

MEAT INDUSTRY ASSOCIATION MEDIA RELEASE

Chairman's Address to the Annual General Meeting  
Nelson, 10 September, 2006



Ladies and Gentlemen

Meat Industry Association of New Zealand (Inc.)  
Annual General Meeting  
10 September, 2006

CHAIRMAN'S REPORT

Ladies and Gentlemen

I'd like to welcome you all to the 22<sup>nd</sup> Annual General Meeting and Conference of the New Zealand Meat Industry Association.

**Trading Results**

The year ended 30 June 2006, from a trading point of view, was "ordinary" and this was reflected in the financial results of our members.

The total export performance of the industry remains significant; in excess of \$5 billion of export revenue, representing 27% of the export earnings of the primary sector, and 16% of New Zealand's total export earnings. But in our major markets, both volume and prices overall were modestly down on the previous year.

Total beef export volumes decreased by 3% (for the year ending May 2006) to around 331,000 tonnes, while returns were down at \$1.74 billion compared with \$1.88 billion in the previous year. This was achieved against a backdrop of varying influences in the market. The BSE incidents in Canada paradoxically resulted in an increased kill of domestic beef and lower imports; while BSE apprehensions in Asia resulted in continued demand for New Zealand product in those markets. Despite periodic problems with foot-and-mouth disease, South American product is increasing its presence in North America, often wearing the above quota tariff to do so.

Despite an increase in sheepmeat export volumes of 3% to 357,900 tonnes, compared with last year's volume decrease of 5.5%, the year past was a disappointing one for sheepmeat exporters. A combination of the high New Zealand dollar, and oversized lamb cuts took its toll on prices during the first part of the year, and total revenue decreased 2.0% to \$2.2 billion for the year, despite some weakening of the dollar in the second half.

Domestic consumption of sheepmeat however has developed strongly, with volumes increasing by 7% to reach 13% of the total kill, and prices increasing by 16%. Similarly, domestic beef consumption increased by 8% for the year, also with relatively high per unit returns.

## Trading Environment

Two matters dominated the trading environment for members during the year.

The first was the spluttering, almost to extinction, of the World Trade Organization's proposed Doha Round of trade negotiations. While the round has not been interred, the chances of it being revived and completed within the deadlines of the United States negotiating mandate are near zero. This is not to say that multi-lateral trade negotiations as such have been consigned to the history books. They are still the most effective way of liberalising world trade, and the members of the WTO have a strong vested interest in keeping the WTO in operation in order to maintain the code of trade rules and disciplines which the WTO Agreements represent. A number of nations need to reflect deeply on why the Doha Round is in its current state, and on what they need to do to re-start the multilateral process.

The bilateral processes which have been emerging over the past few years are no substitute, and will not be so until they enable all nations, including New Zealand, to establish an expanding trading relationship with the major markets of the world. An agreement with China may be helpful in this regard, but the important markets for New Zealand remain the EU, the United States and Japan, and in the short term, these are not candidates for bilateral agreements with New Zealand.

The other major issue was a bilateral one – the cancellation by Malaysia of export authorities of all New Zealand's beef processing plants previously exporting to that market – the biggest of our halal markets.

The reasons for the cancellation were not immediately clear, but it transpired that Malaysia no longer remained satisfied with New Zealand halal slaughter procedures, particularly the use of the thoracic stick, albeit that this had been agreed with our Middle Eastern halal markets when trade commenced some 20 years ago.

The issues are not yet concluded, but the Association has over the past year worked closely with New Zealand's halal certifying agents and with the Malaysian authorities to define a halal standard which, it is to be hoped, will meet the requirements of both Malaysia and our other halal markets. I want to recognise and commend the time and effort which a number of Association members, and the certifiers have put into this exercise.

While progress with Malaysia looks promising, we have to note that recently Indonesia notified new rules which could ban all imports of meat and offals. No reasons have been provided, and it is to be hoped that we will not be in a position of having to negotiate halal standards market by market.

I should also note in this section of 'may' remarks, that New Zealand's "BSE free" status was finally recognised by the OIE this year, and commend the unstinting efforts of the biosecurity agency in achieving this outcome.

## Domestic Environment

It is a year now since the Holidays Act was introduced. It has, as predicted, been costly for our industry in terms of both remuneration and absenteeism. Currently, there seems to be little political will to review the Act government, though we shall continue to assemble the data.

The Association has been busy with representations on a wide range of legislative and regulatory change in areas from Climate Change, through to Consumers' Rights, Employment Relations, Hazardous Substances, Immigration and Taxation to the Pandemic Preparedness Bill. None of them major, however all of them important and time consuming.

From the industry's standpoint, both the cost and the supply of labour is driving the industry further and further into technical innovation to reduce dependence on labour in meat processing. There is however a limit to what can be done in this regard. The New Zealand meat processing industry is already regarded as one of the most technologically advanced, and there are many functions where the skills of our employees are critical to safe, efficient and hygienic processing.

In terms of the availability of labour, the inability to attract people to rural areas, and to retain those that are there, is becoming an increasing issue. Suggestions that this may be addressed by increasing immigration entitlements, on a permanent or seasonal basis must be further developed, so as to assess the potential benefits and implications of immigrant labour.

The ability to increase the attractiveness of the processing industry through conditions of employment and remuneration is similarly constrained in an internationally competitive industry, and raises the spectre of certain functions being conducted better offshore. It is pleasing to note that the Minister and Department of Labour (Immigration) is addressing these issues.

### **Meat Industry Association**

In concluding, I would like to thank Caryll and the team for their services and assistance during the year, and my colleagues on the Council for their commitment to serving the membership. In doing so may I also recognise that many companies have made their people available to work on specific issues for the Association, which has made a huge contribution to its effectiveness and efficiency.

W J Falconer  
Chairman  
Meat Industry Association of New Zealand (Inc)

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