

Introduction

1. This is a joint submission by Beef + Lamb New Zealand Ltd (B+LNZ) and the Meat Industry Association Inc (MIA) representing the views of the New Zealand sheep and beef sector (i.e., producers, processors, marketers, and exporters).
2. We thank the House of Commons International Trade Committee for the opportunity to make a submission to its Call for Evidence to the inquiry for the United Kingdom (UK) trade negotiations: Agreement with New Zealand. We have responded in our submission to two key questions raised in the Call for Evidence.
3. The New Zealand sheep and beef sector (hereinafter “the sector”) is a vital driver of the New Zealand economy and its prosperity. Our export-led industry, comprising livestock (beef cattle and sheep) production and red meat (beef and dairy cattle and sheep) processing and exporting, accounts for 92,000 jobs, 35,702 directly and an additional 56,719 indirectly, mainly in regional New Zealand.
4. The sector is New Zealand’s second-largest goods export income earner, with more than NZ\$10.5 billion in export revenue for the year ending December 2021. This accounts for 16.5 percent of the total value of New Zealand’s goods exports. New Zealand exports over 95 percent of sheepmeat production and over 90 percent of beef production to nearly 110 markets worldwide.

Executive Summary

5. The New Zealand sheep and beef sector is productive, innovative, value-adding, and a major contributor to the New Zealand economy. As an export-focused sector, we depend on open, consistent, and predictable access to a wide range of markets which requires robust and enforceable trade rules; Free trade agreements (FTA) play an important role by enhancing and strengthening global trade architecture. The sector is, therefore, supportive of the New Zealand Government’s policy to pursue ambitious, comprehensive, high-quality FTAs.
6. The sector strongly supports the ratification and implementation of the United Kingdom-New Zealand Free Trade Agreement (the Agreement) as soon as possible. The current global context has underscored the significance of strong economic relationship between allies and demonstrated the importance of open markets, resilient supply chains, and predictable trade in combatting food insecurity.
7. In line with the UK Government’s negotiating mandate, the Agreement has realised the broad liberalisation of tariffs but in a way that takes into account UK product sensitivities, in particular for agriculture. We believe that the fundamentals of trade liberalisation should always be extended to the agriculture sector. Therefore, we are disappointed in aspects of the Agreement, and worry that lengthy transition periods will hinder the pace at which trade can be truly liberalised at a cost to both New Zealand and British farmers.
8. This Agreement would not only reduce barriers to trade, enhance the range and availability of products available to British consumers and manufacturers, and foster greater productivity and competitiveness in the UK economy, but would also strengthen and deepen the existing relationships between our respective agricultural industry groups.
9. The UK and New Zealand have many shared values around quality in production systems, and similarly high food safety, animal welfare, environmental, and labour standards. There are clear synergies from deepening our engagement on those regulatory and policy issues as part of the Agreement, as well as sharing experiences in the process of agriculture reform and integration into global markets. This will position UK producers and industry for greater success both at home and abroad.
10. New Zealand also shares the UK’s ambition to combat climate change, with plans to reduce emissions by 30 percent below 2005 levels by 2030 and reach net zero by 2050, as with UK legislation. We are not making any exceptions for the agriculture sector and the New Zealand Government will price agricultural emissions by 2025. There are also statutory obligations for farming businesses to produce plans to manage their emission levels in line with Government reduction targets.

Areas of Interest

To what extent has the Government achieved its stated negotiating objectives or delivered on the Agreement in Principle?

11. The sector strongly supports the ratification and implementation of the Agreement as soon as possible. The Agreement achieves the UK's stated negotiating objectives and delivered on the Agreement in Principle.
12. We supported the overarching ambition set out in the UK Government's negotiated objectives primarily agreeing an ambitious and comprehensive FTA that strengthens our economic relationship, promotes increased trade, and builds on our existing international obligations including on environmental protection, animal welfare, and food safety standards. As negotiations began, we viewed the conclusion of such an agreement as critical given the current challenges to global economic growth posed by the COVID-19 pandemic. We now see the ratification and implementation of the Agreement as even more pressing in the current global context.
13. In line with the UK Government's negotiating mandate, the Agreement has realised the broad liberalisation of tariffs but in a way that takes into account UK product sensitivities, in particular for agriculture. While these outcomes meet the UK's negotiation mandate, we are disappointed in these aspects of the Agreement and feel the mechanisms in place deemed as 'safeguards' are overly cautious and could act as a barrier to future innovation between New Zealand and British farmers, such as joint ventures and co-supply arrangements. The fundamentals of trade liberalisation should always be extended to the agriculture sector. The current global context has demonstrated the important role of open markets and predictable trade in combatting food insecurity, as well as the important role that agricultural sectors will play in global economic recovery efforts.
14. It has been New Zealand's experience that opening up even previously highly protected agriculture sectors have generated significant domestic benefits, including enhanced productivity, more sustainable production, greater international competitiveness and innovation, increased export returns, and better living standards for farmers and farming communities. For example:
 - a. New Zealand producers have enjoyed substantial on-farm productivity gains through better genetics, improved lambing percentages, and better pasture management. Farmers are producing more 'fit for purpose' stock that provide the cuts and quality of meat that the market wants.
 - b. Productivity in meat processing plants has also improved significantly, through technological improvements such as sensing and robotic technology. In addition to direct productivity benefits, this also generates health and safety benefits and significantly reduced contamination risk resulting in improved shelf life of product.
 - c. Advances in hygiene, packaging, presentation, handling, and distribution have seen the export product mix progress from frozen whole carcasses through to pre-packed frozen and chilled cuts and boneless products. The change in product mix has been driven by the need to respond better to changes in customer and market requirements in global markets. This also allows us to maximise utilisation of each carcass by finding the best returning market for each part of the carcass. It also improves flexibility of supply as all products can be supplied to a wide range of customers and ensures all product meets the highest production standards demanded internationally.
 - d. A robust and successful export sector creates jobs, including in rural and regional locations. In New Zealand, the red meat sector accounts for 4.7 percent of national employment and in some parts of rural New Zealand, the sector accounts for 10 to 12 percent of regional employment.
15. The UK's current limitations on agriculture market access to third countries outside the EU, particularly in the Asia Pacific region, will in effect impede the full realisation of the potential opportunities and benefits from more open markets for UK farmers, agri-businesses, and consumers. This Agreement enables UK businesses, including in the red meat sector, to take advantage of new opportunities such as shared ventures or collaboration with New Zealand companies into high-value Asia Pacific consumer

markets. This could be done by leveraging the complementarity of counter-seasonal production seasons in the UK and New Zealand with the suite of high-quality FTAs that New Zealand has negotiated with a wide range of trading partners in the region. That said, co-supply into Asia-Pacific markets cannot occur without consistency of supply of product and clear market signals in each other's markets – which can only be achieved through freeing up bilateral trade.

16. The Agreement also serves as an important building block towards accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, which would open up a range of additional Asia-Pacific markets directly to UK exporters. As a sector, we support the UK's accession process.
17. One of the UK Government's fundamental negotiating objectives was to ensure high standards and protections for UK consumers and workers and to build on existing international obligations, including not compromising on high environmental protection, animal welfare, and food safety standards. We supported this negotiating objective and believe it has been achieved under the Agreement.
18. New Zealand is recognised as an international leader for its high-quality hygiene standards in terms of both our industry and regulatory systems. This enables us to access markets around the world and maintain a premium global position. The sector is one of the most heavily regulated industries for food safety, with continuous regulatory oversight providing government assurances. The Animal Products Act 1999, the primary legislation for the meat processing industry, is based on accepted principles that the system should be risk-based and focused on outcomes. This is consistent with the internationally accepted principles in the World Trade Organization (WTO), OIE, and Codex. It also enables New Zealand to negotiate equivalence agreements with trade partners that bridge different country requirements and ensure the desired regulatory outcomes of both New Zealand and the importing country are met – as indeed we have done with the UK through the Agreement on Sanitary Measures Applicable to Trade in Live Animals and Animal Product in 2019. New Zealand is also consistently ranked as having some of the highest and best practice regulatory standards in the world on ethical matters such as animal welfare and halal slaughter.
19. The sector welcomes the inclusion of a standalone animal welfare chapter in the Agreement, which recognises that while New Zealand and the UK's production practices differ, each country accords a high priority to animal welfare in those practices, which provide comparable outcomes and welfare protection. The sector supports closer co-operation between the UK and New Zealand in this area, particularly in international fora, to promote the development of scientifically based animal welfare standards. Together, the UK and New Zealand will present a more powerful and unified voice internationally on issues of shared concern such as animal welfare in third markets.
20. New Zealand is a leading example and the perfect partner to help contribute to the UK's Net Zero agenda. New Zealand sheep and beef farmers operate within environmental limits, contribute to biodiversity, and protect native flora and fauna. Approximately 24 percent of New Zealand's total native vegetation cover, including both native grasslands and forest, is on our sheep and beef farms. Greenhouse gas emissions from New Zealand sheep and beef production have reduced by 30 percent since 1990 and the native and exotic trees on our farms are offsetting a significant proportion of our remaining emissions. New Zealand's carbon footprint for sheep and beef production (on-farm Life Cycle Analysis) is estimated to be around half the average figure globally.
21. New Zealand has agreed to reduce emissions by 30 percent below 2005 levels by 2030. The Climate Change Response (Zero Carbon) Act sets out New Zealand's path to a low emission, climate resilient future, with specific emission reduction targets for carbon dioxide, nitrous oxide, methane. Under this legislation, the New Zealand Government will price agricultural emissions by 2025. The sector recognises our role in addressing climate change and have committed to becoming carbon neutral by 2050 and is already employing world-class practices. For example, by law, every New Zealand farmer must understand their farms emissions by 2022 and by 2025 have a plan to manage these emissions in line with greenhouse gas reduction targets set by the New Zealand government. We are on target to meet these requirements and the red meat sector is working closely with industry partners, Māori and government (Ministries for Environment and Primary Industries) to put in place a plan to price agricultural emissions. This is a world leading approach and highlights where New Zealand and British farmers can work together on solutions to solve the global climate change issue.
22. The sector (both farmers and processors) has committed to eradicating the use of coal by 2037 and can offer a vision for the UK farming and meat industry, which has been identified as one weakest areas of

the UK Government's net-zero strategy. The UK government anticipates significant emissions remaining in this sector by 2050 that will need to be compensated by both nature-based and engineered greenhouse gas removals.

23. In addition, the sector sees the Agreement as an opportunity to enhance industry cooperation and collaboration on issues of mutual interest including how UK and New Zealand beef and sheep farmers can work together to mitigate and adapt to climate change. We can build on our existing relationships with UK counterparts to share experiences and insights to develop more efficient, profitable, and sustainable production systems. This is already beginning in the sheep industry, where the development of the Global Sheep Producers Forum has been established to increase collaboration, cooperation, and knowledge-sharing on key issues, in which the UK industry is participating. Similarly, there has been cooperation in the past in developing methodologies for assessing the environmental impacts of livestock production. For example, New Zealand coordinated the development of a global greenhouse gas footprint methodology for sheepmeat to farm gate level following an international sheepmeat forum held in Brussels in 2013. This methodology has since been adopted by the International Meat Secretariat. There would also be ample scope to exchange ideas on challenges and opportunities in trade, such as on-farm verification to meet overseas market access requirements, and how the sector can work effectively with governments in shaping trade policy and identifying new opportunities. This FTA would help to grow such connections.

What opportunities or potential costs does this agreement present?

24. New Zealand and the UK share common values and a commitment to high production standards and robust regulatory frameworks in important areas such as food safety and quality, animal welfare, and the environment. This makes us ideal FTA partners where a stronger trade relationship will be of mutual benefit.
25. UK farmers have been vocal in their concern that the UK would be "flooded" with New Zealand beef and sheepmeat products after the Agreement is implemented. This concern is unfounded. Over the past 100 years, the sector has proven itself to be a responsible producer and trader to the UK market. In respect to sheepmeat, New Zealand has had substantial access through a Country Specific Tariff Quota since the WTO was established in 1995, but exports to the UK have responded to market dynamics and consumer demand. As a consequence, the quota has not been fully utilised with the majority of our sheepmeat destined for China and the United States. While New Zealand has an FTA with China, it does not have an FTA with the United States.
26. The UK is not self-sufficient in beef, requiring 250,000 tonnes of beef to be imported each year to meet consumer demand. British consumers have high demands and seek out red meat that can demonstrate it has been produced in line with rigorous environmental sustainability, animal welfare, and food quality and safety standards. Of all international red meat producers, New Zealand is an ideal trade partner to provide a share of British beef import requirements.
27. As an export-led sector, we export to nearly 110 markets worldwide and our diversification strategy is the cornerstone of the sector. It is not in the sector's interests to become over-reliant on any one market. Our experience in the 1970s of losing the important UK market when it joined the EEC triggered this significant shift in the sector's export strategy. Furthermore, "flooding" a market with product would adversely impact prices, and earnings, for everyone. It is quite simply not in our interests.
28. Another concern that has been raised by UK farmers is the possibility of New Zealand dramatically increasing production. However, with increasing pressures on the New Zealand farming and processing industries, the sector can't produce substantially more product. Environmental policy, population growth, land-use change, and labour shortages constrain the sector's capacity to grow. Therefore, innovation, quality, value-add, and premium positioning is the current, and future, strategy for the sector.
29. The seasonal complementarity of production of New Zealand grass-fed lamb and the UK's products allow British consumers access to "best in season" product all year round. This is a good thing for the lamb category. Consumers prefer access to a product all year around. If it isn't available all year round, then overall demand can fall. Complementarity helps maintain market stability, supports price levels, and keeps lamb as a product category on supermarket shelves. This benefits producers in both the UK and New Zealand.

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

30. 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.
31. B+LNZ represents around 9,000 commercial farming businesses, creating around 35,000 jobs (wages, salaries and self-employment) in the sheep and beef sector. Around three quarters of pastoral land and just under a third of New Zealand's total land area is used for sheep and beef farming.
32. MIA is a voluntary trade association representing New Zealand meat processors, marketers, and exporters. It is an Incorporated Society (owned by members) that represents companies supplying virtually all of New Zealand sheepmeat and beef exports.
33. MIA member companies operate more than 60 slaughter and further processing plants employing 25,000 people throughout the country. The plants slaughter and process around 22.8 million sheep and 4.7 million cattle annually. Ninety percent of this production is processed into value-added products. Over a million tonnes, or 90 percent of total production, is exported to nearly 110 overseas destinations.
34. MIA advocates on behalf of its members and provides advice on economic, trade policy, market access, employment relations, business compliance costs and technical and regulatory issues facing the industry, with a particular focus on:
 - a. Food safety trends and developments in importing countries.
 - b. Economic and trade aspects of market access to key overseas markets.
 - c. Major public policy proposals that could impact on industry operations.
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