

Meat Industry Association of New Zealand (Inc)

Submission to the Ministry of Agriculture and  
Forestry on

Sustainable Land Management and Climate  
Change

30 March 2007

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## I: Introduction

1. The Meat Industry Association of New Zealand Incorporated ('MIA') is a voluntary trade association representing New Zealand meat processors, marketers and exporters. It is an Incorporated Society (owned by members) that represents companies supplying virtually all of New Zealand sheepmeat exports and all beef exports, producing 17 per cent of our nation's exports by value (30 percent of New Zealand's primary sector export revenue). The New Zealand meat industry earned \$5 billion in export revenue in the year ended May 2006 and \$1.22 billion from domestic meat sales in the year ended March 2006.
2. MIA member companies operate approximately 80 processing plants dispersed throughout the country. The plants slaughter and process approximately 24 million lambs, 4.4 million sheep and 4.2 million cattle and calves each year. Ninety percent of this production is processed into value-added products. Approximately 800,000 tonnes or 85% of the production is exported to overseas destinations. Our affiliate members add to the depth of expertise available from the membership, with representation throughout the meat supply chain, including road and rail transport, shipping lines, ports, packaging firms, specialist product exporters, research and technology.
3. The Association advocates on behalf of its members and provides advice on economic, trade policy, market access, employment relations, business compliance costs and technical and regulatory issues facing the industry, with a particular focus on:
  - Food safety trends and developments in importing countries
  - Economic and trade aspects of market access to key overseas markets
  - Major public policy proposals that could impact on industry operations
4. The MIA is also the interface between the meat industry and government (i.e., it is the consultative body referred to in various New Zealand statutes, such as the Meat Board Act 2004 and the Animal Products Act 1999).
5. The Association's mission is to:
  - Provide a forum for consideration of industry-wide commercial, human resource, marketing, and sanitary and zoosanitary issues; and
  - Provide the means of formulating a collective view on issues of industry-wide interest, and of conveying that position to government, departments of state, trade bodies, and other appropriate external agencies and organisations.
6. In developing the submission all MIA members and affiliate members were consulted and asked for input, although individual members may also make their own submissions specific to the views of their operations.
7. A list of Association members is attached as Appendix 1.

## Background to this Submission

8. This submission is made by the MIA in response to the Ministry of Agriculture and Forestry consultation document Sustainable Land Management and Climate Change, Options for a Plan of Action.
9. MIA members have a considerable investment in facilities and infrastructure utilised in servicing the pastoral farming (agricultural) industry. Consequently they are directly affected by any policy change which impacts on livestock numbers, either directly or indirectly.

10. The meat processing industry has facilities which are able to meet seasonal peaks in the supply profile, while at the same time survive through the troughs. However this is a fine balance, and any long term change in livestock volumes will result in a level of industry restructuring.
11. Farming expertise and techniques continue to improve, which when related to the economics of various land use options, under the current market based philosophy will result in land use which provides the best real economic outcome for New Zealand.
12. The agricultural sector is of fundamental importance to New Zealand's economic wellbeing. Any sustainable land use policies must take into account the economic consequences of their implementation, both locally and internationally.
13. MIA submits that existing agricultural land use activities should continue without the imposition of any additional environmentally based cost, such as a carbon charge, and that price based environmental incentives relate only to future land use changes after allowing for an appropriate implementation phase.
14. Any financial obligations incurred either internationally under the Kyoto protocol, or internally such as to fund research should be provided for from general taxation. All sections of the community are beneficiaries from New Zealand's agricultural activity.
15. MIA also submits that any policies implemented under this programme must be monitored for performance against the Kyoto objectives and also for their economic impact.

## II: Executive Summary

16. The MIA submits that arbitrary interventions which alter the relationship between land use activities, based on one particular attribute, e.g. carbon emissions, will distort the economic environment resulting in land use changes which may be detrimental to the overall economic benefit of New Zealand.
17. The corollary to this is that whatever mechanism is proposed to encourage the mitigation of carbon emissions, it needs to be part of a comprehensive package which allows a land manager to initiate developments which provide the best overall economic return for the property (and therefore the nation), taking into account the changes to the property emissions profile, and the financial implications of those in the context of the international carbon market.
18. In each case MIA supports the devolvement of emissions credits and liabilities to property level to enable growers to make the best overall decisions taking all factors into account, including but not limited to climate change issues.
19. MIA generally agrees the goals as set out are appropriate, but considers the goal relating to livestock emissions is modest.
20. Within Pillar 2, MIA's clear preference is for Option 6, which does not preclude implementing Option 4 and/or Option 5. In supporting Option 6 MIA submits that any plan of action should make use of existing collected data and information to avoid placing additional administrative burden on top of those already carried by land owners or managers.
21. The discussion document has Agricultural Options, which if implemented would allow a full market based approach to greenhouse gas emissions. MIA supports these particular options.
22. MIA contends the primary objective of the *Plan of Action* should be to help meet New Zealand's obligations under the Kyoto agreement by reducing greenhouse gas emissions (and increasing sinks) from the agriculture sector in a cost effective manner. Development of business opportunities is an important factor but should not compromise the primary objective.

23. MIA supports the collaborative/consultative approach involving Government, local government and the various sectors, and should include within that, organisations undertaking other linked initiatives to avoid duplication.

### III: Goals for a Plan of Action

#### **Are there any other goals you consider should be included?**

24. MIA agrees with the goals set out on pages 24 and 25 of the Discussion Document, and reconfirms that the agricultural sector must remain internationally competitive and profitable.
25. MIA submits that further goals be added to those already suggested. In particular, emissions profiles at property level should be established for each property as a requirement rather than as a voluntary option, as a prelude to allowing land use managers to exercise decisions which take into account changes in the property emissions profile in the context of all other economic implications. MIA contends the land use decisions should be based on all economic factors, not just environmental considerations.
26. MIA also contends that emissions management at property level is the likely mechanism which will make the most rapid progress in reducing net emissions nationally.

#### **Agricultural Goals: How do you rate the proposed goals for agriculture in this section?**

27. MIA generally agrees the goals as stated for the agricultural sector are appropriate.
28. MIA does however contend the first goal in agriculture is modest, and submits consideration should be given to reducing animal methane and nitrous oxide emissions by an amount greater than the suggested 20%, given that agriculture represents 49% of New Zealand's greenhouse gas emissions. MIA believes that accelerating the research effort through such vehicles as the Pastoral Greenhouse Gas Research Consortium through increased government funding, will produce beneficial results more rapidly to New Zealand's overall advantage.
29. MIA submits a further goal for agriculture is to ensure the agricultural sector is internationally competitive and profitable, with each property taking responsibility for the consequences of their land use decisions, based on the current international carbon market.

#### **Forestry Goals: How do you rate the proposed goals for forestry in this section?**

30. MIA agrees that land use flexibility is maintained, but that all costs, including but not limited to environmental costs are taken into account. The desired economic outcome should be what is best in a total New Zealand context, not just an environmental context. There is an economic opportunity cost for example in not converting forestry to agriculture. Failing to take this into account may result in decisions which overall are suboptimal and not in New Zealand's overall interests.
31. MIA also agrees that an appropriate goal would be that forests and forest products are widely used in adapting to and reducing the impacts of climate change, but this should be achieved within the

context of the international market place, and without arbitrary distorting interventions. Such a goal would likely require the devolvement of emissions credits and liabilities to individual properties, as in agriculture.

**If you wish to make any comment on the goals and the reasons for your choices, please do so.**

32. MIA contends that the financial responsibility of any land management decisions undertaken for each property should apply individually to those properties. This would require an annual emissions profile to be established for individual properties, with changes to the profile being accounted for either through credits or liabilities. The emissions profiles should be established on the basis of linked information currently collected, such as livestock numbers and species, land area planted in forestry etc. to avoid adding administrative cost. Such credits or liabilities would be either sold into or purchased from the international carbon market through a system which could be coordinated through a government agency, linked for example to other government reporting structures, such as taxation.
33. MIA strongly contends the most rapid way to effect change is to ensure the economic consequences, including the benefits, of land use change decisions flow through to the property, based on market forces. This means emissions profile targets would need to be established on a "per property" basis, but that would allow the best management decisions to be made at property level.

#### **IV: Pillar 1: Adapting to climate change**

**Do you have any comments on the ideas for adaptation discussed in Pillar 1?**

34. MIA agrees with the initiatives detailed in Pillar 1 page 26 of the Discussion Document.
35. MIA contends a further initiative should be the provision of a template to allow land use managers to model the impact of land use changes being considered for their properties, to establish what those changes would mean to the emissions profile, together with the economic consequences of those changes. This would allow land management decisions to be made, which include an assessment of the environmental impact of those decisions.

**Are there any other actions you consider might be useful in helping the land management sectors adapt to climate change?**

36. The MIA considers all of the actions outlined in Pillar 1 to be useful in helping land management sectors adapt to climate change. Rapid change at individual property level will require a rapid transfer of knowledge and technology to the individuals responsible for the decisions, making the provision of training and the availability of advisors and demonstration farms a high priority.

**How important is it that the proposed *Plan of Action* includes an ongoing process to adapt to climate change?**

37. The MIA considers that an ongoing process to adapt to climate change should be integral in any *Plan of Action*. The climate is constantly changing, and what actions are appropriate in the current environment may need modification to deliver optimum outcomes in the future.

**How strongly do you agree or disagree that the adaptation actions outlined are heading in the right direction?**

38. MIA agrees the adaptation actions are heading in the right direction; in particular, joint government/land management sector strategy development is required to generate optimum policies to adapt to the changing climate.

**If you agree, who do you think should lead the process to adapt to climate change: the Government, sectors, or a government- sector partnership?**

39. The MIA submits the process should be lead by a government-sector partnership which is the structure most likely to provide the best outcome by taking into account all factors, and will result in practicable and progressive solutions.

**If you wish to make any comment on the reasons for you choice, please do so.**

40. The most likely basis for success is where both the Government and sectors can reach agreement on the policies and steps needed to be implemented to reach New Zealand's greenhouse gas emission targets contained within the Kyoto protocol.

## **V: Pillar 2: Reducing emissions and creating carbon sinks**

### **Agriculture**

**Are there other options for addressing agricultural greenhouse gas emissions you would like to put forward?**

41. MIA considers the primary options for managing agricultural emissions are contained within the range of options within Pillar 2.

**If you had to make one choice out of 5, 6, 7 and 8, which would be your first preference?**

42. MIA submits the first preference is Option 6, Tradeable permit regime for agricultural emissions, which allows for the devolution of greenhouse gas emission obligations and permits to the operators of individual properties. Such a scheme would allow individual properties to manage their greenhouse gas emission profile to best advantage for the property.
43. Implementation of Option 6 does not preclude implementing either of Options 4 or 5. Of these, Option 4, providing an incentive for the use of nitrogen inhibitors, would allow more efficient use of nitrogen fertilisers and reduce the release of nitrous oxide from animal waste and fertiliser.

44. MIA does not favour the use of RMA standards to control agricultural greenhouse emissions. This scheme as proposed places New Zealand's agricultural economy under the control of local authorities, for such critical inputs as livestock numbers and fertiliser inputs, which MIA considers is inappropriate.
45. Although the RMA provides for National Policy Statements and National Environmental Standards to establish new requirements and obligations MIA submits that using such instruments to regulate important matters related to climate change without reference to parliament is not appropriate. The danger of making expensive mistakes or incurring unintended consequences by applying prescriptive measures by regulation should be avoided by not relying on the NES and NPS provisions of the RMA.

**If you had to make one choice out of options 9 or 10 which would be your first preference?**

46. It is the MIA's contention that if Option 6 above was appropriately implemented on a per property basis neither Option 9 nor 10 would be necessary. The property manager would become liable for the greenhouse gas emission obligations resulting from the land use change, but not for current land use activities.

**Please rank the agriculture options presented in terms of your preferences.**

47. The agriculture options are ranked in the following order; Option 6, 4, 1, 2, 7, 3, and 5. The remaining options are not ranked.

**Additional Comments: You may like to comment on the reasons for your choice of options or on the design detail of how the options may best be implemented.**

48. All options contained within the Discussion Document have associated difficulties in the implementation phase. The MIA preference for Option 6 will require estimation of emissions through proxy measures such as livestock numbers or fertiliser use; however this is consistent with estimating emissions irrespective of the option used. There also exists a body of information already collected, for example livestock numbers, when farming businesses furnish their annual accounts to the IRD. The mechanisms for assessing credits and obligations could be designed to run parallel to this process and utilise as far as practicable, the information already collected as part of this process.

### **Forestry: Afforestation Options**

**Are there other options for encouraging afforestation you would like to put forward?**

49. MIA considers the primary options for encouraging afforestation are contained within the range of options within Section C: Afforestation Options, which provide for either the Afforestation Grant Scheme (AGS) or the devolution of sink credits and their associated liabilities to growers, or a choice between the two.

**Please rank the afforestation options presented in terms of your preferences.**

50. MIA ranks the afforestation options as Option 2 followed distantly by Option 1.

**If Afforestation Option 2 were adopted, which mechanism would you choose, AGS, devolution or a combination of both.**

51. MIA prefers the devolution of credits and associated liabilities. The value of these will be linked to the international "carbon market" thereby allowing property managers to make future land use decisions which factor in the economic effects of the changed emissions profile of their proposed land use. That means a land use change from forestry to agriculture, for example, can take in all economic factors, and determine the best financial outcome taking into account the emissions obligations. This will provide the best outcome for New Zealand.
52. In contrast, the AGS will provide an arbitrary distortion of values which may result in decisions on land use being taken based on the grant, which have long term implications (30 years) and may not be in New Zealand's overall economic best interests.

**Additional Comments: on the reason for choosing the option or on the design detail of hoe the option might best be implemented.**

53. Reasons for choosing Option 2, specifically the devolvement of credits and associated liabilities are covered in 43 and 44 above. The principles of implementation are also included in 40 above, where maximum use should be made of information already collected and utilised, for example information required for other statutory requirements where it could reasonably be a proxy measure of an emissions profile.

#### **Forestry: Deforestation Options**

**Are there other options for deforestation you would like to put forward?**

54. MIA has no additional deforestation options to put forward.

**Please rank the deforestation options presented in terms of your options.**

55. The deforestation options ranking is Option 2, followed by Option 3. MIA submits Options 1 and 4 are significantly worse options than 2 and 3 and they have therefore not been ranked and are not recommended.

**If it came to a choice between these options, how would you rank them?**

56. See 47 above.

**Additional Comments: on reasons for choosing the option or the design detail on how the option might best be implemented.**

57. The MIA submits that the advantage gained from the tradeable permit regime is that growers rather than the Government would be responsible for deciding whether to deforest. In doing so, they

would assess whether alternative land uses were preferable to forestry once the impact of the permit requirements were accounted for. This will result in decisions on the level and location of deforestation in New Zealand would take into account the specific circumstances of each block of deforested land. The outcome is likely to provide the best long term economic result for New Zealand.

## VI: Pillar 3 Capitalising on Business Opportunities.

### Are there any other ideas you would like to put forward regarding potential business opportunities

58. Two areas which with potential to assist climate change efforts are the development of energy from renewable sources which could be installed at individual residential level, and an effective and efficient mechanism for the storage of such energy to cover consumption periods which do not coincide with generation periods.

### How important is it that the proposed *Plan of Action* includes actions to capitalise on business opportunities.

59. The primary objective is to mitigate and reduce the cost of New Zealand's contributions to climate change, and in doing so reduce the financial obligations we have under the Kyoto protocol. If business opportunities are a consequence of undertaking projects within this context, these should be incorporated into the Plan of Action, however this should not compromise the primary intent of the climate change objectives.

### Who should lead the process of identifying and developing new business opportunities?

60. MIA submits both Government and sectors have a role in identifying new business opportunities. It does not automatically follow that identification should be linked to the development of the opportunities, and MIA therefore recommends that development of such opportunities identified should be determined on a case by case basis.

### Are there any other comments you would like to make on the business opportunities outlined in Pillar 3?

61. The discussion document makes the point that researching, developing, commercialising, and marketing new ways to address climate change requires an integrated and managed approach. MIA agrees with that approach, but strongly advocates that such an approach must take into account all implications of the proposed changes. For example, over time, new farm and land management practises and techniques may provide an overall superior economic result from agriculture, on marginal land that is currently in forestry, after taking into account the climate change implications. Any land use interventions should therefore be market related and flexible, and necessarily take into account full economic analysis of the proposed interventions.

## VII: Pillar 4: Working together

**Do you have any comments on the proposals and ideas about the Government, local government and sectors working together on the proposed *Plan of Action*?**

62. MIA supports the collaborative/consultative approach to development and implementation of policies which will become part of the *Plan of Action*. MIA also agrees it is imperative that links between the *Plan of Action* and any other sector initiatives are clearly understood by all participants in order to avoid duplication and therefore unnecessary expenditure. This will also allow sharing of the benefits resulting from complementary activities, including those listed in Annexes 1 and 2.
63. MIA is prepared to commit to participation in the ongoing development of the *Plan of Action* on behalf of our members. This does not preclude individual members of the MIA undertaking activities or otherwise participating in any initiatives in their own right.

## VIII: Contact Details:

64. To discuss this submission further, please contact  
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## Appendix: List of MIA Members – Year Commencing 1 July 2006

Members
Advance Marketing Ltd
AFFCO New Zealand Ltd
Alliance Group Ltd
ANZCO Foods Ltd
ANZCO Green Island Ltd (ANZCO group)
ANZPAC Foods Ltd
APJ Meats Ltd
Auckland Meat Processors Ltd
Ballande New Zealand Ltd
Bernard Matthews New Zealand Ltd
Blue Sky Meats (NZ) Ltd
<i>Brookland (NZ) Ltd (in receivership)</i>
Canterbury Meat Packers Ltd (ANZCO group)
CMP Rakaia
Columbia Exports Ltd
Crown Marketing Ltd (ANZCO group)
Crusader Meats New Zealand Ltd
Dairy Meats NZ Ltd (AFFCO group)
Davmet New Zealand Ltd
Fern Ridge Ltd
Frasertown Meat Company Ltd
Garra International Ltd
Glovers Foods Ltd
Greenlea Premier Meats Ltd
Harrier Exports Ltd
Horizon Meats New Zealand Ltd (wholly owned subsidiary of Blue Sky Meats (NZ) Ltd)
Hygrade Casings Company (wholly owned subsidiary of New Zealand By-Products)
Lamb Packers Feilding Ltd (wholly owned subsidiary of Bernard Matthews NZ Ltd)
Land Meat (NZ) Ltd (AFFCO group)
Lanexco Ltd
Lowe Corporation Ltd
South Pacific Meats Malvern (AFFCO Group)
Mathias International (Mathias Meats NZ Ltd)
New Zealand By-Products
Pilot (NZ) Ltd
Primary Producers Co-operative Society Ltd (PPCS)
Progressive Gisborne Ltd (wholly owned subsidiary of Bernard Matthews NZ Ltd)
Progressive Meats Ltd
Riverlands Ltd (ANZCO group)
South Pacific Meats Ltd
Tara Exports Ltd
Taylor Preston Ltd
Te Kuiti Meat Processors Ltd
Towers Thompson (New Zealand) Ltd
Universal Beef Packers Ltd (UBP)
Wallace Corporation Ltd

Affiliate Members
AgResearch-MIRINZ Centre
Aon New Zealand Limited
Axis Intermodal (Ports of Auckland Ltd)
Carter Holt Harvey, Packaging
CentrePort Wellington
Energy for Industry (ex Meridian Solutions)
Hamburg-Sud New Zealand Ltd
Hapag Lloyd (New Zealand) Ltd
Maersk New Zealand Ltd
Millers Mechanical NZ Ltd
Oceanic Navigation Ltd
Port of Napier
Port Otago Ltd
Port Taranaki Ltd (previously Westgate Transport Ltd)
ProAnd Ltd (Meatek Ltd)
Rissington Breedline Ltd
Sealed Air (New Zealand), Cryovac Division
Thompson Clarke Shipping Pty Ltd (ANZ Marketing Representative for the Port of Los Angeles)
Vero Marine Insurance