Agricultural Discussions with United Kingdom Government

By C. F. SKINNER, Minister of Agriculture

Mr C. F. Skinner.

EARLIER this year I visited the United Kingdom to discuss the marketing of our dairy produce and meat.

This visit was made in accordance with Articles 1 and 2 of the 1957 agreement between New Zealand and the United Kingdom, which supplemented the Ottawa Agreement of 1932. Under the 1957 agreement the two Governments each undertook to give full weight to the views of the other in the formulation of their production, marketing, and import policies relating to agriculture. To this end provision was made for consultations in November each year and at any other time at the request of either Government.

Though the first of the annual consultations under the agreement had taken place only the previous November, the marketing of our dairy produce and meat in the United Kingdom deteriorated so rapidly in December and the first 3 months of this year that it became absolutely essential that we ask the United Kingdom for urgent consultations. In November 1957 our butter was realising 260s. per hundredweight on the London market. By March of this year the price had fallen to 230s. per hundredweight, and in April there was a further fall to the catastrophic low level which prevailed until toward the end of June—206s. per hundredweight. In addition, lamb prices over the same period fell by about 25 per cent and there were also serious declines in returns for the by-products of the meat industry.

Agriculture in New Zealand's Economy

THE extent to which the New Zealand economy depends on the successful marketing overseas of our three main export commodities, dairy produce, meat, and wool, is perhaps not sufficiently realised. This dependence is well illustrated by a few basic statistics. In 1957 our total exports, which were valued at £276.1 million, included exports of dairy produce £66.1 million; of meat £70.5 million; and of wool £105.7 million. That is, of our total exports dairy produce contributed about 24 per cent, meat 26 per cent, and wool 38 per cent. Of the remainder, livestock by-products contributed a further 5 per cent.

New Zealand's entire economy is based on the sale overseas of the farm products just mentioned, because it is from the proceeds of these exports that we pay for the capital goods and raw materials which are essential to our manufacturing industries and for those consumer goods not produced locally. As our population grows, more and more of our people are required to find employment in manufacturing, and our ability to maintain full employment is, therefore, vitally dependent on satisfactory markets for our dairy produce, meat, and wool.

Toward the end of 1957 and during the first quarter of 1958 wool prices also dropped and just before my departure for the United Kingdom the prices were nearly 15d. per pound lower than the average prices of 1957.

The significance of price falls is well illustrated by the fact that a 10s. per hundredweight reduction in the return for butter means a loss in overseas earnings of about £1.5 million; and each 1d. per pound on wool for a whole season represents about £2 million to New Zealand. A penny per pound on a whole season's lamb production also represents nearly £2 million in overseas exchange.

The drop in prices for our principal export commodities was not accompanied by a corresponding movement in the prices of imported goods. Terms of trade (the purchasing power of our exports in terms of imported goods) therefore moved against New Zealand. This movement was a continuation of a trend which had shown itself in official statistics for the fourth quarter of 1956 and which gained momentum in the third quarter of 1957. The