Student 6: High Not Achieved

NZQA Intended for teacher use only

Milk

EXPORTS:
In New Zealand when the exchange rate is high we are going to receive less return, therefore when the exchange rate is low we are going to receive a high return. This is a major factor for profitability, but if the exchange rate is high we cannot do anything about it. This then means the profitability for the season is dependent on the exchange rate. All the farmer can do is increase the quantity of milk he produces (1). This will also affect the amount of palm kernel that needs to be imported and the grass that needs to be fed to allow for this increase in quantity. 1
The main countries that we export to are China, the US, Japan, the European Union, Malaysia, Australia, Philippines, Taiwan, Singapore, Belgium, Venezuela and Saudi Arabia.

POLITICAL INTERVENTION: FREE TRADE AGREEMENT = CHINA
As New Zealand is a large producer of the world's milk products, we as a country do not import any milk products.

FREE TRADE AGREMENT = CHINA. The New Zealand- China free trade agreement is a bilateral free trade agreement signed between the Chinese and New Zealand Governments in April 2008. This has had a huge positive influence on the returns farmers get. This is because it has reduced and cleared tariffs, allowing a higher return price for the farmers. 3
Until quite recently, Fonterra-the New Zealand dairy cooperative responsible for nearly one-quarter of New Zealand's export earnings, met the growing Chinese demand for New Zealand dairy products—including cheese, butter and milk powder—by exporting to China. Then, in 2007, Fonterra opened its own farm in Tangshan which it stocked with Friesian heifers from New Zealand, to supply China with milk produced within China.
Under the agreement, 37 per cent of Chinese exports to New Zealand and 35 per cent of New Zealand exports to China will be tariff free by October 2008. All tariffs for Chinese exports to New Zealand will be eliminated by 2016, and 96 per cent of New Zealand exports to China will be tariff free by 2019.
On the 1st of January 2017 butter, cheese and liquid milk will have tariff elimination.
The free trade agreement is also duplicated in other places e.g. Taiwan.

Trade barriers and quality of supply affect productivity due to the free trade agreement. This is due to free trade agreements getting rid of the trade barriers. 2
Lately there has been talk of a free trade agreement between NZ and Europe, but nothing has yet been confirmed.

QUOTA'S:
A quota is a volume restriction on imports-meaning there is a limit to how much of a certain product can come into that country per year.