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## Food and Beverage Taskforce Meeting -17 November 2005 - Background

<b>Date:</b>	16 November 2005	<b>Priority</b>	Medium
<b>Security Level:</b>	Unrestricted	<b>Document Number:</b>	Brief No: 05/255

### Action sought

Minister	Action sought	Deadline
Minister of Agriculture	<b>Note</b> the comments in the attached briefing.	Thursday 17 November 2005

<b>Does the paper have financial implications?</b>	No
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### Ministry Contacts

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				(work)	(after hours)
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**Brief No: 05/255**

16 November 2005

Minister of Agriculture

## **FOOD AND BEVERAGE TASKFORCE MEETING - 17 NOVEMBER 2005 - BACKGROUND**

### **Purpose**

1. This paper briefs you in readiness for the next meeting of the Food and Beverage Taskforce on Thursday 17 November 2005 from 9.00am to 4.00pm at the Duxton Hotel, Wellington.

### **Background**

2. You are attending the morning session. During that session the Taskforce is due to discuss and sign off an *Issues and Options* paper with a view to public release in December. This document will form the basis of wider sector consultation, including a series of workshops planned for late February 2006. Initiatives that might need to be addressed in the upcoming budget round will also be discussed during this session.
3. We have, for ease of reference, provided some analysis and commentary on the complete Taskforce agenda which is attached in tabular form.

### **Recommendation**

4. We recommend that you **note** the attached briefing paper.

**noted**

Kay Brown  
Manager, Sector Policy

Hon Jim Anderton  
Minister of Agriculture

Encl.

/ / 2005

## Food and Beverage TF Meeting on 17 November 2005

Item Number	Description	Comment	Action Points
2	Issues and Options Paper	<p>At its last meeting the Taskforce (TF) agreed to publish a relatively high level “issues and options” paper to facilitate a wider discussion regarding the impediments and future growth opportunities for the food and beverage sector. The TF agreed that the paper needs to be constructive, taking a positive view of sector performance but nonetheless being sufficiently provocative to ensure that sector appreciates that it will not realise its full economic potential if it continues to adopt “business as usual”.</p> <p>The paper has been written to provoke responses from key players in the sector. It attempts to present the issues in a way that will neither “scare the horses” nor be so bland that the sector will not feel motivated to respond.</p> <p>This meeting is an opportunity for TF members to make some comment on the draft, <b>but the intention is that the meeting will be a sign off, not an extensive discussion and relitigation of the issues.</b></p> <p>In order to safeguard the integrity of the engagement process the paper will be caveated (e.g. “this is our view of the world based on our initial analysis and discussions etc, if there is a different view, or if there is another scenario that we have overlooked, please let us know”). It also confirms the TF’s intention to initiate further consultation with the sector in the new year. This will include stakeholder response on the discussion paper.</p>	Support the publication of an issues and options paper.
3	Process for Engagement with the Sector	The background paper for this item (attached and marked Agenda item 3) indicates the following process which is proposed for discussion and confirmation by the TF:	Support the proposed process which will raise the TF’s profile,

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		<ul style="list-style-type: none"> <li>• Publication and launch of the Issues and Options Paper in late November (though this may move to early December)</li> <li>• Initial responses to be sought by 20 December but with an extension to the New Year offered</li> <li>• Workshops (each with around 40 participants) to be held in 8 centres over February/March 2006</li> </ul> <p>TF members are invited to identify respondents to receive the paper and opinion leaders to be invited also to the workshops.</p> <p>Respondents will be invited to send open-ended comments on the paper or to use a response questionnaire that officials have developed.</p>	<p>open dialogue with the wider sector, broaden the debate and provide useful input into the TF's final recommendations for a development agenda for the sector.</p>
4	Possible Bids for 2006/07 Budget	<p>The last item in the morning is a discussion of possible budget bids for the forthcoming Budget round.</p> <p>The Sector Engagement Policy established in May 2004 notes that sector engagement should not normally result in any substantial shift in resource allocations to favour specific sectors. Nevertheless, given the size and importance of the sector, it is likely that the TF will make at least some recommendations that will require re-prioritisation of resources or new funding.</p> <p>You have previously encouraged the TF to agree some recommendations by November 2005, so any new initiatives requiring funding could be considered as part of the impending Budget round. We understand that you indicated to Co-Chair Tony Nowell that there might be potential for a Food and Beverage TF implementation "contingency" to be set aside in 2006/07 budget, so long as there were clear indications of recommendations that might require funding.</p>	<p>Your input into the TF's discussion on these matters would be helpful.</p>

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		<p>The background paper for this item (attached and marked Agenda item 4) discusses the option of a Food and Beverage contingency allocation for 2006/07. Working Groups have been asked to identify any specific activities that might be advanced in 2006/07 and that might justify additional resource.</p> <p>It also discusses the proposal that a sum of money (\$800,000 is suggested) be set aside to resource sector input into investigating, implementing, monitoring and reviewing TF recommendations during the implementation period.</p> <p>We believe that more work may be needed to clearly establish what the new pan-industry body might be designed to address, or whether that is the optimal solution.</p> <p>MAF is scoping a project on the future evolution of industry bodies. This could potentially provide a vehicle for examining whether a new F&amp;B industry body could add significant value to the sector by achieving more horizontal integration (in particular more effective strategic co-ordination) and/or as single point of entry for ongoing engagement with Government. It could also assess establishment issues etc.</p> <p>The TF may wish to examine the merits of recommending that MAF's work should commence as soon as possible.</p> <p>You may also wish to note that MED is currently preparing a paper on the funding of industry bodies. The paper's underlying premise is that industry good activities should in the first instance be funded by industry. However, in order to achieve a step-change in the growth and sustainability of the sector, there may be a case for Government to make a contribution. This case has to be made and should not be a given, and any contribution should be time limited. One approach</p>	

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		<p>could be for the government to provide funding to purchase specific public good outputs from the industry body. We support this approach.</p>	
		<p>The original proposal to seek funding via a GIF contingency has now been replaced with a Food and Beverage contingency. Our understanding is that there is no GIF contingency in the 2006 Budget.</p> <p>The initial request for a \$20 million contingency has now been replaced with a more modest proposal for \$800,000 for a TF “implementation period”.</p> <p>Working groups have been asked to have possible bids ready for this meeting but the detail of those proposals may not be fully developed at this point.</p> <p>MAF’s role in the Budget process would be to provide technical support and co-ordination consistent with the previous GIF engagements.</p> <p>The TF also needs to be aware that any potential bids will need to successfully navigate the budget prioritisation processes of their sponsoring departments. There appears to be an expectation that any TF bids will progress through the budget process unchallenged. You may wish to correct this misunderstanding if the opportunity arises.</p>	
<p><b>4 (cont’d)</b></p>	<p>Possible Bids for 2006/07 Budget (continued) Innovation Working Group</p>	<p>Paul Reynolds (MAF) and Paul Tocker are the co-Chairs of this Group.</p> <p>The group is making excellent progress. It has divided its work into three thematic work areas as follows:</p>	

Item Number	Description	Comment	Action Points
		<p><b>(1) Alignment of scientific effort with productive potential of the sector</b></p> <p>The group received an initial report on private sector research investment (as identified in the Statistics NZ survey) and FRST research funding in the F&amp;B sector at its last meeting. It identified some areas of further interest including:</p> <ul style="list-style-type: none"> <li>• a more fine-grained analysis of CRI expenditure on research in the sector;</li> <li>• Inclusion of more detail about on-farm research;</li> <li>• Breakdown of funding by instrument; and</li> <li>• Establish the picture of R&amp;D along the value chain from farm to market.</li> </ul> <p>The TF might like to consider having a presentation on FRST's Technology for Business Growth funding which is not widely subscribed by the Food and Beverage Sector possibly due to a lack of awareness of the potential this funding stream presents and how R&amp;D within the sector fits within the criteria for the fund.</p> <p><b>(2) Enhanced technological transfer and knowledge uptake systems</b></p> <p>MAF has been asked to draft a "request for proposals" for consideration at the IWG's next meeting on 8 December, 2005 for a research project that would:</p> <ul style="list-style-type: none"> <li>▪ investigate the fit between best practice technology and its adoption, and the relationship between researchers and end users;</li> <li>▪ pull together existing understanding to identify common themes.</li> </ul>	

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		<p>This would include a literature review and identification with industry good organisations of examples of best practice in the sectors; and</p> <ul style="list-style-type: none"> <li>▪ lead to a small range of pilots to model “fit for purpose” technological learning and knowledge application on one or two important issues.</li> </ul> <p>It would consider:</p> <ul style="list-style-type: none"> <li>▪ the needs of different types of SMEs including farming and urban businesses;</li> <li>▪ the importance of communications as a factor in successful adoption of new technology; and</li> <li>▪ the impediments to adoption (social issues) and time lags.</li> </ul> <p>The research proposal would be presented to the TF at its next meeting. It could be commissioned either using existing TF funds during the engagement process (as a means to support the TF’s final recommendations) or from within MAF resources.</p> <p><b>(3) Linking of R&amp;D effort to commercialisation opportunities</b></p> <p>Possible budget initiatives include:</p> <ul style="list-style-type: none"> <li>▪ Portal development – looking at mechanisms for gathering information (e.g. from market) and identifying gaps in research and development</li> <li>▪ Access to MRI funds for product development facility in terms of big, safe samples (in particular combining of multi-sectoral raw materials in approved food manufacturing facilities) needed by clinical and product development phases of R&amp;D</li> </ul>	

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		<p><i>Portal Development</i></p> <p>Paul Tocker, Hugh Campbell (NZTE) and Andrew McCallum (MED) have been asked to scope the project more clearly. They would also look into the Danish Technological Institute initiative and whether this would provide some good solutions.</p> <p>Issues to be reviewed:</p> <ul style="list-style-type: none"> <li>▪ exactly what the Portal was and wasn't;</li> <li>▪ how much was IT/navigation gateway and what "warm support" was required;</li> <li>▪ whether the information was out there but not accessible;</li> <li>▪ how it would relate to FRST, the CRIs;</li> <li>▪ where might it be located; and</li> <li>▪ whether it should be trialed on a regional basis.</li> </ul> <p>A preliminary view is that the Portal would be an IT portal – a "one stop shop" and pipeline for people with ideas to access current capability. The portal would flag resources available around New Zealand in terms of information and the capabilities of CRIs.</p> <p>The Working Group will consider this further information and whether the Portal should be promoted to the TF for 2006/07 or as a longer term initiative. However, MAF officials believe that the information is unlikely to be in place for the TF to consider it for 2006/07 Budget Bid.</p>	
4 (cont'd)	Possible Bids for 2006/07 Budget (continued)  Report back from the Markets Group	<p>The Markets Group is understood to be focusing on:</p> <p><i>Food And Beverage Showcase Concept</i></p> <p>Consideration is being given to the development of a "Showcase" and in parallel with the Food Week. The Showcase concept seeks to take New Zealand to selected world markets while the Food Week seeks to market NZ in NZ to both New Zealander's and the world.</p>	For noting.

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		<p><i>Collective Exporter Market Development</i></p> <p>Determining how a collective sector approach to export market development could be structured in selected overseas markets, based on experiences with lamb meat export market development, and the activities of the Mussel Industry Council. The concept would attempt to address the issue of critical mass in terms of market servicing and demand fulfilment.</p> <p>In terms of possible Budget Bids, it is understood that the Markets Group will be making a single recommendation related to substantial funding to support in depth participation in a selected range of international F&amp;B Trade Exhibitions with an estimated budget requirement of \$3.0 million.p.a.</p>	
4 (cont'd)	<p>Possible Bids for 2006/07 Budget (continued)</p> <p>Report back from the Skills Group</p>	<p>Greg Murrow is the MAF representative on this group. The group is making good progress. It has completed a stocktake of activity related to labour and skills in the F&amp;B sector.</p> <p><b>Priority 1: Better Labour Market Information</b></p> <ul style="list-style-type: none"> <li>• <b>Forecasting Framework</b> - investigate existing and proposed forecasting models and report back April 2006. Arising from this work, it is expected that a forecasting framework would be developed (using learnings from other frameworks) which could then be applied specifically to food and beverage, subject to available budget.</li> <li>• Once the framework is agreed and designed for food and beverage, actual implementation will require industry ownership and testing. Maintenance of the framework will most likely require access to GIF funds.</li> </ul>	For noting,

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		<ul style="list-style-type: none"> <li>• <b>Productivity</b> – One project will result in the release of official productivity numbers on 1 December 2005. Statistics New Zealand also intended to release broad industry (eg. agriculture, manufacturing, construction) productivity numbers at a slightly later date (which could be available next year).</li> <li>• Another project is a survey of businesses, designed to obtain information about employment arrangements, business practices and firm performance. It may take some time to sort the findings into meaningful food and beverage sector data.</li> <li>• One piece of possible further work could involve the testing of the relationship between employment arrangements and the degree of productivity actually achieved, but there would need to be clear decisions on resourcing and funding of such research.</li> </ul> <p><b>Priority 2: More Strategic Investment in Training</b></p> <ul style="list-style-type: none"> <li>• <b>Improving Agency Alignment</b> - this exercise is focused on improving how the current system works in practice and will involve two steps. Step one is to bring together DoL, ITOs, ITF, MoE and TEC to pool information and identify strategic issues. Step two is to bring the above agencies together with the NZ Council of Trade Unions and Business NZ to test and extend the ideas for practical improvements to the current system.</li> <li>• <b>TEC Review of Allocation</b> - TEC is planning to review how allocation of funds can be made more strategic. TEC is intending to fund this work within baseline and to have this</li> </ul>	

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		<p>work completed by the end of 2007.</p> <ul style="list-style-type: none"> <li>• <b>Foundation Learning</b> – This project will seek to proactively align (where appropriate) other government initiatives and the Workbase initiative (on small manufacturing sites) associated with foundation learning (ongoing work). If this work was to lead to a specific initiative on foundation learning for food and beverage, then it is likely to require to GIF funding.</li> <li>• In addition to the above, DoL will provide information on the Foundation Skills in Seasonal Workplaces (FSSW) project before June 2006, in order to generate discussion on the implications and key learnings that may be applicable to food and beverage.</li> </ul> <p><b><i>Priority 3: How can Food and Beverage become a Career of Choice?</i></b></p> <ul style="list-style-type: none"> <li>• <b>Small Market Research Project</b> – it is proposed that a small research project be undertaken over the next 6 months in terms of new and existing employees (involved in structured learning) and their perceptions and thoughts on how food and beverage can be a career of choice. This work will complement the work of the Human Capability Group and will be contracted out.</li> <li>• Scope and implementation is estimated to cost \$60,000 of TF funds. As a result of this research, is it possible that actions will be proposed to enhance the attractiveness of food and beverage as a career option.</li> <li>• For example, it may be possible and desirable to link the Markets Working Group initiative of a Food Week, with a</li> </ul>	

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		communications activity that encourages food and beverage career development.	
5	Review of the Food and Beverage Export Council and its implications for the TF	<p>Brian Richards will present a retrospective look at the work of the Food and Beverage Export Council in 1990 and the development of <i>Brand New Zealand</i>.</p> <p>The presentation will look at what it concluded; what it implemented; what worked, and what did not, and why.</p>	
6	Environmental sustainability and property rights	We understand that MED's key message will relate to how New Zealand can leverage further value from a reputation for environmental sustainability that must nevertheless be backed up by appropriate business practices.	
7	Work Programme for 2006	<p>The background paper for this item (attached and marked Agenda item 7) summarises activity that has been undertaken to this half way stage, and the main steps that need to take place early next year.</p> <p>TF members are asked to identify any gaps in the work programme or if there are any parked working group activities that they wish to see activated reasonably soon.</p> <p>It also encourages preliminary discussion around the format of the TF's final report. It proposes a report of 100 pages, backed up with background papers on specific topics accessible from a website.</p> <p>A timeline is provided.</p>	