



What's the story?
Encyclopedia of New Zealand

R. W. T. & McLintock,
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TRADE, EXTERNAL

HISTORICAL EVOLUTION AND TRADE PATTERNS

Beginnings

Overseas trade has always occupied a central position in the development of New Zealand. Indeed, settlement was incidental to trade, the first European settlers being traders who came to exploit the country's natural resources. This exploitation, which was often an uncontrolled plunder of nature, continued to be a substantial factor in New Zealand's trade until well into the nineteenth century.

As early as 1792, only 23 years after the first visit of Cook, a small band of sealers settled in Dusky Sound for nearly a year. Their interest was in sealskins, but they also built a small vessel from New Zealand timber, though the real beginning of commercial trade in kauri timber came in 1794, when the *Fancy* took a shipload from the Thames. Whaling also, like sealing and timber cutting, quickly became established as an export industry, and the export value of the native flax (*Phormium tenax*) was soon recognised; Whaling). The early exports were therefore sealskins, seal and whale oil, timber, and flax, with tattooed Maori heads a gruesome additional item. Ruthless exploitation and wanton slaughter had, by about 1820, largely destroyed the basis of the seal trade, and whaling was not very important after about 1860. Timber and flax, however, continued as significant export items until the First World War. Imports in this early period were goods required mainly for barter with the Maoris – iron tools, muskets, and gunpowder – or for use by the traders themselves – clothing, flour, and spirits.

Reliable and complete statistics of trade are not available until 1853, when the Crown Colony period had ended. According to A. S. Thomson's *The Story of New Zealand*, published in London in 1859, exports (to New South Wales) increased from £30,000 in 1826 to £135,486 in 1829, with a sharp fall to £37,246 by 1842; imports (also from New South Wales) were stated at £1,735 (1826), £12,692 (1829), and £131,784 (1842). In 1853 the official statistics, compiled for the first time for New Zealand as a whole, show exports valued at £303,000, with imports at £598,000.

The period up to 1853 divides itself naturally into two parts, the dividing line being the beginning of organised settlement in 1840. The early years before 1840 have little importance for the economic historian, the trade in whale oil, sealskins, timber, and flax contributing only negatively to future economic development of the colony. More significant was the development, especially in the 1830s, of shore whaling stations, usually with a farm for self-sufficiency in food. Such farms, and the similar establishments attached to mission settlements, foreshadow the change from an economy based on extractive industries to one based on farming. The beginning of systematic organisation in 1840 marked the real start of the change, though small quantities of wool had been exported to Sydney and Hobart during the 1830s.

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Up to about 1850 the new colonists were substantially occupied in producing food for survival. Moreover, there was no ready means of exporting such farm products as could be produced under the comparatively "intensive" Wakefield type of land settlement. The settlers, however, were soon pushing out from the Company settlements, particularly to the Wairarapa and Canterbury Plains, which were suitable for sheep. By 1853 wool made up 22 per cent of the value of exports, second only to timber (31 per cent). The Australian gold rushes were then at their height and the infant New Zealand farming industry found there a ready market for such basic foodstuffs as potatoes (value in 1853, £30,000, or 10 per cent of total exports), grain (£19,000, or 6 per cent), and butter and cheese (£12,000, or 4 per cent). Other major exports of 1853 were kauri gum (16,000, or 5 per cent) and whale oil (£22,000, or 7 per cent), a survival from the pre-settlement days. The trend continued, and by 1855 wool and potatoes each comprised 25 per cent of total exports, with grain accounting for 22 per cent. Timber had dropped to 2 per cent and thereafter never recovered its earlier importance. By 1860 wool made up 76 per cent of New Zealand's exports.

The Gold-rush Period

The pastoral age which had begun was overshadowed for a period by the discovery of gold in New Zealand. The export of wool continued to increase, but was from 1861 to 1871 eclipsed by gold which, from 3 per cent of total exports in 1860, rose to 55 per cent in 1861 and to a peak of 70 per cent in 1863. In only one year of the 11 did gold supply less than half of total exports, and throughout the period gold and wool together accounted for between 82 per cent and 94 per cent of all exports. In 1861 exports of wool were valued at £524,000, those of gold at £753,000, and in 1871 wool reached £1,606,000, compared with £2,788,000 for gold (but these figures were almost exactly reversed within a year). From 1871 the production and export of gold decreased gradually, although until 1911 gold always accounted for more than 10 per cent of total exports. Indeed, for about 10 years after 1900 there was a revival in the importance of gold exports, with the development of deep-level quartz mining in the North and dredging in the South.

The Pastoral Age – Wool

Production and trade in wool increased steadily from the time of its first appearance in the trade statistics. In 1853, 1.1 million pounds of wool, valued at £67,000 were exported; in 1863, 12.6 million pounds; and in 1873, 41.5 million pounds. Exports climbed to 100 million pounds in 1889, 200 million in 1910, 300 million in 1936, 400 million in 1948, and 500 million in 1959, with a record 564 million pounds in 1963. From 1872 onwards wool has remained the leading single export item in terms of value, though in 1918 and from 1921 to 1949 dairy products as a group were greater exchange earners than wool.

In the 1870s wool accounted for over half the value of New Zealand's export trade; from 1880 to 1898 its share was from 40 per cent to 50 per cent; and from 1899 onwards wool has consistently earned about one-third of New Zealand's export receipts. Wool has indeed been New Zealand's golden fleece.

Refrigeration – the New Export Pattern

The Australian gold rushes encouraged crop farming, since grain and potatoes were needed by the miners. A small dairying industry also exported a little butter and cheese to Australia, but dairying, like the meat industry, had to await the coming of refrigeration before any substantial export trade could develop. The export trade in grain and potatoes was in the sixties almost extinguished by local demand brought about by the New Zealand gold rushes, though grain was again an important export for a few years in the eighties until the greater profit in frozen meat and dairying diverted wheat lands to other uses. Real and lasting diversification of New Zealand farm production was made possible by the introduction of refrigerated transport in 1882. The success of refrigeration meant that New Zealand was no longer restricted to Australia as a market for butter

and cheese; it meant, too, that meat could be exported as well as sold to the local butcher. The sheep was useful both for its meat and for its wool, skin, and tallow. The sale of fat lambs made a valuable addition to the wool cheque and the extra income enabled farmers to improve both their land and their flocks. Sheep farmers were quick to learn the lesson and pay attention to breeding for meat as well as wool. The timing of the introduction of refrigeration was also important. It came at about the middle of the "Long Depression" (1870–95) when the price of wool, already at a low level, was still falling. The new export commodities were therefore doubly attractive to producers.

Given the relatively large sheep population and the relative speed of increasing lamb production compared with the inherent rigidity of dairy production, it is not surprising that exports of frozen meat increased more rapidly than those of butter and cheese. By 1884, that is, in two years from the inauguration of the trade, frozen meat reached 5 per cent of the value of total exports; by 1890, 11 per cent; and by 1902, 20 per cent. From about 1930 frozen meat has usually provided about 25 per cent of New Zealand's total export earnings, and in recent years meat, including canned meat, has displaced dairy products as the second New Zealand export, the value in 1964 being £106 million. Frozen lamb and mutton now make up over 60 per cent of the value of meat exports, with frozen and chilled beef and veal supplying about 30 per cent. The early trade after 1882 was almost entirely in sheep meat. Beef and veal became significant as exports about 1912 and increased sharply during the First World War to about 6 per cent of all exports – not greatly below the present 8 per cent.

The great expansion of exports of dairy products came later. It was encouraged not only by the use of refrigerated transport, but by two other technical advances: the separation of cream by centrifugal force from about 1880, and the Babcock test for determining the cream content of milk. These made possible the centralised factory production of butter. Butter reached 5 per cent by value of total exports in 1899, but cheese did not until 1909. By 1912 butter comprised 10 per cent of all exports, and cheese 8 per cent. During the First World War, and in 1919 and 1920, the value of cheese exports exceeded those of butter, preference being given to cheese under the Imperial Government Requisition Scheme (mainly because of greater ease of transport). Since 1920 exports of butter have increased about tenfold in quantity, but those of cheese are now only about 50 per cent above the 1920 level. Butter now accounts for about 15 per cent by value of total exports, cheese for about 5 per cent, and other dairy products for about 4 per cent, so that dairy products as a group about equal frozen meat in importance. During the Second World War cheese exports were once more increased at the request of the British Government.

The great increase in dairy farming after about 1895, and especially after 1900, encouraged by rising prices, had special significance for New Zealand's economic development. It not only broadened the range of farm production but also made more intensive farming a fact. The more efficient use of the land increased productivity quite sharply.

A significant fact is that the "diversification" was merely a change in the products of grasslands farming. Far from lessening the dependence on pastoral farming, the changes tied New Zealand's export trade, and hence prosperity, even more tightly to the exploitation of the country's grasslands. Instead of converting grass into wool, New Zealand farmers henceforth were to turn that grass into wool, meat, and skins through the grazing of sheep, and into butter, cheese, meat, and hides through grazing cows or cattle.

The changing pattern of New Zealand's exports from 1853 until 1964 is clear from table I.

By 1860 pastoral farming had become dominant, supplying nearly 80 per cent of total exports. In the 1860s and 1870s this dominance was masked by the gold-rush period and, from 1880 to about 1910, by the combined effect of gold mining and a renaissance of agricultural cropping and forestry. From 1913 onwards pastoral farming has accounted for 80 per cent of total exports – since 1920, for more than 90 per cent in almost every year. Table II gives detailed values from

1853 to 1964 of the four major exports; wool, frozen and chilled meat, butter, and cheese, and also shows percentage shares of total exports for these products.

Minor Exports

The pattern of minor exports has changed with that of the "big four". This is because the more important of the present-day minor exports are by-products of the meat and dairying industries. Among these by-products the most important are hides and skins valued at over £15 million in 1964 and representing 4 per cent by value of total exports; others are tallow and sausage casings, valued in 1964 at about £9 million, or 2 per cent of total exports. The meat byproducts first appear in the export statistics for 1863, the value of £12,000 representing tallow and sheep skins. The trade in these products increased steadily with the wool trade and, later, with the meat-export trade. Sausage casings were, relatively, a latecomer, the export value in 1914 being £139,000, or about 05 per cent of total exports, compared with nearly £6 million, or 15 per cent, in 1964.

Minor dairy products, other than butter and cheese, have also increased in importance. In 1964 exports of these products, which include casein, dried milk, condensed milk, and lactose, were valued at nearly £16 million, 4 per cent of total exports. Casein exports have grown significantly in recent years, reaching nearly 50,000 tons in 1964 compared with only 8,000 tons 10 years earlier. New Zealand is now the world's largest exporter of casein.

Forestry products, which substantially disappeared from the export statistics after 1930, reappeared in the early 1950s. Exports in 1964 were valued at over £11 million, nearly 3 per cent of total exports. The reappearance of forest products as an export item was mainly the result of the maturing of exotic softwood forests which had been planted from about 1925 onwards. From these were exported in 1964 sawn timber and logs to the value of over £25 million; wood pulp, nearly 3 million; and newsprint, nearly £6 million. It is worth noting that timber was the only forest product exported before the Second World War; now the processed products, wood pulp, and newsprint are more important than timber.

Apart from the major livestock products, exports of farm products are not high, "agricultural" crop products in 1964 contributing £72 million, or only 1.8 per cent of the total exports. The leading item in the group is apples and pears, valued at about £3 million; followed by grass and clover seeds (£12 million), and seed peas (£05 million). Other items include canned and frozen vegetables and food peas.

The fishing industry is also a source of exports, valued in 1964 at £2 million, about 05 per cent of total exports.

Former important items which have virtually disappeared from the export scene include kauri gum, flax, rabbitskins, and coal. From 1853 until about 1900 kauri gum, which is peculiar to New Zealand, normally accounted for up to 5 per cent of total exports, but the trade fell off gradually with the substantial exhaustion of the supplies. Flax, or *Phormium tenax*, which was among the first exports, has varied greatly in importance. At its peak in 1905 flax comprised 5 per cent of total exports. Rabbitskins are now a prohibited export as part of the campaign to overcome the rabbit scourge, while coal was never able to supply more than about 1 per cent of total exports.

The Pattern of Imports

It is difficult to summarise imports to show significant trends in the values of important groups. In contrast with the export trade, imports include a very wide range of commodities; moreover from time to time the method of classification has been changed by the Customs Department to bring it into line with modern usage. Long-term comparisons of the values of major groups of imports are therefore not completely valid.

Imports before organised settlement began in 1840 consisted mainly of goods for bartering with the Maoris, or for meeting the simple needs of the small number of European settlers. The major item was muskets, which were keenly sought after by the warlike Maori, and there were also substantial imports of gunpowder, iron tools, hardware, flour and other foodstuffs, spirits, and clothing.

Permanent settlement in 1840 called for continuing and increasing imports of clothing, metals and manufactures to sustain and provide for the development of the infant colonies. From the earliest days of organised settlement the general nature of imports changed relatively little up to the First World War, the main traditional groups being metals and machinery, textiles and clothing, sugar, beverages and food, paper and stationery. Newer groups are fuels, motor vehicles, and chemicals.

Changes in the nature of New Zealand's imports are apparent from tables III and IV, though the classifications are not strictly comparable.

More interesting is the classification of imports according to end use. The percentage figures in table V show the trend of imports (from 1935 onwards) towards producers' and, particularly, manufacturers' equipment and materials. This, of course, reflects New Zealand's economic development. The pattern was considerably distorted by the Second World War.

Total Trade

The sharp upward trend in the value of total trade and of total imports and exports, and the similar trend in the value of total trade per head of population, are shown in the diagrams (pp. 425-7). It is clear from the diagrams that difficult marketing conditions in the last two years, as in 1930 and during the "Long Depression" of 1870-95, have, at least temporarily, halted this trend. The diagrams illustrate the direction of New Zealand's trade in 1964 and the changes in the direction of its external trade since 1860.

Direction of New Zealand's Trade

The obvious feature, both of the import and of the export trade of New Zealand, is the overwhelming importance of Britain and, to a less extent, other Commonwealth countries in New Zealand's external trade. Britain's importance, while still great, has decreased since 1950. In 1964 Britain supplied 38 per cent of all New Zealand's imports and bought nearly 50 per cent of its exports. Other Commonwealth countries have held their relative position well and Australia, since 1950, has increased its share of New Zealand's imports from 12 per cent to 20 per cent. Increased trade, export and import, with the United States, Continental Europe, and, to a lesser but increasing extent, Japan has filled the gap resulting from Britain's decreased share of New Zealand's trade. Tables VI and VII illustrate the changes in the direction of New Zealand's external trade since 1860.

Summary

It is apparent that the main features of New Zealand's external trade have persisted almost from the beginning of organised settlement. In 1962, as in 1862, New Zealand exported primary products and imported manufactured or processed goods, and over the whole period there has been a very great dependence on one country, Britain. The main changes have been an increasing reliance on the export of the products of grasslands farming, replacing the earlier extractive industries, and, recently, a moderate reduction of the degree of dependence on Britain as a market and source of imports.

by R.W.T.

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