COLD FACTS

New Zealand Cold Storage Assn Inc

APRIL / MAY 2022 ISSUE

Executive Officer Update

We are pleased to announce the appointment of Lea Boodee to the NZCSA team. Lea has taken on the role of Executive Officer and will oversee the successful day-to-day running of the Association.

Lea brings an extensive experience in the New Zealand association and conference industry.

“I am looking forward to meeting our members at this year’s Conference”.

Mark Your Calendar Now! Christchurch 14th—16th August 2022

The NZ Cold Storage Association is holding its Annual Conference in Christchurch from the 14th August until the 16th of August 2022 at the Rydges Latimer Christchurch.

The theme of this year’s conference is “A world with Covid – what’s next?”. We will be covering a range of topics, addressing the key issues that we all face because of Covid, the Ukraine war, the economy and reconnecting with the world.

Registrations will open early June - keep an eye out in your inbox for speaker announcements, our popular Conference activities, and social functions.

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Novasteel
Kingspan

Sponsor/ Trade Display Reservations

We have a few sponsor and trade stand packages still available, but are filling fast, please don't hesitate to contact Lea if you are interested in becoming a sponsor.

Hotel Reservations

We have secured a discount for delegates at the Rydges Latimer, please click on the following link to book a room and use the following code: Corporate ID – NZCSWEB

https://www.rydges.com/accommodation/new-zealand/latimer-christchurch/?utm_source=google&utm_medium=organic&utm_campaign=gmb

Maersk to open integrated cold chain facility in New Zealand

Maersk continues to integrate end-to-end cold chains with the announcement of a new 45,000 sqm cold chain facility in the Waikato District, the fourth largest region in New Zealand. By integrating the state-of-the-art cold store with the depot and intermodal connections.

Upon completion, the new facility will have more than 16,000 sqm of fully convertible temperature-controlled space with temperatures ranging from -25°C to 15°C. It can provide storage for over 21,000 pallets of cold chain products.

The facility will feature advanced energy management including an environmentally friendly CO_2 cooling plant, solar energy, rainwater harvesting and a low carbon policy for the construction. It targets to achieve an audited 5 Star Green Star rating in New Zealand

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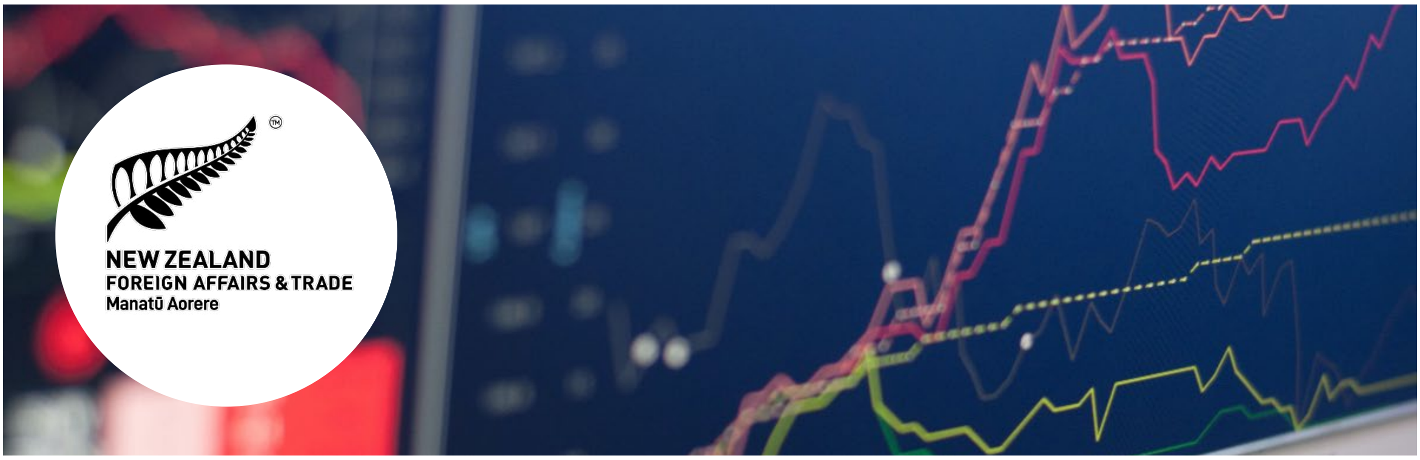


Market Intelligence Report

China Market Update: May 2022

After losing some momentum towards the end of 2021, official data suggested China's economy started 2022 relatively strongly in January and February. However, in March and April COVID outbreaks and resultant lockdowns affecting the country's economic centres, combined with an increasingly complex external environment, have significantly impacted the economy.

China has stated that it remains committed to a 'zero societal COVID' policy; so COVID-related economic disruption is likely to continue at least as long as this strategy is maintained. Sporadic outbreaks and the resultant countermeasures, from minor restrictions to full scale lockdowns, are ongoing.

Shanghai's lockdown in particular has caused disruption to supply chains across China. Although the city's ports and airports have remained open and are receiving cargo, operations have been significantly slowed, with knock-on impacts for neighbouring ports. Congestion and backlogs are expected to remain a challenge even after the city loosens its control measures.

Domestic logistics continue to be significantly affected with trucking availability constrained and freight costs high. Looking ahead, China faces a number of economic challenges. In addition to the significant challenge posed by the management of COVID, other headwinds include: a volatile external environment, weakening demand for Chinese exports, soft consumer demand at home, given growing unemployment and sluggish household income growth, as well as ongoing challenges in the property sector. As a result, most foreign analysts have revised down their growth forecasts for 2022 to figures around a percentage point below the government's stated target of "around 5.5%". Policymakers have recently signalled increased infrastructure spending and easing monetary policy to support growth.

Click here to read the latest report

New Zealand's 2022 feijoa crop looks set to be a good one

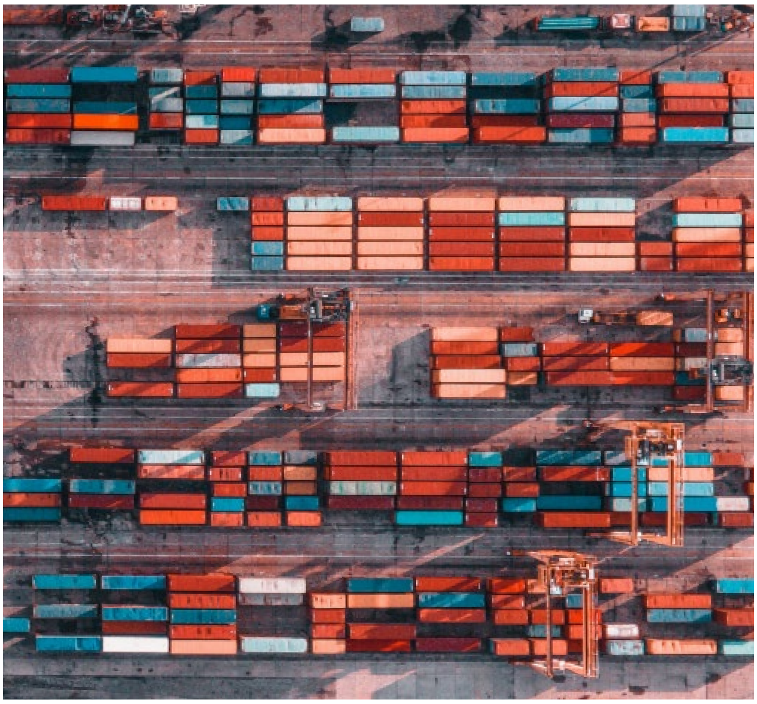
Growing conditions leading into harvest have been favourable, according New Zealand Feijoa Growers Association (NZFGA) manager Ian Turk.

"Warm and wet weather patterns have provided the perfect ripening conditions for this season's harvest. While some smaller growing areas have had significant storm events, the bulk of the regions are in good shape for an early March start," said Turk.

While the Covid-19 pandemic has presented challenges around picking and packing fruit over the last few seasons, Turk was hopeful there would be minimal disruption to this season's harvest.

"Most orchards are small enough to not struggle too much with labour shortages and growers are encouraged that food production has been named as an essential category," Turk said.

"From orchards through to packhouses, systems are now in place to manage the pressures that Omicron is likely to place on the industry and I believe we're heading into this season as well-prepared as we can be."



Biosecurity NZ responds to reports of Indonesia Foot and Mouth outbreak

Biosecurity New Zealand is closely monitoring reports of a Foot and Mouth disease (FMD) outbreak in Indonesia, says Biosecurity New Zealand Deputy Director-General Stuart Anderson.

"We understand the outbreak is yet to be formally reported to the World Organisation for Animal Health (OIE), and we are keeping a close watch on developments.

"New Zealand has some of the world's toughest biosecurity measures for FMD and although the risk is low, we have notified our primary sector partners.

"Our multi-layered biosecurity system includes risk assessment, visual inspections, X-ray screening, scanning technology, and detector dogs to prevent risk goods from being carried into New Zealand by travellers or arriving by mail.

"All shipping containers and imported goods are assessed for biosecurity risk."

Mr Anderson said Biosecurity New Zealand was working to acquire more information from Indonesia and would also talk to its Australian counterparts.

"We will review the latest information from Indonesia and boost our already strong measures at the border if required.

"An audit last year of Indonesia's supply chain for palm kernel, which is used as a feed supplement in New Zealand, showed it was meeting strong import health requirements.

"Last week the Government announced an extra $42.9 million in this year's Budget for biosecurity. Some of which will be dedicated to our FMD preparedness work with our primary sector partners."

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The rise of inflation and its impact on business

By Arran Boote

Inflationary pressures have been steadily increasing over the past year with prices being driven by rising global demand during the COVID pandemic and supply chain problems. There is no avoiding inflation when it happens, and it's happening now, not only at home but globally.

With international travel and logistics also unlikely to return to pre-COVID levels for some time, demand will continue to exceed supply, meaning inflation will be here to stay for the short to mid-term.

In addition, tight border restrictions have left many industries desperately short of skilled people. This has pushed demand beyond supply with the inflationary impact on wages and salaries resulting in a vicious cycle of increased costs causing wage demands which then result in higher costs and higher wage demands.

What can businesses do to manage the impact of inflation on their business?

A business must know its cost of funds and its marginal revenue to marginal costs ratios. These relatively simple tools will assist with key decision making during this period. If you've not calculated these for some time, contact your Business Advisor for guidance.

If your costs of funds are less than or equal to the running rate of inflation, then you might want to pre-order and prepay for key inputs now rather than wait for when they are needed. This will both limit the impact of supply logistics problems as well as provide certainty around the price you will pay.

If, for example, your costs of funds are 5% and the forecast inflation for the rest of this year is between 6 and 9%, then pre-ordering and prepaying means you'll pay less for supplies than you would in the future.

Knowing your marginal costs and marginal revenue (and updating these regularly) will also help you to decide whether to accept or decline certain orders and indicate whether to increase your prices. Inflation will increase your marginal costs of providing certain goods or services. That could be a result of increasing prices for the components or increases in direct overheads or both. Either way, knowing what these are will help to ensure you don't sell your products at a loss.

If you provide credit terms to your customers, be wary of terms creeping over longer periods. Inflation reduces the amount of 'real cash' you will receive if you get paid later. That was not such an issue when inflation was 1 or 2%. But when it creeps up to 6 or 7%, the impact of extended terms of credit reduces the value of that future payment. Consider introducing interest rate terms for payments after a fixed period. In short, be watchful of your clients using you as an interest free bank.

Talk with your key suppliers and customers. They will also be feeling the impact. If you can arrange pre booking purchases where you don't need to place a deposit (or only need to place a relatively small deposit) and the price is fixed, this will certainly assist you.

As the owner of an avocado orchard, my family and I are faced with severe supply limitations and inflation running at close to 15% within the industry. To mitigate some of the impacts, we have extended our seasonal overdraft (and shifted some of that into fixed term loans) and pre-ordered goods for next year at prices fixed now. Our suppliers were open about what price increases they were about to implement so pre-ordering was a simple decision. In some cases, only a small deposit was required.

It's also a great time to run your eye over costs and consider luxuries versus essential items, taking into consideration that luxuries or 'nice to haves' are probably significantly higher than they were last year. You may decide to keep them but be aware they might cost significantly more than last year. You will know what those items are.

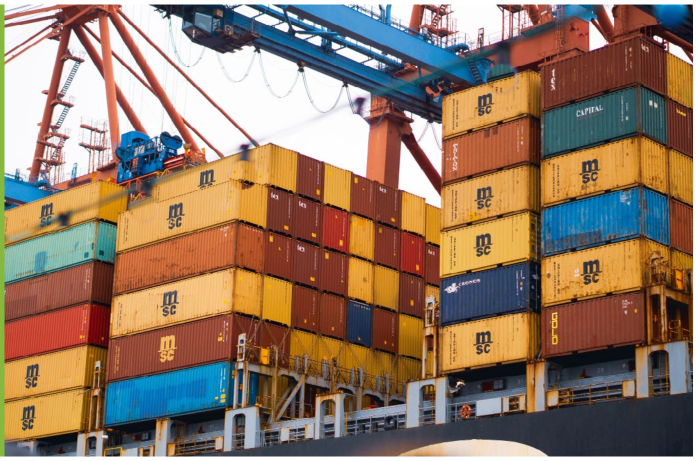
Inflation also has a direct impact on employees. Businesses need to be conscious of the extra stress employees may be feeling as costs rise. They may be stretched as the interest rates on their mortgages increases or as rental rates rise. That stress can manifest into lower productivity or increased absenteeism. An employer who recognises these pressures and treats their people well with valued support, transparency and communication, will likely weather a period of rising inflation and a shortage of labour supply. Something you could offer employees is access to an external budget adviser or financial planner.

I do not expect we will return to the inflation seen during the late 1980s (when I was working for a major trading bank granting overdrafts at 33% interest), but the Reserve Bank is facing a challenging period where it must juggle many things, of which increasing inflation is one of them. Meanwhile, for businesses coming out of COVID and now heading into uncertainty around inflation, it is time once again to reassess costs and spending while addressing the impacts on businesses and their employees.

Global supply chains: Glimmers of hope, but relief for New Zealand could be delayed

By: John Carran, Director, Wealth Research.

The Ministry of Transport is leading the development of the New Zealand freight and supply chain strategy which seeks to identify what is needed to optimise the system in the coming decades.



What you need to know

The New Zealand freight and supply chain strategy will take a long-term 30 years plus view and lay out:

Collectively what we want the system to achieve - objectives, outcomes, and vision.

How we will get there - pathways and priority actions.

How we will work together - how government works with others, how we make trade-offs, the roles of different organisations.

The strategy will inform investment decisions by central and local government and the private sector. Given the challenges we are facing with climate change and Covid-19, the supply chain may need new approaches to cooperation, regulation, and investment over the coming decades to meet New Zealand's expectations. We want to identify the best possible mix of investment, regulation, and other approaches to ensure New Zealand can flourish.

The main drivers for change that the strategy will address are:

Low emissions – New Zealand's freight and supply chain system is underpinned by a low emissions freight transport system.

Resilience – New Zealand's freight and supply chain system is resilient, reliable, and prepared for potential disruptions.

Productivity and innovation – New Zealand's freight and supply chain system is highly productivity and innovative, and performs well when measured against global standards.

Equity and safety – We transition to a low emission, resilient, productivity and innovative freight and supply chain system in a way that is equitable and safe for all.

We expect it will take around two years to develop the strategy.

Have your say

If you are a stakeholder in the freight and supply chain system, we invite you to engage with us and help shape the future of New Zealand's supply chain. There are many ways you can participate from attending workshops and meetings to responding to surveys or hosting site visits.

Consultation is open from April to June 2022 – see below to make a submission.

If you would like to engage with us on the strategy you can also email us at supply.chain@transport.govt.nz

Potential impacts of the Russian Invasion of Ukraine on the New Zealand economy

The Russian invasion of Ukraine and resulting economic sanctions imposed by a large number of countries, including New Zealand, on Russia are raising the prospect of disruption to global financial and commodity markets.

New Zealand's distance from the military action between Russia and Ukraine combined with limited bilateral trading relationships (Russia is our 27th largest export partner) will help insulate New Zealand from the direct economic effects of the invasion. In particular, the global conditions and supporting factors that led to major falls in dairy commodity markets during the annexation of Crimea in 2014, are not currently present. Exports were only

$293 million in the year to June 2021 (half of which was butter) and could potentially be diverted elsewhere. New Zealand imports from Russia, which are mostly crude oil, have dropped to close to zero in recent months.

The most significant impacts on New Zealand of the invasion will be indirect, primarily through higher fuel and commodity prices, financial market volatility, and the potential drag on global economic activity. The Russian action towards Ukraine is already creating significant anxiety and testing global financial and commodity markets. The price of a wide range of globally traded commodities, particularly oil and wheat, have already risen and are likely to increase further. The flow on financial effects could affect the value of the New Zealand dollar and raise the cost of some imported goods (particularly fuel), placing additional pressure on already high domestic inflation.

For many of our key trading partners, particularly in Europe, the impact will be far more significant. To the extent that an extended conflict weighs on global economic growth, this could potentially affect the medium term prospects for New Zealand.

NZ fruit, vegetable and winegrape growers welcome increase in workers coming from the Pacific

New Zealand's fruit, vegetable and winegrape growers have welcomed the news that the Government has increased the cap on workers from the Pacific under the Recognised Seasonal Employer (RSE) scheme to 16,000 workers.

'The increase in the RSE worker cap will give growers some hope for the future,' says HortNZ chief executive, Nadine Tunley.

'While the increase won't benefit the apple, kiwifruit and winegrape harvests that are currently underway, it is good news for the horticulture industry, long term.

'Growers are under incredible stress at the moment due to the severe shortage of labour that Covid has created. Some growers are saying they only have 50 percent of the workers they need but are continuing to do everything they can, to get the fruit picked, packed and to market.

'RSE workers have been steadily arriving, which is a testament to all parties given Covid challenges and the Tongan tsunami. We hope to reach the current cap of 14,400 in time for this season, as the apple and kiwifruit harvests reach their peaks, and winegrape growers start winter pruning.'

Nadine says the RSE scheme is very much win-win for the Pacific and New Zealand.

'Money earned and skills learned in New Zealand are taken back to the Pacific, which is even more important today given the impact of Covid on the Pacific's tourism industry and communities. In 2018, the RSE scheme saw the Pacific benefit by more than $40 million.

'In terms of the benefit to New Zealand, workers from the Pacific have enabled the industry to grow and create hundreds of permanent jobs for New Zealanders, across the regions.'

For more information about the benefits of the RSE scheme, please see these videos: https://www.hortnz.co.nz/people-jobs-and-labour/rse-scheme/

– Horticulture New Zealand

Market study into supermarkets

On 8 March 2022, the Commerce Commission released the final report of its market study into the retail grocery sector.

The Commerce Commission's findings confirm that competition is not currently working well for consumers in the retail grocery sector, and that improved competition would place stronger pressures on retailers to provide New Zealand consumers with better prices, quality, range and service in their supermarket shop.

To address these findings, the Commission has made a number of recommendations aimed at improving competition in the New Zealand retail grocery sector.

Read the final retail grocery market study report(external link) — Commerce Commission

Read the Minister's press release(external link) — Beehive.govt.nz

The Government has announced that it will immediately progress work on the Commission's recommendations. This includes commencing work on:

- Exploring how a code of conduct between retailers and suppliers could be developed
- Looking at how a new regulator and dispute resolution scheme could be used to provide oversight of the retail grocery market
- Designing a new regime to ensure retailers have better access to wholesale supply
- Making it easier for grocery retailers to enter the market by improving availability of sites for new supermarkets.

There are also a number of recommendations the Commerce Commission has made directly to major grocery retailers. On 8 March 2022, the Minister of Commerce and Consumer Affairs, Dr David Clark, wrote to the major grocery retailers, Woolworths NZ and Foodstuffs, to ask that they progress work on a number of initiatives to improve consumers' ability to make informed decisions. In particular, these recommendations are for the major retailers to:

- Ensure their pricing and promotional practices are simple and easy to understand
- Ensure information on loyalty programmes and data collection is clear and transparent
- Cooperate with price comparison services.

The Government has not ruled out considering other options that the Commerce Commission tabled while developing its report, if consumer benefit is not achieved from the changes recommended in the report.

Legislation is expected to be introduced and progressed later this year. Further updates will be provided as this work progresses.

Energy Efficiency and Conservation Authority Co Funding Round 3 is now open: Demonstration of vehicles and technology

Up to $5 million is available in the 2022-23 financial year for vehicle and technology projects.

This funding round is open to proposals that demonstrate a range of low emission technologies, services, infrastructure, innovations and business models (e.g. Mobility-as-a-Service/MaaS, transport technology and software projects), and low emission on-road vehicles.

These include battery electric cars, vans, trucks and buses, and a limited specification of off-road vehicles. Electric outboard motors are also included as a new focus area in this round — read Section 2 of the Request for Proposals document for details on the off-road and marine specifications.

Up to $5 million will be available in this funding round. Additional funding rounds may be possible during the 2022-23 financial year. New funding rounds will open from mid-2022.

Deadline for proposals: 12pm Wednesday 1 June 2022

https://www.eeca.govt.nz/

Fonterra (ASX:FSF), NZX and EEX enter Global Dairy Trade partnership

Dairy giant Fonterra (FSF) has agreed to a partnership with New Zealand's Exchange (NZX) and the European Energy Exchange (EEX) to take ownership stakes in Global Dairy Trade (GDT).

The partnership is expected to be completed mid-2022, subject to the approval of boards and competition regulators. Each company will hold an equal 33.33 per cent shareholding in the global dairy auction platform.

Fonterra is a New Zealand dairy co-operative owned by 10,000 farming families. GDT develops and operates trading platforms for dairy products.

NZX operates New Zealand's equity, debt, funds, derivatives and energy markets, and the EEX is an energy exchange which builds commodity markets worldwide.

Fonterra Chief Executive Miles Hurrell says the move to a broader ownership structure marks a step in the evolution of GDT by enhancing its standing as an independent, neutral and transparent price discovery platform. It would expand its presence in prominent international dairy producing regions, and create growth opportunities.

"This is good news for our farmer owners, unit holders, and all dairy industry participants and is expected to lead to greater volumes being traded on GDT," he said.

"It will bring more participants and transactions, stimulating further growth of risk management contracts available on financial trading platforms.

EEX Chief Strategy Officer Dr Tobias Paulun said the partnership is good news for its farmer owners, unit holders and all dairy industry participants.

"We all know that dairy is one of the most volatile traded commodities. The companies believe the partnership will help manage risk for everyone, from the farmer through to the customer," Dr Paulun said.

NZX CEO Mark Peterson said: "We see the expansion of the physical trading environment as both further strengthening existing financial contracts and enabling the creation of new tools and opportunities for dairy processors and end-users. A more liquid dairy trading environment can allow for the growth of financial tools which can be used by all participants to better manage price volatility."

NZ-UK Free Trade Agreement signed

On 1 March 2022 (New Zealand time), New Zealand and the United Kingdom signed a high-quality, comprehensive and inclusive Free Trade Agreement (FTA).

The United Kingdom is a crucial market for some of New Zealand's key exports, with two-way trade worth NZ$6 billion pre-COVID. The NZ-UK FTA will provide New Zealand exporters with more favourable access to the UK market, helping to build trade back up to pre-COVID levels and beyond.

Read the official announcement from the Prime Minister and Minister for Trade and Export Growth **here**.

Benefits for exporters

Once the FTA is in force, New Zealand exporters will be able to compete on a level playing field in the United Kingdom, particularly against other global exporters who have already secured free trade deals with the UK.

99.5 percent of New Zealand's current trade will enter the UK duty free on day one of the Agreement, through a combination of tariff elimination and transitional duty-free quotas. All other tariffs will be phased out over three or seven years.

New Zealand has also secured the removal of other administratively burdensome and costly non-tariff barriers in the UK market.

The FTA will support greater trade in services through enhanced access and greater certainty for New Zealand services exporters in the UK market.

The UK and New Zealand have also agreed an inclusive Digital Trade chapter that will support and facilitate easier and more effective digital ways and means of trading, including through paperless trading and the use of e-signatures and e-documents.

For more detail on NZ-UK FTA outcomes and next steps, visit MFAT's detailed resources here: **www.mfat.govt.nz/nzukfta**

Further information for exporters

NZTE and MFAT have prepared an update on what the NZ-UK FTA means for exporters, including goods and tariffs, services and investments, Māori interests, and environmental commitments.