

## **MINUTES OF THE ANNUAL MEETING**

**of the**

### **NEW ZEALAND MEAT BOARD**

**held by Zoom call**

**on Friday, 12 March 2021**

**commencing at 3.02 pm online**

#### **BOARD MEMBERS IN ATTENDANCE:**

A Morrison (Chairman)

S Gower

P Smith

M Clarkson

S Paterson

M Coup

G Tatham

N Hyslop

T Egan

R Hogg

#### **IN ATTENDANCE:**

S McIvor (*Chief Executive Officer*), C Spooner (*Board Secretary*), D Harrison (*General Manager Quota*), B Barber (*Independent Director*), K Wyeth (*Associate Director*)

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The Chairman opened the 2021 Annual Meeting at 3.02 pm covering the 2019/20 financial year and noted that we are doing the meeting virtually to meet with more farmers.

We have a quorum of 1740 votes and 35 physical attendees.

He stated that the following representatives of the New Zealand Meat Board Sam McIvor - CEO, Dave Harrison - General Manager, and Cros Spooner - COO are available for questions at the end of the reports.

#### **APOLOGIES**

Apologies were received from Sirma Karapeeva (MIA), Holly Foran, (MPI). No other apologies have been received.

#### **MINUTES FROM THE ANNUAL MEETING HELD ON THE 11<sup>th</sup> FEBRUARY 2020 IN WELLINGTON**

The Chairman reported that the minutes of the 2020 Annual Meeting, held on the 11 February 2020 in Wellington (copy included in the Annual Meeting packs) had been approved by the Board, in line with convention at the subsequent meeting of the Board after the Annual Meeting held in April 2020.

#### **MEETING PROCEDURES**

The Chairman outlined the procedures for the meeting. It was noted that any voting was on the basis of one livestock farmer, one vote. Voting has been conducted by poll - digital and post - closing at 2.00 pm today and results will be advised next week after they have been collated. There will be time for discussion later in the meeting - we are keen for feedback on the resolutions.

After advising there was a full agenda today with a lot of detail, the Chairman noted that the meeting would receive an address from himself and the CEO.

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## CHAIRMAN'S ADDRESS

The Chairman outlined the procedures of the meeting. The Board has the power to determine the procedure for annual meetings (including voting procedure), subject to the Act and any relevant regulations.

The annual meeting is reporting to period 30 September 2020.

Key points outlined were as follows:

- the two functions of the Board relate to quota management and managing farmer reserves.
- The NZUK sheepmeat and goatmeat and high-quality beef quotas have been re-allocated as a result of Brexit. We manage quotas to the value of \$2.5 billion. The value of tariff savings is \$288 million every export year. It was noted the administration of the quotas and value for these quotas for farmers and New Zealand is very crucial.
- The Chairman said there is sometimes confusion regarding the origin of \$74 million of reserves fund. This is a build-up of reserves and levies that goes back to the Meat Board Stabilisation Account of the New Zealand Government in 1950 when the fund was established primarily to market New Zealand meat in the United Kingdom and this is what we manage.
- In the previous year the EU sheepmeat and goatmeat for the period to 31 December 2019 was 50.7% of the quota lower than the 62.3% utilised in 2018. This reflects instability in those markets and the ability for industry to make choices for preferential markets offering better risk return profiles. Post reporting from 31 December 2020 was 47.4% for EU sheep and goatmeat which is the most recently concluded year and reflected uncertainty with Brexit.
- One of major implications in these previous years was the 2016 vote for Brexit in UK – the EU is the second largest market for New Zealand product, (China being the largest at \$1.6 billion). It shows the importance of the EU and UK market. It is worth \$422 million sheepmeat value. In percentage terms the EU28 accounts for 18.35% of all sheepmeat exports in the UK 10.85%.
- Our sector faces several challenges as a result of Brexit while the EU and UK work out their new normal and this puts downward pressure on prices in the UK. The New Zealand Meat Board has invested heavily over the past few years to ensure New Zealand was prepared and minimising disruption to trade. The EU/UK have proceeded with their plan to split their market which is unacceptable to us as splitting erodes the quality and quantity of the EU and UK under WTO rules. It removes our flexibility to export to the 28 markets and consumer demand and conditions. Instead the divided volumes constrains how and where we can trade. The trade for high quality beef quota for example becomes very difficult if not uneconomical.
- A further recent challenge regarding the use of quotas to access the Northern Ireland market has arisen. The quota split leaves New Zealand worse off overall. The New Zealand government is working proactively on ways to work this out as the quota utilisation out of New Zealand is very important to us.
- The US market where we export beef and veal – 60.8% was utilised in quota year 2019, down compared to 86.4% in 2018. Market dynamics are very fluid – the figure at 31 December was higher at 80.82% due to Asian market which was slow during Covid.
- The other big role for NZMB is reserves management. In April 2018 the Board approved, after consultation with farmers, to move to a balanced growth managed fund of 50% equities and 50% fixed interest. The aim was to build the fund for next generation of farmers. The primary philosophy was to maintain inflation adjusted and grow the fund hence the growth funds. Liquidity was a big component as the Board requires liquidity to fund contingency events – we had to protect cash fixed interest offshore and onshore. They include New Zealand equities and emerging markets.
- We appointed Jarden as investment managers to manage the risk from fixed interest to this portfolio.

- He confirmed the New Zealand Meat Board is in a strong financial position with equity of \$76.4 million.

The Chairman then invited the CEO to present.

### **CHIEF EXECUTIVE OFFICER'S ADDRESS**

The CEO outlined the objectives of the New Zealand Meat Board and advised that we had more than met our requirements for the year to 31 December 2020.

He expanded on the financial results of the last year. A surplus of \$443,000 in quota management and the aim is to have a breakeven position as this is funded by quota holders and applicants.

Reserves have been drawn down as we financed industry good funding to Beef + Lamb New Zealand for genetics and \$38,000 for the Brexit focused Red Meat Ambassador role in London which has now concluded.

He noted the New Zealand Meat Board preparation for Brexit was extensive and scenario planning included changing dates - the exit date changed four times in that period. Staff showed agility and response. Some matters remain outstanding with UK authorities and dialogue is continuing to resolve as soon as possible.

He thanked quota holders for their support during the preparedness process and changeover.

Allocation mechanisms are required to be reviewed every five years under the Act. NZMB must ensure allocation mechanisms are consistent with the board's objectives. In 2020-21 there is no change to the mechanisms – a further review may be required in the next two years.

\$1.2 million from the New Zealand Meat Board investment fund was approved for B+LG to support to extension of beef genetics in partnership with MPI's SFFF fund.

The CEO then moved onto business continuity and improvement noting disruption from Covid where we were deemed an essential service and we are grateful to government for this.

NZMB had completed remote working business continuity preparedness enabling us to move to remote working. A strong focus was on looking after our staff - our Brussels team are still in the middle of a Covid outbreak and they have shown resilience and we continue to support them.

We have been working on paper-based certification moving to electronic certification – it has been great to see US authorities excited about this project and steadily supporting it – next step is UK and EU.

Lastly, we are putting strong emphasis on farmer engagement and communication and how we communicate with our farmers. During year we have had communications on quota and reserves management - our farmer engagement has increased.

In concluding the CEO said we need to wrap up outstanding matters with the UK government and progress engagement on quota administration improvements, i.e. paperless/data exchange.

Our next steps are to implement outcomes of the statutory audit which MPI are finalising. One aspect will be further standardisation of documentation and processes. We continue engagement with US government on paperless exchange. We have a cost recovery review scheduled – this review assesses the cost of operating NZMB.

He concluded by thanking staff – they have come through with flying colours and the value of managing quotas has once more been underlined. He thanked farmers, our exporting partners and other stakeholders for their support.

The Chairman called for questions.

**Q. What drives the high governance cost with only investment to manage?**

- a. The Chairman responded we don't only have investment to manage we also manage quotas of \$2.5 billion into UK/EU/USA. This is a significant role. The rescoping from the balanced to managed fund was a significant piece of work. We have been quite clear on the two separate roles

**Q. Can farmers access summary accounts?**

- a. the set of financial statements provide rundown of notes of fund and fund performance, so he encouraged them to look at performance criteria and there is a breakdown of account class.

**Q: from an Australian technology company: would the NZMB be interested in trialling document verification, digitalising data blockchain services, these may be useful tools in the export market**

- a. the CEO said initiatives existed around electronic certification. The Board is very open to reducing cost, improve efficiency but maintaining authenticated documentation for government regulatory authorities. He invited the company to make contact to discuss.

**Q. does the New Zealand Meat Board have any perspective on trade with Brazil?**

- a. The CEO said this is more a question for Beef + Lamb New Zealand. From the New Zealand Meat Board perspective, the statutory countries are narrow as dictated by Government agreements – i.e. EU/UK/USA. It is very clearly set out. We do monitor what is happening internationally in terms of market access he invited the submitter to make contact to discuss.

**No mover or seconder were required because of digital voting**

**COMPANY RESOLUTIONS**

The Chairman said that while the resolutions were sent out with the packs – one farmer one vote – we are still very keen to hear from you.

**DIRECTORS FEES**

The Board had proposed that the director fees pool for producer and industry directors be increased to \$180,000 per annum from \$144,200.

This increase represents a fee increase for the Chairman to \$40,000 (currently \$29,050) and for farmer and industry directors to \$20,000 (currently \$16,300).

The Chairman spoke to the meeting on this resolution saying that it was important that B+LNZ and The NZMB were treating separately as they have distinct roles and time commitments from a director workload perspective. The proposed remuneration is the independent advice for the New Zealand Meat Board.

The proposed raise in director fees reflected independent advice on like organisations remuneration and the revised workload of the directors associated with more active investment management and the increased workload with Brexit and other quota management.

There are three steps to make this decision

1. Decision from Mitchell Notley independent remuneration consultants
2. Farmers vote on this
3. The board decides whether it enacts on the resolution

*There were no questions received*

**No mover or seconder were required because of digital voting**

## **APPOINTMENT OF AUDITOR FOR THE 2021 FINANCIAL YEAR**

The Chairman noted that we rotate partners in the companies we engage for audit.

The Chairman introduced the resolution to reappoint KPMG as auditor for the 2021 financial year. There was no discussion.

## **CONSULTATION – RESERVES POLICY AND INDUSTRY GOOD FUNDING TO BEEF + LAMB NEW ZEALAND FOR BEEF + LAMB GENETICS**

The Chairman advised this is annual consultation we do around decisions made with New Zealand Meat Board.

1. There are changes made to Reserves Policy – we want to clearly define the cash available
2. Establishment of Reserve buffer to be drawn down in future years
3. Simplify administration to align capital and income
4. Number 2 is most crucial if we get returns more of 3.3% and put into buffer reserves this is one of the reserves positions we want to take
5. Funding of \$1.0 million for BLG open for consultation to 12 March 2021

*There were no questions raised.*

## **GENERAL BUSINESS**

The Chairman opened the floor for general business - there was no general business.

The chair said this online annual meeting was a new process for us to engage with more farmers on farm.

## **ACKNOWLEDGEMENTS**

The Chairman stated there have been a few changes on the Board this year.

George Rutherford concluded on 31 March 2020 – he had a long and successful career in trade policy and was a huge resource to us on Brexit.

Renee Hogg was appointed in May 2020 sitting alongside our other government appointee Sarah Paterson whose term comes to an end on 31 March. He acknowledged the good work they have done.

Mark Clarkson is retiring from the board after nine years – a very strong contributor.

He thanked MPI, and the Ministry of Foreign Affairs and Trade acknowledging the work and relationships we have across these departments. He thanked NZMB staff reminding the meeting that through Covid NZMB staff were deemed essential services - they made choice to come into office and enable certification which was crucial.

## **2022 ANNUAL MEETING**

The Chairman informed the meeting that the Board was proposing that the 2022 annual meeting be held in the first quarter of 2022. We will make the decision whether we go to digital or go back to physical.

The Annual Meeting closed at 3.54 pm

Chairman's Signature



Date:

21 June 2021