




Blueprint for partnership with the New Zealand Government

2017 B+LNZ and MIA Manifesto





The New Zealand beef and sheep sector is a productive, value adding, innovative and forward looking sector. It is also a very important contributor to the New Zealand economy.



The beef and sheep sector represents 3.2% of New Zealand's GDP, accounting for \$7.0 billion.



The sector has 80,000 employees, 59,000 directly and additional 21,000 indirectly employed.



The sector is New Zealand's second largest goods exporter.



This document focuses on a range of key sector initiatives where a stronger partnership with government will achieve better outcomes.



New Zealand's largest manufacturing industry.



Total value of production was \$10.4 billion with exports worth \$7.5* billion and domestic sales worth an additional \$2.9 billion.



Over 90% of production is exported.

*Wool included in export figure

KEY PRIORITIES FOR THE SECTOR OVER THE NEXT



Developing and telling the unique New Zealand Red Meat Story, which will re-vamp New Zealand red meat promotion in export markets, so that we can gain higher returns.



Continuing to invest in research and development to lift productivity, mitigate risk and support innovation on farm and in the processing plants in areas like, but not limited to genetics, forage, food safety, and robotics.



Continuing to improve the sustainability of our production. We are involved in a wide range of activities to meet current and future challenges, such as helping farmers develop land and environment plans, supporting catchment projects, investing in climate change research, and educating farmers on good farming practises.

FEW YEARS INCLUDE:



Continuing to actively work with government and producer/industry groups nationally and globally to build support for trade liberalisation and tackling increasingly burdensome non-tariff barriers (NTBs).



Continuing to support the further enhancement of a world-leading regulatory system across food safety, animal welfare and biosecurity that strikes the right balance between the cost of government intervention and the value delivered by regulation that supports New Zealand's market access and international reputation.



Continuing to invest in high workplace productivity by looking after the health and safety of staff and owner-operators by developing industry standards, on-going training and advocating for employment legislation that better meets the unique needs of the meat industry.



Environment



- 1 The sector recognises the need to continue reducing its environmental footprint. It is committed to improving water quality and further reducing the sector's GHG emissions.
- 2 The sector has a relatively good environmental footprint, by global standards, as we are highly efficient at converting grass to meat.
- 3 New Zealand farmers consider themselves stewards of the land for future generations and strive to farm in the most sustainable manner possible by matching their land use to optimise use of natural resources.



THE GOVERNMENT CAN HELP US BY:

- Supporting collaborative development of environmental policy that balances environmental, economic, social, and cultural outcomes.
- Eliminating the 'grandparenting' approach to allocating nitrogen discharges (where allocation is currently based on existing individual discharge rates).
- Incorporating natural capital accounting in land-use policy – where allocations should be made on the underlying natural capital of the land and not on current land use.
- Enabling and funding community led management of freshwater resources at catchment and sub-catchment level.
- Supporting research into natural resource management, understanding the effects of land use on water quality and improving tools for climate change mitigation, especially how to reduce methane emissions from ruminant animals.

New Zealand sheep and beef farming is built around extensive low-impact grassland grazing systems. We are widely recognised as having one of the most environmentally efficient farming systems in the world. The sector, however, recognises that farming has environmental impacts and that work needs to continue to address these to safeguard our industry and country for future generations. Good environmental management is also a key part of the value proposition of our products and our unique brand in overseas markets.

Significant farming improvements in recent decades have improved our environmental footprint. A strong focus on research and adoption has seen productivity rise while farming less land, reducing contaminants to water and significantly reducing GHG emissions.

A key priority for the sector is achieving further improvements in water management. We are investing in leaders, supporting the adoption and actions of individual farm environment plans, improving monitoring and recording and working proactively to achieve real change in farmer driven catchment groups throughout the country.

Environmental policies need to be science informed, economically, socially and culturally sustainable, recognising that not all farming systems have the same impact. Transition times are needed to change farming practices and accommodate the significant costs that changes will impose on farming. Policies should be flexible and enable innovation to allow farmers to assess and make decisions on the best way to manage natural resources to minimise adverse effects.

Beef + Lamb New Zealand has invested \$6 million since 2003 in research to reduce biological GHG emissions, including improving animal digestion so sheep and cattle can convert pasture to food more efficiently. We are also involved in range of other activities aimed at improving productivity and on farm practices that reduce emissions.

We seek a collaborative approach on future climate change policy that accounts for sector needs. A tax on production, for example through bringing agriculture into the ETS, will make the sector less competitive. Production would move to less emission efficient producer countries increasing the world's total GHGs.

Supporting the retirement and re-forestation of highly erodible and pastorally unproductive land can help offset emissions, but productive hill country land cannot be viewed as a carbon sink for the rest of the country. We seek amendment of policy to recognise that smaller areas of trees, such as those found across pastoral farms, also sequester carbon. This would assist farmers to offset their emissions.

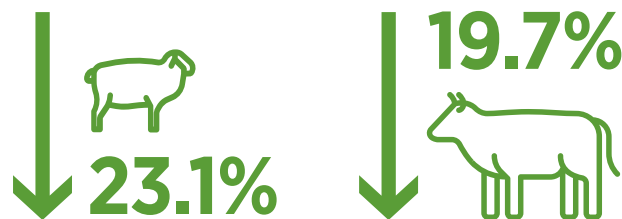
New Zealand sheep and beef farms cover **9.3 million hectares** (a third of the New Zealand land mass) and so are key to managing our environment.

42 workshops



held to help farmers develop environmental plans across the country.

Sheep & beef farmers have reduced their absolute GHG emissions by about 1% each year since 1990.



Animal Welfare



1 New Zealand has some of the world's highest animal welfare standards and farmers and meat processors work hard to ensure their animals are well cared for and treated humanely.

2 Standards and regulations must be developed in partnership with the industries that are well placed to advise on practical issues and market expectations.



THE GOVERNMENT CAN HELP US BY:

- Continuing to work in partnership with industry to enhance animal welfare systems in New Zealand.
- Ensuring consistent application and oversight of the animal welfare regulatory environment.
- Recognising the differences inherent in extensive and intensive animal management systems and that the issues faced by the different pastoral industries may not always be the same.

The recent amendment to the Animal Welfare Act (1999) allowed for the development of directly enforceable regulations to support existing codes of animal welfare. The sector has been engaging with MPI on the scope and content of these, but would like to see a lift in the level of engagement to ensure that regulations are fit-for-purpose and recognise the wider animal welfare outcomes produced by different farming systems.

Where new regulations or codes of animal welfare are being considered, early engagement with the sector is beneficial. Good regulatory practice requires proper assessment of the costs, benefits and practical implications associated with any changes. The sector is keen to support MPI in meeting its obligations in this regard.

While meat processors and their suppliers have a high level of oversight from MPI vets (every animal is inspected by a MPI vet before slaughter), this is not the case with other parts of the primary sector. This inconsistency in government oversight across the primary sector recently resulted in a high-profile issue involving bobby calves being mistreated by a pet food manufacturer. The public exposure negatively affected New Zealand's reputation for animal welfare. While this is being addressed in new regulations, there remains significant weakness in the system, especially where there is a light regulatory approach, such as at sale yards. Aside from the reputational risk, this inconsistency creates an uneven commercial playing field by creating the opportunity for people to send compromised animals to places where MPI has a lesser degree of oversight.

The sector collaborates closely with MPI and DairyNZ to improve animal welfare outcomes. This has led to a major improvement in bobby calf animal welfare over recent years.



**NZ 1st equal
in animal
welfare**

World Animal Protection
Incorporated Index

82% 

reduction in bobby
calf mortality since
2008. (mortality rate
has decreased from
0.68% down to 0.12%)

Food Safety



1 Food safety is critical to the meat industry and for maintaining consumer confidence. New Zealand is recognised as an international leader – in terms of both our industry and regulatory systems. This enables us to access markets and maintain New Zealand’s premium global positioning.

2 The meat processing industry is one of the most heavily regulated industries in New Zealand for food safety with continuous regulatory oversight. It has a genuine interest in ensuring government services are delivered in an efficient and effective way, without compromising the independence of the regulator.



THE GOVERNMENT CAN HELP US BY:

- Working in partnership with industry to deliver on the Red Meat Regulatory Strategy and to maintain the high performance of the regulatory system for food safety, market access and reputational reasons. The Strategic Directions Group is the joint vehicle for MIA and MPI to partner and collaborate to achieve results.
- Ensuring government services are provided efficiently and cost-effectively, without compromising essential food safety assurances.
- Where agreed, leveraging the regulatory systems to enable industry to meet consumer expectations in a range of non-food safety areas (e.g. animal welfare and religious requirements).
- Promoting food safety, based on risk and science outcomes, when negotiating with overseas counterparts and developing policies and responses.

The Animal Products Act (APA), the primary legislation for the meat industry, is based on accepted principles that the system should be risk-based and focused on outcomes. This is consistent with the internationally-accepted principles in the WTO, OIE and Codex.

The meat industry and MPI are working together to update operational standards and to develop new codes of practice that are more effective and outcome-focused.

The APA system relies on third party verification to ensure food processors are meeting these standards. Unlike other industries (which can choose a private verifier in a competitive market), the meat industry has to use government verification and inspection. This regulatory oversight is continuous and the lack of contestability makes it even more important to ensure the verification services are provided efficiently and cost effectively in the context of a modern, science-based food safety regulatory system.



\$83 million a year

is cost recovered for direct government services.



Trade



THE GOVERNMENT CAN HELP US BY:

- 1 Open and predictable market access is vital for on-going success of our export-focused sector, as it creates a stable and level international playing field in which to compete.
- 2 Removal of non-tariff barriers (NTBs), for example technical standards, labelling and certification requirements, is an increasingly important priority for the sector. They are opaque, unpredictable and costly.

- Continuing to prioritise and take a leadership role on trade liberalisation, including maintaining current market access; negotiating high quality FTAs; addressing current and future NTBs; enforcing trade rules to protect New Zealand interests; ensuring our domestic standards are recognised internationally; and influencing and supporting the work of international standards-setting bodies.
- Continuing to prioritise work so our trading partners recognise the equivalence of New Zealand's regulatory systems (i.e. recognition of systems equivalence).
- Ensuring that New Zealand's current sheepmeat and beef access into the UK and EU is not eroded post-Brexit.

Trade is fundamental to the future of the sector and the wider New Zealand economy. The meat industry business model is based on optimising the value of each carcass through market and product diversification. In order for this to work, we need as many open markets as possible.

Significant gains have been made by government focusing on trade liberalisation and FTAs over recent decades, however we are concerned about the increased negative rhetoric around trade. We look for continued government leadership to make the case for international trade liberalisation.

The sector still faces significant tariffs and there has also been a large increase in the use of NTBs in recent years. Addressing NTBs and removing the outstanding tariffs will help to level the commercial playing field for New Zealand companies, particularly in key markets where our competitors already enjoy preferential access which is eroding New Zealand's market share.

NTBs are often invisible and costlier than tariffs alone and have significant commercial consequences. We encourage further extension of government-negotiated "equivalence agreements" with importing countries that recognise New Zealand's regulatory systems as a means to address NTBs.

Past government involvement with international standards-setting bodies, in particular the World Organisation for Animal Health (OIE) and CODEX, has allowed New Zealand to 'punch above its weight' to influence the basis for the worldwide trade in animal products and support the development of science and risk-based international standards. It is vital that the Government continues to invest appropriately in this work.

A specific priority over the next couple of years will be maintaining New Zealand's preferential access into the EU and UK. Other priorities include maintaining current access in markets such as the US, concluding current trade negotiations (such as TPP minus one, RCEP, GCC and India) and progressing new trade agreements (such as the EU/NZ FTA).



92% of sheepmeat and 83% of beef production is exported to more than

120 countries

Last year trade was worth more than

\$7.5 billion

NZIER estimates that NTBs cost the beef sector more than

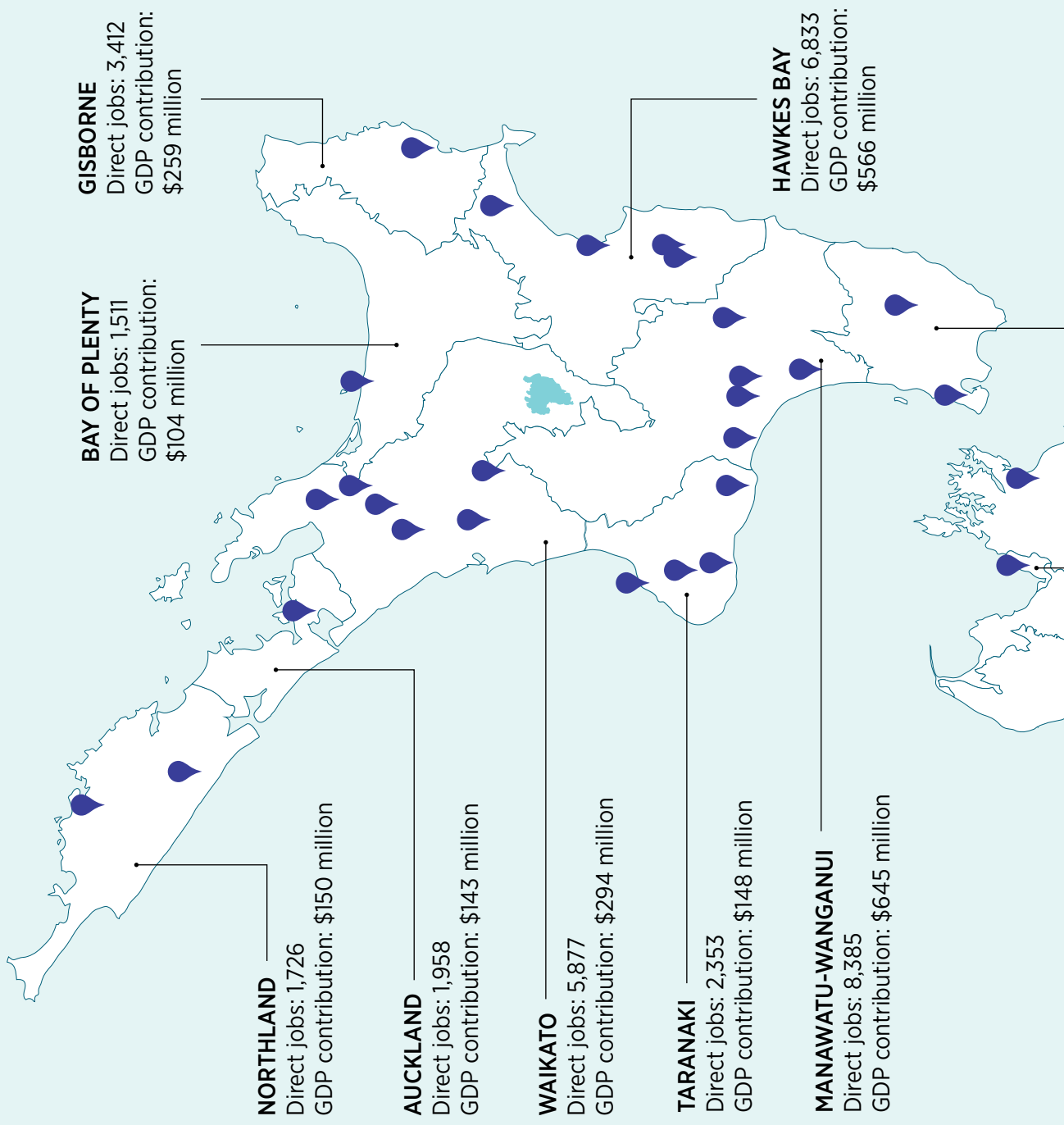
\$1 billion

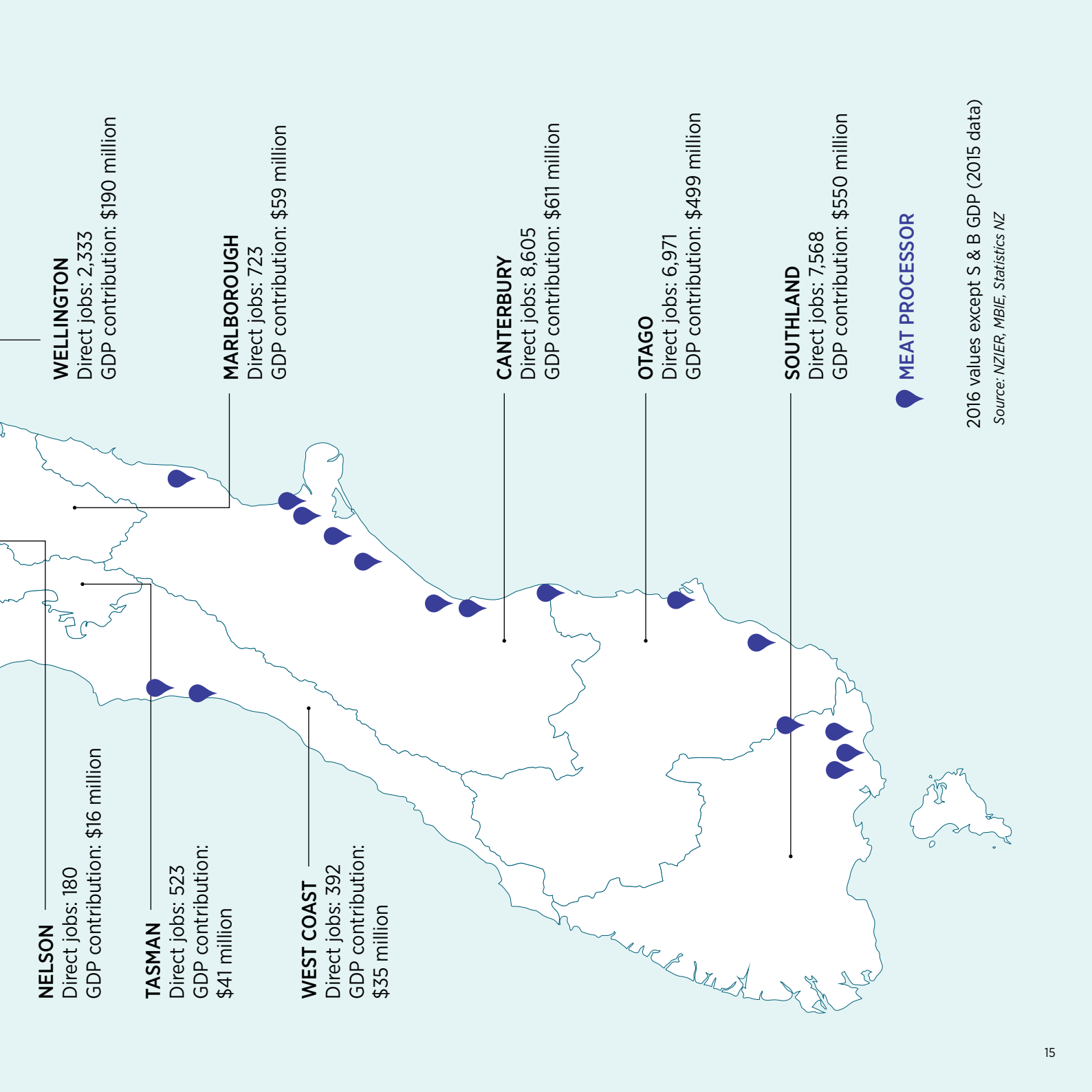
annually in the Asia Pacific region alone.



The EU currently takes 50% of New Zealand's global sheepmeat exports. The EU sheepmeat tariff rate quota saves the sector approximately \$600 million per year in tariffs.

Beef and Sheep Sector Regional Contribution to NZ





MEAT PROCESSOR

2016 values except S & B GDP (2015 data)
 Source: NZIER, MBIE, Statistics NZ

Biosecurity



1 Incursion of pests and diseases is the biggest risk to the sector and could be catastrophic to the New Zealand economy.

2 The sector is prepared to play its role and has stepped up biosecurity readiness, including to pursue a mandate from our memberships to join a Government Industry Agreement (GIA) with MPI.



THE GOVERNMENT CAN HELP US BY:

- Continuing to invest in a strong biosecurity system aimed at keeping pests and diseases out.
- Continuing to work on biosecurity issues in partnership with industries.
- Requiring compulsory registration of locations where livestock are kept (farms, saleyards etc.) to enable better biosecurity surveillance and responses.
- Enhancing traceability information associated with food producing animals.

While major diseases are rare, our sector is faced with incursions of pests and diseases. Many of these incidents do not attract much public attention, nevertheless they incur significant costs. It is important that MPI maintains robust standards and processes to prevent incursions and the establishment of unwanted pests and diseases in New Zealand.

In the past decade, there has been a significant increase in cross-border traffic, which is putting increased pressure on the biosecurity system. This threatens New Zealand's native flora and fauna and agriculture. It is vitally important that government resurces the biosecurity system appropriately, especially controls at the border and dealing with risk pathways into New Zealand.

The sector and government must continue to work together in partnership on biosecurity. We have been cooperating with government in improving biosecurity readiness, such as through our involvement in a joint industry-government Foot and Mouth Disease (FMD) Preparedness Programme. We seek further opportunities to work with government on biosecurity.

In 2017, MIA and B+LNZ, as part of the wider livestock sector, presented a proposal to enable the sector and MPI to enter into a GIA on biosecurity readiness and response. We intend to consult with our members in 2017 with a view to seek a formal mandate to join the GIA.



A large scale (6-month) outbreak of Foot and Mouth Disease (FMD) has the potential to reduce New Zealand's GDP by

7.8%

Velvetleaf

contaminated fodder beet seed was distributed to nearly 1,500 properties across NZ. If not adequately managed, it could cost New Zealand up to \$485 million annually.



↑37%



↑47%

Container imports increased by 37% and air passenger traffic increased by 47% between 2003 and 2014.



Innovation

- 1 There have been significant innovation and productivity improvements in the sheep and beef sector both on-farm and in processing in recent decades and the sector is committed to striving for further improvements.
- 2 The sector has a R&D strategy and is investing considerably in initiatives like the Red Meat Profit Partnership, genetic improvements, greenhouse gas emissions, food safety science, food quality and shelf-life and robotics within processing.
- 3 Sheep and beef sector innovation benefits the productivity, prosperity and the wellbeing of all New Zealanders. This makes us more resilient to change and emerging risks by improving and protecting our land, livestock, people and final products, alongside ensuring the sustainability of our industry.



THE GOVERNMENT CAN HELP US BY:

- Continuing to partner with the sector and ensuring its investment strategies include long-term support for sheep and beef sector growth.
- Promoting and encouraging on-farm and processing research capability development.
- Providing mechanisms to support technology transfer to assist uptake of R&D by the sector.

Both B+LNZ and the MIA recognise the value of innovation and have investment programmes. The organisations use several investment mechanisms, which include both direct investment and leveraged investment via government schemes (such as the Primary Growth Partnership (PGP) programme, Research Partnerships and grants for technology growth provided by Callaghan Innovation).

The sector's R&D strategy is designed to ensure that the R&D programme carries science from concept to final product to support long-term growth of the sector and the New Zealand economy. The sector invests in leading-edge, high-value technologies in fields – such as genetics, food safety, nutrition and robotics – to build a strong base and gain added value and profit for its products.

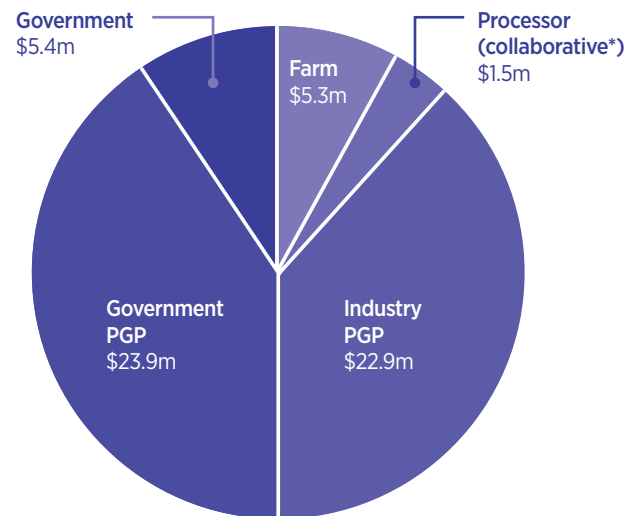
Government investment plays a major role in the sector's R&D by providing:

- Investment in whole of industry R&D to raise the base line for productivity and performance.
- Support for early-stage and long-horizon research, where risk to industry is high, scale is beyond any one party alone and research would not normally be done due to long timeframes and market failure.
- Incentives for collaboration among investors.

The Government Science Investment Strategy has a 20-year horizon. Development and uptake of the innovative science envisaged by this strategy is of fundamental importance to the sector. Commitment from government to ongoing support of the sector innovation is an issue of strategic importance for achieving industry goals for growth.

Historically, New Zealand has been recognised as a world leader for agricultural and red meat science development, with internationally-recognised science leaders and research capability. With an ageing science population, reduced levels of funding and a low intake of specialists in the red meat science field, that capability is under threat. New Zealand needs to train and attract research capability that can be retained in the industry to deliver R&D needs that cannot be easily provided from overseas.

Partnership R&D Investment, \$59.1m



*Does not account for R&D investment by individual processors.



Employment Relations

1 The meat processing industry enjoys a stable workforce with collective agreements commonplace.

2 Legislation needs to be sufficiently flexible to enable employers to manage dynamic processing levels, seasonality and non-salaried incentivised based wage structures.

3 Employment entitlements need clarification to remove significant business risk.



THE GOVERNMENT CAN HELP US BY:

- Initiating legislative reform of the Holidays Act 2003 to ensure employers and employees clearly understand how leave entitlements are calculated.
- Amending the Employment Relations Act 2000 or issuing guidance (in consultation with industry), to ensure the legislation does not destabilise workplace relations, in particular; the use of overtime to manage peak processing; shift cancellation arrangements within an environment where little notice can be provided; and incentivised based wage structures.

Calculating leave entitlements under the Holidays Act 2003 is hugely problematic. Shift work, variable processing levels and use of incentivised based wage structures place the industry within the category of employers most affected by the ambiguity of current legislation, adding significant compliance costs. This Act requires repeal and replacement.

The meat industry needs to be agile to respond quickly to variability in stock available for processing due to

unforeseeable external factors, such as the weather. Industrial legislation must be sufficiently flexible to enable employers to alter processing levels with surety without creating unnecessary complexity and cost. Overtime, with associated penal rates, has provided employers and employees a stable and transparent mechanism to address peak processing periods. However, the introduction of “availability provision” requirements threatens such arrangements.

Issuing guidance to clarify the nature of arrangements that amount to an “availability provision” aligning legislative intent with drafting would aid stability in this area. Guidance clarifying that “reasonable” notice of shift cancellation can in some instances be relatively short and that compensatory mechanisms already contained in employment agreements are relevant to the assessment of “reasonable compensation”, would also be of use.

The meat processing industry employs



24,700

workers around the country.



Immigration – Halal Slaughterers

- 1 Processing meat in the Halal manner is a cornerstone of the meat industry business model and enables demand from Muslim consumers around the world to be met.
- 2 Although it is the strong preference of industry to employ New Zealand resident workers, there is a sustained shortfall, domestically, of people available to undertake the critical Halal slaughtering role, leaving industry vulnerable.
- 3 At present, there is no special immigration programme to enable the meat industry to easily fill this shortfall. The current government policy proposals will constrain this further by preventing companies from retaining experienced workers.



THE GOVERNMENT CAN HELP US BY:

- Putting Halal slaughterers on the long-term skills shortage list, establishing a small special immigration programme, or finding another practical solution to provide a secure pathway to source necessary workers from overseas.
- Ensuring immigration policy is developed to reflect genuine industry needs.

A key regulatory requirement under the MPI Halal Notice for Halal processing is that slaughter is undertaken by a suitably qualified Muslim. The meat industry needs approximately 240 Halal slaughterers (which represents around 1% of the industry's workforce).

Each year, the MIA runs a national recruitment drive to find and recruit suitable New Zealand-based Halal slaughterers. Approximately 100 New Zealand resident Halal slaughterers are recruited each year. This is part of the meat industry's commitment to giving qualified New Zealand residents employment opportunities. Halal slaughterers are trained by the companies and are well paid.

To supplement domestic recruitment, MIA prepares an annual "Approval in Principle" (AIP) application to Immigration

New Zealand to enable overseas recruitment. This is resource-intensive and provides no certainty of access to what is an essential labour force requirement. The terms of the AIP provide little flexibility to transparently meet the genuine immigration needs of the meat industry.

The package of changes to immigration policy announced by the Government in April 2017 raises serious concern. The proposal to introduce a maximum duration of three years combined with the intention to align visas with season peak labour demands would constrain the industry's ability to access sufficient migrant workers. This would create further uncertainty and challenges for the sector.

Over recent years, the MIA has explored using the Indonesian Special Work Visa as an additional means of meeting labour force requirements. The terms of this Work Visa, however, do not readily align with New Zealand regulatory requirements and industry practice. Progress is being made to find a practical solution to unlock this opportunity.



90%

of animals are processed as Halal.

25%

of total exports, accounting for \$1.5 billion, were Halal certified in 2016.





Health and Safety

- 1 Working with livestock and machinery means that the red meat sector has health and safety hazards that need to be well managed.
- 2 Industry leadership is committed to improving the health and safety performance of the sector to create a safer workplace.



THE GOVERNMENT CAN HELP US BY:

- Supporting a strong partnership between WorkSafe NZ and industry.

The meat industry takes health and safety very seriously and is working hard to create a safer working environment. MIA's Meat Industry Health and Safety Forum, which brings together industry, government, unions and other related organisations, provides an important forum for collaboration on health and safety issues and the provision of related guidelines and information across the processing industry.

In addition to developing the Meat Industry Health and Safety Guidelines in 2013, the Forum has already approved two industry high hazard standards (working at height and traffic management) and work has commenced on a number of

other high hazard industry standards. There are also several industry-wide projects underway, such as research into the root causes of the biggest single cause of injuries (strains and sprains or body stressing) and how to mitigate this.

B+LNZ is a part of the Agricultural Leaders' Health and Safety Action Group, established to make farming safer. On-farm, the sector has worked alongside WorkSafe NZ to develop a Farm Safety Management System and deliver health and safety workshops across New Zealand. These workshops have directly assisted thousands of sheep and beef farmers in meeting their responsibilities under legislation and helped motivate them to lift industry performance. This work on health and safety management is supported by the development of joint government-industry guidance on key risk areas and activities, such as the carriage of passengers on quad bikes.

Government has an important role in working alongside industry. We are pleased to see WorkSafe NZ is working constructively with the meat industry to achieve a safer workplace, and look forward to further supporting industry-government efforts to identify and manage health and safety risks.



3,531
Attendees



124



on-farm Health & Safety workshops

(Since 2015)

Training



- 1 Having a skilled workforce is extremely important to the sector. We are investing in training systems to upskill workers and promote the sector as a career pathway.
- 2 The training priorities differ for the processing and farming sector, as both face different challenges.
- 3 The current Primary Industry Training Organisation (ITO) funding model has worked well for the meat processing industry, but more needs to be done to improve access to training opportunities for sheep and beef farmers.



THE GOVERNMENT CAN HELP US BY:

- Maintaining the funding model with the Primary ITO for the processing industry and expanding it to include financial support for training and education programs for sheep and beef farm owners and managers.
- Supporting the meat industry in developing new qualifications to accelerate career paths in the industry and providing training delivery that meets industry needs.
- Increasing funding for sheep and beef farm training programmes to account for farm owners and managers, remote locations and smaller training group sizes.

Educating workers in literacy and numeracy is a priority for meat processors while formalising and advancing the knowledge of farm owners and managers is an area of focus for the beef and sheep sector.

The meat processing industry has established a training system to help address the relatively low literacy and numeracy qualifications of meat processing workers. The system is effective at putting new workers onto career pathways and training them – from NCEA Levels 1 to 5. A key part of this is the funding model used, which allows processors to tailor training to their needs.

Working with Primary ITO, industry has developed modern apprenticeships for meat processing. These are proving extremely successful at taking young workers and putting them onto an accelerated career path into supervisory and management roles.

The farming sector is committed to investing in advancing the knowledge of beef and sheep farm owners and managers, who make up 63% of the farming sector, while also maintaining career pathways for junior staff.

Beef and sheep farming does not currently have access to training to the same extent that other sectors and is working with Primary ITO and the Tertiary Education Commission (TEC) to improve the funding model to ensure work-related education is available to farm owners and managers.

Meat processors trained more than



4,000

workers between NCEA Levels 1 and 4 (including 399 workers at Level 4) in 2016.

Only 3%

of the total sheep and beef on-farm workforce are enrolled in Primary ITO programmes.

4,441

red meat sector participants undertook B+LNZ and RMPP training and leadership programmes in 2016.



Beef + Lamb New Zealand Ltd
Level 4, Wellington Chambers
154 Featherston Street
Wellington 6011
enquiries@beeflambnz.com
+64 4 473 9150 or 0800 BEEFLAMB
(0800 233 352)
www.beeflambnz.com



MIA - Meat Industry Association
of New Zealand (Inc.)
Level 5, Wellington Chambers
154 Featherston Street
Wellington 6140
info@mia.co.nz
+64 4 473 6465
www.mia.co.nz