



## **Meat Industry Association of New Zealand (Incorporated)**

### **Submission on Te rautaki ueā me te rautaki whakawhiwhinga o Aotearoa | New Zealand freight & supply chain issues paper**

3 June 2022

#### **I. Introduction**

1. The Meat Industry Association ('MIA') is the voluntary trade association representing processors, marketers, and exporters of New Zealand red meat, rendered products, and hides and skins. MIA members represent 99 percent of domestic red meat production and export, making the meat industry New Zealand's second largest goods exporter by value, with exports of \$10 billion for the 2021 calendar year. It is New Zealand's largest manufacturing industry employing some 25,000 people in about 60 processing plants, mainly in the regions.
2. The red meat industry exports more than one million tonnes of product annually to around 110 markets, and the majority of these exports are in frozen or chilled form.
3. A list of Association members is attached as Appendix 1.

#### **II. MIA responses to the Issues Paper consultation questions**

##### **Question 1. Do you agree with the outlined description of the freight and supply chain system?**

MIA agrees that the outlined description provides a good high-level overview of the freight and supply chain at a high level. However, it is missing some of the important details that have a significant influence on how the system operates.

For example, while it is noted on page 13 that primary products can be very heavy and high in volumes, it is also important to consider that many primary exports are also highly seasonal, which creates additional logistical challenges in relation to access to equipment such as containers and shipping services during peak export periods.

For example, meat industry exports can vary from around 3,000 TEU per month during the low point of the processing season (August and September) to more than 6,000 TEU per month at the peak of the season (February to April).

Furthermore, a high proportion of primary products are also refrigerated or frozen and require specialised cold-chain logistics. The seasonal nature of many primary exports, combined with the requirement for cold-chain logistics, can create stress in the system during peak export periods.

It will be important that this sort of details is captured so that there is a good understanding of the whole supply chain system and where any vulnerabilities in the system are.

## **Question 2. Do you have any views on the outlined role of government in the freight and supply chain system?**

MIA's view is that one of the government's key roles in the freight and supply chain system, which is not emphasised strongly enough in the document, is to ensure that the resource management settings provide certainty for investment decisions and ensure that necessary investment can be undertaken in a timely manner.

One particular area of concern is the consenting process. MIA's view is that this is an area where there are currently problems, and where the government can make significant improvements.

For example, in the same week that the discussion paper was released it was reported that the Port of Tauranga is facing ongoing delays to get consent to start building a long-planned container wharf extension.

In an article about the delay, the Port of Tauranga chair noted the situation has become "desperate", and that with the port expected to run out of capacity within three years, it cannot afford to undergo a lengthy appeals process even if the Environment Court approves the consent in July.<sup>1</sup>

This current delay follows the five-year process that the port went through in order consent for channel dredging to provide access for bigger ships.

These are only two examples of resource consent delays, but they both affect New Zealand's major port and its ability to undertake infrastructure developments.

They highlight the uncertainties of the current resource management and consenting process and the impact that this is having on the supply chain.

The recently released Infrastructure Commission report has identified that the consenting process can add significant time and cost to infrastructure projects. The report notes that:  
*"New Zealand suffers from long delays between project planning and delivery. Many infrastructure projects must go through a resource consent or designation process. Resource consent applications typically require detailed analyses of the environmental, social, cultural and economic impacts of projects. They're tested through a hearings process that has been described as adversarial, with the right to appeal decisions to the*

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<sup>1</sup> "Tauranga port gets court date for container wharf stretch bid, timing now critical says chair", New Zealand Herald 28 April 2022.

*Environment Court or High Court. This process can take a long time and is costly for everyone involved.”<sup>2</sup>*

The Infrastructure Commission report gives the example of the Hurunui/Kaikōura Earthquakes Recovery Act 2016 as a mechanism to streamline the consenting process. While this was focused on a specific event in a specific location, it does provide options for improving the consenting process, including:

- Limiting the matters that must be consulted on,
- Limiting objection or appeal rights, and
- Putting in place specific timelines and deadlines for the process.

Facilitating New Zealand’s participation in global value chains is another one of the government roles that is identified in the paper. As New Zealand has very limited ability to influence most aspects of the international supply chain, this is an area where the government can help to improve aspects of the international supply chain. In MIA’s view, there are two important aspects of this activity:

- Actively participating in international forums such as the IMO to ensure that New Zealand’s views are considered when international rules are being developed. It is important that New Zealand is permanently represented at these Forums.
- Continuing the work that the government does through Free Trade Agreements and other international negotiations to improve border clearance procedures. For example, the Customs Administration and Trade Facilitation Chapter in the CPTPP agreement provides for the release of goods within specified timeframes, which is significant for exporters of perishable, time-sensitive products.

**Question 3. Do you agree with the outlined strategic context and key opportunities and challenges? If not, please explain why.**

MIA broadly agrees with the outlined strategic context but has some in additional comments on some of the challenges and opportunities that have been identified.

Climate change will impact all aspects of our supply chain, and MIA agrees that coastal shipping and rail offer lower emissions modes of transport and that also they require investment to increase their attractiveness to freight users.

With rail, while long term investment is important there are current choke points that would benefit from immediate investment such as access to Tauranga and the third and fourth rail lines into Auckland.

In relation to coastal shipping, it will take time to develop sufficient scale in the domestic coastal fleet and it is important that our policy settings should continue to allow international lines to move goods around New Zealand.

In relation to the impact of increasing densification and the challenge of ensuring that there are reliable and adequate freight corridors, MIA understands that many of the access routes to ports and airports are not state highways. This increases the complexity of improving efficiency on these roads as local government becomes involved in the decision-making process. One immediate change that would be beneficial would be for all roads accessing international ports and airports to be designated state highways.

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<sup>2</sup> New Zealand Infrastructure Commission, *Rautaki Hanganga o Aotearoa, New Zealand Infrastructure Strategy 2022-2025*, p.134.

Another opportunity that has been identified is the potential for the introduction of new technologies and automation to negate the need for some of the 'less-desirable' positions which are currently experiencing labour shortages.

MIA agrees that this is an opportunity, but it is likely that there will still be some roles that cannot be replaced by new technologies or automation and the challenge will be to find workers to fill these roles. Furthermore, it is likely that there will not be sufficient New Zealanders available to fill some of the more specialised roles.

For example, the meat industry employs a small number of halal butchers, around 250 out of a total workforce of 25,000. The halal requirements mean that this role cannot be automated and the nature of the role means that the industry has to recruit some of the halal butchers from overseas.

Although they are a vital part of the industry, directly contributing to around \$3 billion worth of exports annually, immigration settings have meant that it has been very difficult for the meat industry to bring in even the small number of halal butchers that are needed.

So, it is important that a supply chain strategy identifies where the key labour shortages are likely to be, particularly those that cannot be filled domestically, so that the immigration settings can be adjusted to allow international workers to fill these roles where required.

**Question 4. Are there any trends missing that we should consider? If so, please explain what they are.**

Although the paper highlights some of the challenges related to international developments, including changing geopolitics and consolidation in the international shipping sector, one trend that is not highlighted is the increasing threat to New Zealand's time-sensitive exports because of supply chain disruptions.

For example, the United Kingdom is traditionally New Zealand's largest market for high value chilled lamb. However, due to the ongoing supply chain disruptions and the uncertainty about being able to get chilled lamb to the market within the right timeframe, New Zealand only exported 2,269 tonnes of chilled lamb to the United Kingdom in the first quarter of 2022. The value of chilled exports was \$34 million.

This was a drop of 74% in the volume and 63% in the value of exports compared to first quarter exports in recent years. While some of these exports were replaced by frozen product, there is a premium for chilled lamb so the disruptions are having an impact on the industry's export revenue.

While the causes of the current disruptions are largely out of New Zealand's control, it is important that the strategy takes into account any impact that other actions might have on New Zealand's exports of time-sensitive perishable products. For example, one of the possible measures being considered by the IMO to reduce global shipping emissions is speed optimization, or slow steaming, which would potentially have a significant impact on exports of perishable products from New Zealand.

**Q 6. Do you agree with the outlined vulnerabilities of the current system? If not, please explain why.**

MIA agrees with the outlined vulnerabilities, particularly in relation to labour supply. MIA's view is that this is a significant vulnerability across a number of sectors in New Zealand, and as noted above, immigration will need to be considered in the measures to address the labour shortages.

One other vulnerability that is not outlined in the paper is the capacity of New Zealand's cold chain logistics, particularly the need to have spare capacity available when supply chain disruptions occur. This vulnerability became apparent when the first wave of Covid-19 in February 2020 caused delays in exports to China.

This occurred during the peak of the meat export season, which meant there was a need for significant additional cold store capacity to accommodate a large volume of chilled and frozen meat that was delayed from being exported to China.

While the meat industry was able to manage this situation, partly by diverting product to other markets and even by storing some product in refrigerated containers, it has highlighted the need to have sufficient cold storage capacity available when disruptions occur.

### **Q 7. Is there any key information missing in understanding the vulnerabilities of the current system?**

In relation to points highlighted under Question 6, MIA recommends that further work is undertaken to:

- Identify where the key labour shortages are in the supply chain, particularly those that cannot be filled domestically, so that the immigration settings can be adjusted to allow international workers to fill these roles where required.
- Get a better understanding of the current capacity of the cold chain in New Zealand in order to assess what new capacity is required.

### **Question 10. Do you agree with the potential areas of focus for the strategy? If not, please explain why.**

Overall, MIA agrees with the areas of focus, but in relation to resilience MIA recommends that assessment of the critical parts of the freight and supply system includes a specific assessment of cold chain capacity.

Also, in relation to productivity and innovation, MIA recommends including:

- an additional focus on improving the resource management settings and the consenting process
- an assessment of the critical areas of labour shortage within the supply chain.

### **III. MIA Contact**

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## Appendix 1: MIA members and affiliate members as at June 2022

Members	Affiliate members
Advance Marketing Ltd	Abattoirs Association of New Zealand
AFFCO New Zealand Ltd	AgResearch Ltd
Alliance Group Ltd	Alfa Laval New Zealand Ltd
Ample Group Ltd	Americold New Zealand Ltd
ANZCO Foods Ltd	AON New Zealand Ltd
Auckland Meat Processors Ltd	Auspac Ingredients Pty Ltd
Bakels Edible Oils (NZ) Ltd	Centreport Ltd
Ballande New Zealand Ltd	CMA-CGM Group Agencies (NZ) Ltd
Blue Sky Meats (NZ) Ltd	Cooltranz 2014 Ltd
BX Foods Ltd	G-Tech New Zealand Ltd
Columbia Exports Ltd	Haarslev Industries Ltd
Crusader Meats New Zealand Ltd	Hamburg-Sud New Zealand Ltd
Davmet (New Zealand) Ltd	Hapag-Lloyd
Farmlands Mathias International Ltd	Intralox Ltd
Fern Ridge Ltd	Kemin Industries NZ Ltd
Firstlight Foods Ltd	Liqueo (HB) Ltd
Garra International Limited	Maersk NZ Ltd
Global Life Sciences Solutions NZ Ltd t/a Cytiva	MJI Universal Pte Ltd
GrainCorp Commodity Management NZ Ltd	Moda Systems New Zealand Ltd
Greenlea Premier Meats Ltd	Oceanic Navigation Ltd
Harrier Exports Ltd	Port of Napier Ltd
Integrated Foods Limited	Port Otago Ltd
Kintyre Meats Ltd	PrimeXConnect
Lowe Corporation Ltd	Pyramid Trucking Ltd
Ovation New Zealand Ltd	Rendertech Ltd
Peak Commodities Ltd	Rockwell Automation (NZ) Ltd
Prime Range Meats Ltd	SCL Products Ltd
Progressive Meats Ltd	Scott Technology Ltd
PVL Proteins Ltd	Sealed Air (New Zealand)
SBT Group Ltd	SHICO Limited
Silver Fern Farms Ltd	Visy Industries Australia Pty Ltd
Standard Commodities NZ Ltd	Wiley New Zealand Limited
Taylor Preston Ltd	
Te Kuiti Meat Processors Ltd	
UBP Ltd	
Value Proteins Ltd	
Wallace Group	
Wilbur Ellis (NZ) Ltd	
Wilmar Gavilon Pty Ltd	