



17 March 2023

Food and Beverage Project Team
Ministry for Primary Industries
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Dear Sir/Madam

Attached are the comments that the New Zealand Food & Grocery Council wishes to present on the MPI *Food and Beverage Draft Industry Transformation Plan*, MPI Discussion Paper No: 2022/10.

Yours sincerely

A handwritten signature in blue ink, appearing to be "Raewyn Bleakley".

Raewyn Bleakley
Chief Executive



Food and Beverage Draft Industry Transformation Plan

Submission by the New Zealand Food & Grocery Council

17 March 2023

NEW ZEALAND FOOD & GROCERY COUNCIL

1. The New Zealand Food & Grocery Council (**NZFGC**) welcomes the opportunity to comment on the MPI Food and Beverage Draft Industry Transformation Plan (the **ITP**).
2. NZFGC represents the major manufacturers and suppliers of food, beverage and grocery products in New Zealand. This sector generates over \$40 billion in the New Zealand domestic retail food, beverage and grocery products market, and over \$34 billion in export revenue from exports to 195 countries – representing 65% of total good and services exports. Food and beverage manufacturing is the largest manufacturing sector in New Zealand, representing 45% of total manufacturing income. Our members directly or indirectly employ more than 493,000 people – one in five of the workforce.

OVERARCHING COMMENTS

3. NZFGC is broadly supportive of the ITP as drafted and considers it an important commitment from Government to the food and beverage industry. NZFGC considers that in the vast majority of areas, the Ministries and agencies that support New Zealand exporters are performing their functions well. MPI should already be committed to developing a regulatory system that supports innovation in the food and beverage sector.
4. Areas in the ITP we particularly support are:
 - action for a consolidated ‘one-stop shop’ for exporter assistance
 - continuing the resourcing of the Food Innovation Network (**FIN**) and the continuation of the National Science Challenges that focus on the food and beverage export industry such as the New Zealand Food Safety and Science Research Centre (**NZFSSRC**)
 - the six proposed actions listed under Transformation 2, the three proposed actions listed under Transformation 3 and the 3 proposed actions under Transformation 4
 - the development of scale-up facilities
 - a high-quality education system that provides opportunities for young people and supplies the food and beverage industry with the skills and talents necessary to succeed in and from New Zealand
 - conducting a graduate development programme with an overseas internship programme but one that bonds the participant to New Zealand
 - recommending changes “to make the regulatory easier for food innovators”.
 - the establishment of a ‘Making It Easy’ Roundtable with regulator and business representation
 - actions to strengthen the protection of Māori cultural and intellectual property and to bring a commercial lens to these discussions.
5. In some areas we make comments and suggestions that could enhance the ITP:
 - market analysis and selection is ultimately a commercial decision but initiatives to target markets or consumers should be a partnership arrangement with the sector and industry associations
 - MPI still needs to give primacy to its core function of ensuring that the New Zealand regulatory environment works effectively for exporters.
 - include in the ITP reference to the business-to-business (**B2B**) operations that many New Zealand food and beverage exporters operate
 - NZFGC believes that the overall food innovation system is not working as well as it might and would point to models we could draw from in Australia, Denmark and Ireland
 - identify the need for government assistance to exporters in relation to understanding the current and future global trade environment and the geopolitical challenges for exporters

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- identify in the ITP the role of MPI market access counsellors and their market access role.
 - trade-offs made in trade negotiations concerning the food and beverage sector. And the frustration of losses.
 - the ITP should recognise the need for a simple, open, and permissive immigration system that can help New Zealand firms be attractive in a globally competitive environment
 - include for context purposes the difficulties that many exporters from the food and beverage sector face when dealing with MPI regulations and processes
 - support for inclusion of there being a more balanced and risk-proportionate approach to exports via an e-Commerce platforms.
 - the very important role MPI plays in international regulatory harmonisation especially in relation to Codex Alimentarius should be included in the ITP.

DETAILED COMMENTS

Transformation 1: Orienting the Sector towards consumers and the market

6. Exporters should constantly stay up to date with consumer trends and demands and insights provided by Government agencies will be of value in this process. NZFGC believes, however, that market analysis and selection is ultimately a commercial decision. Initiatives to target markets or consumers should be a partnership arrangement with the sector and industry associations. MPI and other government agencies in the export sector already have clear roles to play for the sector and combining efforts on markets of focus should benefit all players.
7. As the regulator, MPI still needs to give primacy to its core function of ensuring that the New Zealand regulatory environment works effectively for exporters. Maintaining a straightforward and accessible regulatory environment that supports New Zealand exporters and businesses engaging in international trade, and gaining market access into premium markets for New Zealand exporters to leverage is a vital part of MPI's role.
8. NZFGC considers that in the vast majority of areas, the Ministries and agencies that support New Zealand exporters are performing their functions well. There will always be 'wrinkles' that arise or are features at the moment and working through those together is important. NZFGC is able to provide some limited assistance to those businesses when exporters experience particular difficulties. Our experience in this area has been more around facilitating imports of export critical ingredients or other import arrangements that have an export link associated with them.
9. Consideration might be given to including in the ITP reference to the B2B operations that many New Zealand food and beverage exporters operate. B2B products are often high value products sold directly into the food service or manufacturing sector as finished products or inputs.
10. Another area of importance for government assistance is in relation to understanding the current and future global trade environment and the geopolitical challenges for exporters that need to be considered.
11. When issues and barriers arise, MPI and other agencies' involvement and support is often crucial especially when there are time critical elements involved. Our members find that MPI market access counsellors are very attuned to this need and its identification in the ITP would confirm this role.

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12. An area of great frustration is the trade-off made in trade negotiations concerning the food and beverage sector. There is recognition that trade offs are a reality but the frequency of losses are often a frustration.
 13. NZFGC considers an independent evaluation of the 'Made with Care' programme should be a pre-requisite to its continuation. We acknowledge the work of NZTE on the programme but it may be time to change. It is better to have tried a programme and changed direction than not tried it at all.
 14. NZFGC supports the ITP action for a consolidated 'one-stop shop' for exporter assistance such as listing the different helplines and email addresses on one 'factsheet' or webpage that can be used to help exporters understand where to direct their queries.

Transformation 2: Increasing Investment in innovation and attracting capital for growth

15. NZFGC believes that the overall food innovation system is not working as well as it might. Some of the links between firms and research institutes are poor, with research generally not focused enough on clever adaptation of known science, and commercial outcomes. This does not appear to be the case with the New Zealand Food Safety Science Research Centre (NZFSSRC) but even so, we could do more to upgrade the links across all Centres and agencies through for example, facilitated collaboration. We could provide more direct support to incentivise and enable more innovation, and focus more on the adaptation of known success models from elsewhere in the world.
16. We would point to the models from Australia (**FIAL** – Food Innovation Australia Limited <https://www.fial.com.au/>), Denmark (Food Nation Denmark <https://foodnationdenmark.com/>) and Ireland (**Bord Bia** – Irish Food Board <https://www.bordbia.ie/industry/>). In this, we do note that the ITP broadly picks up on a range of the proposals in the FIAL's the *Sector Competitiveness Plan* (February 2022).
17. NZFGC strongly supports continuing the resourcing of the FIN. This is particularly important for supporting SMEs in the food and beverage industry since it is these businesses that struggle most with bringing innovation to market or to expanding small successes from domestic to export. The FIN is currently the best positioned organisation in the innovation space already in the sector to be able to connect and serve the food and beverage sector.
18. NZFGC strongly supports the development of scale-up facilities to fill a gap between pilot scale innovation work and commercial scale-up prior to a business achieving the scale necessary to make its own investments in dedicated plant and equipment.
19. NZFGC is aware that New Zealand's expenditure on research and development (**R&D**) is well below the OECD average. However, we are also aware of standout successes in the National Science Challenges. We are strongly supportive of the continuation of the Challenges that focus on the food and beverage export industry such as the NZFSSRC. NZFSSRC's work around the absence of contamination of packaging and food during the early Covid pandemic was incredibly helpful at the most intense time of that event.
20. As a result, NZFGC strongly supports the six proposed actions listed under Transformation 2. The greatest support possible by Government to incentivise businesses to invest in R&D and better attract capital investment has demonstrated payoffs for all involved.
21. We note that Coriolis Research has carried out extensive mapping of businesses in all sectors of the Food and Beverage Industry. This work could be used as the starting point upon which to build a deeper understanding of the key investment drivers of the businesses

in the sector supported by the knowledge held NZTE and the likes of the Callaghan Institute.

22. Two other areas to consider would be

- how business growth funds (such as the Primary Growth Partnership/Sustainable Food and Fibre Futures models) could be expanded for supporting consortium-type initiatives and
- accelerated depreciation for plant and equipment to encourage greater investment.

23. The ITP team might also investigate whether food and beverage innovators are accessing the Research & Development Tax Incentive (**RDTI**) managed through Callaghan Innovation. While the RDTI is not perfect and SMEs have reported finding the application process challenging, members want to work with Callaghan Innovation, the Ministry of Business, Innovation, and Employment, and Inland Revenue to make the process smoother and easier for smaller business.

Transformation 3: Building Capacity to innovate, commercialise and improve productive capacity

24. NZFGC broadly supports the three proposed actions listed under Transformation 3. NZFGC particularly supports a high-quality education system that provides opportunities for young people and supplies the food and beverage industry with the skills and talents necessary to succeed in and from New Zealand. The Australian FIAL model provides an example of what is needed around supporting stakeholders to develop a successful, collaborative industry, both now and in the future where growth and profitability are driven across markets and the entire value chain.

25. We appreciate that the Government investment in the Targeted Training and Apprenticeship Fund (**TTAF**) allows businesses and education providers to work together on key skills development in areas that New Zealand industries need. The food and beverage industry needs a wide variety of talent both trained in New Zealand and that is brought into the country through the immigration system. Where the expertise necessary to grow the industry is not readily available, New Zealand needs an effective immigration system that allows firms and innovators to bring in the expertise they need when they need it to grow their firms. This was a major barrier to resilience during the Covid pandemic that we are continuing to battle. The ITP should recognise the need for a simple, open, and permissive immigration system that can help New Zealand firms be attractive in a globally competitive environment.

26. NZFGC supports the idea of conducting a graduate development programme with an overseas internship programme but one that bonds the participant to New Zealand. As mentioned in the above points, New Zealand does not always have the necessary skills and experience to support growing food and beverage businesses, nor to help develop local talent with the necessary skills. An internship programme would help the future New Zealand food and beverage innovators learn from the very best overseas and to bring those ideas, processes, and ways of working back to New Zealand.

Transformation 4: Regulatory settings enable food innovation

27. As the regulator for the New Zealand food and beverage sector, MPI should already be committed to developing a regulatory system that supports innovation in the food and beverage sector and facilitates New Zealand food and beverage exports into overseas markets. NZFGC strongly supports the action around recommending changes “to make the regulatory easier for food innovators”.

28. The ITP could perhaps reflect for context purposes the difficulties that many exporters from the food and beverage sector face when dealing with MPI regulations and processes.

Those exporters who have been working with the system for many years are perhaps less frustrated than new entrants although in some areas the frustrations are longstanding and therefore more concerning. An example in this latter area is the complexity and lack of timeliness for applying the regulations surrounding the export of samples into prospective markets.

29. Regulators can also apply requirements inconsistently and measures to increase consistency are always welcome.
30. NZFGC supports the establishment of a 'Making It Easy' Roundtable with regulator and business representation, and believes efforts are needed to engage constructively with food and beverage businesses, especially SMEs. We also need to focus more on digital trading, examine the barriers and best practice and better leverage the opportunities that this provides.
31. Currently, all food and beverage produced in New Zealand must comply with New Zealand composition and labelling, even when that product is destined for export to an overseas market that has different requirements. This has been identified as a barrier to innovation, and a change should be considered as a priority.
32. Food and beverage products that are sold and exported via an e-Commerce platform (eg small package delivery direct to the consumer) are subject to the same rigorous requirements as large consignments. NZFGC supports a more balanced and risk-proportionate approach to this type of exporting. A change in approach would mean a lower investment/lower risk way of testing new markets for SMEs and would help smaller exporters when investigating new markets.
33. The ITP should reflect the very important role MPI plays in international regulatory harmonisation especially in relation to Codex Alimentarius but also with the sister organisations of the World Organisation for Animal Health (**WOAH** – formerly OIE) and the International Plant Protection Convention (**IPPC**). This role is crucial in supporting market access efforts for food and beverage exports and should be prioritised by MPI.
34. NZFGC supports the ITP's actions to strengthen the protection of Māori cultural and intellectual property and to bring a commercial lens to these discussions. There are clear benefits to Māori businesses and exporters that stem from tikanga practices, mātauranga Māori, and other traditions that should be recognised and protected for Māori use.
35. NZFGC supports the ITP's action in relation to engagement on genetic technologies especially since the constraints in New Zealand are so much more stringent than almost all other developed country competitors including Australia. These shifts in opening up to genetic technologies have been occurring over the past decade and now we would need a dynamic shift in order to just get close to catching up. Food Standards Australia New Zealand is currently working on a consultation on new technologies and this may present as an indicator of interest and appetite for change in the future.