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## **Address to Meat Industry Association Conference**

Thank you for the introduction, Bill and thanks too to Mark Clarkson for chairing this session on Risk and Complexity. It's a pleasure to be here today to speak at your conference.

I want to start by highlighting a key theme of National's at the last election. We campaigned strongly on our growth aspirations for lifting New Zealand's economic performance - with a focus on matching the standards of living across the Tasman.

The meat industry is pivotal to those goals, and to our economic prosperity.

As you all know, overall meat consumption is growing globally, and growing fastest in developing countries.

We are frequently reminded of the critical importance of our largest company, Fonterra - at 26% of our export earnings. The meat industry is right up there at 15%, which is good reason why the Government wants to work with you to grasp every opportunity to increase your industry's contribution.

Because the medium and longer term prospects are very good.

Today I want to cover several areas that I think are relevant to the your industry navigating its way through uncertainty in world markets, and discuss initiatives that will help manage the risks - and take advantage of the opportunities.

Consumers' expectations about food are changing.

As our international consumers become more discerning, they are demanding the right to know the environmental impact of the production system of the food they buy.

They expect - no, they demand - the highest standards of animal welfare as their conscience is pricked by animal welfare groups.

And, finally food safety, which is core to satisfying the demands of our export markets. Purchasing food is an act of faith. Breach that faith and expect no mercy from the market.

Advances in trade, innovation and emissions reduction are of little value to the meat sector if New Zealand's reputation for safe and reliable produce comes under threat.

A major breach of biosecurity would affect the livelihood of every New Zealander. Not only could biosecurity breaches devastate our primary production, it would put access to some of our best markets at real risk.

We recently announced a range of measures to boost biosecurity preparedness for responding to pests and

diseases, strengthen partnerships with industry, and continue to effectively manage bovine tuberculosis.

These measures were not a snap decision. They were a considered response to the realisation that we can't stop all incursions, and we can't afford to eliminate all incursions once they're here.

Incursions come from many sources - they can be simply blown across the Tasman, or they can arrive attached to the hulls of vessels from ports all around the world.

The Government has signalled it will continue Crown funding of \$30 million a year for managing bovine Tb, through to 2015. Managing Tb successfully will depend on the Crown, industry, and local government working together.

We've decided to keep Crown funding for bovine Tb at existing levels, despite the challenging economic conditions, because it's crucial for our beef, dairy and deer industries and their ability to compete in global markets.

We've also decided to build and implement joint decision-making and cost-sharing arrangements with primary industries for biosecurity preparedness and responses to pests and diseases.

This was never going to be wildly popular with the primary sector. But by working together, MAF Biosecurity New Zealand and industry can reduce the damaging impacts of pest and disease organisms which do matter.

I can see no other way of determining priority unless industry and government work together.

We can then be certain we are addressing the things that really matter. By improving surveillance and better preparing for emergency responses, we will achieve faster and less costly responses, with a better chance of eradicating or successfully controlling pests or diseases.

For years, Australia has copied New Zealand's biosecurity systems. But in this regard, the Australians are ahead of us.

The proposed National Animal Identification and Tracing Programme - NAIT - is a tool that will help manage risks around new incursions and existing pests and diseases, and - critically for your industry - meet the growing expectations and requirements of our trading partners.

New Zealand's existing biosecurity systems are world class, but there are gaps and current schemes don't provide the lifetime traceability of individual animals that other countries are now implementing.

In the event of a disease outbreak, NAIT would help give assurance to our export markets that New Zealand had identified and contained all the affected animals.

As the NAIT working group continues its work, some members consider it worth coming back to the Government and requesting more financial assistance for its establishment.

There's no chance. Frankly my predecessor did a creditable job getting just over \$7 million, plus 35 % of operational costs. But that's it. It's now over to the livestock industry.

Yesterday the Prime Minister talked to you of the Primary Growth Partnership, and the commitment this Government has to research and innovation.

While innovation is a critical component to growth and managing risks, other areas are just as important and it should come as no surprise to find water management and water storage high on this Government's agenda.

As Minister of Agriculture, it's an absolute priority of mine.

New Zealand currently irrigates 600,000 hectares, with the potential to double or even triple the irrigated area when enough water is available.

Imagine what that would do for New Zealand's growth potential.

Water management will become even more important for managing climate change. This is an area that we need to get right. A secure supply of water will be central to farmers' abilities to respond and adapt to issues around climate change.

New Zealand is blessed with an abundance of rainfall and clean water. The problem is that it doesn't always fall in the right place at the right time. Nor are we managing the water well enough. In some areas demand for water is outstripping supply, and water quality is deteriorating in many areas.

We have established the Land and Water Forum to help set the direction for water reform using a collaborative approach. The Forum will report to Government in July next year.

The Government has also signalled that we intend to address the country's infrastructure deficit. The National Infrastructure Advisory Board has been announced and amongst its six members is Dr Terry Heiler, former CEO of Irrigation New Zealand.

Terry is there for a reason. He is there to help me pound on relentlessly that the quickest agricultural productivity gains to be achieved in this country will be through improving the efficiency of water delivery systems and on-farm use, expanding the areas that can be irrigated, and delivering more reliability to areas already irrigated.

The Government also acknowledges the stumbling blocks of the Resource Management Act over the last 20 years.

Our first reform package of the RMA is now law, and we are working solidly on the stage two reform package. These changes will help the delivery of large-scale projects you will be contemplating at processing plants throughout the country.

As you know, in June this year I launched MAF's sector study Meat:The Future. I was pleased to see the

study reveal a degree of optimism about the future of the meat industry and that two-thirds of those surveyed agreed that the meat sector would be a good investment in 15 years' time.

The study shows a sector that recognises that change is both necessary and desirable.

It identifies a set of challenges that, if met, will strengthen the industry's position globally, but if not acted on, could see a lack of profitability across the sector.

Since the launch of this paper I have been pleased with the vigorous discussion and debate on the sector's future direction. But this must translate into action if we are to make the most of meat into the future.

While there has been great variation in the opinions expressed, the one thing that is clear to me is that there is a shared view that the industry can "do better".

There is no obvious consensus as to how positive change can be achieved. This may be because there are many possible options open to the industry and different options may suit different segments of the industry.

I don't say there's a silver bullet to bring about change. If it was that easy, it would have been done by now.

But one thing's for sure - for change to be successful, it must be driven from within the industry and owned by the industry.

Over the last few years, the need for industry rationalisation has dominated much of the debate. To some people, structural change has appealed as a solution for industry underperformance.

But structural change, in itself, is unlikely to bring about the high-performing globally-competitive meat industry that I see as the future of the sector.

We need to continue to develop strategies and business models that can create and capture greater returns for New Zealand.

As I have previously stated, the Government is committed to working with the sector to help find ways to lift performance and returns. Such change must be good for industry participants - and I believe what is good for industry is good for New Zealand.

But solutions to impediments for growth are largely in your hands. If I can assist, I can assure you I will - as the Prime Minister said to you yesterday, the Government is not ruling anything out.

Finally I want to talk very briefly about the Emissions Trading Scheme and National's proposed amendments.

In 2008 we campaigned strongly on a revised ETS that provided a better balance between environmental concerns and economic interests. An ETS that ensured New Zealand played its part, without being a world leader.

I am confident that the changes we have delivered - especially in regards to the treatment of agriculture - do just that.

Moving the entry date for agriculture to 2015 in order to align with Australia, opting for an intensity-based allocation model, and ensuring that the rate of free allocation phases out at 1.3% per year, rather than Labour's 8%, all mean that our sector is treated in a much more realistic and manageable manner.

Climate change poses a significant challenge for New Zealand agriculture.

But I am confident that this more sensible treatment of agriculture, combined with the Government's strong focus on research into abatement options for agricultural emissions, means that we will be able to meet that challenge.

The Prime Minister focussed yesterday on the Government's job of creating opportunities and driving economic growth.

Of course I endorse those comments. But let's be frank. The Government doesn't have a monopoly on solutions for creating opportunities.

Your industry has good ideas, it has energy and it has an awareness of what needs to change to take advantage of growing consumer demand, global population increase and shifting trade relationships.

If you can start pulling in the same direction, while maintaining your commercial independence and integrity, you already have most of what you need to succeed and grow.

I want to see the meat industry thrive and prosper. That gets back to my point at the start of this speech - New Zealand has to deliver a higher economic performance. I look forward to working with you all to achieve this.

Thank you very much - enjoy the rest of your conference.