



**Meat Industry Association of New Zealand (Inc)**

Submission to the Productivity Commission

On Regulatory Institutions and Practice

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**Meat Industry Association Submission on Regulatory Institutions and Practice**

**Contents**

I: About the Meat Industry Association .....3

II: Introduction.....3

III: Importance of regulation for trade .....4

IV: Outcome-focused and risk-based .....6

V: Regulators are aware of the costs of regulation .....8

VI: Compliance as a basis for official assurances .....9

VII: Partnership with the regulated industry.....10

VIII: Capability.....12

IX: Concluding remarks .....13

X: MIA Contact.....13

XI: Appendix 1: Red Meat Regulatory Strategy.....14

XII: Appendix 2: Association Members and Affiliate Members as at 1 July 2013 .....26

## **I: About the Meat Industry Association**

The Meat Industry Association ('MIA') is the voluntary trade association representing New Zealand meat processors and exporters.

The New Zealand meat industry earned \$6.2 billion in export revenue in the year ended June 2013, and is New Zealand's second largest export industry. The industry processes about 27 million sheep and cattle every year, selling a variety of products in markets around the world. MIA member companies operate approximately 60 processing plants throughout the country that employ 24,000 workers. Our affiliate members add to the depth of expertise available from the membership, with representation throughout the meat supply chain, including packaging, transport, ports, shipping, and research and technology.

The red meat industry is one of the most heavily regulated industries in New Zealand. The red meat industry is subject to regulations relating to worker health and safety, animal welfare, biosecurity, immigration, employment relations, meat export quota, and meat hygiene. In broad terms, the industry recognises the necessity of regulation in order to achieve access to a variety of overseas markets, but regulation needs to be fit-for-purpose, flexible (outcome rather than process focussed) and cost effective.

The MIA:

- provides a collective voice for New Zealand's red meat processors and exporters;
- plays an important role in enabling access to overseas markets;
- provides expertise on technical issues facing the industry;
- coordinates a number of industry-good services, including industry-good innovation; and
- is the statutory interface between the meat industry and government on a number of meat-related issues.

A list of Association members is attached as Appendix 1.

## **II: Introduction**

Increasing productivity is of major concern for the red meat industry – the amount of land available for sheep and beef production has been falling in recent years (primarily due to the expansion of dairy farming) and the total number of livestock available to the industry has fallen. However, this has been mitigated by considerable gains in productivity which have ensured that total meat production has remained roughly the same. The continuing need to improve productivity therefore remains at the forefront of MIA's concerns. We support the work of the Productivity Commission.

The red meat industry is one of the most heavily regulated industries in New Zealand. The red meat industry is subject to regulations relating to worker health and safety, animal welfare, biosecurity, immigration, employment relations, meat export quota, and meat hygiene.

In general, the red meat industry accepts regulation as a necessary activity. The New Zealand regulatory system, recognised by overseas authorities, is the foundation of acceptance of New Zealand meat products by overseas markets. The New Zealand meat industry relies heavily on the overall reputation of the country to successfully export its goods and to attract a premium in certain markets. As such, the industry depends on a broader brand – in effect, a type of commons. As with all commons, there is always a risk that individual behaviours can damage the commons to the detriment of all that use it. That commons requires regulation by government.

Nevertheless, regulation incurs very significant costs for the industry. Meeting cost-recovered regulatory activities under the Animal Products Act result in direct costs to the industry of more than \$80 million a year. This excludes the considerable indirect costs of regulation, such as loss of flexibility and ability to innovate.

There is a balance, then, between regulation that provides value for industry – in particular that enhances and protects the excellent reputation of New Zealand export products for food safety and animal welfare – and the very significant costs in both cost-recovery and in loss of flexibility and ability to innovate.

There are a number of principles that we believe make for good regulatory design and institutions:

- **Regulation is important for trade.** Regulation underpinned by credible agencies with integrity is a vital platform for exporting and provides significant value for industry. New Zealand is committed to the multilateral trading system, and particularly to the consistent application of the principles of the WTO SPS Agreement to ensure regulatory requirements are risk-based, appropriate to the particular risks involved and do not create unnecessary technical barriers to trade. New Zealand regulation must be consistent with international obligations – indeed, New Zealand benefits from taking a highly principled approach to regulation.
- **Regulation should be outcome-focused and risk-based.** What the red meat industry wants is outcome-focused performance targets that allow for flexibility in our companies' ability to innovate and achieve the regulatory outcomes required. However, costly and frustrating prescriptive or 'zero tolerance' requirements remain, often without scientific justification or a strong basis in evidence.
- **Regulation should allow industry to maximise profitability.** The current regulatory system is extremely costly for industry. There are also significant indirect costs - prescriptive standards imposes significant indirect costs in loss of productivity and an inability to innovate new processes. And then there are the capital requirements to provide for facilities and operations that have at times little science to support the specific regulatory requirement. As noted above, regulation is necessary but Government should constantly look to minimise its cost to business.
- **Regulators should work with industry to achieve compliance as a basis for official assurances.** The nature of meat processing is such that 100% compliance is rarely achievable on an ongoing basis despite processors' best efforts. Non-compliance does however need to be looked at in the context of performance against risk-based outcomes over time. Processors are looking for regulators to provide personnel who are solution orientated, and work with them to facilitate compliance.
- **Partnership with the regulated industry is likely to deliver the best outcomes.** The red meat industry believes that regulation is improved if it is developed in partnership with the regulated industry. The regulated are likely to have a better understanding of the technical aspects of the issue and the likely costs better than the government regulator. However, there is no single model – in some circumstances regulation should be driven by an autonomous expert body, in others by a core government standard setter with consultative measures.
- **Regulators' capability is vital.** We recognise the importance for Government to possess the appropriate capability – that means not only appropriate resources to get the job done, but ensuring that the right people are available.

These principles are embodied in the Red Meat Regulatory Strategy, a joint strategy adopted by the Ministry of Primary Industries (MPI) and the red meat processing and export industry. A copy is attached at Appendix 1 of this paper.

### III: Importance of regulation for trade

The red meat industry is an export focussed industry – more than 85% of the red meat produced in New Zealand is exported. As such the industry has to meet many different overseas market access requirements (OMARs). These are promulgated by the Standards Branch of the Ministry for Primary Industries (MPI). A major driver of regulation in New Zealand, therefore, is from overseas regulators who require official assurances from New Zealand regulators.

Many of the regulations imposed on exporters by overseas authorities are not based in science; are costly to meet; and may be protectionist in nature. As a small country exporting goods which attract heavy levels of protection (and political support for that protection) New Zealand is limited in its influence. One way that New Zealand can influence is by ensuring that it has a regulatory system with integrity. That takes a principled approach to standards based on risk, and a reputation for responsible compliance with international commitments. New Zealand must go above and beyond in its application of scientific principles and the transparency of its food processing regulatory system.

That New Zealand exporters can point to products from a regulatory system that has integrity removes significant barriers that would otherwise be imposed. The obvious example is around food safety requirements, where assurances of New Zealand verification authorities are accepted (rather than requiring costly overseas inspectors in New Zealand).

The WTO Sanitary and Phytosanitary (SPS) Agreement, which came into effect in 1995, is the core document containing internationally accepted health-based rules to be applied to trade in animal and plant products. The SPS principles, and consistent adherence to them, are essential to ensuring that the regulatory regimes put in place by national administrations are genuinely risk-related, and are not used as disguised trade barriers. New Zealand must be vigilant that our trading partners live up to their SPS undertakings.

Just as important, our own food safety regimes must be able to withstand the most robust scrutiny for SPS compliance. This is critical to maintenance of a reputation for principled trading and for being a reliable provider of quality products. That hard-won status underpins the credibility of New Zealand's animal and plant regulators and trade negotiators. New Zealand can hardly expect overseas markets to base their market access regulations on good science (as opposed to domestic politics which are often protectionist in nature) when New Zealand does not adhere to the same principles.

The need for New Zealand to “keep its own regulatory house in order” cannot be over-emphasised. Any offshore perception of less than total commitment to an SPS principle, especially if it can be construed as anti-competitive in intent or impact, will be seized upon to New Zealand's cost. This reinforces the need for all regulatory agencies to ensure New Zealand's broader economic objectives do not become hostage to individual import measures, however well-intentioned in concept. A single generic risk management regime should be pursued.

It is accepted by the industry that many of the regulatory burdens placed on New Zealand industry, while enforced by MPI, are imposed by trading partners. That being the case, the role for the New Zealand regulator should be to:

- 1) Continually engage with the Competent Authorities in our markets with the express intention of negotiating away overly burdensome regulatory requirements and replacing them with science-based measures; and
- 2) Allow New Zealand industry to be flexible and innovative in meeting the targets required – in other words to specify the regulatory outcome and not the process used to reach it.

#### **Case study: Importance of getting regulation right to enable exports**

Getting regulation right matters for exports. A lot of public debate on trade barriers focusses on tariffs and quotas and the importance of Free Trade Agreements. Negotiation of FTAs is undoubtedly important. Arguably more important for the meat export industry are Sanitary and Phyto-Sanitary (SPS) barriers imposed by overseas regulatory authorities. Meeting the requirements of overseas regulation imposes significant costs on New Zealand exporters.

Our two major export markets, EU (for sheepmeat) and US (for beef) historically imposed significant prescriptive requirements on the industry. By 1980 the industry was spending \$382m on compliance and \$268m on capital development required. Just as important as the cost, was the requirement to work to very intensive prescriptive standards and meet regular audits from the US and EU, and the consequent loss of innovation and productivity. The international food safety regulatory system was inflexible, enormously costly, and not based on real risk as evidenced in science.

In 1985 a MAF research programme was established with the aim of developing and justifying a New Zealand meat hygiene programme based on scientific foundations and a risk basis. This approach was world-leading at the time and continues today, with an even greater focus on a risk basis to the requirements of the programme. Therefore New Zealand utilises a scientific basis to negotiate away many importing countries' requirements that are not based on sound science and to improve the effectiveness and technical efficiency of our own meat food safety programme.

The establishment of the World Trade Organisation (the WTO) had a significant impact on international meat hygiene standards. The WTO's Agreement on the Application of Sanitary and Phytosanitary Measures (the SPS Agreement) requires that any restrictions on international trading in

animal and plant material must be supported by sound, objective science and a robust risk assessment. The SPS Agreement advocates development of a substantial body of risk-based international standards. This would remove prescription, improve flexibility, and enhance the position of domestic standards that could be shown to be aligned with international counterparts. It created significant opportunity for New Zealand to improve efficiency and competitiveness through the removal of unnecessary restrictions imposed by our trading partners.

It was significant that the Codex Code of Hygiene Practice for Meat adopted in 2005 – written with NZ leadership and the philosophy of the Animal Products Act back of mind – embedded the principles of science-based risk assessment as a means of effectively targeting resources to deliver the best food safety outcomes. It stressed that regulatory authorities internationally needed to review the delivery of meat hygiene services.

The Productivity Commission has asked if there is a distinctive “New Zealand” regulatory style (Q.3). The MIA points out that New Zealand has been world-leading in its adoption and advocacy for science-based regulation, at least as such regulations apply to food safety.

It is important that New Zealand itself is consistent in its application of a science-based and risk-based approach. Trade is a two-way street - New Zealand can hardly expect other countries to agree to risk-based and efficient regulatory requirements for our meat exports when New Zealand may not do the same itself for import regulations.

#### **Case Study:**

A good case study of how regulation adds significant value for export industries is the production of *halal* certified meat. For New Zealand to export meat to Muslim countries the product must be certified as *halal*. This is worth more than \$400 million in meat exports to Muslim countries. There is also a similar sized *halal* meat business with markets with significant Muslim communities such as China, Singapore, North America and Europe.

Some five years ago the meat industry reached the conclusion that a regulatory framework around *halal* production would assist with market access. Accordingly, it approached the government and in 2010 the Government promulgated the Halal Notice, which sets out the official standards for *halal* meat. Briefly, this framework, administered by MPI, sets out the requirements for processing premises producing *halal* meat for export, and the competencies required by anyone who performs *halal* slaughter or certifies *halal* meat.

Key provisions are requirements for

- Accreditation of the agencies that certify Halal meat;
- Accreditation of Muslim slaughtermen;
- Accreditation of *halal* systems at processing plants.

The initiative has led to industry regaining access to Malaysia (an important *halal* market where the majority of NZ meat processing plants had been delisted in 2005).

#### **IV: Outcome-focused and risk-based**

In an ideal world, New Zealand regulatory standards would be based on risk and describe the outcomes that must be achieved to address those risks. It should be left to the individual business to work out how it can best achieve those outcomes; this permits flexibility and innovation, which are of course key to greater productivity.

A risk management paradigm is different from a risk prohibition one. However, many people do not have a clear idea of the nature of risk, and that it is not possible for the Government to inspect risk out of something, nor to implement a zero-risk policy.

Scientifically speaking, zero-risk is impossible and the majority of food safety regulations, limits and guidelines are based on conservative estimates of probabilities, rather than absolutes. The reality,

however, is that a lot of regulation is founded in very detailed and prescriptive requirements or takes a “zero risk” approach.

Some regulation is unfortunately simply irrelevant to the supposed outcome sought. An example is government meat inspection, where historically government meat inspectors have inspected meat for things like bruising and discoloration, supposedly to ensure food safety. In reality, these qualities have nothing to do with meat hygiene. As above, many of these requirements are from overseas authorities, but many prescriptive requirements remain from New Zealand authorities. New Zealand authorities, in general, are slower than industry would like in changing prescriptive and/or pointless regulatory standards.

Review and removal of unnecessary prescriptive requirements should be continuous, as should challenging importing countries’ requirements where there is no scientific justification for them. The converse of this is to continue work on providing the processing sector with outcome-focused performance targets that allow for flexibility in companies’ ability to innovate and achieve the ends required.

**Case study:**

Nevertheless, an excessively risk-averse approach is still taken for political market access reasons. An example are livestock treated with Hormone Growth Promotants (HGP). There is no scientific evidence of any detrimental impact on human health through the consumption of meat produced using approved HGPs. In many markets, for example, the USA and Australia, they are considered safe and are used extensively, but in the EU, where a precautionary approach is taken, they are banned. To protect the New Zealand meat trade to the EU their use is strictly controlled in New Zealand, so that meat from implanted animals is not sent to the EU. Less than 1% of beef cattle in New Zealand had HGPs administered, and few of those animals remain. Animals with HGPs are recorded on both their National Animal Identification and Traceability (NAIT) tag, as well as an orange HGP tag. MPI require that meat processors inspect livestock for both their NAIT tag and HGP tag. The meat industry find this dual scanning is not only very costly and frustrating. MPI’s own data shows that fewer than 20 cattle have been picked up through dual scanning (out of millions of livestock processed each year). Nevertheless, EU requirements demand a zero-tolerance approach must be taken.

The MIA is concerned that there has recently been a shift in New Zealand discussion about regulation away from what has erroneously been termed “laissez faire” regulation. For example, the recent whey protein concentrate issue with Fonterra resulted in calls for the meat industry to go back to the old method of intensive government meat inspection (including for quality and not just hygiene). The public and political narrative is that somehow greater inspection, reflected in greater resourcing for MPI, would have prevented the Fonterra incident. In reality, no country has the resources to constantly inspect production facilities of any industry to a high standard; moreover regulated audits of companies’ risk management systems and programmes have been shown to deliver better outcomes (see for example ‘Shades of Pike River in food safety scare?’, *Dominion Post*, 8 August 2013).

There is poor understanding by the public of risk. Examples internationally include the response by many countries to BSE, GM, and chemical residues, where regulators have responded to demands for greater regulation, and for a zero-tolerance approach, irrespective of the actual risk. In New Zealand, with regards to biosecurity there is a public expectation that 100% inspection at the border will result in 100% security. In fact 100% border inspection may increase the risk, as it could mean spreading resources inappropriately and providing a false sense of security. A risk-based, targeted approach to biosecurity enables a greater focus on high-risk pathways and reduce costs, but it would appear that this is not widely understood. Similar issues occur in food safety, where there is a persistent – and false – belief in many quarters that increased inspection leads to better outcomes. In reality the opposite is often the case (i.e. increased inspection may expose food to greater risk of contamination).

Understanding of risk is generally lacking, including at a political level, and is a major challenge to risk-based regulatory approaches (see Q.44). The MIA hopes that Productivity Commission addresses this issue in its report, if only to help educate decision-makers about the importance of an understanding of risk in regulation.

### **Case study: Risk-based regulatory design: the Animal Products Act**

The red meat sector relies on being highly innovative. To adopt innovative new ways and innovative new products our sector needs to have a food safety system that is flexible and allows for meat companies to do this innovation. Prescriptive, command and control style regulation and inspection hinders innovation.

Historically, the meat inspection regulatory regime relied on organoleptic inspection – that is meat inspectors relied on sight, touch and smell to identify and remove perceived food safety hazards. Meat inspection was undertaken by government-employed personnel in a highly prescriptive meat hygiene regime set out in a series of Meat Acts and their underlying regulations. The totality of these regulations became extraordinarily prescriptive and complex and effectively set out exactly how a processing company had to operate its facilities – from when workstations must be cleaned through to minimum ceiling heights and the layout of employee locker rooms. Rarely was the outcome in terms of what it was that processors needed to achieve (the outcome) ever described.

The major food safety risks are from microbiological contamination such as *E.Coli O157* bacteria. This cannot be detected by visual inspection. Indeed, having an inspector undertake physical inspection may lead to heightened risk of contamination, the opposite of the supposed purpose of the inspection.

The Animal Products Act 1999 (the APA) ushered in a markedly different regulatory responsibility in NZ relating to meat hygiene. Rather than prescribe in detail the actions industry needed to follow, the Act required individual operators to examine food safety risks in their own particular operation, and to document processes and procedures for managing those risks.

Although government still set standards, the intent of the new Act was that it did so more from the perspective of setting the outcome it expects to see. A key concept of the APA is the “risk management programme” (RMP) designed to identify and control, manage and eliminate or reduce hazards and other risk factors in order to ensure that the resulting animal product is fit for intended purpose. The RMP is individually tailored for the species being processed and the particular processing premises and the risks that need to be mitigated.

While the APA is about companies managing their own risks, this had not (until recently) translated into the standards written by Government (with industry consultation). Rather we continued to have prescriptive standards little different than those enforced under the previous 'command and control' or 'inspection' based regulatory regime with an accept/reject attitude by inspectors and verifiers alike.

## **V: Regulators are aware of the costs of regulation**

New Zealand needs a cost effective regulatory system that is cognisant of both the direct costs of requirements but also the indirect costs when negotiating access requirements, setting New Zealand standards and monitoring compliance. This does not mean least cost necessarily but one that meets the wider objectives of maintaining and enhancing our collective reputation, follows best regulatory practice and reduces barriers to trade.

Costs are not only direct, but indirect. At times, regulatory requirements in one area are in direct conflict with regulatory requirements imposed by government in another. For example, the regulatory requirements for water to be at a high (82-degree) temperature for meat hygiene purposes imposes significant costs on industry, not only in terms of the expensive equipment, but use of such scalding hot water is a health and safety risk for workers.

### **Case study: Meat hygiene regulatory costs**

The costs of regulation are extremely heavy of business. A good example of the costs is from meat hygiene regulatory activity, for which industry is fully cost-recovered. Industry pays around \$40 million each year to MPI (the regulator and who provide the on-site veterinarians) and \$47 million to AsureQuality (the provider of meat inspection services). This pays for both the actual service itself

(i.e. the inspectors themselves), as well as for a proportion of market access negotiations, scientific reports, and overheads.

A problem is that the costs charged to industry are not fully transparent. In particular, it is very unclear to industry what overheads industry is actually paying for – in the view of the MIA, it is inappropriate that industry pays for services that do not directly contribute to the regulatory activity being provided.

There has also been poor budgeting and reporting by government regarding cost-recovery. Part of the problem is that personnel in government finance departments may not have a close understanding of how industry works (something which is exacerbated when government departments undergo restructuring).

These are direct costs to industry. In reality, the indirect costs to industry in having to meet regulatory requirements are probably greater.

## **VI: Compliance as a basis for official assurances**

Processors recognise that consistently high levels of compliance with market access requirements are a pre-requisite to official assurances and to maintaining the hard earned and enviable reputation that the regulatory programme currently enjoys.

The nature of the red meat processing sector is such that 100% compliance is rarely achievable on an ongoing basis despite processors' best efforts. Non compliance does however need to be looked at in the context of performance against risk-based outcomes over time.

The MIA supports the VADE (voluntary, assisted, directed, enforced) model of regulatory compliance. The industry has very powerful incentives for voluntary compliance (in order to meet overseas requirements and audits), so the most appropriate compliance measures from regulatory agencies should be engagement with industry, clearly articulated risks and outcomes, and performance reporting to companies. In some cases, this means the cultures and behaviours of regulatory agencies have had to change from a rigid inspection and zero-tolerance enforcement approach. The MIA applauds Verification Services in MPI for their ongoing efforts to create a culture of working with and alongside processors, rather than take a rigid inspectorial approach.

However, processing companies find inconsistency by inspectors to be an ongoing problem. For example, one load of livestock arriving at a processing plant may be rejected by an inspector on animal welfare grounds (with resultant costs to the processor). Yet livestock in the same condition from the same farm can be accepted by a different inspector at another plant. While MIA would welcome a more flexible response to enforcement, at the same time there needs to be consistency in how it is applied. Training of inspectors needs to be emphasised, as well as ensuring that industry is kept informed of what the minimum standards are and so industry can monitor and if necessary improve performance.

Ensuring consistency in how regulatory agencies enforce compliance is important. This underlines how a principled approach to regulatory practice should be taken, and that regulations should specify outcomes (and allow for flexibility to achieve those) rather than prescriptive practices. For example, meat hygiene regulations that specifically require scalding hot water runs counter to health and safety requirements. As another example, animal welfare requirements that impose a strict time limit around the slaughtering of bobby calves clash with employment requirements which impose a strict regime around employee breaks which can make compliance with both difficult. Keeping an outcome based approach to regulatory requirements will provide processors the flexibility to act innovatively and ensure the best compliance.

### **Case study: Meat Inspection Reform**

An important part of the New Zealand model of food safety regulation is that there is independent third-party verification. A significant initiative has been meat inspection reform, in which the role of government inspection in ensuring compliance of meat hygiene standards has been re-examined – in particular, shifting responsibility for the detection and removal of some traditional post-mortem meat

inspection tasks (i.e. those defined as non-food safety importance) from the official inspectors to company staff. In the trial, food safety continued to be monitored by the Government regulators and by the inspectors – if anything, there was extra checking so that the results of the trial could be assessed and objective decisions then made as to its success or otherwise.

Data from the trial proved that there was no statistical difference between company and official inspection performance for non-food safety pathology and other defects. Importantly, from a food safety perspective, the trial indicated that company inspection delivered marginally better food safety outcomes.

Implementation of the new compliance regime has been a very long and complicated process involving:

- Meat companies
- Government (Ministry for Primary Industries)
- AsureQuality
- Unions (PSA)
- EU and US regulators.

It has been handled well through a spirit of partnership between MPI and meat industry. The first tranche of meat processing plants is up and running, and, allowing for minor teething problems, is up and running well. Importantly, overseas regulators are satisfied that the food safety outcomes meet their requirements.

While this represents considerable progress on what we have had before – and is a major step in giving companies greater flexibility – there remains a very high level of government meat inspection. Company inspectors still have to be trained by AsureQuality. And government inspectors are still responsible for final certification of food safety.

The current changes to meat inspection standards are seen as the first step, with industry seeing potential in further reform of the compliance regime. Industry has matured to a point where managing their own meat inspection and meat hygiene programmes is a natural extension of their commercial quality assurance programmes.

## **VII: Partnership with the regulated industry**

The red meat sector recognises the need to meet regulatory standards and the importance of having credible independent regulators. This is essential as a basis for official assurances to access overseas markets, and to meet the expectations of domestic consumers. At the same time, it is important that regulation is developed by taking on board the views of the industry being regulated. Industry are probably best placed to assess the value to be gained by a particular regulation or regulatory activity – this is especially the case with export related regulatory activity, where industry is likely to have a better understanding of market issues and the value of a particular market than government. In a country the size of New Zealand, experts may be lacking in government, and it makes sense to draw upon the expertise of industry.

What is important to industry is to work closely with regulators and provide the necessary inputs into the regulatory system so that work programmes can target priorities as appropriate, that there is a sense that we are collectively working to the same ends, and that industry can get a sense of value for money from any costs recovered in enforcement activities.

Nevertheless, many parts of government still have a traditional “command and control” approach to regulation. Often in government, partnership is interpreted as “consultation”, in which industry receive a paper for information, rather than being involved with and closer to the decision-making at an earlier stage. Where there is good communication between regulators and industry, it tends to rely on relationships between a few key very experienced staff and people in the meat industry and rather than through deliberate institutional design.

### **Case study: Foot and Mouth Disease Preparedness**

Recent reports from a Foot and Mouth Disease Working Group and the Office of the Auditor-General have highlighted concerning weaknesses in MPI's ability to respond to a major biosecurity incursion. MPI have moved to develop a Foot and Mouth Disease (FMD) Preparedness programme.

This has been developed in close conjunction with the industries which will be most affected by a possible FMD outbreak, including primary sector staff working in MPI to assist with the programme's initial planning and prioritisation of projects. The first tranche of projects is beginning, and on each of the projects there sits a representative of the primary sectors. A representative of the primary sectors also sits on the programme's governance board.

On top of that, it is intended that there be an advisory group of all primary sector representatives and MIA officials to ensure that there is input. There will also be a very high level forum of chief executives of the primary sector organisations and the MPI Deputy Director-General for Compliance and Response.

The MIA supports this way of designing future government activities. Industry is able to provide expert advice on a number of issues, and by bringing in industry in the planning as a partner at the earliest stage it ensures that industry has a good understanding of the issues and what to do in the event of a FMD incursion. In addition, the involvement and strong support of industry ensured that the MPI leadership had confidence to commit and ring-fence resources for the programme.

A negative aspect to this, however, is that having industry representatives sitting alongside officials in projects is that it is extremely resource intensive of industry associations.

#### **Case study: Animal Welfare regulatory reform**

Under the current system, an independent expert committee, the National Animal Welfare Advisory Committee (NAWAC), writes codes of animal welfare after extensive public consultation. These codes of animal welfare are not directly enforceable, which has been a weakness of the system (see Q.40). The government has sought to improve the system by making minimum codes of welfare enforceable by allowing them to be turned into regulations.

The proposed reforms driven by MPI contemplate a regime whereby the Minister for Primary Industries can make regulations setting minimum standards of care for animals which can be enforced through compliance orders and fines. The MIA has serious concerns at the proposal. It gives full regulatory powers to the Minister with only a duty by the Minister to "consult" with NAWAC in the making of animal welfare regulations. Animal welfare issues can be emotive and complex – there is a risk that a Minister could, under public pressure on a particular animal welfare issue, create regulations which are not grounded in science, are impractical, or have significant negative consequences for an affected industry.

In this case, the MIA believes that regulatory design should be by an independent expert body that consults with the public and affected industries. The MIA believes that the system should be that NAWAC continues to develop codes of welfare (with full public consultation), and, on NAWAC's recommendation, the Minister turns those codes into enforceable regulations. Failing that, the regulation making system should involve industry as partners, and not limited to cursory "consultation" (which is often a departmental "tick box" process of some public workshops and submissions on a review).

#### **Case study: Strategic Directions Group**

The Strategic Directions Group (SDG) is a combined meat industry/Ministry for Primary Industries governance body that makes recommendations about issues relating to regulation of the meat sector, including meat inspection and meat hygiene in its widest sense.

The SDG represents the evolution of a relationship where government can genuinely hear and respond to industries needs and 'underpin' the relationship between industry and its markets and so help provide 'commercial certainty' and a 'level playing field' both nationally and internationally. To

guide the future of regulation by MPI, MPI and industry sat down and worked out what the future regulatory system should look like with a Red Meat Regulatory Strategy, which embodies basic principles of good regulation for the meat sector.

The SDG meets approximately every quarter, and consists of two co-chairs (CEO of the MIA and DDG Standards at MPI) and an equal number of senior managers from MPI and meat processing companies. Industry is committed to the SDG, which we believe is a key indicator of MPI's strategy of partnering with the primary sector.

## VIII: Capability

The Productivity Commission has expressed an interest in examining the importance of funding and resourcing of regulators, regulator capability, and organisational culture (Questions 30-38 and 49-54). The MIA believes that this is of crucial importance. It is apparent that recent failings by regulators have been due to under-resourcing of key regulatory activities. This was the case in the recent halt of meat exports to China due to a mistake made in the over-stretched market access team at Ministry for Primary Industries (and we note the recent comments by Minister for Trade, Hon Tim Groser, that MPI was under-resourced to undertake its role as regulator effectively). Effective and efficient regulation needs to have an appropriate capability.

Processors are looking for government to provide people at the processor/government interface (i.e. processing facilities), who are solution orientated, and work with them to facilitate compliance. Unfortunately, this is often not the case. All too often, processors are faced with enforcement from official inspectors who do not adequately understand the meat processing environment. The result is demands placed on companies that are often impractical and/or inconsistent. Government departments should recruit appropriately skilled people (or train them appropriately) who understand the industry they are enforcing regulations over.

### **Case study: Ministry for Primary Industries regulatory capability**

MPI is organised into branches reflecting their distinctive regulatory roles (standards, verification, enforcement), etc, as opposed to areas of expertise (i.e. biosecurity, animal welfare, fisheries, etc). This should provide for greater economies of scale and regulatory efficiency.

Nevertheless, this year has seen issues emerge which have left the Ministry (and their Minister) embarrassed by failings within MPI, most notably over exporter access to China. Essentially, the creation of MPI, with its new name, entailed changing official export certificates. This task was undertaken on top of the existing work within MPI. In this case, staff were focussed on their very busy market access tasks, and the additional job of getting new export certificates approved by the Chinese authorities was overlooked. The MIA had been warning for some time over how the very capable staff in the MPI market access team were having to deal with an enormous array of market access issues beyond their capability to meet. Because the absence of capability, what was a simple bureaucratic mistake relating to changed documentation turned into a significant block on New Zealand meat exports.

The Productivity Commission considers the importance of organisational culture, empowering staff to make difficult calls, risk aversion and customer service. These are all relevant to this situation, where as the MPI Review makes clear, there was an organisational culture and a lack of resources that allowed a simple mistake to occur and prevented rapid escalation of the issue to senior management and the Minister. On the other hand, staff were trying to deal with an issue by taking responsibility for a difficult issue. MIA is concerned that as a consequence of the China debacle, that MPI learn the right lessons from it, and that its personnel do not become more risk averse in their approach and remain focussed on achieving outcomes for industry rather than having to meet internal reports.

## **IX: Concluding remarks**

The MIA appreciates the opportunity of submitting to the Productivity Commission on regulatory institutions and practice.

Industry recognises the important role regulation plays and the value it provides, in particular respect of market access. Industry is eager to work with regulatory agencies to ensure that regulated standards maximise value to industry (and to New Zealand) while minimising costs (both direct costs and indirect costs such as loss of flexibility and innovation). To maximise value and minimise costs, we believe that a consistent and principled approach must be taken to regulatory practice – in particular, that regulations are outcome focussed, risk-based and underpinned by sound science, and are understanding of the potential costs that regulatory practices incur. Government should ensure that regulatory agencies are adequately resourced to not only partner with industry but to also work with overseas authorities.

## **X: MIA Contact**

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Meat Industry Association of New Zealand (Inc)  
October 2013

## XI: Appendix 1: Red Meat Regulatory Strategy

# RED MEAT REGULATORY STRATEGY

### 1. Goal

***Enhance the red meat regulatory system so as to increase the long-term profitability of the red meat sector.***

This goal is intended to provide direction for MAF and the red meat sector. It represents a strong partnership between the red meat industry and MAF working closely together to achieve the goal through:

- Enhanced reputation - New Zealand's reputation for delivering safe and suitable red meat products is protected and enhanced
- Regulatory best practice – The regulatory system is risk based, underpinned by science, and cognisant of costs imposed relative to benefits.
- Reduced barriers to trade – bilateral and multilateral technical and non-technical barriers to accessing markets are addressed.

Achieving the goal will contribute to the long-term profitability of the red meat sector and the Government's objective of growing the New Zealand economy.

### 2. Purpose

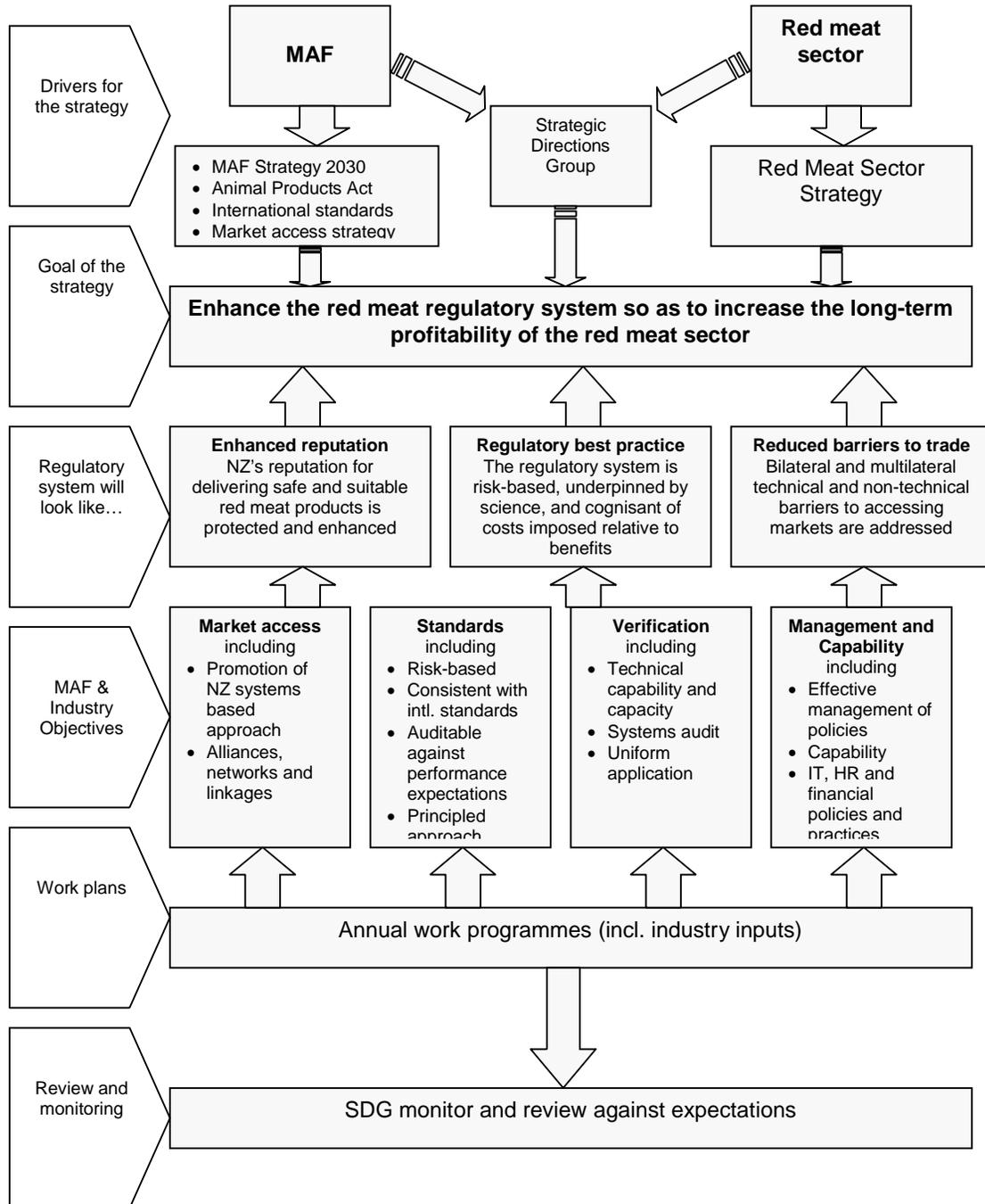
The document is intended to guide related activities in MAF and industry. It will provide:

- A focus for the direction for regulatory standards for the sector,
- A focus on existing and potential regulatory market access issues and opportunities,
- A basis for planning and prioritisation of resources for both MAF and the sector ,
- A better understanding and involvement for industry in the regulatory system and market access activities,
- An ability to relate value to costs recovered from the sector, and
- A basis for planning and involvement of MAF in market access issues and opportunities traditionally regarded as 'commercial' matters.

While the strategy focuses on the red meat hygiene regulatory programme, the terms of reference are broad and so will serve as a platform for optimising opportunities to build economic returns across a wider sphere. The document also touches on wider issues that while commercial and not requiring official assurances, would benefit from MAF and industry working closely together and utilising the strengths inherent in the regulatory programme to achieve similar ends e.g. halal market access issues. It also touches on some related government activities e.g. emergency response.

This strategy will apply for the period 2012-2017, with annual reporting on progress. The strategy will be reviewed in 2017.

The strategy, in diagrammatic form, is:



### 3. Background

The red meat sector is one of the principal drivers of the New Zealand economy, generating nearly \$8 billion annually in export earnings. It is an industry that is shaped almost more than any other by government regulation. The processing and trade in red meat products is more highly regulated than most other food in terms of the animal and public health assurances required by importing countries as a condition of access. This regulatory system provides official assurances to importing country governments and underpins the broader reputation of New Zealand as a producer of safe and suitable animal products. This reputation and an envied animal and public health status of our animal products provides a critical market advantage for the sector by giving preferential access to many markets and thereby the ability to derive maximum value from its products. Both the government and the red meat sector have invested heavily in building and maintaining this reputation for integrity and credibility around the trade in animal products over a long period of time.

The regulatory system also imposes significant direct and indirect costs on industry. Despite a modern legislative base aligned with the Codex Code of Practice for Meat Hygiene and the binding nature of the WTO's Sanitary and Phyto-Sanitary agreement (SPS) (with its science and risk-based requirements), many of the regulatory requirements imposed by offshore competent authorities are based on prescriptive and detailed hygienic practices that are no longer appropriate given current science and understanding of risk. In essence, such requirements act as technical barriers to trade in that they either increase costs of production unnecessarily or prevent access to more lucrative markets, so decreasing profitability. Improving the international regulatory environment and the New Zealand regulatory system is therefore a key way of increasing the contribution of the red meat sector to the New Zealand economy and for growing the New Zealand economy.

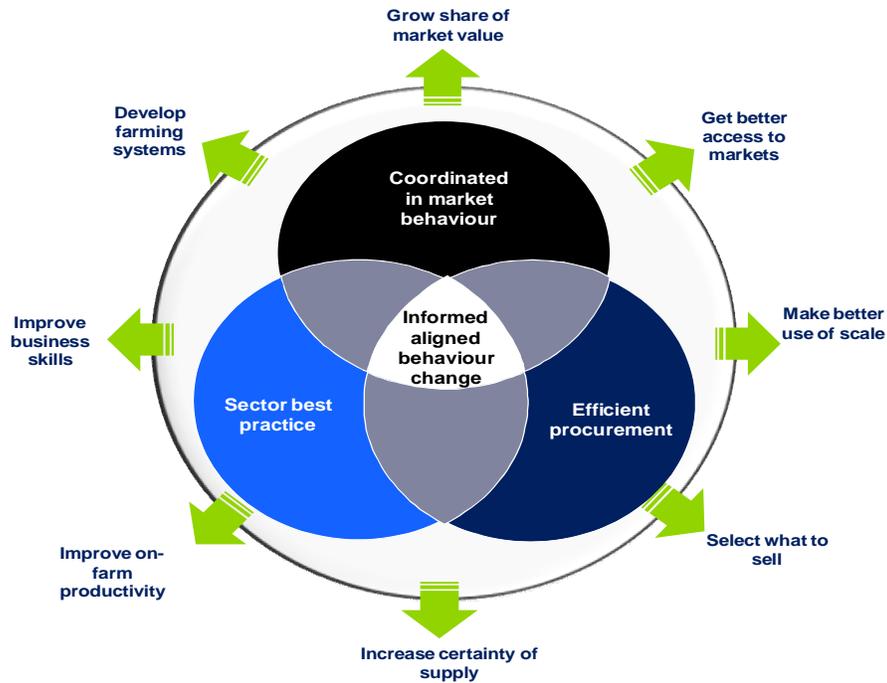
This strategy seeks to guide a way through these conflicting pressures – the need for an effective, risk-based, regulatory system that provides the necessary assurance that red meat products are safe and suitable (and so allowing the sector to sell in overseas markets and enhance the positive reputation of the products), while at the same time it does so cost-effectively for the red meat sector, and reduces barriers to accessing markets. The strategy seeks to find the appropriate balance between the necessary investment in regulation for market access and upholding the reputation of New Zealand red meat products, and the cost of regulation for industry.

#### 3.1 The Red Meat Sector Strategy

In March 2011, after years in which the profitability of the red meat sector had been both inconsistent and had eroded to unprecedented low levels, the red meat sector released a Red Meat Sector Strategy (RMSS). The RMSS has as its vision:

*“Improve the long-term profitability of all the participants in the red meat sector and thereby enhance the investment and sustainability of the sector.”*

The RMSS noted that assurances of the quality of the product, food safety and health values was a critical advantage especially for branded product and some markets, but that the regulatory structure imposed expensive compliance costs on industry. The RMSS identified three key areas with the greatest potential to sustainably increase profitability: in-market coordination, aligned procurement, and sector best practice.



'Coordinated in-market behaviour' is underpinned by getting better access to markets (defined in the RMSS as the ability to maintain access to international markets without undue constraints). In particular, creating a strong brand position in premium markets relies heavily on the reputation of New Zealand products as safe and suitable.

'Efficient and aligned procurement' is based on a driver of selecting what to sell – the ability to differentiate the products/co-products in the eyes of the customer/consumer, giving relative advantage for the products against competitors or product substitutes. The ability to provide effective and credible assurances of quality, safety and is an important enabler for developing differentiated products.

The meat hygiene regulatory programme is an important component of meat processing and must represent 'sector best practice' in the regulatory environment in order to contribute to the profitability of the red meat sector.

Underpinning the RMSS is that the sector needs *informed aligned behavioural change*. This means:

- **Informed** – the red meat sector and government have information enabling timely decisions, risk management, and increased certainty of outcomes.
- **Aligned** – the red meat sector and the government need to ensure that their efforts are not wasted through a misalignment of what each participant is trying to achieve.
- **Behavioural change** – the red meat sector and the government need to have a more collaborative relationship if they want to achieve the change needed to increase the profitability of the red meat sector and to grow the New Zealand economy.

The RMSS, especially with its central theme of informed aligned behavioural change parallels the MAF Strategy 2030 with its emphasis on working in partnership with the primary sectors.

### 3.2 MAF Strategy 2030

In 2011 MAF adopted an organisational strategy, Strategy 2030. The strategy followed

- the merger of MAF with NZFSA and the Ministry of Fisheries (and subsequent restructuring),
- the need to make budget savings (and to show value for money),
- a renewed focus on supporting economic growth of the primary sectors as part of the Government's overarching goal of growing the New Zealand economy, and
- the government's drive for "better regulation, less regulation".

The MAF Strategy 2030 sets out four overarching outcomes for the Ministry to achieve over the long-term, including **maximising export opportunities** and **increasing sector productivity**. These

outcomes are directly contributed to by the ability of the red meat sector to gain access to overseas markets, ensuring the reputation of red meat products in those markets is maintained and enhanced, and at the same time ensuring that the regulatory system does not impede or incur unnecessary costs on sector productivity.



Underpinning Strategy 2030 are two approaches that MAF will take to achieve the outcomes – **enabling** and **partnering** with the primary sectors. The MAF Strategy 2030 envisages significantly closer relationships with its stakeholders (including the red meat sector) to access markets and manage risks, and a shift in how the Ministry regulates away from a ‘command and control’ modus operandi to that of setting outcomes-focused standards where necessary and verification that those standards are being met by the sector.

### 3.3 The Strategic Directions Group

The SDG was set up to provide overall coordination and liaison between MAF and industry on the regulatory environment as it affected the red meat sector. The SDG has as its goal:

*To maximise the contribution of the red meat sector to the New Zealand economy by continuously improving the value created from services delivered by MAF to the sector on a cost recovery basis.*

The SDG is an oversight group with membership from MAF and industry, and while decisions are reached by consensus, it has no authority to make binding decisions.

The SDG will:

- Agree on work programmes to review New Zealand meat processing standards, including flagging issues of high priority for consideration,
- Agree a high level strategy for reconsideration of market access and priority setting for work in this area ,
- Agree a strategy for review of the verification component of regulatory services, and
- Review (and if necessary, revisit) the costs that MAF incurs in delivery of the services – both budgeted future costs and forecast and historical performance against budgets.

The SDG will serve as the conduit through which MAF reports to industry on progress towards the objectives outlined in this strategy. This will include an open dialogue on cost recovered services.

While the initial focus of SDG will be on the red meat hygiene regulatory programme, the terms of reference are broad and so will serve as a platform for optimising opportunities to build economic returns across a wider sphere. Accessing halal markets has been a recent example where having a

robust, credible official regulatory framework has helped to facilitate trade by application to wider meat hygiene related issues.

### **3.4 The current meat hygiene regulatory programme**

The red meat hygiene regulatory programme is prescribed in the APA. The programme consists of three broad components – the setting of New Zealand standards, market access requirements, and verification of compliance with standards and requirements as a basis for official assurances to markets.

#### *3.4.1 Regulatory standards*

Under the APA, all red meat processors are required to operate under a registered Risk Management Programme (RMP). Individual processors' RMPs and the various National Programmes (covering more generic aspects of risk management e.g. for chemical hazards in the food supply) provide the basis for assurances covering the safety and suitability of red meat products.

A core tenet of the APA is industry taking primary responsibility for producing safe and suitable products under a RMP tailored to managing their identified risks. In administering the APA, MAF is responsible for developing RMP requirements that clearly describe the outcomes sought to the greatest degree possible, so allowing processors to tailor their own programmes appropriately. In many cases these outcomes will be described as performance criteria or performance targets.

There has been considerable progress made in moving into this new environment provided by the APA (and international standards). Nevertheless, there is potential to realise further flexibility and lower costs under the APA regime.

#### *3.4.2 Market access*

Importing country 'competent authorities' often impose standards requiring official assurances from MAF that are based on risks or perceived risks existing for similar domestic products in the importing country. This can include heightened consumer expectations being reflected in the official requirements of importing countries (and the commercial specifications of importers). Often these requirements are inconsistent with application of WTO principles. This can create unnecessary barriers and costs for the red meat sector, including direct processing costs and dampen innovation.

MAF has been strong in pushing back on unjustified requirements, generating objective measurement of the performance of the New Zealand regulatory programme and its components and seeking recognition in export markets of the equivalence of New Zealand standards. Considerable gains have been made in some of our large traditional markets.

However, the challenges are considerable – negotiating access is resource intensive, can be protracted, requires specific skills and is often reliant on strategic alliances and networks built over time. Access negotiations need to be prioritised, with industry input provided in terms of information relating to immediate needs and future market possibilities.

#### *3.4.3 Verification*

MAF is also responsible for monitoring compliance with RMPs and OMARs to ensure processors comply with relevant requirements and outcomes. These in turn form the basis for official assurances (health certification) required by counterpart 'competent authorities' in countries importing our animal products.

Monitoring for compliance is an area where there has been friction between processors and MAF because of both interpretation of standards and the accept/reject nature of the historical "command and control" performance monitoring. This has been in part caused by verification tending to use an inspection (accept/reject) based programme with a high-level of regulatory oversight. The APA envisages recognition of ongoing compliance with regulatory requirements by industry using a more statistically-based approach to verifying process control as used in other food sectors within New Zealand and internationally.

Progress in this direction has been significant. Nevertheless, elements of the old model remain (in no small part due to overseas requirements). Ongoing challenges have included maintaining sufficient capacity/capability (particularly veterinarian) to serve industry needs, and ensuring an appropriately skilled workforce for auditing performance and facilitating compliance.

### **3.5 A future regulatory system**

The basic framework for the regulatory programme moving forwards is already in place. MAF and industry are striving for a regulatory system that realises the full potential of that framework:

#### *3.5.1 Outcome-focused and risk-based*

In an ideal world the New Zealand regulatory standards and those imposed by importing countries would be the same and they would be based on risk and describe the meat hygiene outcomes that must be achieved to address those risks. However, prescriptive requirements remain.

Review and removal of prescriptive requirements should continue, as should challenging importing countries requirements where there is no scientific justification and/or risk-based outcome that a requirement is designed to achieve. The converse of this is to continue work on providing the processing sector with outcome-focused performance targets that allow for flexibility in companies' ability to innovate and achieve the ends required.

The science programme, including the data inputs by industry, needs to continue the efforts to build up the scientific basis for performance targets that are appropriate for the New Zealand programme. This can form the basis for negotiation towards equivalence determinations with importing countries.

#### *3.5.2 Maximises profitability to industry*

New Zealand needs a cost effective regulatory system that is cognisant of both the direct costs of requirements but also the indirect costs when negotiating access requirements, setting New Zealand standards and monitoring compliance. This does not mean a least cost programme necessarily but one that meets the wider objectives of maintaining and enhancing our collective reputation, follows best regulatory practice and reduces barriers to trade that exist at a bilateral and multilateral level.

Efforts should continue to reduce costs where standards and requirements are inappropriate while at the same time improving access to premium markets for our products.

#### *3.5.3 Compliance as a basis for official assurances*

The nature of the red meat processing sector is such that 100% compliance is rarely achievable on an ongoing basis despite processors' best efforts. Non compliance does however need to be looked at in the context of performance against risk-based outcomes over time.

Processors are looking for MAF to provide people at the processor/government interface (i.e. processing facilities), who are solution orientated, and work with them to facilitate compliance. MAF should therefore continue its programme of recruitment of appropriately skilled people (or train them appropriately) and also continue the shift towards statistically-based process control systems.

Processors recognise that audits by importing country controlling authorities' will be an ongoing part of any future regulatory programme. They also recognise that consistently high levels of compliance with market access requirements are a pre-requisite to official assurances and to maintaining the hard earned and enviable reputation that the regulatory programme currently enjoys.

#### *3.5.4 Partnership with the regulated industry*

The red meat sector recognises the need to meet regulatory standards and having a credible independent regulator as a basis for official assurances to access markets.

What is important to industry is to work closely with MAF and provide the necessary inputs into the regulatory system so that MAF's work programmes can target industry priorities as appropriate, that there is a sense that we are collectively working to the same ends and that industry can get a sense of value for money from the cost recovered component of MAF's revenues.

SDG is an important mechanism to progress the relationship in a positive way and achieve these ends.

#### *3.5.5 Capability*

Meeting the collective expectations expressed in this strategy for the 'future' red meat hygiene regulatory system requires an appropriate capability within MAF and modus operandi.

## 4. Elements of the Strategy

The goal of the strategy is to “enhance the red meat regulatory system so as to increase the long-term profitability of the red meat sector”. A close partnership between industry and MAF will achieve the goal through:

- Enhanced reputation - New Zealand’s reputation for delivering safe and suitable red meat products is protected and enhanced
- Regulatory Best Practice – The regulatory system is risk based and cognisant of costs imposed relative to benefits
- Reduced barriers to trade – bilateral and multilateral technical and non-technical barriers to accessing markets are addressed.

The aims of this strategy will be achieved by pursuing elements in relevant regulatory strategic and annual work planning as outlined below. The sector recognises that in any regulatory system there is much activity covering regulatory needs and 'business-as-usual', all of which needs to be factored into the ultimate work programmes that will deliver on the sector's expectations and government's interests.

It is expected that a “fit for purpose” regulatory system will include the following elements:

### 4.1 Management and capability

- Effective management of legislation, policies, domestic and importing countries' requirements, verification and certification activities, with ongoing monitoring and review to ensure the objectives of the policy, requirements or activity have been met
- Credible technical and managerial capability in risk assessment, risk management, bilateral and multilateral negotiation, verification and systems audit activities with an understanding of the commercial environment and the need to deliver decisions in a timely manner
- Adequate investigation and enforcement capability to deter illegal activity that could prejudice the reputation of the red meat hygiene regulatory programme
- Effective IT, HR and financial policies, practices and systems to support requirements in terms of capability, financial transparency, communications and the tools used in trade/commerce
- Effective communication and consultation between the red meat sector and MAF on all matters affecting the red meat sector with interests given 'fair representation' and consideration in development of policies or standards
- Ensuring regulatory costs borne by industry are covered by equitable policies and practices across sectors and are imposed through a transparent, fair and reasonable cost recovery process.

### 4.2 Regulatory standards

- Provide regulatory standards and associated risk management decisions that to the maximum degree possible are:
  - clear, unambiguous, and 'fit for purpose'
  - risk-based, outcome focussed and consistent with the APA and Codex Code of Practice for Meat Hygiene (2005) with an underpinning of performance targets designed to help processors achieve the outcomes
  - consistent with but not limited by international standards where there is no risk base to the standard (e.g. Codex/OIE)
  - underpinned by HACCP principles as appropriate and use mandatory Good Operating Practice only to the degree necessary to meet importing country requirements
  - recognising of implementation costs with standards/decisions appropriate to achieve reasoned 'levels of acceptable risk' and consumer protection with 'uncertainty' dealt with appropriately
  - encouraging of innovation (and flexibility) in meeting outcomes/targets
  - relevant, timely and enabling of an efficient and cost effective programme
  - recognising of industry codes of practise and quality systems as a basis for meeting standards
  - auditable with statistically based process control implementation criteria built in to the standard a platform on which to build the reputation of the New Zealand red meat sector

- Take a principled approach to import and export standards and New Zealand's obligations under the SPS Agreement, recognising that “trade is a two-way street”.

### **4.3 Market access**

- Challenge scientifically unjustified requirements imposed on the red meat sector as conditions of market access
- Negotiate bilateral market access requirements that to the maximum degree possible are aligned with the philosophy and approach taken in New Zealand as described above to ensure:
  - smooth access, as far as possible, to all significant markets
  - trading partners apply SPS principles in their requirements for New Zealand exports of food and food related products
- Provide inputs into multilateral international trade standards that reflect the risk based approach and other principles espoused in the WTO SPS Agreement to ensure international standards have a scientific basis
- Promote the New Zealand 'systems based' approach to the regulatory programme with trading partners and in particular:
  - sound science and a risk basis to standards development,
  - New Zealand's regulatory model and approach with government involvement minimised consistent with demonstrable performance (and controls for official assurances)
  - the move away from the “command and control” -based inspection approach in favour of the systems-based verification and audit approach and assessment of the 'control' of the competent authority
- Establish and maintain effective strategic alliances, networks and linkages with other agencies in New Zealand and counterpart agencies internationally that may be relevant to the red meat hygiene regulatory programme and our strategic objectives

### **4.4 Verification**

- Implementation of export standards by industry with compliance levels assessed through their own quality systems and by independent verification using audit principles and a statistical process control system approach
- Government involvement in verification activities, the provision of official assurances and regulatory oversight to meet overseas market access requirements, that provides for:
  - appropriate levels of veterinary staffing
  - uniform interpretation and implementation of standards
  - verification frequencies based on industry performance
  - further development and implementation of electronic information systems, including Electronic Certification
- Contribute to maintaining and enhancing New Zealand's reputation as having a trusted “competent authority” with consistency in the provision of official assurances covering red meat products

## 5. Non-regulatory related areas

There are areas of activity that while not strictly part of the regulatory programme, need to be considered additionally by SDG as they present risks and opportunities. MAF's strengths as a credible regulator can be leveraged to advance other issues. These include:

- Advocacy by MAF with overseas religious authorities (as a companion to 'competent authorities') on halal matters, again promoting the 'systems based' approach and extracting benefits from the regulatory system's recognised high level of performance and credibility,
- MAF Verification and Science staff working with companies at premises level to assist with innovation,
- Advocacy by MAF and industry on private standards to the benefit of industry, and
- Leveraging off MAF's science and risk analysis capability in product and market development.

Other areas of activity that MAF is involved in that are of interest to industry include:

- Effective emergency response capability to deal with SPS related trade issues and other threats to the red meat sector and their economic viability, and
- Government's agenda and progress on negotiating Free Trade Agreements.

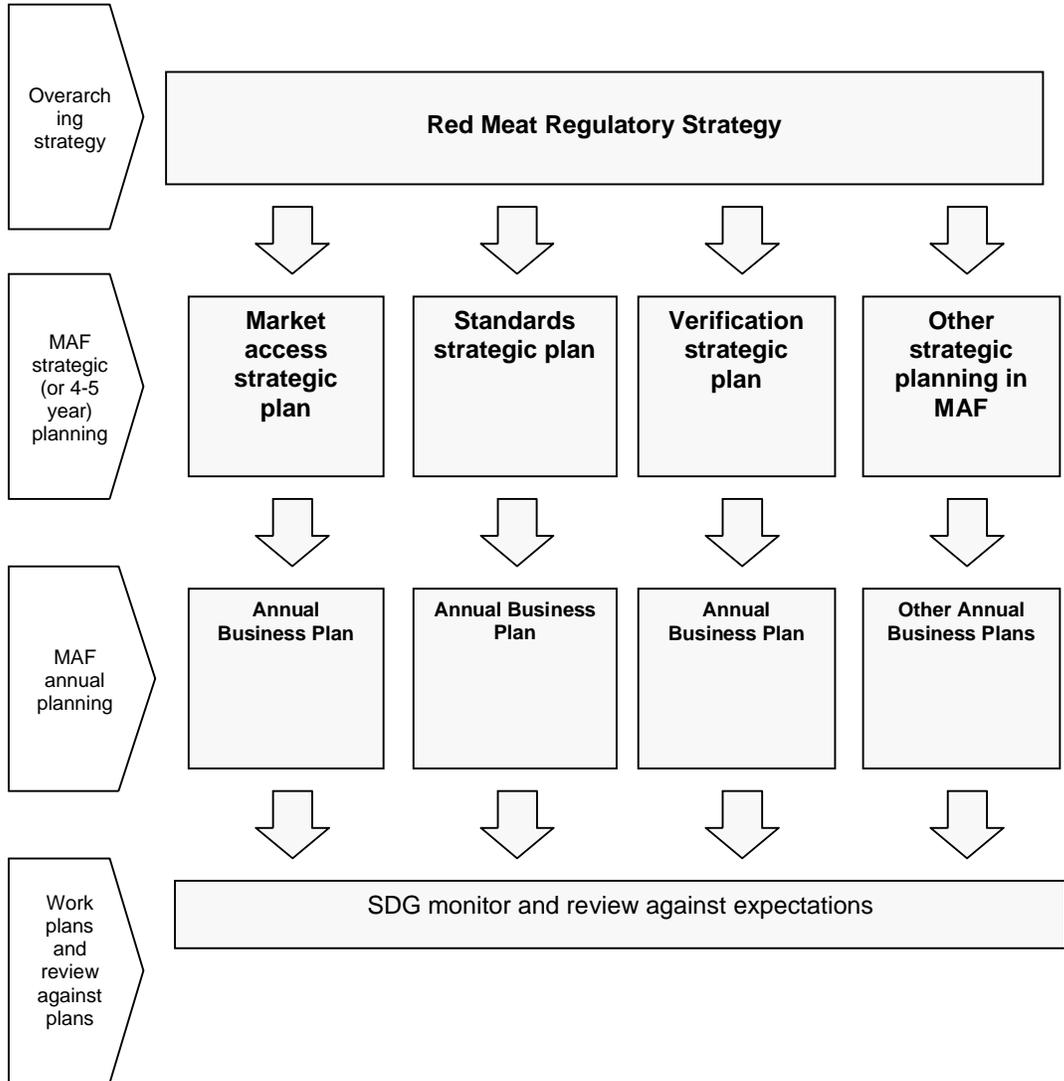
## 6. Implementing the Strategic Goals

The strategy will:

- Provide guidance for, and be incorporated into relevant MAF Branch/Directorate strategic planning as and where appropriate (an example of a Directorate strategic plan is appended),
- Form the basis for SDG engagement on MAF's preparation of strategic planning, annual business plans and work programmes as they relate to the red meat sector,
- Provide for SDG to review and endorse costed work programmes as they relate to cost recovery from the red meat sector,
- Provide for industry and MAF to jointly develop priorities in work programmes as they relate to the red meat sector,
- Provide for quarterly (or otherwise agreed) reports to SDG from MAF on progress against the work plans and progress in addressing SDG objectives, and
- Provide for SDG involvement in MAF reprioritisation of work and reallocation of resources as and where appropriate.

This strategy will apply for the period 2012-2017. The SDG will receive full annual reporting on progress towards the strategy, and that the strategy will be reviewed in 2017.

In diagrammatic form, the strategy will be implemented through the following processes:





## XII: Appendix 2: Association Members and Affiliate Members as at 1 July 2013

<b>Members</b>
Advance Marketing Ltd
AFFCO New Zealand Ltd
Alliance Group Ltd
ANZCO Foods Ltd
ANZPAC Foods Ltd
Auckland Meat Processors Ltd
Ballande New Zealand Ltd
Blue Sky Meats (NZ) Ltd
Canterbury Meat Packers Ltd (ANZCO group)
Clover Exports
Columbia Exports Ltd
Crusader Meats New Zealand Ltd
Davmet New Zealand Ltd
Fern Ridge Ltd
Greenlea Premier Meats Ltd
Harrier Exports Ltd
Land Meat (NZ) Ltd (AFFCO group)
Lanexco Ltd
Lean Meats Oamaru Ltd
Lowe Corporation Ltd
Mathias International (Mathias Meats NZ Ltd)
Ovation New Zealand Ltd
Progressive Meats Ltd
Riverlands Ltd (ANZCO group)
Silver Fern Farms Limited
Tara Exports Ltd
Taylor Preston Ltd
Te Kuiti Meat Processors Ltd
Universal Beef Packers Ltd (UBP)

<b>Affiliate Members</b>
AgResearch-MIRINZ Centre
Aon New Zealand Limited
Bemis Flexible Packaging Australia
CentrePort Wellington
Ecolab
Hamburg-Sud New Zealand Ltd
Hapag-Lloyd (New Zealand) Ltd
Intralox Ltd
Johnson Diversey Ltd
Maersk New Zealand Ltd
Milmeq Ltd
Oceanic Navigation Ltd
Ports of Auckland Ltd
Port of Napier
Port Otago Ltd
Pyramid Trucking Ltd
Scott Technology Ltd
System Controls Ltd
Vero Marine Insurance
Wallace Corporation

