



Presidents Report

DECEMBER 2021



Christmas is almost upon us already and we have many on-going challenges ahead of us with this awful Covid situation. We are relatively fortunate that our businesses have been deemed to be essential services and are able to continue to operate. Covid lockdowns have forced a large number of otherwise good profitable businesses to fail and many others will take years to recover.

On a brighter note, plans are well under way for next year's Conference in Christchurch at Rydges Latimer Conference Centre from the 14th to the 16th of August. The Executive Committee met online on the

24th of October to map out our theme and a draft programme of subjects to be covered.

Kiwifruit exports set a new record in both volume and value in the season just finished and volume still seems to be growing strongly.

Your Executive Committee was pleased with the way our Conference went in Wellington this year. We were very relieved that we didn't plan to hold the Conference a week later. The impact of that timing was very fortunate to say the least.

Jack managed to get his last Conference to run up to his usual high standard. We all wish Jack and Evie all the best in their retirement in sunny Aussie.

I again thank Jack and all the members of the Executive for their input during the year and particularly during our annual Conference.

Hopefully Covid Traffic Lights will not restrict your ability to enjoy the Christmas break in the way you want to.

Sonia and I are looking forward to relaxing and spending time with family and friends in the sunny north.

We would like to take this opportunity to wish all our members, associate members and their families a very happy Christmas and a prosperous New Year.

Bruce Mulligan
President.

*Merry
Christmas*





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New Zealand-United Kingdom trade agreement boost for red meat sector

Last month, New Zealand and the UK signed an Agreement in Principle (AIP) trade agreement. The deal will result in New Zealand beef and sheep meat exports initially entering the UK under a tariff rate quota (TRQ) regime.



New Zealand will be permitted to gradually increase its export tonnages over the 10-year transition period (for sheep meat up to 149,205-164,205 tonnes annually, for beef up to 12,000-60,000 tonnes annually), while the quota

will eventually be completely phased out. That means product within the TRQ amounts will enter tariff free. While there will be no TRQ regime after a decade, a volume safeguard provision will apply to the end of year 15, beyond which no safeguards will apply.

Addressing New Zealand's sea freight challenges

COVID-19 has generated significant challenges for New Zealand's international supply chains, causing considerable disruption and cost increases for local businesses and consumers. Anyone reliant on sea freight is currently grappling with the

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consequences of an unexpected surge in global consumer spending that has led to record-breaking demand for shipping services and equipment, beyond available capacity. This in turn has created various logistical challenges - including port congestion globally, shipping delays and service cancellations, container shortages and dislocation, and extreme sea freight rates and surcharges - which are expected to continue for at least the next 12 - 18 months. New Zealand has felt these challenges acutely due to the country's position on the fringes of global shipping routes. New Zealand cannot afford to ignore this steadily worsening situation because sea freight carries 99% of the country's trade by volume and around 80% by value.



The business community is calling for government intervention and, in many ways, the Government is responding effectively, but more action is needed. In the absence of intervention, these logistical challenges are forecast to cost New Zealand traders more than NZD10 billion in the coming year.

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www.fortrichard.com/cov-hygien-xpress/



The challenges of reconnecting New Zealand to the World

The market dynamics in the global and domestic container shipping industries are complex. Nevertheless, the key challenges facing the sector at present can be summarised as follows:

1. Global demand for sea freight services has never been stronger

Changes in global consumption and shopping patterns triggered by the pandemic have led to a substantial increase in the demand for manufactured consumer goods - a large proportion of which are transported around the world in shipping containers.

2. Key ports have never been busier and are chronically congested

As a result of the record-breaking usage of international shipping services in 2021, the world's ports have never been busier. This extra throughput has exacerbated pre-existing congestion problems at many of the world's largest ports. Last month, Kuehne+Nagel reported that there were 353 container ships stuck outside ports around the world (more than double the number stranded at the same time last year) and some ships were having to wait up to three weeks to drop anchor and unload their containers.



In New Zealand, congestion at Ports of Auckland was an issue at the beginning of the year. However, for the past seven months, import dwell times (i.e. the number of days a container remains at the Port) have ranged between 1.94 to 3.4 days.

3. Shipping schedule reliability has hit historic lows

Largely as a consequence of port delays in Asia, Sydney and Auckland, New Zealand's shipping schedule reliability has plunged to a historic low of 6% from above 80% before the pandemic. This means that only 6% of ships are arriving at New Zealand ports on time. Some services are skipping scheduled stops along New Zealand's coast to make up for lost time or chase higher paying business elsewhere. There is also mounting concern that some shipping lines may soon choose not to visit New Zealand at all, given the country's position on the fringes of global shipping routes.

4. Container shipping prices are extreme, and surcharges are proliferating

Due to the factors discussed above, container shipping prices have been on the rise since mid-2020 and are now extreme. Globally, the average cost of shipping a standard large container has surpassed NZD14,000, which is approximately four times higher than a year ago.

At the extreme, securing a late booking on the world's busiest route last month, from China to the West Coast of America, could cost up to NZD29,000. Consequently, major shipping lines like Maersk, which carries 20% of the world's sea freight, is now forecasting its highest operating profits in the company's history.

5. Shipping containers are stuck in the wrong places

The delays and the growing divergence in international sea freight rates is making it increasingly difficult to locate and track shipping containers. While the global supply of containers is arguably sufficient, 4 million

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standard large containers are stranded at sea or waiting to be unloaded at congested ports. In New Zealand, there is an additional problem in that many of the containers the country does have are stuck in the wrong places. At present, there is a mounting surplus of lower grade containers

(particularly at Auckland), which are used to transport non-perishable goods. There is also a severe shortage of refrigerated containers (particularly at smaller and southern ports), which take the country's primary produce overseas.

Congestion, strike add to global shipping woes



Hamburg Sud New Zealand head Simon Edwards says there are multiple factors in shipping delays caused by Covid-19.

Congestion at the Ports of Auckland and strikes in Australia are adding to supply chain shipping problems around the world, which in turn are affecting the shipment of New Zealand primary products to world markets.

The NZ head for the giant shipping line Hamburg Sud - a major carrier of our primary exports - says there are multiple factors in shipping delays caused by Covid-19. Simon Edwards says there is also high demand for shipping in the uncertain times.

He says his company is fully committed to servicing the NZ market and in the past nine months has increased the number of its vessels calling at our ports, to alleviate some of the supply chain congestion.

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“As well as investing in increasing our container pool, we have also invested in ‘extra loaders’ both to evacuate low-grade containers from Ports of Auckland and alleviate depot congestion, as well as positioning empty reefer and food grade quality containers into the country to support our agricultural exports,”

He says it’s hard to predict how long the disruptions will continue given the complexity of the global supply system but based on the current market dynamics and continued impact from Covid-19, we expect the current situation to last well into 2022.”

Fonterra’s record shipment year despite global supply chain woes



Fonterra says a massive team effort and the power of partnership has helped the co-op ship more product than any other year.

In a year of supply chain challenges and strong demand for dairy, a massive team effort and the power of partnership has helped Fonterra ship more product than any other year.

The co-operative says it shipped a total of 2.59 million metric ton, an increase of more than 4% year-on-year for the year ending 31 July.

Fonterra chief operating officer Fraser Whineray says Kotahi, a joint partnership between the co-operative and Silver Fern Farms, has been the key to this year’s result. “But it’s not just Fonterra that’s seen benefits from this.

“Through the scale that Kotahi brings with its strategic partnership with Maersk, many other Kiwi companies have been able to get their product off our shores.

“The resilience of our supply chain has been a real differentiator with customers this year and we couldn’t have achieved this without Kotahi,” says Gordon.



Fraser Whineray

Kotahi chief executive David Ross warns it’ll still be hard graft for some time to come. “We continue to see operational bottlenecks, from port

congestion, vessel delays and port omissions which means we aren’t receiving shipping capacity and containers in the time period that exporters require, making it a challenge to get products to export markets.”

“We now are working closely with our partners and partners to build stability into the ocean freight network, as we prepare for a hallenging new season ahead,” he says.

Established by Fonterra and Silver Fern Farms about 10 years ago, Kotahi works with exporters, importers and industry partners to create a sustainable, more efficient supply chain.

Blast Freezer Problems

A call for help! Do any members have Blast freezers with sprinklers in them. John Lunn from Sealord have blast freezers that don’t necessarily do full defrosts causing the sprinklers to freeze up. Can anybody offer John a solution to prevent this from happening besides full defrosts of the blast. If you are able to help please contact John as per below:

John Lunn

Warehouse & Logistics Manager

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john.lunn@sealord.co.nz



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2021 the year the world finally eliminates fisheries subsidies?

Governments around the world have been subsidising fishing fleets for decades and for the past twenty years, talks have been going on to have them halted.

New Zealand is at the forefront of the fight against subsidies, understanding that the use of them to support uneconomic fishing practises leads directly to overfishing the ocean's resources through illegal, unreported, and unregulated (IUU) fishing.

However, like most things in the fishing space, it is complicated.

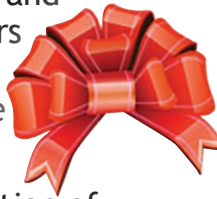
It is believed that governments around the world prop up countries' fishing fleets by around \$48 billion each year. New Zealand, once a recipient of fishing subsidies itself, had them eliminated virtually overnight in 1986, two years after New Zealand's agriculture industry also had the subsidisation rug pulled unceremoniously from beneath them. Those who decided to exit the fishing industry were compensated when the Quota Management System (QMS) introduced Individual Transferable Quotas (ITQs).

The current talks on elimination of subsidies at the World Trade Organisation (WTO) appear to hold some hope of resolution. Among the thorniest issues to resolve has been how to extend special and differential treatment to developing and least developed country WTO members

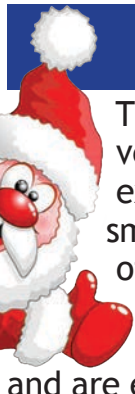


while preserving the overall objective of enhanced sustainability of the oceans. Ministers said that the livelihoods and food security of poor and vulnerable artisanal fishers in developing and least developed countries were of great importance.

One obstacle is the definition of a "developing country" because there is no official definition, unlike the accepted definition of a "least developed country". For example, Singapore still calls themselves a developing country.



Venison Recovery Underway



The usual drop in farmer returns for venison that follows the spring chilled export season is expected to be much smaller this year. After reaching a peak of around \$7.10 a kg in October, average prices to deer farmers eased to around \$6.90 a kg in mid-November and are expected to stay around that level at least until the end of the year.

"In Germany, the game meat season is going well, even though the country is dealing with a fourth wave of the pandemic, with case numbers hitting new highs," says Deer Industry NZ venison marketing manager Nick Taylor.

Unfortunately, the high cost and limited capacity of airfreight out of New Zealand has meant that less venison is being airfreighted to Europe, despite requests from some importers. This has seen importers rapidly working through their frozen venison stocks, helping reduce inventory on the continent.

To drive retail sales in Germany, venison importers are running game season venison promotions, including - for the first time since 2019 - in-store tastings and events at supermarkets. They are being supported by DINZ chef Shannon Campbell

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who has also been assisting with promotions in the UK, Belgium and Sweden.



NZ venison promotions in Europe have coincided with a reopening of restaurants and good sales during the game meat season

Trade Minister to represent New Zealand at key Indo-Pacific economy and multilateral trade meetings

Trade and Export Growth Minister Damien O'Connor's recent trip to Singapore, Australia, and Switzerland from 16 November to 6 December for a wide-ranging programme focused on building on New Zealand's COVID recovery by furthering the country's economic and trade objectives across the Indo-Pacific region and through the WTO multilateral system.

Damien O'Connor will also meet with several of his ministerial counterparts from other countries to discuss bilateral and regional trade and economic issues, and progress New Zealand's ongoing free trade agreement negotiations, as part of our trade-led economic recovery.



Silver Fern Farms group sales manager Peter Robinson says the company is seeing a slow recovery in venison demand in traditional channels and growing demand in some of the new channels in which it has been investing, like US retail and China.

"We expect to see this positive recovery continue into 2022. What is really encouraging is the growth in new demand for venison. It is this demand that gives us the best opportunity to build sustainable value for venison farmers," Robinson says.

Working on a regenerative horticultural partnership in NZ

T&G Global and Zespri are teaming up with Plant & Food Research and other industry partners. They are working on a new project to research, develop, define, and promote sustainable and regenerative horticulture practices within the kiwifruit, apple and berry industries.

Phase one of the project will involve an exploration of regenerative practices and market analysis with the goal to move to a longer-term programme of research including scientific and market validation, along with the implementation of science and grower-backed practices in regenerative horticulture.

Zespri adjusts to labour shortages

Zespri is creating major changes in its systems to deal with an expected shortage of 6,500 workers to pick this season's kiwifruit crop. According to Chief executive Dan Mathieson, the shortfall in workers is 2,000 more than a year ago, due to the pandemic. The forecasts is based on the reduced numbers of backpacker in the country, which normally make up about a quarter of the total workforce.

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“We are also dealing with a situation with a larger crop as more orchards come into full production. With this and the lack of workers there is a risk to our ability to fully deliver the season,” he told Rural News. “With our ambitious growth targets, we need

approximately 1000 additional workers every year for the next five years.”

Mathieson says that in order to pick and pack this season’s crop, Zespri has had to make significant ‘operational’ changes. These include a plan to try streamline the process and reduce the labour input required. This involves bringing forward additional volumes of SunGold kiwifruit ahead of demand. There will also be a shift towards greater bulk packaging, which according to chief global supply officer, Alastair Hulbert, will create efficiencies and make better use of the availability of capacity and workforce.



Worker shortage could impede NZ apple season

Motueka growers are back on track for a fruitful apple season. If there were no major weather problems, there would be about 115,000 tonnes of apples and pears to harvest nationally, but growers were likely to face pressure trying to get enough workers to get the crops picked.

A lot of workers traditionally employed, particularly in Nelson, were backpackers, and they weren’t around because of the pandemic, he said. Without enough workers some fruit would be left unpicked, he said.

Jack’s CORNER



Well, at the time of writing this I’m still here. 3 flights cancelled and lots of frustration. In hindsight... selling the house and all the associated tasks that need to be done was a breeze.

Getting to Australia has been the challenge!!



Who could have predicted what was in store for us last August when many of us happily left our desks and flew down to Wellington to attend our annual conference. 2021 really has been a year that we will never forget particularly if you live in Auckland.

Thank you for all your support during 2021
Have a wonderful Xmas and holiday break

OFFICE HOURS OVER THE HOLIDAYS



Please note that

The Cold Storage Association office will close for the year on Friday 17 December 2021
We re-open on Monday 17 January 2022.