

Meat Industry Association of New Zealand (Inc)

Submission to the Primary Production Select
Committee on

The Meat Board Restructuring Bill

15 March 2004

Meat Industry Association Submission on the Meat Board Restructuring Bill

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I: Background/Introduction

1. The Meat Industry Association of New Zealand (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 99% of all New Zealand sheepmeat exports and 100% of beef exports. Its member companies are responsible for approximately 21% of New Zealand's total exports by value, equating to approximately \$NZD 5 billion annually.
2. MIA member companies operate approximately 80 processing plants dispersed throughout the country. The plants slaughter and process approximately 25 million lambs, 3.8 million sheep and 2 million cattle per annum. Ninety percent of this production is processed into value-added products. Approximately 750,000 tonnes or 85% of the production is exported to overseas destinations. Its 19 affiliate companies 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 MIA 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, Meat Act 1981, 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. The Association's goal is to improve profitability in the industry by helping its members achieve marketing and operational excellence.

II: MIA Consultation Process

7. In preparing this submission all members and affiliate members were consulted and asked for input. MIA members reserve the right to make individual submissions reflecting concerns relating to their specific operations. A list of MIA members is attached to this submission.

III: MIA Submission

The rationale for the restructuring

8. The MIA understands and agrees with the need to retain in legislation the Meat Board's powers to administer the allocation and monitoring functions associated with access to NZ's quota markets, and to manage the Board's reserve funds. It also understands and agrees with the need to separate out the 'industry good' functions to be undertaken by Meat NZ under the Commodity Levies Act (1990) (CLA).

Objects of the Board

9. Relative to the objects of the Meat Board Act 1997 (the Act), the MIA supports the more clearly defined objects¹ as presented in the Bill. These objects rightly limit the Boards activities to the two areas of quota markets and the management of reserves. However, with respect to the quota markets the beneficiaries are now acknowledged as the wider New Zealand public along with the interests of the meat industry. This broadening of the boundaries suggests a stronger element of 'Public Good' than previously existed under the Act (where the Board was required to "have regard to the ongoing contribution to the NZ economy). This has implications for the funding of the Board's activities (refer paragraphs 13 & 14 below).
10. The MIA considers the functions of the Bill to be consistent with the objects.

Proposed Management of the Board

11. **S 13** of the Bill proposes a board of directors of up to 11 people. The MIA considers this number to be excessive and adding unnecessary cost to the operation of the Board with implications for the fees recoverable (under S 36) from companies receiving an allocation. A more realistic size would be 7 members with the ratio of representation proposed in the Bill retained (i.e. 4 nominated by the industry good organisation, 2 nominated by the meat processors and exporters and 1 appointed by the Minister). A board of 7 members will be more effective than a board of 11 members. (some MIA member companies have suggested a board of 5 would be sufficient).
12. The MIA believes in the principle of appointing the best person to the position. S13(2)(d) sets out the expertise requirements for the Ministerial appointments (these being expertise in the international meat trade, quota management and international trade relations). Section 13(4) is therefore superfluous and should be deleted.

Quota markets & registration of exporters

13. The MIA agrees with the purpose as stated in **S 21** (a) (b) & (c) of the Bill. We note in particular 21(c) that states "*The purpose of this Part is(c) to ensure that the meat industry is the recipient of the economic benefits deriving from quota markets*"
14. **S 22** states the Crown owns the rights to secure the economic benefits deriving from quota markets, with these benefits then assigned as per the Bill. While the Crown is the entity that secures the agreement with the importing country/region, its true role is one of custodian negotiating on behalf of the meat export sector. While the Crown claims ownership rights, it is not prepared to meet any of the costs associated with that ownership claim (refer paragraph 14 below). The MIA has concerns that the current wording of the Bill is open to interpretation and allows the Crown a greater claim than it is entitled to. Any rights secured by the Crown must be

¹ S 7 Objects of Board are

a) to facilitate the capture, for New Zealand and in the interests of the meat industry, of the best possible ongoing returns available from quota markets:

b) to manage the Board's reserves and other assets in the interests of livestock farmers.

passed on to the meat industry without deduction (i.e. the Crown deducting a share of those rights before assigning to the meat industry).

15. **S 24** deals with the requirements for allocation mechanisms. While S24(2) presents no change from the current wording in S27(2) of the Meat Board Act 1997, it is ambiguous and requires amendment. We believe in S24(2)(b) the word “*but*” should be replaced with “*and*” to read as follows:

S24(2)An allocation mechanism-

(b) “must provide for the allocation of access to persons who are existing participants in the meat industry and who are prospective participants in the market concerned”

16. **Sections 33(1)** and 33(2) refer to the issue of quota certificates by the Board: On the face of it, section 33(1) appears to contradict section 24(2)(a) which provides for, or allows trading in, allocated access. As a consequence we seek the amendment of section 33(1) to read as follows:

“The Board may issue quota certificates to persons who have either acquired or been allocated quota under an allocation mechanism.”

Section 33(1) as presently drafted could be interpreted to limit persons to whom quota certificates may be issued as being only persons who have been allocated quota, and not persons who have acquired quota through an authorised transfer.

17. The intent of **S28(a)** is unclear to us (in particular the use of “the person is authorised to ...”). We request that the report back on this Bill include clarification on the intent of S28(a).
18. **S 36 Fees in Relation to Quota Management systems:** The Bill proposes that the costs to the Board in carrying out its functions are to be recovered from “meat exporters who are allocated quota”. The MIA believes the Board must be required to provide justification (including a budget) on its projected fee levels. Aside from a generic programme cost, costs should be recovered on a user pays basis – there should not be cross-subsidisation. In addition, fees should be recoverable from all applicants (i.e. not just those who are allocated quota). The assessment of applications that are unsuccessful in securing quota also involves resources that add to the overall costs of the quota administration/management programme. It would be unreasonable for these costs to only be recovered from the companies that were allocated quota.
19. **S 65** sets out the requirement for certain persons to provide certain information to the Board. Information collection has a cost attached and the information required by the Board must be consistent with its objects and functions i.e. it should only relate to the operation of quota management systems. In the case of co-products there are no quota markets so the Meat Board should not have the ability to use legislation to force companies to provide this information. The requirement for provision of information on co-products must be deleted from the Bill.
20. The MIA understands the need for the Meat Board to have access to information in order to meet its responsibilities in administering the quota allocation and monitoring system. If it is going to be charged with managing quota allocation systems and accurately assessing company eligibility it needs complete information. That said, in principle, the Meat Board should only require from companies, the minimal amount of information necessary to carry out its task (S65 (6) refers to this, and in particular the need to link the information requirements back to the Board’s functions

under S8(1)(a)). As all current quota allocation systems are based on bone-in product weights it is not necessary to also collect information on boneless weights as this 'yield' information is considered commercially sensitive by companies. S65 (2)(b) requires companies to provide information on stored volumes (stocks). The MIA considers this to be inconsistent with the minimum requirement principle referred to earlier. The requirement to provide information on stocks held should be deleted.

21. **S78** relates to the Board disclosing certain information to the industry-good organisation. The MIA notes the kind of information under S78(1) and also notes the limitations for the use of that information and the confidentiality requirements in subsections (3)-(6). There are concerns held by companies (to whom the information belongs) that the industry-good organisation may be able to extend its information requests beyond the level of need. Where possible, the industry-good organisation should obtain the information from other sources. Information collection has a cost to the provider and the meat industry would like this kept to an absolute minimum.

IV: Recommendations

22. The MIA recommends that the Meat Board Restructuring Bill proceed with the following amendments:
 - 22.1 **S 13** - That the board of directors be limited to 7 members with the representative mix as per paragraph 11 above and that S13(4) be deleted.
 - 22.2 That **S22** be amended to more accurately reflect the Crown's custodial role (rather than 'owner of the rights to secure the benefits')
 - 22.3 **S 24** - S24(2)(b) the word "*but*" should be replaced with "*and*" to read as follows:

S24(2)An allocation mechanism-
(b) "must provide for the allocation of access to persons who are existing participants in the meat industry and who are prospective participants in the market concerned"
 - 22.4 Clarification on the intent of S28(a)
 - 22.5 **S33** - Amend section 33(1) to read as follows:

"The Board may issue quota certificates to persons who have either acquired or been allocated quota under an allocation mechanism."
 - 22.6 That **S36** be amended to require the Meat Board to provide justification (including a budget) on its projected fee levels. Aside from a generic programme cost, costs should be recovered on a user pays basis – there should not be cross-subsidisation. In addition, fees should be recoverable from all applicants (i.e. not just those who are allocated quota).
 - 22.7 **S65** be amended to remove the requirement for provision of information on co-products, boneless production and stored volumes
 - 22.8 The principle that the Meat Board should only require from companies, the minimal amount of information necessary to carry out its task, be embodied in section **78** of the Bill.

V: Appearance before the Select Committee

23. The Meat Industry Association does not request the opportunity to be heard before the Select Committee to present this submission and submit further on the matters identified.
24. For any queries relating to this submission, please contact Simon Hegarty or email simon.hegarty@mia.co.nz

Meat Industry Association of New Zealand (Inc)

VI: Appendix: Documents/attachments for information:

List of MIA members

MIA MEMBERS AS AT 1 January 2004

Affco New Zealand Ltd
Alliance Group Ltd
ANZCO Foods Ltd
Auckland Meat Processors Ltd
Ballande New Zealand Ltd
Bernard Matthews NZ Ltd
Blue Sky Meats (NZ) Ltd
Brookland (NZ) Ltd
CMP Canterbury Ltd
Columbia Exports Ltd
Crown Marketing Ltd
Dairy Meats NZ Ltd
Davmet New Zealand Ltd
Fern Ridge Ltd
Frasertown Meat Company Ltd
Garrett International Meats Ltd
Greenlea Premier Meats Ltd
Harrier Exports Ltd
Heartland Prime Meat NZ Ltd
Lowe Corporation Ltd
PPCS Ltd
Progressive Mats Ltd
Richmond Ltd
Riverlands Ltd
Tara Exports Ltd
Taylor Preston Ltd
TeKuiti Meat Processors Ltd
Towers Thompson (New Zealand) Ltd
Universal Beef Packers Ltd
Wallace Corporation Ltd

AFFILIATE MEMBERS

AgResearch-MIRINZ Centre
Australia-New Zealand Direct Line (ANZDL)
Carter Holt Harvey, Packaging
Centreport
Columbus Line New Zealand Limited
Contship Containerlines
Glovers Food Processors Ltd
Hamburg Sud NZ Ltd
Hapag Lloyd (NZ)Ltd
Lanexo Ltd
Maersk New Zealand Ltd
New Zealand Natural Casing Association Inc
Oceanic Navigation Ltd
P&O NedLloyd Ltd
Port of Napier
Port Otago
ProAnd Ltd

Westgate Transport Ltd
Rissington Breedline Ltd
Trans Rail Limited