

mia

Meat Industry Association

ANNUAL REPORT 2014



25,000+
EMPLOYEES, MOSTLY IN
RURAL
NEW ZEALAND

OUR
LARGEST
MANUFACTURING
EMPLOYER

8%

ANNUAL EXPORT
VALUE GROWTH
AVERAGE (US\$) 2002-2013

86%

OF PRODUCTION
EXPORTED TO OVER

120

DIFFERENT COUNTRIES

2ND LARGEST MERCHANDISE
EXPORTER, \$6.5B EXPORTED IN 2013/14

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DIRECTORY

PRINCIPAL BUSINESS

Trade Association representing New Zealand meat processors, exporters and marketers

REGISTERED OFFICE

Wellington Chambers
Level 5, 154 Featherston St, Wellington

SOLICITORS

Burrowes & Company
Level 5, 82 Willis Street, Wellington

BANKERS

Bank of New Zealand
222 Lambton Quay, Wellington

COMMUNICATIONS

Food New Zealand
Ali Spencer, Spencer PR

ANNUAL REPORT & CONFERENCE PUBLICATIONS

Beef + Lamb New Zealand Incorporated

PHOTOGRAPHS

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FOREWORD

The environment for the red meat sector was much more positive in 2013/14 compared to the previous year. While export volumes were little changed from last year, the recovery in prices in traditional markets and the steady growth in the value of exports to emerging markets meant the industry's overall export revenue increased by \$200 million to reach \$6.5 billion for the year.

In many ways, this is the ongoing cyclical nature of our industry, and is unavoidable when our supply is dependent on things out of our control such as the weather. But the factor that makes this rise in our fortunes different – and potentially an ongoing factor – has been the astounding rise of China.

In the last 10 years, annual sheepmeat exports to China have grown from 27,000 tonnes to more than 160,000 tonnes and beef exports from 1,000 tonnes to 37,000 tonnes. It is now New Zealand's largest market for sheepmeat by both volume and value and second largest for beef. It is also our largest overall market for co-products.

The value of these exports has also been steadily growing. Last year the average FOB export value to China was \$4.50/kg for sheepmeat and \$5.15/kg for beef. In 2013/14 this had grown to \$5.04/kg and \$5.60/kg respectively.

This rapid growth has not come without its hiccups of course, as demonstrated by last year's border delays. However, we have all learned from that. There has been recognition by both government and industry there was a need to strengthen our relationships with our Chinese counterparts.

MIA is pleased the government has increased the resources allocated to China. There are now four MPI staff based in China, plus additional resources in Wellington dedicated to China. We are pleased MPI is shifting from a stance of reacting to crises to dealing with Chinese regulators on a "business as usual" normal and close relationship. We note, however, much of this resource is ultimately cost-recovered from industry, which reinforces the need for MPI to be transparent about its cost recovery.

China was a significant focus for MIA during the year, and much of our small Wellington-based team

was dedicated to China related issues. This focus is expected to continue into 2014/15.

While many companies have built strong relationships with their customers over a long period, it was decided it would be beneficial to develop relationships at an industry-wide level. Therefore, MIA organised a high level delegation to China in June 2014, consisting of chairmen or CEOs of the major meat processing companies.

The New Zealand meat industry delegation was well received, and MIA believes it was a very important first step in strengthening industry to industry relationships.

While very important, China was not the only story during the year.

The industry exports to 119 other countries, and as in previous years there were some positive and some not so positive developments in trade. Positive developments included the recovery in trade to Indonesia, where import quota restrictions had previously significantly restricted trade, and the entry into force of the economic co-operation agreement with Taiwan.

On the other hand, the lack of any conclusion in the FTA negotiations with the Republic of Korea is disappointing, particularly as Australia signed its deal with Korea during the year. Trans Pacific Partnership negotiations drag on – MIA continues to maintain that if the TPP is to have any benefit at all to New Zealand, then trade barriers to meat imports, particularly in Japan, have to come down.

Given the importance of progress in trade negotiations for our industry, it is disappointing much of the political environment seems to be oblivious to the need for free trade for our primary sector export-based economy. It was to inform political decision-makers in an election year that MIA produced a briefing outlining very basically the major issues for our industry.

We note the two major political parties share the same goal – to promote value-added exports. However, beyond that, the policy prescriptions are often vague, or even counter-productive to the

goal. It is therefore important, then, that the MIA stakes out its position on a number of policy issues, and how these contribute to growing value-added exports and the economy in general.

Health and safety has been a significant focus for MIA and the industry during the year. The government has embarked upon a complete overhaul of the workplace health and safety system. Employing about 25,000 workers in a highly industrialised process, our industry is directly affected by these changes. MIA has led industry submissions on the proposed reforms and the proposed regulations. In an example of how seriously the industry takes health and safety at processing plants, MIA led the production of a set of workplace health and safety guidelines.

Biosecurity has also been a major area of policy work for MIA this year, as the government commits resource to preparing for a possible response to Foot and Mouth Disease (FMD). FMD is the number one threat to our industry – ensuring there is a rapid and effective response if there was outbreak of FMD in New Zealand is critical. An important feature of the MPI FMD preparedness programme is how it is being done in partnership with the livestock industries.

Immigration has also absorbed significant MIA resources during the year, specifically in relation to satisfying immigration policy requirements for the recruitment of halal slaughtermen from overseas. MIA continues to advocate for the introduction of better immigration processes in order to facilitate the important and growing trade with Muslim customers.

While we have highlighted a number of the different areas of MIA activity during the year, it is important to remember what the role of the MIA is, particularly in relation to the ongoing debate about industry structure.

While MIA advocates on behalf of its members to ensure the meat industry's views are incorporated in decision-making on a wide range of issues, MIA does not have the mandate to involve itself in commercial matters. MIA members are competitors who do not share commercial information, and there are constraints under the Commerce Act on their ability to discuss issues affecting competition in the sector.

Having said that, in our view much of the debate

about the future of our industry tends to focus on structure as a "silver bullet" for the uncertain profitability of our sector. However, this overlooks that there are a large number of meat processing companies, of which two are co-operatives and the remainder are privately owned. They all pursue different marketing strategies and business models and that diversity and flexibility is a strength.

Finally, we shouldn't overlook some of the very promising things happening in our sector, particularly with regard to innovation and new technologies. The Ovine Automation Consortium has now been operating for five years, and has made significant progress in developing a range of robotic technologies to automate sheep processing chains.

A number of Primary Growth Partnerships (PGPs) are underway with considerable investment (nearly \$200 million) coming from industry. Cumulatively these investments promise to revolutionise the way our sector behaves, but it takes time for big complex innovation projects to bear fruit.



Bill Falconer
Chairman



Tim Ritchie
Chief Executive



ADVOCACY

The MIA is a trade association that exists to facilitate joint action where there is a common interest amongst members on a particular issue, principally regarding regulatory matters within New Zealand and in the markets with which they trade.

While MIA advocates on behalf of its members to ensure the meat industry's views are incorporated in decision-making on a wide range of issues, there are some specific areas in which MIA does not get involved.

MIA does not have the mandate to involve itself in commercial matters. MIA members are competitors who do not share commercial information, and there are constraints under the Commerce Act on their ability to discuss issues affecting competition in the sector. This includes operational matters for individual plants and companies where there is no overarching industry-wide interest.

There are of course a number of important areas in which MIA is involved on behalf of its membership. One of the most significant is ensuring the industry is understood in the corridors of power in Wellington. Therefore, in advance of the general election in September, MIA prepared a political briefing document to guide discussions with political parties on policy areas of particular interest to the industry.

This stemmed from recognition – based on inaccurate comments about the industry from all major political parties – that while there is reasonable understanding of the industry as a whole, the specific challenges and opportunities faced by the industry are not always well understood. Moreover there appears not to be an appreciation in Wellington of the continued significance of the sector to the New Zealand economy as a whole, not least as a large employer in New Zealand's rural heartland.

The document's title, "Unlocking Value," was chosen specifically to signal to politicians that the industry's objective is to generate more value, not just to ship more and more volume. The industry is no longer a commodity trader. Indeed, this has been the case since the removal of government support in the 1980s.

In the document, MIA contended for economic, environmental and social reasons, New Zealand needs a diversified agriculture portfolio that includes a thriving red meat industry. In addition to providing key information about the industry, the briefing sets out some specific policy requests where MIA believes that government action can assist the industry, in the following five broad policy areas:

- Workforce,
- Regulation,
- Environment,
- Innovation, and
- Trade.

Above all, the document attempts to show to each of the major political parties there are good reasons for each of them to work closely with the industry.

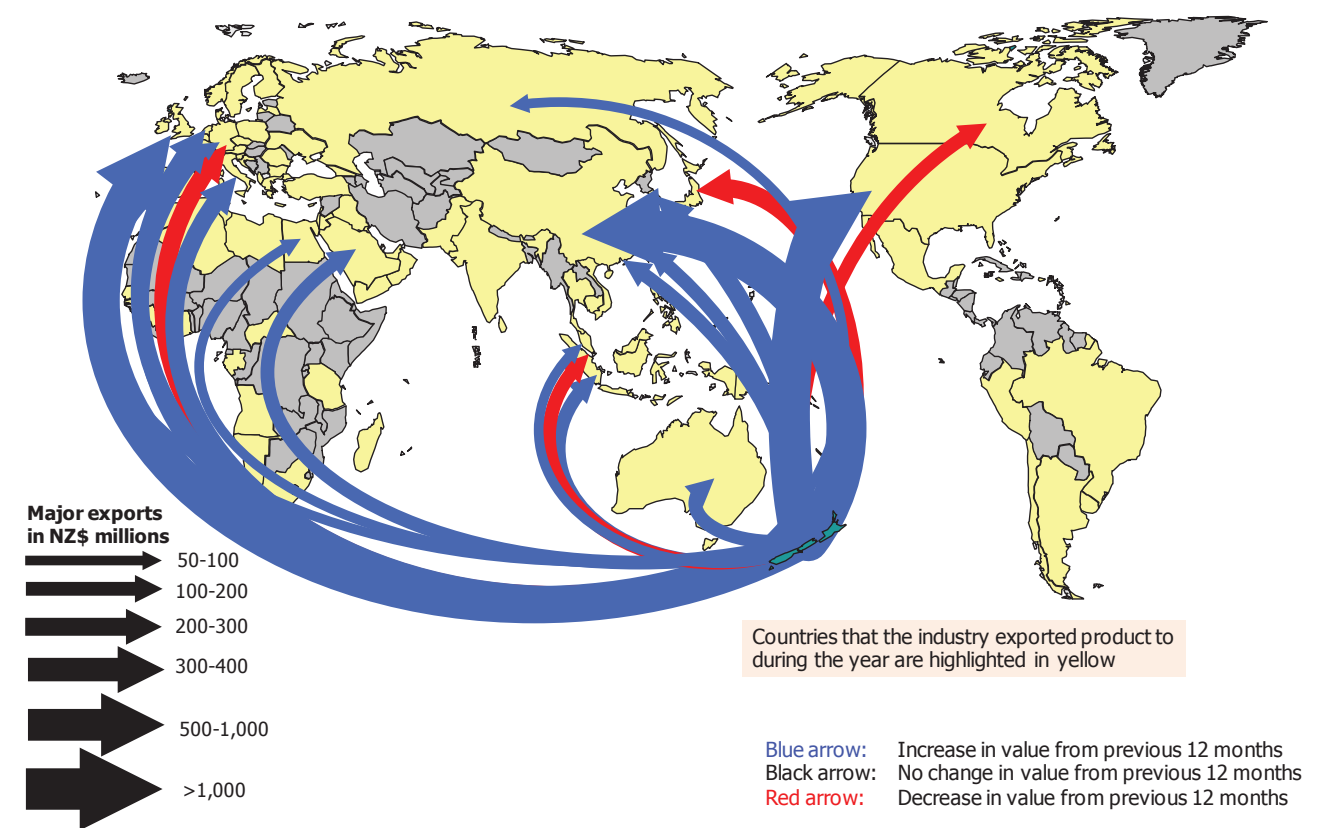
This annual report sets out in more detail MIA's activity and developments in these five policy areas, as well as the work MIA has undertaken in a number of other areas during the year. Both will benefit from being read together. An electronic copy of the political briefing "Unlocking Value" is readily available on the MIA website.



TRADE

EXPORTS

MAJOR EXPORT DESTINATIONS FOR ALL NZ RED MEAT AND CO-PRODUCTS, 2013-14
(MARKETS WITH EXPORT VALUE OF \$50M+)



GENERAL

The red meat sector was New Zealand's second largest merchandise exporter in the year ended 30 June 2014, exporting to more than 120 countries and earning export revenues of \$6.5 billion.

While the volume of the sector's exports were little changed from the previous year, the recovery of prices in traditional markets and the steady increase in prices in newer markets meant the sector's exports were worth \$200 million more than in 2012/13.

SHEEPMEAT

OVERALL EXPORTS

The total volume of sheepmeat exports increased slightly compared to 2012/13, from 398,154 tonnes to 402,661 tonnes, and the value of these exports increased from \$2.66 billion to \$2.97 billion.

The increase in value was due to a range of factors, including the recovery of prices in Europe, and the steady growth in the value of exports to China, where the average FOB value of sheepmeat exports increased from \$4.50/kg in 2012/13 to \$5.04/kg in 2013/14.

EUROPEAN UNION

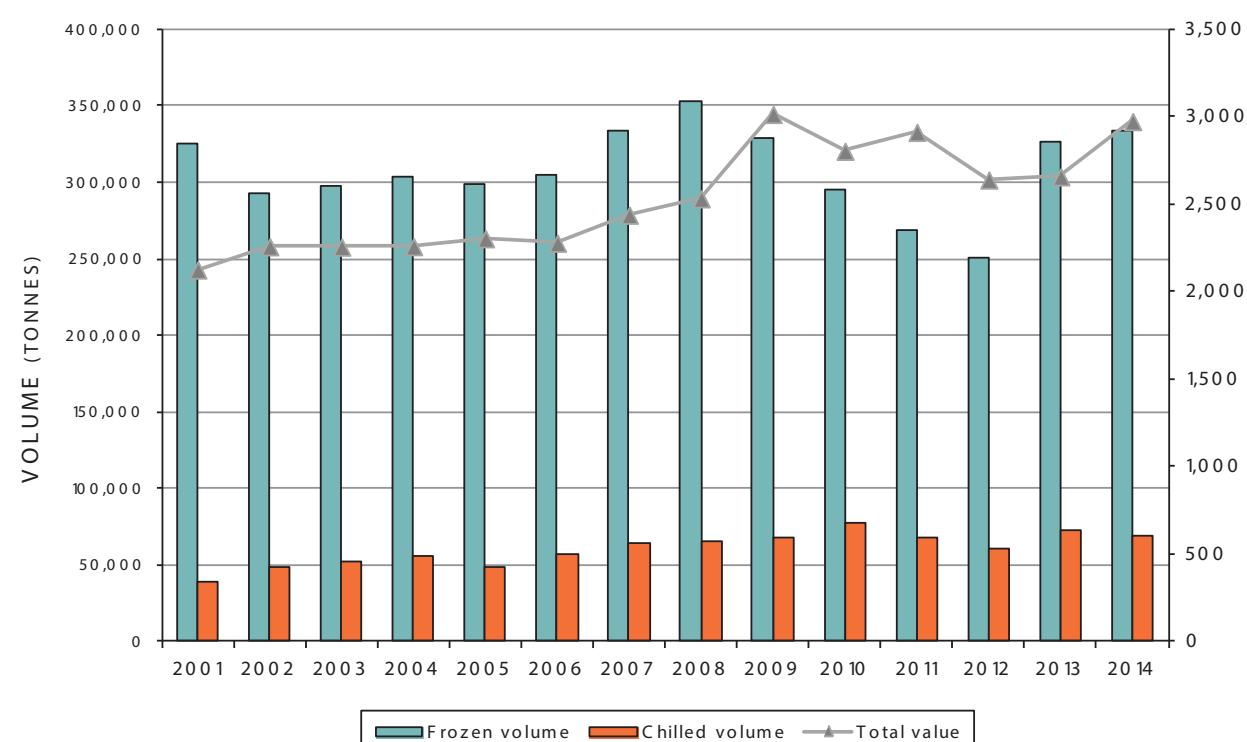
There was a moderate decline in the volume of sheepmeat exports to the European Union (EU), dropping by just under 11,000 tonnes to 131,322 tonnes on 2013/14.

Despite this decline in volume, the EU remained the industry's most valuable regional market for sheepmeat, with exports worth \$1.29 billion in 2013/14, up from the \$1.22 billion exported in 2012/13.

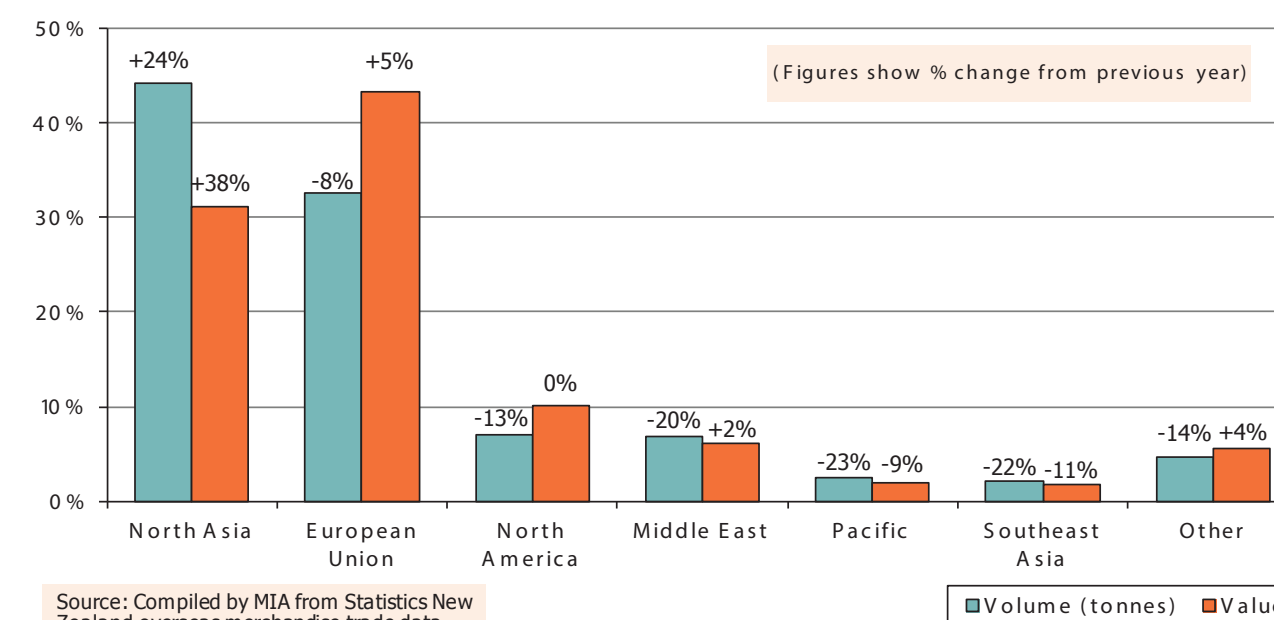
The EU is a particularly important market for high value chilled products, which made up 37% of sheepmeat exports by volume and 44% by value. The high percentage of chilled products going into the region meant the average FOB value of sheepmeat exported to the EU was \$9.82/kg compared to \$5.22/kg for North Asia.

The largest market within Europe was the UK (\$551 million), and more than half of sheepmeat exports to the UK were in chilled form. Other important markets in the region continue to be Germany (\$234 million), the Netherlands (\$161 million) and France (\$142 million).

TRENDS IN VOLUME AND VALUE OF NZ SHEEPMEAT EXPORTS (JUNE YEARS)



NZ SHEEPMEAT EXPORTS BY REGION (BY VOLUME AND VALUE FOR THE YEAR ENDING JUNE 2014)



NORTH ASIA

The ongoing strong growth in exports to China meant North Asia was the industry's largest sheepmeat market by volume in 2013/14 by a significant margin, taking 177,738 tonnes - nearly 35,000 tonnes more than in the previous year, and accounting for 44% of total sheepmeat exports by volume.

It was the only major regional market where there was a growth in the volume of exports compared to 2012/13.

The growth in volume meant that value of sheepmeat exports to North Asia also increased significantly, from \$674 million to \$927 million in 2013/14. The North Asia market was dominated by China, where sheepmeat exports grew 30% by volume and 46% by value compared to the previous year.

In 2013/14 China took 160,468 tonnes of sheepmeat worth \$809 million, more than twice the volume that went to the next largest individual market, the United Kingdom (64,881 tonnes).

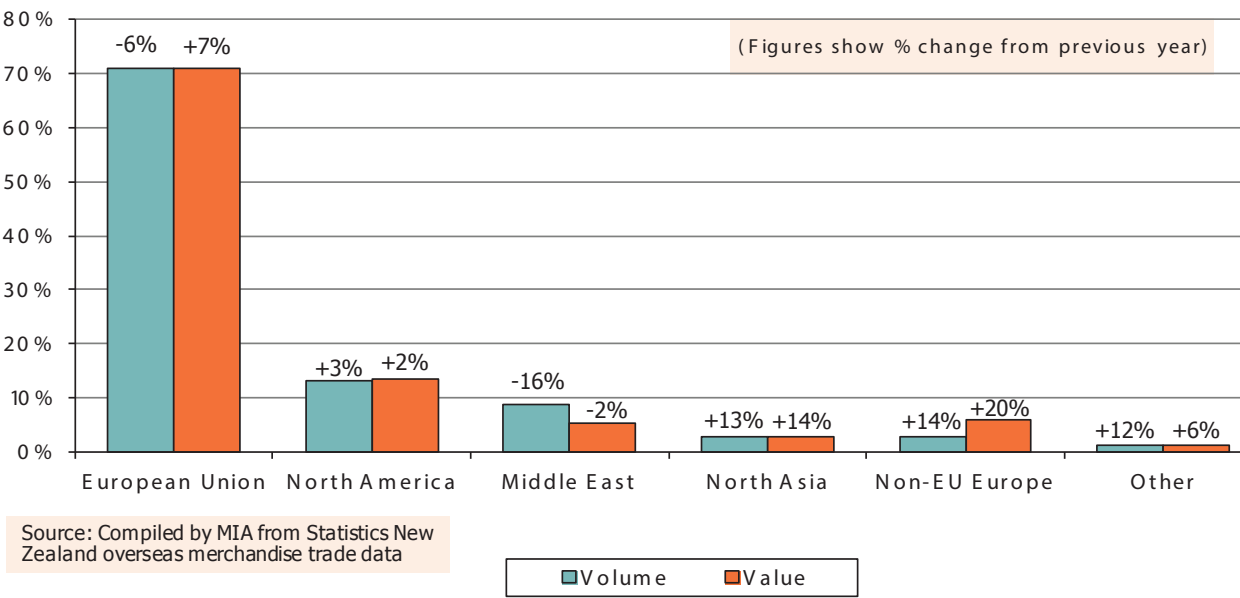
NORTH AMERICA

While the volume of sheepmeat exports to North America declined by 13% (4,000 tonnes), to 28,324 tonnes in 2013/14, the value of these exports remained unchanged at \$298 million over the period.

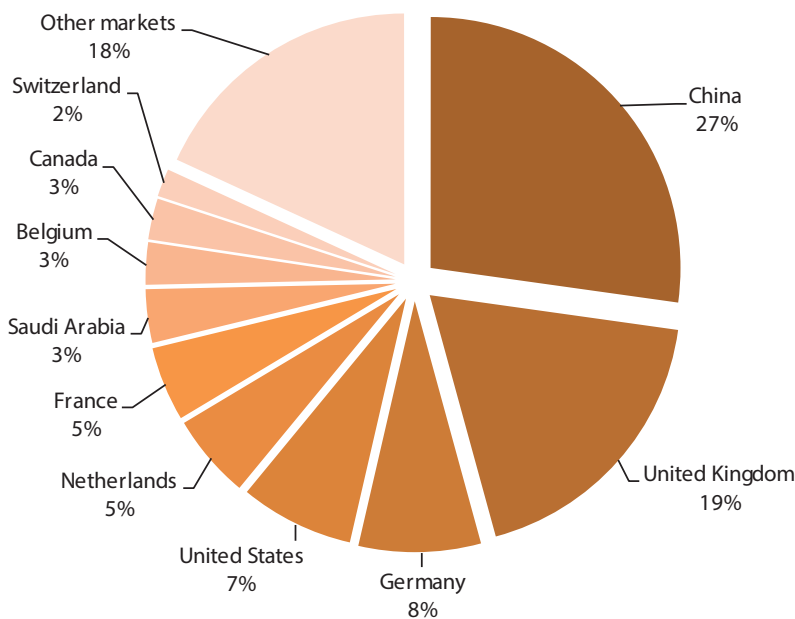
Two thirds of exports to the region went to the United States, and the remaining third to Canada. While there was a decline in the volume of exports to both these countries compared to the previous year, the value of exports to the United States increased by \$8 million to \$219 million for 2013/14.

North America is another important market for high value chilled cuts, which accounted for 32% of exports by volume and 37% of exports by value to the region, and this was reflected in the high average FOB value of sheepmeat exports to the region, \$10.53/kg in 2013/14.

NZ CHILLED SHEEPMET EXPORTS BY REGION
(BY VOLUME AND VALUE FOR THE YEAR ENDING JUNE 2014)



TOP 10 SHEEPMET MARKETS BY VALUE
(YEAR ENDED 30 JUNE 2014)



MIDDLE EAST

As with most other regions, except North Asia, the volume of New Zealand sheepmeat exports to the Middle East declined in 2013/14 compared to the previous year, down by 20% (6,882 tonnes) to 27,738 tonnes.

While the volume of exports to the largest market in the region, Saudi Arabia, declined by 15% to 15,855 tonnes, the most significant decline was in exports to the next largest market, Jordan, which were down 33% to 6,597 tonnes.

Despite the 20% decline in volume the value of sheepmeat exports to the Middle East increased slightly, up from \$178 million in 2012/13 to \$182 million in 2013/14. While exports to Saudi Arabia increased by nearly \$12 million to \$102 million, exports to Jordan declined by \$9 million to \$43 million.

OTHER MARKETS

European countries outside the EU were important markets for high value cuts. While there were only 5,135 tonnes of exports to these countries in 2013/14, they were worth \$85 million, and the average FOB value of these exports was particularly high, at \$16.63/kg.

Most exports went to Switzerland (\$54 million) and Russia (\$29 million). It is notable that while these were both valuable markets, they are also both markets where access can be difficult.

Another important sheepmeat market is the **Pacific**, which took exports of 9,751 tonnes, worth \$58 million, although exports to the region declined 20% by volume and 11% by value compared to 2012/13. The two major markets in the region were Papua New Guinea (\$18 million) and Fiji (\$16 million).

The volume of sheepmeat exports to **South East Asia** also declined in 2013/14, dropping by 22% to 8,667 tonnes. There was a smaller decline in the value of sheepmeat exports to the region, down 9% to \$55 million.

Malaysia is the largest market for sheepmeat in the region, taking exports of 5,575 tonnes worth \$34 million in 2013/14. The other major market in the region is Singapore, which took exports of 1,728 tonnes worth \$11 million over the period.

OTHER EXPORTERS

New Zealand and Australia are the two major sheepmeat exporters, together accounting for around 75% of global sheepmeat exports.

According to Australian Department of Agriculture figures, Australian sheepmeat exports in 2013/14 grew by 19% from the previous year to 409,537 tonnes, largely driven by increased slaughter, reflecting drought conditions in much of the country throughout the year.

The growth in Chinese demand for meat meant it was also Australia's largest market for sheepmeat, taking 100,000 tonnes, up from 70,000 tonnes in the previous year.

BEEF

OVERALL EXPORTS

There was a small increase in the total volume of New Zealand's beef exports in 2013/14, which grew by 5,623 tonnes to 379,885 tonnes, and also a small increase in the value of these exports, which grew by \$56 million to \$2.2 billion.

NORTH AMERICA

North America remains New Zealand's largest beef market, taking 197,156 tonnes of beef, worth \$1.03 billion, in 2013/14, or 52% of total beef exports by volume and 47% by value for the period.

The majority of exports to the region go to the United States, and compared to 2012/13 it took an extra 9,122 tonnes to reach exports of 183,440 tonnes in 2013/14. The value of these exports also increased, by \$27 million to \$960 million over the period.

In contrast, exports to Canada declined both in volume and value over the period, down by 2,858 tonnes to 13,716 tonnes and by \$16 million to \$70 million.

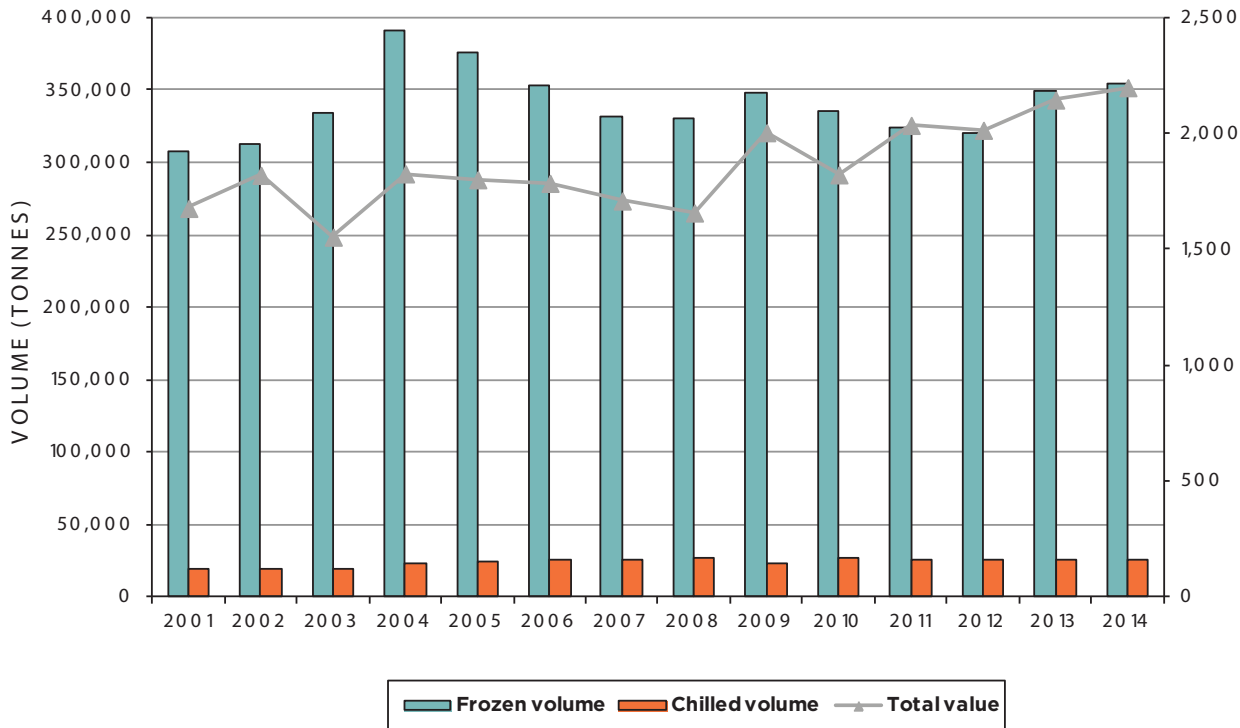
NORTH ASIA

The volume of beef exports to North Asia declined slightly in 2013/14 compared to the previous year, down by just over 2,000 tonnes to 110,277 tonnes.

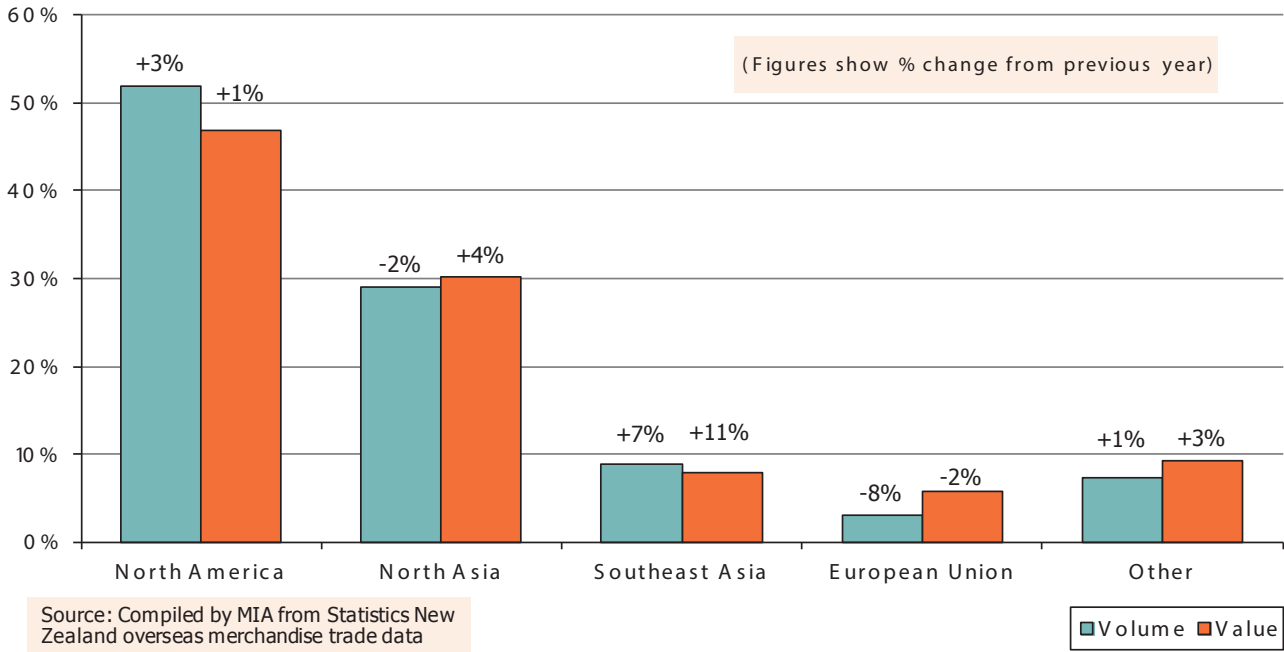
The continuing growth in exports to China (up 12% to 37,083 tonnes) was offset by a decline in exports to the two next largest markets in the region, Japan (down 19% to 24,953 tonnes) and Korea (down 13% to 22,675 tonnes). However, exports to the other major market in the region, Taiwan, did increase by 14% to 20,755 tonnes.

While the volume of beef exports to the region declined, there was an increase in the value of these exports, up by 4% to \$663 million in 2013/14. Not surprisingly, the largest increase was in beef exports to China, up by 23% to \$207 million. There was also an increase in the value of beef exports to Taiwan (up 11% to \$142 million) and Korea (up 6% to \$121 million). These increases were partly offset by an 18% decline in the value of beef exports to the second largest market in the region, Japan, which were down by \$37 million to \$157 million.

TRENDS IN VOLUME AND VALUE OF NZ BEEF EXPORTS (JUNE YEARS)



NZ BEEF EXPORTS BY REGION (BY VOLUME AND VALUE FOR THE YEAR ENDING JUNE 2014)



SOUTH EAST ASIA

There was a modest increase in the volume of beef exports to South East Asia in 2013/14, which were up 7% to 33,577 tonnes. There was a larger increase in the value of these exports, which were up 11% to \$175 million over the period.

This increase was largely a result of the recovery in beef exports to Indonesia following the Indonesian government's removal of beef import quota restrictions in late 2013. As a result of this change in policy, the volume of beef exports to Indonesia grew from 6,516 tonnes, worth \$34 million, in 2012/13 to 15,384 tonnes, worth \$76 million in 2013/14, making Indonesia once again the largest market in the region.

There was also an increase in both the volume and value of beef exports to the next largest market in the region, Malaysia, which increased by 22% and 23% respectively to 7,795 tonnes worth \$33 million.

However, beef exports to the Philippines, which was the largest market in the region in 2012/13, declined by more than 50% in both volume and value terms, down to 4,274 tonnes worth \$17 million in 2013/14.

EUROPEAN UNION

The EU continues to be a relatively small, but a valuable market for New Zealand beef. In 2013/14 there was 11,221 tonnes of beef exported to the EU, but these exports were worth \$125 million. The average FOB value of these exports was \$11.11/kg, the highest average per kg FOB value for any market.

Within the EU, the most significant markets were the Netherlands (\$35 million), Germany (\$13 million) and Italy (\$10 million).

OTHER MARKETS

There was a significant increase in beef exports to the **Middle East**, up from 9,151 tonnes worth \$73 million in 2012/13 to 12,306 tonnes worth \$96 million in 2013/14. This was largely a result of the growth in beef exports to Saudi Arabia, which increased to 4,613 tonnes worth \$29 million in 2013/14.

New Zealand also exported 10,711 tonnes of beef worth \$76 million to the **Pacific** in 2013/14. The largest market in the region was French Polynesia, which took exports worth \$36 million, 70% of which were high value chilled beef, making it New Zealand's second largest market for chilled beef in 2013 behind Japan (\$52 million).

OTHER EXPORTERS

According to Australian Department of Agriculture figures, the volume of beef exports from Australia reached a record 1.18 billion tonnes in 2013/14, 117,000 tonnes more than the previous year, with significant increases in exports to the United States (up by nearly 60,000 tonnes from the previous year) and China (up by 68,000 tonnes).

As with the increase in sheepmeat export volumes, this was largely a result of the drought conditions leading to increased slaughter. Meat and Livestock Australia estimates the Australian cattle herd declined to 26.7 million as at June 30 2014, a reduction of 2.45 million in just 12 months.

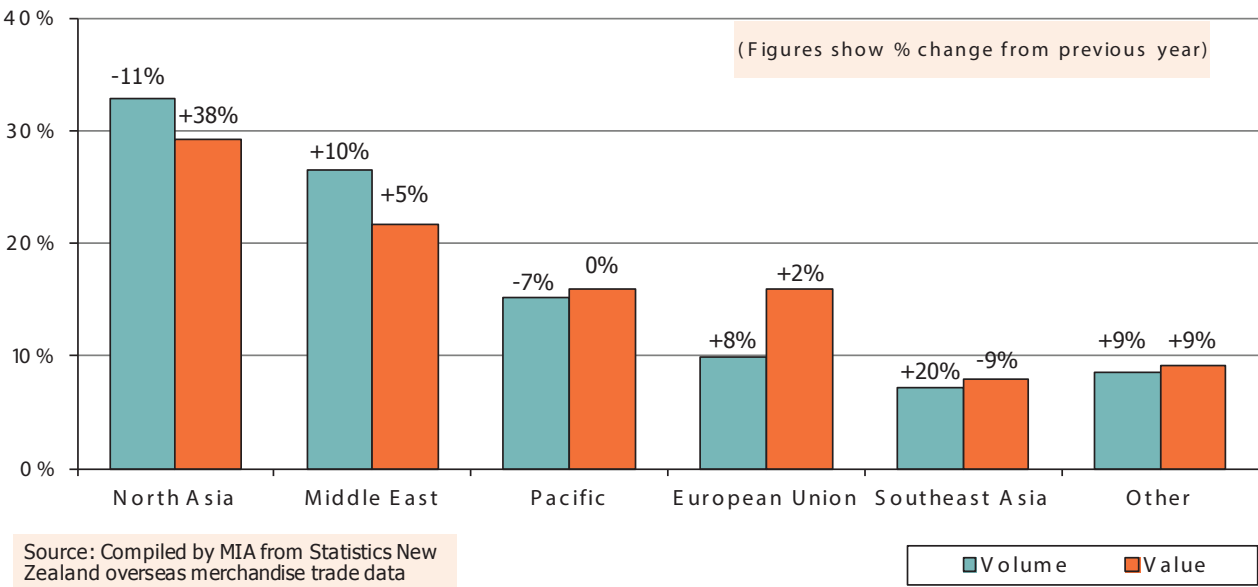
Brazilian beef exports grew by around 200,000 tonnes to reach 1.25 billion tonnes in 2013/14, with nearly a quarter of these exports going to Russia. Despite lower production, the United States also increased its beef exports in 2013/14, to just under 840,000 tonnes, with nearly a quarter of these exports going to Japan.

It is interesting to note the second largest market for both Brazil and the United States was Hong Kong, taking 229,000 tonnes and 144,000 tonnes from each country respectively. Over the last three years beef exports to Hong Kong from both Brazil and the United States have roughly tripled.

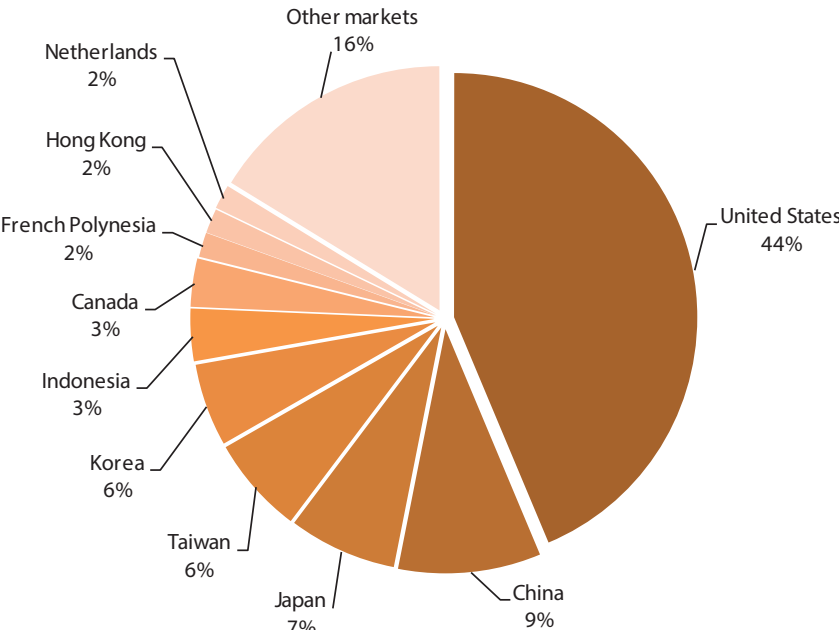
In recent years, India has rapidly become one of the other major global beef exporters. At the time of writing Indian export statistics for 2013/14 were not available, but in the 2013 calendar year India exported 1.3 billion tonnes of beef, with around a third of these exports going to Vietnam.

While, India does not currently have direct access to any of New Zealand's major beef markets in North America and North Asia because of endemic foot and mouth disease, it is working to both eradicate the disease and gain direct access to major markets such as China.

NZ CHILLED BEEF EXPORTS BY REGION
(BY VOLUME AND VALUE FOR THE YEAR ENDING JUNE 2014)



TOP 10 BEEF MARKETS BY VALUE
(YEAR ENDED 30 JUNE 2014)



CO-PRODUCTS

OVERALL EXPORTS

Co-products make an important contribution to industry revenue, and exports of co-products were worth \$1.4 billion in 2013. This was \$100 million less than in the previous year, and the decline was largely a result of a reduction in the value of exports of runners, casings and rendered products.

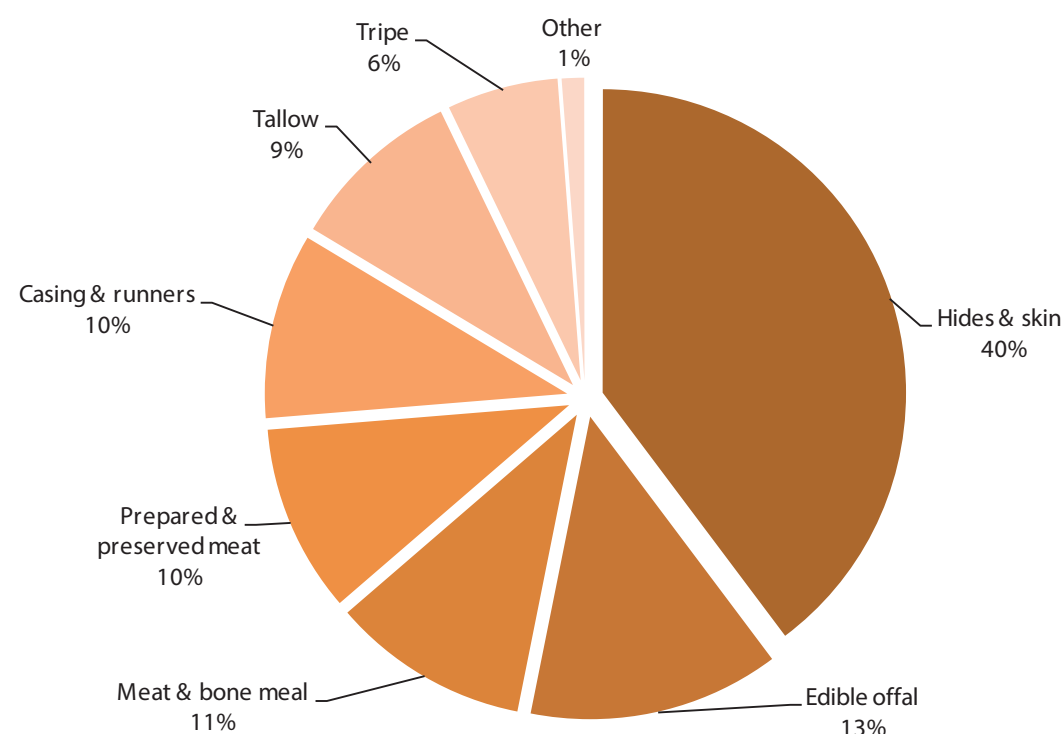
HIDES AND SKINS

While there was a decline in overall value of co-products exports, exports of the most significant contributor to these exports, hides and skins, increased in 2013/14, up by \$15 million to \$555 million.

The two major markets continued to be China and Italy, but their ranking was reversed in 2013/14. While exports to China (the major market for ovine pelts) decreased by \$44 million to \$154 million, exports to Italy (the major market for bovine hides) increased by \$44 million to \$217 million.

While two thirds of exports went to these two countries, other important markets in 2013/14 included Australia (\$23 million) and Turkey (\$21 million).

NZ EXPORTS OF CO-PRODUCTS (BY VALUE FOR YEAR ENDED JUNE 2014)



EDIBLE OFFAL

Both the volume and value of total edible offal exports also increased in 2013/14, up by 3,380 tonnes and \$5.7 million to 60,544 tonnes and \$187 million respectively. This was largely the result of an increase in the volume and value of exports of bovine offals, which increased by 2,960 tonnes and \$6.4 million to 40,539 tonnes worth \$128 million in 2013/14.

There were declines in exports to the two largest markets for bovine offals, Japan (down \$2.7 million to \$35 million) and Korea (down \$5.3 million to \$23 million). However, these were offset by an increase in exports to Russia (up \$4.1 million to \$11 million) and Indonesia (up \$8.7 million to \$12 million). The Indonesian growth was again largely the result of the Indonesian government's removal of import quota restrictions in late 2013.

Ovine offal exports were little changed from the previous year, at 23,385 tonnes worth \$59 million, and the two major markets remained the United Kingdom (\$22 million) and China (\$12 million).

MEAT AND BONE MEAL

As noted above, there was a decline in exports of rendered products, including meat and bone meal (MBM), in 2013/14. Total MBM exports declined by 7,012 tonnes to 150,269 tonnes and \$21 million to \$147 million respectively.

The most significant decline was in exports to the largest market, Indonesia, which fell by 17,511 tonnes to 74,086 tonnes and \$23 million to \$58 million.

There was a smaller decline in exports to the next largest market, the United States, where there were exports of 21,552 tonnes worth \$33 million in 2013/14.

While the majority of MBM exports went to these two countries, there was some growth in exports to the next largest market, China, where exports increased by 7,139 tonnes to 15,436 tonnes and by \$2.6 million to \$13 million in 2013/14.

PREPARED AND PRESERVED MEAT

While there was little change in the volume of exports of prepared and preserved meats (such as corned beef) in 2013/14, at 15,348 tonnes, there was a decline in the value of these exports, which were down \$8 million to \$140 million.

As in 2012/13 the three major markets for these products were the United States (\$48 million), Australia (\$34 million) and Japan (\$12 million).

CASINGS AND RUNNERS

The largest decline in co-products exports was for processed casings and semi processed 'runners' from sheep intestines which were worth \$138 million in 2013/14, a significant \$66 million less than in 2012/13.

The ban imposed by China on imports of runners from New Zealand in mid 2013 meant exports to China in 2013/14 were only worth \$28 million in 2013/14, compared to \$178 million in 2012/13.

This decline was only partly offset by an increase in exports to Egypt (up from \$4 million in 2012/13 to \$51 million in 2013/14), Australia (up from \$1 million to \$27 million) and the United States (up from \$8 million to \$15 million).

TALLOW

New Zealand exported 119,563 tonnes of tallow worth \$128 million in 2013/14, down from 151,951 tonnes worth \$159 million in the previous year.

While tallow exports to Singapore, which MIA understands are primarily for biodiesel manufacturing, were relatively steady at 64,211 tonnes worth \$71 million for the year, the overall decline was mainly a result of a drop in exports to the next largest market, China.

Tallow exports to China decreased by 22,421 tonnes to 42,013 tonnes and by \$22 million to \$43 million in 2013/14.

89% of tallow exports by both volume and value went to these two markets in 2013/14, and the next largest market was the Philippines, which took 4,190 tonnes worth \$5 million over the period.

TRIPE

New Zealand exported 20,020 tonnes of sheep and beef tripe worth \$83 million in 2013/14, an increase of 400 tonnes and \$4 million dollars from 2012/13.

The two major markets continued to be Hong Kong (11,645 tonnes worth \$43 million), Korea (1,881 tonnes worth \$16 million) and Malaysia (2,160 tonnes worth \$8 million).

MARKET ACCESS

GENERAL

The red meat industry's business model is to derive the maximum value from an animal by identifying the highest returning market for each individual part of the carcass, and using competing demand for the same product to drive up the overall price. The industry therefore suffers in the event of a market being closed for whatever reason; it is dependent on consistent and predictable access to markets.

The meat industry globally is heavily regulated, and faces significant barriers to access in many markets, both in the form of tariffs which cost the New Zealand industry approximately \$350 million annually, and non-tariff barriers that are often imposed by foreign governments for political rather than scientific reasons.

While it is difficult to quantify the impact of non-tariff barriers, they can be even more costly than tariffs as they can restrict or even prevent trade to a particular market entirely.

MIA was supportive of MPI's expansion of its market access directorate during the year, as it is strongly of the view that it is important for the government to have sufficient resources in place not only to progress trade agreements, but also to address long term access barriers and deal effectively with 'day-to-day' access issues.

TRADE AGREEMENTS

The industry is highly supportive of government efforts to open markets through Free Trade Agreements (FTAs) that secure improved access in key markets. Successive New Zealand Governments have delivered strong results that have demonstrably benefitted the meat industry, such that, in terms of tariffs, there remain only three major trade partners who maintain high barriers on beef: Korea, Japan and the European Union. Lamb tends to face lower barriers given that fewer countries have domestic industries to protect.

New Zealand exporters have historically been well served by a bipartisan New Zealand political party support of free trade agreements. This accord has appeared shaky recently, with the Opposition seemingly ambivalent in its view of the Trans Pacific Partnership, in particular. It is to be hoped that common sense prevails in support of export-revenue earning industries. The most positive trade agreement news during

the year was the entry into force on 1 December 2013 of the Agreement between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Cooperation (ANZTEC).

Taiwan is a major market for New Zealand beef, and a reasonably significant market for sheepmeat, so this was welcome news for the industry, particularly as New Zealand is the first major beef exporter to secure an agreement with Taiwan, under which the tariffs on key products will be eliminated in a short period. Taiwan is a high value market and the ability for companies to expand the value of their exports there, and trade in more highly processed items, is useful.

Unfortunately, there was less progress in other New Zealand trade negotiations.

For the meat industry, the most pressing of these are the FTA negotiations with Korea. MIA appreciates the efforts of New Zealand Ministers and officials to try to finalise these very difficult negotiations. With Australia and Canada both finalising their agreements with Korea during the year, if New Zealand does not secure its agreement shortly, there is the risk that the New Zealand meat exporters will very soon be at a major commercial disadvantage in this important market. The Korea-US FTA, which entered into force in 2012, already gives the US an 8% tariff advantage; this increases by over 2.5% for every year in which New Zealand does not have a deal.

While New Zealand is somewhat insulated from this because our grass-fed product reaches a different market segment than US grain-fed product (and incidentally does not compete with domestic Korean "Hanwoo" product), we compete directly with Australian beef in the market. Losing the ability to compete on a level playing field with Australia could increase New Zealand's strategic reliance on China, and remove what has recently been a top five export market. It is imperative that a deal be concluded as soon as possible.

The Trans-Pacific Partnership (TPP) is another important negotiation for New Zealand. Exporters are concerned at the slow pace of progress, particularly since Japan joined the negotiations last year. Despite signing up to the conditions of the "Honolulu Declaration" (the 2010 statement in which TPP leaders committed to comprehensively

opening their markets to one another) the Japanese remain determined to protect key agriculture items, including beef. The industry anxiously awaits progress on tariff elimination in TPP, particularly as Australia and Japan have signed a deal reducing Japanese tariffs on Australian beef.

Another potentially significant agreement is the Regional Comprehensive Economic Partnership (RCEP, which would cover the 10 members of ASEAN, and the six countries with which ASEAN has existing FTAs (Australia, China, India, Japan, Korea and New Zealand)). By nature of the membership, this is expected to be a slow and complex negotiation. The particular potential here, above tariff reductions, is in reducing the compliance costs of trading in a region of high importance to New Zealand.

New Zealand continues to be in talks with India, though MIA understands there to have been little progress this year. A deal with Russia was making steady progress until curtailed by significant geopolitical problems. And MIA understands that a finalised agreement with the Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates) may shortly be concluded. All are potentially valuable markets for New Zealand and the industry supports the Government's efforts here.

An exciting development in the year was the commitment of the European Union to consider an FTA with New Zealand. According to Government, New Zealand remains one of only six countries not to have some sort of preferential deal with the EU. While the tariff-free access quotas established under the GATT and Uruguay Round of the WTO

trade negotiations are more than sufficient for the lamb trade into the EU, New Zealand pays approximately \$77m in tariffs on red meat products in the EU, principally on frozen and chilled beef.

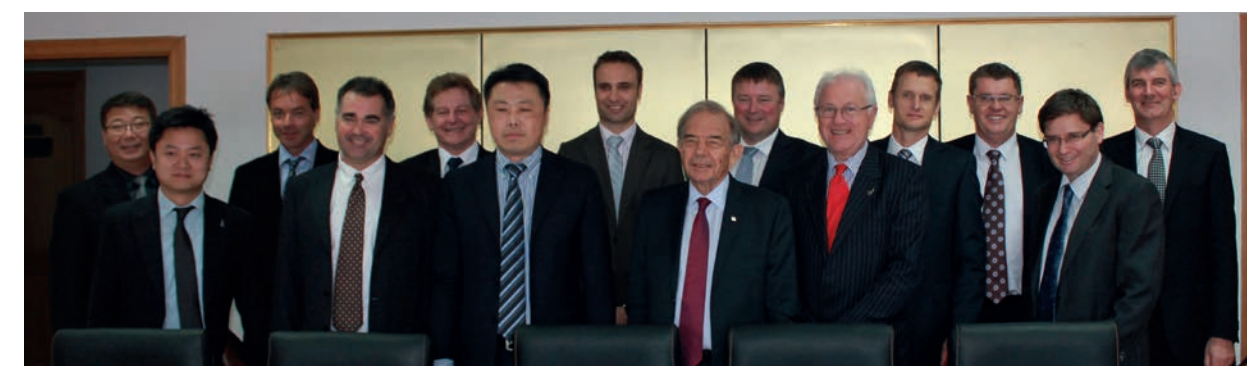
SPECIFIC MARKETS

CHINA

As the 'Trading Environment' section has highlighted, exports to China, particularly of sheepmeat, have continued to grow, and it is now the industry's largest overall market. After last year's border disruptions, market access developments were more positive in 2013/14.

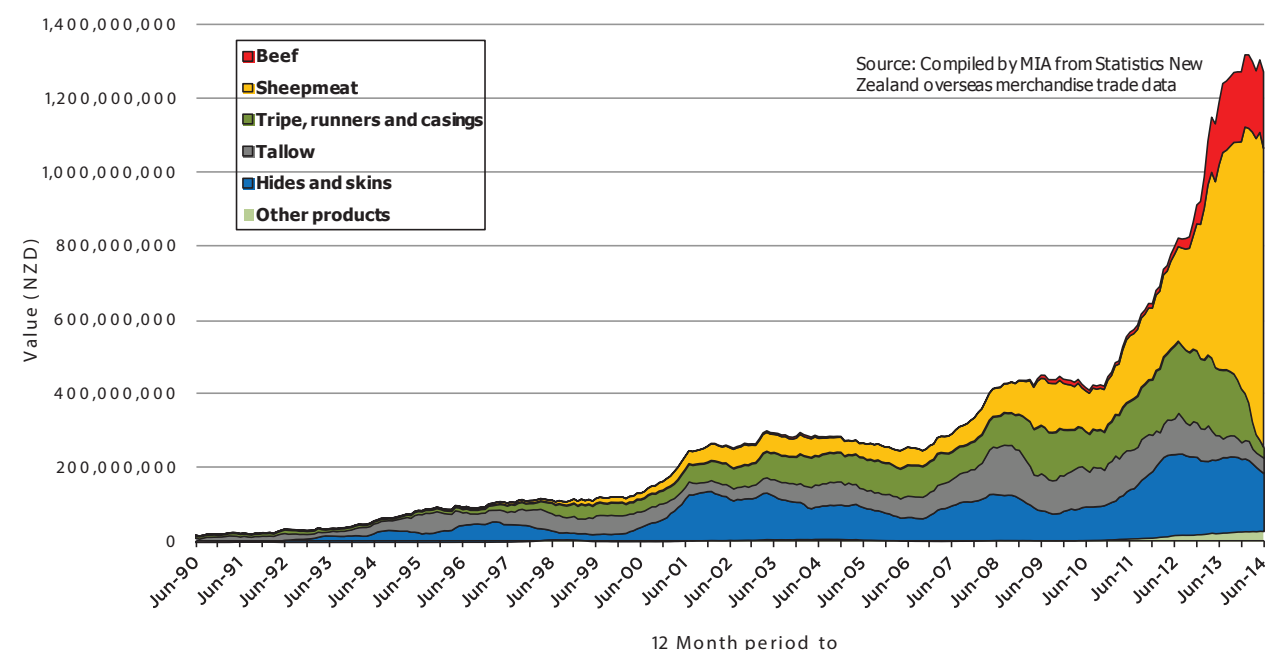
Following an MPI review of the 2013 border delays, the MPI resources devoted to market access in general, and China in particular, have been expanded and there are now additional staff based in China, in recognition of the importance of China as a market for primary sector exports.

The major development during the year was a number of new plants being approved to export to China. MIA appreciates the work that was undertaken by MPI and Chinese authorities to progress the listing process, which was a significant and positive milestone in deepening the relationship with China. There are, however, still some outstanding issues to be worked through, regarding further listings, and access for particular products. MIA hopes that with the additional government resources now in place in China, and the positive developments in the relationship between the two countries, these outstanding issues can be addressed swiftly.



Pictured at meeting with the China Meat Association in Beijing are (left to right): Shaoru Wang (Advance Marketing), Sean Lin (NZTE Beijing), Willem Sandberg (Ovation), Andrew Taylor (Taylor Preston), Mark Clarkson (ANZCO Foods), Chen Wei (Vice-President China Meat Association), Chad Tustin (MPI Beijing), Bill Falconer (MIA), Rob Hewitt (Silver Fern Farms), Tim Ritchie (MIA), Hamish Simson (Affco), Roger Smith (MPI Beijing), Tony Egan (Greenlea Premier Meats) and Murray Taggart (Alliance Group).

NZ MEAT INDUSTRY EXPORTS TO CHINA - ROLLING 12 MONTH COMBINED VALUE



INDUSTRY DELEGATION

There was also recognition by industry it needed to devote more resources to building the relationship with China. The MIA therefore coordinated a major delegation of red meat exporters to China in June, led by MIA Chairman Bill Falconer. The group, made up of Chairs and CEOs/Managing Directors, represented companies responsible for more than 90% of New Zealand red meat exports.

While individual companies are active in the market and have their commercial relationships, this was the first time the industry had cooperated to undertake such a joint delegation, and the very senior and representative nature of the delegation was noted in China. The objectives of the delegation were to demonstrate commitment both to the Chinese market as a whole and to the standards set by Chinese regulators, as well as to build key relationships with officials and industry.

The delegation met with key Chinese regulatory agencies, industry bodies and customers. There is a particular opportunity for MIA to develop the relationship with industry bodies in China, whose roles tend to be closely aligned with the Chinese government. MIA is developing a strategy for such engagement.

INDONESIA

Compared to the previous year, market access conditions were also more positive in Indonesia in 2013/14.

In late September 2013, the Indonesia government removed the volume-based import quota restrictions that had significantly reduced New Zealand's beef exports to Indonesia over the previous 2½ years.

These were replaced with a price-based system, under which meat and live cattle imports would be allowed only when domestic beef prices increased by more than 15% from a specified parity price, initially set at 76,000 Indonesian Rupiah (approximately US\$6.60/kg).

This policy has led to a recovery in beef exports to Indonesia, as highlighted in the trading environment section of this report. Given the weakening of the Indonesia Rupiah against all major currencies, and the increasing competition to purchase protein worldwide, the specified price has not yet been threatened in Indonesia.

There are, however, still questions about how this policy will operate in the long term, including how often the parity-price will be set and how it will be

determined, what incentives will be offered to industry to bring the price down, what would happen in the event of imports increasing but prices not changing, and how long new permits would be valid for.

Indonesia still also has regulations in place that prevent the import of certain cuts, despite the same cuts from domestic animals being available for sale.

WTO DISPUTE

Therefore, despite the improvement in trade, New Zealand and the United States jointly filed a dispute with the WTO in May 2014 concerning measures imposed by Indonesia on the importation of horticultural products, animals and animal products into the country.

Both countries had previously filed complaints in 2013, but these complaints did not proceed beyond the consultation stage because Indonesia changed some of its measures, which under WTO rules meant a new application had to be made.

At the time of writing the dispute is currently at the consultation stage.

HALAL MARKET ACCESS

Halal processing is an important part of the industry's business model as it allows the industry to export cuts from a single carcass to a wide range of customers and markets. As well as exports to Muslim countries that require halal certification as a compulsory market access condition, there is also significant demand for halal-certified meat from Muslim customers in other countries.

The majority of processing in export premises is therefore undertaken in a manner compliant with halal requirements to provide the flexibility to export cuts from a single carcass to both Muslim and non-Muslim consumers.

The industry occasionally receives criticism from non-Muslim customers who object to eating halal meat. This objection principally stems from the assumption – stirred up in some cases by media – that halal meat is produced from animals that are not stunned as part of the slaughter process.

For example, during the year there was media coverage in the UK about major retailers not labelling 'ritually slaughtered' meat, leading to consumers eating halal meat without knowing it. This coverage specifically referred to the majority of

New Zealand lamb as being halal. MIA responded to a number of queries from consumers and the media following the story, stressing all animals commercially slaughtered in New Zealand must be stunned prior to slaughter and that, unlike in many other countries, there are no exemptions for halal slaughter.

In 2013/14, New Zealand exported \$536 million worth of red meat and edible co-products to Muslim countries, up from \$411 million in the previous year. This increase was the result of a number of factors including the recovery of beef exports to Indonesia, growth in value of exports to Saudi Arabia, and a significant amount of halal-certified co-products going to Egypt during the year.

In addition to the exports to Muslim countries, more than half of halal-certified exports now go to customers in other countries, and China has grown to become the largest market for halal-certified product by volume.

Given the importance of Halal markets, there has been government oversight of halal processing since 2010 through the Halal Notice administered by MPI. Having government involvement in halal matters has been a significant step, and there have been a number of refinements to the Halal Notice since its introduction, including further amendments this year to put in place more inventory control and traceability requirements.

MIA separately manages the contracts for halal certification and auditing services between the Approved Halal Organisations (AHOs) and participating processor member companies.

MIA currently manages contracts with four AHOs, Alkauthar Halal Meat and Inspection, the Federation of Islamic Associations of New Zealand, New Zealand Islamic Development Trust and New Zealand Islamic Meat Management.

Finally, with sadness MIA would like to note the passing of Dr Mohamed Abdel-Al, founder and Managing Director of New Zealand Islamic Meat Management, in September 2013.

Dr Mohamed pioneered the development of halal processing and certification in New Zealand, and was regarded as a leading international authority on halal certification. As an industry we can be thankful for his significant contribution to the development and promotion of New Zealand's halal systems.

OTHER TRADE ISSUES

TRANSPORT

The meat industry is an export-focussed industry that relies on regular and timely shipping to service customers around the world.

Virtually all of the industry's exports go via sea (99%), and a significant proportion of these exports are time-sensitive, high-value chilled products. As the 'Exports' section above highlights, the major market for chilled products is Europe, which is [of course] the industry's most distant market.

Therefore, the steady roll out of slow steaming by shipping lines on major trade routes in recent years has been particularly challenging for the meat industry and other exporters of perishable products.

Slow steaming increases transit times and reduces the remaining shelf life of products when they get to a market. Any further expansion of slow steaming will restrict the industry's ability to grow the chilled trade, and if super slow steaming were to be introduced, would potentially put the current chilled trade at risk.

A study undertaken last year at Rotterdam University found while slow steaming provided savings for shipping lines on routes between Asia and Europe and Asia and North America, these savings were outweighed by the additional costs that fell on cargo owners. This meant the costs of slow steaming outweighed the benefits for the overall supply chain.

The New Zealand Shippers Council, an association of major exporters and importers that MIA is an active member of, is currently undertaking a research project on the costs and benefits of slow steaming to and from New Zealand and its impact on importers and exporters here.

PRODUCT TESTING

New Zealand bulk manufacturing beef eligible for use by United States grinders has been sampled and tested for Escherichia coli (E.coli) O157:H7 since 1998, as part of routine production in all boning operations of US listed premises. In June 2012, the USDA's FSIS implemented a routine sampling and testing regime for an additional six STEC serogroups O26, O45, O103, O111, O121 and O145.

To minimise the risk of product being detained at the US border, New Zealand processors, with MPI implemented a testing programme to test for these additional six serogroups.

To further minimise the risk of New Zealand beef being found to be adulterated with any of the seven serogroups of E. coli, MIA has been working with MPI and other research organisations, in particular ESR, to enhance control measures on-farm and during manufacture. Research to develop and produce bacteriophages that can be applied to the animal pre-slaughter has now reached a stage where a commercial partner is being sought.

In addition, MIA assisted in coordinating a workshop where industry members reviewed results from the previous year and shared experiences of both successful and unsuccessful practices.



WORKFORCE

GENERAL

Meat processing is the largest single type of manufacturing in New Zealand, and compared to most manufacturing in New Zealand, is a large scale activity involving some of New Zealand's largest companies. The industry employs approximately 24,000 people, and is a major employer in the rural areas and a major employer of Māori.

IMMIGRATION

As the Market Access section has highlighted, halal processing is a vital part of the meat industry's business model, as it allows the industry to export cuts from each carcass to Muslim countries (many of which are major meat importers) and also to significant Muslim populations in other countries.

The role of the halal slaughter person is a vital component of halal processing. While halal processing encompasses a number of important aspects, the initial and most crucial requirement is slaughter be undertaken in the correct manner by a Muslim.

If a processing plant does not have halal slaughterers available, and is therefore not able to produce products that can be halal certified, it would lose the ability to supply products to a significant number of markets and consumers.

So, while there are only 240 halal slaughterers in the industry, their role is vital to the other 24,000 people who are employed in meat processing.

The industry has a clear preference for employing New Zealanders as halal slaughterers, and a service that MIA provides to participating processing members is to assist them to locate suitable New Zealand-based halal slaughterers at the beginning of the processing season to fill any vacancies they may have.

This process involves representatives from MIA and all the AHOs holding a series of interviews around the country, to assess the suitability of prospective candidates, from both a religious and work competency perspective. At the most recent recruitment round, in November 2013, 32 suitable new candidates were found.

Despite this process, because of the specialised nature of the role and the relatively small number of Muslim citizens and residents in New Zealand, the

industry must make use of immigration provisions to ensure there are sufficient halal slaughterers available so all plants approved to undertake halal processing are able to do so throughout the year.

Each year, in order to receive an Approval in Principle (AIP) to allow overseas recruitment, the industry must provide detailed information to satisfy Immigration New Zealand's "Labour Market Test". This is heavily resource-intensive and provides no certainty of access to what is a fundamental labour force requirement. It is equivalent to 0.5% of the workforce, but enables the industry's business model of maximising the return for each carcass.

Last year's annual report discussed concerns MIA had about the length of time taken to obtain the AIP, and the process was equally lengthy and resource intensive in 2013/14. These delays meant that once again, interim visas had to be issued to those halal slaughterers whose visas had expired while awaiting the outcome of the AIP process.

MIA continues to advocate that halal slaughterers should either be put on the long-term skills shortage list, or that a small special immigration programme should be established, in order to facilitate the important and growing trade with Muslim customers and provide labour stability to the industry as a whole.

INDUSTRY TRAINING

PRIMARY INDUSTRY TRAINING ORGANISATION

This year the New Zealand Industry Training Organisation was merged into the Primary ITO to form one training organisation servicing the entire primary sector. The MIA has worked to ensure that there is effective meat industry representation in the merged ITO, and there is no interruption to the delivery of training outcomes for the meat industry. We are pleased that Primary ITO is taking seriously the need to maintain and build relationships between the ITO and our industry. A development has been the formation of an Industry Partnership Group (IPG), consisting of the training managers from major meat processing companies (as well as representation from MIA). The IPG will provide an important conduit for industry concerns on industry training directly to the Primary ITO.

PRIMARY ITO MEAT BONING APPRENTICESHIP

The MIA has agreed to endorse the Primary ITO Apprenticeship Meat Boning Course as a means of providing additional support to this cornerstone qualification for industry. The first apprentices graduated in July this year. It is expected that 19 apprentices from the processing industry will be qualified in 2014.

TARGETED REVIEW OF QUALIFICATIONS (TROQ)

The TROQ initiated by NZQA in 2010 is almost completed. The purpose of the review is to streamline the New Zealand qualification framework. The Primary ITO has worked closely with industry to develop a high level qualification structure that identifies and integrates qualifications aimed at school leavers through to management, providing a clear progression of certificates so workers in the industry have a training 'pathway'. The MIA will continue to work closely with the Primary ITO to ensure industry is kept informed and involved in the development of the framework and qualifications.

DIPLOMA OF MEAT TECHNOLOGY

Regrettably, Ross Davies, the lecturer in the Diploma of Meat Technology at Massey University, died in 2013 after a brief illness. Ross Davies had taught at Massey University since 1985 and a large number of meat industry staff were trained by him.

The number of diploma enrolments are falling, and it is at the point where the number of enrolments in the course means it is barely viable for the future. However, it is important for the industry as a whole that there be a diploma level qualification that trains up capable company staff to take up management positions in New Zealand processing companies.

MIA has urged the diploma be updated and made more flexible in its delivery, with unit standards and that it be made part of the overall industry training pathways being developed with Primary ITO so that workers can see a clear progression from low-level skills based certificates, moving all the way up to a tertiary-level qualification in meat technology. We are pleased there are steps being taken in this direction.

HEALTH AND SAFETY

GENERAL

The meat processing industry has made significant progress in reducing injuries in the past decade,

but it is appreciated more needs to be done. Public attention is focussed on health and safety following the Pike River disaster, and the release of a report by the Independent Taskforce on Health and Safety which demanded significant changes be made by the government and New Zealand business in general. With a new regulatory agency and major legislative reform, MIA has been very busy in the health and safety space over the past year.

WORKSAFE NEW ZEALAND - A NEW REGULATOR

The new Health and Safety regulator, WorkSafe NZ, was officially launched in December 2013. The establishment of a new regulatory agency was recommended by the Independent Taskforce, and brings a much greater focus on industry health and safety. The MIA will liaise with WorkSafe NZ to ensure meat processor concerns are articulated and to assist in ensuring effective, appropriate regulatory decisions.

The MIA has already provided a number of submissions to WorkSafeNZ on various health and safety aspects, such as machine guarding and leptospirosis.

HEALTH AND SAFETY REFORM BILL

In March 2014 the government introduced the Health and Safety Reform Bill to parliament. This will bring a major change in the health and safety system.

Following consultation with members, MIA provided a substantive submission to the Transport and Industrial Relations Select Committee on the Health and Safety Reform Bill.

The submission:

- Emphasised MIA's support for the general purpose of the Bill – to improve health and safety management in New Zealand and noted MIA members' commitment and achievement in this area;
- Focused on the worker participation section of the Bill, including how Health and Safety Representatives would be provided with what in effect are enforcement powers, while specifically not being held to any duties and provided with an immunity relevant to the role;
- Commented on the practical difficulties of multiple companies being accountable for one work site and the need to ensure the definition of "officers" (to which the new health and safety due diligence duties attach together with criminal liability) only capture people who make

decisions that affect health and safety relevant to the business;

- Noted the fundamental need to understand and comment on the raft of regulations that will sit under the Bill prior to final comment on the Bill itself, particularly in respect of the level of training a health and safety representative will be provided.

MIA also took the opportunity to raise issues associated with the ACC Residual Amount and associated levy as the Bill sought to make amendments to the Accident Compensation Act relevant to employer incentive schemes.

The Ministry of Business, Innovation & Employment has proposed a very significant body of regulation that will underpin the eventual Act when it probably comes into force next year. MIA has worked with processing companies to submit on the proposed regulations.

MEAT INDUSTRY HEALTH AND SAFETY FORUM

The Meat Industry Health and Safety Forum (MIHSF) comprises representatives from the MIA, member companies, ACC, Worksafe NZ, AsureQuality, New Zealand Meatworkers' Union and Primary ITO. The MIA provides the administrative support for the Forum.

The Forum provides leadership and guidance on health and safety matters affecting the industry and also serves as a critical point of contact between government and industry. This is particularly important at a time when government is undergoing significant re-organisation of health and safety functions and review of policy, and the Forum is an important vehicle for government agencies to explain these changes to industry, and to hear industry concerns.

Last year the MIA released Meat Industry Health and Safety Guidelines. These guidelines have been developed through the Forum with financial assistance from NZITO as a health and safety resource for people working in the New Zealand



meat industry. The guidelines are easy to follow and refer to and address many of the challenges we have in the meat industry today. The guidelines contain practical advice, responsibilities and sources of further information on health and safety. The guidelines form the basis of health and safety induction training for many processing companies.

MEAT INDUSTRY HEALTH AND SAFETY BENCHMARKING

With a greater focus on health and safety issues, and an awareness our members will be directly liable for health and safety failings in their business, the MIA Council agreed there needed to be better information gathering on injury statistics, and a system of benchmarking those injuries. For this reason, the MIA Council has recommended its members join an industry-wide benchmarking system. At first, Lost Time Injuries (LTI) will be benchmarked, but it is likely other benchmarks will be added as the system matures.

ACC LEVIES - RESIDUAL AMOUNT AND ASSOCIATED LEVY

It is with disappointment MIA reports no changes have been made by ACC to the Residual Levy. ACC are utilising the residual levy under the Accredited Employers Programme, created to address historic pre-1999 injuries, to subsidise current claims. The residual levy is being used to reduce the general work levy, which is gathered to address current and future injury claims. Most MIA members are members of the Accredited Employers Programme (AEP). Accredited employers are required to pay the residual levy in full and only receive 'relief' on the new claims levy.

Despite overpaying the true liability for historic injury claims, the residual levy continues to be collected from Accredited Employers (at the full amount), placed in the general Work Account and used to subsidise the work levy rate. The monetary impost on employers participating in the scheme is significant, at around \$6 million per annum. The MIA will continue to lobby for the residual levy to be removed. We understand that ACC believe a legislative amendment is needed to address this problem, and MIA has submitted that parliament can address this problem through amendment to the Health and Safety Reform Bill.



REGULATION

► GENERAL

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

In general, the 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 markets.

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 \$87 million a year. This excludes the considerable indirect costs of regulation, such as loss of flexibility and ability to innovate.

Therefore, there is a balance 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.

► 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, and the cost recovery system. The SDG meets approximately every quarter, and consists of two co-chairs (CEO of the MIA and a DDG at MPI) and an equal number of senior managers from MPI and meat processing companies.

► POST MORTEM INSPECTION REFORM

As with last year, a major focus for the SDG has been the Post Mortem Inspection (PMI) reform process. The aim of the reform process is to shift responsibility for quality aspects (i.e. those defined by MPI as chronic and/or localised abnormalities of

non-food safety importance) from the AsureQuality official assessors to company staff.

The official inspectors continue to be responsible for the inspection of food safety related aspects, and the reforms have led to efficiency and productivity gains as company employees are able to combine non-food safety inspections with the other roles they already undertake.

Following the initial successful transition of five plants to the new regime last year, a second tranche of three plants transitioned to the new regime during 2013/14, and a further four plants have signalled their intention to shift to the new regime in the upcoming year.

During the year there was ill-informed media coverage of the reforms, which contained a number of unfounded and inaccurate allegations. This was of concern to MIA and its member companies currently involved in the reform process, and had the potential to mislead overseas regulators.

► NATIONAL ANIMAL IDENTIFICATION AND TRACING

The National Animal Identification and Traceability (NAIT) system links people, property and livestock (specifically cattle and deer) in New Zealand, and provides traceability for individual animals. NAIT is a programme of OSPRI New Zealand, alongside TBfree New Zealand. MIA is a member of the NAIT Stakeholders Reference Group, and is represented on the OSPRI Stakeholders' Council by Tim Ritchie.

During the year MIA continued to provide input to NAIT on a number of areas, including the level of slaughter levies and including HGP data in the NAIT system. In MIA's view, while it was necessary to make some adjustments to the NAIT system following its introduction, it is time for NAIT to focus on embedding the current system.

► MIA TECHNICAL WORKING GROUP

The MIA Technical Group is open to all member companies as a forum to consider key technical issues face-to-face with key MPI staff, and as a technical consultation group. Members of the Technical Group receive a fortnightly communication "Meat Matters" which informs members of the Group on technical matters impacting on members, relevant technical news

snippets from the international food news media and also reminds members of upcoming events and when feedback is due on information / submission requests sought by MIA.

The Technical Group met in November 2013 and May 2014. Topics covered included:

- Meat code of practice;
- E. coli 0157:H7 and non-0157 Shiga Toxin E. coli (n-STEC);
- Review of the National Microbiological Database Programme;
- Residues monitoring;
- Industry initiatives projects;
- Quota Compliance Verification Review
- Animal welfare;
- MPI Standards and Systems Assurances; and
- Other customer and market access issues.

In addition, MIA has continued to communicate and consult with this group on a number of key practical and technical matters.

A key focus of the Technical Group this year was, together with the MPI Standards Group, to develop a code of practice for slaughter and dressing that moves from a very prescriptive, 'command and control' modus operandi to providing standards that are clearer and describe expected levels of performance i.e. 'what' operators have to achieve rather than 'how' they should achieve it.

Using performance criteria (targets) and statistical process control will move the focus towards MPI's auditing of Risk Management Programmes rather than 'regulatory oversight'.

As there is a need to be cognisant of importing country requirements, the Codex approach to meat hygiene is being used to draft the code of practice that will be given legal backing. This is a major change in thinking by both industry and government, as once the code of practice is introduced companies will be able to opt to do things differently, as long as they have validated their own procedures as achieving the performance criteria.

► E-CERT

Electronic Certification (E-Cert) is MPI's internet application for providing government to government assurances for meat, seafood, dairy and plant products exported from New Zealand. Its purpose is to track market eligibility and product status from the time of production until export and the approval of an export certificate.

MIA, represented by Tim Clark (Silver Fern Farms) and Kevin Cresswell, is part of the E-Cert Steering Group, comprising key stakeholders who represent and communicate the interests of their industries to MPI. The group met three times during the year. MPI re-built the Animal Products E-cert system and brought it online in June, 2014 without any significant interruption to users. The primary reason for doing this was the legacy system was 15 years old and utilised old technologies. It was difficult and expensive to maintain, support and enhance. The re-built system will also host dairy certification which is scheduled for joining the Animal Products system in October 2014.

MPI continues to work with counterpart regulators in Australia, Canada, China, European Union, Mexico, Philippines and the United States to allow the use of electronic data exchange. Now that the re-built system is operational, electronic transmission of certificates (paperless certification) will be implemented for many of these countries.

R&M WORKING GROUP

A joint MIA/MPI working group was set up during the year to review and clarify expectations for repairs and maintenance and in parallel, review Industry Standard 2: Design and Construction as per the current review of Industry Standard 5: Slaughter and Dressing, using performance criteria and CODEX as guidance.

The work commenced with an initial meeting of members with a wide but relevant field of interest, i.e. engineering, operational and technical and representatives from MPI. Following the initial meeting, a smaller drafting group of industry and MPI representatives has been formed and is preparing guidance and IS2 drafts for distributing to the wider group for broader input.

ENVIRONMENT

GENERAL

The red meat industry is constantly upgrading its environmental performance. As noted in the industry's political briefing, the carbon footprints of sheepmeat and beef have decreased significantly in recent decades, while there have also been significant improvements in fossil fuel, water and energy use in processing activities. The UN Food and Agriculture Organisation was no doubt thinking of this when it described the New Zealand red meat sector in 2006 as "one of the world's most efficient and environmentally benign livestock industries."

This reputation is however, not well-known in New Zealand, and environmental policy remains perhaps the biggest public policy risk to the primary sectors in New Zealand. MIA's role is therefore to ensure the meat industry's voice is heard in policy discussions on environmental matters in Wellington.

CLIMATE CHANGE

The major development in climate change policy in New Zealand in the last year was the Green Party's announcement of a proposed carbon tax, to be applied at \$25 per ton of carbon. For the first time, biological emissions would be brought into the scheme, with dairy producers initially paying half the headline rate for greenhouse gas emissions from their livestock. While sheep and beef farmers would be initially omitted from the tax – on the basis they could not afford it – meat processors would of course pay the full price of carbon emissions from their activities (electricity use, heating, transport etc.), as they do now under the Emissions Trading Scheme (ETS). The current price of carbon under the ETS is around \$4, so the imposition of a \$25/ton tax would be significant.

In the meantime, New Zealand is set to review its international carbon reduction commitments in 2015. MIA is working with officials, and other primary industries in Wellington to establish an approach. It remains to be seen whether New Zealand will be the first, and presumably only country to make commitments limiting its agricultural production. MIA's view is New Zealand should not make any commitments on agriculture production if no other countries are going to. Doing so would risk impoverishing ourselves and raising the overall global footprint of protein production as production shifted to the less efficient non-New Zealand jurisdictions.

WATER

Water quality is without doubt the most sensitive environmental issue in New Zealand at the time of writing. While the major public issue is nutrient run-off from intensive dairy farming, decisions made in this area have the potential to affect the meat processing industry. This will either be through production limits placed on sheep and beef farming, or on prohibitive consent conditions placed on industrial water usage.

MIA submitted to a review of the Ministry for the Environment's "National Policy Statement (NPS) on Freshwater Management" in February 2014. The NPS empowers regional councils to decide on water quality in their regions, but sets some compulsory "values" for water quality in the country overall. It calibrates what attributes (contaminant concentrations etc) are necessary to meet the values. It has settled upon "ecosystem health" and "wading" as the compulsory values – i.e. each freshwater body must be able to be waded in, and must maintain a minimum level of ecosystem health.

The MIA contended a third value should be compulsory; economic development. If water quality standards are set very high, it is likely to curtail economic activity in that particular catchment. In the meat industry's case, this could either be through limiting farming activities or imposing too high a treatment barrier on discharges from meat processors. It may be communities want pristine water in catchments near them, but they need at least to be aware of the economic trade-offs that might arise by seeking that. MIA has been frustrated by a vein of political comment that suggests that there is no such thing as an "environment vs economy" trade-off. The logic goes that the economy is only a small part of the overall environment, so we must look after the environment first and foremost. In the real world, however, privileging the environment over the economy may, if not managed appropriately, cost production and jobs. MIA only requests that such trade-offs are fully explored in the setting of policy.



INNOVATION

GENERAL

The meat industry is constantly investing in new approaches and methods to maintain its competitive edge. Companies invest in their own research programmes and a number also make significant investments in research via Primary Growth Partnership Programmes such as the Red Meat Profit Partnership, FoodPlus and the FarmIQ Programmes. The industry also provides significant levels of funding and in-kind contributions to several pan-industry collaborative projects in key areas such as food safety and the Ovine Automation initiative.

MIA COLLABORATIVE RESEARCH PROGRAMME

In recent years collaborative research undertaken by the MIA and its members has been supported with co-funding from the Crown secured from the TechNZ scheme. TechNZ is administered by Callaghan Innovation (formerly by the Ministry of Business, Innovation and Employment (MBIE)). Industry participation by members has been on a voluntary basis, where “coalitions of the willing” invest in programmes which align with their commercial needs. The intellectual property generated in the research is owned by the industry investors. Research programmes have been focused on extending the shelf life of chilled lamb, lamb colour and primal stimulation.

While this approach to collaboration has been reasonably successful the use of the TechNZ fund to support the research has proven to be unsuitable in the long term as the fund is focused on single milestone, single year projects as opposed to multiyear and milestone projects that form the bulk of the meat industry science requirements.

NEW MODEL FOR COLLABORATIVE MEAT INDUSTRY RESEARCH AND DEVELOPMENT

With encouragement from MBIE the MIA is now looking to establish a more sustainable, long term model for industry research collaborations. The MIA has applied for Research Partnership funding to support the “Meat Industry Research and Innovation Fund (MIRIF). Key features of the Partnership fund are:

- Partnerships are funded for seven years at a minimum value of \$500,000 per annum
- Industry is required to match Crown funds over the life of a Partnership;

- It provides a multi-year approach to funding science that supports a syndicated approach to R&D, and;
- That industry must develop an appropriate governance structure to receive and manage partnership funding;

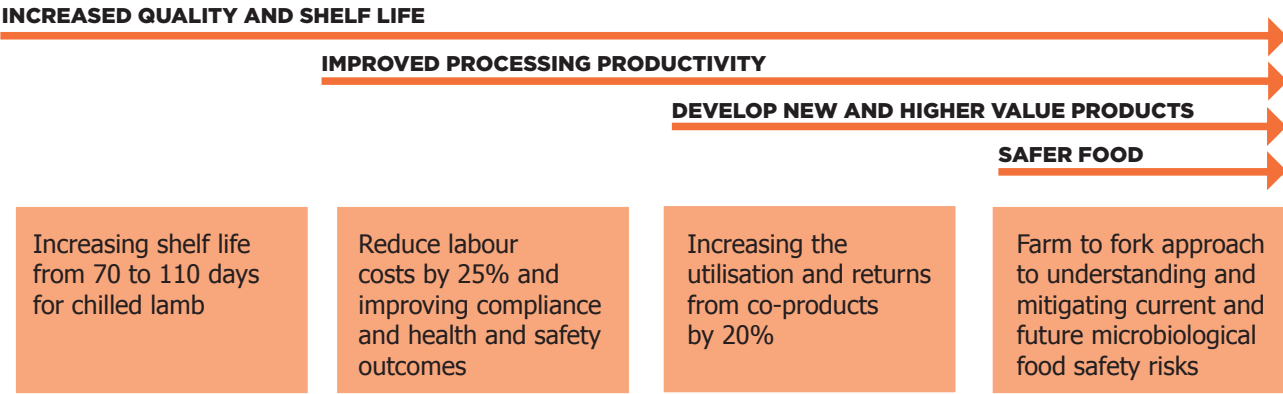
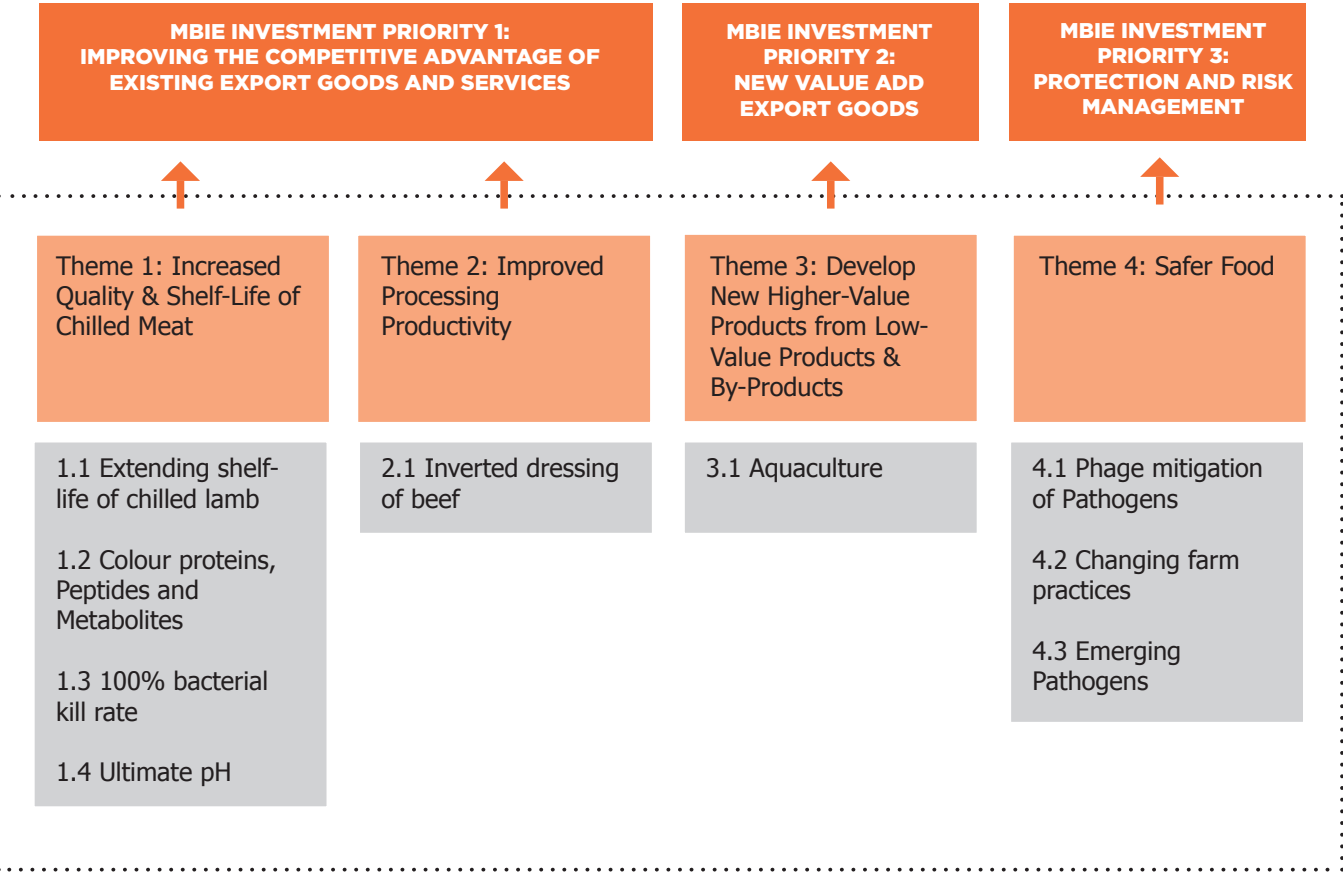
The MIRIF has a proposed budget of \$1.5million per annum which would be funded 50:50 from the Crown and industry. The MIRIF funds will be used to complete some existing research projects and also to develop new science which will be of benefit to the whole of industry, increasing knowledge and capability in the processing sector around 4 key themes;

- Increase Value from Existing Products e.g. Extending Shelf Life of Lamb
- Improved Productivity e.g. inverted beef dressing;
- Development of New High Value Products from low value products e.g. converting meat and bone meal into aquaculture feeds; and
- Safer Food e.g. Phage Research.

These four themes align with MBIE investments priorities as well as developing industry research and development areas.

The application is currently being assessed by MBIE.

THE PROPOSED PARTNERSHIP RESEARCH PROGRAMME AND EXPECTED OUTCOMES ARE SET OUT BELOW:



MEAT INDUSTRY INITIATIVE FUND

The MIIF is a pan industry fund supporting whole of industry research in the following key areas:

- Food safety
- Market access

The MIIF is jointly administered by MPI and MIA with governance provided via the Strategic Directions Group.

One significant area of work that has the potential to have a major impact has been the development of a Bacteriophage, which contains a mixture of naturally occurring bacteria-specific viruses (phages) that attack and destroy the harmful E.coli O157 bacteria. The solution is sprayed directly on the hide prior to processing and only targets the harmful E.coli, and naturally bio-degrades.

MIA members are undertaking extensive field trials with approx 700,000 calves being treated this season. This has been an excellent example of the science community (ESR) working with industry to develop and commercialise a solution to address a significant industry issue.

AgResearch has also been commissioned to undertake an in-depth study for a peer-reviewed publication to ascertain the acceptability of recoverable head-to-body stunning of animals for halal red meat production, within the parameters of current New Zealand animal welfare commercial slaughter requirements.

OVINE AUTOMATION CONSORTIUM

The Ovine Automation Consortium, launched in 2009, is an ambitious (\$14.8 million over six years) initiative between nine meat companies, MIRINZ Inc (MIA/BLNZ Ltd) and government that aims to bring about a step change in sheep processing efficiency through the use of automation. The project brings together Alliance Group Limited, Silver Fern Farms Limited, ANZCO Foods Limited, Wilson Hellaby Limited, Crusader Meats NZ Limited, Taylor Preston Limited, Blue Sky Meats (NZ) Limited, Ovation NZ Limited and Progressive Meats Limited.

Having completed five of the six years, the 2013/14 year was one of consolidation following the closure of ovine processing at the Alliance Group Maitaia plant.

Significant progress has been made on the following technologies, with commercialisation expected in the latter half of 2014:

- Y-cutter. Specifically designed for the opening up cut on the fore-quarter;
- Auto brisket roll. Technology that rolls the pelt back from the brisket;
- Auto Leg roll. Technology that rolls the pelt back from the fore-leg working in conjunction with leg roll;
- Combined leg and brisket roll. Technology that combines both the brisket roll function and the removal of the pelt from the fore-legs.

Additionally, significant progress was made in following areas;

- Ultra sonic knife (USK), with trials proving that USK can clear around the fore-quarter with less damage to the skin than traditional methods;
- Belly rip down. Development of a manual tool to split the pelt from the brisket to the belly;
- Fore-quarter clearing. Technology that clears the pelt from the skin region.

Consideration is being given to whether there is support for ongoing activity beyond 2015. Areas of possible activity include modularisation, carcass sensing and modelling, product quality, contamination and contaminate detection and a China-specific programme.

JOHNE'S DISEASE RESEARCH CONSORTIUM (JDRC)

JDRC is an Unincorporated Joint Venture established in 2008 with a mandate to reduce the impact of Johne's disease on-farm in New Zealand. The MIA sits as an observer on the Consortium board. During 2013/14, JDRC established the Johne's Advisory Group (JAG); a cross-sector, multi-disciplinary group reporting to the JDRC Board, whose purpose is to provide a coordinated approach to the management of Johne's disease information for New Zealand.

The JAG reviews technical information about Johne's disease and is responsible for reviewing and formulating consistent information and best practice guidelines for the industry to ensure the timely and effective uptake of tools to minimise the impact of Johne's disease on-farm in New Zealand.

JDRC also continued on-farm studies in deer, sheep and dairy cattle to investigate a number of different parameters regarding the disease and further develop best practice management information specifically for New Zealand farmers.



Y - CUTTER. SPECIFICALLY DESIGNED FOR THE OPENING UP CUT ON THE FORE-QUARTER.

ETHICAL MATTERS

► GENERAL

Like most industries, the meat industry is increasingly the subject of more and more attention on the ethics of its activities. While there is concern about the subjective nature of much of this attention (what is ethical behaviour to one consumer may be unethical to another), the fact remains ethical concerns relating to the environment, to workers' rights and to animal welfare (to name a few), will be a feature of the business landscape for the foreseeable future.

In 2013/14 the most pressing of media attention on the industry was animal welfare. Animal welfare is perhaps the key non-food safety concern raised by mature market customers, and while New Zealand has a deservedly good reputation, we must ensure we continue to earn that reputation.

The British concern about halal meat emerging from the Daily Mail articles printed in April this year principally derives from the concern consumers have about eating meat from animals that are not "rendered insensible" (i.e. stunned) before slaughter. In New Zealand, stunning is compulsory for commercial slaughter regardless of whether halal or not, but in Britain and much of Europe there are exemptions from stunning for halal slaughter. There have been calls for compulsory labelling in Europe to indicate whether meat is from stunned or non-stunned animals; industry expects this to be a commercial rather than regulatory matter.

A related case, and of interest to New Zealand in terms of precedent-setting, was the 'watershed' WTO decision that animal welfare concerns were a legitimate reason for governments to stop imports. The European Union, having banned the import of certain seal products because of the way in which the seals were killed, was challenged in the WTO by Canada and Norway, who claimed the ban was not justified. The WTO ruled in favour of the EU, saying that public concern (i.e. expressed through petitions, polling etc.) was enough to meet the WTO exemption that allows countries to ban imports "to protect public morals."

While the meat industry is not directly concerned about the case – our production methods have been well scrutinised in any case – the decision creates a potentially harmful precedent where "public morals" are decided on the basis of effective PR campaigns. It again highlights the need for industry

to maintain the highest animal welfare standards possible and to be as transparent as possible about its operations.

► CHANGES TO ANIMAL WELFARE LEGISLATION

The MIA made a submission on the Animal Welfare Amendment Bill, and played an important role in coordinating a consistent approach by the entire primary sector on the Bill. While some changes were made by the Select Committee that improve the Bill, we are disappointed that the Select Committee did not agree to many of the changes proposed by MIA and other primary industries.

A particular change MIA sought was for information sharing by MPI on animal welfare cases. The Bill does not include any mechanism allowing for industry bodies to be notified of breaches or potential breaches of the Act, but the MIA believes that the most effective way of improving the general standard of animal welfare and reducing offending is by involving industry bodies who can work directly with their members at an early stage.

If industry bodies were to have a 'heads up' that a farmer was facing animal welfare issues, then the relevant body could intervene earlier and provide support and guidance, and so prevent a full-blown animal welfare issue from emerging. This would help prevent damage to New Zealand's reputation, and, of course reduce suffering of animals sooner and more effectively than going down the enforcement route.

► FARM TO PROCESSOR ANIMAL WELFARE FORUM

The purpose of the Farm to Processor Animal Welfare Forum, a cross industry group including MIA, is to share animal welfare information and initiatives across the pastoral livestock production sector; and to improve the relationship between pastoral livestock production industry groups and MPI. It is also committed to the achievement of higher standards of animal welfare in the pastoral livestock production sector. MIA is represented on the forum by Simon Gatenby, Gary Lindsay and Kevin Cresswell.

The Forum met twice during the year to discuss initiatives underway as part of the Safeguarding our

Animals, Safeguarding our Reputation programme, the development of the New Zealand animal welfare strategy, the International Standards Organisation (ISO) proposed "Technical Specification" intended to support the implementation of OIE animal welfare principles, guidelines and codes of welfare.

A 'Fitness for Transport' brochure and poster was developed to ensure farmers are receiving simple and consistent messages. The brochure and poster provide key messages on animal selection and preparation, conditions that may prevent animals from being transported, the need for veterinary certificates and options for unfit animals. A 'Fitness for Transport' road show for transport operators and stock agents is also being promoted by the Forum to raise awareness and realise the benefits of the poster and brochure.

The Forum also provided input into a Bobby Calf Animal Welfare Workshop organised by MIA for members processing bobby calves. This was a successful workshop that allowed MIA members to share the lessons learnt from a number of seasons.

BIOSECURITY

► GENERAL

Biosecurity was a significant and increasing area of commitment for the MIA in 2013/14. Recent incursions of fruit fly have highlighted how MPI has to remain constantly prepared for a biosecurity incursion. A biosecurity incursion such as Foot and Mouth Disease (FMD) would cripple the New Zealand dairy and meat industries. An economic impact report by MPI shows a large scale FMD outbreak would reduce New Zealand's GDP by almost 8% and result in widespread unemployment. FMD is an issue not only affecting the primary sectors, but all of New Zealand.

MIA has been heavily engaged on biosecurity issues over the past year and in particular on Foot and Mouth Disease preparedness and Government Industry Agreements (GIA). On biosecurity preparedness, the primary sectors (including MIA) have worked together with MPI in a spirit of real partnership, and not just being seen as a process of consultation.

FOOT AND MOUTH DISEASE PREPAREDNESS

Recent reports by the Auditor-General on biosecurity, a combined industry-MPI working group on FMD, and a biosecurity exercise highlighted worrying gaps in the preparedness system for responding to FMD. The MIA is pleased MPI has sought to address them in a comprehensive FMD Preparedness Programme. In late-2013 the livestock sectors, through an Industry Steering Group consisting of MIA, Dairy NZ, BLNZ, Deer Industry, Dairy Companies Association, and NZ Pork, worked closely with MPI in developing a comprehensive FMD Preparedness Programme of 17 different projects.

Realising the complexity of the projects, and the vital need to ensure they were completed satisfactorily, MPI has sought to use a project management approach, with clearly agreed milestones and intensive monitoring. MPI have committed considerable resource to the projects. They were initially expected to be completed by mid 2015, but we are pleased the MPI Director-General has given the projects an even higher priority.

All the livestock industries have committed considerable resource to the projects. Each of the projects has a representative from one of the livestock sector industry-good bodies working on that project acting on behalf of all the livestock industries. All the livestock industries work closely

to ensure they have input into all the projects. For a small organisation like MIA this is a demanding commitment.

A key issue for MIA is ensuring that comprehensive plans are in place for all players, before there is an FMD incursion. The current plans (Risk Organism Response Plans) in the meat processing industry have significant gaps. MIA is leading work to develop improved plans for FMD response.

► GOVERNMENT INDUSTRY AGREEMENTS (GIA)

Pan-industry and MPI discussions on GIA have continued for another year. MIA has participated fully in these discussions and has been a representative on the GIA Financials Working Group which has been tasked with writing guidelines on financial issues (such as cost sharing). We note there has been progress in formalising GIAs with other sectors.

Involvement in the GIA is more complex for MIA. MIA is a voluntary trade association (unlike many other industry parties that are levy paid industry-good organisations established through legislation). It is therefore for MIA's members to determine whether or not to sign up to a GIA on an individual basis. For this to happen, they have to consider whether being part of the GIA makes business sense for their company. That business case has still not been made by the government. MIA is willing to work with government to develop this business case. MIA and its members have for some time been frustrated at the expectation that MIA will sign the GIA Deed before any benefits of doing so have been enumerated.

The primary interest of meat processors and exporters in a GIA would be that a disease or pest could have a major impact on market access – that is to say, a pest or disease would result in barriers being placed to the New Zealand meat trade. A disease such as FMD could effectively prevent most meat exports in even the most optimistic scenario for many months, and in some markets, years. Reducing the time excluded from markets is critical for the industry.

Processors and exporters are already substantially cost-recovered for market access issues by MPI, so the GIA cost-sharing mechanism in effect already exists, as does joint decision making on market

access priorities (to a point). As such, the industry remains to be convinced of the efficacy of the GIA approach. This is why MIA's focus is on ensuring the FMD Preparedness Programme being developed by MPI meets its objectives. Once the programme is developed, i.e. there is clarity around what will happen in the event of an outbreak, the 'business case' for government/industry collaboration will be clearer, and a decision as to GIA participation should be possible to make.

GENERAL INDUSTRY

GENERAL INDUSTRY REPRESENTATION AND ADVOCACY

As well as advocating to government on behalf of its members on specific issues to ensure the industry's views are incorporated in decision-making on issues affecting the industry, MIA also plays a wider industry advocacy role, by providing information on the industry to other groups to ensure there is a better understanding of the industry.

This role includes presenting at conferences on specific industry issues, meeting with delegations and providing material for publications.

MIA presented at a number of conferences on specific industry issues including:

- Ports and Shipping Conference on slow steaming;
- Asia Forum on the importance of trade for the industry, with a specific focus on Indonesia;
- Office of Ethnic Affairs Muslim World Forum;
- Muslim World League Symposium;
- AgResearch Meat Industry Workshop;
- China Meat Association (in Beijing).

During the year MIA also met with delegations from Algeria, Argentina, the China Islamic Association, Indonesia, Morocco, and the United States to provide them with an overview of the red meat sector in New Zealand.

RED MEAT SECTOR CONFERENCE

For the last four years MIA and BLNZ Ltd have jointly organised the annual Red Meat Sector Conference (RMSC).

The most recent RMSC was held in Wellington in July, and was again attended by around 300 delegates who heard from a mixture of international and local speakers. Presentations from the speakers are available on the RMSC website (www.redmeatsector.co.nz).



OTHER MIA SERVICES

In addition to its primary role of advocacy on behalf of its members, MIA also provides a number of collaboratively procured services to members.

MIA RENDERERS GROUP

The New Zealand Renderers' Group (NZRG) is a semi-autonomous MIA committee that represents producers and exporters of tallow and protein meals.

In addition to the AGM in August, the NZRG held two other meetings during the year to discuss a range of issues including:

- Salmonella testing methodologies;
- Insoluble impurities in tallow;
- Market access issues relating to Russia (access), Mexico (listings), EU (salmonella testing regime) and Thailand (specifications);
- The National Certificate of Rendering;
- Revision of the Massey University text, "The Fundamentals of Rendering";
- Research possibilities with the Crown funded Bio-Processing Alliance;

In conjunction with the second meeting in March the Renderers Group organised a joint meeting with the Australian Renderers Association (ARA). The key note speaker was Frank Dupps Jr. from the Dupps Company in the United States who spoke on "Trends and Challenges in the US Rendering Industry".

At the meeting the NZRG and the ARG jointly honoured Tissa Fernando for his 40 years' service to the rendering industry. Tissa's leadership and contribution to rendering science, technology, engineering, processing and training is significant.

In addition to the meetings, the NZRG ran another workshop for experienced rendering operators, supervisors and suppliers to the industry, which provided participants with in-depth knowledge of rendering and associated processes. The workshop contents were also reviewed during the year to better align it with the United Standards for the level 4 National Certificate in Rendering, and encourage participants of the workshop to obtain the Certificate.

During the year there was progress made on the market development project which aims to increase the returns to New Zealand by selling rendered products into higher value applications and markets, with stage two of the project being completed.

In July 2013 the Australian Renderers Association (ARA) held their 12th International Symposium "Rendering for Sustainability". Over 50 members from the NZRG attended the symposium, reflecting on the concerns about sustainability, food safety, regulation and market access issues internationally.

The Renderers Group is a member of the Fats and Proteins Research Foundation (FPRF), which manage research to enhance uses for rendered animal products for the international rendering industry. The Renderers Group is represented on the FPRF Board by Graham Shortland (Wallace Corporation) and the FPRF Research committee by Mike North (Taranaki Bio-Extracts). New Zealand is also represented on the World Rendering Organisation scientific advisory panel by Shane Leath from AgResearch.

A significant issue for renderers during the year was ongoing difficulties in obtaining import permits for MBM into New Zealand's largest market, Indonesia, as a result of changes to Indonesian regulations. The NZRG provided industry support to MPI to resolve the issue. Trade has been resumed, but is now subject to strict controls to prevent cross-species contamination.

MEAT INDUSTRY SUPERANNUATION SCHEME

The Meat Industry Superannuation Scheme (the Scheme) was established by MIA members and the New Zealand Meat Workers and Related Trades Union.

The Scheme rewards long-term engagement with the industry through employer contributions to superannuation. The Scheme operates as a Trust with Trustees appointed by MIA members and the Union, it is administered by Mercer (N.Z.) Ltd. During the year, Jan Dunne (Alliance Group Ltd) replaced Michael Horn (Alliance Group Ltd) as an MIA-appointed Trustee.

The Scheme net investment return for the year was reported by the chairman of the Trustees as "sound", and the Scheme provided an investment return of 6.7% for the year (after tax and expenses). The Trustees agreed to allocate part of the reserve account to support a higher interest rate which resulted in a return of 7.3% being applied to member accounts.

Scheme Overview for 2012/2013:

- Members: 2878
- Employer Contributions: \$3.5m (after tax) to members' accounts
- Trustees paid out \$11.2m in benefits
- Fund size: \$115.0m

OVIS MANAGEMENT LIMITED

Ovis Management Limited (OML) is a company whose role is to provide a low cost programme promoting the control of *Cysticercus ovis* (Ovis, or sheep measles). OML is a wholly owned subsidiary of the MIA.

The MIA Council appoints OML's directors on a three-year term. Current Directors are;

- Roger Barton – Chairman; Sheep farmer representative
- Andy Dennis – MIA representative
- Andrew Morrison - Sheep farmer representative
- Tim Ritchie – MIA representative

The company continues to promote education and awareness of C. Ovis primarily to sheep farmers and dog owners in rural areas under the leadership of Project Manager Dan Lynch.

FARMER SURVEY

In the past year OML undertook a survey in regard to knowledge and understanding of Sheep Measles. It repeated a previous survey conducted in 2010 to enable comparisons of in behaviour's and attitudes amongst sheep farmers. 300 sheep farmers processing in excess of 1,000 lambs in the past 12 months were surveyed.

Some key points arising from the survey were:

- 99% of farmers always treat the meat prior to feeding to dogs; freezing remains the most common form of treatment.
- Fewer farmers see their own dogs as a source of the disease, 8% compared to 14% in 2010. This may in part be due to confidence in their on-farm dog control and treatment programmes.
- Farmer tolerance of visiting dogs has decreased with the number of farmers having a "no dogs allowed" policy increasing from 22% in 2010 to 32%.
- Ovis has increased as priority for suppliers from 6.3 to 7.2 out of a scale of one to ten.

Improvements to promoting control of Ovis will be by way of small gains and tweaking of current activity and, in the absence of new technology treatments, the current programme would appear to remain the cheapest and most effective option to maintain awareness of sheep measles.

The survey has provided OML an opportunity to review activities and has identified areas where OML can seek to improve knowledge and understanding amongst sheep farmers and dog owners in general.

SUPPLIER CONTACT

OML seeks to promote awareness and understanding of Ovis amongst farmers and dog owners.

High prevalence farmer mail outs

An important part of this programme involves contacting suppliers if their sheep measles prevalence levels exceed seasonal thresholds.

The goal of the mailed notifications is to encourage suppliers whose prevalence suggests the presence of a sheep measles infected dog to review their on-farm sheep measles control programme. They are recommended to do this in conjunction with their veterinarian.

The first of the 2014 High Prevalence notifications was sent to 602 suppliers. The notifications were for lambs processed December to March (OML uses the December month for season beginning to reduce the number of old season lambs being included).

The number of farms notified in this timeframe increased compared to 536 in the same time frame in 2012/13, and 463 in 2011/12. The rise is not prevalence related but the outcome of a continual improvement of data capture at plant level. This is most evident with increased use of touch screens to record disease /defect information resulting in Ovis data capture compared to prevalence nationally lifting from 85.7% in 2011-12 to 89.5% to date for this season.

Resources

OML develops and makes resources available to assist in maintaining awareness amongst lamb suppliers and dog owners. Resources include A3 and A4 Restricted Dog signs, freezer magnets, codes of practice and pamphlets. Awareness signage is currently being introduced into major saleyards, initially in the North Island and then into South Island venues. The support of saleyards operators in this exercise is most appreciated.

Veterinary Contact

The farmer survey reinforced that veterinarians are the main source of information relating to sheep measles. OML has a programme of providing sheep measles

resource to clinics across the country to ensure appropriate and up to date information is available from this source. OML provides approximately 150 clinics with resource material. In addition emails updates following each mail out are sent to clinics and vets providing updated information on national and regional prevalence.

Johne's Management Ltd

OML continues to work closely with Johne's Management Ltd and on its behalf maintain the Johne's database gathering individual animal information on each deer processed monitoring for JD suspect lesions at facilities throughout the country. This information provides a unique database for research and analysis of the impact of Johne's throughout the country.

AUDITORS' REPORT



Independent auditor's report

To the members of Meat Industry Association of New Zealand (Inc)

Report on the Association and group financial statements

We have audited the accompanying financial statements of Meat Industry Association of New Zealand (Inc) ("the Association") and the group, comprising the Association and its subsidiaries, on pages 48 to 57. The financial statements comprise the balance sheet as at 30 June 2014, the statements of comprehensive income and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the Association and the group.

Councillors' responsibility for the Association and group financial statements

The Councillors' are responsible for the preparation of Association and group financial statements in accordance with generally accepted accounting practice in New Zealand that give a true and fair view of the matters to which they relate, and for such internal control as the Councillors' determines is necessary to enable the preparation of Association and group financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these Association and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Association and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Association and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association and group's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association and group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm has also provided other services to the Association and group in relation to taxation. This matter has not impaired our independence as auditor of the Association and group. The firm has no other relationship with, or interest in, the Association and group.



Opinion

In our opinion the financial statements on pages 48 to 57:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the Association and the group as at 30 June 2014 and of the financial performance of the Association and the group for the year then ended.




26 August 2014
Wellington

FINANCIAL STATEMENTS

The Councillors have pleasure in submitting the Annual Report of the Meat Industry Association of New Zealand (Inc) incorporating the financial statements and auditors report, for the year ended 30 June 2014.

On behalf of the Council these financial statements were approved for issue on 26 August 2014.

..........Councillor
.....Councillor
26/8/2014..... Date
26/8/14..... Date

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	GROUP		ASSOCIATION	
		2014	2013	2014	2013
		\$	\$	\$	\$
Operating revenue		2,343,381	2,197,952	1,976,255	1,834,462
Operating expenditure	1	2,290,585	2,171,063	1,982,728	1,857,346
Operating surplus/(deficit) before other income		52,796	26,889	(6,473)	(22,884)
Other Income/(expense)		31,680	-	22,042	-
Operating surplus/(deficit) before financing income		84,476	26,889	15,569	(22,884)
Financial income		17,086	15,197	12,172	11,512
Financial expenses		-	-	-	-
Net financing income	2	17,086	15,197	12,172	11,512
Operating surplus/(deficit) before tax		101,562	42,086	27,741	(11,372)
Income tax expense/(benefit)	3	-	-	-	-
Net surplus/(deficit) for the year		101,562	42,086	27,741	(11,372)
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		101,562	42,086	27,741	(11,372)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	GROUP		ASSOCIATION	
	2014	2013	2014	2013
	\$	\$	\$	\$
Opening Balance	433,432	391,346	215,891	227,263
Total comprehensive income for the year	101,562	42,086	27,741	(11,372)
Closing Balance	534,994	433,432	243,632	215,891

BALANCE SHEET AS AT 30 JUNE 2014

	NOTE	GROUP		ASSOCIATION	
		2014	2013	2014	2013
		\$	\$	\$	\$
Equity					
Accumulated funds		534,994	433,432	243,632	215,891
Total Equity		534,994	433,432	243,632	215,891

Represented by:					
Current assets					
Cash and cash equivalents	4	823,905	680,960	553,192	452,400
Trade and other receivables	5	314,823	502,027	293,248	478,828
Total current assets		1,138,728	1,182,987	846,440	931,228

Current liabilities					
Trade and other payables	6	505,302	542,413	465,807	502,845
Employee benefits	7	72,461	78,980	61,615	64,895
Income in advance		101,816	190,569	101,816	190,569
Total current liabilities		659,579	811,962	679,579	758,309

Working capital		459,149	371,025	217,202	172,919
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Non current assets					
Property, plant and equipment	8	102,229	81,388	52,814	61,953
Intangibles (software)	9	2,493	4,796	2,493	4,796
Total non current assets		104,722	86,184	55,307	66,749

Non current liability					
Lease reinstatement provision	11	28,877	23,777	28,877	23,777
Total non current liability		28,877	23,777	28,877	23,777

Net Assets		534,994	433,432	243,632	215,891
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NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of reporting

The financial statements presented are for the reporting entity of the Meat Industry Association of New Zealand (Inc) and the consolidated financial statements of the group consisting of the following organisations; Meat Industry Association of New Zealand (Inc) ("Association"), MIA Holdings Limited and Ovis Management Limited (collectively "the Group").

The purpose of the Association is to act as a trade association formed for the benefit of New Zealand meat processors, exporters and marketers. The financial statements of the Association and Group are for the year ended 30 June 2014. The financial statements were authorised for issue by the directors on the 26 August 2014.

(ii) Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP), applying the Framework for Differential Reporting for entities adopting the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and its interpretations as appropriate to not for profit-orientated entities that qualify for and apply differential reporting concessions. The Group is a not for profit-orientated entity. The Group is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

The Group qualifies for Differential Reporting exemptions as it has no public accountability and is not large. All available reporting exemptions allowed under the Framework for Differential Reporting have been adopted.

The financial statements are presented in New Zealand Dollars (NZD). The financial statements are prepared on the historical cost basis except for accounts receivable which are at cost less impairment.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(iii) Particular accounting policies

Principles of consolidation

The consolidated financial statements include the financial statements of Meat Industry Association of New Zealand (Inc) and its subsidiaries Ovis Management Limited and MIA Holdings Limited. The subsidiaries are accounted for using the purchase method. All inter-company balances and unrealised profit and losses on transactions between group entities are eliminated.

(iv) New Financial Reporting Framework

From 1 April 2014, the new Financial Reporting Act 2013 ("FRA 2013") has come into force replacing the Financial Reporting Act 1993, this is effective for entities with reporting periods beginning on or after 1 April 2014. This will be effective for Meat Industry Association of New Zealand (Inc)'s 30 June 2016 year-end. It is expected that the Association will continue to have no obligation to prepare general purpose financial statements as a result of the change in legislation.

In addition to the change in legislation the External Reporting Board of New Zealand ("XRB") has released a new accounting standards framework which establishes the financial standards to be applied to entities with statutory financial reporting obligations. Meat Industry Association of New Zealand (Inc) is currently reporting under NZIFRS Differential Reporting.

Management expects that the Association will no longer have a general purpose financial reporting requirement. Special purpose financial statements will still be prepared to meet the minimum reporting requirements of the Tax Administration (Financial Statements) Order 2014.

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Depreciation of property, plant and equipment is calculated on a straight-line basis over their useful lives. Gains and losses on disposal of assets are taken into account in determining the operating results for the year. The rates are as follows:

Furniture and fittings	8 - 20%
Leasehold improvements	8.4%
Motor Vehicles	21%
Computer systems	10 - 67%
Office equipment	7 - 40%

Intangible assets

Intangible assets are stated at cost less any accumulated amortisation. Amortisation is recognised in the Income statement on a straight line basis over the estimated useful life of the intangible asset.

Computer Software	30 - 60%
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Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Trade and other receivables

Accounts receivable are stated at cost less impairment losses.

Trade and other payables

Trade and other payables are stated at cost.

Subscriptions in advance

Subscriptions in advance are subscriptions invoiced in June, and included in Accounts Receivable, which relate to the following financial year and hence not included as revenue for the current financial year.

Goods and Services Tax

The financial statements are prepared so that all components are stated exclusive of Goods and Services Tax (GST), with the exception of receivables and payables, which include GST.

Taxation

The tax expense recognised in the Income Statement is the estimated income tax payable in the current year, adjusted for any differences between the estimated and actual income tax payable in prior periods. No account is taken of deferred income tax.

Revenue

a. Revenue represents amounts received and receivable from members and non members for services provided during the year. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

b. Revenue from services is recognised in the accounting period in which the services are rendered by reference to the stage of completion of the service contract.

c. Net financing income comprises of interest payable and interest received on call deposits is recognised in the Statement of Comprehensive Income.

Expenses

Expenses represents amounts paid and payable to supplies for services received during the year.

Employee Benefits

Long Service leave

The Association's net obligation in respect of long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Comparatives

Certain amounts in the comparative information have been reclassified to ensure consistency with the current year's presentation.

1. OPERATING EXPENDITURE

	GROUP		ASSOCIATION	
	2014	2013	2014	2013
	\$	\$	\$	\$
Amortisation of Intangibles (software)	2,302	3,597	2,302	3,207
Audit remuneration	18,550	18,550	15,900	15,900
Other professional services	4,264	7,195	3,014	5,945
Contracts/consultants/projects	129,016	83,444	125,973	82,574
Depreciation	18,732	24,006	11,353	10,912
Director's fees - Chairman	60,000	60,000	60,000	60,000
Director's fees - Subsidiary's Chairman	16,830	16,830	-	-
Director's fees - Subsidiary's	1,500	2,000	-	-
Personnel expenses	1,244,009	1,237,265	1,122,082	1,103,937
Rental & leasing costs	47,671	47,671	47,671	47,671
Other operating expenses	747,782	670,505	594,433	527,200
Total operating expenditure	2,290,656	2,171,063	1,982,728	1,857,346

PERSONNEL EXPENSES

	GROUP		ASSOCIATION	
	2014	2013	2014	2013
	\$	\$	\$	\$
Wages and salaries	1,250,529	1,222,599	1,125,362	1,094,749
(Decrease)/Increase in liability for annual leave	(7,241)	13,782	(4,001)	8,304
(Decrease)/Increase in liability for long service leave	721	884	721	884
Total personnel expenses	1,244,009	1,237,265	1,122,082	1,103,937

2. NET FINANCING INCOME

	GROUP		ASSOCIATION	
	2014	2013	2014	2013
	\$	\$	\$	\$
Interest income	17,086	15,197	12,172	11,512
Interest expense	-	-	-	-
Net financing income	17,086	15,197	12,172	11,512

3. TAXATION

	GROUP		ASSOCIATION	
	2014	2013	2014	2013
	\$	\$	\$	\$
Reconciliation of effective tax rate				
Operating surplus/(deficit) before tax	101,491	42,086	27,741	(11,372)
Income tax using Company tax rate	28,417	11,784	7,767	(3,184)
Non-assessable income/non-deductible expenses at company tax rate	(45,544)	(25,599)	(44,632)	(27,022)
Losses off set against subsidiary	-	-	19,758	5,105
Losses brought forward and utilised at Company tax rate	-	(11,286)	-	-
Tax @ 28% (2011: 30%)	(17,106)	(25,101)	(17,106)	(25,101)
Prior year adjustment	-	-	-	-
Tax benefit of losses not recognised	17,106	25,101	17,106	25,101
Income tax expense/(benefit) per income statement	-	-	-	-

The Group has \$377,069 of tax losses to carry forward (2013: \$315,975). The availability of losses to carry forward is subject to the Association continuing to meet the requirements of the Income Tax Act, and agreement of tax losses by the Inland Revenue Department.

4. CASH AND CASH EQUIVALENTS

	GROUP		ASSOCIATION	
	2014	2013	2014	2013
	\$	\$	\$	\$
Bank balances	87,556	68,349	26,592	39,403
Call deposits	736,349	612,611	526,600	412,997
Balance as at 30 June	823,905	680,960	553,192	452,400

5. TRADE AND OTHER RECEIVABLES

	GROUP		ASSOCIATION	
	2014	2013	2014	2013
	\$	\$	\$	\$
Trade receivables	273,324	388,073	254,205	365,946
Other Receivables and Prepayments	41,499	113,954	39,043	112,882
Balance as at 30 June	314,823	502,027	293,248	478,828
Impairment loss deducted/(recovered)	-	-	-	-

6. TRADE AND OTHER PAYABLES

	GROUP		ASSOCIATION	
	2014	2013	2014	2013
	\$	\$	\$	\$
Trade Payables	392,220	391,629	359,039	357,310
GST Payable	7,805	20,409	5,189	19,073
Halal Certification	82,732	106,057	82,732	106,057
PAYE Payable	22,545	24,318	18,847	20,405
Balance as at 30 June	505,302	542,413	465,807	502,845

7. EMPLOYEE BENEFITS

	GROUP		ASSOCIATION	
	2014	2013	2014	2013
	\$	\$	\$	\$
Liability for Annual Leave	64,228	57,686	53,382	57,383
Liability for Long Service Leave	8,233	6,628	8,233	7,512
Balance as at 30 June	72,461	64,314	61,615	64,895

8. PROPERTY, PLANT AND EQUIPMENT

	GROUP		ASSOCIATION	
	2014	2013	2014	2013
	\$	\$	\$	\$
Furniture and fittings				
At cost	19,830	23,954	19,055	23,179
Accumulated depreciation	18,696	21,879	17,921	21,104
	1,134	2,075	1,134	2,075
Current year depreciation	941	1,004	941	1,004

Leasehold improvements				
At cost	73,499	73,499	73,499	73,499
Accumulated depreciation	26,239	20,065	26,239	20,065
	47,260	53,434	47,260	53,434
Current year depreciation	6,174	6,174	6,174	6,174

Motor Vehicles				
At cost	40,956	38,489	-	-
Accumulated depreciation	2,150	30,714	-	-
	38,806	7,775	-	-
Current year depreciation	2,150	9,699	-	-

8. PROPERTY, PLANT AND EQUIPMENT (CON'T)

	GROUP		ASSOCIATION	
	2014	2013	2014	2013
	\$	\$	\$	\$
Computer hardware				
At cost	35,936	50,675	16,533	33,764
Accumulated depreciation	27,882	40,520	12,113	27,320
	8,054	10,155	4,420	6,444
Current year depreciation	6,807	5,600	4,238	3,638

Office equipment				
At cost	78,879	87,264	11,066	21,066
Accumulated depreciation	71,904	58,249	11,066	21,066
	6,975	7,949	-	-
Current year depreciation	2,589	1,529	-	96

Total property, plant and equipment				
At cost	249,100	273,881	120,153	151,508
Accumulated depreciation	146,871	171,427	67,339	89,555
	102,229	81,388	52,814	61,953
Current year depreciation	18,661	24,006	11,353	10,912

There is no impairment loss recognised during the year (2013: nil)

9. INTANGIBLE ASSETS - SOFTWARE

	GROUP		ASSOCIATION	
	2014	2013	2014	2013
	\$	\$	\$	\$
At cost	31,450	41,206	30,150	39,906
Accumulated amortisation	28,957	36,410	27,657	35,110
	2,493	4,796	2,493	4,796
Current year amortisation	2,302	3,597	2,302	3,207

10. INVESTMENTS IN SUBSIDIARIES

NAME OF ENTITY	PRINCIPAL ACTIVITY	% INTEREST HELD 2014	% INTEREST HELD 2013
MIA Holdings Limited	General Partner of Limited Partnerships undertaking applied industry research	100	100
Ovis Management Limited	Control of C. Ovis Cyst.	100	100

Both companies are incorporated in New Zealand and have balance dates of 30 June.

11. LEASE REINSTATEMENT PROVISION

Under the termination of its sublease, the Association is required to reinstate the premises to the condition prevailing upon the commencement of the sublease.

12. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	GROUP		ASSOCIATION	
	2014	2013	2014	2013
	\$	\$	\$	\$
Operating leases				
Not later than one year	57,188	57,188	57,188	57,188
Later than one year and not later than five years	100,079	157,267	100,079	157,267
Later than five years				
Total	157,267	214,455	157,267	214,455

13. CAPITAL COMMITMENTS

There are no capital commitments as at 30 June 2014 (2013: nil).

14. CONTINGENT LIABILITIES

There are no contingent liabilities outstanding as at 30 June 2014 (2013: nil).

15. RELATED PARTY INFORMATION**(i) Identity of related parties**

The immediate parent entity is Meat Industry Association of New Zealand (Inc). All members of the group are considered to be related parties of Meat Industry Association of New Zealand (Inc). This includes the subsidiaries defined in note 10. In presenting the financial statements of the group, the effect of transactions and balances the subsidiaries and the parent entity have been eliminated.

The Association is a voting member of MIRINZ Food Technology and Research Incorporated ("MIRINZ"), over which the Association is deemed to have significant influence. The interest in MIRINZ is not equity accounted as the Association shall not be called upon for contributions nor is it eligible for any distributions.

(ii) Related party transactions

Ovis Management Limited pays service fees of \$15,936 (2013: \$15,777) to Meat Industry Association of New Zealand (Inc) for administration services provided. As at year end, the Association has recognised a receivable from Ovis Management Limited for the amount of \$3,125 (2013: \$4,271). This relates to service fees and office expenses paid by Meat Industry Association on Ovis Management Limited's behalf.

Meat Industry Association of New Zealand (Inc) provides management services to the four Limited Partnerships of which the Association's subsidiary, MIA Holdings Limited is the general partner. The Limited Partnership's have paid the Association service fees of \$6,367 (2013: \$7,296). As at year end, the Association has recognised a receivable from the Limited Partnership's for the amount of \$1,294 (2013: \$3,597), this relates to management service fee.

MIRINZ pays management fees of \$30,000 (2013: \$30,000) to Meat Industry Association of New Zealand (Inc) for administration services provided. As at year end, the Association has recognised a receivable from MIRINZ for the amount of \$8,625 (2013: \$17,250), this relates to management service fee.

During the year ended 30 June 2014, the Association received \$1,315,675 (2013: \$1,235,829) from companies related to the nine Council members which was included in operating revenue and has recognised a receivable of \$114,142 (2013: \$104,513) from companies relating these nine Council members.

During the year ended 30 June 2014, Ovis Management Limited received fees and reimbursements from Johnes Management Limited in the amount of \$15,750 (2013: \$15,000). Johnes Management Limited were a related party in 2013 due to common chairmanship in 2013, this was no longer the case in 2014.

(iii) Remuneration

Total remuneration is included in personnel expenses (see note 1).

Chairman is paid an annual fee; (see note 1).

16. SUBSEQUENT EVENTS


There are no events subsequent to balance date that would materially effect these financial statements (2013: nil).

PEOPLE

MIA COUNCIL MEMBERS



WJ (Bill) Falconer
Bill has been the Association's independent Chairman since 2000.



Mark Clarkson
Mark is the Managing Director of ANZCO Foods Group and has been a Council member since 2004. Mark also represents the Association as a director on the Beef + Lamb New Zealand Ltd Board and New Zealand Meat Board.



Keith Cooper
Keith is the Chief Executive of Silver Fern Farms Ltd and has been a Council Member since February 2007.




Grant Cuff
Grant is the Chief Executive of the Alliance Group Ltd and has been a Council Member since 2004.



Tony Egan
Tony is the Managing Director of Greenlea Premier Meats Ltd, and has been a Council Member since December 2011. Tony is also a director of MIRINZ Food Technology and Research Inc.



Simon Gatenby
Simon is the Chief Executive of Taylor Preston Ltd and has been a Council Member since September 2009.



Tim Harrison
Tim is the Managing Director of Advance Marketing Ltd and has been a Council Member since September 2011.



Fred Hellaby
Fred is Chairman of Auckland Meat Processors Ltd, Managing Director of Wilson Hellaby Ltd and a Director of Mathias International Ltd. Fred has been a Council Member since February 2009.



Craig Hickson
Craig is the Managing Director of Progressive Meats Ltd and has been a Council Member since 2003. Craig also represented the Association as a director on the Beef + Lamb New Zealand Ltd Board and New Zealand Meat Board until March 2014.



Hamish Simson
Hamish is the Chief Executive of AFFCO New Zealand Ltd and has been a Council Member since February 2010.



Tim Ritchie
Tim is the Association's Chief Executive. Tim is Chairman of Ovine Automation Ltd, and is a director of MIRINZ Food Technology & Research Inc; Beef + Lamb New Zealand Inc; Ovis Management Ltd; the Shippers' Council; and the American Chamber of Commerce in New Zealand.

MIA COUNCIL MEETINGS

The Meat Industry Association (MIA) held five ordinary meetings in the year ended 30 June 2014, in addition to the Annual General Meeting in September 2013. Attendance at the Council meetings held during the year is shown below.

★ = present	24 Sep 2013	3 Dec 2013	18 Feb 2014	14 Apr 2014	10 Jun 2014
WJ Falconer	★	★	★	★	★
M Clarkson	★	★	★	★	★
K Cooper	Proxy: G Tyrell	★	★	No proxy	Proxy: N Smith
G Cuff	★	No proxy	No proxy	Proxy: K Stevens	Proxy: K Stevens
T Egan	★	★	★	★	★
S Gatenby	★	★	★	★	★
T Harrison	No proxy	★	★	★	No proxy
F Hellaby	No proxy	★	★	★	★
C Hickson	No proxy	No proxy	★	★	★
H Simson	Proxy: R Ogg	Proxy: R Ogg	★	★	★
T Ritchie	★	★	★	★	★

ANNUAL GENERAL MEETINGS

The Association's Annual General Meeting (AGM) was held in Wellington on 24 September 2013. Proceedings saw the unanimous adoption of the 2012 AGM minutes and the 2013 Annual Report. The motion to reappoint KPMG as the Association's auditor for the year ending 30 June 2014, and the election and confirmation of the MIA Council for the 2013/14 year.

ASSOCIATION DIRECTORSHIP CHANGES

Sam Lewis replaced Craig Hickson as the Association's representative as a director on the Beef + Lamb New Zealand Ltd Board and the New Zealand Meat Board.

EXTENDED NETWORK

The Association is fortunate to be able to draw on considerable expertise within the membership, and there are a number of formal and informal groups that assist the Association on specific industry issues.

INDEPENDENT CHAIRMAN
Bill Falconer

ASSOCIATION COUNCIL
Mark Clarkson, Keith Cooper, Tony Egan, Simon Gatenby, Tim Harrison, Craig Hickson, Fred Hellaby, Hamish Simson.

ASSOCIATION DIRECTORSHIPS
American Chamber of Commerce in New Zealand
Tim Ritchie

Meat Biologics Consortium/Meat Biologics Research Ltd
Bill Falconer

Beef + Lamb New Zealand Ltd/NZ Meat Board
Craig Hickson (until March 2014), Mark Clarkson, Sam Lewis (March 2014)

NZITO
Kerry Stevens, Carolyn Thomson

Beef + Lamb New Zealand Inc
Tim Ritchie

New Zealand Shippers' Council
Tim Ritchie

Ovine Automation Ltd
Tim Ritchie (Chairman)

MIRINZ Inc
Tony Egan, Tim Ritchie

WHOLLY OWNED SUBSIDIARY OVIS MANAGEMENT LIMITED BOARD
Roger Barton (Chair), Andy Dennis, Andrew Morrison, Tim Ritchie
Staff: Dan Lynch

STRATEGIC DIRECTIONS GROUP

Industry: Tim Ritchie (Co-Chair), Kerry Stevens, Simon Gatenby, Gary Lindsay, Rowan Ogg, Neil Smith, Andrew McKenzie

MPI: Carol Barnao (Co-Chair to September 2013), Scott Gallacher (Co-Chair from December 2013), Tim Knox, Chris Kebbell, Steve Hathaway (to December 2013), Matthew Stone (to December 2013)

RED MEAT STRATEGY COORDINATION GROUP
Bill Falconer (MIA chairman), Mike Petersen (B+LNZ chairman until April 2014), James Parsons (B+LNZ Chairman, from April 2014), Tim Ritchie (MIA chief executive), Scott Champion (B+LNZ chief executive), Deborah Roche, Katherine Rich (independent member)

ASSOCIATION STAFF
Tim Ritchie, Matt Conway, Kevin Cresswell, Melissa Devine, Phil Houlding, Paul Goldstone, Sarah Mann, Richard McColl, Michael Pran, Dan Lynch

SUB-GROUPS AND COMMITTEES:

Meat Industry Health and Safety Forum
Industry: Kerry Stevens (Chair), Mary Ann Davison, Jenny Sauer, Mike Rutherford, Peter Sugrue, Shane Fletcher, Stephen Sharpe, Keith Flockhart, Allan Jack, Andrew Gibson, Paul Goldstone
NZITO: Carl Ammon
ACC: Barry Hislop
Ministry for Business, Innovation and Employment: Bryan Williams
New Zealand Meatworkers Union: Amanda Stephens

Renderers' Group Executive
Bruce Rountree (Chairman), Alan von Tunzelman, Steve Dahlenberg, Matthew Spence, Stuart Taylor, Geoff Young, Gordon Henderson, Kevin Cresswell (MIA Representative)

MIA STAFF MEMBERS



Tim Ritchie
Chief Executive



Phil Houlding
Trade and Economic Manager



Richard McColl
Innovation Programme Manager



Kevin Cresswell
Technical Executive



Matt Conway
Policy Analyst



Dan Lynch
Project Manager
Ovis Management Ltd



Michael Pran
Accounting and Management Support



Melissa Devine
Executive Assistant to the Chief Executive and Chairman



Paul Goldstone
Senior Advisor Strategy and Policy



Sarah Mann
Legal Counsel

MEMBERS OF THE ASSOCIATION

Advance Marketing P: (09) 307 3115 F: (09) 377 3141 PO Box 37 160 Parnell, Auckland 1151	Blue Sky Meats (NZ) Ltd P: (03) 231 3421 F: (03) 231 3457 RD 1, Invercargill	Harrier Exports Ltd P: (09) 369 5475 F: (09) 369 5480 PO Box 37921 Parnell, Auckland 1151	Silver Fern Farms Ltd P: (03) 477 3980 F: (03) 474 1087 PO Box 941 Dunedin 9054
AFFCO NZ Ltd P: (07) 829 2888 F: (07) 829 2889 Private Bag 3301 Waikato Mail Centre Hamilton 3240	Clover Export Ltd P: (03) 208 7513 F: (03) 208 0496 PO Box 62 Gore 9740	Lanexco Ltd P: (07) 578 1400 F: (07) 578 1500 PO Box 13096 Tauranga Central Tauranga 3141	Tara Exports Ltd P: (09) 625 4389 F: (09) 625 6047 PO Box 24 130 Royal Oak, Auckland 1345
Alliance Group Ltd P: (03) 214 2700 F: (03) 214 2708 PO Box 845, Invercargill 9840	Columbia Exports Ltd P: (09) 379 7161 F: (09) 307 0633 PO Box 2519 Shortland Street Auckland 1140	Lean Meats Oamaru Ltd P: (03) 433 0078 F: (03) 437 0742 7 Redcastle Road Oamaru 7400	Taylor Preston Limited P: (04) 472 7987 F: (04) 471 1319 Private Bag 13 908 Johnsonville, Wellington 6440
ANZCO Foods Ltd P: (03) 358 2200 F: (03) 357 1770 PO Box 39 145 Harewood, Christchurch 8545	Crusader Meats New Zealand Ltd P: (07) 878 7077 F: (07) 878 7080 State Highway 30 Benneydale, RD 7 Te Kuiti 3987	Lowe Corporation Ltd P: (06) 872 7700 F: (06) 872 7781 PO Box 444, Hastings 4156	Te Kuiti Meat Processors Limited P: (07) 878 6045 F: (07) 878 7787 PO Box 169, Te Kuiti 3940
ANZPAC Foods P: (09) 271 6022 F: (09) 271 6024 345 East Tamaki Road Manukau, Auckland 2013	Davmet New Zealand Ltd P: (06) 835 8288 F: (06) 835 0300 PO Box 1149, Napier 4140	Mathias International (Mathias Meats NZ Ltd) P: (09) 356 8000 F: (09) 356 8001 PO Box 210w9 Shortland Street Auckland 1140	Universal Beef Packers Ltd P: (07) 878 8926 F: (07) 878 8936 PO Box 408, Te Kuiti 3941
Auckland Meat Processors Ltd P: (09) 276 0900 F: (09) 276 0986 PO Box 22 188 Otahuhu, Auckland 1640	Fern Ridge Ltd P: (06) 834 3888 F: (06) 834 3886 PO Box 8948 Havelock North 4157	Ovation New Zealand Ltd P: (06) 858 6390 F: (06) 858 8311 PO Box 504 Waipukurau 4242	
Ballande New Zealand Ltd P: (09) 638 9921 F: (09) 638 9941 PO Box 8986 Symonds Street, Auckland 1150	Greenlea Premier Meats Ltd P: (07) 957 8125 F: (07) 957 8126 PO Box 87 Waikato Mail Centre Hamilton 3240	Progressive Meats Limited P: (06) 873 9090 F: (06) 879 9176 PO Box 36, Hastings 4156	

AFFILIATE MEMBERS OF THE ASSOCIATION

AgResearch P: (07) 838 5576 F: (07) 838 5626 Private Bag 3123 Waikato Mail Centre Hamilton 3240	Hamburg-Sud New Zealand Ltd P: (09) 377 3460 F: (09) 309 3003 PO Box 3551 Shortland Street Auckland 1140	Milmeq Ltd P: (03) 477 7485 F: (03) 474 0466 PO Box 5070 Moray Place, Dunedin 9058	Sealed Air (New Zealand) P: (04) 237 6069 F: (04) 237 9905 Cryovac Division Private Bag 50901 Porirua 5240
AON New Zealand Ltd P: (04) 819 4000 F: (04) 819 4100 PO Box 2845 Wellington 6140	Hapag Lloyd (New Zealand) Ltd P: (09) 488 3311 F: (09) 488 3322 PO Box 91536 Victoria Street West Auckland 1142	Oceanic Navigation Limited P: (09) 377 1165 F: (09) 377 1167 PO Box 9454 Newmarket, Auckland 1149	Scott Technology Ltd P: (03) 478 8110 F: (03) 488 0657 Private Bag 1960 Dunedin 9054
Bemis Flexible Packaging Australasia Ltd P: (04) 232 0880 F: (04) 232 9726 PO Box 56 089 Tawa, Wellington 5249	Intralox Ltd P: 0800 449 173 PO Box 50699 New Orleans, LA 70150-0699 United States of America	Port of Napier P: (06) 974 4400 F: (06) 974 4408 PO Box 947 Napier 4140	Vero Marine Insurance Ltd P: (09) 363 2600 F: (06) 363 2601 PO Box 1759 Shortland Street Auckland 1140
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