

Senedd Cymru
Pwyllgor yr Economi, Masnach a Materion Gwledig
Cytundeb Masnach Rydd rhwng y DU a Seland Newydd
NZFTA-03
Ymateb gan: Beef + Lamb New Zealand Ltd,
Meat Industry Association Inc

Welsh Parliament
Economy, Trade, and Rural Affairs Committee
UK-New Zealand Free Trade Agreement

Evidence from: Beef + Lamb New Zealand Ltd,
Meat Industry Association Inc

Joint Submission

TO:

**Senedd Cymru - The Economy, Trade and Rural
Affairs Committee**

ON:

**Call for Submissions - UK-New Zealand Free
Trade Agreement (FTA)**

BY:

**Beef + Lamb New Zealand Ltd
and
Meat Industry Association Inc**

25 April 2022

Introduction

1. This is a joint submission by Beef + Lamb New Zealand Ltd (B+LNZ) and the Meat Industry Association Inc (MIA) representing the views of the New Zealand sheep and beef sector (i.e., producers, processors, marketers, and exporters).
2. We thank The Economy, Trade and Rural Affairs Committee for the opportunity to make a submission to its Call for Evidence on the UK-New Zealand FTA. Our submission outlines the economic, environmental, and social impacts of the Agreement applicable New Zealand and the Wales.
3. The New Zealand sheep and beef sector is productive, innovative, value-adding, and a major contributor to the New Zealand economy. As an export-focused sector, the sector depends on open, consistent, and predictable access to a wide range of markets which requires robust and enforceable trade rules. Free trade agreements (FTA) play an important role by enhancing and strengthening trade architecture. The sector is supportive of the New Zealand Government's policy to pursue ambitious, comprehensive, high-quality FTAs.
4. The extent to which the trade facilitated by the FTA in agricultural products may affect the maintenance of Welsh economy generally and the agricultural sector specifically is limited. New Zealand and the UK have been trading agricultural products for over 140 years and red meat since 1882. This long relationship means that the regulatory framework and market requirements have developed together.
5. The UK and New Zealand have many shared values around quality in production systems, and similarly high food safety, animal welfare, environmental, and labour standards. There are clear synergies from deepening our engagement on those regulatory and policy issues as part of the Agreement, as well as sharing experiences in the process of agriculture reform and integration into global markets. This will position UK producers and industry for greater success both at home and abroad.

Executive Summary

6. The New Zealand sheep and beef sector is productive, innovative, value-adding, and a major contributor to the New Zealand economy. As an export-focused sector, the sector depends on open, consistent, and predictable access to a wide range of markets which requires robust and enforceable trade rules. Free trade agreements (FTA) play an important role by enhancing and strengthening trade architecture. The sector is supportive of the New Zealand Government's policy to pursue ambitious, comprehensive, high-quality FTAs.
7. The sector strongly supports the ratification and implementation of the United Kingdom-New Zealand Free Trade Agreement (the Agreement) as soon as possible. The current global context has underscored the significance of strong economic relationship between allies and demonstrated the important role of open markets and predictable trade in combatting food insecurity.
8. In line with the UK Government's negotiating mandate, the Agreement has realised the broad liberalisation of tariffs but in a way that takes into account UK and Welsh product sensitivities, in particular for agriculture.
9. The UK and New Zealand have many shared values around quality in production systems, and similarly high food safety, animal welfare, environmental, and labour standards. There are clear synergies from deepening our engagement on those regulatory and policy issues as part of the Agreement, as well as sharing experiences in the process of agriculture reform and integration into global markets. This will position UK producers and industry for greater success both at home and abroad.

Consultation questions

How will this Agreement impact you, your business or your organisation?

11. The UK-NZ FTA represents an opportunity to improve the longstanding relationships between the UK and New Zealand. For over 150 years New Zealand has been a trusted source of agricultural products for British consumers. Our shared heritage and pastoral farming systems provide opportunities for collaboration on sustainability, animal welfare and improving sheep and beef production, with the FTA recognising this and setting up bilateral working groups at a government level.
12. New Zealand's red meat sector ('the sector') is export led. The sector depends on open, consistent and predictable access to a wide range of markets. There has been significant market and product diversification over the decades and New Zealand now exports a wide range of red meat and coproducts to more than 110 markets around the world. This strategy allows our companies to respond to market signals, pursue the highest return for our products and cater to a wide range of consumers around the world.
13. Improved access to the UK market has been a strategic priority for the sector because it is a high quality, high value market. We welcome improved access under the FTA, particularly for beef, which will allow our exporters to build stronger relationships with retailers and the food service.
14. New Zealand currently makes up 0.3 percent of the UK's beef imports (735 tonnes out of a total of 241,910 tonnes in 2021). British consumers demand product with high environmental and animal welfare standards, and we consider that New Zealand beef will compete with imported beef from countries that cannot demonstrate they are meeting these expectations rather than Welsh produced beef for example.
15. New Zealand beef production, like sheep meat is limited by environmental constraints and is unlikely to increase. We do expect exports to the UK to increase due to the improved FTA access, however this will be tempered by demand for beef in the other 109 of New Zealand's export markets.

What is the likely impact of the agreement on the economy and specific sectors in Wales?

16. It has been New Zealand's experience that opening up even previously highly protected agriculture sectors has generated significant domestic benefits, including enhanced productivity, more sustainable production, greater international competitiveness and innovation, increased export returns, and better living standards for farmers and farming communities. For example:
 - New Zealand producers have enjoyed substantial on-farm productivity gains through better genetics, improved lambing percentages, and better pasture management. Farmers are producing more 'fit for purpose' stock that provide the cuts and quality of meat that the market wants.
 - Productivity in meat processing plants has also improved significantly, through technological improvements such as sensing and robotic technology. In addition to direct productivity benefits, this also generates health and safety benefits and significantly reduced contamination risk resulting in improved shelf life of product.
 - Advances in hygiene, packaging, presentation, handling, and distribution have seen the export product mix progress from frozen whole carcasses through to pre-packed frozen and chilled cuts and boneless products. The change in product mix has been driven by the need to respond better to changes in customer and market requirements in global markets. This also allows us to maximise utilisation of each carcass by finding

the best returning market for each part of the carcass. It also improves flexibility of supply as all products can be supplied to a wide range of customers and ensures all product meets the highest production standards demanded internationally.

- A robust and successful export sector creates jobs, including in rural and regional locations. In New Zealand the red meat sector accounts for 4.7 percent of national employment and in some parts of rural New Zealand, the sector accounts for 10 to 12 percent of regional employment.

What are the likely impacts of the Agreement's provisions on trade in agricultural products on the agricultural and food sector in Wales?

Addressing the concerns of Welsh farmers

17. While we understand Welsh farmers are concerned about the effect of the FTA regarding increased imports from New Zealand, we consider these fears to be unfounded. Since 1882 the New Zealand sheep and beef sector has proven itself to be a responsible producer and trader to the UK market. In respect of sheep meat, New Zealand has had substantial access through a Country Specific Tariff Quota since the World Trade Organization (WTO) was established in 1995, but exports to the UK have responded to market dynamics and consumer demand. As a consequence, the quota has not been fully utilised with the majority of our sheep meat destined for China and the United States. Increasing demand for sheep meat in these markets means this trend is expected to continue.
18. As an export-led sector, New Zealand sheep and beef is exported to nearly 110 markets worldwide and our diversification strategy is the cornerstone of our trade policy. It is not in the sector's interests to become over reliant on any one market. Our experience in the 1970s of losing the important UK market when they joined the EEC triggered this significant shift in the sector's export strategy. Furthermore, "flooding" a market with product would adversely impact prices, and earnings, for everyone. It is quite simply not in our interests.
19. Another concern that has been raised by UK farmers is the possibility of New Zealand dramatically increasing production. However, with increasing pressures on the New Zealand farming and processing industries, the sector cannot produce substantially more product. Environmental policy, population growth, land-use change, and labour shortages constrain the sector's capacity to grow. Therefore, innovation, quality, value-add, and premium positioning is the current, and future, strategy for the sector.
20. The sector has also heard concerns that New Zealand will import "cheap, subsidised product" that undermines locally produced product. However, New Zealand has one of the lowest levels of agricultural subsidies in the OECD and has long been a supporter of trade liberalisation and reduction of trade distorting subsidies.
21. As a consequence, we have a resilient, innovative, and commercially focussed agricultural sector that is responsive to market demands. We are especially focussed on reducing environmentally harmful subsidies, such as those for fossil fuels and those that encourage agricultural production that has negative environmental effects.
22. The seasonal complementarity of production of New Zealand grass-fed lamb and the UK's products allow British consumers access to "best in season" product all year round. This is a good thing for the lamb category. Consumers prefer access to a product all year around. If it isn't available all year round, then overall demand can fall. Complementarity helps maintain market stability, supports price levels, and keeps lamb as a product category on supermarket shelves. This benefits producers in both the UK and New Zealand. This complimentary seasonality between the UK and New Zealand also produces opportunities for joint supply and marketing in rapidly expanding Chinese and US markets. There is a limited supply of sheep meat

in the world and increasing international demand for high quality, nutritious protein. Working together to ensure customers can access sustainably produced lamb and mutton all year round in presenting opportunities for collaboration between northern and southern hemisphere producers.

Protection of high standards of production

23. One of the UK Government's fundamental negotiating objectives was to ensure high standards and protections for UK consumers and workers and to build on existing international obligations, including not compromising on high environmental protection, animal welfare, and food safety standards. We supported this negotiating objective and believe it has been achieved under the Agreement.
24. New Zealand is recognised as an international leader for its high-quality hygiene standards in terms of both our industry and regulatory systems. This enables us to access markets around the world and maintain a premium global position. The sector is one of the most heavily regulated industries for food safety, with continuous regulatory oversight providing government assurances. The Animal Products Act 1999, the primary legislation for the meat processing industry, is based on accepted principles that the system should be risk-based and focused on outcomes. This is consistent with the internationally accepted principles in the WTO, OIE, and Codex. It also enables New Zealand to negotiate equivalence agreements with trade partners that bridge different country requirements and ensure the desired regulatory outcomes of both New Zealand and the importing country are met – as indeed we have done with the UK through the Agreement on Sanitary Measures Applicable to Trade in Live Animals and Animal Product in 2019.
25. New Zealand is also consistently ranked as having some of the highest and best practice regulatory standards in the world on ethical matters such as animal welfare and halal slaughter.
26. The sector welcomes the inclusion of a standalone animal welfare chapter in the Agreement, which recognises that while New Zealand and the UK's production practices differ, each country accords a high priority to animal welfare in those practices, which provide comparable outcomes and welfare protection. The sector supports closer co-operation between the UK and New Zealand in this area, particularly in international fora, to promote the development of scientifically based animal welfare standards. Together, the UK and New Zealand will present a more powerful and unified voice internationally on issues of shared concern such as animal welfare in third markets.
27. New Zealand is a leading example and the perfect partner to help contribute to the UK's net-zero agenda. New Zealand sheep and beef farmers operate within environmental limits, contribute to biodiversity, and protect native flora and fauna. Approximately 24 percent of New Zealand's total native vegetation cover, including both native grasslands and forest, is on our sheep and beef farms. Greenhouse gas emissions from New Zealand sheep and beef production have reduced by 30 percent since 1990 and the native and exotic trees on our farms are offsetting a significant proportion of our remaining emissions. New Zealand's carbon footprint for sheep and beef production (on-farm Life Cycle Analysis) is estimated to be around half the average figure globally.
28. New Zealand has agreed to reduce emissions by 30 percent below 2005 levels by 2030. The Climate Change Response (Zero Carbon) Act sets out New Zealand's path to a low emission, climate resilient future, with specific emission reduction targets for carbon dioxide, nitrous oxide, methane. Under this legislation, New Zealand Government will price agricultural emissions by 2025. The sector recognises our role in addressing climate change and have committed to becoming carbon neutral by 2050 and is already employing world-class practices. For example, by law, every New Zealand farmer must understand their farms emissions by 2022 and by 2025 have a plan to manage these emissions in line with greenhouse gas reduction targets set by the New Zealand government. We are on target to meet these requirements and the red meat sector is working closely with industry partners, Māori and government (Ministries for Environment and Primary Industries) to put in place a plan to price agricultural emissions. This is a world leading approach and highlights where New Zealand and British farmers can work together on solutions to solve the global climate change issue.

29. The sector (both farmers and processors) has committed to eradicating the use of coal by 2037 and can offer a vision for the UK farming and meat industry, which has been identified as one of the weakest areas of the UK Government's net-zero strategy. The UK government anticipates significant emissions remaining in this sector by 2050 that will need to be compensated by both nature-based and engineered greenhouse gas removals.
30. In addition, the sector sees the Agreement as an opportunity to enhance industry cooperation and collaboration on issues of mutual interest including how UK and New Zealand beef and sheep farmers can work together to mitigate and adapt to climate change. We can build on our existing relationships with UK and Welsh counterparts to share experiences and insights to develop more efficient, profitable, and sustainable production systems. This is already beginning in the sheep industry, where the development of the Global Sheep Producers Forum has been established to increase collaboration, cooperation, and knowledge-sharing on key issues, in which the UK industry is participating. Similarly, there has been cooperation in the past in developing methodologies for assessing the environmental impacts of livestock production. For example, New Zealand coordinated the development of a global greenhouse gas footprint methodology for sheep meat to farm gate level following an international sheep meat forum held in Brussels in 2013. This methodology has since been adopted by the International Meat Secretariat. There would also be ample scope to exchange ideas on challenges and opportunities in trade, such as on-farm verification to meet overseas market access requirements, and how the sector can work effectively with governments in shaping trade policy and identifying new opportunities. An FTA would help to grow such connections.

About Beef + Lamb New Zealand Ltd and the Meat Industry Association Inc

31. B+LNZ is the farmer-owned organisation representing New Zealand's sheep and beef farmers. It is the organisation with the legal mandate to speak on behalf of New Zealand sheep and beef farmers. B+LNZ is funded under the Commodity Levies Act 1990 through a levy paid by producers on all cattle and sheep commercially slaughtered in New Zealand. B+LNZ's purpose is to provide insights and actions that drive tangible impact for farmers.
32. B+LNZ represents around 9000 commercial farming businesses, creating around 35,000 jobs (wages, salaries and self-employment) in the sheep and beef sector. Around three quarters of pastoral land and just under a third of New Zealand's total land area is used for sheep and beef farming.
33. 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 virtually all of New Zealand sheep meat and beef exports.
34. MIA member companies operate more than 60 slaughter and further processing plants employing 25,000 people throughout the country. The plants slaughter and process around 22.8 million sheep and 4.7 million cattle annually. Ninety percent of this production is processed into value-added products. Over a million tonnes, or 90 percent of total production, is exported to nearly 110 overseas destinations.
35. 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.