large measure of control over apple production (about 1,600 growers). All fruit is bought at the Board's published list price. The centralized control has enabled the organization to have close control over production (quality, quantity of different varieties, and continuity of supply) from the orchard to the international market. This allows the Board to provide delivery guaranteed as to quantity, timing, and quality standards. Furthermore, large volume sales have achieved economics of scale from storage and handling through to transport and marketing costs. The coordinated handling of a high percentage of total production allows the Board to maintain an orderly marketing operation, both in New Zealand and overseas, and to establish a reputation for top quality New Zealand pipfruit throughout the world. Also, being an off-season producer to the Northern Hemisphere is a big advantage in international markets. The Board is represented by their own offices in Great Britain, North America, Europe, and Australia, with sales agents being used in other countries.

Fruit is one of the fastest growing sectors of agricultural products in the international market, and New Zealand has been able to capitalize on this trend. There was a record New Zealand crop of 24.4 million cartons in 1993 which was an 11 percent increase over 1992 and almost double the 1983 production. More than half of the crop or 12,536,000 cartons of apples and 152,000 cartons of pears were exported. The major markets are Europe, United Kingdom, Scandinavia, Middle East, North America, and Southeast Asia. Even though there was a record crop in 1993, the value of the 1993 crop, $586,887,000 (New

Zealand), was less than the value of the 1992 crop, $659,684,000 (New Zealand), as prices were higher in 1992. The net return per carton to the Board in 1992 was $13.01 and dropped to $7.44 in 1993. The return to the growers was approximately 97 percent of this amount which meant the growers had a high return of $12.60 in 1992, but only $7.17 in 1993. This dramatic drop in return was due to an over-supplied international fresh fruit market and aggressive competition from other southern hemisphere exporters.

Comparison of Australia and New Zealand

It is important to consider why the Board and the New Zealand industry have been successful and the changes that have taken place over the years. An example of how well the New Zealand system has worked is the comparison of the industry in New Zealand and Australia. In the 1960s and early 1970s, Australia was a major apple and pear exporter with a larger international market share than New Zealand. Over the past 20 years, Australian exports have plummeted from more than 30 percent of the production exported (7 million cartons) to less than 10 percent (1.4 million cartons), and production is less in 1993 than 1973. Why did this happen? Experts believe this occurred due to a fragmented industry structure in Australia that inhibited growth and also resulted in a loss in competitive advantage. In 1978 there were 25 licensed exporters in Australia, and by 1992 the number had grown to almost 100. Each exporter in 1992 handled an average of only 14,050 cartons. This small volume resulted in higher storage, handling, transport, and marketing costs and also limited market access to the major international supermarkets who dominate fresh fruit purchasing and require a year round supply. Therefore, these shortcomings in the Australian industry have resulted in limited market access, selling via a higher cost middleman, competitive selling between licensed exporters, higher industry overheads, limited coordination of international marketing campaigns, and a lack of nationally recognized quality control systems. Apple and pear international buyers tend to view Australia as having a poor reputation for reliability and consistency in quality. The Australian industry is considering a more centralized marketing strategy to overcome the present problems.

Changes In The Board's Operations

New Zealand's strong position in the international market is based on their ability to supply fresh out-of-season apples and pears to Northern Hemisphere markets. Other than this factor, it would seem that New Zealand has no comparative advantage as pipfruit is grown in many countries of the world, and several competitors such as Chile have considerably lower production, handling, and shipping costs. However, New Zealand still has an advantage in flexibility, adaptability, and a single-seller approach to the market, which are important factors contributing to success. The marketing strategy has evolved from these factors and the four planks of this very successful strategy are innovation, differentiated product, control of distribution, and branding.

More than 20 years ago, the Board realized it was necessary to be innovative in all areas of operations in order to overcome the lack of comparative advantage. Two examples of the many innovation changes are:

- Research and development activities have resulted in the development of literally hundreds of new and improved apples and pears over the years - the development of premium brands of apples such as Royal Gala and Braeburn have meant considerably higher prices received by the Board as compared to traditional varieties.

- Leader in market development--one of a few countries to be allowed access to the very large Chinese fresh apple market and the first exporter to be granted access to the fresh market in Japan.

Another key plank of the strategy has been the competitive advantage gained through differentiating the variety of apples supplied to the market. Examples of the Board's activities are:

- In 1993, 80 percent of the total industry's export income was from Braeburn, Fuji, Gala, and Royal Gala which are varieties developed in New Zealand--Braeburn for five years was Europe's top-priced apple, commanding premium prices over every other apple from all over the world.

- Processed products such as juice are differentiated to gain a competitive advantage and increase profitability in an over-supplied world apple juice concentrate market--only producer in the world that can make apple juice concentrate to specific customer requirements in terms of color, acidity, sugar level, clarity, and fruit varieties.

Control of Distribution:

The Board takes its own product as far through the distribution system as possible in order to obtain clear market signals lower costs and maximize returns to growers. There is recognition that the real power lies with the distributor, and the Board continues to streng-

then their position in the export distribution network. An example of this distribution control is:

- Currently 70 percent of New Zealand's pipfruit exports are sold direct by Board-owned offshore companies to retail operations. None of the Board's competitors have the same distribution power; for example, most of South Africa's sales are through traditional wholesale merchants, and 90 percent of Chilean sales are through the auction system which limits those countries' market understanding and interface with retailers.

Branding:

Branding has become a key plank in the overall strategy. A strong brand image has been developed for the domestic consumer market and the international market. Every product that the Board markets is branded; the most important brand is ENZA, the Board's worldwide trading brand for apples.

Branded domestic consumer packaged juices include Fresh Up, Just Juice, Just Orange, McCoy, Appletise, New Zealand Natural, Citrus Tree, and Twist.

Criticisms

The Board has a few vociferous opponents, both inside and outside the industry. The most notable have been Apple Fields, a corporate producer at the Business Round Table. The Round Table is an organization which advocates a free export policy for new Zealand's major producer groups.

Criticisms in the last two years have led to deregulation of the local market, and exporting companies are now allowed to operate provided they are approved by the Board. Initially, there was a substantial price drop in the domestic market after deregulation, and this was very upsetting to the growers. A corporate orchardist, Apple Fields, has launched a bid to the Board for the right to export apples. Deregulation was enacted as a reaction to criticisms directed toward the Board; however, deregulation is tinkering with a very successful marketing system. It will be interesting to observe the evolution of future marketing practices for this industry, and there are many that think the future may be more difficult under deregulation unless the Board closely coordinates and controls the export companies that are allowed to operate.

Conclusion

The perceived performance of the Board in New Zealand has been good. The organization has been very successful with their efforts in the apple and pear international market even though there is strong competition from other Southern Hemisphere producers, competition from the storage of Northern Hemisphere crops, changing consumer tastes, high cost of freight, currency exchange fluctuation, and some countries blocking imports of apples through voluntary quotas and tariffs. Also, a few countries are blocking imports due to concern about protecting the domestic industry from pests and diseases that may be brought in by fresh fruit.

New Zealand is the highest cost Southern Hemisphere producer and is the longest distance from the Northern Hemisphere markets. The Board, however, has become the largest, most sophisticated, innovative, and successful international fresh pipfruit marketer in the world. The Board's integrated marketing structure, quality, product differentiation, innovation, control of distribution, and branding have been key factors contributing to the success. Therefore, the Board is a competent competitor in international markets with substantial resources, a well-established market infrastructure, and a successful brand strategy. Furthermore, the system of single desk export marketing provides the Board with the competitive advantage needed to compete against the protection and distortions in international trade.

New Zealand Meat Producers Board

The New Zealand Meat Producers Board was established by the Meat Export Control Act of 1922. The Act covers the export of meat and meat products derived from sheep, cattle, horses, and goats. The Meat Board acts as a coordinator, facilitator, grants licenses, and carries out other activities. The Board does not have control of the meat industry to the same extent as the control exercised by the Dairy Board and the Apple and Pear Board. Legislation allows more control than the Board has used in recent years, but in the past the Board has intervened in the market by buying sheep meat and also by administering supplemental prices.

Scope of Operations

The Board has overseas offices in Asia, Europe, Great Britain, Middle East, and the United States. These offices are responsible for working with exporters to gain market access, which includes lobbying activities, developing markets, coordinating export activities, promoting products, and monitoring the quality level. Also, in New Zealand, the Board is extensively involved in research and development and operating the meat export licensing system.

There are a number of organizations in New Zealand jointly funded by the Board and other groups, and these are the Beef and Lamb Marketing Bureau, Meat and Wool Boards' Economic Service, and the Farm Education and Training Association. In addition, the Board is involved in a number of joint industry initiatives. These are the Meat Planning Council, Meat Industry Freight Council, Research and Development Advisory Council, Meat Industry Hygiene Council, and Lamb-Cuisine Advisory Panel.

Meat Export Licensing System

The key control factor for the Board and its relationship with the beef and sheep industry is the meat export licensing system. Meat in New Zealand cannot be slaughtered, processed, or packaged for export, or exported, without the relevant license. The Board issues the licenses for the export of meat (MEL licenses), and these are held on a company basis. Licenses are allocated according to specific markets and for specific products. If a company wants to extend its area of operation in the world it must make application to the Meat Board to do this. The criteria for granting an MEL license is that the exporter is a sound organization that will trade in a manner which will not detract from the reputation of New Zealand meat overseas, and the exporter must be innovative in terms of product or customer services.

All exporter performance is monitored by the Meat Board to ensure no practices detrimental to the New Zealand meat industry are occurring. Most markets are open to any exporter, but for certain markets, a franchise is needed and the requirement is a commitment to market development. Also, the number of traders is restricted in some markets where there are special conditions, such as single government purchasing in several of Middle East countries or where the market is a "developing" one. The Ministry of Agriculture and Fisheries (MAF) is also involved in licensing for meat export, but their only concern is hygiene standards and procedures, and a quality assurance program to maintain these standards.

Size of Beef and Sheep Meat Market

New Zealand produces about 486,000 tons of sheep meat which is about eight percent of world production, and 87 percent of this production is exported. New Zealand is the number one exporter in the world and accounts for almost half of all the sheep meat exported. Beef production is 560,000 tons, which is less than one percent of world production, and 84 percent of this production is exported. New Zealand beef exports make up 15 percent of all the beef exported around the world. In 1993, New Zealand exported lamb to 79 different destinations and beef to 50 throughout the world.

Two regions of the world take about 77 percent, by value, of New Zealand's meat exports and both areas have tonnage and tariff barriers. These two regions are North America (mainly beef) and Europe (mainly sheep meat). Other leading markets are the Middle East (sheep meat) at 13 percent and Asia (beef) at 15 percent. There will be some future growth in Europe and North America, but the big growth markets will be the Middle East (three to five percent annual growth of sheep meat) and Asia (five percent annual growth of beef).

The GATT/Uruguay round settlement has provided a more stable environment, but a higher return for meat is not guaranteed. For New Zealand, the new access arrangement to the European Community and the United States means more sales. The Board expects the present pattern of meat exports to continue with the United States, the European Economic Community, Canada, Japan, and South Korea being the most important markets in order by value. Exports of beef to Asia will expand, and lamb exports to the United States, the European Economic Community, and the Middle East will increase. It appears that the Uruguay round is unlikely to significantly change the overall pattern of New Zealand exports.

Meat Processing Operations

There are 16 processor exporters operating more than 40 plants that process in excess of 90 percent of all sheep meat and beef processed to export standards in New Zealand. The largest six are AAFCO, Alliance, Huttons Kiwi-Ltd., Lowe Walker, Primary Producers Cooperative Society, and Richmond Ltd. The ownership form of the 16 different companies range from eight wholly or partly cooperatively owned by New Zealand farmer producers; six are publicly or privately New Zealand owned; one is wholly overseas owned; and one is a joint venture. The remainder of the large number of small firms (46) involved in processing are small in the market, both domestic and foreign, but still have an important role in the industry. These fit into all types of ownership structure including three firms that are producer-owned through Meat Board small subsidiaries.

Presently, there is considerable over-capacity in meat processing, which means there is a mismatch between the number of stock available and the plants built to process it. This is causing some overbidding for stock by companies to keep plants operating, and the combination of paying too much for stock, over

capacity of more than 25 percent, and lower average sales is causing a number of processors serious financial problems. Some of the capacity will be shaken out by market forces, and other companies may remain as marginal operators. Also, stock (beef and sheep) numbers are expected to drop in New Zealand by about four percent by the year 2000 which also will have a negative impact on processing operations.

Criticisms of the Board

The principle opponents of the Board are the Meat Industry Association, which is a consortium of major producers. A major issue is whether export quotas should be allocated by the Board or the Ministry of Agriculture and Fisheries. The Board has been getting some of the blame for the meat industry predicament in New Zealand at the present time. Two large slaughter processors have gone bankrupt; there is a low level of owner equity in many of the companies, and there have been substantial losses by several companies in the past five years. Banks are concerned about investing in the processing companies. Some farmers did not receive payment for their stock in 1994 due to the bankruptcy situation. The major problem is overcapacity as the lamb kill has declined from 39 million head in the mid-1980s to around 24 million in 1994. This is the result of a large decline in sheep numbers.

Another criticism has been directed toward the Meat Planning Council and their efforts to provide some control over export markets. The Council has been attempting to prevent the slaughter processors from carrying out practices designed to depress prices received by farmers for their stock.

It must be noted, however, that in one decade (1984-1994) the New Zealand meat processing industry has been transformed from one of the world's most inefficient to one of the most sophisticated and competitive. For example, killing costs for slaughter processors are now 50 percent below the level of the mid 1980s. In the future, there will probably be a fallout of firms due to overcapacity, and farmers probably will have to be willing to accept a lower price for stock for a period of time. It appears that the next two years may be quite difficult for the industry.

The Board also has been criticized for their involvement with the exporters in sending most of their product (manufacturing beef) to the United States when the United States was sending its higher priced cuts to the high-priced expanding Asian market. Some in New Zealand feel that the exporters have been slow in directing their products to the Asian market. The Meat Board subsidiary (Anzco) was set up to promote and coordinate New Zealand's meat product exports to Japan, but there has not been much action. There are problems with the Board/Exporters relationship, and the primary reason is the Board does not have control over the exporter, as the exporters are independent companies that can pursue, for the most part, their own strategies.

Another major problem is that farmers who contribute about $22 million or 75 percent of the Meat Board's income for 1994 do not understand the role of the Meat Board. Consequently, when times are difficult, farmers criticize the Meat Board because through a levy per animal sold they are paying for most of the Meat Board's activities, and they expect the Board to provide good markets and good prices for stock.

Changes in Operations

The Board has improved their operations and placed more emphasis on particular activities, but there have not been major directional changes in recent years. The Board has been successful in their very important market access and trade policy work in difficult international markets. Much of the work the board does is oriented toward developing the best long term future for the producers and processors, but often this work is invisible to the producers. New Zealand is faced with the difficult problem of competing against the subsidized meat products of some other countries, and also access to some markets is difficult due to quotas, tariffs, or other restrictive measures.

The Board presently is considering divesting their ownership position in processors and marketing companies. This is in response to the criticisms concerning conflict of interest.

The Meat Board takes a long-term strategic view of market access and market development activity and considers the interaction of all players in the global meat export market. The access and market development work involves analysis of overseas rules and regulations, evaluating options, advising exporters, approving licenses, providing expert technical information, lobbying for New Zealand meat, building relationships for the future, administering quota systems, developing promotional programs, and overseeing agricultural policies.

One significant change is that Anzco, which is 64.9 percent owned by the Meat Board's subsidiary, Meat Enterprise Limited (top ten exporter), is becoming involved with several joint venture alliances with Japanese and Australian interests. However, the Board is considering divesting this company due to criticisms concerning conflict of interest.

It appears there will be more foreign ownership of the New Zealand meat processing industry in the future. Present foreign ownership accounts for about

11 percent of sheep meat and 15 percent of beef processing. Foreign ownership may pressure the Board concerning decisions for particular export markets.

Another change is increased expenditures for research and development. There have been numerous improvements in animal breeding (livestock performance and carcass type) and also significant technological and productivity improvements in processing. Work is continuing in meat quality management, and international quality measures such as IS09002 and TQM systems are being implemented.

Conclusion

The perceived performance of the Board is mediocre to fair due to processor and exporter opposition and producer discontent. However, it is very difficult to evaluate the Board's performance. The Meat Board oversees the marketing of meat for export and attempts to coordinate, facilitate, and create an environment to insure the highest return to New Zealand producers. It is important to recognize that the Meat Board lacks control except for licensing. The meat industry in New Zealand is highly visible and probably is more affected by politics than is any other industry in the country. Many thousands of producers are involved, as are numerous large and small processing companies, so the Board has a difficult task keeping the participants satisfied that they are getting a good return for their levy fees. Many of the Board's activities are invisible, and this creates a problem in their relationships with the participants. In spite of all this, the Board has had many successes over the years. The industry probably has enjoyed a higher level of performance with the Board's presence and activities than it would have enjoyed without them. The Board has been successful and should continue to be successful in carrying out its responsibilities in a difficult international market environment.

The Future of the Boards

The three industry boards discussed in this paper represent a departure from the free market and unfettered trade thinking that is currently in vogue across the world. In many ways their monopoly powers enforced by law resemble the monolithic trading and distribution structures of the old socialist block. As a result, they have come under fierce attack from those in New Zealand who are ideologically opposed to this particular type of organization.

The boards exist to protect the primary producer and to guarantee their returns. In a country where agriculture represents a very small proportion of the GNP and food exports are insignificant, such structures could well be used to give unfair advantage to a minority. However, in New Zealand where the majority of the country's export earnings are generated by agriculture, where the vast majority of food production goes for export into foreign markets, and where a great proportion of the economy depends on the agricultural industries, or provides support for them, the existence of these organizations makes a good deal more sense.

To New Zealanders, the industry boards are pervasive and omnipotent. However, in the international food market place they are pygmies, pitted against Goliaths such as Nestle that have turnovers many times as great as the largest board. In light of this fact, and in view of the strong trend towards even more concentration in the world's food marketing and distribution systems, the proposal to dismember the boards and replace them with a large number of smaller competing companies seems absurd.

Accusations of poor performance leveled at the boards tend to be stated in absolute rather than relative terms. The unpredictable nature of the international food marketplace, and the structural forces that have led to a decline in the terms of trade of all major food exporters make such accusations unwarranted. It is very difficult to make "what if" statements, but, relatively speaking, the performance of the Australian and New Zealand apple industry would seem to indicate that this industry is better off with a board than without it. Although it is early yet for deregulation of the domestic apple market in New Zealand, early indications are that most producers are markedly worse off without their board in the marketplace.

There are almost no instances where the influence of a board can be said to have been detrimental to an industry as a whole, although individual grievances abound. Perhaps these are inevitable given that the very purpose of these organizations is to protect the interests of the majority against the activities of the few. The most aggressive and effective of the three boards, the Dairy Board, is competing on level terms with the largest and most sophisticated food companies in the world and is getting the better of them in several areas. It is difficult to see what higher level of performance an agricultural cooperative from an isolated island could hope to achieve.

This is not to say that the boards are perfect. The perfect organization has yet to be created. The boards do vary in their effectiveness, and as a result, in the level of criticism leveled against them. The table below summarizes the major arguments made for and against the monopoly export boards in New Zealand.

In the current climate that favors free trade and deregulation, the influence of private companies seems likely to increase in New Zealand and presumably

within the meat, apple, and dairy industries. At present, only the dairy industry is free of *major* disputes attributable to conflicts of accountability. However, if the major dairy cooperatives become corporations, the dairy industry will have trouble avoiding the fate of the meat industry which is the scene of constant internecine warfare with both government and producers as almost helpless spectators. It is difficult to visualize how the Dairy Board as a major consolidated international processor, distributor and marketer of New Zealand products would survive such a development. Indeed, if the pattern that has occurred after a major share issue to a commercially unsophisticated public in other countries is followed, it is not unlikely that the current opponents of the Dairy Board in the international marketplace would become its new owners within a very short space of time.

It is argued that the boards could find a role as a watchdog of private enterprise, having sole power to issue licenses and police an otherwise deregulated industry. The board that most closely approaches this model is the Meat Producers Board. The performance of this body relative to its two more integrated equivalents in the field of apples and milk, simply does not act as a recommendation for this system.

New Zealand faces a tough decision as the year 2000 approaches. Should it retain its current system, or should it conform to the current economic wisdom that "the market knows best"? The issue is complicated by the fact that, once the boards are dissolved, it will be very hard, if not impossible, to reinstate them.

The final say concerning the boards lies with the New Zealand producer, and an intense battle is being fought for the hearts and minds of this large and diverse group of people at this moment as opponents are recommending that the boards be scrapped and the free market should rule. Three factors are perhaps pertinent to the decision. First, the industry that currently has the highest performance in the international marketplace is the most tightly controlled monopoly. Second, it appears that primary producers, both in New Zealand and in other countries, that have lost control of their channels of distribution and contact with the consumer have generally not done well. Third, the decision to dissolve the boards that control these channels is likely to be irrevocable. There is a great deal to be said in favor of New Zealand's current export organization. It is, in international terms, an anomaly, but policy makers should think carefully before signing these organizations out of existence.

References

Information for the paper presentation was obtained from Dairy Board, Apple and Pear Board, and Meat Board Publications, and from discussions with individuals working for each of these organizations. Additional information was obtained from numerous articles in several different types of non-board publications. Another important source was from industry and academic individuals not directly associated with the Boards. The concluding section, "The Future of the Boards," is the opinion of the authors.

Exhibit 1 - Major arguments used for and against the boards

For	Against
Allow product and portfolio development, production, distribution, promotion, channel negotiations, and intelligence gathering to be concentrated and coordinated.	Complacent and inefficient due to lack of competition and/or lack of accountability.
Allow long term plans to be made and executed. Allow long term capital investment.	May suppress small opportunist ventures from exploiting local market opportunities.
Prevent processing capacity and channel "power points" from coming under hostile control.	Do not allow the entry of other sources of capital into the industry.
Spread economic benefit of industry activity evenly among the population.	Do not reward producers for products that command a premium in the marketplace.
Prevent "wildcat" exporting.	Allow underpriced channel access to new producers.