



# Joint Submission

TO:

Ministry of Foreign Affairs and Trade

ON:

## The Trade for All Agenda

BY:

Beef + Lamb New Zealand Ltd

and

Meat Industry Association Inc

12 October 2018



## Summary

1. This submission responds to the Government's specific request for comment on the "Trade for All Agenda" which is looking to ensure that New Zealand's trade policy delivers for all New Zealanders.
2. The beef and sheep sector (herein after referred to as 'the sector') depends on open, consistent and predictable access to a wide range of markets. In this respect, the rules based trading system has been of significant value and benefit to New Zealand and the sector.
3. The sector fully supports the Government's continued efforts to support and promote the rules based system through both the World Trade Organisation (WTO) and Free Trade Agreements (FTAs), and efforts to build strong and resilient trade relationships with key partners. The sector therefore supports efforts to expand New Zealand's FTA network through negotiating with a range of partners.
4. The importance of trade to New Zealand is well understood by businesses who directly see the benefits that trade makes to growing businesses, innovation, employment and offering consumers great choice of products and services at a better price. We recognise, however, that the business community, in conjunction with Government, needs to be better communicated to the wider civil society.
5. We also recognise that the pursuit of liberal trade should not be at the expense of the freedom of countries to protect the genuine and strongly-held values of their citizens. Governments have a responsibility and a right to regulate in the public interest.
6. Incorporating elements such as labour standards, environment, gender and indigenous peoples in trade agreements will set useful expectations that the business world should be mindful of as they pursue trade opportunities. In a modern business environment all of these issues must be addressed to ensure a resilient and sustainable business, and the sector values all these facets as outlined below:
  - a. Robust environmental practices support profitable and sustainable businesses;
  - b. A healthy, safe, inclusive and well supported labour force helps to ensure a thriving sector, particular as our sector is the largest manufacturing sector employer in New Zealand;
  - c. A diverse workforce can help deliver increased productivity, creativity and innovation;
  - d. Māori play an important role in the red meat sector, with 20% of pasture land in Māori ownership and Māori making up 34% of the meat processing workforce; and
  - e. SMEs are important to the sector given the large number of family owned farms.



## Trade is of absolute importance to the red meat sector

7. Exports of red meat products are important to New Zealand's economy. The sector is New Zealand's second-largest goods export income earner, with more than \$8 billion in export revenue for the year ending December 2017. This accounts for about 15 percent of the total value of New Zealand's goods exports, behind only dairy.
8. The sector exports over 90 percent of sheepmeat production and over 80 percent of beef production and is therefore 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 value-add red meat and co-products to more than 120 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. This helps to maximise value and to continue to support thriving rural communities.
9. A diverse network of trade agreements is important to our sector because removing tariffs improves the competitiveness of our exports to existing and potential markets. It also mitigates risk exposure in the event we are shut out of a market. Importantly, progressive trade agreements are an opportunity to put in place disciplines around non-tariff barriers (NTBs). NTBs often apply behind the border, are costly<sup>1</sup> and very difficult to address. They can curb trade regardless of a preferential tariff treatment.
10. The rules based trading system has been of significant value and benefit to New Zealand and the sector. The sector has benefitted from robust and enforceable trade rules, most recently in the WTO case against Indonesia, and has a real interest in seeing that the trading system is not only preserved but enhanced and strengthened. Free trade agreements play an important role in underpinning that trade architecture. The sector fully supports the government's continued efforts to support and promote the rules based system through both the World Trade Organisation (WTO) and FTAs, as well as efforts to build strong and resilient trade relationships with key partners.
11. The sector therefore supports efforts to expand New Zealand's FTA network through negotiating with the Pacific Alliance countries, the Regional Comprehensive Economic Partnership countries, the EU and the UK in due course. The FTAs will strengthen the trade architecture and will further integrate New Zealand in regional and global trade networks.

## FTAs should help to deliver benefits beyond trade

12. The sector welcomes and supports the inclusion of progressive elements in trade agreements. We recognise the importance of ensuring that the pursuit of liberal trade is not at the expense of the freedom of countries to protect the genuine and strongly-held values of their citizens.
13. Among exporters, we often talk about the important signals that trade agreements give to the business community about the priority and opportunity in a market. However, the same can be said for the inclusion of elements beyond trade. Ensuring that trade agreements incorporate elements such as labour standards, environment,

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<sup>1</sup> NZIER estimate that NTBs in the Asia Pacific region alone, cost New Zealand beef exports around \$1 billion.



gender and indigenous issues, will provide a useful message about the expectation that the business world should be mindful of as they pursue trade opportunities and relationships. For the vast majority of successful business, these aspects are a valued part of their business model. All of these facets are valued by our sector and we work actively to progress these issues as a sector.

14. We address below the range of issues the Trade for All Agenda looks to include and offer our recommendations for how trade agreement could include these issues.

## **The Environment**

15. The sector welcomed, for the first time, the enforceability and application of dispute settlement to the environment and labour chapters in Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP). The legal accountability of these disciplines sends an important message about the need to promote sound trade and environment policies that support sustainable development. This will play an important role in supporting global efforts to raise environmental (and labour) standards. We would encourage the government to pursue similar disciplines in future trade agreements and ensure the applicability of dispute settlement.
16. Robust environmental practices support profitable and sustainable businesses. The sector prioritises environmental responsibility. We are focused on achieving our environmental vision of being world leading stewards of the natural environment and promoting sustainable communities through improving water quality, advancing carbon neutrality, enhancing our biodiversity and ensuring healthy productive soils. The aim is to give farmers the tools and information, so that they have confidence to make decisions that will have the greatest positive environmental impact for a profitable and sustainable future.
17. Chapters on environment should continue as they do now to emphasise the enforcement of environmental law, advocate for cooperation on environmental issues of mutual interest and recognise the government's right to adopt or maintain environmental regulation or policy that is in the public interest.

## **Labour standards**

18. Similarly, a healthy, safe, inclusive and well supported labour force helps to ensure a thriving sector. Employment is a key benefit of trade, and for the sector the benefits of job creation are seen largely in our regional communities. A prosperous red meat sector, led by exports, helps to raise the living standards of New Zealanders and our rural communities. The sector directly supports 80,000 jobs (and families) employed across New Zealand, mostly in the regions.<sup>2</sup> These jobs include on farms, in processing companies, and in a wide range of supplying services like technology and research providers, transport companies, shearers, and rural contractors. The recycling of wages through local shops, restaurants, and many other small businesses also helps to raise living standards in our regions and our cities.
19. High labour standards should also recognise the importance of health and safety. The sector takes health and safety very seriously and is working hard to create a safer working environment. There is a keen focus on helping to ensure our farmers know how to meet their legal requirements around farm safety and are supported in

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<sup>2</sup> For example, there are more than 3,000 meat processing workers employed in Canterbury (3,900), Southland (3,400) and Manawatu (3,150), compared to 910 employed in Auckland and 940 in Wellington.



implementing best practice. Health and safety is also an important focus for processors. MIA's Meat Industry Health and Safety Forum, which brings together industry, government, unions and other related organisations, provides an important forum for collaboration on health and safety issues and the provision of related guidelines and standards information across the processing industry.

20. The sector supports the legal enforceability of labour provisions and encourages the government to adopt this approach in future agreements.

## Gender and Trade

21. The sector is supportive of efforts to promote gender equality and diversity. A diverse workforce can help to deliver increased productivity, creativity and innovation.
22. Women have always played an important role in the agriculture community, including as partners in the farm or as meat process workers, and are important contributors to the well-being, cohesion and success of rural communities.
23. Women play key roles in New Zealand farming partnerships and bring a wide range of skills to decision-making situations – but they hold just 6 percent of governance roles in the rural sector. A challenge in our sector (as in other sectors), has been to ensure women have access to and are equipped with the skills and confidence to pursue leadership roles. We are working hard to support change, including through partnerships with organisations such as Agri-Women's Development Trust which runs leadership programmes that aim to increase skills and capability among women to govern and lead agricultural organisations, including in respect of our export companies.
24. A chapter on 'Gender and Trade' should recognise the contribution greater female participation in the economy makes to sustainable economic development. It should also recognise the importance of a diverse and inclusive economy to productivity and innovation. There may be an opportunity for trading partners to collaborate on policy issues or initiatives that support greater gender equity.

## Indigenous Issues

25. Māori play an important role in the sector. In the year to end June, Māori owned 12 percent of beef and sheep stock units in New Zealand and account for 30 percent of sheep production<sup>3</sup>. 20 percent of pastoral land is in Māori ownership with a significant proportion of this land in sheep and beef properties. We support Māori farming excellence through our sponsorship of the Ahuwhenua Trophy, the most prestigious award for Māori agriculture.
26. The meat processing industry is one of the biggest employers of Māori. Māori make up 34 percent<sup>4</sup> of the workforce of 25,000 meat processing workers and many meat plants have close and direct relationships with local iwi. More broadly, the Māori economy is estimated to be worth NZ\$50billion<sup>5</sup>.

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<sup>3</sup> <http://www.mbie.govt.nz/info-services/infrastructure-growth/maori-economic-development/documents-image-library/maori-economic-fact-sheet.pdf>

<sup>4</sup> Based on Primary ITO data.

<sup>5</sup> <http://www.chapmantripp.com/Publication%20PDFs/2017%20Chapman%20Tripp%20Te%20Ao%20Maori%20-%20trends%20and%20insights%20E-VERSION.pdf>



27. Māori are of course not only important contributors to the economy, but they also represent a precious part of New Zealand's culture and history that should be safeguarded consistent with the Treaty of Waitangi. The sector supports recognition of the important role that indigenous peoples make in growing vibrant economies and pursuing trade relationships.

### **Small and Medium Enterprises (SMEs)**

28. SMEs are an important and significant part of New Zealand's economy, particularly in the beef and sheep sector where the majority of farms are family owned and operated. 99 percent of enterprises in the agriculture, forestry and fishing industry are SMEs<sup>6</sup> and in New Zealand 97 percent of enterprises are considered small businesses<sup>7</sup>.
29. SMEs make a significant contribution to employment, regional prosperity and innovation. We support pursuing greater transparency of provisions that allow SME's greater access to and consultation on the publication of regulations and legislation.
30. Provisions should allow for dialogue that supports the facilitation of trade for SMEs, including when non-tariff barriers present challenges. Initiatives such as the Government's 'Trade Barriers Portal' are particularly important for SMEs which may not have the same resource or capability to tackle complex and costly NTBs as other larger companies. Provisions could recognise the Government's role in supporting SMEs to take full advantage of the benefits of trade agreements.

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

31. Beef + Lamb New Zealand (B+LNZ) is the farmer-owned organisation representing New Zealand's sheep and beef farmers. B+LNZ is funded under the Commodities 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 help sheep and beef farmers make informed business decisions and promote their collective interests.
32. B+LNZ represent around 11,300 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. Sheep and beef exports are New Zealand's second largest goods export earner.
33. The Meat Industry Association of New Zealand Incorporated (MIA) is a voluntary trade association representing New Zealand meat processors, marketers and exporters. It is

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[http://archive.stats.govt.nz/browse\\_for\\_stats/businesses/business\\_characteristics/BusinessDemographyStatistics\\_HOTP\\_Feb16.aspx](http://archive.stats.govt.nz/browse_for_stats/businesses/business_characteristics/BusinessDemographyStatistics_HOTP_Feb16.aspx)

<sup>7</sup> Small businesses are defined as having fewer than 20 employees.  
<https://www.beehive.govt.nz/sites/default/files/2017-12/Small%20Business%20-%20Annex%203%20Small%20Business%20Factsheet.pdf>



an Incorporated Society (owned by members) that represents companies supplying virtually all of New Zealand sheepmeat 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 slaughtered and processed around 28 million sheep and five million cattle in 2017. Ninety percent of this production is processed into value-added products. Over a million tonnes, or 86 percent of production, is exported to 120 overseas destinations.
35. The Association 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.

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