



28 July 2023

Committee Secretariat
Foreign Affairs, Defence and Trade Committee
Parliament Buildings
Wellington

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Tēnā koe

Attached are the comments that the New Zealand Food and Grocery Council wishes to present on the Foreign Affairs, Defence and Trade Committee examination of the New Zealand-European Union Free Trade Agreement.

Ngā mihi nui

A handwritten signature in blue ink, appearing to read "Raewyn Bleakley". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Raewyn Bleakley
Chief Executive



**Foreign Affairs, Defence and Trade
Committee examination of the New
Zealand-European Union Free Trade
Agreement**

**Submission by the New Zealand Food and Grocery
Council**

28 July 2023

NEW ZEALAND FOOD AND GROCERY COUNCIL

1. The New Zealand Food and Grocery Council (**NZFGC**) welcomes the opportunity to comment on the Foreign Affairs, Defence and Trade Committee examination of the New Zealand-European Union Free Trade Agreement (**NZ-EU FTA**).
2. NZFGC represents the major manufacturers and suppliers of food, beverage and grocery products in New Zealand. This sector generates over \$40 billion in the New Zealand domestic retail food, beverage and grocery products market, and over \$34 billion in export revenue from exports to 195 countries – representing 65% of total good and services exports. Food and beverage manufacturing is the largest manufacturing sector in New Zealand, representing 45% of total manufacturing income. Our members directly or indirectly employ more than 493,000 people – one in five of the workforce.

COMMENTS

3. NZFGC supports the ratification of the NZ-EU FTA and is aware of the significant effort made by New Zealand Government negotiators to reach conclusion of this Agreement, which delivers a range of positive outcomes for many New Zealand export sectors.
4. However, despite our support for the ratification of the NZ-EU FTA, we are very disappointed with the outcomes for one of our largest export sectors dairy and manufacturers using dairy inputs. In our view, not only does the NZ-EU FTA fail to deliver meaningful new or expanded access for core, value added products, including butter, cheese, milk powder and key proteins, it also seriously impacts the manufacturers using many of these products, especially cheese. For the bulk of these products, access continues to be highly constrained by small permanent quotas, high in-quota tariff rates (**IQTRs**) and restrictions and prohibitions on using cheese names that have a long history of use, production and recognition in New Zealand and globally.
5. Overall, the package reflects the substantial and embeds the very high level of protectionism that has characterised the EU market for the past 50 years at least. The EU dairy sector remains one of the most protectionist in relation to its domestic market, despite being the world's largest exporter of dairy products (accounting for around 30% of global dairy exports) and producing well in excess of six times the volume of milk produced by New Zealand.
6. The NZ-EU FTA fails to deliver quality dairy product access to a high-value market. This is a market of almost 750m people representing 9.3 percent of the global population who are willing to pay a premium for New Zealand provenance, our sustainability credentials, innovation and high-quality dairy and product containing dairy offerings. The lost opportunity cannot be overstated for expanded exports, overseas trade and the diversification of market portfolios that are critical secure in an uncertain global environment.
7. Official estimates suggest the NZ-EU FTA will deliver new trade opportunities for dairy of approximately NZ600m. We understand this is extremely unlikely to be delivered since it relies on:
 - a) full quota utilisation which is totally unrealistic given the remaining high IQTRs in many of the quotas and
 - b) the diversion from other high returning markets closer to home, where there is existing duty-free access and lower shipping costs.
8. Other official statistics refer to New Zealand dairy exporters having the opportunity to provide up to 60% of the EU's total butter imports. What the figure does not reveal is that

the EU's total butter imports are minute. The current estimate is that the imports available to New Zealand based on milk fat content is equal to 36KMT or around 1.7% of the total EU milkfat market. EU market imports from the UK are duty-free, with shorter supply chains, providing a significant commercial advantage to UK suppliers for the permitted import quantity. New Zealand is therefore extremely unlikely to make up 60% of EU butter imports without significant changes to European supply and demand dynamics.

9. We are even more disappointed on geographical indications (**GIs**) where the outcome means that New Zealand cheese producers will no longer be able to use valuable generic cheese terms such as feta following a transition period of nine years. For manufacturers using New Zealand many of the affected cheeses that are subject to the GI constraints, such as Heinz Watties, that period is significantly less. The single positive is that we retain the ability to use the terms parmesan and gruyere, given prior use in the New Zealand market.
10. The outcomes of the NZ-EU FTA will, in this regard, come at a cost to many players in the broader New Zealand dairy and manufacturing industry. This includes larger dairy producers, like Fonterra, as well as many smaller speciality cheese producers.
11. To address this cost, we welcome recent comments from Minister O'Connor that Government support is available to help the industry to adjust to these changes, including the re-naming and re-branding of impacted cheese types. Such support will be essential to the overall industry transition and survival.
12. The future export success of New Zealand, and the jobs that this creates across regional New Zealand, depend on addressing the large trade barriers remaining across many markets as part of New Zealand's future trade agenda. We are strongly supportive of New Zealand's wider FTA agenda and we join with others in encouraging the New Zealand Government to continue to drive opportunities to support new market openings, including in regions where New Zealand's trade agenda is not as advanced such as South Asia and the Middle East. We appreciate the engagement opportunities we have had during the NZ-EU FTA negotiating process, and recognise the challenge that this negotiation represented given the protectionist sentiments of the EU.
13. We now need to turn to continuing to progress and achieve long-term trade objectives, including with the EU once the NZ-EU FTA is implemented. This involves ensuring that any future upgrade processes build on the existing market access outcomes and making clear to trading partners who will be watching closely that this outcome reflects a specific set of circumstances and should not be viewed as a precedent for New Zealand's future FTA negotiations.
14. The Government should be encouraged to continue to seek new and improved market access for food exporters across high-value markets, given the high degree of protection that continues to characterise much of the food trade globally.