

Submission to New Zealand Productivity Commission

on

Improving Economic Resilience

April 2023

About Ravensdown Limited

1. Overview

Ravensdown Limited (“Ravensdown”) believes in ‘Smarter farming for a better New Zealand.’

As a farmer-owned co-operative, we are relentless in our commitment to supporting our customers to achieve their productivity and sustainability goals - because when our customers succeed, we all succeed.

Whether its food grown for livestock or for humans, just like our customers, Ravensdown is an integral part of the food creation process. We test for, advise, buy, ship, store, spread, measure and map food-creating nutrients and fertiliser in a truly integrated way.

Using technology, science, and smart people, we work in partnership with our farmers to provide the nutrients and agronomic solutions they need, hand-in-hand with innovative environmental products and services.

Growing prosperity for New Zealand; stronger rural communities; a progressive, environmentally considerate agricultural sector; for all of these reasons and more, Ravensdown is proud to stand for ‘Smarter farming for a better New Zealand.’

We provide below detailed answers to the questions posed by the Commission, but at a high level, Ravensdown is particularly concerned about the lack of resilience in New Zealand’s ability to import and export efficiently. On a domestic level, gaps in critical infrastructure, the inefficient exchange of cargoes from gate to market, increasing compliance requirements on the primary sector and labour shortages are all impacting the economic resilience of our shareholders. On an international level, our distance to market, exposure to international shipping forces, market access for imported farm inputs and exported goods and the reliance on imported parts and machinery have all been exposed as risks to economic resilience, not just for our shareholders, but for New Zealand as a whole.

Ravensdown is a member of the Fertiliser Association of New Zealand, and we support the Association’s submission on this matter.

2. Responses to the Productivity Questions

1. *What supply chain disruptions and trends are you worried about?*

- Extreme weather events impacting international and domestic supply chains and the consequential impacts of delays on supplying key farm inputs to the primary sector.
- New Zealand’s distance from market and the associated exposure to price increases of essential commodities, and shipping costs for imports and exports, impacting the viability of New Zealand’s primary sector to compete on the world stage.

- Exposure to other market forces such as shipping lines dictating service levels, off shore geo-political events, international sanctions and domestic Government policy.
- Under-investment in critical infrastructure, inclusive of maintaining the roading and rail networks, leaving rural New Zealand at risk of isolation or unable to adequately convey goods in and out of their region. The underinvestment in roading over many years is now having a direct impact on efficiency of the supply chain, with large parts of the network having lower speed restrictions imposed to offset the increased risk of poorly maintained and therefore unsafe roads.
- A historical lack of coordinated infrastructure investment, taking into account a NZ Inc viewpoint, over a sustained period, impacting the efficiency of the supply chain in general. The Infrastructure Commission is a good vehicle for improving our future decisions in this regard and should be given a high level of autonomy to conclude investments that provide the best outcome for New Zealand. Inland ports are an example where an agnostic model may provide improved supply chain efficiencies.
- The current Resource Management Act and its impact on the consenting process for large infrastructure projects leaves significant room for interpretation, holding up critical infrastructure investment (e.g. Port of Tauranga new wharf consent process) through lengthy and time consuming consents processing. These delays are having a direct impact on our economic resilience. There are concerns that the replacement Natural and Built Environment Bill will not adequately address this, and we will see ongoing delays in gaining approval for key items of infrastructure that will build supply chain, and by association economic, resilience.
- Dependence on the price and availability of imported and refined fuels and lubricants, and the attendant risk of their availability for the domestic market should there be supply chain disruption offshore, or out of our immediate control.
- Dependence on imported fixed and mobile plant and critical spare parts. Although a second-hand market exists it is not cost effective nor extensive, and the cost of holding critical spare parts inventory has a direct impact on financial performance and cashflow.
- Shortage of labour resource across all supply chain and processing sectors, where we have seen output impacted by not fully realising crop and packaging opportunities, thereby reducing export earnings for our shareholders. A shortage of port, stevedoring, transport and logistics resource directly impacts portside efficiency, adding costs which are largely being met by cargo owners and then passed on to consumers, in the case of imports, or reduced earnings margins for exporters. In the current climate, our primary producers are hit by both the impact on imported farm inputs as well as reduced margins on export earnings.
- The International Maritime Organisation (“IMO”) proposal for managing carbon emissions associated with shipping. The direction set will likely increase shipping costs and have a particularly adverse impact on New Zealand, given our distance from markets. While we support initiatives to decarbonise the shipping sector, we would not like to see domestic charges duplicating any charges the IMO imposes on shipping. This will have a direct impact on New Zealand exporter’s competitiveness in international markets.

2. *What is your industry/ community currently doing or planning to do to address supply chain concerns?*

- Reviewing our supply chain to ensure international and domestic freight movements are as efficient and cost effective as possible, from both a cost and greenhouse gas emissions perspective.
- Reviewing materials in use, particularly packaging, to promote recycling opportunities within New Zealand.
- Investing in smarter technology to reduce the GHG footprint across the agricultural sector and improve efficient farm productivity.
- Monitoring, and supporting where relevant, alternative fuel sources and modal shift to lower the GHG footprint on transport modes.
- Active membership of industry associations that engage with Government agencies and other industry stakeholder groups to promote opportunities that address current inefficiencies within the supply chain.

3. *How can the government help to enhance the resilience of your industry/community to supply chain disruptions?*

- Set up a centralised response team (as per Christchurch Earthquake Recovery) able to be mobilised at short notice to manage any significant disaster event, using expertise built through experience to guide and direct the recovery response.
- Ensure key infrastructure decisions are bipartisan, consider the optimal supply chain configuration for the movement of freight, and take into account the true full life (inclusive of upstream & downstream) impact of any change.
- When reviewing the Natural and Built Environment Bill reform proposals, consider the areas that are open to interpretation, and therefore contestable. Where clauses lack clarity, they tend to give rise to long drawn-out appeal processes and delay the development of infrastructure that can provide resilience.
- Engage with cargo owners, industry and the commercial sector on supply chain & infrastructure changes - these are the groups that know how it works and the benefits and pitfalls of decisions being made.
- Build governmental awareness of supply chain issues and opportunities, and how these impact economic resilience, through industry and stakeholder engagement.
- Support the primary industry (81.4% of NZ exports in the 2022 financial year) in making change, as opposed to implementing tighter regulations without due consideration of the impacts/outcomes on the sector and New Zealand Inc, or whether the restrictions are delivering a true benefit on both a national and world-wide scale.
- When developing a national strategy for new energy, ensure that all benefits are looked at, taking green hydrogen as an example. Hydrogen can be used in the steel industry and to power machinery. When further refined, ammonia could be used to power ships or power plants. Further refined again it can be used to make nitrogen fertiliser.
- It is important the Government does not implement an emissions tax for shipping on top of any similar charge the IMO implements on the sector. Those entities directly impacted should only be charged once for the same initiative. Our primary producers are susceptible to charges from both imported and exported goods, so two shipping charges for the same initiative will reduce our shareholders' export competitiveness.

- Support the movement to alternate fuel sources (electric/hydrogen) where NZ can generate its own fuel/energy in a sustainable way. Reliance will still be required on lubricants (ensure adequate stock levels remain available). Transition needs to be cost effective and controlled for transport companies, and accessible to smaller players. Hydrogen can also benefit from satellite production before scaled production is required.
 - Whilst supporting/subsidising the transition to alternate energies, ensure controls are in place that won't allow the power generators/distributors to make excessive profits once the economy becomes even more reliant on green power. So, ensure a fair supply vs demand structure is in place, whereby pricing should decrease as availability is increased.
 - Help set up a framework to allow New Zealand companies to become an original equipment manufacturer ("OEM") or partner to develop technology in NZ. Ideally the ability to manufacture technology locally would be more beneficial. Leveraging the learnings from the Californian Clean Car Framework, and subsequent agreements with car manufacturers, could be useful in the New Zealand model.
- Ensure that policy encourages innovation - but not just for the large industry players. New Zealand has historically provided world-class technology solutions, and this should continue to be encouraged, whether as a sole developer or in partnership with local or overseas investors.

4. *What should the Commission study to learn more about the economic resilience of industries and communities?*

- Opportunities for further Public-Private Partnership ("PPP") funding for key infrastructure & investment in smart technologies
- The importance of importing fertiliser (and the raw materials for manufacture of superphosphate) to the New Zealand food and fibre sector, given the lack of domestic fertiliser supply. No fertiliser application in New Zealand means 50% less food and fibre exports. This sector is a \$52 billion export revenue earner for New Zealand.
- Ensure that government funding is targeted, and recipient organisations are held to account to deliver on promises.
- Ensure that New Zealanders get a fair deal – put regulation in place to make sure that utility companies put the right infrastructure in place quickly. Ensure reticulation and generation assets are maintained to a required standard (re-invest profits) to ensure they are reliable and resilient, especially in dry years or during extreme weather events.
- Research ways to encourage a circular economy, incentivising in recycling & re-use and encouraging right to repair on a local basis.
- The risk that international shipping companies opt for fewer New Zealand port visits, combined with a trend to larger ships, means we may only have 3 to 4 internationally serviced ports in the future. A full understanding of the impact on domestic transport (road, rail, coastal shipping) and its resilience is required to inform decisions on the infrastructure required to service this model, be that inland ports, coastal shipping, automation, the interface between the 3 transport modes or a combination of all.