



Meat Industry Association of New Zealand (Inc)  
and  
The Renderers Group of the MIA

Submission to the Ministry of Transport  
on the

Biofuels Sales Obligation  
Discussion Document

19 October 2006

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## I: About the Meat Industry Association and the NZ Renderers Group of the MIA

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 the majority of New Zealand sheepmeat exports and all beef exports, producing 16 per cent of our nation's exports by value (27 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, Meat Act 1981 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. A list of Association members is attached at Appendix 1.
7. The **Renderers Group** is a semi-autonomous committee of the Meat Industry Association. Membership consists of members of the MIA, together with 10 independent renderers and 14 associates. The associates include storage operators and exporting agents.
8. The Renderers Group operates approximately 35 rendering premises dispersed throughout the country. The premises produce approximately 140,000 tonnes of tallow (85% exported) and 200,000 tonnes of meat and bone meal from 700,000 tonnes of raw material.
9. The Rendering industry provides an essential service to the NZ agricultural sector by providing an efficient means for the disposal of meat processing waste and dead animals thus minimizing the impact on the environment and any biosecurity risk.

10. A list of Renderers Association members is attached at Appendix 2.

## **II: Executive Summary**

11. The Meat Industry Association and the Renderers Group support adopting a mandatory target for the introduction of bio-fuels into New Zealand as any increase in demand for biofuels (biodiesel), irrespective of feedstock, increases the export earnings for New Zealand tallow.
12. It is noted that it is theoretically possible for the proposed biofuel sales obligation to be manufactured from NZ tallow. However this may not be practical due to some grades of the tallow being too valuable for biodiesel manufacture and some grades being of an insufficient quality.
13. Consideration needs to be given to the biosecurity risk of importing feedstocks of animal and plant origin.
14. The Meat Industry strongly supports the production of biodiesel in New Zealand and recommends that a cost benefit analysis be carried out to determine the benefits of local production.
15. A cost benefit analysis would assist in determining the value of and how any incentives should be applied to promote the production of biodiesel in New Zealand.

## **III: Discussion**

16. The Meat Industry Association and the Renderers Group (“The Meat Industry”) support adopting a mandatory target for the introduction of bio-fuels into New Zealand. Any increase in demand for biofuels (biodiesel) increases the demand feedstock and thus price. As the international commodity prices for feedstock materials (which include tallow) follow similar trends, there is a benefit to New Zealand through increased export earnings for tallow.
17. The Meat Industry strongly supports the development of biodiesel production facilities in New Zealand as this contributes to a self sufficient and sustainable source of energy which helps drive economic transformation.
18. In addition biodiesel production in New Zealand would benefit the meat industry by enlarging the customer base and adding value to New Zealand produced tallow. (Note: Production of biodiesel in New Zealand would also support the governments current “New Zealand Made” promotion.)
19. Paragraph 39 of the discussion paper<sup>1</sup> notes that there is currently enough tallow produced in the New Zealand meat industry to produce 140+ million litres (5-6 petajoules) of biodiesel. However we propose that currently only ~50% of this would be available for biodiesel production as 20% would be of a high grade and utilised as a food grade product, 20% would be low grade and not suitable for biodiesel production and 10% would be sold for alternative uses such as local poultry feed manufacture.
20. The discussion paper (para. 52) states that biofuel feedstock can be imported into New Zealand. The meat industry, and indeed the economy of New Zealand, is very dependent on our biosecurity status. If feedstocks of animal or plant origin are allowed entry to New Zealand, The Meat Industry strongly advocate that this should not put New Zealand’s biosecurity status at risk. In this regard we wish to bring to your attention that in the case of the importation of raw

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<sup>1</sup> Biofuels Sales Obligation, Ministry of Transport, September 2006.

materials of animal and plant material, an import health standard will need to be met (and possibly established) under Section 22(1) of the Biosecurity Act 1993. Refer to: <http://www.biosecurity.govt.nz/commercial-imports/import-health-standards/search>. Having to meet the requirements of an import health standard may restrict countries that tallow can be sourced from. For example countries that have had foot and mouth disease or rinderpest during the 12 months immediately prior to manufacture maybe prohibited.

21. The analysis indicates that biodiesel made from New Zealand tallow provides net economic benefits for New Zealand at oil prices from US\$45-50 per barrel. (para. 71) It is the assessment of The Meat Industry that production costs used in this analysis are greater than your assessment.
22. The Meat Industry has tried to quantify the costs of producing biodiesel but because of confidentiality have had difficulty in securing good data. It is our understanding that the cost of production will be much closer to \$1 per litre than the \$0.62 in your analysis. Obviously scale will reduce costs but our information is that even large scale production would not be less than \$0.75 per litre.
23. The Hale & Twomey analysis<sup>2</sup> allows for a credit of \$0.12 per litre for the glycerol produced. Currently there is an oversupply of glycerol hence the value of glycerol will reduce sharply as production of biodiesel increases worldwide. This will have an impact on costs, especially if producers have to pay to dispose of glycerol.
24. The Meat Industry does not agree that if biodiesel feedstock prices are linked to oil, that there would be a decrease in the economic benefits of using biofuels during periods of high oil prices (para. 73). While the price of the biodiesel would be higher, this increase would be offset by an increased return for tallow as a commodity, irrespective of end-use. This increase would have down stream economic benefits by increasing the returns to tallow producers and farmers.
25. Paragraph 78 requests comments on providing a financial incentive for biodiesel. Other countries, such as the USA, Europe, Australia and Malaysia are providing incentives for the production of biodiesel. (In the US, companies constructing biodiesel facilities have received government grants of US\$500,000 each.<sup>3</sup>) It is the view of The Meat Industry that the current level of investment in biodiesel in the USA, EC and South East Asia would have not been feasible without incentives.
26. The Meat Industry has received comment that Australian oil companies have assessed the economics of producing and blending biodiesel in Australia, and then shipping to New Zealand. We understand that New Zealand is being considered as an extension to the Australian market.
27. The statement in paragraph 82 that “the replacement of petroleum diesel with biodiesel is expected to bring net national benefits to New Zealand”, assumes that New Zealand tallow will be used as a feedstock. If other alternatives (such as importing biodiesel or importing plant oil for biodiesel production in New Zealand) become the practice there may not be net national benefits to New Zealand. A cost benefit analysis would assist in determining the net national benefits to New Zealand under these different scenarios.
28. The Meat Industry supports the production of biodiesel in New Zealand for reasons such as security of supply and the net economic benefits. However we contend that incentives will be required for production, to ensure investment in New Zealand rather than off-shore.

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<sup>2</sup> Enabling Biofuels, Biofuels Supply Options, Hale & Twomey Limited, March 2006

<sup>3</sup>Biodiesel Bulletin, Render Magazine, (p20-24), October 2006

29. Question 5 (p28) of the discussion document seeks comments on further consumer information. The Meat Industry recommends that further consumer information (beyond labelling at retail) is required. This should be focused on the benefits to the economy of New Zealand and to the environment.
30. It is noted<sup>3</sup> that the USA biodiesel industry has benefited from the support and publicity by celebrities such as actors and racing car drivers. Rusty Wallace a NASCAR driver is quoted as saying "As someone who has spent his life racing cars, I understand the importance of cleaner burning fuels that provide improved efficiency, while also helping to reduce the nation's dependence on foreign sources". This approach is recommended for New Zealand to encourage uptake.
31. We note that the technical issues in biodiesel from tallow, of cold flow properties and density, are being considered (para. 122 et al). However there are two additional issues with regard to tallow feedstock, which may have an impact on distribution.
32. The first is that tallow feedstock is spread throughout the country whereas the predominant market for fuel is in the upper half of the North Island (~40% of tallow is produced in the South Island). The second is seasonality, 80% of tallow production occurs in the seven months from December to July. These will both create an increase in the current supply chain costs due to extra cartage and storage facilities being required.
33. The Meat Industry endorses efforts to ensure that product meets robust mandatory standards. If these standards are met there should be no need to have a mandatory labelling requirement. Introducing mandatory labelling requirements, introduces another level of compliance cost for which we do not see any benefits.

#### **IV: Concluding Remarks**

34. The Meat Industry supports adopting a mandatory target for the introduction of bio-fuels into New Zealand.
35. The Meat Industry strongly supports incentives for developing biodiesel production facilities in New Zealand.
36. To determine the type and value of incentives we recommend that cost benefit analyses are carried out to determine the benefits of biodiesel production in New Zealand under different scenarios. Such analyses should model 100% importation of biodiesel against biodiesel produced in New Zealand from a range of feedstocks. The range of feedstocks should include locally sourced tallow, imported tallow and imported plant oils (such as palm oil).
37. For any queries relating to this submission, please contact Kevin Cresswell (DDI 04 495 8377) or email: [kevin.cresswell@mia.co.nz](mailto:kevin.cresswell@mia.co.nz) in the first instance.

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<sup>3</sup> Biodiesel Bulletin, Render Magazine, (p20-24), October 2006

## V: Appendix 1 - MIA Members as at 1 July 2006

### List of MIA Members and Affiliate Members (year commencing 1 July 2006)

| <b>Members</b>   |
|--|
|  |
| 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   |
| 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   |
| 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  |
| New Zealand Natural Casing Association Inc  |
| 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   |

## VI: Appendix 2 – Members of the NZ Renderers Group of the MIA

| <b>Members</b>                        |
|---------------------------------------|
| Bakels Edible Oils (NZ) Ltd           |
| Gardner Smith NZ Ltd                  |
| Hawkes Bay Protein Ltd                |
| Keep It Clean Ltd                     |
| Kerry (New Zealand) Ltd               |
| Levin Meats Ltd                       |
| New Zealand Fish Products             |
| Prime Range Meats Ltd                 |
| PVL Proteins Ltd                      |
| SBT Group                             |
| South Canterbury Byproducts Co        |
| Taranaki Abattoir                     |
|                                       |
| <b>Associate Members</b>              |
| A & S Thai Works Co Ltd               |
| Alfa Laval New Zealand Ltd            |
| Bangma Marketing                      |
| Flo Dry Engineering                   |
| G-Tech Separation-Bellmor Engineering |
| IAMS (NZ) Ltd                         |
| ILRAC                                 |
| Kemin Industries (NZ) Ltd             |
| Liquistore                            |
| Oilseed Products NZ Ltd               |
| Pacific Terminals                     |
| Pinches Industries NZ                 |
| Rendertech                            |
| Tradeskins (NZ) Ltd                   |
| Westfalia Separator NZ Ltd            |
| Wilderness Foods                      |
|                                       |