

NEW ZEALAND MEAT BOARD CONSULTATION ANNUAL MEETING 2021



You can provide feedback on the following - see the information on the NZMB page of the voting papers.

The New Zealand Meat Board (NZMB) is consulting on amendments to its Reserves Policy and annual industry-good funding, in conjunction with the 2021 Annual Meeting.

We welcome your feedback. Once the consultation closes, we will analyse the submissions and the Board will consider all of the points raised by submitters before determining whether to proceed with the proposed Reserves Policy amendment and funding for Beef + Lamb New Zealand Genetics (B+LNZ Genetics).

Submissions close 12 March 2021.

RESERVES POLICY

The Meat Board Act 2004 requires the NZMB to have a reserves management policy which describes the NZMB reserves and how these are able to be accessed for the purposes of managing a contingency event impacting export markets, quota management where funding is required to support New Zealand's administration of quota and for annual industry-good funding.

The Reserves Policy was last reviewed, consulted on with farmers and amended in 2018 at the time the Statement of Investment Policies and Objectives (SIPO) for the new investment policy was completed.

The amendments proposed in this review are to bring the Reserves Policy up to date with current reserves balances and to include improvements based on what has been learnt since implementing the new investment policy. The intent of the policy has not been changed. The key amendments proposed are discussed below.

We are seeking your comment on these proposed changes. You can comment on as many as you like.

The major amendments to the reserves policy are:

1. The definition of funding available for industry good is defined (Paragraph 3.7) to record this as **“cash returns (interest and dividends) less cash expenditure including investment management fees and reserve management costs”**.

Unrealised gains and losses on the investment portfolio are excluded from this definition. The Reserves Policy had referred to “investment returns excluding any foreign currency fluctuations”. The investment portfolio includes unrealised gains and

losses arising from unit price and foreign currency variations that move either up or down across the financial years.

This change makes explicit that the Reserve Fund has two statutory purposes; to hold contingency and quota jeopardy reserves and to generate income for industry-good funding application. At the time of developing the SIPO in 2017 the Board added the objective to also grow and inflation-proof the Board's reserves, and this change prevents the Board from accessing unrealised gains as the portfolio value is being grown.

The objective of growing and inflation-proofing the investment fund is met by requiring a balanced portfolio of investments, invested 50 percent in cash and fixed interest and 50 percent in equities, which generates cashflow and dividends. The growth portion of the portfolio which provides longer term returns in excess of fixed interest returns is designed to both inflation-proof the fund and provide higher returns that will grow the value of reserves over time.

2. The Board created a reserve buffer in December 2019 to manage potential volatility of cash income returns from the investment fund. The objective is to have three years of reserve funding (\$5.7 million) held in the reserve buffer invested in fixed interest investments and this is available should the Board be required to supplement cashflow for industry-good grants in a year. The current reserve fund balance is \$1 million and is shown in the Statement of Financial Position as at 30 September 2020 as a current asset.

3. Industry-good project funding

The application and criteria for funding from reserves income has been updated. The key amendments are:

- **Removing the distinction between capital and income applications.** The distinction between income and capital is removed as applications are either funded from cash or realised (actual) investment gains when there is a level of reserves in excess of the inflation adjusted value of quota jeopardy and contingency fund reserves.
- **The predictive cost benefit requirement has been replaced to refer to intervention logic methodology** which better sets out how planned actions are expected to lead to desired outcomes. It describes the current state, the initiatives proposed, the outputs and the short term and longer term outcomes. This approach is both qualitative and quantitative. This is the same approach currently used by MPI for the SFFF funding bids and aligning the B+LNZ and NZMB methodologies creates synergies and allows in-house capability to be developed and reduces administration. The RMPP, B+LNZ Genetics and Taste Pure Nature SFFF applications used the intervention logic methodology and this approach is more comprehensive than a single cost benefit analysis.
- **The six-month milestone review has been moved to an annual review and then a new application to reduce the administration of mid-year reporting.** Reporting by exception is required during any year where milestones are not achieved.
- NZMB grant funding, while able to be committed in principle for multiple years, will continue be subject to an annual milestone review and reapplication for the next year's funding.

The proposed Reserves Policy, with amendments from the current policy can be read at www.nzmeatboard.org

INDUSTRY-GOOD FUNDING FOR B+LNZ GENETICS

The New Zealand Meat Board (NZMB), as part of its purpose under the Meat Board Act 2004, provides funding from its reserves for a range of activities in the interests of livestock farmers, including funding for industry-good activities.

NZMB has been one of the funding partners for B+LNZ Genetics. On 1 October 2019 B+LNZ Genetics was amalgamated back into the main industry good body, Beef + Lamb New Zealand Ltd (B+LNZ). The NZMB is proposing that it will continue to be a funding partner and would provide up to \$1 million from investment income in the 2021 financial year to help fund B+LNZ Genetics' activities.

NZMB grant funding from interest income for 2019-20 was capped at \$1.2 million and is proposed to be \$1 million in 2020-21 subject to investment returns.

An update of B+LNZ Genetics activities can be found in the B+LNZ annual report at www.beeflambnz.com