

In Confidence

Office of the Minister of Agriculture

Chair, Cabinet Committee

Public consultation on the draft Food and Beverage Industry Transformation Plan

Proposal

- 1 This paper seeks agreement to release the Draft Food and Beverage Industry Transformation Plan (the Draft ITP, Appendix One) for public consultation from 1 December 2022 to 5 March 2023. I intend to seek final Cabinet approval of the ITP (the Final ITP) in April 2023.

Relation to government priorities

- 2 Industry transformation plans (ITPs) are a key mechanism in implementing the Government's refreshed Industry Strategy to accelerate the transformation to a high wage, low emissions economy that provides economic security for all [DEV-20-MIN-0110 and DEV-19-MIN-0006].
- 3 The decision to develop a Food and Beverage ITP recognises the scale and importance of the food and beverage sector to New Zealand's economy, workforce and communities; and supports progress towards a more productive, sustainable and inclusive New Zealand as set out in the Ministry for Primary Industries (MPI) Fit for a Better World Roadmap [DEV-20-MIN-0110; DEV 21-MIN-022 refers].
- 4 The Draft ITP supports Objective 2 of the government priorities to accelerate the economic recovery and rebuild from COVID-19. This means "continuing to invest in people, jobs, small businesses, infrastructure, and global trade..." [CAB-20-SUB-0525 refers].
- 5 The Draft ITP aligns to and complements actions in other ITPs, including the Advanced Manufacturing and Agritech ITPs. There are also linkages to other work programmes, such as Te Ara Paerangi Future Pathways, Reform of Vocational Education and the Immigration Rebalance.

Executive summary

- 6 In addition to the need to accelerate toward a high wage, low emissions economy, three converging global drivers of change present a need for transformation in the food and beverage sector: climate change, changing consumer preferences, and technological progress.

- 7 Climate change is challenging systems of food production; consumers are increasingly seeking products they see as more ethical, sustainable, and healthy; and technological progress is allowing the development of new 'animal free' foods, such as cultivated meat and precision fermentation milk. These change drivers are converging at an overwhelming pace and pose a substantial threat to the sector, but also result in new opportunities.
- 8 In response to these challenges and opportunities, the Draft Food and Beverage ITP aims to:
 - 8.1 enhance our strengths in traditional foods where New Zealand already excels such as meat, dairy, horticulture, and seafood; and
 - 8.2 scale up new product categories where New Zealand can develop new competitive advantages domestically or globally, such as bioactives, alternative proteins, and functional foods.
- 9 The vision is that 'Global consumers view Aotearoa as the home of sustainable, innovative, and high-value nutrition, foods, beverages, and technologies. The sector is the foundation of a high wage, low emissions economy where all New Zealanders thrive'.
- 10 The Draft ITP sets out four pillars for change and 16 proposed actions to accelerate growth in line with the opportunity and vision for the sector. The pillars are:
 - 10.1 orienting the sector towards consumers and the market;
 - 10.2 increasing investment in innovation and attracting capital for growth;
 - 10.3 building capability to innovate, commercialise and improve productive capacity; and
 - 10.4 regulatory settings enable food innovation.
- 11 The strategic framework for the Draft ITP (Appendix Two) is strongly connected to Fit for a Better World and a report by Te Puna Whakaaronui (the food and fibre think tank), 'WELL_NZ – reframing New Zealand's food sector opportunities' (the 'WELL_NZ Report, Appendix Three). The ITP seeks to accelerate progress towards Fit for a Better World targets, as well as respond to the key challenges and opportunities set out in the 'WELL_NZ report.
- 12 I seek to publicly consult on the vision and aim of the Draft ITP, as well as the pillars and 16 actions.
- 13 Subject to Cabinet agreement, I plan to release the Draft ITP for 13 weeks of public consultation from 1 December 2022 to 5 March 2023 following a launch at National Fieldays.

Background

- 14 ITPs are a key mechanism for delivering the Government's refreshed Industry Strategy, which will help transform and grow key sectors. A driving principle of ITPs is that they are co-created in partnership between business, workers, Māori, and government. There are eight ITPs underway across government.

- 15 The food and beverage sector is critical to New Zealand. The sector feeds our people, the 'wider food chain' employs around one in five New Zealanders, and the sector supports the wellbeing of our rural communities. The sector has been growing fast, increasing from \$14.4 billion in export value in 2004 to \$42.3 billion in 2022.
- 16 Māori are significant participants in the industry, not only as Tiriti partners and kaitiaki, but as asset holders, business leaders, and workforce. As of 2018, Māori assets in agriculture and fishing totalled more than \$19 billion, with strong interests in sheep and beef, dairy, and fishing and aquaculture.

Climate change, complex consumer preferences and technological progress is driving significant change in the sector

- 17 The Draft ITP has drawn on the :WELL_NZ Report's framing of three converging global drivers of change (climate change, changing consumer preferences, and technological progress), which presents challenges and opportunities for the food and beverage sector.
- 18 The :WELL_NZ Report proposes that New Zealand can and should continue to grow the sector but with a broader and more complex portfolio of food and beverage offerings. The reports calls for industry, Māori and Government to develop a new focus for the sector, which targets the rapidly growing global wellness market through natural foods and the development of modern foods.
- 19 Te Puna Whakaaronui is drafting subsequent reports with key linkages to the ITP. For example, Te Puna Whakaaronui is drafting a reference document (to be released in early 2023) aimed at providing a common information base that demystifies the science and helps to inform all perspectives, in advance of any conversations on gene technology.

There is an opportunity for the sector to enhance its current strengths in traditional foods and to scale up emerging categories

- 20 In line with Fit for a Better World and :WELL_NZ, the aim of the Draft ITP is to capture greater value by accelerating the sector's transition. This will be through:
 - 20.1 **enhancing** strengths in traditional foods where New Zealand already excels such as meat, dairy, horticulture and seafood; and
 - 20.2 **scaling up** new product categories where New Zealand can develop new competitive advantages domestically or globally, such as bioactives, alternative proteins and functional foods.
- 21 The Draft ITP targets gaps, catalyses change, creates value off-farm and considers benefits in line with this opportunity to enhance and scale up. It is not about on-farm change, duplicating work already underway, immediate challenges such as labour availability, or the domestic food system.

- 22 For example, the Draft ITP seeks to complement on-farm actions in Fit for a Better World by scaling up the capability and capacity of the food innovation system. This would leverage the potential to create more high-quality and valued products such as green lipped mussel powders for joint health or dairy-based supplements for brain health.

The Draft ITP proposes four pillars and 16 proposed actions to accelerate growth

- 23 In line with the scope and vision of the Draft ITP,¹ the four pillars are:
- 23.1 orienting the sector towards consumers and the market;
 - 23.2 increasing investment in innovation and attracting capital for growth;
 - 23.3 building capabilities to innovate, commercialise and improve productive capacity; and
 - 23.4 regulatory settings enable food innovation.
- 24 Similar to other ITPs, actions would be further refined through public consultation, including broader engagement with Māori and the sector, and ongoing policy work.

The Draft ITP supports progress towards targets in MPI's Fit for a Better World Roadmap

- 25 The actions in the Draft ITP would contribute towards our progress to create a more productive, sustainable and inclusive New Zealand in line with the Fit for a Better World Roadmap. This includes transitioning to a low emissions and high wage economy that provides economic security for all.
- 26 The actions in the Draft ITP align to and complement other ITPs, including actions in the Advanced Manufacturing and Agritech ITPs. There are also linkages to other key initiatives such as Te Ara Paerangi Future Pathways, the Reform of Vocational Education and the Immigration Rebalance.
- 27 I expect linkages across actions to be further refined and aligned through broader engagement and prioritisation as these work programmes progress.

Implementation

- 28 I intend for the Final ITP to be implemented through a phased and prioritised approach. The first tranche would focus on actions that create momentum and can be implemented within the funding envelope, starting from May 2023. The subsequent tranches will be dependent on further funding. I intend to brief Cabinet on implementation when I submit the Final ITP to Cabinet for approval in April 2023.

¹ The Ministry of Foreign Affairs and Trade (MFAT) advises that the Draft ITP includes a number of proposed actions that could engage New Zealand's trade law obligations, in particular those in the 'increase innovation investment and attract capital for growth' pillar. MPI will work with MFAT to ensure these obligations are taken into account in the design, implementation and communication of all Draft ITP actions.

- 29 Several Government Ministries and agencies will need to be involved in implementation of the proposed actions, including the Ministry for Primary Industries, New Zealand Trade and Enterprise, the Ministry of Business, Innovation, and Employment, and Callaghan Innovation.

Financial Implications

- 30 The Food and Beverage ITP received \$8 million in contingency funding in Budget 2022 (as part of the Natural Resources Cluster process). The funding will allow the implementation of a first tranche of actions that create momentum, starting from May 2023.
- 31 Industry co-investment would be sought where there is a clear private benefit and opportunity to do this.
- 32 The Ministry for Primary Industries is undertaking delivery planning to support the release of the contingency funding once the ITP is finalised post-consultation.
- 33 I intend to provide more details on the financial and implementation implications when I submit the Final ITP to Cabinet for approval in April 2023.

Legislative Implications

- 34 There are no known or immediate legislative implications. However, the Draft ITP includes a regulatory workstream and proposals that may have a legislative impact in the medium-term. I intend to provide more clarity on this when I submit the Final ITP to Cabinet for approval.

Regulatory Impact Statement

- 35 A regulatory impact statement is not required.

Climate Implications

- 36 The Draft ITP will help enable enterprises in the sector to leverage value from emissions reduction activities, including actions in the Fit for a Better World Roadmap. There is also likely an opportunity to utilise sustainability principles in ongoing policy design (such as the creation of new scale up facilities under Action 6; helping to address capital challenges under Action 10). However, actions to specifically reduce emissions are not in scope.

Treaty of Waitangi

- 37 The Crown's partnership with Māori is interwoven with the food and beverage sector and enables Treaty partners, iwi, hapū and whānau to exercise their role as rangatira and kaitiaki. This includes the protection and use of taonga species, including indigenous organisms, for commercial, recreational and customary purpose.

- 38 The Māori food and beverage sector makes a significant contribution to the economy. Commercial interests vary across industries and regions and include a range of authorities and businesses, as well as employers and employees who self-identify as Māori.²
- 39 Māori are likely to have interests across many parts of the Draft ITP. This includes, but is not limited to, proposals related to: Māori navigators; a common information source; access to capital; the navigation of regulatory pathways; an annual 'Te Hono Rangatahi' with a specific Māori leadership pathway; global internships; opportunities linked to indigenous organisms; and engagement with the sector on the use of genetic technologies.

Population Implications

- 40 The Draft ITP is focused on enhancing the productivity of the sector as a whole rather than specific groups. The proposed actions are likely to result in new benefits for workers and business owners, other industries, rural communities, regions, and the research, science and innovation community. A summary of the key groups impacted by the Draft ITP is provided in Table 1.

Table 1. Key impacts on population groups

Population group	How the proposal may affect this group
Workers and businesses ³	<p>There are 212,815 people employed directly in the food and beverage workforce (53 per cent are in processing and commercialisation and 47 per cent are in production), though the 'wider food chain' employs around one in five New Zealanders.</p> <p>The sector has a higher average of people who are self-employed such as landowners, contractors and entrepreneurs. Male workers outnumber females. Temporary migrants, particularly from the Pacific, are an important part of the workforce. The proposals support job security in the sector and high wage growth, and also create a more enabling environment for innovators and business owners.</p>
Other industries	The sector is linked to other sectors including tourism and recreation, advanced manufacturing, transport and logistics, and retail and hospitality. These sectors are likely to benefit from sustained growth in the food and beverage sector.
Regions	Food and beverage related industries are a top two economic priority in almost every region and all regions stand to benefit from system-level transformation in the sector. The Food Innovation Network action provides an opportunity to target additional benefits to specific regions. A business case, part of next steps, would provide more clarity on the distribution of these benefits.

² According to the Situation and Outlook for Primary Industries, December 2021, as at 2018, the Māori agriculture and fishing asset base was estimated as \$19.1 billion. Sheep and beef is the largest sector by asset ownership (\$8.6 billion), followed by dairy (\$4.9 billion), fishing and aquaculture (\$2.9 billion), other agriculture (\$1.4 billion) and kiwi growing (\$0.7 billion).

³ MPI's *Food and Fibre Workforce: Snapshot, 2019*. Excludes support services such as veterinarians or road freight. May exclude data from some emerging food industries.

Research, science and innovation (RSI) community	The RSI community works closely with the sector providing a range of education, innovation and commercialisation services. The Draft ITP is likely to enable some benefits to the RSI community. The community is particularly likely to have a keen interest in the engagement on genetic technologies.
Rural communities	Around 15 per cent of New Zealanders live in rural areas. Many people in these areas have connections to the sector and are likely to benefit from actions that support high wage growth as well as value creation more generally.

Human Rights

- 41 There are no implications under the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Agency consultation

- 42 The agencies consulted on the Cabinet paper and Draft ITP were: Ministry of Business, Innovation and Employment; Te Puni Kōkiri; Ministry for the Environment; Ministry of Foreign Affairs and Trade; Ministry of Education; Te Arawhiti; and Inland Revenue. The Treasury and the Department of Prime Minister and Cabinet were informed.
- 43 The Crown entities consulted on the Draft ITP were: New Zealand Trade and Enterprise; Callaghan Innovation; and Tertiary Education Commission.

Māori consultation

- 44 Māori have widespread interests in the food and beverage sector, from Tiriti partners and kaitiaki, to asset holders, business leaders across traditional and emerging industries, and more. Some of these groups have already provided input into part or all of the Draft ITP.
- 45 For example, this includes businesses and organisations from traditional areas, such as Māori Kiwifruit Growers, as well as emerging areas, such as Taha Beverages. Representative groups such as the New Zealand Māori Council and Poutama Trust have also been engaged, as have members of Ngā Pouwhiro Taimatua – the Māori Primary Sector Forum established under Fit for a Better World.
- 46 MPI intend to facilitate three hui on the Draft ITP with Māori enterprises, including a hui in partnership with Te Puni Kōkiri. Additional engagement could also be arranged subject to feedback on preferences. This will help ensure a range of Māori perspectives are identified and considered.

Public Consultation

- 47 Subject to Cabinet agreement, I plan to release the Draft ITP for 13 weeks of public consultation from 1 December 2022 to 5 March 2023, following a launch at National Fieldays. The aim is to seek feedback from a wide range of sector stakeholders on the proposed vision, aim, pillars and actions.

IN C O N F I D E N C E

- 48 Public consultation would include a mix of MPI facilitated in-person and online meetings in key regions, partnership with sector groups to support member engagement, and targeted workshops with different parts of the sector.
- 49 Public consultation would be promoted through industry publications and social media. MPI would host an information and feedback platform on its website.

Proactive Release

- 50 This Cabinet paper, its appendices, and all supporting materials related to the development of the Draft ITP, will be released when public consultation starts.

Proactively Released

Recommendations

51 I recommend that the Committee:

- 1 **Note** that the decision to develop an Industry Transformation Plan for the food and beverage sector reflects the importance of the sector to New Zealand, and the opportunity to accelerate its growth in the shift to a high wage and low emissions economy that provides economic security for all [DEV-20-MIN-0110; DEV-21-MIN-022 refers];
- 2 **Note** that the Draft Food and Beverage Industry Transformation Plan has seen business, government, Māori, and wider stakeholders co-create a Draft ITP that proposes to enhance our current strengths in traditional foods and scale up emerging categories where New Zealand can develop a competitive advantage;
- 3 **Note** that the Draft Food and Beverage Industry Transformation Plan proposes 16 actions across four transformation pillars to accelerate growth, which are:
 - 3.1 orienting the sector towards consumers and the market;
 - 3.2 increasing investment in innovation and attracting capital for growth;
 - 3.3 building capability to innovate, commercialise and improve productive capacity; and
 - 3.4 regulatory settings enable food innovation;
- 4 **Note** that Te Puna Whakaaronui is drafting a reference document (to be released in early 2023) aimed at providing a common information base that demystifies the science and helps to inform all perspectives, in advance of any conversations on gene technology;
- 5 **Note** the Food and Beverage Industry Transformation Plan received \$8 million in tagged contingency funding in Budget 2022 (as part of the Natura Resource Cluster process) and that actions would be implemented through a phased and prioritised approach from May 2023;
- 6 **Note** that the Ministry for Primary Industries is undertaking delivery planning to support the release of the tagged contingency funding once the ITP is finalised post-consultation;
- 7 **Note** that I intend to provide more detail on the financial and implementation implications when I submit the Final Food and Beverage Industry Transformation Plan to Cabinet for approval in April 2023;
- 8 **Agree** to release the Draft Food and Beverage Industry Transformation Plan for public consultation from 1 December 2022 to 5 March 2023.

Authorised for lodgement

Hon Damien O'Connor
Minister of Agriculture