

Paper 4

EXPORT POTENTIAL FOR NEW ZEALAND MAIZE

G.G. Sewell

New Zealand Grain and Seed Export Manager,
Dalgety Crown Ltd.

INTRODUCTION

Maize grain is a major item of world trade. In 1982, 455 million tonnes of maize were produced worldwide and about 70 million tonnes, worth nearly \$US9000 million to the exporting countries, was traded (F.A.O. Production and Trade Yearbooks). New Zealand's production and trade, with a maximum production of 210,000 tonnes in 1976/77 and a maximum export of 60,000 tonnes in 1979/80, are very small on a world scale. However, a significant proportion of New Zealand's maize grain production is exported and New Zealand is a major supplier to other Pacific Islands.

HISTORY OF MAIZE EXPORT

Production of maize in New Zealand expanded rapidly during the late 1960's and early 1970's, following the growth of the meat chicken industry. Previous to this,

practically all maize was grown in the Gisborne area. However, during this latter period, first Waikato and later Bay of Plenty, became the major producing areas. Both of these areas had a significant price advantage over Gisborne on the domestic market because of their proximity to the major stockfeed manufacturers in Auckland.

Prior to 1970, no significant quantities of maize were exported. The first major export was to Taiwan in 1972, when 6,000 tonnes were shipped out of Gisborne. A further cargo of 3,250 tonnes was sold to Taiwan, again out of Gisborne, in 1974.

During the following two seasons, 1975/76 and 1976/77, maize production exceeded domestic requirements. In 1975, 48,000 tonnes was exported to Taiwan and Japan and 56,000 tonnes was exported to Japan in 1976. This was approximately 26% of New Zealand production for those two years. In 1975, Tauranga was first used as an export port and it has continued to fill a major role in succeeding years.

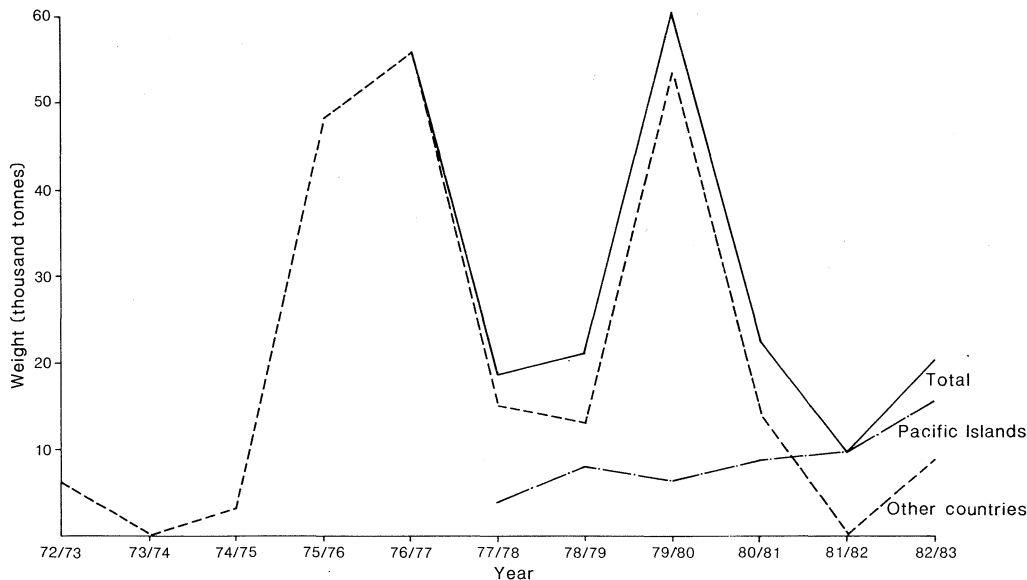


Figure 1. Maize exports from New Zealand between 1972 and 1983.

Free on board (F.O.B.) prices, which include all land based costs, gave a reasonable margin on maize exported from Gisborne to 1975 but were only at break even levels for maize exported from Tauranga in later years.

During 1975, there was a world shortage of feed grains, resulting in very high prices. New Zealand was in the fortunate position of having a record crop, so merchants took full advantage of the market situation, selling at levels well above the growers' contract prices. It is now history how the merchants creamed off extra profits above a normal margin and established the Maize Stabilization Fund, to act as a buffer in subsequent years when export prices were depressed.

In 1977/78, production declined with a subsequent drop in exports. However, a significant factor that season was the emergence of the Pacific Island countries as feed grain importers. This was due to the establishment of feed mills in these countries. New Zealand was ideally situated to supply maize to the Pacific Islands because:

- New Zealand was closer than competitors such as the U.S.A., giving a freight advantage;
- Pacific Island mills had limited storage facilities and so preferred to buy shipments of between 500 and 1000 tonnes which were smaller than those readily available from larger exporting countries;

- the shipping service available from Gisborne could handle small bulk shipments.

In ensuing years, the quantity exported to the Pacific Islands has continued to increase to reach 15,000 tonnes in the 1982/83 season. This represents 63% of total maize exports for that year (Fig. 1).

From 1975 onwards, export sales continued to be made to other major markets in Asia and the Middle East. But this was only for maize that was surplus to domestic requirements and fluctuated sharply (Fig. 1). The largest exporting year was 1979/80 when 60,000 tonnes were shipped from Tauranga, Gisborne and Napier. This represented 26% of New Zealand's production.

EXPORT RETURNS

As mentioned earlier, prices obtained to 1975 allowed a profit on maize exported from Gisborne, but were only about break even on maize exported from Tauranga.

Following the high prices in 1975, and the subsequent downturn in world grain prices, very little maize has been exported at a profit to markets other than those in the Pacific Islands (Fig. 2). The Maize Stabilization Fund has picked up the tab for losses. For Pacific Island exports, the picture is much brighter, with maize exported from

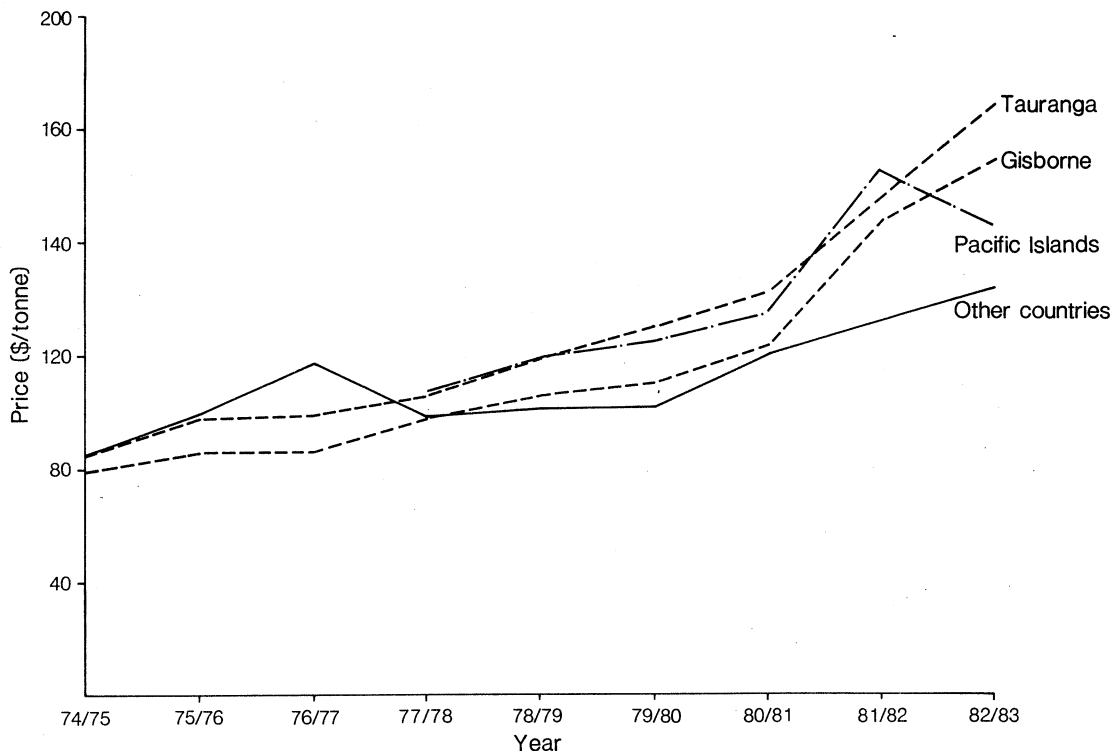


Figure 2. F.O.B. prices for maize exports and grower prices at Tauranga and Gisborne between 1974 and 1983.

Gisborne showing adequate returns in all years except 1982/83, and Tauranga showing a small profit in some seasons (Fig. 2).

The main factors against exporting to the major importing countries in Asia and the Middle East are:

- higher production costs in New Zealand;
- longer distances from markets than competitors;
- inability to handle large bulk carriers in the 35,000 tonne range where freight advantages apply.

FUTURE EXPORT PROSPECTS

Under present farming conditions, it is difficult to see any major export growth outside the Pacific Islands. This is because the only areas where there is a significant potential for increasing production with currently available cultivars and technology are Waikato and Bay of Plenty. In these areas returns from other farming practices, such as horticulture, dairying and meat and wool, make export maize unattractive.

In the short term, I believe New Zealand should

concentrate on producing sufficient export maize to supply the Pacific Islands. The main supplying area should be Gisborne, with possible further production in Bay of Plenty and Hawkes Bay. Every endeavour should be made to supply the requirements of the more distant islands, such as Papua New Guinea and Tahiti, where freight rates are higher than for the closer islands. Some price averaging scheme, such as a pool, could be used to achieve this. Estimated present requirements for the Pacific Islands region are between 20,000 and 25,000 tonnes, or 15% to 20% of current production.

I believe export opportunities to the major Asian and Middle Eastern markets will only occur in the foreseeable future if:

- the world price is high enough prior to planting to attract growers to plant extra area;
- a downturn in alternative farming enterprises forces extra planting of maize;
- cultivars are developed for South Island conditions, especially Canterbury, where increasing areas of arable land are becoming available through irrigation.