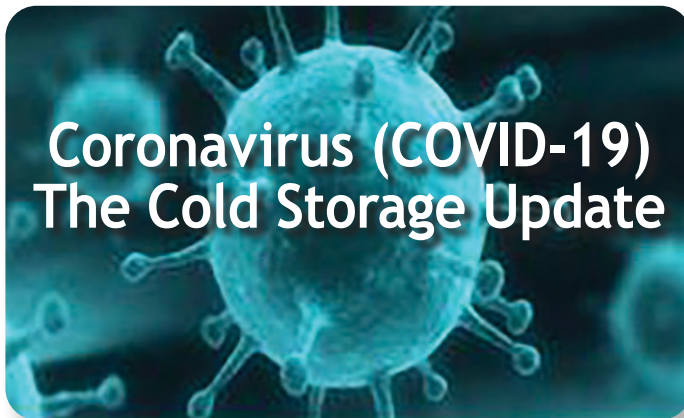


APRIL 2020



Coronavirus (COVID-19) The Cold Storage Update

The COVID-19 situation is rapidly evolving as the world works to contain the spread of the disease with the implementation of travel restrictions, self-isolation and other controls of the like that we have never experienced before. We are all being bombarded daily by TV, radio, newspapers and social media and most of it isn't good news. One day we hear how well Singapore, South Korea and Hong Kong have contained the spread of the virus...the next day we read how they are struggling to contain the second wave of infections. But, there are a few glimmers of hope starting to surface.

The world is starting to take serious notice of the way New Zealand has managed the crisis and the results we have achieved with our total lockdown programme. Without wanting to bury our head in the sand it's time to focus on the good news and relative strengths of New Zealand's food and associated cold storage industry. Many New Zealanders will be turned upside down and our economy will look different but, here are just a few of the reasons we can expect to come out of this crisis with the vital food sector leading the charge.

1 The world still needs feeding and New Zealand is still in an excellent position to fulfil part of this demand. As with the global financial crisis our agricultural sector is in a good position to lead our economy back into positive territory. New Zealand food producers are among the best if not the best in the world. More important is the fact that the rest of the world knows this and consequently feel safe purchasing any food from New Zealand.



Conference 2020

When we started our initial planning last September for this year's conference we had never heard the words "Covid-19". Who could have imagined the events that would overtake all the Worlds' economies. All we can do is watch and wait on the Covid-19 developments to determine if it is feasible to continue with the conference in August. We will make a decision as soon as we are in a position to plan ahead with some confidence. We will be advising members if the conference will proceed as soon as we know.

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2 We are still achieving some good prices for our food products. Figures just released show our exports of \$148 billion up to the end of March quarter were 13.2% ahead of the same time last year.

3 We are now seeing a recovery in China with trade flows and the unloading of refrigerated container ships beginning to return to something more like normal. The issues of cold stores experiencing a shortage of storage space seem to be disappearing.

4 While many industry sectors are in the process of managing staff and layoffs the horticulture sector is crying out for more staff - not just a few... but thousands. There won't be any staff layoffs here! Now the industry is reporting 90% of Kiwi fruit pickers are New Zealanders. That's got to be a first!

5 With a banking system as good as any in the world and a Reserve Bank determined to provide the necessary stimulus for as long as it takes, we are indeed in an enviable position compared to the rest of the world.

Businesses can be confident that interest rates will remain low for a long, long time. Because of the great fiscal position the Government was in at the start of the pandemic we have an enormous amount of headroom and credibility for borrowing.

6 Aquaculture earnings continue to grow and are expected to increase by more than 10 per cent in the current financial year. The prices remain strong for hoki and there is high demand for squid, and salmon. Our largest fishing port in Nelson reports that seafood exporters with diverse markets have had minimal disruptions from COVID-19.

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7 The Government is closely monitoring the situation the agriculture sector is facing and working with industry leaders to ensure New Zealand's high-quality products continue to get to market despite the global trade issues created by COVID-19.

8 There is still no evidence of foodborne transmission of COVID-19. The New Zealand Food Safety Science and Research Centre members and ESR have produced an urgent review which answers questions many of our members have

about the risks of food producers and handlers transmitting the virus. Importantly it states so far, there is no evidence that humans have been infected by swallowing the virus in or on food or drink.

9 The collapse of the oil prices and price war between Russia and Saudi Arabia has kept the pump prices at a reasonable level.

10 The new season of kiwi fruit has well and truly started. Zespri chief global supply officer, Blair Hamill said while that while there were

ongoing challenges associated with COVID-19, all ports in Japan, Korea and Europe were functioning well and had labour available. With the harvest now underway, the industry was expecting a bumper season after this season's warm weather and excellent pollination. In total, Zespri expect to send over 18,500 containers of kiwifruit and 47 charter vessels this season, with four sailings to North Europe, 11 to Mediterranean markets and 32 to Asia.

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MPI

If you have customers concerned about the potential for your product to carry Covid 19, MPI has provided a letter of assurance for exporters to use to inform customers and competent authorities on a one off basis that New Zealand has COVID-19 issues under control as far as possible cross contamination and worker safety.

Assurance Letter -

To access the letter see here
<https://www.mpi.govt.nz/dmsdocument/40058-generic-letter-re-covid-19-and-food-safety-003-pdf>

COVID-19 verifications - MPI have conducted over 4000 COVID-19 verifications over the past couple of weeks. Pleasingly, these have gone well with very few issues found. To quote MPI director-general, Ray Smith, said they are pleased with compliance levels.

There is a lot of good information on the Ministry of Health's website which is being updated daily. It can be found here:

<https://www.health.govt.nz/our-work/diseases-and-conditions/covid-19-novel-coronavirus>

You'll be aware the government announced a series of business support packages, and further information, including fact sheets, can be found here:

<https://www.beehive.govt.nz/release/121-billion-support-new-zealanders-and-business>

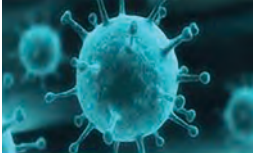
NZTE has information regarding the state of play in international markets and some resources on their website that you may find useful including, a pandemic business continuity plan template and videos from the World Health Organisation on how to keep you and your staff safe, these can be found here:

<https://covid19.nzte.govt.nz/page/useful-tools>

Primary industries in good shape to respond to drought and COVID-19

The primary sector's strength, resilience and ability to respond to the effects of drought and the global impact of COVID-19 is highlighted by a new report. The latest *Situation Outlook for Primary Industries*, from MPI, forecasts primary sector revenue will rise 0.5 per cent in the year to June 2020 to \$46.5 billion. The impacts of COVID-19, drought and other factors will become clearer in future forecasts, but overall demand for food exports is expected to remain strong in the longer term. Exports such as infant formula, skim milk powder, kiwifruit, apples, pears and wine continue to be in demand, with further growth set to continue.





Coronavirus highlights the fragility of the global food system

Since the beginning of this coronavirus crisis, the greatest concern has been the guarantee of food supplies. Despite the reassuring messages made by different governments, the coronavirus has exposed the fragility of the global food system. The reality is that both Spain and Europe have an extraordinary dependence on foreign markets and food imports, and not only

that, but they are based on immigrant labour. This can be precarious particularly if that labour can't arrive due to the closure of borders. These events put at risk a good part of the fruit harvesting campaign, which shows that the community food system is highly exposed. In reality, this system is based on cheap oil, on the so-called long-distance-foods that

travel an average distance of 5,000 km before reaching the consumer's plate. For example, the distance that 4 of the products that Barcelona imports - apples, grapes, rice, and potatoes - adds up to 39,000 km, i.e. almost like taking a world tour, when all of these products could be found in a radius of less than 100 km from the city.

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Coronavirus concerns in the global fresh produce sector: different every day

Covid-19 has been rapidly spreading across the globe. Measures to avoid the further spread of the virus are affecting the global fresh produce industry via demand, labour availability, logistics, and the general state of the economy. But the potential effects will differ from day to day and from company to company.

Longer-Term Economic Impact

The measures that have been enacted to slow

the spread of coronavirus, like restaurant closures and event cancellations, have had a major impact on economies around the globe. Rabobank Economic Research forecasts global GDP growth for 2020 at 0.7%, compared to 2.9% in a scenario without Covid-19.

Lessons learned so far

In such a rapidly changing situation, it is difficult to foresee

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how things will evolve in the medium and long term. How much the Covid-19 crisis will impact a business will be determined by the type of product, customers, destination countries, and channels supplied. Companies that rely on foreign labour and export markets are generally more at risk compared to companies that supply basic fresh produce items to markets nearby.

Businesses have to react quickly to the current situation by cutting down variable costs, deciding what activities to continue (or discontinue), searching for new market opportunities, and so on. In the long term, we still expect to see effects of this crisis. Sales of luxury items, like some exotic fruits, cut flowers, high-value prepared products, and certain berries, could be impacted even after the pandemic alert is over. However, taste, convenience, and healthfulness will still be

strong, positive demand drivers for many of these products.

A healthy eating style may become even more top-of-mind because of this, benefiting the overall fresh fruit and vegetables industry.

With tourism and education taking such a chunk out of GDP, it is the primary sector that will rescue the economy and our wellbeing. We need to capitalise on that. Despite the many challenges, the New Zealand food industry is well placed to help lead the country out of the current dire situation.

Many economists and senior business leaders have recognised the danger in relying too heavily on one market, not only for the small economies but even the largest in the world have been caught out. This is a real wake-up call and perhaps this time world politicians will stand up and take notice.

3 tips for Cold Stores to cut electricity costs in these challenging times

1. Make sure you are on the best meter type and pricing plan to suit your power usage

There are a number of different pricing plans available to businesses, depending on the type of meter you have on your site. As a general rule of thumb, if a site uses more than 500,000kWh per annum it should be on a "Time of Use" (TOU) meter, and below 200,000kWh should be "Non Time of Use" (NTOU). If power use falls in between those levels then you should be reviewing which meter type is best. If you have recently moved into a site, the meter and pricing plan will be based on the previous occupant's usage, which could be very different to yours.

2. Review your network charges

You are charged a network cost which typically accounts for around **25-40% of your electricity bill**. This is the fee that goes to your local lines company (Vector, Orion etc) If you are on a "Time of Use" plan, then the network costs are shown as a separate line item on your bill, otherwise, it's included in the total cost of your bill. The charges differ by network and can include things like capacity, peak demand and power factor. As an example - a small business client saved \$38,000 per annum (15% of their total power cost) through optimising their network tariff.

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3. Renegotiate your supply agreement

Most businesses are on fixed term electricity contracts, however there is nothing to stop you from renegotiating your current contract during the term. And if you are not currently on a contract then you should be as this will almost certainly result in a lower rate, and a lower monthly bill. If you have NTOU sites, your contract will most likely include early termination, or 'Break' fees. The cost of break fees is typically small and may pale into comparison against savings you could make by finding a better deal from another supplier. The NTOU market is typically very competitive with up to 20 providers able to offer supply and it can pay to test the market regularly. If you would like any support or further information let me know (Jack Bills). I can arrange for you to receive more information and a free no obligation consultation for businesses who spend \$30,000 per annum on power.

Mark Batten

Many of you will have known Mark from his time at Real Cool.

Sadly, Mark passed away after a battle with cancer.

On behalf of all his friends at the association we extend our sympathy to Marks family and friends.

Carel Cold Watch Trapped Personnel Alarm Kit

The trapped personnel alarm kit is a safety system for low temperature cold rooms. The person trapped inside the cold room can press the emergency button to ask for help, and a siren ensures audible and visible signal outside, where the permanent presence of a person is guaranteed.

The kit includes:

- Control unit to be fixed outside the cold room (with n.o. alarm relay), provided with siren to alert about alarm.
- Backup battery housed inside the control unit, supplies power in the event of blackouts (12Vdc, 10h life time).
- Emergency button to be installed inside the cold room. The LEDs that light up the emergency button are permanently on.



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Jack's CORNER



Fingers crossed, but it looks like we might be gradually leaning on the winning side of Covid-19. Together we will beat this and be stronger for it particularly if we can take a step back and learn from the harsh lessons Covid-19 has glaringly shown the world. Policies that seemed right at the time have been seriously exposed.

Being an 'essential' business is a privilege. Compared to many other industries we are particularly lucky when you contemplate all of the businesses that are not sure if they will even survive this pandemic. Can you imagine how they must be feeling!

But, it does come with some concern for those of you still going to work each day and just how safe you are. The Ministry for Primary Industries (MPI) has many staff on the road assessing how well primary industries like ours are doing at keeping people and product safe. The feedback is we are doing well.

Many of you like me will be working from home as much as possible. I am so glad that last year my wife bought me a Nespresso coffee machine for my birthday. How timely was that?... and the coffee tastes great.



Remember, check on your family and friends. We really do live in the "Lucky Country".