



NEW ZEALAND PORK INDUSTRY BOARD PERFORMANCE AND EFFICIENCY REVIEW

Report to the Board June 2021

LETTER FROM THE ENGAGEMENT PARTNER

New Zealand Pork Industry Board
Performance and Efficiency Review

The Board Members
New Zealand Pork Industry Board
PO Box 13182
CHRISTCHURCH 8141

21 June 2021

Dear Board Members,

It is our pleasure to present our report on the New Zealand Pork Industry Board's Performance and Efficiency Review.

BDO was engaged by NZ Pork to assess the performance and efficiency of the New Zealand Pork Industry Board over the five-year period to 1 October 2020. The scope of this review considered the Object and Functions of the New Zealand Pork Industry Board, an assessment of the objectives of the Board and the progress towards the achievement of those objectives. The performance and efficiency review is a statutory requirement within the Pork Industry Board Act 1997 (the Act).

In conducting our Performance and Efficiency Review, we engaged with a wide range of stakeholders across the industry. This generated a broad range of responses and we have not attempted to capture all of these responses in this report. Our report summarises our findings from our review of the Board's processes, observations and results from our interviews, and provides recommendations arising from our review.

We would like to thank all the stakeholders who participated in the review for their cooperation and assistance, particularly David Baines and the staff and Board members of NZ Pork. We received full and open cooperation throughout this review.

We hope you find the contents of this report useful, and we look forward to discussing the results of our performance and efficiency review with you.

Yours sincerely

BDO CHRISTCHURCH



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OVERVIEW OF THE ENGAGEMENT

New Zealand Pork Industry Board
Performance and Efficiency Review

OVERVIEW OF THE ENGAGEMENT

We were engaged by the NZ Pork Industry Board (NZ Pork) to perform a Performance and Efficiency Assessment of NZ Pork. This was agreed through our Engagement Letter dated 22 January 2021. The performance and efficiency review is a statutory requirement within the Pork Industry Board Act 1997 (the Act).

In performing this review we considered the objectives of the Board, its powers and functions and how it has carried out these functions within the context of its strategic plans, policies and procedures. Our review assessed the Board's performance as at 1 October 2020 in respect of the previous five years. It also considered relevant events since that date up to the effective date of our report.

Our review consisted of the following approach:

STAKEHOLDERS ENGAGED WITH DURING THE REVIEW

1. Interviews with some NZ Pork Board Directors and management
2. Farmers - we visited two pig farms within the Canterbury region and interviewed a farmer from the North Island
A sample of:
3. Processors
4. Quality Assurance programme staff
5. Wholesalers
6. Retailers - including independent butchers
7. A staff member from the Ministry for Primary Industries

SCOPE OF THE ENGAGEMENT

The scope of this review considered the object and functions of the New Zealand Pork Industry Board, being an assessment of the objectives of the Board and the progress towards the achievement of those objectives.

We structured our assessment and enquiries to largely follow the strategic areas outlined in the Board's five-year Strategy. This grouped the Board's areas of focus under the headings of Right to Farm, Ability to Farm and Relevance.

The Board established further key priorities in 2019 being Product Integrity, Value Creation and Sustainability, that have shaped the Board's activities from the 2019/20 year.

DOCUMENTS REVIEWED DURING THE REVIEW



1. The Board's Five Year Strategy 2016-2020
2. Annual Statements of Strategic and Consultative Intent 2016 - 2020
3. Annual financial reports for the financial years 2015/2016 - 2019/2020
4. Other policies, reports and communications adopted or issued by the Board

Our final report has been prepared as at 21 June 2021. There may be events or circumstances that have occurred after this date that may impact on the findings of our report. In preparing our report, we disclose that BDO Christchurch is the appointed auditor of the NZ Pork Board and performed the audit of the Board's financial statements for the year ended 30 September 2020.

EXECUTIVE SUMMARY

The New Zealand Pork Board engaged BDO to undertake a performance and efficiency review in accordance with the Pork Industry Board Act 1997 (the Act). The review covered the five-year period 2016-2020.

To assess the Board's performance and the efficiency of the use of its resources, we engaged with a wide range of stakeholders involved in the New Zealand pork industry. As expected when multiple views are sought, there was a range of opinions and assessments by different stakeholders of the Board's overall performance and achievements, their views on the Board's role in certain issues and of the Board's selection of the focus areas that the Board targets its efforts towards.

There was a general consensus from feedback that the Board's 'overall performance' had improved in recent years, particularly compared with the earlier part of the review period and in previous years. Some of the feedback we received was highly critical of the Board's performance, engagement and relationships in previous years and this had been or is currently being addressed in many areas. Examples provided from respondents where noticeable improvement had been noted, were in the areas of 'improved relationships at all levels', 'better engagement and communication', 'clearer focus of initiatives' and 'response to emerging issues'.

At a fundamental level, certain stakeholders questioned whether the current producer board model remained relevant and whether this was the most effective operating structure for the industry. Others commented on the restrictions that the legislation imposed on the Board and whether changes to the legislation would provide the Board more flexibility to carry out its role. There was acknowledgement that the Board operated with limited resources and had to develop its work plans to maximise returns within these constraints.

We received strong, positive feedback in relation to the skills and experience of senior staff within NZ Pork and the contributions they have made in recent years. Many respondents commented on the current strength of the relationships between senior NZ Pork personnel and key stakeholders. We note the recent recognition of the NZ Pork team and Frances Clement as finalists in the New Zealand Primary Industries Awards.

Our assessment was not a comprehensive review of all NZ Pork initiatives undertaken during the review period and an evaluation of their success or otherwise. We considered how the Board developed its strategy and action plans and how these were executed. We noted that over the review period the Board developed and implemented initiatives that were aligned with the strategic areas of focus and the annual work programmes.

During the review period the Board faced a number of challenges and emerging issues such as Covid-19, the increase in the volume of imported pork products, the threat of African Swine Fever and the animal welfare code review. Most of these challenges were unexpected when preparing its five-year strategy, with the Board having to re-direct its efforts to deal with these issues as they arose. As a consequence, these issues took priority and impacted on the implementation or progress of some initiatives that were planned for these years.

In forming our recommendations we acknowledge that several of these support the continuation of the Board's current activities, or planned initiatives, as these remain key focus areas of the Board and we agree with the Board's prioritisation of these.

EXECUTIVE SUMMARY (CONTINUED)

We summarise the recommendations from our review in the table below, further details of each recommendation are provided in the remainder of the report:

Legislative Object: The Board seek to confirm that its current activities, as agreed on an annual basis, continue to meet the expectations of the Minister and the interpretation of the objects under the legislation.	Medium
Legislative Object: The Board develops a performance framework that establishes performance measures and targets that allows the Board to monitor and report on its performance in progressing towards the achievement of its objectives.	Medium
Board and Governance: The Board considers the feasibility and benefit of increasing the Board's membership to provide wider industry representation.	Medium
Environment: The Board continues to lobby the Climate Change Commission/Government on behalf of pig farmers, as to the potentially adverse impact of the proposed livestock emissions targets, noting the low emissions of the sector, the costs to implement for a small industry and the impact on current farming practices potentially negating recent productivity gains.	Medium
Biosecurity: The Board reviews its Biosecurity specific communications plan, coordinating the current information material and plans that has been developed around biosecurity threats, readiness and response, and communicate this to stakeholders.	Medium
Strategic Documents: The Board consider preparing a five-year strategy document, once the outcomes of current issues such as the animal welfare code review are known, to set the strategic direction for the Board and guide the development of the annual Statements of Strategic and Consultative Intent.	Low
Strategic Documents: The Board consider including performance reporting information within its annual reports.	Low
Board and Governance: As part of the Director election process, the Board consider communicating the preferred skills required of candidates to ensure a broad skill set of the Board is maintained.	Low
Board and Governance: The Board clarifies the terms of reference of the Farmers Reference Group and consideration is given to a direct reporting line to the Board, either through the ability of a representative to attend Board meetings, or a Board member being appointed to the Group.	Low
Board and Governance: The Board considers how the interests of farm managers are represented in addition to the farm owners. This could potentially be via representation on the Farmers Reference Group.	Low
Biosecurity: The Board liaise with farmers to understand the readiness of farmers in the event of a biosecurity incursion. The Board should encourage the development of farm specific biosecurity plans.	Low

EXECUTIVE SUMMARY

New Zealand Pork Industry Board
Performance and Efficiency Review

EXECUTIVE SUMMARY (CONTINUED)

Employment and Training: The Board continue to promote the training and qualifications available through the Primary ITO courses and progress/finalise the update of the Level 4 course.	Low
Employment and Training: The Board consider the development of employment related templates, such as standard employment agreements, to assist with achieving consistency across the industry. This could possibly be achieved by highlighting access to other industry templates (such as Federated Farmers).	Low
Innovation, Science and Technology: The Board consider whether there are opportunities to further engage with Massey University to include pig specific topics within its veterinary curriculum.	Low
Relevance: The Board continues to engage with wholesalers and retailers when developing promotional campaigns to utilise their resources and expertise to maximise the benefits from these campaigns.	Low

SUMMARY OF OUR OBSERVATIONS AND FINDINGS

New Zealand Pork Industry Board
Performance and Efficiency Review

Findings and recommendations from the review

The following framework for recommendations has been developed to facilitate discussion with the Board and management in order to prioritise issues according to their relative significance.

RATING	DEFINITION
HIGH	Observation represents a significant process gap or future consideration, which could cause or is causing a severe adverse effect on the ability to achieve objectives.
MEDIUM	Observation represents an important process gap or future consideration, which could have or is having an adverse effect on the ability to achieve objectives.
LOW	Observation represents a minor process gap or future consideration, which could have a minimal impact on the ability to achieve objectives. Raised for consideration purpose only.

LEGISLATIVE OBJECT OF THE BOARD

OBSERVATIONS

The New Zealand Pork Board is a statutory Board established by the Pork Industry Board Act (1997). The Act sets out the object and functions of the Board, its administration requirements and provides the mandate for it to set levies to fund its operations. Under the legislation the Board's 'Object', essentially its reason for existing, is stated as *'to help in the attainment, in the interests of pig farmers, of the best possible net ongoing returns for New Zealand pigs, pork products and co-products'*.

While the 'Functions of the Board' section of the Act provides further substantive detail, for example through reference to increasing sales volumes, increasing demand, conduct research etc, key aspects of the object, such as 'net ongoing returns' are not further defined, nor are there any other references as to how the Board's achievement can be assessed. Despite this, the Act requires the Board to report regularly to the Minister on the Board's achievement of its object. In our view, this lack of clarity around the Board's object makes the Board's performance difficult to quantify, assess and report, particularly with any direct reference to the Act. There is a risk that the Board could be challenged on how it can demonstrate that the activities it undertakes directly link to the achievements of its objects in terms of the legislation.

Throughout our review there were different perspectives as to what the Board's 'objects' meant to different stakeholders and as a consequence how progress towards and achievement of these could be measured. Our discussions with various stakeholders inevitably received a wide range of responses and views of what the Board's focus areas should or shouldn't be (and as a consequence the financial impact of those focus areas). The stakeholders' also had their views of the Board's progress and achievements during the review period, however their assessment tended to focus on the areas that were most relevant to their role within the industry.

While there were views from stakeholders as to their interpretation of 'net ongoing returns' and how these could be assessed, the Board's achievement or success in carrying out its role was generally not seen to be measured simply by specific outputs such as processing volumes, input prices, financial returns or other metrics.

Overall, there was acknowledgement that the Board plays a wide range of roles in supporting and advocating for pig farmers through a variety of channels that collectively reduces barriers to farming and provides farmers with the best opportunity to be a sustainable producer. There were various views as to where the Board could focus more resource and other areas where this should be reduced, or the Board should not be involved at all.

The responses also acknowledged that the Board operates within a unique industry that faces specific challenges such as:

- The small size of the industry, the number of current pig farmers and the expected further contraction of the industry to a small number of larger producers.
- The NZ pork industry essentially operates in a domestic market only with no export market
- Competing with large volumes of imported pig products
- Challenges with the high costs of production
- Threats of biosecurity outbreaks that would be catastrophic to the industry
- Significant changes to legislation and welfare codes that impact on farmer's ability to farm
- As an industry Board, it does not directly have 'skin in the game'.

LEGISLATIVE OBJECT OF THE BOARD (CONTINUED)

OBSERVATIONS

As the Board's role is multi-faceted and the Board interacts with a wide range of stakeholders, we acknowledge it is challenging to clearly articulate the Board's performance against its objects and for the Board to assess how it is progressing towards, and achievement of, its object. A further challenge is that selecting certain courses of actions can conflict with the ability to make progress in other areas.

However, defining the Board's object and clarifying criteria around what 'net ongoing returns' look like, are key in defining the expectations of the Board and shaping the Board's strategic direction. The Board's interpretation of it meeting the object under the legislation, is currently achieved through the annual agreement of the Board's Statement of Strategic and Consultative Intent. There is an opportunity to confirm that this annual process is the appropriate mechanism to formalise the expectations of the Board and how these should be captured within strategy documents, and annual planning and reporting documents.

The development of a performance framework, including performance measures, will provide the Board with a clearer understanding of its purpose and what it is trying to achieve. The framework will help the Board align its longer-term strategic priorities with the more specific functions of the Board and its annual work plans. It will also provide a picture as to what success looks like and assist the Board assess its performance on an annual, medium and long-term basis. The development of a framework should have input from the Minister and stakeholders to clarify the Board's object and the expectations they have of the Board.

RECOMMENDATIONS

- The Board seek to confirm that its current activities, as agreed on an annual basis, continue to meet the expectations of the Minister and the interpretation of the objects under the legislation.
- The Board develops a performance framework that establishes performance measures and targets that allows the Board to monitor and report on its performance in progressing towards the achievement of its objectives.

NZ PORK COMMENTS

- NZ Pork agrees that the wording of Section 5 of the New Zealand Pork Industry Board Act relating to the objective, specifically regarding reference to the 'best possible net on-going returns for pig farmers' is difficult to assess and measure. The Board reports annual performance to the Minister and also submits an annual strategy proposal that defines specific intended industry activity which aims to fulfil industry expectations and legislative requirements.
- The Board agrees that developing a performance framework which includes performance measures and targets would be useful. This will be included as part of developing an annual work plan once the Strategy is finalised by farmers at the Annual General Meeting, and by Ministerial approval.

NZ PORK STRATEGIC DOCUMENTS

OBSERVATIONS

The Act requires the Board to prepare and maintain a statement of strategic and consultative intent. The purpose of this is to set out the nature and scope of the Board's operations, its income (including levy income) and expenditure, objectives, performance targets and policies and its significant assets.

The Board developed a five year strategy for the period 2016-2020. The Board also prepared annual Statements of Strategic and Consultative Intent, as required by the Act, with the legislation including requirements of the content to be included. From our review of these documents, we made the following observations:

- The five year strategy included a Consumer Vision, Industry Vision and a Mission Statement.
- When outlining the Board's strategic areas of focus within its annual statements of strategic and consultative intent, these programmes or areas of focus have been captured under headings including '*Right to Farm*', '*Ability to Farm*' and '*Relevance*'.
- The 2019/20 Statement of Strategic and Consultative Intent stated that the Board's key themes were defined as '*Product Integrity*', '*Value Creation*', '*Viability/Sustainability*' and '*Disease*', with details of the underlying programmes under each theme.
- The annual documents were largely an outline of the Board's planned activities for the upcoming year, however not all documents included clear linkages between the planned work areas and the Board's high level vision and its statutory objects.
- The majority of the documents did not include any key performance indicators (KPIs) for the focus areas identified, therefore there was no indication as to how the Board would measure its progress against these work areas.
- We noted one document did include KPIs (including timeframes to complete and assigning a project champion) and most documents did include a financial budget for each of the work areas outlined. All annual documents contained the Board's full year operating budget information.
- There was inconsistency in terms of the content within the documents with varying levels of detail around financial information (some included comparative financial information while others only included the budget for the upcoming year), details of how the Board will consult and communicate with farmers and the inclusion of other information as outlined in the Act.
- We noted that in earlier years of the review period the annual documents did not appear to include all required information. Generally the documents covering the later years of the review period had a clearer, consistent layout including all required content under the legislation.

NZ PORK STRATEGIC DOCUMENTS (CONTINUED)

OBSERVATIONS

As noted in our previous recommendation, the establishment of performance measures and targets would enhance the Board's annual planning process and accountability to its stakeholders. These should be outlined in the annual statements of Strategic and Consultative Intent to provide structure to the planned work areas and allow for the measurement of progress and achievement of these.

The Board is not required to include performance reporting within its annual report. Recent annual reports have included detailed commentary of the various work areas undertaken during the year and commentary on how the Board responded to and plans to address current issues. While this provides a good overview of the Board's activities for the year, there isn't always a clear link between what was planned to do for the year and what was achieved. Having a performance framework and established performance measures would allow reporting against these in the annual report.

RECOMMENDATIONS

- The Board consider preparing a five-year strategy document, once the outcomes of current issues such as the animal welfare code review are known, to set the strategic direction for the Board and guide the development of the annual Statements of Strategic and Consultative Intent.
- The Board consider including performance reporting within its annual reports.

NZ PORK COMMENTS

- The Board agrees that the outcome of the current pigs welfare code review could have a significant influence upon the future of the New Zealand pig industry and is the immediate focus for the Board.
- Development of medium-term strategies should be conducted once there is certainty around the pigs welfare regulations. The Board expects that there will be more clarity during the 2021-2022 period and that development of a five year strategy be scheduled as part of the 2022 strategic review process.
- As noted above, the Board agrees that development of performance measures will be useful and also agrees that performance reporting could be included in annual reports from the 2021-2022 year onwards.

BOARD AND GOVERNANCE

OBSERVATIONS

The process for electing Directors is set out in the Pork Industry Board Regulations including the representation from the various regions, the nomination and election process. The Board has five Directors. Four are elected by producers representing the regions and one is an independent Ministry appointment. Currently the Chair of the Board is the independent appointment.

As a relatively small industry (approximately 100 producers) there are challenges presented by the limited pool of potential Board candidates, the availability and potential willingness of candidates to be nominated, the respective skill set of candidates and the risk of familiarity between producers. In addition, the small Board size (5 members) can provide challenges in representing key stakeholders within the industry. Potentially, a larger Board could provide wider representation and an expanded skill set.

Our discussions with multiple stakeholders during our review included feedback on their assessment of the Board and NZ Pork as a whole, and how they considered they were being represented by the Board. This resulted in a wide range of comments that we have summarised below.

- It was noted there had been significant changes at both the Director and senior management level of NZ Pork during the review period. At a Board level, several long-standing directors stepped down during this period and a new Chief Executive was appointed in December 2018 (following the short tenure of the previous Chief Executive).
- There was broad acknowledgement that key positions within NZ Pork were held by experienced, skilled and well respected individuals and significant loss of specialist and industry knowledge would occur if they were to leave the organisation.
- The general high-level view was that stakeholders considered the Board's overall performance had improved in recent years, with specific comments noting more transparency around decision making, willingness to engage with wider stakeholders on issues, more frequent and clearer communications to stakeholders, and acknowledgement where actions or initiatives haven't achieved the desired results in the past.
- Challenges remain as to the ideal skill set required of the Board and the balance between farmer and non-farmer representation on the Board.
- Queries were raised around the Board's processes as to how conflicts of interest (real and perceived) are identified, disclosed and monitored.
- Succession planning for the Board and senior management to address the risk of the loss of experienced industry personnel.
- A risk that the move of NZ Pork's head office from Wellington to Christchurch may have lost some of the Board's ability to connect and advocate with the Ministry and policy makers in Wellington.

The above comments represent the views of a small sample of the industry, but provide context that there has been visible improvements in areas that stakeholders consider important. These gains have been demonstrated in recent years through the Board's responses to issues such as Covid-19, the quality of industry material produced, general communications and relationships. We consider there to be opportunities to continue this progress through the following recommendations.

BOARD AND GOVERNANCE (CONTINUED)

OBSERVATIONS

Farmers Reference Group

The Board established the Farmers Reference Group in September 2019. The purpose of this group was to provide a platform to represent farmers and have input to the Board in relation to various issues of a Biosecurity, Environment and Pig-Health nature. While a reasonably new initiative, the Group has the potential to be an effective link between farmers and the Board, however there is a risk that this Group is not supported or given the opportunity to operate effectively. While the Farmers Reference Group has formal Terms of Reference, these may need revisiting to improve the effectiveness of this group. The current reporting lines to the Board are via a report from management, potentially this could be more effective if the Group reported directly to the Board or an appointed Board member.

Relationship with the Minister and Ministry

A key relationship of the Board is with its reporting Minister and the Ministry for Primary Industries. The feedback from our discussions with Ministry officials was that the current relationship with the Board is very good. There was a perceived improvement in the relationship with the Board and management from previous years, that was considered as being strained at times, with the current interactions viewed as open and transparent. Positive examples that were raised in our discussions included the Board's Covid-19 response in 2020 and the working relationship with MPI that allowed for the movement of pigs off farm, and the current interaction with the NAWAC code review.

RECOMMENDATIONS

- As part of the Director election process, the Board consider communicating the preferred skills required of candidates to ensure a broad skill set of the Board is maintained.
- The Board considers the feasibility and benefit of increasing the Board's membership to provide wider industry representation.
- The Board clarifies the terms of reference of the Farmers Reference Group and consideration is given to a direct reporting line to the Board, either through the ability of a representative to attend Board meetings, or a Board member being appointed to the Group.
- The Board considers how the interests of farm managers are represented in addition to the farm owners. This could potentially be via representation on the Farmers Reference Group.

NZ PORK COMMENTS

- A formal analysis of the current and required Board skill sets has not been completed in recent years. The Board agrees that such an analysis could be useful in seeking future Board candidates.
- The Board notes that the Act permits the Minister to appoint up to two independent directors, with only one currently appointed. This mechanism could be used to remedy any deficiency in overall governance skills and wider industry representation.
- The Farmer Reference Group is a relatively recent development providing farmer input into specific farmer related areas. The Board will further review the terms of reference to identify and implement an efficient and effective reporting line for the Group. This may include attendance at board meetings by the FRG Chair, and or regular discussions between the FRG Chair and the Board Chair.
- The Board notes that a farm manager has been a member on the Farmer Reference Group recently and some managers have attended the recent regional farmer meetings. The Board welcomes involvement from farm managers and will ensure that invitations to industry meetings include farmers and their key staff.

RIGHT TO FARM

OBSERVATIONS

Environment

NZ Pork is involved in a number of Environment based initiatives that provide information to farmers to assist them in minimising the impact of their operations on the environment. These initiatives seek to balance the environmental issues and regulations while maintaining the right to farm and minimising the costs of compliance to farmers. The Board employs a Senior Environmental advisor (and employed a 2nd Environment Advisor in March 2021) to coordinate these activities and the Board works closely with other agencies such as MPI, MfE and AgResearch.

Environmental initiatives are a key focus area of the Board and the feedback we received during our review was the Board's guidance and materials provided in this area was considered very relevant, accessible and of a high quality. In addition to the dissemination of advice to assist farmers maintain compliance with current regulations, the Board's recent and current activities include, developing a model to measure greenhouse gas emissions to assist farmers with meeting recently introduced climate change regulations and emission targets (with the goal for this to be used by all commercial farmers by the end of 2022), model farm environment plans and tools to estimate the optimum ground cover for individual farms.

Currently the Board is advocating for pig farmers in relation to future issues such as emissions targets for livestock contained in draft Climate Change Commission recommendations. The NZ commercial pig industry is a low-emission industry and the current recommendations to Government propose a blanket emissions policy across the agricultural sector. There is a risk that pig farmers will be required to meet emissions target levels that are more appropriate to higher methane emitters such as cattle and sheep. Meeting the proposed targets will come with a cost to implement (borne by a small industry) and potentially force changes to current farming practices that negate recent productivity gains. Ultimately this may result in some producers leaving the industry. We note that recent debate at the Agricultural Climate Change Conference may propose different rates to farmers for the emission of methane and nitrous oxide. We consider the continued lobbying for the special consideration of the pig industry within Climate Change legislation remains an area of focus of the Board.

Animal Welfare

The most significant current issue relating to animal welfare is the Welfare Code for pigs review. The review into the current use of farrowing crates and mating stalls following the High Court ruling in late 2020, will have a significant impact on the industry given the current widespread use of farrowing crates and to a lesser extent mating stalls, on indoor pig farms. NZ Pork has members involved in the Welfare Code Drafting Group and as the review is ongoing we have not commented on the review in detail in this report, other than our observations below.

The issue was very topical in our interviews with producers and we acknowledge that responding to this issue is currently consuming a lot of the Board's time and focus. From our observations, the Board has been proactive in its communications through various media and in discussions with the National Animal Welfare Advisory Committee (NAWAC) and the Ministry. The messaging has focused on the negative impacts of the proposed changes, the imbalance between New Zealand and overseas animal welfare standards and general educating of the public on the matter. We received feedback from our discussions that the Board's response was seen as being informed, balanced and measured rather than a knee-jerk and confrontational response.

RIGHT TO FARM (CONTINUED)

OBSERVATIONS

Animal Welfare (continued)

The PigCare™ accreditation programme has for a number of years been the process to set and maintain the benchmark standards of pig welfare in New Zealand. PigCare™ is the only industry wide welfare assurance programme in New Zealand and it is viewed as a key point of difference between locally raised and imported pork product.

All commercial pig farms are subject to annual audits managed by an independent organisation (Quality Consultants New Zealand Limited). Farms that meet the required standards through the audit process are able to display the 'Born and Raised in New Zealand' PigCare™ certified label on pork products from that farm. Where the audit identifies that standards are not met, corrective actions are issued that need to be addressed within an agreed timeframe. A non-compliant farm can be reported to MPI for investigation and the withdrawal of the PigCare™ accreditation. There is an economic incentive from wholesalers that may discount products from these producers as they are not PigCare™ compliant.

The programme is reviewed annually to take into account the results of current research and changes to regulatory requirements. As at February 2021 there were 85 farms certified under the PigCare™ programme, and 7 farms with open corrective actions. This represents a high percentage of compliance within the industry.

The feedback we received in relation to PigCare™, was that this is an established accreditation programme and trusted throughout the supply chain. The process to identify and communicate the accredited farms and pork products to wholesalers and access to the labelling of these products at the retail level appears to be working well. In addition, NZ Pork's staff resources in the animal welfare area, are well regarded within the industry.

Some opportunities were identified to further enhance the PigCare™ accreditation programme such as linking into biosecurity initiatives to develop templates for farm specific biosecurity plans. We have outlined these in our Right to Farm recommendations section.

Biosecurity

The risk of a biosecurity outbreak in New Zealand is seen as the greatest risk to the New Zealand commercial pork industry. The Board and producers have invested significantly in recent years to achieve and maintain the high health status of the commercial pig herd in New Zealand. However, the threat from exotic diseases such as African Swine Fever, (which spread rapidly during 2019), requires the Board and farmers to remain vigilant. Border controls, a ban on the importation of live pigs and regulations around imported pork products help reduce the risks.

The Board are involved in a number of initiatives, publications and communications to increase the awareness of risks such as African Swine Fever (ASF) and preparing for a response if an outbreak were to occur. An awareness campaign for ASF has run since late 2018 that included information for farmers on the NZ Pork website, including a downloadable fact sheet, as well as education campaigns targeted at international travellers and non-commercial pig owners

OBSERVATIONS AND FINDINGS

New Zealand Pork Industry Board
Performance and Efficiency Review

RIGHT TO FARM (CONTINUED)

OBSERVATIONS

Biosecurity (continued)

Other initiatives the Board are undertaking include being a partner to the Government Industry Agreement (GIA) for Biosecurity Readiness and Response, involvement in the development of a pig-specific Operational Agreement under the GIA, and publications such as the 'Readiness Manual for African Swine Fever' and 'Pig Farmer's Guide to Preparing for an Emergency Disease Response'. The NZ Pork Chief Executive currently chairs the Livestock Sector Biosecurity Council.

From our discussions with producers and other stakeholders we noted that there was acknowledgement of the Board's substantial activity in this area, however there appeared to be gaps in the awareness and understanding of the output from these activities and the specific material available to farmers and other stakeholders. We see this as an area where the Board could streamline this information, particularly emergency response plans and guidance of this to farmers, and communicate this to stakeholders. In addition, feedback from several respondents highlighted a specific biosecurity risk area, being the transportation of pigs between farms and processing plants, as an area where the Board may want to consider additional focus.

RECOMMENDATIONS

- **Environment:** The Board continues to lobby the Climate Change Commission/Government on behalf of pig farmers, as to the potentially adverse impact of the proposed livestock emissions targets, noting the low emissions of the sector, the costs to implement for a small industry and the impact on current farming practices potentially negating recent productivity gains.
- **Biosecurity:** The Board liaise with farmers to understand the readiness of farmers in the event of a biosecurity incursion. The Board should encourage the development of farm specific biosecurity plans.
- **Biosecurity:** The Board reviews its Biosecurity specific communications plan, coordinating the current information material and plans that has been developed around biosecurity threats, readiness and response, and communicate this to stakeholders.
- **Biosecurity:** Investigate the biosecurity risks associated with the transportation of animals between farms and processing facilities.

NZ PORK COMMENTS

- **Environment:** The Board agrees that lobbying on behalf of farmers is a key component of the Board's role.
- **Biosecurity:** The Board regards biosecurity as its Totally Critical Imperative. As such it will continue to communicate readiness recommendations to farmers including farm biosecurity templates. A significant focus on recent biosecurity activity and communication has been in conjunction with the development of the GIA Operational Agreement with government which may appear to have over-shadowed other biosecurity communications. Communications regarding biosecurity threats, readiness and response continue to be a primary focus for the Board.
- **Biosecurity:** The Board has agreed to investigate the biosecurity risks associated with the transportation of animals between farms and processing facilities.

ABILITY TO FARM

OBSERVATIONS

Health and Safety and Compliance

In addition to its direct responsibilities for its own staff under Health and Safety legislation, the Board provides support to farmers through its regular communications such as 'Pork Outlook' and 'Friday Flash' and the provision of links to relevant tools and resources such as Safer Farms website. New Health and Safety requirements became an obligation of the Board in the early years of this review period, following the changes to legislation with the introduction of the Health and Safety at Work Act 2015 and the changes required to comply with this. At that time updates to the Board's Health and Safety manuals and policies were made. Since then, periodic reviews of internal policies are performed as and when required. We did not review the Board's current health and safety manual or policies as part of this review.

We noted examples of Health and Safety updates included within NZ Pork communications, such as the monthly Pork Outlook.

We have not identified any recommendations in this area.

Innovation, Science and Technology

The Board continues to be heavily involved in a range of initiatives within the innovation and technology areas. These included collaborating with research centres, Universities and local and global industry bodies to obtain and share research findings and innovations. Research has been undertaken in areas such as farm management practices, animal welfare, and pork nutrition and quality.

Ongoing investment in research and development includes membership of the Australasian Pork Research Institute Ltd, that provides the Board with input into the selection of the research undertaken and access to the research results, and access to output from the Australian Cooperative Research Centres (CRC).

Research into the nutritional value of pork has been used to promote the protein and other health benefits of pork and to counter the traditional views of pork that it is a fatty meat. The Board also conducted research into optimum cooking times for pork steak and chops that underpinned the 6+2+2 marketing campaign in 2020/2021. The Board is currently undertaking a major project into developing a pork eating quality standard.

In previous years pig health featured more prominently within the Massey University curriculum, however this has dropped away recently. NZ Pork's Animal Welfare scientist and advisor is working to include pig health as a final year special topic and other initiatives to maintain a pig related component within the veterinary degree. There is a risk to the industry that there will be no locally trained veterinary specialists in pig farming.

OBSERVATIONS AND FINDINGS

New Zealand Pork Industry Board
Performance and Efficiency Review

ABILITY TO FARM (CONTINUED)

OBSERVATIONS

Employment/Human Resources/Training

The pork industry and primary sector in general, face challenges with the availability of skilled on-farm labour. These challenges have been highlighted in the current Covid-19 environment with the restrictions on immigration and availability of seasonal workers.

The Board has been active in its engagement with MPI to promote awareness of the industry's unique skill requirements and the career opportunities available within the industry. The Board is also engaging with government on immigration issues to help address the industry requirements for skilled migrants.

The Board's training related initiatives recognise the small industry and the specialist skills required. During the review period, the ProHand stockperson training course has been implemented. Developed in Australia and through agreement with Australian Pork Limited, the training tool develops an understanding of human-animal interactions and reduce stress to improve animal welfare. Approximately 185 stockpersons across 17 New Zealand pig farms have completed the course.

The Board has involvement with formal pork specific qualification training through courses delivered by Primary ITO. These range from short courses to Level 3 (8 months) and Level 4 courses (12-18 months). The Level 4 course curriculum was recently reviewed, with input from Board representatives, however the Primary ITO website currently notes this course is 'under development'. With the Government currently covering training fees there may be an opportunity for the Board to further promote the skills and training provided by these courses.

Through both the Pork Outlook communications (Job Seekers and Job Vacancies section) and the NZ Pork website (Careers page), the Board advertises employment opportunities. Our discussions with producers expressed a view that the Board could assist employers further by developing a wider range of employment related advice and templates, such as employment agreements. This would assist with consistency across the industry and minimise the cost and risk to individual employers. This may be a timely initiatives given the current employment challenges.

In the Board and Governance section, we included comments noting the changes that have occurred at a Board and NZ Pork senior management level during the review period. There were also challenges as a result of moving the NZ Pork head office from Wellington to Christchurch with staff changes and a settlement period following the relocation. These issues appear to be addressed, however there is still a geographic spread of staff between Christchurch and the North Island.

ABILITY TO FARM (CONTINUED)

OBSERVATIONS

Employment/Human Resources/Training

Through our review we received feedback of the high regard that members of NZ Pork management are held within the industry. This has recently been acknowledged through the nomination of the NZ Pork team and Frances Clement as finalists in the New Zealand Primary Industries Awards.

We also note that NZ Pork has recently appointed a national industry support manager based in Christchurch. This role has been established to provide a closer link with producers and the wider industry, providing support for a range of activities including communication and education, employment, immigration and training advice, the PigCare™ and ITO training accreditation programmes. This appointment will provide additional dedicated resource to these areas.

RECOMMENDATIONS

- **Employment and Training:** The Board continue to promote the training and qualifications available through the Primary ITO courses and progress/finalise the update of the Level 4 course.
- **Employment and Training:** The Board consider the development of employment related templates, such as standard employment agreements, to assist with achieving consistency across the industry. This could possibly be achieved by highlighting access to other industry templates (such as Federated Farmers).
- **Innovation, Science and Technology:** The Board consider whether there are opportunities to further engage with Massey University to include pig specific topics within its veterinary curriculum.

NZ PORK COMMENTS

- **Employment and Training:** The Board is committed to finalising the Level 4 course, but this task has been delayed due to the current pigs welfare code review process.
- **Employment and Training:** Farmer support is a key focus for the newly appointed National Industry Support Manager. This support specifically includes understanding farmers employment related challenges and linking into sector resources where appropriate and applicable.
- **Innovation, Science and Technology:** The Board has regular meetings with Massey University and discusses opportunities for practical support and encouragement of pig specific topics.

RELEVANCE

OBSERVATIONS

Consumer

NZ Pork's strategy document that covered the period of the review, included a Consumer Vision of '100% New Zealand Pork, New Zealand's Number 1 Consumed Protein'. This set the framework for a range of consumer focused initiatives that through various campaigns and communication platforms, has promoted both the 'buy New Zealand raised' aspect and promoted the versatility and nutritional characteristics of pork.

A key tool in the promotion to consumers of New Zealand raised pork is through the 'PigCare™ - born and raised in New Zealand' and '100% New Zealand' on-pack labelling. These assist consumers in identifying New Zealand pork products from imported products. The PigCare™ labelling also informs the consumer that the pork products come from producers that have met the required standards to carry the accreditation mark. To promote the identification of New Zealand pork products to consumers, all applicable products should be clearly labelled. However, while the Board can monitor labelling and remind retailers to use the labels this is ultimately the responsibility of the retailers to ensure the products are labelled appropriately.

The Consumers' Right to Know (Country of Origin of Food) Act was passed in 2018. The purpose of the legislation is to provide consumers with information about the origin of certain foods to enable more informed purchasing decisions. The Board lobbied for all imported pork to be included within the Consumer Information Standards (Origin of Food) Regulations, however only fresh and cured pork was included within the Regulations. This means a significant amount of imported products are not subject to the Country of Origin Labelling.

As part of the review we have not assessed the effectiveness of individual promotional campaigns undertaken by NZ Pork. However through our interviews, stakeholders did provide the following responses:

- Marketing campaigns - it was considered that some campaigns were developed without the input of wholesalers and retailers and therefore didn't have the buy-in at the outset and support during the campaign to maximise the benefit.
- Advertising and Promotional expenditure by the Board in previous years was seen as high with questionable returns from this spend.
- The decision to outsource the marketing and promotion activity was seen as the right decision.
- The development of relationships in recent years with Retail Meats NZ is seen as positive and creates leveraging opportunities with other partners such as Beef + Lamb New Zealand.

Recent consumer communications and campaigns have focused on buying locally raised pork over imported pork, educating consumers of the versatility of pork (through in-store and on-line recipes) and the best methods for cooking certain cuts of meat.

RELEVANCE (CONTINUED)

OBSERVATIONS

Consumer (continued)

The Board is currently investing in pork eating quality research and the development of a quality standard for pork products. The Board also has access to the research and development and intellectual property from its partnerships in Australia. The expectation is that this, in collaboration with the supply chain, will develop a trust mark that will help consumers identify a premium quality product. This is a key focus area of the Board going forward as it underpins the product integrity strategic priority. The results from the pork eating quality standard initiatives are supported by an appropriate consumer promotion campaign

Communications

The main platforms used by the Board to promote the industry and share key messages are the NZ Pork corporate website (www.nzpork.co.nz) that includes various industry information, links to other entities and resources and a members only log-in area), and the consumer focused website www.pork.co.nz that includes recipes, cooking methods and information about the various cuts of meat. In addition there is the NZ Pork Facebook page (with currently over 22,000 followers). There is also a Facebook private group 'Friends of Matilda' intended to be used as a farmers discussion forum.

The Board monitors opportunities to undertake various social media campaigns, such as a 'buy local' campaign during Covid-19 that featured New Zealand food celebrities. The Board also leverages off research either undertaken directly or through its partnership network to support its campaigns, such as the recent 6+2+2 campaign. This drew on the Australian Pork Limited's initiative that identified the optimum cooking time for pork chops and steaks and is aimed at helping change historic cooking practices that often overcooked pork, diminishing the eating experience. The Board is currently awaiting information on the effectiveness of this campaign.

Direct communication to the industry is via the monthly Pork Outlook newsletter and Friday Flash weekly updates. These updates contain a wide range of topical industry issues as well as regular market information such as domestic production numbers, imported pork statistics, and data covering grain prices, protein costs and pig meat prices by region. We understand the Board has a current workstream undertaking a review of its communication activities.

Supply Chain

During our review we noted the Board continues to recognise the relationship with its supply chain partners as crucial and undertakes a range of engagement initiatives to work with these partners. These included communication of the Board's activities (such as the results of research undertaken) and in turn seeking input from industry to maximise effectiveness. The Board's eating quality standard initiative is one that will require the collaborative involvement of supply chain partners to achieve the desired outcomes.

The Board has an active role through its sponsorship of several events within the supply chain including sponsorship of the 'Sharp Blacks', 'Butcher of the Year' and Butchers Summit.

OBSERVATIONS AND FINDINGS

New Zealand Pork Industry Board
Performance and Efficiency Review

RELEVANCE (CONTINUED)

OBSERVATIONS

Supply Chain (continued)

While the development of relationships across the supply chain is an ongoing focus of the Board, we note the significant achievement of the Board through its Covid-19 response. In our discussions, there was high praise from respondents across the industry for the actions of the Board, in terms of the work performed and the outcomes realised. As well as minimising the potential on-farm animal welfare issues, the Board's work was seen as strengthening several key relationships, such as with Government, the Ministry, processors and farmers. From a social perspective it provided pork products to food banks and promoted locally produced pork products over imported pork.

RECOMMENDATIONS

- The Board continues to engage with wholesalers and retailers when developing promotional campaigns, to utilise their resources and expertise to maximise the benefits from these campaigns.

NZ PORK COMMENTS

- The Board agrees with the recommended approach. Current strategic activities such as the Pork Eating Quality project are based upon supply chain collaboration and ownership of agreed strategic solutions.

FINANCIAL SUSTAINABILITY

OBSERVATIONS

The Board's funding to carry out its activities comes from a levy on all commercially slaughtered pigs. As the levy is the main source of income of the Board, and a cost borne by the producers, the process to set the levy needs to be robust and transparent. A further challenge for the Board is setting the levy at the right level to cover expenses and essentially break even, rather than trying to generate surpluses.

The levy is set each year following the presentation of a detailed budget to farmers and delegates at the Annual General Meeting and Conference. While the agreement of the levy indicates the majority of producers approve of the levy setting process and amount, there is a risk that some producers do not have a clear understanding of this process, clarity as to the costs associated with services being provided by the Board from the annual levy, or simply require further information. Several producers commented during the review that a comparison of the New Zealand levy to overseas levies, where available, would be useful information.

We analysed a selection of key financial metrics covering the period of the review to provide a high level assessment of the Board's financial results and financial position (refer graph on following page). We also reviewed the most recent operating budget for the 2020/21 financial year to understand the financial requirements for the Board's areas of focus. We noted the following:

- The annual pig levy has fluctuated between \$3.38 and \$4.00 per pig, which is a lower amount than the levy in the previous review period (\$4.50 to \$5.00).
- The Board has generally reported small annual surpluses indicating it is operating within its financial means. We note the higher reported surplus in 2020 was due to reduced activities and expenditure as a result of Covid 19-related disruptions and reprioritised initiatives.
- The Board has a strong balance sheet.

Under the *proposed* biosecurity agreement, the Board has shared responsibility with the Ministry for funding the costs of responding to a biosecurity incursion, being a split 60% with the Ministry and 40% with the Board. If required to fund its share, the Board has options available to it through the use of its reserves and via a biosecurity levy.

We have not identified any recommendations in this area.

NZ PORK COMMENTS

- The Board has taken the surpluses achieved in the current and previous three years into account when recommending a deficit budget of (\$514,629) for the 2021-2022 year. This will offset some of the \$800,000 surplus achieved over the last four financial years. Another significant contributor to the surpluses achieved is the level of PIE investment earnings in excess of \$600,000.

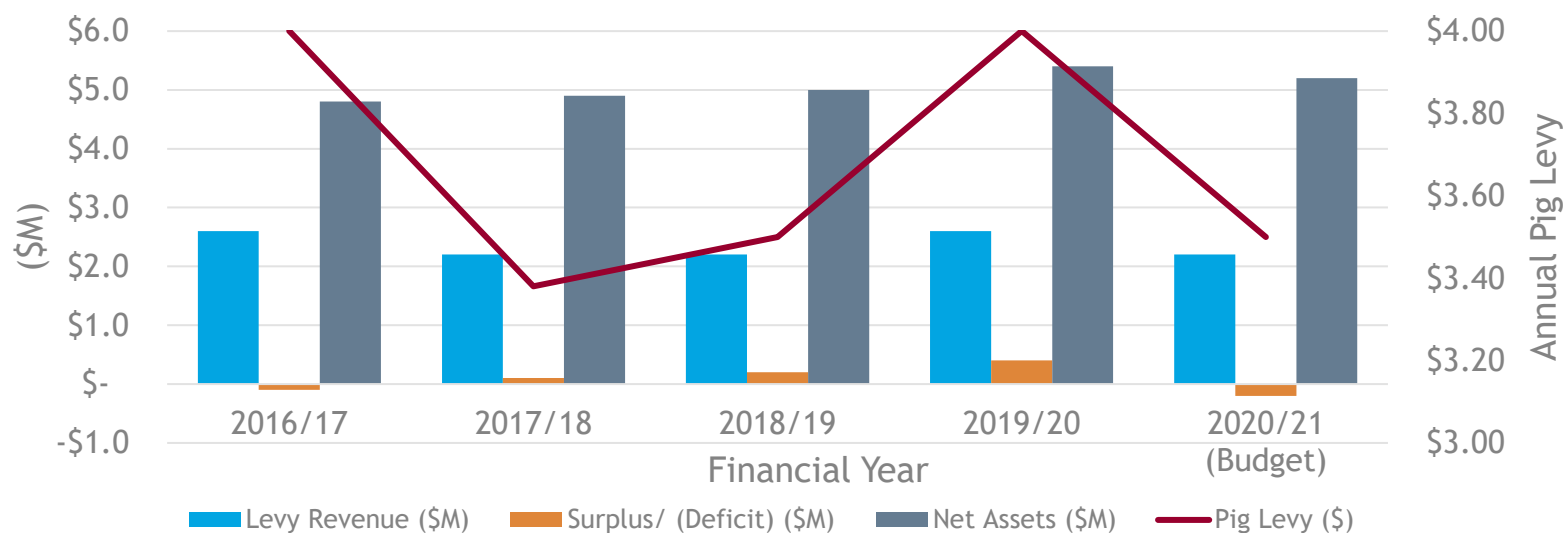
OBSERVATIONS AND FINDINGS

New Zealand Pork Industry Board
Performance and Efficiency Review

FINANCIAL SUSTAINABILITY (CONTINUED)

OBSERVATIONS

Financial Summary 2016-2020



Source: NZ Pork Annual Reports 2016 - 2020, NZ Pork 2020/21 Budget.

The above financial summary shows that the Board's financial performance has been reasonably stable over the period of the review. Levy revenue has ranged between \$2.2m and \$2.6m with the Board reporting annual results between a small deficit in 2017/17 and a \$0.4m surplus in 2019/20. The Board has budgeted for a deficit in 2021. Net assets have remained at approximately \$5m throughout the period.



OBSERVATIONS AND FINDINGS

LOOKING FORWARD

OBSERVATIONS	
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In this section we include our observations of the current issues facing the Board and initiatives in progress.

New Annual Plan:


The Board is currently developing its annual Statement of Strategic and Consultative Intent for the 2012/22 financial year. There is currently no intention to prepare a new five year Strategic Plan that it has previously developed. We acknowledge that with recent developments that it may not have been appropriate to develop a longer-term strategic document. However once the outcomes of current issues, such as the animal welfare code review are known, it may be appropriate for the Board to consider this. A strategic plan is an opportunity to develop and build on the focus areas from previous years with the benefit of some clarity from known outcomes of current issues and challenges. Being a five year plan it also sets the framework for the more detailed annual planning documents.

A common theme that emerged from our discussions was the need for the Board to clearly develop the ‘New Zealand Pork Story’, the overarching strategy from which its activities can be co-ordinated in a consistent manner. Key to this is understanding the value proposition of the New Zealand pork industry and pork products, and the drivers of value creation for the industry.

Eating Quality Research:

The Board is currently undertaking a major project into developing a pork quality standard. This project is utilising research from Australia and working with AgResearch to measure eating quality variations across the supply chain. The expected outcome is the development of a quality mark providing assurance to consumers of the quality of the product. Once developed, the quality mark will provide the Board with opportunities to promote these premium pork products to the New Zealand consumer and an appropriate marketing strategy should be developed to support this. This may also create an opportunity to explore an export strategy for premium pork products into niche markets.





We have prepared this report solely for the use of the NZ Pork Industry Board. This report forms part of a continuing dialogue between NZ Pork Industry Board and us and, therefore, it is not intended to include every matter, whether large or small, that has come to our attention. For this reason we believe that it would be inappropriate for this report to be made available to third parties and, if such a third party were to obtain a copy of this report without prior consent, we would not accept any responsibility for any reliance they may place on it.

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