

Chairman's speech to the AGM 21 July 2009

Good morning and welcome to the New Zealand Pork Industry Boards 11th Annual conference and AGM. It's good to see a mix of producers, those that form links in the chain in delivering our product to the consumer and those that support our businesses with goods and services.

My address today is split into two parts. We're fortunate to have our Minister of Agriculture, Biosecurity and Forestry the Honorable David Carter here to speak to us this morning. David is on a tight timeline today so I want to maximize his time with us and provide time for questions and answers with him.

However it would be remiss of me not to set the scene with some remarks on some key issues and provide David the platform to comment on some of these challenges in his address to us.

Let me start first by noting that the pork industry contributes over \$1 billion dollars to the NZ economy annually. Of this \$1 billion approx 80% is generated by NZ produced product and the other 20% by imported products. For every dollar the NZ farmer receives another \$1.92 is contributed to the economy. Conversely for every dollar spent on imported product only another 78 cents is contributed to the economy. Simply put – a flourishing local pork industry is an important contributor to the economy and consumers tell us a clear preference when they are buying pork and pork products. Our industry is extremely efficient at producing protein and does this in a way that is either neutral or positive for the environment with absolute minimal production of greenhouse gases.

In recent times we have all been involved in a media generated challenge on our farming systems focused in particular at the use of sow stalls and farrowing crates, but we know that at the base of it is an attempt to undermine the very food production systems that underpin the NZ economy. Let me say quite clearly that our producers are dedicated to caring for their animals – no better exemplified by the fact that 88% of them are already at 2015 targets for sow stall use. The industry has committed significant resources to new housing and welfare assessment research. This puts us ahead of the dominant producers of Europe and well ahead of our North American competitors, who have no moves to change. Note that any moves they do make will be underpinned by subsidies and other forms of government support. We are world leading in this respect but we cannot go down the suicidal track that the UK took that resulted in them being flooded by imports and the industry decimated.

The industry is not blind to consumer concerns and is responding. At this conference we expect to commit to all commercial farms having regular welfare audits and we have already begun work on better defining our farming systems for use in labeling to give consumers better information to choose at retail, we'll also be giving a greater insight into our farms through media like the internet to help people better understand our producers, production systems and commitment to animal care.

What is my point here? It is this – the industry is committed to continuous improvement in animal care but we must not be pushed beyond where knowledge is, where our subsidised competitors are and we

must not have unnecessary barriers put in our way which constrain producers from making the investment that change requires.

One such barrier is the proposed Import health standard which would see imported pork bring with it the risk of PRRS, the worlds No1 pig disease, infecting our national herd. With approximately 40% of the industry having experienced PMWS and the disastrous effects it's had on production and people, we have no desire to go through this experience again. The assessment of the science shows that there is significant risk and uncertainty and it is clear from a resourcing and compliance track record perspective that BNZ is not up to the task of managing this risk. We welcome the independent science review and the Ministers involvement in getting this implemented. We are still baffled however why it has taken over three years and over half a million dollars of pork industry investment to get to this point and why our own MAF appears to have determinedly pitted itself against the industry. Even to the casual external observer MAF's so-called" balancing of biosecurity and trade" seems to have toppled in favour of trade. The recent bee industry case findings reinforce the lack of clarity MAF has in dealing with these issues with trade again seeming to be put ahead of robust biosecurity. There is also widespread concern amongst other industries who observe precedents being set that potentially undermine NZ's biosecurity status. The Minister has noted on several occasions that biosecurity is his most important portfolio. I would suggest that a most important focus within that portfolio is to clearly identify an Appropriate Level of Protection robustly applied that does not expose our industry to the very real risk of exotic disease .

Another such barrier is the resource management act, no better exemplified by the recent media attention on Colin Kay's piggery. Colin has been locked into a consent process for three years and hundreds of thousands of dollars. The proposal was for a piggery which would rate in the top 5% of NZ businesses from a sustainability perspective, but has had barriers put in its way at every step by regional regulators and vexatious opponents including animal activists. Colin is not alone and the pork industry needs to see tangible progress from these reforms – tomorrow could not be too soon.

Finally the industry must be underpinned by its fair share of government investment in primary sector R&D. We appreciate the support received through MAF's various funding streams and we applaud the recent announcement of the Primary Growth Partnership fund and look forward to having the opportunity to bid for some of this investment into the pork industry.

This is a natural point to hand over to the Minister David Carter to address you. We do warmly welcome you minister, we do appreciate your interest and support for the industry and look forward to what you have to say.

Ladies and gentleman please welcome the Minister of Agriculture, Biosecurity and Forestry – the right honorable David Carter.

Thank you David for your stimulating address and for taking the time to answer further questions, we look forward to ongoing discussion in progressing these issues. I'd like you to join me in once again thanking the Minister for his address

In closing let me make some observations of the global industry and then locally and back to our organisation NZPork.

Global trade and associated pricing was looking well set especially with shrinking production but this has been thrown into disarray by the recent Influenza A H1N1 outbreak. We have observed irrational consumer responses internationally but by far the biggest impact was by cross border responses which saw significant stocks build up in North America and resultantly some found its way here at very cheap prices, undermining our own schedule. Aside from the unfortunate naming, as an industry we want to acknowledge New Zealand's well founded position led by the Ministry of Health and MAF

This pressure is finally taking a toll on US production. Producers are under significant financial stress and this is being seen in liquidation of the sow herd, with 2% gone so far and more expected. Support for producers is being called for in both the US and Canada. This will surely see some shortening of supply. In Europe, powerhouse exporter, Denmark is also under pressure with reducing prices, and an increasing reliance on weaner export into Germany. These changes point to an eventual shortening of pigmeat supply and given solid international demand should see international prices rise.

Domestically pork products continue to be competitive with other proteins and have maintained their share of plate despite the recent challenges. However there must be question marks over whether retailers have the volume, value, pricing relationships right at present. Given current schedule pricing, passing on some of those savings to the consumer must be worthy of consideration in the current environment We are clear on the barriers to consumption and you'll hear later this morning about the focus of our current advertising campaign. This is underpinned by direct communication with consumers and their influencers and by research that is focused on better understanding the quality aspects of fresh pork and addressing them. Our tenderness testing has been one such initiative and is currently being followed up by looking at taint issues. A particular focus has been working in partnership with wholesalers and retailers on these issues and this will continue with the welfare aspects destined to underpin the 100% New Zealand pork, bacon and ham brands.

Grain availability and pricing has also been volatile. Many of our producers have been caught with contracts at prices well above spot prices. The global predictions are for prices to remain at more respectable levels in 2010 on the back of better stocks and solid planting and yield predictions. Locally there are carryover stocks, still reasonable levels of planting but significantly reduced demand from the dairy industry. The cyclical nature of grain pricing is difficult for both the grain grower and pork producer. As consistent buyers of grain better relationships must be able to be forged that give both parties more certainty of pricing, this remains a real challenge for our industry and a focus of current CRC and domestically based research projects.

Finally let me make a few comments on the organisation and Board. Staff like us have been working under financially constrained conditions but have continued to deliver a high level of service. Special

mention must go to Frances Clement who has been absolutely tenacious in wrestling with the PRRS import health standard on your behalf. The fact that we are still free of this disease three years after the initial documents were released is due in no small part to Frances's dedication to the task and an absolute determination to see justice done. She in leading this project and has left no stone unturned in ensuring that the best case is put forward on your behalf. She is currently on a well deserved holiday but I would like to take this opportunity to publically go on record in acknowledging an exceptional job and I know she will complete the job with the same thoroughness seen to date.

I wish also to recognise the whole office who bore the brunt of the media and consumer feedback in the advent of the Mike King affair. They have been the ones who dealt with the many phone calls, emails, letters and media barrage, some of which was pretty unpleasant, please take the opportunity to pass on your appreciation to them.

The Board has undergone significant change this year with two new directors joining us. The new perspectives have contributed to making a well balanced Board which debates issues thoroughly and is cohesively working together on dealing with the challenges that face the organisation and industry. In that regard I pass on apologies from Rick Christie who is unable to attend due to overseas commitments.

This is my 7th such address to an industry conference. This is a great industry, one that is world class and one that I am proud to represent. The track record shows that this is a very resilient yet progressive industry and I think the programme ahead of us today reflects that. I look forward to the day's interaction and to tomorrow's producer AGM which I believe will see more positive steps forward made by the industry. I trust that you will take the opportunity to absorb the useful information but also contribute your ideas and experiences.

I would now like to call for a mover and seconder for my report and open up for questions and discussion.