New Zealand Sheep and Beef Sector

BARRIERS TO INTERNATIONAL TRADE

Prepared by Beef + Lamb New Zealand and the Meat Industry Association

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Contents

Foreword

The Meat Industry Association (MIA) and Beef + Lamb New Zealand (B+LNZ) are pleased to publish our biennial “Barriers to International Trade” report.

Since our last report, the sector has faced many challenges. We continue to recover from the disruption caused by the Covid-19 pandemic, significant climate and weather events have tested the resilience of our sector, and we are facing the implementation of new regulations that place further pressure on operations. Influencing the sector is also the geo-political climate, with moves towards trade protectionism, disrupted supply chains, and economic instability.

Despite these challenges, the red meat sector continues its strong performance with export receipts in 2022 at almost $12 billion, representing a growth of 13 percent compared with the previous year. The growth has been driven by demand from our largest market, China; however, smaller markets have also played a role over the last three years. We can see significant growth in markets such as Malaysia, Thailand, and the Philippines, demonstrating the diversity of our exports.

Trade drives the New Zealand economy and is the heart of the sheep and beef sector. For over 130 years our sector has developed and refined its expertise as an exporter of meat and meat-related products. Because of this history, we have a reputation as a supplier of safe, nutritious, and sustainable food – and that reputation directly contributes to our prized market position. It is a position that we have to protect.

The competitive position we occupy in world markets is underpinned by an innovative and resilient sector, and by a robust regulatory system. As New Zealanders go to the polls this year, economic resiliency will be front of mind. In our export-driven economy, we must have a sound trade framework to enable our sector to navigate an ever-evolving world and deliver for all New Zealanders. As a sector we consider the following actions will make this happen:

- Focusing on resolving non-tariff barriers and continuing to negotiate improved access with trade partners
- Extracting further value from our FTA network through systems recognition and mutual recognition agreements
- Revisiting New Zealand's trade policy strategy, and strengthening our relationships with international counterparts
- Paving the way to trade through investment in foundation building cooperation programmes
- Strengthening New Zealand's international connections and relationships.

The last three years have demonstrated the resilience of the sector, and its ability to navigate through uncertain times. We are not naive to the challenges that the sector faces in the next few years. However, we are confident that the sector can adapt and meet these challenges head-on. The outlook for the sector remains positive with opportunities to continue to realise the highest possible returns from our export markets and contribute to the benefit of New Zealand.

Kate Acland
Chair and Farmer Elected Director
Beef + Lamb New Zealand Ltd

Nathan Guy
Chair
Meat Industry Association of New Zealand

Red meat sector overview

Sector overview

The New Zealand sheep and beef sector is a vital driver of the New Zealand economy and its prosperity. Our export led sector, comprising livestock production and red meat processing and exporting, accounts for over 92,000 New Zealand (full-time equivalent) jobs (or 4.7 percent of total national employment), nearly $12 billion in industry value[1] added and $4.6 billion in household income, including direct and flow-on effects.

The red meat sector's exports are crucially important to the broader New Zealand economy, helping the nation grow because they increase revenue, boost jobs and raise the standard of living.

Beef + Lamb New Zealand

Beef + Lamb New Zealand (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.

B+LNZ represents around 9,200 commercial farming businesses, creating around 35,000 jobs (waged, salaried 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.

B+LNZ's vision
Sustainable and profitable farmers, thriving farming communities, valued by New Zealanders.

B+LNZ's priorities
- Supporting farming excellence
- Championing the sector
- Increasing market returns

Meat Industry Association

The MIA is a voluntary trade association representing New Zealand red meat processors, marketers and exporters. It is an incorporated society (owned by members) that comprises companies supplying 99 percent of New Zealand beef and sheepmeat exports.

The MIA:
- Provides a collective voice for New Zealand 's red meat processors, marketers and exporters on policy formation on economic, trade, market access, industrial relations, compliance costs, environmental, animal welfare, technical and regulatory issues facing the industry
- Plays an important role in maintaining and opening up access to overseas markets including working with government NTBs and developing relationships with international counterparts
- Provides a number of whole-of-industry services such as contracting with Approved Halal Organisations for halal certification services and managing the halal slaughterperson recruitment process for the meat industry
- Facilitates a number of whole-of-industry innovation and research and development services

MIA's Mission
To provide leadership, tools and a strong and credible voice to help ensure a vibrant and profitable red meat sector.

[1] Industry value added is the total value of goods and services produced by an industry, after deducting the cost of gods and services used in the process of production.

The Red Meat Sector Strategy

In 2020 B+LNZ and MIA published a refreshed red meat sector strategy that sets out our goals for a vibrant and profitable New Zealand sheep and beef sector that excels for our people, animals and environment.

It establishes the critical priorities that B+LNZ and MIA will work on together with industry partners, bringing together the whole of the value chain from the farm to the market.

VISION	**Growing sustainable value together**			
OUTCOMES	**Greater profitability, sustainability and resilience**	**Increased value for our customers and consumers**	**Greater social and economic benefits for Aotearoa**	**Enhanced integrity, trust and reputation of the sector**
2030 GOALS	**Sustainably profitable** Lift innovation, performance and productivity	**Premium value** Build a platform to create and capture value	**Vibrant communities** Provide economic growth and employment	**Trusted guardians** Guardianship of reputation, animals, water and land
2025 PRIORITIES	**Market position** New market access Assurance Differentiation Product benefits and attributes	**Innovation** Future processing plants Future farms Future products Data integration Traceability	**Sustainability** People Reputation Environment Biosecurity Animal care	

The red meat sector 2023 manifesto and working with the government

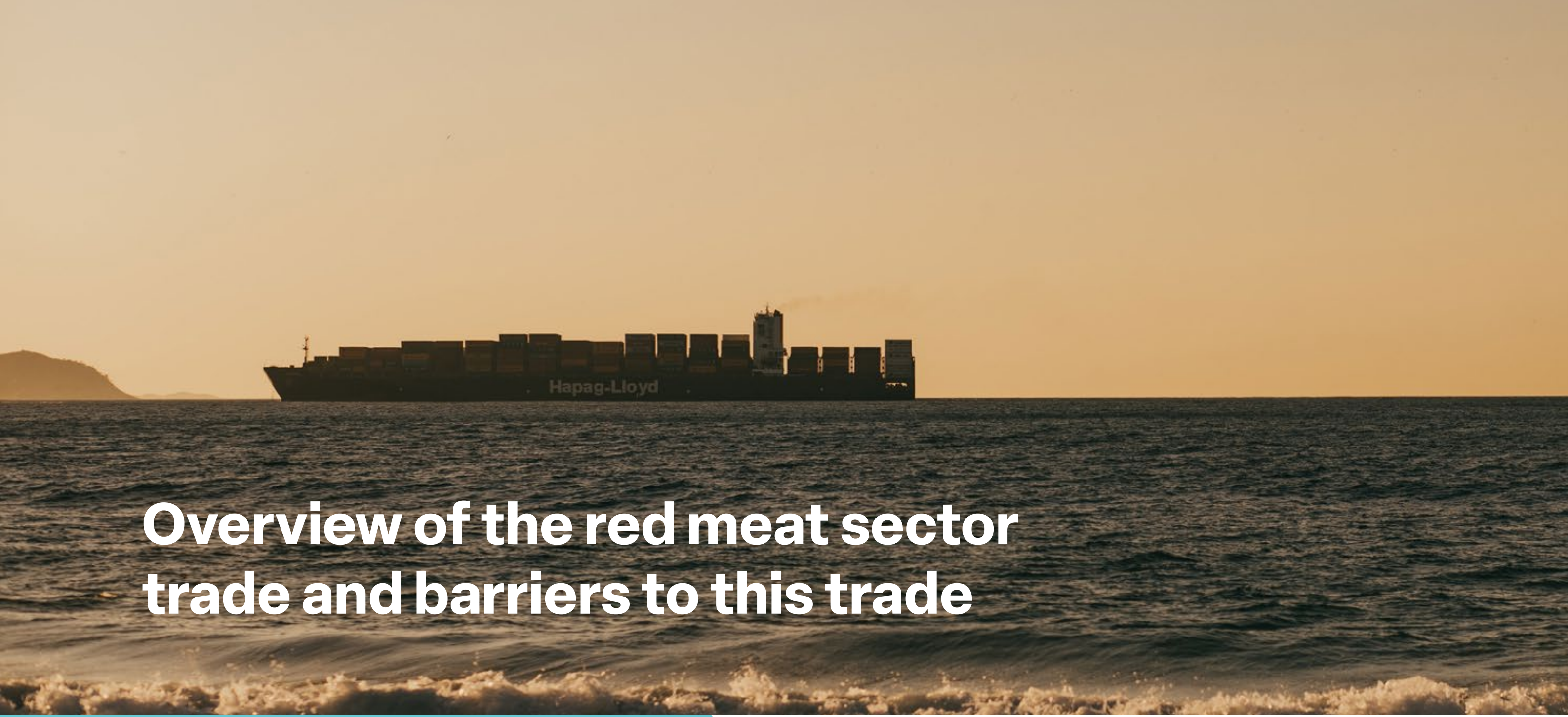
The sector seeks to works constructively with government to develop and implement regulation across a range of policy areas. Effective and pragmatic policies are critical to achieving outcomes that benefit all New Zealanders, such as economic growth, environmental sustainability, carbon reduction and productivity improvements, and support the ongoing viability of the red meat sector.

Ahead of the 2023 general election, B+LNZ and MIA published the Red Meat Sector Manifesto. It sets out a key series of policy areas that we want to partner with the Government to achieve our shared outcomes. These include:
- Climate change and environment
- Workforce and industrial relations
- Trade
- Biosecurity
- Innovation, research and development

As an export-driven sector that contributes 16 percent of New Zealand's goods export revenue, getting the settings in these areas right is essential. In the trade area we are calling for:
- Investment in foundation-building cooperation programmes for new trade deals
- Focus on resolving non-tariff barriers (NTBs), and negotiate improved access with trade partners
- Negotiate systems recognition and mutual recognition agreements to address NTBs
- Revisit New Zealand's trade policy strategy and consider creative pathways for deeper trade relationships
- Support for a strong international rules-based framework through the WTO

To continue to strengthen and build an export-driven industry, domestically we are calling for:
- Sensible, effective, and science-based environmental policy
- Policy settings that enable businesses to hire internationally where there are labour shortfalls
- A certain and stable business environment to plan for the future, and invest in growth and development of our people
- An enduring system to prepare for, and respond to biosecurity incursions
- A focused and targeted national strategy for R&D and innovation that will respond to the sector's needs and will support transformational projects

The sector will continue to work with government to enable the sector to succeed.



Overview of the red meat sector trade and barriers to this trade

Exports

$11.8 billion

Tariff costs

$197 million

Cost of non-tariff barriers (NTBs)

$1.5 billion*

Exports by product category
Beef - $4.9 billion
Sheepmeat – $4.3 billion
Fifth quarter products - $2.6 billion

Major export markets
China - $4.5 billion
United States - $2.3 billion
European Union - $1.4 billion
Japan - $565 million
United Kingdom - $488 million

Export markets with the highest tariff costs
Japan - $88 million
South Korea - $52 million
European Union - $19 million
United States - $11 million
Gulf Cooperation Council - $6 million

Types of NTBs the sector faces include:
- Onerous premises audits and registrations
- Complex and inconsistent halal requirements
- Onerous or unnecessary certification
- Lack of transparency of requirements
- Inconsistent technical requirements
- Prescriptive and onerous labelling requirements
- Inefficient import checks
- Consularisation of documentation
- Private standards.

* The export and tariff data is for the 2022 calendar year, and the NTB data is for 2019.

Developments over the last two years

Brexit

Supply chain and administrative challenges

On 31 December 2020, the United Kingdom (UK) formally left the European Union (EU). While a Trade and Cooperation Agreement between the EU and the UK allowed for tariff free trade, UK businesses were significantly under prepared for the additional customs and border clearances processes and administrative costs that were introduced. Over the past two years this has resulted in significant trade disruption, especially for perishable products that relied on just-in-time delivery including red meat.

In additional to being impacted by these supply chain disruptions, New Zealand exporters have been uniquely impacted by an administrative decision by the UK to prevent New Zealand product from accessing WTO tariff rate quotas when exporting into the Northern Ireland market. Because of the rules and procedures laid down in the Northern Ireland Protocol, third-country products are currently considered to be "at risk" of entering the EU "through the back door". Accordingly, UK authorities have said that New Zealand cannot utilise quota access into Northern Ireland to try and manage this risk. This decision is a clear breach of the United Kingdom's WTO obligations.

Unfortunately, this issue is still yet to be resolved. However, the Windsor Framework (announced in February 2023 and expected to be implemented in October 2023) may provide a pathway to do so. The Framework aims to deliver free-flowing movement of food between Northern Ireland and Great Britain and "removes any sense of a border in the Irish Sea within the UK". It has provisions to address quota issues for third parties, including for New Zealand sheepmeat. However, the specificity on how this will be address is yet to be determined.

The Windsor Framework may also provide additional benefits for New Zealand, including New Zealand lamb being eligible for radically reduced border checks via the "food retail green lane". However, the framework currently lacks specificity on many key issues facing New Zealand exporters. B+LNZ and MIA are working closely with New Zealand Government officials to ensure positive outcomes on these long-standing issues as the UK and the EU implement this framework.

Article XXVIII negotiated outcomes

Over the last two years, New Zealand has been in negotiation with the EU and the UK on the WTO quota volumes. As a result of the UK leaving the EU on 31 December 2021 (Brexit), the EU27 and the UK proposed that WTO country specific tariff rate quotas for sheepmeat and high-quality beef be apportioned between markets based on historic trade flows (pre-dating the 2016 UK referendum). Negotiations on this apportionment were carried out under Article XXVIII of the General Agreement on Tariffs and Trade and concluded in 2022. Outcomes will come into effect from 1 July 2023.

Article XXVIII negotiated outcomes

WTO Quota Type	Current quota volumes (Metric tonnes)		New quota volumes (Metric tonnes)	
	EU	UK	EU	UK
High Quality Beef	846	454	1,102	198
Sheepmeat	114,184	114,205	125,769	102,620

Reaching an agreement on quota volumes does not mean that New Zealand will be accepting the UK's independent goods schedule. A range of systemic issues remain as a result of the UK extracting its WTO commitments from the EU28 WTO commitments, including the amount of trade-distorting domestic support the UK is allowed to provide to its farmers. While the FTAs with the UK and the EU provide for improved trade, New Zealand is still committed to holding both the UK and the EU27 accountable for meeting WTO obligations after Brexit as it sets precedent should another EU Member State decide to leave.

New Zealand - United Kingdom (UK) Free Trade Agreement (FTA)

In February 2022, New Zealand signed a comprehensive FTA with the UK that will provide significant benefits for the red meat sector. The FTA will enter into force on 31 May 2023. Under the FTA, New Zealand's beef and sheepmeat exports to the UK will be fully liberalised over time. New Zealand has not had tariff-free access into the UK since Britain joined the European Economic Community (EEC) in 1973. During a 15-year transition period, beef and sheepmeat will be subject to duty-free quotas that will provide substantially greater market access compared with current trading conditions.

Beef will be subject to duty-free transitional quotas with the quota increasing from 12,000 tonnes in Year 1 to 38,830 tonnes in Year 10. From Year 11 to 15, a product specific safeguard will be in place. If imposed, it would result in tariff rates as high as 20 percent for New Zealand imports that exceed the volume threshold in a given year, which rises from 43,056 to 60,000 tonnes. A 20 percent tariff is less than the UK's current most-favoured-nation tariff rates for beef. The quota will be administered based on product weight (PW).

Sheepmeat will also be subject to duty-free transitional quotas with the quota increasing from 35,000 tonnes (Year 1 to 4) to 50,000 tonnes (Year 10 to 15). This quota will only be accessible once 90 percent of our existing World Trade Organization (WTO) quota has been used. The UK's WTO quota volume is 102,620 tonnes following the split between the EU27 and the UK due to Brexit. Both quotas are administered using carcass weight equivalent (CWE).

The FTA includes a dedicated chapter on animal welfare that reflects the importance both countries attach to high animal welfare standards. Importantly the chapter recognises that, while farming practices are substantively different, respective animal welfare laws, regulations, and policies provide largely comparable outcomes. Such a statement has not been included in any of the UK's comparable FTAs, including that with Australia.

Figure 1: *Transitional UK Market Access for Beef*

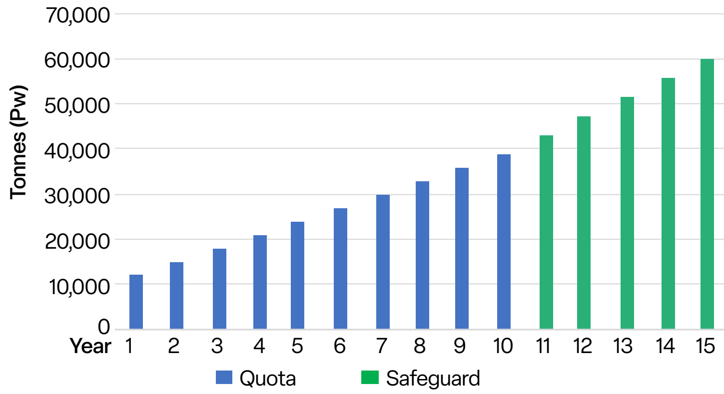
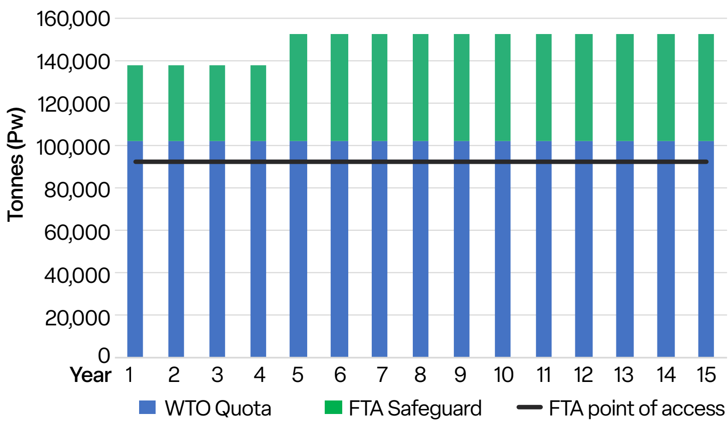


Figure 2: *Transitional UK Market Access for Sheepmeat*



Under the FTA, both countries have also agreed provisions covering sanitary measures, customs procedures, and trade facilitation, enabling the faster release of goods within 48 hours of arrival. For perishable goods such as chilled meat, the FTA sets out a six-hour release timeframe. This is critical for New Zealand chilled meat exports because it will ensure products can reach the final customer quickly and in optimum condition.

Importantly, the FTA has incorporated and built upon the NZ-UK Sanitary Agreement which replicates the NZ-EU Sanitary agreement and sets out the principle of recognition for equivalence of sanitary measures maintained by the UK and New Zealand. Over the course of its history, this agreement has helped reduce many potential barriers in the trade of animals and animal products between New Zealand and the EU, and its incorporation in the UK-FTA is of significant benefit to the sector providing ongoing commercial certainty in accessing the market, and provides a platform for cooperation in international SPS matters between New Zealand and UK governments.

B+LNZ and MIA worked closely with New Zealand negotiators to secure commercially meaningful outcomes for red meat, particularly for beef products. Based on 2022 export volumes, the potential tariff savings in the first year will be at least NZ$3 million, which is a significant tariff saving for a relatively small export volume. Given that exports will increase with the new quota access, the actual value of the tariff savings will likely be much larger in the first year alone.

However, there are some aspects of the FTA that are not ideal. For example, the requirement that 90 percent of the WTO sheepmeat quota is filled before exporters can access the new sheepmeat quota under the FTA creates an added level of complexity. This requirement also creates a practical barrier to the use of some of the gains made. As tariffs on value-added processed sheepmeat products are only removed under the new FTA sheepmeat quota, they will miss out on any tariff savings until the 15-year transitional period has ended as it is unlikely New Zealand exporters will use enough of the quota required to trigger access to the new FTA quota.

New Zealand-European Union (EU) Free Trade Agreement

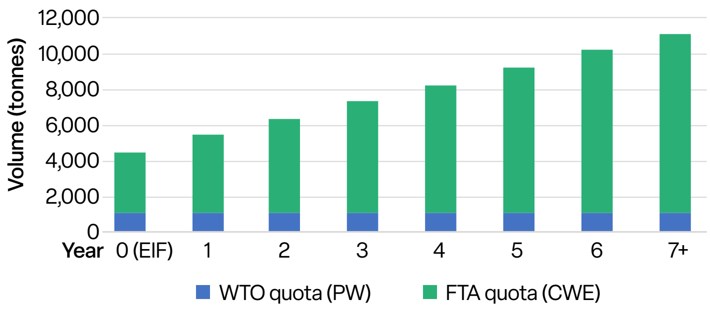
In June 2022, New Zealand and the EU concluded FTA negotiations. It is anticipated the FTA will enter into force in early 2024 following respective ratification processes. Unfortunately, this deal will have significantly fewer benefits than the UK deal. While New Zealand has good access into the EU for sheepmeat through the WTO quota (125,769 tonnes), the current access for beef is very limited with only a small WTO quota and very high out-of-quota tariffs.

New Zealand currently has access to the EU beef market through a New Zealand-only WTO quota of 1,102 tonnes of high-quality beef with an in-quota tariff of 20 percent. Under the FTA, this tariff will reduce to 7.5 percent upon entry into force. A new quota will be established increasing from 3,333 tonnes to 10,000 tonnes over seven years. This will also have an in-quota tariff of 7.5 percent.

The new FTA quota volume will be calculated using a carcass weight equivalent (CWE) as opposed to product weight. As 99 percent of New Zealand's beef exports to the EU are boneless, using this calculation will reduce the true volume of new access to around 2,570 tonnes on entry into force rising to around 7,715 tonnes after seven years.

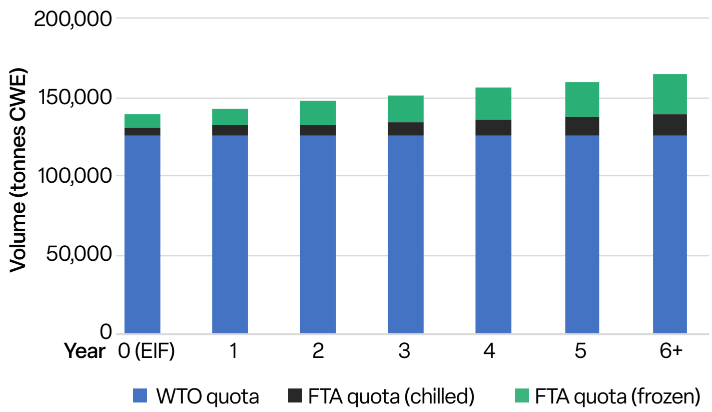
Based on 2022 export volumes, the potential tariff savings in the first year will be at least NZ$12 million. While not insignificant, the minimal improvement to beef market access under the FTA restricts growth opportunities which is critical to any comprehensive and ambitious FTA. The new beef quota accounts for less than two percent of New Zealand's annual beef exports and represents less than 0.2 percent of annual EU beef consumption.

Figure 3: Permanent EU Market Access for Beef



Under the FTA, there will be minimal improvements to New Zealand's sheepmeat market access in the EU with the establishment of two new duty-free quotas reaching 38,000 tonnes seven years after entry into force (one quota for fresh/chilled product and one for frozen products). The combined volume of New Zealand's existing WTO quota and the new FTA quotas will be 163,769 tonnes, which represents approximately 40 percent of New Zealand global sheepmeat exports. Both quotas are administered using CWE.

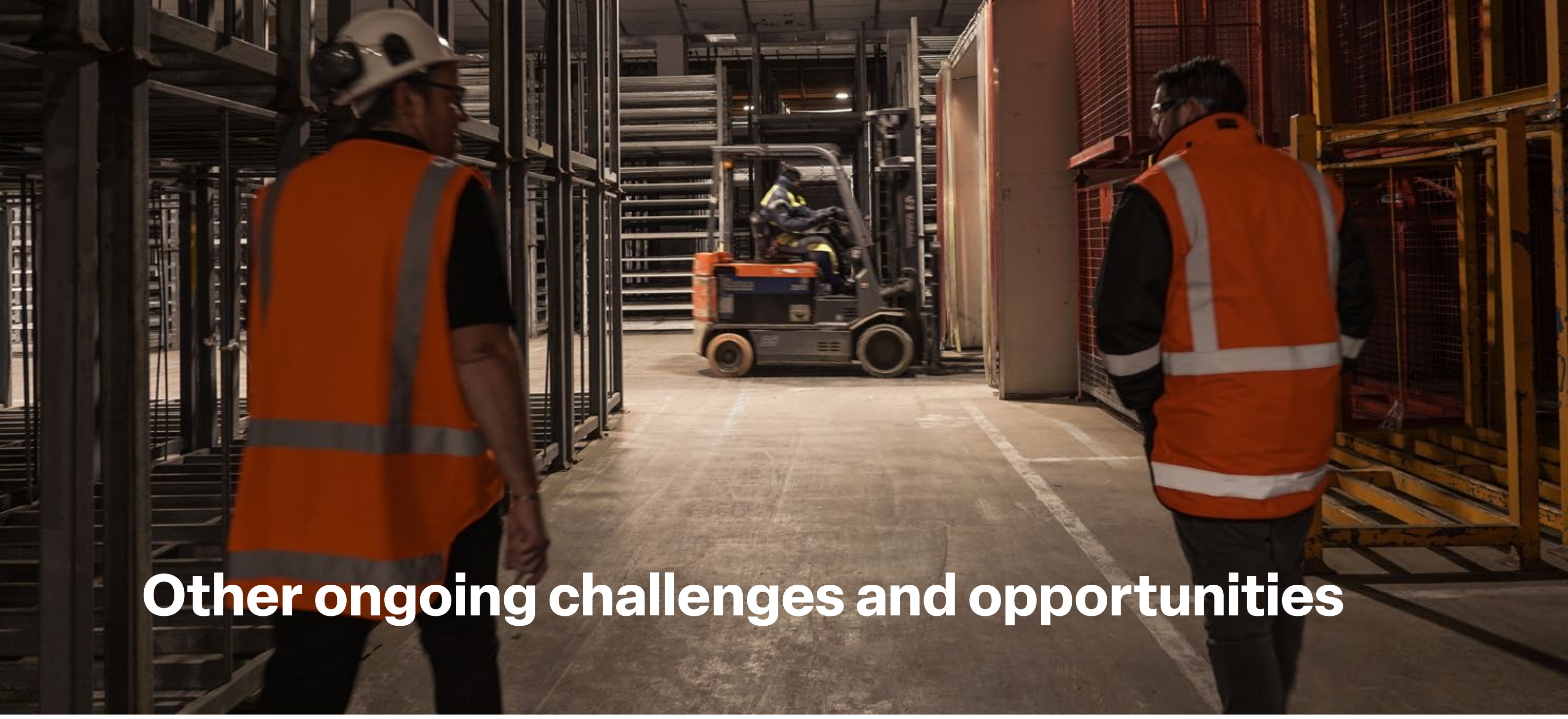
Figure 4: Permanent EU Market Access for Sheepmeat



Like the UK deal, the FTA recognises that despite differences in farming practices, both the EU and New Zealand standards and systems provide for comparable outcomes on matters related to animal welfare and antimicrobial usage. Despite this recognition, New Zealand may still need to establish additional regulatory assurance mechanisms to address EU concerns such as ways to demonstrate that anti-microbials are not used as hormone growth promotants in New Zealand.

Unlike the UK deal, the FTA provides minimal improvements to customs procedures and trade facilitation. For instance, the FTA does not provide for the quick release times for perishable goods at customs, import fees and charges constraints, or paperless TRQ administration.

The outcomes on beef represent a missed opportunity with New Zealand exporters still largely kept out of a high-value market. EU consumers are willing to pay a premium for high quality, sustainable products that meets superior animal welfare standards, such as New Zealand's grass-fed beef and lamb. These negotiations offered a real opportunity to return better prices to both companies and farmers, but unfortunately this outcome will limit the New Zealand red meat sector's ability to respond to that demand.



Other ongoing challenges and opportunities

While overall export returns were exceptionally good in 2022, the sector continued to face ongoing challenges such as increased costs, staff shortages and logistics disruptions, which affected both farmer and meat processor company revenues.

Domestic challenges

There have been times during the last two years when many plants have not had enough staff available to fully process every carcass. This has meant that some products (such as offals) have been sent to be rendered rather than being saved for individual sale.

It is difficult to put an overall figure on this loss of value due to labour constraints but MIA estimates that the overall loss of value for the sector due to staff shortages in 2022 alone was up to $600 million.

The sector is hopeful that with the borders re-opening the labour shortages and the loss of revenue will be reduced over the coming year.

Supply chain constraints

Logistics challenges continued into 2022 and have had a significant impact on chilled sheepmeat exports to the sector's most distant markets in the UK and EU. While prices for frozen product were very high during the year, companies were not able to recover the additional premium for chilled product because of these challenges.

The UK has traditionally been New Zealand's largest market for high value chilled sheepmeat, but exports of chilled meat to the United Kingdom were the lowest that they have been for nearly 30 years.

The ongoing difficulties of exporting chilled meat also saw an increase in the sector's tariff costs in 2022, largely due to a switch from chilled to frozen exports to the Gulf Cooperation Council (GCC). As the GCC has a five percent tariff for frozen meat compared to zero tariff for chilled meat, this switch resulted in an addition $1.5 million in tariff costs on exports to the market in 2022.

Foreign Animal Diseases

Another significant challenge appeared in mid-2022, in the form of a Foot and Mouth Disease (FMD) outbreak in Indonesia. While the risk of FMD spreading to New Zealand continues to be very low, if there were an outbreak the impact on the sector and the wider New Zealand economy would be devastating.

MPI estimates that an FMD incursion could cost the economy $16 billion over four to five years with significant impacts on regional economies, employment and agriculture-related services. Even after an outbreak had been eradicated it would take time to regain access to some of the sector's most important high value markets.

The sector appreciates the extra measures that the government implemented at the border to manage and reduce the risk of FMD being imported into New Zealand from Indonesia, the initial work of the MPI FMD taskforce on readiness, and refreshing FMD plans already in place.

A gap, however, remains in this work to understand what trading conditions will look like should an FMD outbreak occur. The sector continues to work closely with MPI on plans seeking to mitigate the impacts anticipated if a wholesale cessation of the trade in meat products were to occur. One way to do this is to have provisions in place to allow for some trade to continue in the early stages of the disease outbreak, including:

- Trading with markets where FMD is endemic, particularly at the start of any incursion;
- Negotiating bilateral/plurilateral agreements with key trading partners to provide certainty on trade conditions in the event of an FMD incursion and change to New Zealand's FMD status;
- Supporting MPI to remain engaged with the World Organization for Animal Health (WOAH) and other international standards setting bodies to ensure standards are based on best available science, reflect industry processing practices, and proportionately protect animal health and welfare without imposing unnecessary burdens.

The value of our meat products would be significantly impacted in the event of an FMD incursion. We would not be able to demand a premium price. However, establishing routes for trade will provide important pathways to maintain continuity of processing stock from the majority of farms that will not be directly affected by an outbreak, keep businesses across the value chain functioning, and workers employed.

MIA and B+LNZ are both signatories to the Government Industry Agreement for Biosecurity Readiness and Response, which provides a framework for industry and government to work together to prepare for and respond to biosecurity incursions. This ensures that the sector has a seat at the table in the decision-making on policy and interventions relating to biosecurity.

While it is not currently a barrier to trade, there is a risk that without formal arrangements with key trading partners there is currently no certainty on how trade could continue in the unlikely case that there is a foreign animal disease incursion in New Zealand. Implementation of the Quad Zoning Arrangement with Australia, Canada and the USA is an example of work underway by MPI with counterpart officials to collectively manage this risk.

Successful implementation of such an agreement means parties are clear prior to any incursion that regionalisation[1] will be pursued, and trade can quickly resume should an incursion occur. Such arrangements are crucial to the survival of the sector in the aftermath of an animal disease incursion. The sector supports resources and plans being put in place for preparedness and responses to animal disease incursions like FMD.

[1] where trade from non-affected regions or zones can continue to occur

Opportunities

Despite these challenges, there are opportunities for the sector to grow the value of our exports into existing markets and to continue to develop exports into smaller and newer markets.

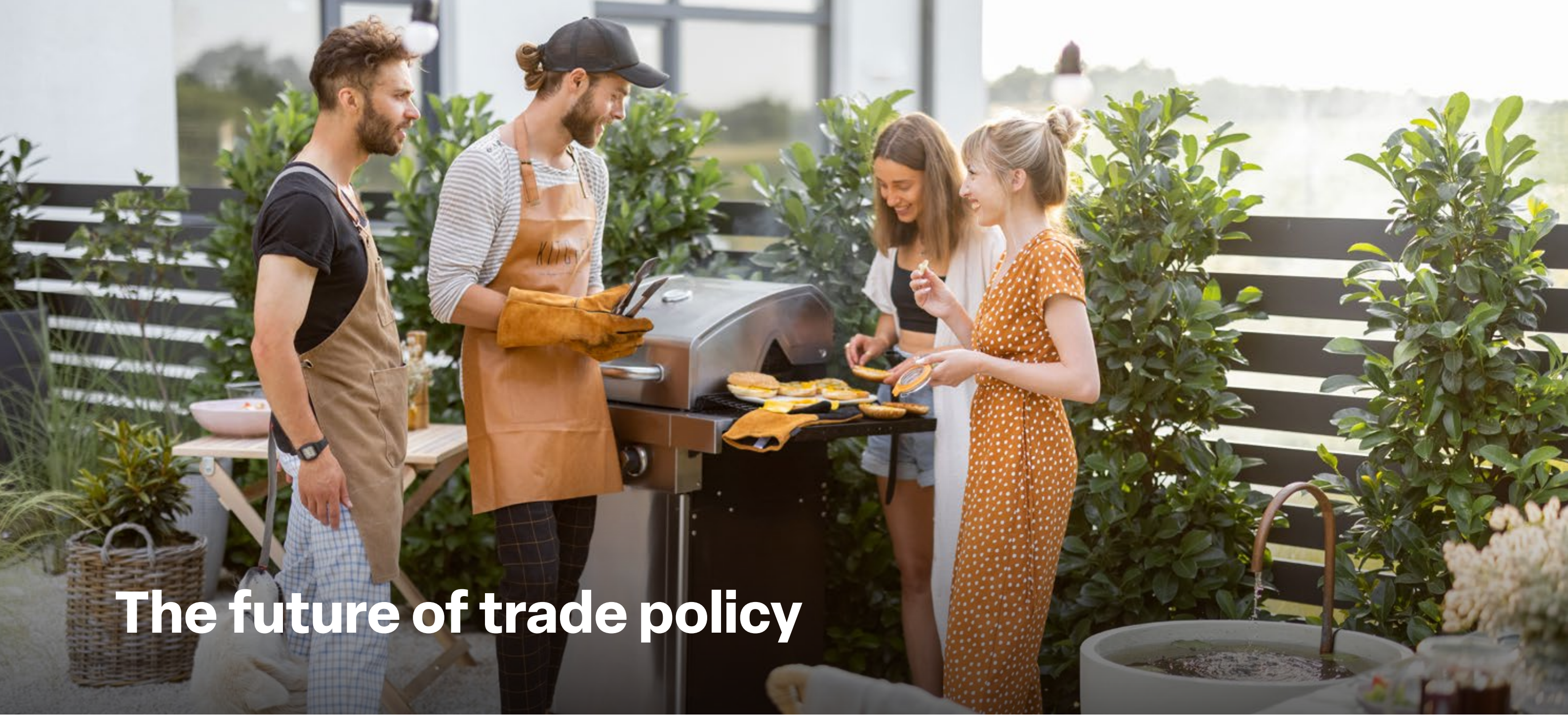
In our existing markets, the new FTAs with the UK and EU open up the opportunity to develop beef exports. The UK FTA in particular provides commercially meaningful access into the market. It will further enable New Zealand exporters to develop longstanding relationships with customers for beef in the same way that they have done for sheepmeat.

While the outcomes for beef under the EU FTA were disappointing, the sector will use the opportunity of increased access to provide European consumers with more sustainably produced, high-quality and safe New Zealand meat.

The Taste Pure Nature origin brand has now been successfully operating for four years in the US and more recently in China. The US has grown to become one of the sector's most valuable markets for chilled lamb, assisted by the work of Taste Pure Nature to build awareness and preference for New Zealand grass-fed red meat in the market.

While there has been significant focus on the EU and UK FTAs, and on the sector's apparent reliance on China, the sector has been growing its exports to other markets. For example, in 2022 there were record exports to Thailand ($62 million) and Vietnam ($32 million).

While they are both relatively small markets, they have significant potential. The growth of exports to these markets highlights the sector's agility. Our exporters will develop markets like these when the market and access conditions are suitable. Thailand is a good example, as trade in beef has developed steadily since the safeguard measures that restricted beef exports were removed at the beginning of 2021.



The future of trade policy

Approximately three-quarters of our sector's trade is covered by an FTA. Our existing network of FTAs have brought about significant reduction in tariffs, as well as making it possible for us to export to a diverse range of markets. Underpinning this FTA network is an innovative and resilient sector, a robust and world-class regulatory system, and tenacious and effective negotiators who pursue access to markets on the most favourable terms possible. As well as tariff reductions, FTAs also provide rules and guidance for the imposition of non-tariff measures (NTMs). The rules and guidance for NTMs are a way to ensure that these measures continue to facilitate trade and are not onerous on exporters – thus becoming non-tariff barriers (NTBs).

Future Agreements

New Zealand's red meat sector relies on favourable access to as many markets as possible to respond to changing market dynamics, consumer demand, and to maximise the value of each animal. Diversity in markets and having options are important contributors to the resilience and profitability of the sector.

The value of market diversity was reinforced through the sector's experience and response to the Covid-19 pandemic. Despite unprecedented disruption, uncertainty, and volatility the sector worked hard to maintain production, keep supply chains going, and retain jobs. This was made possible due to diversification and strong customer relationships across the 100-plus markets to which New Zealand exports. Consequently, the sector's exports throughout the pandemic remained stable and in-fact, due to strong demand and global prices, have delivered outstanding returns.

Currently over 58 percent of the sector's exports by value are covered by FTAs in force. Once the FTAs with the UK and the EU are in force, this will increase to approximately 75 percent. Access to a country specific TRQ for beef into the US market ensures an additional 11 percent of New Zealand's exports have access to lower tariff rates. This network of preferential trade arrangements has helped to level the playing field and facilitate trade and the development of commercial relationships by creating transparency, consistency, and predictability in the rules and standards that our trading partners apply.

New Zealand's agricultural exporters, the red meat sector included, can punch above their weight internationally in part thanks to New Zealand's leadership on trade, standards setting, and the bipartisan commitment across successive governments to the negotiation of high quality, comprehensive, and ambitious FTAs. Continuing to ensure FTAs are fully implemented, trade barriers are resolved, and new market access opportunities are pursued remains important. Global disruption and volatility are significant: having options is more important than ever.

However, as global tariffs have reduced and New Zealand's network of FTAs has grown, FTAs are no longer the silver bullet to growing trade. Focus and resources need to be on resolving trade barriers, achieving commercially meaningful outcomes, and approaching trade relationships in a holistic and creative way. In this section, we consider how to improve our trade relationships with India, the US, and key African markets.

India: a fast-growing emerging market

By 2030, India will be the third largest global economy and is projected to have the world's largest middle class. The aspiring middle class the world over seeks out quality and safe protein, and India will undoubtedly follow this trend, particularly for lamb products. Consequently, the India market is an opportunity to provide consumers with a wide range of sheepmeat products, ranging from high value middle cuts through to manufacturing meat and further processed products. There are also opportunities for co-products, such as blood serums used in the manufacture of medicines and vaccines. India is already an important market for products such as wool and leather.

While India is a market of huge potential due to projected population growth and a rapidly expanding middle class, current trade is minimal; accounting for 0.02 percent of New Zealand's red meat exports in 2022 due to a high tariff rate for sheepmeat (30 percent) and significant non-tariff measures that also limit trade, including infrastructure limitations and regulatory complexities.

The India market presents significant opportunities for the sector, but the relationship requires a sustained, holistic, and strategic approach to unlock potential. New Zealand has unsuccessfully tried to get an FTA with India over the line since 2010. We know that trade liberalisation for some sectors is challenging for India. To best address these challenges, New Zealand needs to take a long-term view of its relationship with India extending beyond that of trade.

United States: mature market with development potential

The United States (US) continues to be a major export market for the sector with strong demand for high-quality beef and sheepmeat. It is the sector's second largest market, accounting for 20 percent of the sector's exports. Even with our place in the market, meaningful growth opportunities still exist in the US due to increasing demand for premium products marketed on their sustainable and ethical production methods. More imports will also be required over the next few years to maintain current levels of demand due to a significant drought that has impacted domestic production. US cattle numbers are the lowest they have been since 2015 and it's expected there will be further decreases in 2023 as the drought continues.

While New Zealand enjoys a good trade relationship with the US, there is a need to improve existing trading conditions. New Zealand has preferential access through a 213,402 tonne WTO country specific beef tariff rate quota. Under this arrangement, most New Zealand beef products can access a low in-quota rate of US4.4c/kg (equivalent to a one percent tariff rate). However, the US out-of-quota tariffs on beef are high and Australia (our main competitor for both beef and sheepmeat) faces zero tariffs under their bilateral FTA.

Successive New Zealand governments have been unable to launch bilateral FTA negotiations and the US continues to have no appetite to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Therefore, improving our trade relationship through traditional negotiations is highly unlikely in the short term.

While the sector's preference is for the US to join CPTPP, we are optimistic that the Indo-Pacific Economic Framework (IPEF) may provide a forum to resolve long-standing trade issues. It is disappointing that tariff reductions have been excluded from these negotiations. However, there is considerable scope for Government officials to cooperate to minimise non-tariff measures that impact New Zealand exporters.

African markets: significant potential with a growing, young middle-class

While it's difficult to identify potential FTA partners that would result in commercially meaningful outcomes for the red meat sector beyond long-standing targets (the US and India), African markets represent significant potential. Africa has a fast-growing young population, which is set to double by 2050 to 2.5 billion and a growing middle class. These conditions will result in increasing demand for high-quality proteins offering up significant opportunities for New Zealand red meat exports.

Operating in many African markets can be challenging due to infrastructure limitations, political instability, and regulatory complexities. These challenges should lessen as the continent continues to focus on increasing its competitiveness and integration into global supply chains through improved national-level business environments. New Zealand should explore opportunities to improve our trading relationships through bilateral conversations with key markets such as Kenya and through discussions with the African Continental Free Trade Area.

Trade and Sustainability

In the two years since the last International Barriers to Trade report was published, the nexus between trade and sustainability has become increasingly more important, particularly for environmental practices on-farm. Issues related to sustainability, including sustainable agriculture, featured prominently during both the UK and the EU FTA negotiations. Both FTAs include a range of ambitious sustainability provisions including those related to climate change, labour rights, the economic empowerment of Māori and women through trade, and animal sentience.

Outside of FTA negotiations, there has been an increasing number of sustainability requirements from importing markets. While the majority of these are being progressed in the EU, other markets are also considering how they might be implemented. For example, the UK is progressing a quasi-government initiative to establish rules around the labelling of sustainability claims.

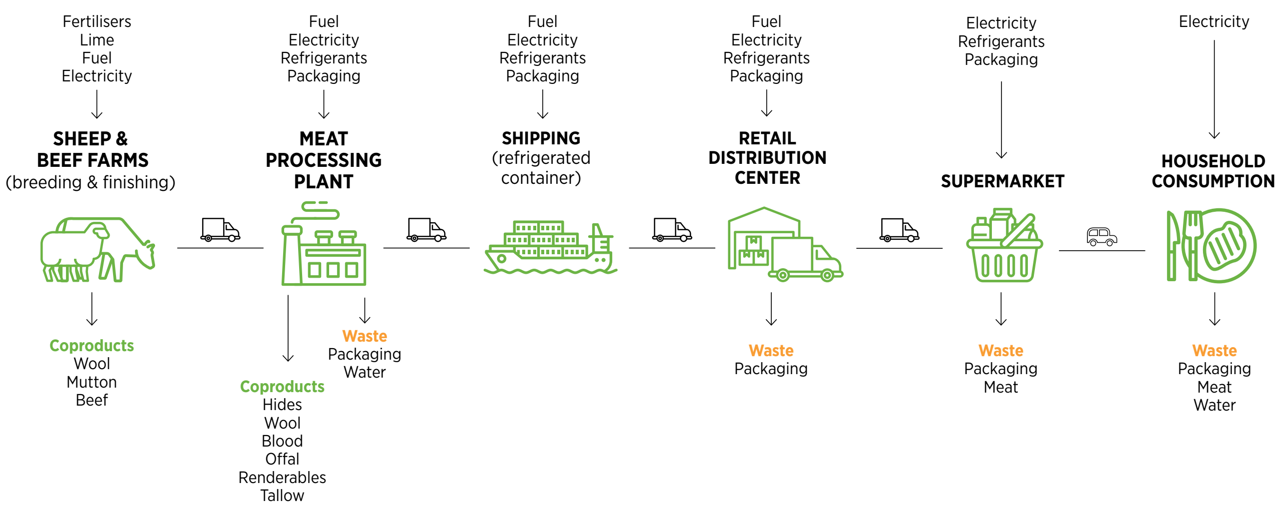
Traditional issues (such as the issue of food miles) remain part of these discussions, but new concerns are emerging as consumers become more aware of the environmental impacts of livestock farming. International advocacy groups are increasingly vocal about some of our competitor's beef production practices over climate change and biodiversity concerns. For instance, concern around the rate of deforestation in the Amazon has led to the EU progressing a regulation banning imports that have a connection to deforestation. While New Zealand production methods are not the focus of these new regulations, the increased verification and certification requirements have the potential to impact exports by increasing costs and complexity of trade.

Internationally, opponents of red meat are becoming better funded and coordinated, with arguments against consumption being levelled on health, environmental, and ethical grounds. These advocacy efforts are becoming more sophisticated including an increasing presence at high-profile international negotiations such as the United Nations Food Systems Summit 2021 and at the United Nationals Climate Change Conference of Parties (most recently COP27 in Egypt). The sector is working with international partners to provide a strong science-based and united voice on these issues to ensure these negotiations recognise the importance of red meat to nutrition, and the positive environmental impacts of grass-fed red meat production.

So far, this increased focus on issues related to sustainability has come from western markets, such as the UK, EU, and the US. However, the sector expects Asian markets to follow suit as global interest in sustainability increases. While the increased scrutiny on production methods could adversely impact the New Zealand red meat sector with the introduction of unnecessary red tape, it also represents an opportunity in which we can distinguish New Zealand production from our competitors.

The sector's sustainability credentials are strong, with an integrated approach to farm management that incorporates biodiversity, climate, and water policies that differ from those of our competitors. B+LNZ and MIA have worked together to tell this story to our consumers across the world. The Life Cycle Assessment for New Zealand beef and sheepmeat, released in November 2022, provides strong evidence that New Zealand red meat is among the most efficient in the world and provides strong evidence to our international customers of our credentials. New Zealand's red meat sector will continue to work with international partners and position ourselves as a trusted provider of safe, nutritious, ethical, and sustainable red meat products.

Figure 5: *Emissions throughout the New Zealand Red Meat Supply Chain*



Non-Tariff Measures (NTMs)

As tariffs have dropped, NTMs have become one of the most significant challenges for the red meat sector. These impose significant costs in production and administration, as well as causing delays and commercial uncertainty. Through analysis commissioned by MIA and B+LNZ (see box story), we have found that NTMs cost the red meat sector $1.5 billion a year. The bulk ($800 million) of these costs is imposed by sanitary and phytosanitary (SPS) measures; the rest ($340 million) are technical barriers to trade (TBT) measures. Addressing NTBs, therefore, could have a significant impact on fully realising exporters' market potential, and should make up a critical part of New Zealand's trade strategy.

Understanding Complex Barriers to Trade: non-tariff measures faced by New Zealand's red meat sector and their impact on value and volume

In 2022, MIA and B+LNZ commissioned Sense Partners to delve deeper into the non-tariff measures (NTMs) faced by New Zealand's red meat sector, building on earlier analysis by MFAT to quantify the cost of NTMs on New Zealand's agriculture sector. It is the first study that identifies the costs faced specifically by New Zealand's red meat sector, including by product and by market. The findings will be used to contribute to a wider discussion on trade policy, prioritisation of efforts to resolve non-tariff barriers (NTBs), and understanding further opportunities for unlocking market potential.

While the sector continues to face a fairly significant tariff burden ($197.7 million in 2022), this pales in comparison to the costs imposed by NTMs. The Sense Partners analysis indicates the sector faces $1.5 billion in costs related to NTMs.

Not all NTMs are NTBs, and some NTMs are trade facilitative

All NTMs impose some kind of cost on exporters, some will reduce the quantity of product exported below what they would be, and others will provide some level of confidence that the product is safe and of high quality. Well-designed SPS measures promote food safety and protect animal and plant health. They also provide a signal to the consumer that the product purchased is safe, so bolstering their confidence to buy. The analysis indicates that in our key markets, generally speaking, SPS measures deliver trade-enhancing benefits that outweigh their costs. On the other hand, TBT measures are less clearcut in their trade-enhancing credentials. These tend to impose costs without building consumer confidence.

New Zealand red meat exporters face higher costs than those in the rest of the world

Despite the costs in some cases being offset by the trade-enhancing benefits, on average NTMs that that New Zealand red meat exporters face are significantly higher than for the rest of the world. When looking at the NTMs faced in key markets for New Zealand red meat exporters, the analysis found that we have an AVE[2] of 18.7 percent across all NTMs compared to 8.6 percent for the rest of the world. This means that our exporters are facing an average "tariff" that is almost double that of other exporters.

Stringent NTMs may mean avoidance of markets or products

New Zealand exporters trade with many markets that have stringent NTMs which pose higher costs than other markets. This means these New Zealand exporters will face a higher AVE than the world average exporter. However, an AVE measure does not account for trade avoided or foregone due to high NTM requirements: it reflects only current trade patterns. In some markets where the AVE has been found to be low, but are known difficult markets to gain access to, this reflects the low volume of trade overall. Stringent NTMs in those markets mean that exporters will avoid sending product there, leaving behind full market potential.

A focus of effort on what has most impact on trade

For New Zealand red meat exporters, the largest costs come from SPS and TBT regulations, and to some extent from quantity controls (i.e. quotas). Questionable, trade-restrictive NTMs (true NTBs), and on legitimate but inefficient NTMs (trade-enhancing but impose high costs) are where efforts should be focused. The efficiency analysis helps prioritise the types of NTMs for specific markets, and develop a strategy for resolution.

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[2] AVE = ad valorem equivalent: represents the cost of an NTM as a percentage of the value of trade.
AVE makes it easier to compare costs to tariffs.

Non-tariff barriers the sector faces

The Sense Partners report has identified that the red meat sector faces at least $1.5 billion per year in costs related to non-tariff measures (NTMs). The report uses eight high-level NTM categories to assess these costs. This section identifies specific types of non-tariff barriers (NTBs) that the red meat sector faces that fall within these high-level categories.

NTBs continue to increase in prominence and complexity. NTBs can be convoluted and imposed under the guise of legitimate measures for food safety, or the protection of human or animal health. Emerging reasons for NTBs are animal welfare requirements, quality and sustainability credentials, religious requirements, and other matters where harmonised standards are not available. Without harmonised standards, or international agreements that are easily referable, it is difficult to ensure consistency and a proportionate response. As such, trade is often impeded. At times, and increasingly so, consumer demand for these requirements can drive their application but without commonly agreed rules.

In general terms, the specific types of NTBs facing the sector include:

- Onerous premises audits and registrations
- Complex and inconsistent requirements for halal certification and auditing
- Unnecessary or inefficient certification requirements
- Lack of transparency of requirements
- Inconsistent technical requirements
- Prescriptive and onerous labelling requirements
- Onerous import checks
- Consularisation of documentation (i.e. where export documents must be signed/ rubber stamped at an Embassy or High Commission)
- Private standards.

As well as undermining trade, NTBs can raise food prices, undermine food quality, impact food security, and impose further burdens on businesses.

Sector and government cooperation is key to addressing NTBs

We work closely with the Ministry for Primary Industries (MPI) and the Ministry of Foreign Affairs and Trade (MFAT) to address NTBs across our export markets. Addressing NTBs effectively requires government to government engagement, so the expertise and networks that MPI and MFAT have are crucial for the success of the sector. No two markets are the same in the way they are administratively structured. Navigating this complexity requires building and maintaining strong relationships with MPI and MFAT.

The sector will continue to work with government through existing mechanisms such as the Strategic Directions Group, which provides a direct channel of communication for the sector. The sector also works closely with MPI Market Access team to address NTBs across our export markets. This includes a regular review of the sector's market access priorities to ensure that resources are focused on the critical short- medium- and long-term NTBs that need to be resolved to further market access into a country or region.

While we have full confidence in the expertise of our own technical authorities and the integrity of our procedures, the same cannot be said for all markets. Varying degrees of expertise and political drivers can undermine internationally agreed core principles. In this regard, ensuring that the foundations of international best-practice standards and guidelines are adopted by our key trading partners is an ongoing priority for the red meat sector.

International standards and guidelines (set by the three international standards setting bodies[3]) are an integral part of a rules-based international trading system. When it does participate and contribute, New Zealand is well-regarded in these bodies. The development of robust, science-based international standards is a key strategy that government should use to anticipate and stop potential trade barriers before they arise. We strongly encourage the New Zealand government to take a leadership role in international standard setting bodies.

At a bilateral or plurilateral level, we fully support the Government advocating for and negotiating the recognition of New Zealand's assurance systems by all major markets. New Zealand's risk- and science-based regulatory framework and its associated legal instruments support an outcomes-based model. It is what drives innovation in the sector, while delivering the highest-quality food safety outcomes.

Resourcing is crucial to addressing NTBs. The sector considers it essential that government has multi-disciplinary staff resources and a well-targeted off-shore footprint. A well-resourced system will enable responses to issues as they arise, but also to develop long-term and proactive activities.

We encourage government to review existing negotiations and agreements continually as a way to address NTBs and seek commercially-meaningful outcomes.

Key NTBs found in multiple markets

Post-Mortem Inspection (PMI) reform

The purpose of PMI is to protect the public health by ensuring that the carcasses and cuts that enter commerce are safe, wholesome, not adulterated, and properly marked, labelled, and packaged. This means that any carcasses or parts that do not meet these attributes are designated as unfit for human consumption and do not enter the human food chain.

The question of who should carry out PMI, specifically for quality, is a priority for the industry. We consider that suitably qualified company personnel, rather than traditional government meat inspectors, should be able to carry out inspections for meat quality assurance without compromising regulatory assurances. This will drive company ownership of risk managment, but it should be noted that food safety and hygiene are still subject to inspection by government inspectors.

While this model underpins quality inspection practices for non-meat food businesses both in New Zealand and for export, similar provisions are not available to the red meat industry due to the heightened international sensitivities around official veterinary and government meat inspection, particularly for some of our key markets.

We work closely with MPI in their efforts to shift the international dial on PMI reform. This will afford considerable gains for industry by supporting further uptake of company meat inspection models and providing greater flexibility in how processors manage their business.

Electronic Certification

Electronic Certification ("E-cert") is the web application MPI uses to issue government-to-government assurances for animal products exported from New Zealand.

E-cert is supported by the MPI official assurance and verification regime, which confirms the compliance of products and premises with New Zealand's and the destination country's requirements. An approved export certificate is provided to the appropriate border agency of the destination country – in electronic and/or paper form – to facilitate border clearance into that country.

MPI has been negotiating with regulatory authorities in our export markets to gain acceptance of paperless certification. The sector supports this because it streamlines the certification process, reduces overall costs and handling delays, and minimises the risk of fraudulent activity.

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[3] Codex Allimentarus Commission, International Plant Protection Convention, World Organisation for Animal Health

Over the challenging last few years, the benefits of E-cert have been demonstrated through the increased uptake by several countries. This has encouraged alignment between agencies that historically may not have collaborated. The sector supports MPI's ongoing efforts to focus on negotiating the use of E-cert in as many countries as possible.

Approval and Listing of establishments (premises)

Internationally, animal protein is considered a highly sensitive product category in trade terms. This is due to the relatively high risk of transmitting human and animal disease and foodborne illness, particularly in raw products. To manage this risk, regulatory authorities in most importing countries require that meat be produced in approved establishments.

Often the requirements that must be fulfilled for an establishment to be approved are set by the importing country and reflect its domestic practices and needs. Often there is little acknowledgement of the exporting country's domestic regulatory settings which may meet the level of assurance required by the importing country and achieve similar outcomes through differing means.

While some countries allow MPI to approve premises on their behalf, other importing countries still require that all establishments seeking to export must undergo a successful audit visit from the importing country regulatory authorities prior to exporting, along with periodic review visits with all associated fees and costs being borne by the exporting country. Such a requirement is onerous and costly with little, or no clarity provided as to what costs or fees pertain to, which is inconsistent with international standards and guidelines and some FTA obligations. It is not unusual for audits to be delayed because there are no audit staff available subject to travel to New Zealand for the audit.

The fees and costs associated with the listings and audits can be significant, up to $100,000 for a single audit visit, especially as some audit visits are not systems based in nature, run over several weeks with multiple audit teams and sometimes include more than one auditing agency. An example of this are audit scopes that cover both food safety and halal requirements and often involve officials from more than one ministry.

Audits that are not systems based make judgement of a premises and/or industry on a snapshot of certain processes on a specific day and tend to be defect focused (i.e. what's missing from a process that may not be necessary). The sector has experienced audit visits that appear to be going well but plants were then delisted overnight based on a single observation with no explanation or opportunity to take remedial action. Delisting often means exports are blocked immediately, with uncertainty as to when or how to be relisted, and as to the fate of products already in-market or awaiting clearance at port or enroute to their destination. The cost of this is significant.

Delays and uncertainties also often follow an audit, particularly while an audit report is prepared by the importing country's regulatory authority, and any issues are addressed with MPI and the New Zealand sector. During this time, establishments without approval are unable to export to that country and there is no clarity around the timeframes for resolving issues. This has commercial implications in that companies could be locked out of potentially lucrative markets or may be at a commercial disadvantage compared with their competitors that are approved.

The sector's preferred position is that if an audit is required, it should be an audit of the New Zealand system rather than of individual premises and follow international best practice principles and guidelines where available. Once the importing country determines that the New Zealand system meets the outcomes sought by their own requirements, MPI should be able to approve premises based on objective criteria negotiated between the two countries. In other words, achieving "systems recognition" with importing countries should be a medium-to long-term priority of the Government, and a negotiating objective in any trade agreement. Recent comprehensive FTAs, such as CPTPP, outline provisions for systems-based approaches to in-country audits. A key focus moving forward is to ensure that these obligations are met by our trading partners, and that they are implementing any FTAs as intended. The sector is also interested in exploring greater use of new technologies, such as virtual audits, to minimise some of the costs and delays that can be associated with phyisical audits.

Halal processing

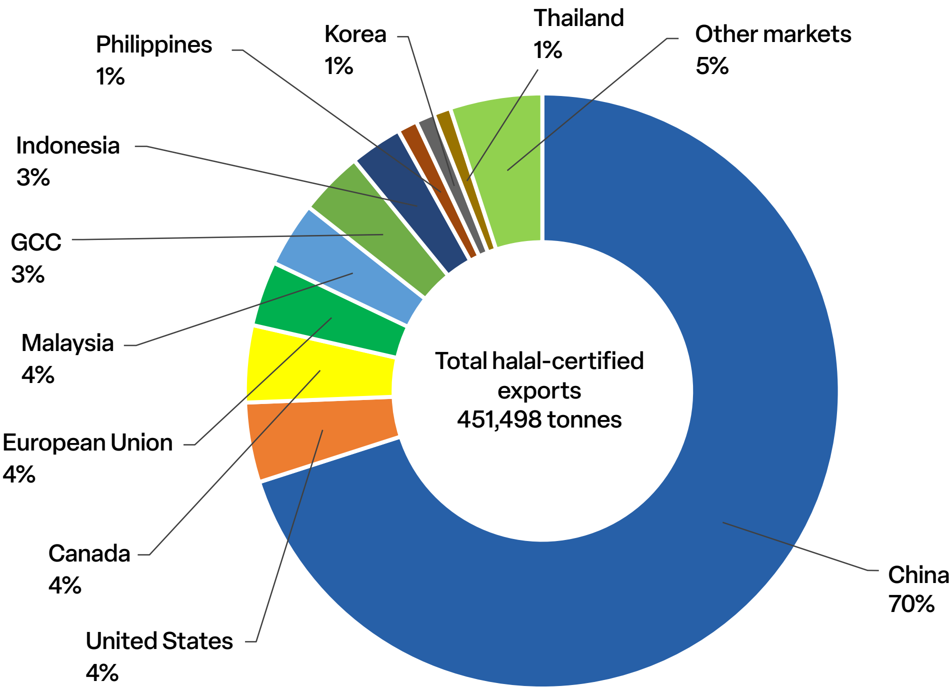
Muslim consumers around the world require meat products to comply with the religious requirement that meat be halal ('wholesome'). In the case of predominantly Islamic countries halal compliance generally falls under the authority of an Islamic ministry or institution. Halal requires, among other things, that meat must come from permitted species, and that the animal is alive (though it can be unconscious, i.e. stunned, which is mandatory in New Zealand) when slaughtered by a knife across the throat by a Muslim halal butcher reciting a Muslim prayer. Halal meat must also be kept segregated from non-halal meat.

Halal processing is a cornerstone of the sector's business model and is supported by a robust halal regulatory framework administered by MPI. This regulatory assurance enables companies to provide a wide range of products to Muslim countries and Muslim customers in other markets.

Nearly all of New Zealand's export processing premises are approved by MPI to undertake halal processing and over 90 percent of sheep and cattle are processed according to halal requirements. Halal exports accounted for 48 percent of red meat and edible co-product exports by volume in 2022 and were worth around $4.4 billion. Halal-certified exports were sent to 61 countries during the year.

Halal processing and certification requirements for Muslim countries are justifiably important, but they can be complex as they involve additional religious requirements on top of the food safety requirements. One of the key challenges is with respect to harmonisation of halal standards.

Figure 6: Halal-certified exports in 2022



While the Codex Alimentarius Commission (Codex) has established international standards for consumer health protection and international trade, there is no similar international standard for halal production and trade, which means that exporters must meet differing criteria to access various markets adding additional cost and regulatory burden. Other challenges include:

- Overseas halal requirements are often administered by religious authorities who may not take a collaborative or scientific approach in standard setting creating an opaque regulatory environment and inconsistent acceptance of New Zealand's electrical stunning parameters, including high frequency stunning.
- Some importing country halal requirements are incompatible with New Zealand's animal welfare requirements that an animal be stunned insensible prior to being slaughtered.
- Ongoing challenges with approval/renewal of New Zealand-based halal certification organisations by religious authorities in importing countries.
- Some markets have additional requirements for labelling or logos that differ to the New Zealand halal export standards, adding cost and complexity for companies.
- Stunning remains a reluctantly accepted halal practice in some Muslim countries.

The sector has been undertaking halal processing for around 40 years, with Islamic organisations based in New Zealand providing halal audit and certification services.

In 2010 MIA approached the Government with a request that a regulatory framework for the New Zealand halal export assurance system be established. This was in response to growing indications that many importing countries wanted to deal with the government on halal matters. As a result, the Government promulgated the Animal Products Notice: General Export Requirements for Halal Animal Material and Halal Animal Products (the Halal Notice) which, among other things, sets out requirements that must be met by establishments undertaking halal processing, by the halal butchers in these plants, and by the Islamic agencies that provide audit and certification for halal meat.

Having government involvement in halal processing has helped to provide assurances to markets and certainty for the sector about the requirements that must be met. It also provides an important platform for MPI to negotiate recognition of New Zealand's halal systems with overseas markets, something unique to a non-Muslim majority country and provides New Zealand with a competitive advantage in-market. Despite this, different institutions and interpretations across Islamic countries means that the sector still faces halal-related market access issues in several markets.

The sector is strongly supportive of the approach taken by the government to generate more certainty for our sector. We encourage an NZ Inc focus on prioritising MPI's efforts to negotiate halal mutual recognition arrangements as part of any government-to-government engagement, recognising the challenges set out above.

A key example of critical engagement by the Government is through MPI's influence of the UAE halal slaughter standards. Over several years, MPI engaged with UAE officials to influence the revision of the GSO 993 halal slaughter standards. This included seeking provision for high frequency stunning and alignment of stunning parameters with those applied in New Zealand. MPI's efforts have seen the new UAE halal standard published that incorporates stunning parameters that align with New Zealand practice. This of significant importance in ensuring commercial certainty for exporters, and provides an important platform to leverage negotiations with other key Muslim markets to recognise these parameters and adopt them into their own standards.

While most of the halal-related challenges stem from overseas market access requirements, the sector is also facing some domestic constraints that are putting significant pressure on halal processing and have the potential to act as a domestic barrier to export.

A key requirement under the Halal Notice is for halal slaughter to be undertaken by a suitably qualified Muslim. The sector needs approximately 240 halal butchers employed at any given time (which represents around one percent of the total meat processing workforce). Each year, the MIA runs a national recruitment drive to recruit suitable New Zealand resident halal butchers. Typically, this results in approximately 100 New Zealand resident halal butchers being recruited each year.

Because of New Zealand's relatively small Muslim population, who are mostly located in the major urban centres, and the specialised nature of the role, the remaining halal butchers must be recruited from overseas.

This created significant challenges for companies to be able to maintain halal processing when the borders were closed. The sector therefore welcomed the re-opening of the borders in 2022 and the introduction of the new Accredited Employer Work Visa (AEWV) in July 2022. With the border's reopening, MIA also organised recruitment and training of suitable candidates in Fiji to take up roles in New Zealand.

Despite these positive developments, the sector will continue to lobby for a specific visa for halal butchers, given their importance to the sector.

Shelf-life restrictions

Regulatory restrictions on shelf-life for chilled and frozen meat have been a long-standing challenge. Overseas authorities, particularly in the Middle East, have typically applied a shelf-life limits substantively lower than New Zealand's typical shelf-life for red meat products. Thanks to MPI's efforts, most regulatory shelf-life limits have either been removed and placed into supporting guidance materials, or extended to 24 months for frozen meat, and 120 days for chilled beef and 90 days for chilled sheepmeat. These parameters align with New Zealand practices, and alleviated some of the barriers which hindered the flexibility of how product is stored, when it is exported and how it is distributed in-market.

New Zealand's shelf-life parameters are based on strong scientific research, and are considered a commercial matter managed by the sector. For frozen product in particular, the research and data are clear that there no food safety issues associated with a longer shelf-life and therefore any restrictions create an unjustified trade barrier.

The sector would like to see MPI continue its efforts to encourage the removal of mandatory shelf-life limits all together to provide greater flexibility for exporters to apply their own validated shelf-life claims. This is becoming increasingly important given the ongoing impact of supply chain disruptions.

Acceptance of innovative processes and technologies

The sector is always looking to develop new technologies and processes that improve productivity without compromising food safety.

However, it can be challenging to get these processes accepted in some markets that have more prescriptive requirements and are reluctant to accept new processes even if it can be demonstrated that these processes meet the food safety requirements of the importing country.

It can also take time for international standards to be updated to recognise new processes and technologies.

Hot or warm boning are good example of this type of process. Hot boning and warm boning are two alternative methods to traditional cold boning, whereby the boning of carcasses occurs immediately after the slaughter floor, or after cooling has started but before the temperature of the carcass has been reduced to +7ºC or less.

While warm boning offer a number of advantages over the traditional cold boning (reduced energy consumption, reduced health and safety issues and reduced drying moisture loss), and still produces microbiologically safe meat, it continues to be a challenge to get the process accepted in some markets.

The sector appreciates and is very supportive of the ongoing work of the Government to provide scientific justification with trading partners and through international forums where appropriate to support the recognition and acceptance of hot and warm boning, and to push back against prescriptive requirements that single out cold boning only.

Meat processors are investigating options for automating a number of processes within meat plants. As well as the technical challenges of developing the new processes there is the added challenge of getting market acceptance to implement them, and the meat industry will need to work closely with MPI to do this.

Authentication/Consularisation

A number of countries, particularly in the Middle East, require that exportation documents be 'consularised' (i.e. authenticated) by that country's consulate in the exporting country.

Consularisation costs range from $300 to more than $1,000 for a set of documents. As well as the unnecessary additional costs, the process can take considerable time and exporters have experienced delays of up to three weeks in getting documents returned.

Given New Zealand has robust and well-respected border assurance systems and processes, the requirement for consularisation is an unnecessary burden adding to the cost and time of doing business while not providing any additional assurance for the importing country.

Some countries did remove consularisation requirements during 2020 to assist trade, and MPI's E-Cert platform has provided a welcome opportunity to remove the need for consularisation of export health certificates to some markets, although there are still numerous other documents required for border clearance purposes that sit outside of this. The sector would like the Government to negotiate with importing countries for the permanent removal of this requirement for all required documentation.

Private standards

While NTBs are understood primarily as regulatory measures, the compliance burden of meeting private standards may have similar impacts. Private standards are those developed by specific companies or non-governmental organisations (e.g. global retailers or multinational corporations) to set requirements for products or production processes. Compliance with these standards is voluntary, but companies that do not comply may find themselves excluded from markets or global value chains.

Research has found that private enterprises are making faster progress towards global standards than the initiatives of governments and international or regional organisations. While this can have some benefits, the potential downside is when industry standards do not align with government or societal interests and act as a further obstacle to trade.

The most common concern with private standards is that they often lack transparency and may be more burdensome and costly to comply with than relevant international standards. Because the private entities that develop these standards are not subject to WTO disciplines, there is little scope to challenge unjustified standards and to seek redress.

There has been a significant rise in new kinds of product labels in recent years as consumers demand more information related to their social and environmental concerns. One example is the use of carbon footprint labels as a tool to assist consumers to identify low emission food products. Many of these labelling requirements are based on inconsistent private standards. While the objective of enabling consumer choice is legitimate, the standards, metrics and methodologies underpinning these schemes often vary. This creates confusion, complexity and cost of business and has the potential to cause significant challenges for producers worldwide.

Sustainability and environmental focus

Sustainability is an increasingly important consideration for consumers. While New Zealand beef and sheepmeat has one of the lowest carbon footprints in the world, as demonstrated in figures 7 and 8, the sector is committed to doing more where it can.

Figure 7: *On-farm carbon footprint of sheep in kg CO_2-e per kg liveweight (GWP100)*

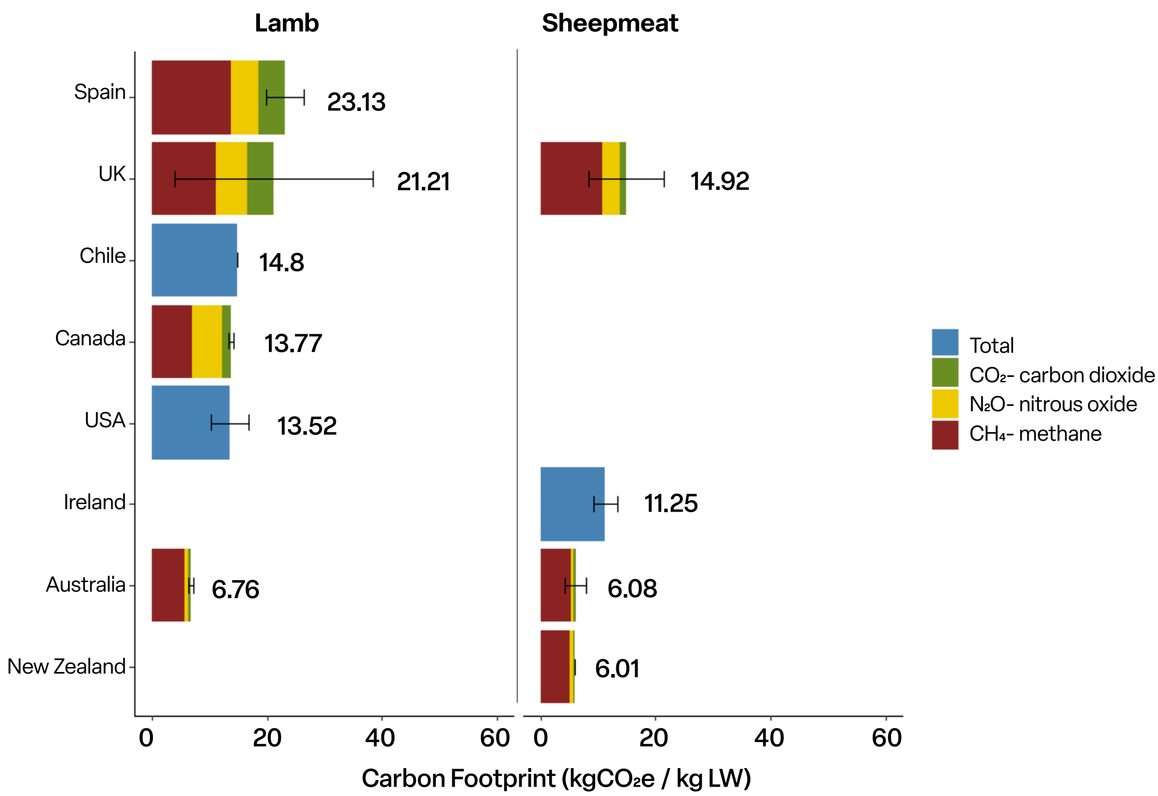
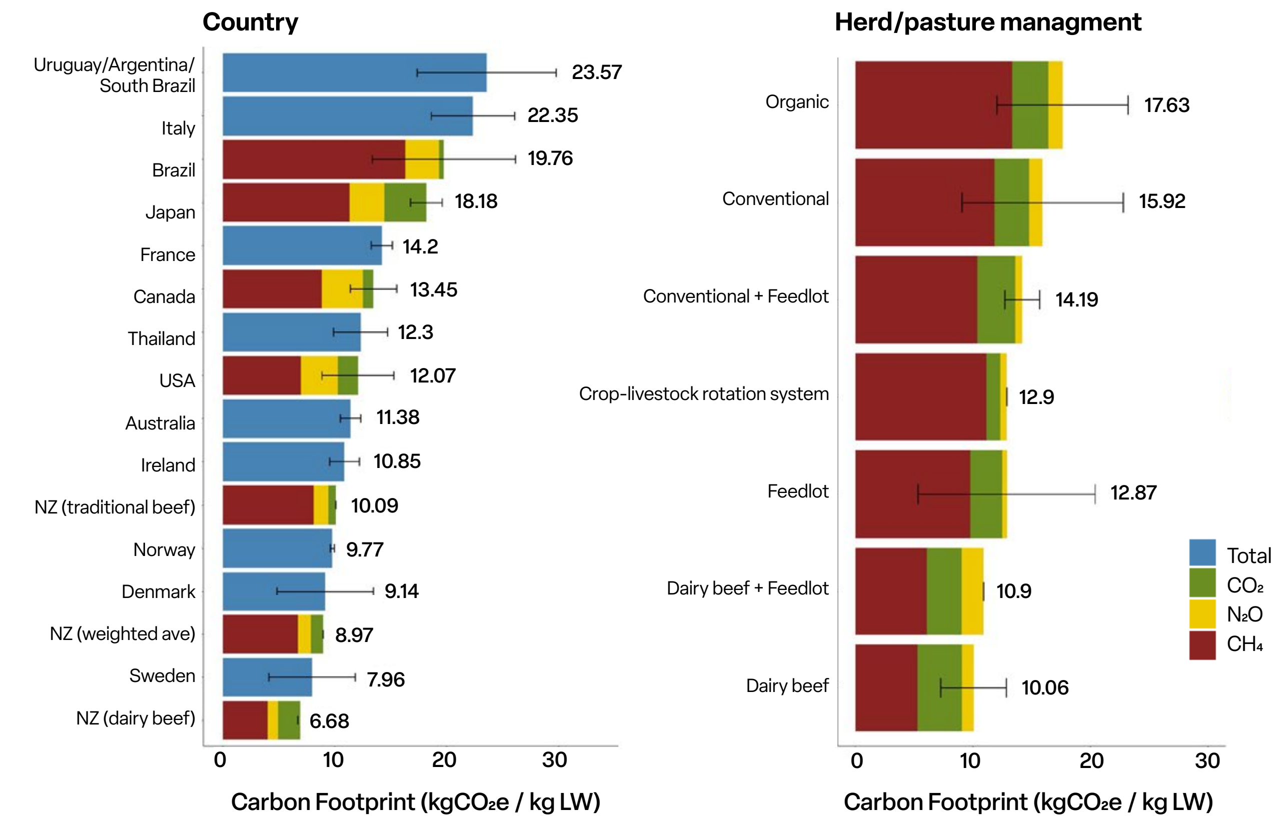


Figure 8: *On-farm carbon footprint of beef kg CO_2-e per kg liveweight (GWP100)*



Increasingly, we are seeing sustainability credentials (carbon footprint, on-farm emissions, and supply chain emissions among others) being required in-market. Many of these requirements are currently set by private companies that are seeking to meet self-imposed climate change targets through their supply chains. However, some are becoming market access requirements, such as the EU's deforestation-free supply chains requirements that target particular commodities, such as beef.

Protecting the environment, meeting climate change goals, and improving water quality and biodiversity are important goals that the sector supports and is working towards. Often, New Zealand is caught up unintentionally in some of the sustainability credentials as our animal husbandry and food production systems are different from many others. We welcome more engagement in ensuring that any sustainability credentials are grounded in robust data and science, are not another mechanism for protectionism, and do not become NTBs.

Summary of red meat sector exports by product and market

The value of the sector's exports has continued to grow over the last three years and were worth a record $11.8 billion in 2022. This was 13 percent higher than 2021 and 24 percent higher than in 2020.

This growth has largely been driven by high global prices for meat, as the volume of exports was seven percent lower in 2022 than in 2021.

The major growth has been in the value of beef exports, driven by demand in China, but exports of nearly all product categories have grown, largely due to ongoing global demand for protein. The one major exception has been exports of chilled sheepmeat, which have been affected by shipping delays and logistics challenges.

Details of the trade for each product category are covered later in the report.

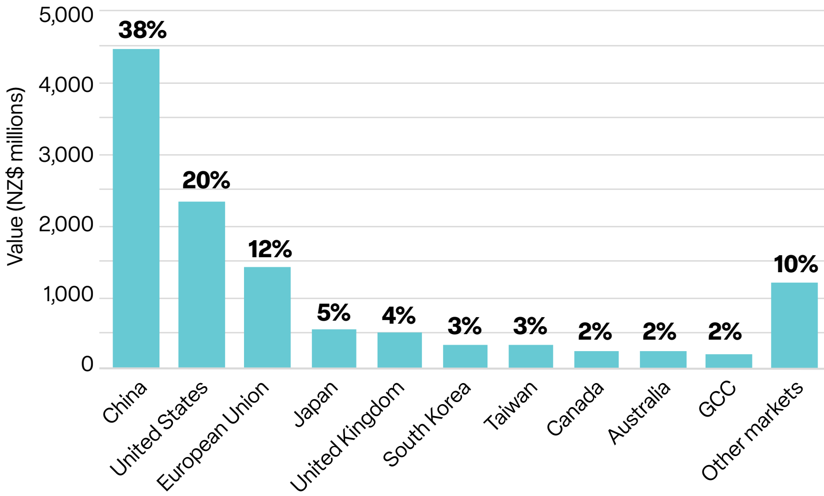
Red meat sector exports by product category, 2020-2022

Product category	**2020**	**2021**	**2022**
Frozen beef	$3,237,206,395	$3,500,043,263	$4,270,532,035
Frozen sheepmeat	$3,107,176,103	$3,299,376,935	$3,604,714,059
Chilled sheepmeat	$779,852,619	$794,153,065	$738,811,105
Chilled beef	$459,083,308	$531,778,379	$591,729,871
Wool	$389,176,846	$454,601,812	$453,442,355
Casings and tripe	$319,633,032	$342,196,237	$440,248,574
Edible offals	$289,808,280	$348,060,112	$355,576,259
Hides and skins	$193,246,730	$247,825,043	$304,885,311
Tallow	$127,362,048	$245,648,563	$283,877,078
Prepared and preserved meat	$228,992,327	$265,746,617	$250,939,886
Blood products and glands	$172,071,947	$211,592,258	$226,029,433
Meat and bone meal	$153,993,341	$183,111,833	$221,910,922
Petfood	$106,430,938	$101,181,991	$105,778,431
Total	**$9,564,033,914**	**$10,525,316,108**	**$11,848,475,319**

Exports to most of the sector's major markets have increased over the last three years, although there was a dip in exports to some markets in 2021, largely due to Covid-19 disruptions.

China continues to be the sector's major market, with exports of nearly $4.5 billion in 2022. The two other markets where exports were over $1 billion for the year were the US ($2.3 billion) and the EU ($1.4 billion). While these three markets accounted for nearly 70 percent of the sector's exports during the year, the sector exported to 119 different countries in 2022.

Figure 9: Top 10 red meat sector markets in 2022



More detailed information about the sector's exports to its major markets is covered later in the report.

The red meat sector's top 20 markets, 2020-2022

Market	2020	2021	2022
China	$3,429,258,756	$4,255,931,346	$4,455,511,177
United States	$1,953,242,418	$2,178,998,108	$2,328,563,525
European Union	$991,367,867	$980,422,146	$1,415,706,476
Japan	$409,165,429	$469,390,336	$564,588,213
United Kingdom	$484,525,188	$446,077,374	$487,902,355
South Korea	$214,270,907	$229,650,417	$347,419,056
Taiwan	$311,679,008	$260,615,631	$320,259,480
Canada	$264,419,895	$215,932,456	$264,436,592
Australia	$233,253,883	$256,743,741	$262,722,409
Gulf Cooperation Council	$203,713,445	$182,944,344	$213,387,460
Indonesia	$126,529,872	$180,555,347	$185,574,630
Malaysia	$140,426,759	$61,476,453	$154,849,122
Singapore	$148,808,367	$174,091,210	$125,369,744
Hong Kong	$108,740,376	$111,109,924	$97,528,184
India	$49,430,947	$64,364,775	$71,870,041
Thailand	$26,347,274	$44,162,167	$62,209,423
Jordan	$73,266,734	$38,706,707	$61,303,892
Philippines	$24,654,266	$28,667,704	$55,069,849
French Polynesia	$41,910,310	$42,315,078	$51,128,374
Switzerland	$74,950,697	$73,372,077	$42,460,581
Other markets	$254,071,516	$229,788,767	$280,614,736
Total	**$9,564,033,914**	**$10,525,316,108**	**$11,848,475,319**

Data sources

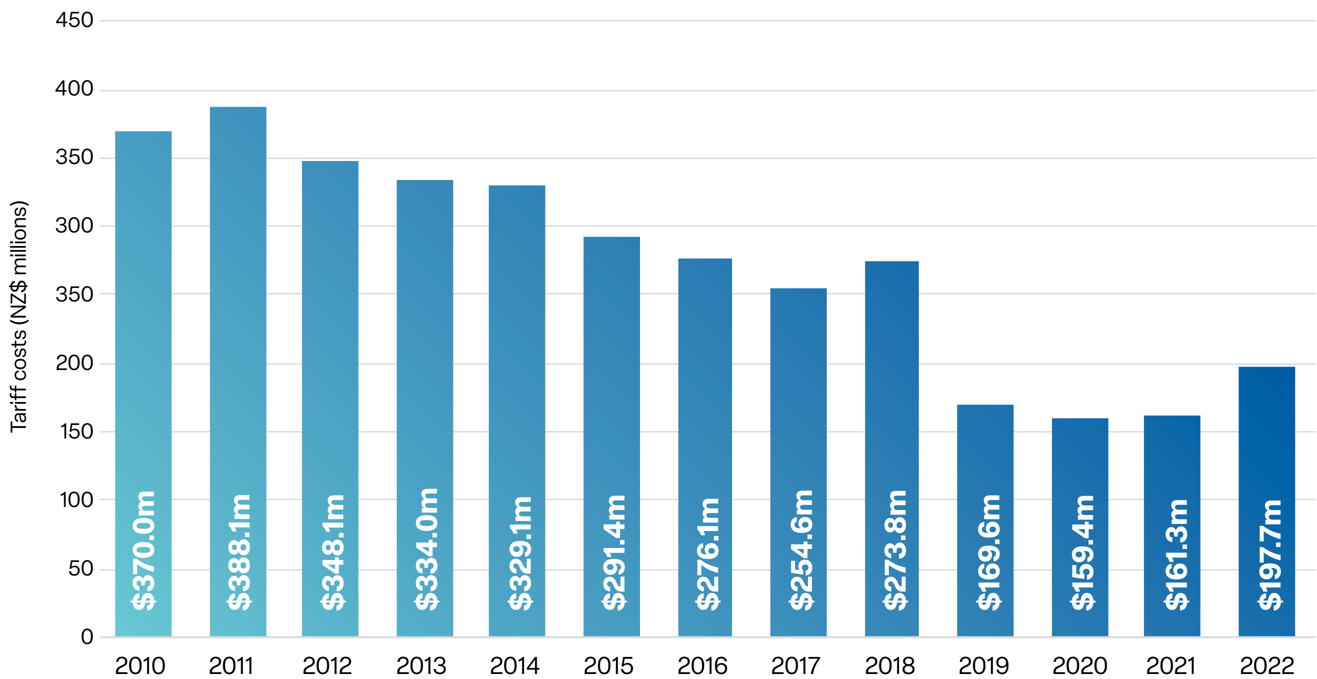
The trade data has been compiled by MIA from overseas merchandise trade data published by Statistics New Zealand, and covers the 2020, 2021 and 2022 calendar years. The merchandise trade data was downloaded when it was published by Statistics New Zealand at the end of January 2023. As Statistics New Zealand data is provisional for three months after it is released, there may subsequently have been small changes to the 2022 data.

Summary of tariff barriers

The tariff costs imposed on the red meat sector's exports have generally been declining over the last decade or so, due to the steady reduction of tariffs under New Zealand's network of FTAs.

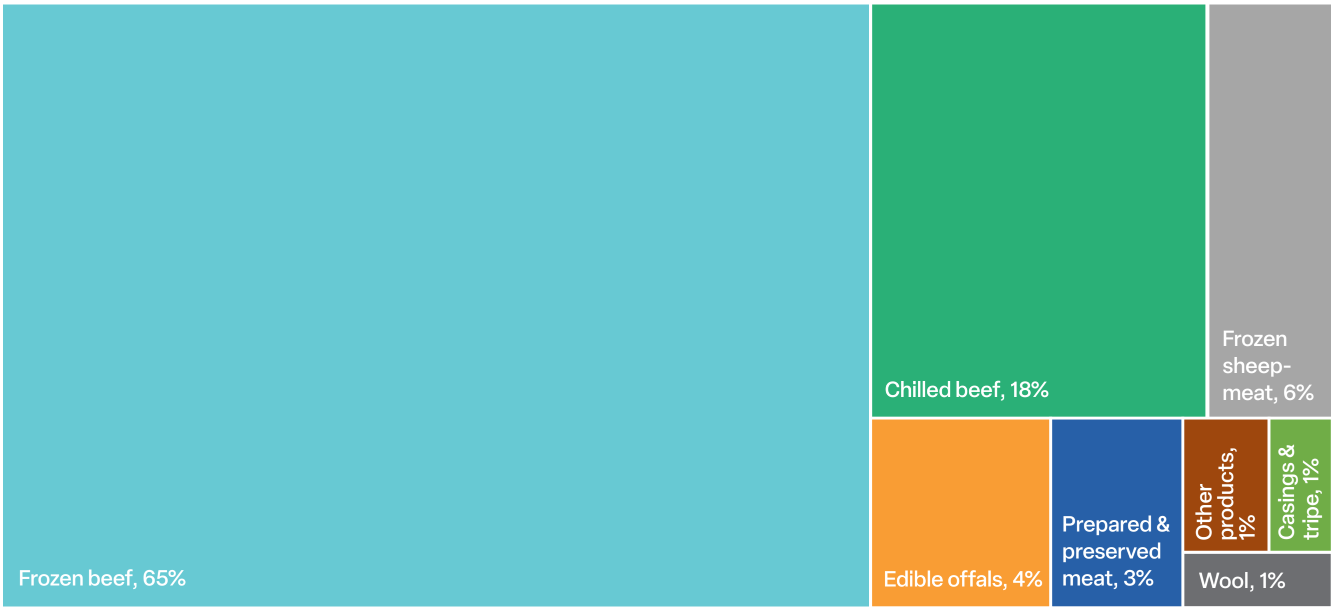
However, 2022 saw a 22 percent increase in the sector's tariff costs compared to the previous year. This was almost entirely due to a higher volume and value of beef exports to Japan and Korea, where there are still relatively high tariffs for some products.

Figure 10: *Red meat sector tariff costs, 2010-2022*



Summary of estimated tariff costs by product

Figure 11: *Tariff costs by product in 2022*



The majority of the sector's tariff costs, 83 percent, were incurred on beef exports. The tariff costs for most other product categories have remained relatively steady over the last three years, but there has been a reasonably significant reduction in tariff costs for casings and tripe largely due to reduced tariff costs in Korea.

Over the last three years, there has been an increase in the tariff costs for tallow. This is a result of a shift in exports from Singapore to the US where they have been receiving better returns, despite the additional tariff costs.

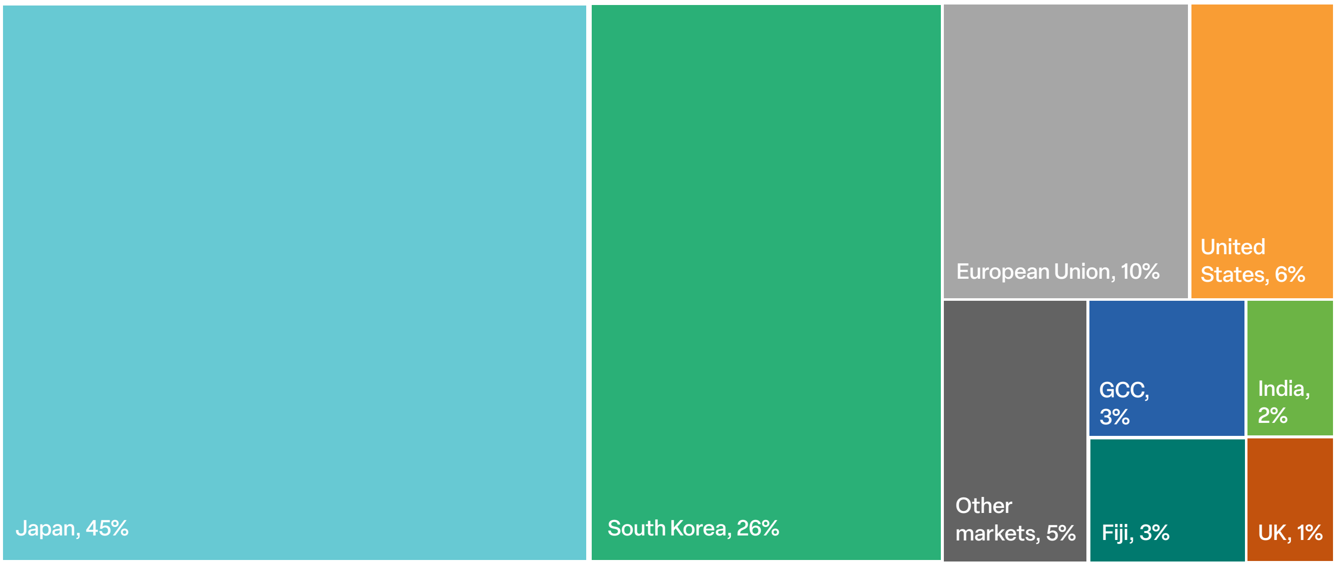
Details of the trade and tariffs for each product category are covered in the next section.

Estimated tariff costs by product category, 2020-2022

Product category	**2020**	**2021**	**2022**
Frozen Beef	$93,648,474	$98,986,040	$128,718,109
Chilled beef	$29,378,846	$30,373,739	$34,682,971
Frozen sheepmeat	$13,113,829	$9,899,348	$12,494,549
Edible offals	$9,237,951	$9,124,482	$8,537,231
Prepared and preserved meat	$6,097,150	$5,026,526	$6,163,030
Casings and tripe	$3,910,682	$3,100,435	$2,131,760
Wool	$1,719,588	$1,806,476	$2,095,996
Chilled sheepmeat	$778,801	$751,605	$583,304
Meat and bone meal	$528,724	$529,867	$798,102
Tallow	$149,289	$373,861	$621,093
Blood products	$548,153	$993,298	$480,815
Hides and skins	$263,769	$272,519	$318,425
Petfood	$34,809	$28,733	$70,670
Total	**$159,410,065**	**$161,266,929**	**$197,696,055**

Summary of estimated tariff costs by market

Figure 12: *Tariff costs by market in 2022*



More than 70 percent of the sector's tariff costs in 2022 were incurred on exports to Japan and Korea. Japan and Korea were the sectors 3rd and 5th largest beef markets respectively in 2022.

While the tariff rates in both these markets are being reduced through FTAs, there was a significant increase in beef exports to both markets in 2022, therefore increasing the overall tariff costs.

The 20 markets below accounted for 98 percent of the sector's tariff costs in 2022, but in total the sector incurred tariff costs on exports to 57 of the 119 markets that it exported to in 2022.

Estimated tariff costs by market, 2020-2022

Market	2020	2021	2022
Japan	$58,719,841	$71,939,341	$88,426,515
South Korea	$40,598,218	$38,218,596	$51,822,577
European Union	$10,961,525	$10,308,533	$19,413,976
United States	$13,275,157	$12,077,336	$11,189,278
Gulf Cooperation Council	$4,951,043	$4,302,140	$5,813,178
Fiji	$3,842,293	$3,002,898	$5,075,473
India	$1,879,411	$2,671,007	$3,089,387
United Kingdom	$1,161,323	$1,839,966	$2,790,634
Norway	$5,029,149	$2,206,355	$2,527,424
Switzerland	$7,200,055	$7,375,100	$1,439,112
New Caledonia	$1,094,962	$1,106,766	$1,099,925
Papua New Guinea	$604,796	$1,041,181	$909,521
Somalia	$2,037,671	$642,068	$613,610
Turkiye	$2,812,567	$178,575	$420,799
Indonesia	$438,417	$468,027	$375,209
Senegal	$0	$0	$286,295
Bermuda	$66,253	$67,115	$182,828
South Africa	$327,166	$271,579	$179,902
Iran	$169,299	$122,234	$179,460
Samoa	$275,851	$382,241	$166,331
Other markets	$3,965,069	$3,045,870	$1,694,621
Total	**$159,410,065**	**$161,266,929**	**$197,696,055**

Note on tariff calculations:
The tariff cost calculations have been compiled by MIA using the MFAT Tariff Finder database combined with New Zealand export data for most markets.

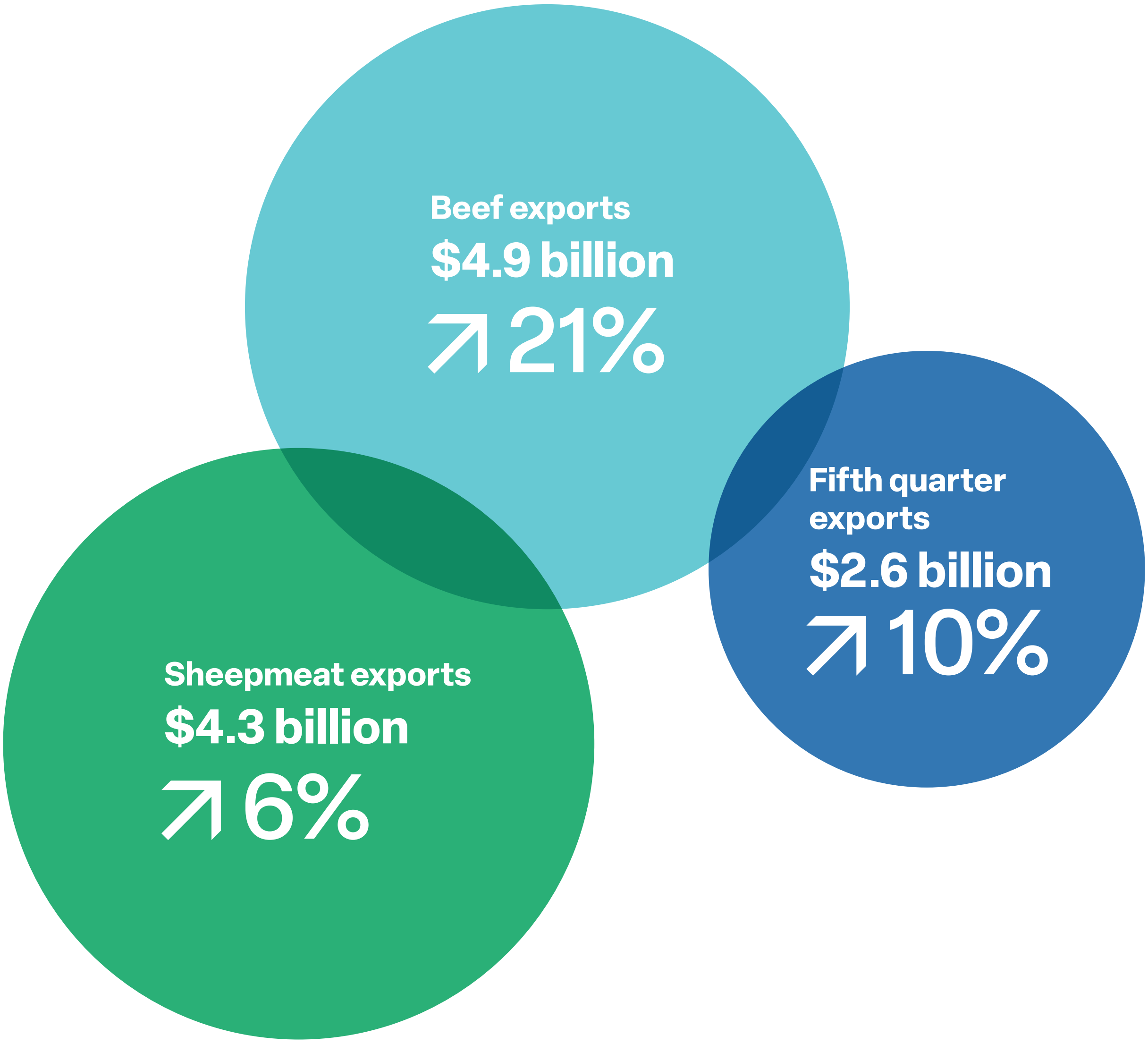
However, some markets have complicated tariff structures and in certain cases the importing market import data has been used to calculate the tariff costs for specific products.

In cases where there is per/kg rate in the importing country's currency, this has been converted to New Zealand dollars using an average of the Reserve Bank's monthly exchange rate for the currency over the year. For currencies not covered by the Reserve Bank, a representative exchange rate for the year from a commercial provider has been used.

Some markets such as Switzerland and the EU operate complicated quota systems which make it difficult to determine the tariff rate that has been applied to certain products. In these cases, some assumptions have been made about the tariff rate that has been applied.

Trade and tariffs by product

Figure 13: Red meat sector exports in 2022
(Showing change in value from 2021)



Chilled beef

Market	2022 volume (tonnes)	Change in volume from 2021	2022 value (NZ$)	Change in value from 2021	Tariff costs in 2022
United States	5,797	-22%	$120,170,093	-3%	$399,970
China	9,574	-6%	$118,086,500	12%	
Japan	6,768	1%	$105,683,563	16%	$25,685,433
Gulf Cooperation Council	4,623	-14%	$73,223,150	9%	
European Union	1,504	25%	$38,118,252	42%	$7,623,650
Singapore	1,340	26%	$28,666,601	48%	
French Polynesia	1,587	-1%	$26,172,977	11%	
Australia	1,101	7%	$18,247,410	27%	
Canada	993	12%	$17,577,638	29%	
Hong Kong	581	4%	$13,675,850	26%	
Taiwan	616	-36%	$11,384,665	-5%	
New Caledonia	668	-14%	$10,752,986	-3%	$322,590
South Korea	133	-5%	$1,966,475	-30%	$365,764
Wallis and Futuna	119	1%	$1,746,197	9%	$69,848
Vietnam	66	104%	$1,501,929	211%	
Other markets	221		$4,755,585		$215,716
Total	**35,691**	**-8%**	**$591,729,871**	**11%**	**$34,682,971**

Trade

Chilled beef makes up a relatively small, but valuable, component of overall beef export. Over the last three years, chilled beef exports have made up 7-8 percent of total beef exports by volume and 12-13 percent by value. In 2022, the average Free on Board (FoB) value of chilled beef exports was $16.58/kg compared to $9.55/kg for frozen beef.

Chilled beef export volumes were down in 2022 compared to the previous year, partly due to the ongoing logistics disruptions. However, they were not impacted to the same degree as chilled sheepmeat exports, as chilled beef has a longer shelf life and there are shorter transit times to the major markets for chilled beef.

While China was the largest market by volume, the US was the most valuable market during the year despite the decrease in volume compared to 2021. While there are fluctuations depending on demand, the US, Japan and China are the sector's main markets for chilled beef.

Tariffs

The sector's largest costs are incurred on exports of beef, both chilled and frozen.

While the volume of chilled beef exports decreased in 2022, the value of exports increased particularly into two markets with high tariff costs, Japan (24.1-25 percent) and the European Union (20 percent). Consequently, the tariff costs for chilled beef increased by 14 percent compared to 2021.

Frozen beef

Market	2022 volume (tonnes)	Change in volume from 2021	2022 value (NZ$)	Change in value from 2021	Tariff costs in 2022
China	209,766	6%	$2,004,722,413	36%	
United States	120,381	-22%	$1,145,804,127	-5%	$8,306,268
Japan	26,226	8%	$243,251,962	35%	$59,156,088
South Korea	24,528	35%	$226,060,355	75%	$42,047,226
Taiwan	15,960	-7%	$175,147,972	23%	
Canada	9,333	-4%	$85,355,615	17%	
European Union	2,746	43%	$56,300,030	136%	$11,260,006
Australia	6,388	11%	$44,423,633	24%	
Philippines	4,922	47%	$40,217,115	97%	
Indonesia	6,368	-32%	$36,368,920	-21%	$375,209
Thailand	2,944	33%	$32,614,749	64%	
Malaysia	3,750	94%	$29,872,531	162%	
Hong Kong	1,720	-26%	$27,478,578	-7%	
Gulf Cooperation Council	2,290	-11%	$22,279,222	8%	$1,113,961
United Kingdom	1,312	49%	$13,536,445	124%	$2,707,289
Other markets	8,551		$87,098,368		$3,752,062
Total	**447,184**	**-4%**	**$4,270,532,035**	**22%**	**$128,718,109**

Trade

While chilled beef is an important component of New Zealand's beef exports, the majority of beef exports are still in frozen form. Traditionally, the US has been the sector's major market, where New Zealand lean frozen beef is mixed with trimmings from domestically produced grain-fed cattle to produce burger patties. While the US is still an important market, the skyrocketing demand for beef in China meant that it overtook the US in 2019 as the sector's largest frozen beef market. While these two markets take 74 percent of New Zealand's frozen beef exports, the sector has developed other good markets, particularly Japan, South Korea and Taiwan.

In 2022, there was a small decline in the volume of frozen beef exports, which was largely the result of lower beef production during the year. However, this was offset by higher export values, largely driven by demand in China. China's imports of other proteins, including sheepmeat, have dropped from the peak demand two to three years ago when African Swine Fever (ASF) decimated the domestic pork supply. However, even while China's pork production has recovered, demand for imported beef has remained strong, and there are indications that Chinese consumers have developed a more permanent taste for beef. The FoB value of exports to China was $9.56/kg, an increase of $2.13/kg compared to 2021.

The FoB value of overall frozen beef exports was $9.55/kg in 2022, which was $2.00/kg higher than in 2021, and there was an increase in the value of exports to all the major markets. The largest increase was to the EU where exports were worth $20.50/kg in 2022, which was $8.13/kg higher than in 2021.

Tariffs

The sector's highest tariff costs are on beef, and the tariff costs for frozen beef exports increased by 30 percent compared to 2021, largely due to the increase in the volume and value of exports to Japan and Korea. Under the CPTPP and Korea-New Zealand FTA, beef tariffs into both these markets have been reducing and were 24.1-25 percent for Japan and 18.6 percent for Korea in 2022.

However, these tariff reductions were not able offset the increase in the value of exports to both markets, leading to the significant increase in tariff costs.

The other market where there was a large increase in exports, and in tariff costs, was the EU. Compared to 2021, the value of frozen exports to the EU increased by 136 percent to $56 million, resulting in an estimated tariff cost of $11 million. The tariff costs were potentially even higher but given the opaque nature of how some of the EU quotas are managed, a conservative estimate of the tariff costs has been made.

Chilled sheepmeat

Market	2022 volume (tonnes)	Change in volume from 2021	2022 value (NZ$)	Change in value from 2021	Tariff costs in 2022
European Union	15,816	-8%	$325,404,900	13%	
United States	7,561	-18%	$171,467,401	3%	$83,482
Japan	2,952	-15%	$66,498,623	10%	
United Kingdom	4,382	-67%	$63,585,196	-60%	
Canada	2,467	18%	$31,581,835	24%	
Switzerland	774	-19%	$28,796,110	5%	$379,138
Gulf Cooperation Council	1,558	-38%	$23,745,046	-20%	
China	356	-22%	$10,288,504	18%	
Hong Kong	203	7%	$7,025,056	37%	
French Polynesia	174	-14%	$2,975,468	3%	
Singapore	81	9%	$2,558,827	54%	
Malaysia	56	8%	$1,509,570	61%	
South Korea	41	59%	$864,077	211%	$38,883
Taiwan	44	-78%	$791,429	-51%	
New Caledonia	28	-84%	$422,316	-81%	$12,669
Other markets	75		$1,296,747		$69,131
Total	**36,567**	**-29%**	**$738,811,105**	**-7%**	**$583,304**

Trade

Over the last 30 years, the sector has developed the trade in chilled sheepmeat, particularly chilled lamb. This has been backed by ongoing research into meat quality and extending the shelf life of chilled lamb so that it arrives in the key markets of the UK and Europe in optimal condition.

While they remain important markets for chilled exports, the sector has been developing other markets such as the US, Japan and the GCC.

Chilled sheepmeat exports continued to be affected by logistics disruptions in 2022, and the volume of chilled sheepmeat exported in 2022 was the lowest in more than 20 years. The UK was most affected by these disruptions, with chilled sheepmeat exports the lowest that they have been since 1994.

Despite the 29 percent drop in export volume, the value of exports in 2022 dropped by only seven percent due to strong global prices for sheepmeat.

Tariffs

Tariffs on New Zealand's chilled sheepmeat exports are generally low, largely due to the tariff free quota access that New Zealand has into the UK and EU. If New Zealand was exporting chilled meat into the UK or Europe outside of the quotas it would be subject to prohibitively high tariff costs of around $139 million.

Unlike with beef, tariffs on sheepmeat are low or non-existent in most other markets. The one major exemption is Switzerland, which accounted for most of the sector's tariff costs on chilled sheepmeat in 2022. The tariff of just under $380,000 is a conservative estimate, given the opaque nature of the Swiss import system.

Frozen sheepmeat

Market	2022 volume (tonnes)	Change in volume from 2021	2022 value (NZ$)	Change in value from 2021	Tariff costs in 2022
China	197,405	-17%	$1,553,783,764	-23%	
European Union	37,621	47%	$625,136,254	77%	
United States	21,438	1%	$418,899,215	40%	$317,330
United Kingdom	28,085	43%	$343,227,816	66%	
Canada	8,500	17%	$109,735,238	29%	
Malaysia	10,413	146%	$107,474,697	178%	
Taiwan	7,901	12%	$89,297,922	33%	
Gulf Cooperation Council	7,122	30%	$77,920,667	51%	$3,896,033
Jordan	5,116	123%	$55,284,573	145%	
South Korea	1,888	74%	$37,480,531	84%	$1,686,624
Hong Kong	1,481	-26%	$35,286,482	9%	
Japan	2,848	-4%	$33,337,844	11%	
Fiji	2,249	34%	$21,219,007	46%	$3,182,851
Singapore	795	-3%	$9,706,870	16%	
Trinidad and Tobago	655	24%	$8,100,213	37%	$84,463
Other markets	5,631		$78,822,966		$3,327,248
Total	**339,149**	**-1%**	**$3,604,714,059**	**9%**	**$12,494,549**

Trade

New Zealand started exporting frozen sheepmeat in 1882, and it has been an important component of the sector's exports for more than 130 years. In 2022 the overall volume of frozen sheepmeat exports was unchanged, but the value increased by nine percent to $3.6 billion due to strong prices.

Historically, the UK and EU have been the major markets, but China's demand for protein means it has been New Zealand's largest frozen sheepmeat market since 2012. While China remained the largest market in 2022, exports were down on the record high levels of recent years, which were a result of ASF-driven protein demand.

Due to ongoing logistics disruptions, there was some shift from chilled to frozen in some other key markets such as the EU and UK. While exporters were able to make this switch and increase the revenue from frozen exports, it did come at a cost to the overall revenue for sheepmeat, as there is a premium for chilled exports. For example, the average FoB value of chilled exports to the UK was $2.50 /per kilo higher than frozen exports.

The US has also become an important high value market for frozen sheepmeat in recent years. In 2022, while the volume of exports was largely unchanged, the value increased by 40 percent to $419 million.

Tariffs

New Zealand's tariff-free quotas into the key markets of the UK and EU, and zero tariffs into China under the China-New Zealand FTA, meant that tariff costs on New Zealand's sheepmeat markets are relatively low.

As with chilled exports, if New Zealand had been exporting frozen sheepmeat to the UK and EU outside of the quotas this would have incurred prohibitive tariff costs of around $317 million.

The Gulf Cooperation Council (GCC) has zero tariffs on chilled exports but a five percent tariff on frozen exports. The 50 percent increase in frozen sheepmeat exports meant that tariff costs on exports to the GCC increased by $1.5 million compared to 2021, and it was the market with the highest tariff costs on frozen sheepmeat in 2022.

Other major markets where there are reasonably significant tariff costs are Fiji (15 percent) and South Korea (4.5 percent).

One other market where the sector faces very high tariff costs for sheepmeat is Norway. New Zealand exported only $2.3 million worth of frozen sheepmeat to Norway in 2022, but because the tariff rates averaged around $13/kg for these exports, the tariff costs for Norway were $1.5 million for the year.

Edible offal

Market	2022 volume (tonnes)	Change in volume from 2021	2022 value (NZ$)	Change in value from 2021	Tariff costs in 2022
Japan	4,979	-7%	$73,323,818	-2%	$3,048,993
China	8,711	-15%	$70,311,528	4%	
South Korea	4,386	-13%	$40,936,664	12%	$3,438,680
United States	5,236	-19%	$37,601,121	-25%	
United Kingdom	5,579	5%	$30,762,471	26%	
Indonesia	6,424	-19%	$28,373,762	5%	
Taiwan	1,570	-9%	$21,453,608	36%	
Gulf Cooperation Council	4,333	-8%	$11,805,462	19%	$590,273
European Union	1,552	5%	$6,919,417	30%	$7,646
South Africa	2,058	-41%	$4,817,238	-35%	$129,332
Thailand	1,494	6%	$3,602,892	18%	
Fiji	749	7%	$3,126,312	46%	$813,556
Canada	501	31%	$2,925,069	143%	
Egypt	900	-49%	$2,795,351	-14%	$139,768
Malaysia	550	78%	$2,586,265	190%	
Other markets	3,171		$14,235,281		$368,984
Total	**52,193**	**-15%**	**$355,576,259**	**2%**	**$8,537,231**

Trade

Edible offal, including livers, hearts and kidneys, is one of the most important 'fifth quarter' categories. Offal is more widely consumed outside of the sector's traditional markets (although the UK is the largest market for lamb livers), and these markets provide good revenue for products that might otherwise be sent to be rendered. The impact on sector revenue of Indonesia's ban on the import of beef offals was one of the main reasons why New Zealand successfully took a case against Indonesia to the WTO in 2013.

While offal is often considered as having a higher food safety risk than muscle cuts, New Zealand's high food safety standards and disease-free status mean that there are few restrictions on where offal exports can go, and in 2022 New Zealand exported offal to 63 markets. In contrast some of New Zealand's competitors do face restrictions on their offal exports. For example, while India can export beef to Indonesia it cannot export offal to the market.

The 15 percent decrease in the volume of offal exports in 2022 was partly due a reduced volume of beef and sheepmeat production compared to the previous year, and also a result of staff shortages during the year which has meant that at times companies were not able to save all the fifth quarter products during processing.

Despite the drop in the volume of exports, high global protein prices meant that the value of offal exports increased by two percent to $356 million in 2022.

China is the largest market by volume but Japan is the largest market by value, with certain products like beef tongues having a significant premium in the market. While the average FoB value for overall offal exports was $6.12/kg in 2022, the value of exports to Japan was more than double that, at $14.73/kg for the year.

Tariffs

Most of the tariff costs on edible offal exports are incurred on beef offal exports to Japan and South Korea. Under the respective FTAs with these two countries, the tariff rates have been steadily reducing and in 2022 the tariff rate for offal exports to South Korea was down to 8.6 percent.

While Japan's tariffs for some offal was still as high as 32.6 percent, most New Zealand exports incurred tariff costs of under five percent in 2022.

Casings and tripe

Market	2022 volume (tonnes)	Change in volume from 2021	2022 value (NZ$)	Change in value from 2021	Tariff costs in 2022
China	NA*	NA*	$302,057,666	50%	
European Union			$46,838,944	66%	
Japan			$21,836,268	31%	
United States			$14,483,356	14%	
South Korea			$13,388,494	-29%	$1,686,950
Thailand			$8,308,780	46%	
Hong Kong			$8,063,847	-68%	
Taiwan			$6,824,357	12%	
Singapore			$4,206,152	17%	
Turkiye			$3,447,072	93%	$344,707
South Africa			$2,074,698	125%	
Philippines			$1,712,899	-12%	
Australia			$1,700,605	11%	
Egypt			$1,151,487	-43%	$23,030
Gulf Cooperation Council			$1,074,323	106%	$53,716
Other markets			$3,079,626		$23,357
Total			**$440,248,574**	**29%**	**$2,131,760**

*Various quantity measures are used for products in this category, so there is no overall volume figure.

Trade

This category covers casings, which are mostly made from sheep intestines and are exported frozen or salted, and tripe, which is the stomach lining of sheep or cattle

China is the major market for both casings and edible tripe, although casings are also exported to other markets such as the EU, US and Japan.

In China, tripe commands a significant premium compared to other markets. The average FoB value of tripe exports to China was $14.82/kg in 2022, which was more than three times the average FoB value of exports to all other markets during the year ($4.62/kg).

Because not all New Zealand processing plants are able to export tripe to China, a key priority for the sector is to improve access in order to deliver increased value per carcass.

The 29 percent increase in the value of exports from 2021 to 2022 was largely due to an increase in both casings and tripe exports to China, and an increase in casings exports to the EU.

Tariffs

Most of the tariff costs on tripe and casings exports are incurred on exports to Korea. Tariff costs on casings and tripe decreased 31 percent in 2022, which was mostly due to a drop in the value of exports to Korea, but also partly because the tariff rate decreased from 14.4 percent in 2021 to 12.8 percent in 2022.

Prepared meat products

Market	2022 volume (tonnes)	Change in volume from 2021	2022 value (NZ$)	Change in value from 2021	Tariff costs in 2022
Australia	7,064	-14%	$94,640,042	-4%	
United States	2,849	-35%	$82,596,011	-18%	$1,249,254
South Korea	1,288	-14%	$14,599,209	16%	$2,514,702
Japan	182*	-34%	$9,407,428	11%	$536,001
Singapore	576	60%	$9,342,315	100%	
Papua New Guinea	1*	-86%	$6,331,403	9%	$2,840
Canada	386	-8%	$6,247,574	14%	
Taiwan	172	1%	$3,235,057	6%	
Samoa, American	192	-16%	$3,159,642	14%	$63,193
Hong Kong	178	-53%	$2,972,198	-21%	
New Caledonia	265	4%	$2,667,242	21%	$513,750
Tonga	207	-36%	$2,632,130	-21%	
Fiji	161	9%	$2,243,316	30%	$554,111
European Union	40	110%	$2,186,981	129%	$500,257
Cook Islands	150	-11%	$2,099,989	9%	
Other markets	494		$6,579,349		$228,922
Total	**14,205**	**-19%**	**$250,939,886**	**-6%**	**$6,163,030**

*There are a small number of prepared meat tariff lines that do not have a volume measure, and most exports to Papua New Guinea are in these tariff lines. There are also some exports to Japan under these tariff lines.

Trade

This category covers meat that has undergone some form of processing before being exported. This can range from raw meat patties that have had ingredients added through to corned beef and other ready-to-eat products such as cooked lamb shanks.

The two major markets for prepared meat products are Australia and the US with the majority of exports to these two markets being prepared beef products, such as corned beef.

Tariffs

The market with the highest tariff cost for prepared meat products is South Korea. Although tariffs have been reducing under the Korea-New Zealand FTA, the tariff on some prepared beef products are still up to 33.6 percent. Around half of the exports to Korea were at this rate in 2022.

Tariffs on prepared meat products to the US range from zero to 6.4 percent, and most New Zealand exports incurred tariff costs of under two percent in 2022. However, given the high value of exports to the US, this still resulted in tariff costs of $1.2 million.

The EU has comparatively high tariff costs, at around 23 percent overall. Once the EU-New Zealand FTA comes into force, tariffs on some prepared meat products will eventually be reduced to zero.

Tallow

Market	2022 volume (tonnes)	Change in volume from 2021	2022 value (NZ$)	Change in value from 2021	Tariff costs in 2022
United States	85,564	75%	$213,257,947	129%	$574,880
Singapore	28,093	-62%	$54,774,906	-53%	
Malaysia	1,801	29%	$6,011,289	77%	
Philippines	1,205	-21%	$3,401,532	23%	
China	790	-96%	$2,819,795	-89%	
Indonesia	375	-41%	$1,000,742	-16%	
Canada	264	120%	$849,847	177%	
Taiwan	224	75%	$503,007	119%	
Samoa	368	-16%	$457,980	-14%	$22,899
Thailand	75	-57%	$211,411	-22%	
Nepal	256	-49%	$186,584	-53%	$9,329
Japan	12	45%	$130,190	551%	
Australia	3	19%	$56,295	51%	
India	75	-79%	$53,285	-77%	$7,993
Fiji	18	-51%	$44,293	8%	$2,215
Other markets	84		$117,975		$3,777
Total	**119,207**	**-19%**	**$283,877,078**	**16%**	**$621,093**

Trade

Any parts of a carcass that are not sold individually are sent to be rendered and turned into meat and bone meal (MBM) or tallow. As well as saving material from being wasted, rendered products create an important additional revenue stream for the sector

Tallow has a variety of uses, such as making soap, but in recent years the bulk of New Zealand's tallow exports have been going into biodiesel manufacturing.

While Singapore has been the major destination for these exports recently, over the last two years New Zealand tallow exporters have been increasing trade with the United States where returns have been higher due to increased demand for biofuels.

As a result of this shift, the US was the largest market for New Zealand tallow in 2022, and it also meant that the value of overall exports increased by 16 percent to $283 million, despite the volume of exports dropping nearly 20 percent compared to 2021.

Tariffs

While there is a low tariff on tallow exports to the US (US 0.43c/kg or approximately 0.3 percent), the large volume of tallow that New Zealand exported to the US in 2022 resulted in tariff costs of nearly $575,000 for the year.

It also means that New Zealand exports are at a comparative disadvantage as other exporters to the US, such as Australia through their FTA, do not incur any tariff costs on their exports.

Meat and bone meal

Market	2022 volume (tonnes)	Change in volume from 2021	2022 value (NZ$)	Change in value from 2021	Tariff costs in 2022
Indonesia	97,784	-7%	103,638,172	7%	
European Union	15,835	-5%	37,339,341	47%	
United States	9,770	1%	23,330,190	64%	
China	8,504	-30%	13,833,976	-4%	
Philippines	5,202	229%	6,587,016	229%	
Malaysia	6,578	95%	6,437,844	127%	
Canada	1,969	-46%	5,291,475	-10%	
Taiwan	4,483	-12%	5,066,549	8%	
Fiji	3,513	22%	3,677,083	29%	$183,854
Serbia	1,167	54%	3,258,626	173%	$97,759
Viet Nam	2,348	9%	2,914,704	22%	
Australia	1,870	-36%	2,701,924	-4%	
Papua New Guinea	1,523	-28%	2,092,812	10%	$20,326
India	0	NA	1,134,834	91%	$340,450
New Caledonia	1,061	-10%	1,124,779	6%	$111,934
Other markets	1,136		3,481,597		43,779
Total	**162,744**	**-5%**	**221,910,922**	**21%**	**$798,102**

Trade

Meat and bone meal (MBM) is the other rendered product that is exported and is used mostly as a feed ingredient for non-ruminant animals.

The major market for bovine meal is Indonesia, where it is primarily used as an ingredient in aquafeed. Other important markets are the EU and US, where ovine meals are used as ingredients for petfood.

While there was a small decrease in the volume of exports from New Zealand, with the global demand for feed ingredients the value of exports increased by more than 20 percent to $222 million in 2022. In particular there was a significant increase in the value of ovine meal exports to the US and EU.

Tariffs

Tariffs are generally low for MBM, and there are no tariffs on exports to New Zealand's major markets. The two markets with the highest tariff costs are India (where the tariff rate is 30 percent) and Fiji (where the tariff rate is five percent).

Hides and skins

Market	2022 volume (tonnes)	Change in volume from 2021	2022 value (NZ$)	Change in value from 2021	Tariff costs in 2022
European Union	NA*	NA*	$128,629,922	34%	$1,577
China			$105,876,124	4%	
Australia			$19,812,823	18%	
Viet Nam			$18,770,974	81%	
Indonesia			$12,875,207	49%	
India			$3,996,710	7%	$139,567
Turkiye			$3,721,153	60%	
Switzerland			$3,707,023	285%	
Pakistan			$3,316,878	43%	$99,506
United States			$1,554,817	-31%	$69,883
Russia			$619,772	5%	
Norfolk Island			$459,968	NA	
Cambodia			$387,992	2301%	
South Korea			$269,399	-18%	
Hong Kong			$209,917	4%	
Other markets			$676,632		$7,891
Total			**$304,885,31**	**23%**	**$318,425**

* Various quantity measures are used for products in this category, so there is no overall volume figure.

Trade

Beef hides and sheep skins are mostly exported as partly cured 'wet' skins for further processing in the destination market.

Over the last couple of years, exports of hides and skins have been recovering from 2020 when the value of exports dropped to a historical low of $193 million for the year. This was the result of a combination of reduced demand in China due to stricter environmental requirements for processing facilities, and the impact of Covid-19 on demand for beef hides in the EU.

Exports have recovered since then, and in 2022 were above $300 million for the first time in five years.

Beef hides accounted for 80 percent of revenue in 2022, and the main market was Italy ($115 million). China took the majority of sheep skin exports ($43 million) in 2022.

Tariffs

As hides and skins are generally exported for further processing in the destination market, tariffs are low. Even India, which applies a 30 percent tariff on most of the sector's exports, only applies a maximum tariff rate of 10 percent on New Zealand hides and skins exports.

Blood products and glands

Market	2022 volume (tonnes)	Change in volume from 2021	2022 value (NZ$)	Change in value from 2021	Tariff costs in 2022
United States	NA*	NA*	$68,196,411	-8%	
China			$56,891,860	51%	
Australia			$32,524,931	-3%	
European Union			$32,255,677	57%	
United Kingdom			$12,052,642	-21%	
South Korea			$6,447,793	18%	
Japan			$4,315,089	32%	
India			$4,274,813	-54%	$427,481
Singapore			$2,581,087	-50%	
Canada			$1,459,104	33%	
Thailand			$1,283,825	269%	
Taiwan			$833,145	-11%	
Brazil			$774,981	-29%	
Hong Kong			$609,884	-1%	
Russia			$445,185	NA	$30,999
Other markets			$1,083,006		$22,334
Total			**$226,029,433**	**7%**	**$480,815**

* Various quantity measures are used for products in this category, so there is no overall volume figure.

Trade

Exports of blood products and glands are a relatively small but important product category for the sector. These products have a variety of uses, including in vaccines, diagnostic kits, and laboratory media. New Zealand blood products are highly valued due to New Zealand's disease-free status.

Exports were worth $226 million in 2022.

Tariffs

Most countries do not impose any tariffs on products such as blood and glands for pharmaceutical use. The main exception is India, which imposes a 10 percent tariff, and accounted for 89 percent of the sector's tariff costs in 2022.

Petfood

Market	2022 volume (tonnes)	Change in volume from 2021	2022 value (NZ$)	Change in value from 2021	Tariff costs in 2022
China	4,920	31%	$60,739,978	22%	
United States	897	-50%	$16,993,255	-27%	
Australia	612	-13%	$9,267,834	13%	
Taiwan	1,107	-30%	$5,548,019	-4%	
South Korea	175	82%	$4,160,535	92%	
Singapore	269	-49%	$2,405,413	-39%	
Japan	494	502%	$2,031,472	112%	
Canada	76	-52%	$1,945,657	-49%	
Hong Kong	66	-36%	$1,422,979	-18%	
European Union	32	-46%	$334,060	-11%	$6,927
Gulf Cooperation Council	30	146%	$274,978	45%	$13,749
Cook Islands	62	-33%	$224,930	-22%	
India	11	NA	$167,122	NA	$33,424
French Polynesia	47	25%	$95,995	21%	$9,600
Malaysia	16	-51%	$48,191	-33%	
Other markets	16		118,013		6,970
Total	**8,828**	**-3%**	**$105,778,431**	**5%**	**$70,670**

Trade

Exports in this category are restricted to petfood that is primarily made from meat, and do not include petfood that is mostly made from other ingredients such as dairy or fish products.

After a period of strong growth, exports have been relatively stable at just over $100 million annually over the last three years. The major market is China, but there are also good markets in the US and Australia.

Tariffs

New Zealand petfood exports are generally subject to low or non-existant tariffs in most markets. The exception is India, which imposes a 20 percent tariff on New Zealand imports.

2022 was the first year that there had been petfood exports to India since 2018. While this was a positive development for the sector, it did mean that with the tariffs on exports to India, the sector's tariff costs were more than double in 2022 compared to 2021.

Wool

Market	2022 volume (tonnes)	Change in volume from 2021	2022 value (NZ$)	Change in value from 2021	Tariff costs in 2022
China	NA*	NA*	$156,080,152	-3%	
European Union			$116,225,830	3%	$13,372
India			$60,131,109	20%	$1,506,821
Australia			$37,725,653	-11%	
United Kingdom			$24,112,155	-19%	$11,929
United States			$14,209,581	3%	$188,210
Nepal			$13,907,723	14%	
Thailand			$7,183,858	-18%	
Japan			$3,697,380	21%	
Iran			$3,589,195	47%	$179,460
Egypt			$3,451,981	-8%	
Gulf Cooperation Council			$2,892,916	5%	$144,646
Turkiye			$2,500,776	-17%	
Mauritius			$1,149,889	44%	
Canada			$778,082	-15%	
Other Markets			$5,806,075		$51,559
Total			**$453,442,355**	**0%**	**$2,095,996**

* Various quantity measures are used for products in this category, so there is no overall volume figure.

Trade

There has been some recovery in the value of wool exports over the last two years, after they dropped to below $400 million in 2020, and exports were worth more than $450 million in both 2021 and 2022.

While exports to the two major markets, China and the EU, have been relatively stable exports to India have grown from $39 million in 2020 to $60 million in 2022.

Tariffs

Tariffs on wool are generally low, and the majority of the sector's tariff costs were on wool exports to India, where the tariff rates are up to 10 percent for certain product lines.

Wool is one product where there are still restrictions under the China FTA, with a tariff-free quota of 36,936 tonnes for wool exported in specific tariff lines. Given the significant difference in cost between the in-quota and out-of-quota rates of up to 38 percent, exports of these tariff lines have remained under this trigger volume.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