

# **Meat Board Amendment Bill**

Government Bill

As reported from the Primary Production Committee

## **Commentary**

### **Recommendation**

The Primary Production Committee has examined the Meat Board Amendment Bill and recommends that it be passed with the amendments shown.

### **Introduction**

We have considered the bill carefully and recommend no change to the substance of the bill. We recommend some amendments to incorporate the changes in drafting style adopted by the House in March 2006. The remainder of this commentary addresses issues raised by submitters.

### **Focus of bill**

We acknowledge that many submitters have taken the referral of the Meat Board Amendment Bill as an opportunity to voice concerns about current quota allocation and its impact on their own operations and profitability.

We note that the power to decide quota allocation processes was given to the New Zealand Meat Board by Parliament in the Meat Board Act 2004. It is outside the scope of this bill to revise that power, or any particular decisions made by the Meat Board when it exercises its statutory obligations. The purpose of the amendment is to clarify that under the existing law the allocation of quota to meat

processors who do not export is lawful. We are satisfied that this objective has been achieved.

The bill will permit, but not ensure, the continuation of the status quo regarding quota allocation. The Meat Board may allocate quota on the basis of share of production history regardless of how much kill is exported. We accept that debate about quota allocation will continue. Other allocation options, which are permitted by law, remain possible. It is within the Meat Board's statutory power to make a choice about how quota is allocated.

We recognise that the bill supports the Meat Board in meeting its statutory obligations regarding quota management and fulfilling the purpose of Part 3 of the Act. Section 21 of the Act sets out the purpose of Part 3, which covers quota market administration. The purpose of the Part is to provide for compliance with New Zealand's international treaty obligations relating to quota markets on behalf of the Crown, provide for the administration of allocation of access to quota markets, and ensure the meat industry is the recipient of the economic benefits deriving from quota markets.

### **The arguments**

We have heard both sides of the argument and are satisfied that objections have been considered fully.

We refer to section 22 of the Meat Board Act, which says that the Crown owns the right to secure the economic benefits deriving from quota markets, and that those benefits are assigned to the meat industry. Meat processors are included in this benefit whether or not they export, and exporters are included whether or not they are processors.

The bill provides for increased business certainty by clarifying the law regarding the allocation of quota, and reducing the possibility of litigation against the Meat Board resulting from any perceived ambiguity in the Act.

We believe there is insufficient evidence to support claims that allocating quota to non-exporters fails to maximise returns from quota. Returns from quota allocation will flow to farmers, who sell the livestock to the meat processors, because of competition between meat processors.

We note that a number of exporters were not the owners of processing plants and relied on purchasing quota from processors who

didn't fully export their quota allocation. This arrangement assists in maximising the value of the quota to the quota markets.

We note that the amount of quota allocation that could be affected by either allocation method advocated by the two groups of submitters is approximately two to three percent of the total amount of quota available for allocation.

We heard concerns that processors who sell on the domestic market are riding on the market investment of exporters. We believe that quota will be purchased according to calculations of the costs and benefits involved. Quota will be purchased to achieve the maximum return for both the buyer and the seller.

We believe that transferring quota through trading allows the highest bidder to gain quota. Presumably, the highest bidder for quota will be able to achieve the most return from the export market.

We have considered the claim that allocation to non-exporters causes late-season disruption. We were assured by the Meat Board that any disruption is insignificant and adequately balanced at the end of each season.

We heard arguments that exporters believe that all quota should be allocated to them in advance so they can plan effectively. While the transferring of quota on the market, after the initial annual allocation from the Meat Board, may cause some uncertainty we are unconvinced that this would be a significant barrier to trading given the risk management capability of meat processors.

## **Conclusion**

The committee believes this legislation clarifies Parliament's original intention in passing the Meat Board Act 2004.

## **Appendix**

### **Committee process**

The Meat Board Amendment Bill was referred on 30 March 2006. The closing date for submissions was 3 May 2006. The committee received 15 submissions from organisations and individuals and heard five of the submissions orally.

Advice was received from the Ministry of Agriculture and Forestry and the New Zealand Meat Board.

### **Committee membership**

Hon David Carter (Chairperson)

Dr Ashraf Choudhary (Deputy Chairperson)

Nathan Guy

Phil Heatley

Dave Hereora

Colin King

Moana Mackey

Hon Dover Samuels

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**Key to symbols used in reprinted bill**

**As reported from a select committee**

**Struck out (unanimous)**

Subject to this Act,

Text struck out unanimously

**New (unanimous)**

Subject to this Act,

Text inserted unanimously

*(Subject to this Act,)*

Words struck out unanimously

Subject to this Act,

Words inserted unanimously

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*Hon Jim Anderton*

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**The Parliament of New Zealand enacts as follows:**

**1 Title**

This Act is the Meat Board Amendment Act **2006**.

**Struck out (unanimous)**

(2) In this Act, the Meat Board Act 2004 is called “the principal Act”.

**2 Commencement**

This Act is deemed to have come into force on 1 July 2004.

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**New (unanimous)**

**2A Principal Act amended**

This Act amends the Meat Board Act 2004.

**3 Requirements for allocation mechanisms**

Section 24 (*of the principal Act*) is amended by adding the following subsection: 10

“(5) To avoid doubt, an allocation mechanism may provide for an allocation of access to quota markets to any person who is a registered exporter, whether or not the person currently exports meat products.” 15

**4 Decisions**

Section 32(1) (*of the principal Act*) is amended by inserting (*the word*) “eligible” after (*the words*) “or processing of meat products”(*, the word “eligible”*).

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**5 Fees in relation to quota management systems**

(1) Section 36(1) (*of the principal Act*) is amended by omitting (*the words*) “by meat exporters” and substituting (*the words*) “by persons applying for or allocated quota”.

(2) Section 36(3) (*of the principal Act*) is amended by omitting (*the words*) “meat exporters” and substituting (*the words*) “registered exporters”.

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**Legislative history**

22 March 2006

Introduction (Bill 30–1)

30 March 2006

First reading and referral to Primary Production Committee