



Level 4, Wellington Chambers, 154 Featherston Street
PO Box 121, Wellington 6140, New Zealand
T: 64 4 473 9150 F: 64 4 474 0801
www.nzmeatboard.org

5 October 2023

Response to Consultation on EU FTA transitional allocation mechanism(s) – beef and sheepmeat/goatmeat

Dear registered meat exporter and/or meat industry participant,

Summary

Decisions made by the New Zealand Meat Board with respect to implementing the EU FTA TRQs for Beef and Sheepmeat were as follows:

- The beef TRQ allocation mechanism shall be the same as currently applied to the UK FTA TRQs
- Tallow is excluded from the beef TRQ
- The two sheepmeat and goatmeat TRQs (frozen and chilled) shall be allocated on a first come first served (FCFS) basis except that holders of EU WTO S&G quota shall not have access for 0204 products until they have exhausted their WTO TRQ allowances
- Costs shall be recovered as per the schedules included in the consultation proposal. Any costs of administering the EU FTA sheepmeat and goatmeat quotas in excess of recoveries from utilisation fees may be recovered from fees recovered from the other sheepmeat TRQs.
- Other aspects of TRQ management e.g. penalties, transfers; shall be applied to the EU FTA TRQs.

Background

As mentioned in our consultation request of 11 July, Free Trade Agreement negotiations between New Zealand and the European Union (EU-NZ FTA) have resulted in new Tariff Rate Quotas (TRQs) for beef and sheepmeat/goatmeat providing preferential access at 7.5% and 0% respectively into the EU.

The EU-NZ FTA agreement requires ratification by the respective EU and NZ (New Zealand) Governments and subject to concluding these domestic legal processes it is likely entry into force (EIF) will be early 2024.

NZMB's Preparedness planning provides for quota administration and implementation processes to be ready for the conclusion of EU and NZ ratification.

The Board consulted with industry through its communication of 11 July, setting out options for the administration of the EU FTA beef and sheepmeat and goatmeat quotas (chilled and frozen).

The closing date for consultation was 31 July and thirteen responses were received.

The issues on which the Board consulted were:

Beef

- A transitional allocation mechanism for the beef TRQ
- Exclusion of tallow from quota allocation and certification
- Administration cost recovery

Sheepmeat

- A transitional allocation mechanism for the frozen and chilled sheepmeat and goatmeat quotas
- Preferred mechanism for cost recovery

General

- Other aspects of quota management including penalties, transfers etc.

Feedback

The Board welcomed the feedback received from the industry and took into account the submissions made in coming to decisions on how the new access opportunities to the EU might best be managed for the benefit of the industry.

It should be noted that the decisions on EU FTA allocation mechanisms are transitional given that there is a statutory requirement for the Board to carry out a review of allocation mechanisms every five years. The approved mechanisms will be in place until the next statutory review is completed in 2024/25.

Proposals

Beef Transitional Allocation Mechanism - proposals

Three options for allocation were provided in the consultation proposal:

1. An allocation based on a combination of production history and export history, similar to the UK beef TRQ
2. An initial allocation based on the previous year's shipments (exports) of beef to the EU with the remainder of quota (if any is available) applied under the combined export history/production history hybrid model (as per mechanism 1).
3. An initial allocation based on the amount of their previous year's exports (as per mechanism 2), with any quota remainder allocated on the basis of the previous three year average of exports to the EU.

The majority of submissions supported mechanism 1 on the basis that the EU beef FTA was very similar to the UK beef FTA, that a new mechanism had been put in place for that TRQ with which the industry and the Board were becoming familiar and that there was little basis on which to support any alternative mechanism.

Exclusion of Beef Tallow

All submissions were in support of excluding tallow from the EU beef TRQ allocation and certification process.

Other Management Issues

In general, feedback from the consultation was in favour of continuing with the current administration mechanism relating to transfers, penalties etc.

Beef TRQ Cost Recovery

All feedback was in favour of the proposed cost recovery mechanism.

Sheepmeat Transitional Allocation Mechanism - proposals

The allocation mechanism proposed by the Board was first come first served (FCFS) and for non 0204 (traditional) products. Holders of EU WTO S&G quota would need to exhaust their allowance before obtaining access to the EU FTA S&G quota for 0204 items. Most feedback was in favour of that approach. Some submitters preferred that there be more certainty of access, i.e.; fixed individual allowances, commenting that while market conditions now suggest that there will be very little demand for the new sheepmeat quotas this could easily and rapidly change.

Some submitters suggested the FCFS allocation mechanism could be applied until a trigger level was reached at which point an alternative allocation mechanism providing individual quota allowances would come into effect.

Sheepmeat TRQ Cost Recovery

The currently anticipated low demand for EU FTA Sheepmeat quotas and the proposed FCFS allocation mechanism implies a potential shortfall in fees able to be recovered for administration. Three options for ameliorating this situation were proposed for feedback. They were:

1. Do not utilise the quota (no further costs) - reduce administration
2. Set high participation and certification fees for low utilisation quotas
3. Subsidise less utilised quotas with fees from those for which there is more demand

The majority of submissions were in favour of options 2 or 3 with a proviso that shifting fees across quotas be limited to fees from other sheepmeat quotas.

Decisions

The Board having acknowledged the feedback and considered the implications, made the following decisions:

Beef Transitional Allocation Mechanism

Considering:

- The similarities of the EU FTA beef TRQ to the UK FTA beef TRQ
- The recent introduction of a new allocation mechanism for the UK FTA beef TRQ
- The very short period that the UK FTA beef TRQ has been in effect and therefore the lack of data on performance of that mechanism
- the desire to limit as much as is practicable, the number of different allocation mechanisms
- The statutory requirement for a review of allocation mechanisms in general and;
- the majority preference expressed in the feedback from industry

The Board agreed that the transitional allocation mechanism for the EU FTA beef TRQ should be the same as that which applies to the UK FTA beef TRQ.

Exclusion of Beef Tallow

The Board agreed that beef tallow be excluded.

Other Management Issues

The Board agreed to the continuance of transfer, handback and penalty provisions.

Beef TRQ Cost Recovery

The Board agreed that the EU FTA beef TRQ cost recovery fees as proposed be implemented.

Sheepmeat and Goatmeat Transitional Allocation Mechanism

The Board agreed a FCFS system as proposed be applied to both of the EU FTA S&G quotas but that a trigger level of 80% utilisation of the EU WTO S&G TRQ should be applied at which point an allocation mechanism similar to the UK FTA sheepmeat TRQ should be implemented.

Sheepmeat & Goatmeat TRQ Cost Recovery

The Board agreed to the application of cost recovery fees as proposed and that should the fees collected be less than the costs incurred, fees collected on other sheepmeat quotas, in excess of the costs of operating those quotas may be applied to the EU FTA S&G TRQ cost recovery account.

If you have any queries generally or regarding your feedback to the consultation proposals, please contact us:

Nick Beeby, nick.beeby@nzmeatboard.org ph. 027 278 974

Ben O'Brien, ben.o'brien@nzmeatboard.org ph. 022 658 1152