

2015

Saudi-NZ Agri Hub

Governance Group Meeting Minutes

28<sup>th</sup> May, 2015

Withheld under  
sections S9(2)(b)(ii) +  
S9(2)(ba)



# SAUDI-NZ AGRI HUB

## Governance Group Meeting

2.00 pm Thursday 28<sup>th</sup> May, 2015

Brownrigg Agriculture Boardroom

Hastings

### Agenda

#### Governance Group Members:

Mike Taylor (Chairman)  
Alex Matheson  
Quentin Quin  
David Brownrigg  
George Assaf

#### Attending:

John Austin-Smith  
Peter Bailey  
Paul Muir

1. Apologies  
Confirmation of Minutes of 25<sup>th</sup> March 2015 Meeting  
Matters Arising
2. Interim Sheep Research Report
3. Update on Technologies Project
4. Financial summaries, including expenditure to date, and expenditure forecasts
5. Abattoir Update
6. Other business - Next Meeting  
Other

141415

IF ASKED Q&A FOR THE PM

out of ~~scope~~

RELEASED UNDER THE  
OFFICIAL INFORMATION ACT

Page 2 is out of scope

POLI-144-411

out of scope

***Does your visit mean New Zealand will resume livestock exports to Saudi Arabia/the Gulf?***

New Zealand currently has a moratorium on the export of livestock for slaughter. New Zealand law allows the export of livestock for breeding purposes only – and under strict conditions.

***If asked: when last did New Zealand export livestock to Saudi Arabia?***

An air shipment of breeding ewes was exported to Saudi Arabia in October 2014 for the purpose of establishing a breeding flock. All the sheep arrived safe and healthy in Saudi Arabia. We export livestock for breeding purposes to many countries.

***Questions about the agribusiness hub near Dammam***

The New Zealand Government has invested \$6 million in an agribusiness hub near Dammam in partnership with a Saudi investor. The hub will showcase New Zealand agricultural technology and expertise. Over 30 New Zealand companies are involved.

***Will you visit the agribusiness hub?***

No, the travel schedule does not allow it [at least a five hour round trip from Riyadh].

Page 4 is out of scope

**Saudi-NZ Agri Hub**

**Governance Group Meeting Minutes**

25<sup>th</sup> March, 2015

Withheld under  
Sections s9(2)(b)(ii)  
\* s9(2)(ba)

# SAUDI-NZ AGRI HUB

## Governance Group Meeting

11.00 am Wednesday 25<sup>th</sup> March, 2015

Brownrigg Agriculture Boardroom

Hastings

## Agenda

### Governance Group Members:

Mike Taylor (Chairman)  
Alex Matheson  
Quentin Quin  
David Brownrigg  
George Assaf

### Attending:

John Austin-Smith  
Peter Bailey  
Paul Muir

1. Apologies  
Confirmation of Minutes of 10<sup>th</sup> February 2015 Meeting  
Matters Arising
2. Report on visit to Agri-hub the first week in March by MFAT and NZTE
3. Discussion – Revised project timetable discussed with the Al Khalaf Group during the March visit, and implications for planned activities and expenditure. (Project completion by end December 2015) No discussion papers circulated.
4. Update on pending visit by 59(2)(a) staff and shearing contractors to Um Alraqad in April
5. Update on progress with abattoir project
6. Financial summaries, including expenditure to date, and expenditure forecasts
7. Other business - Next Meeting  
- Other

RESTRICTED

# New Zealand Trade Mission to the Gulf

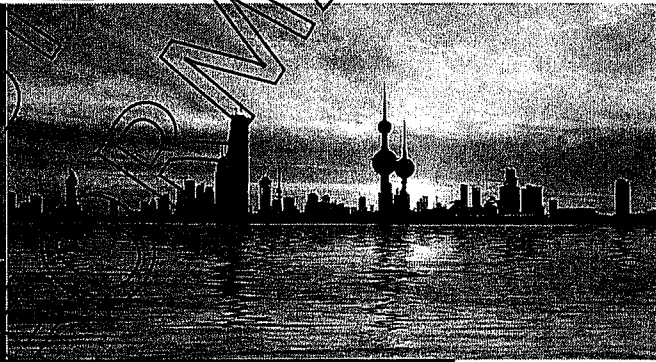
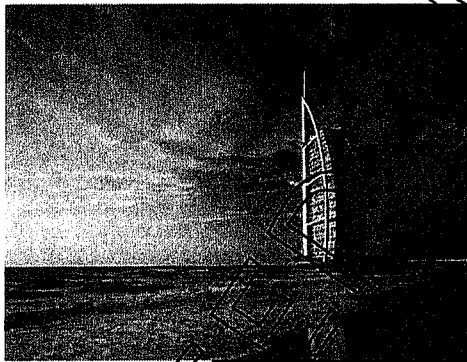
Prime Minister  
Rt Hon John Key

*out of scope*

*Saudi Arabia and*

*out of scope*

25 April - 2 May 2015



NEW ZEALAND  
FOREIGN AFFAIRS & TRADE

*Pages 2 to 51 are out of scope*

out of scope

- The New Zealand government has invested \$5 million in an agribusiness hub model farm in Saudi Arabia's Eastern Province. Showcasing New Zealand agricultural technologies, the farm currently has a breeding flock of around 1000 New Zealand-born ewes.
- There is very little Saudi investment into New Zealand.

*not to be  
2/4/15*

Saudi Crown Prince: His ~~Royal~~ Highness Prince Muqrin bin  
Abdulaziz Al Saud

*out of scope*

*Pages 54 to 138 are  
out of scope*



59(2)(a)

**From:** RIYADH  
**Sent:** Friday, 13 March 2015 12:47 a.m.  
**To:** MEA  
**Cc:**

out of scope

**Subject:** FORMAL MESSAGE: SAUDI ARABIA: FOOD SECURITY PARTNERSHIP: AGRIHUB

out of scope

#### Summary

- A combined NZTE/MFAT delegation visited the Saudi-New Zealand Agrihub at the Al Khalaf farm in Um Alerrad to assess progress and discuss potential opportunities to further leverage the project;
- Despite some initial teething problems related to the breeding programme, development of the Agrihub is well underway and on track to be substantially completed in 2016 (with NZ's contractual commitments completed in 2015);
- Once fully established, the Agrihub will demonstrate New Zealand agricultural technology products and services operating in a Saudi commercial farming environment;
- As such the Agrihub will be integral part of the new generation NZ Inc GCC Strategy, encompassing further opportunities in areas such as agricultural training and food security in Saudi Arabia and the wider Gulf.
- A governance group oversees the project's implementation, and is comprised of representatives from Brownrigg Agriculture, Al Khalaf group, MFAT and NZTE.

#### Action

out of scope

#### Report

On 5 March 2015 a combined NZTE/MFAT delegation (Clayton Kimpton, Alex Matheson, Peter Bailey, Quentin Quin, and Second Secretary) visited the Saudi-New Zealand Agrihub at Um Alerrad, near Damman to take stock of developments and assess progress. This visit provided a timely opportunity to meet with Saudi investors and partner Sheikh Hmood Al Khalaf (owner of the farm, CEO Al Khalaf Group) together with representatives from various parts of his organisation. There was general agreement that the development of the Agrihub is progressing well, and a good working relationship exists between all parties involved.

#### Update on farm developments

2 During the visit to the Agrihub it was clear that lessons had been learnt from the disappointing first lambing season. An initial high mortality rate of lambs had caused concern,

56(a)  
59(2)(b)(i)  
59(2)(b)(ii)

s6(a)

s9(2)(ba)(i)  
s9(2)(b)(i)

3 A sheep breeding sub-project including research is being done in NZ. The research includes the effects of ewe age, ewe breed and sire breed on reproduction and growth. Research is also being undertaken on the effects a late mating has on pregnancy. Overlaying these research programs is a progeny test of the New Zealand Awassi rams that have been used as sires when mating the ewes.

4 The Agrihub is however more than just for the breeding and finishing of lambs. Other sub-projects include, building an abattoir for meat processing, building a four stand woolshed and covered yards, building sheep and cattle finishing feedlots and the provision of animal handling technologies. There are 31 New Zealand technology companies currently engaged in providing products and services to the Agri Hub project. The main companies are: Brownrigg Agriculture (lead provider), (abattoir), (woolshed/covered yards and sheep/cattle handlers), and (scales & EID technologies). Other companies involved include:

s9(2)(a)

s9(2)(b)(ii)

The first installation of woolshed, covered yards and handling facilities have now been completed following shipment to Saudi Arabia in kitset form from New Zealand. A second container of sheep and cattle auto handlers, drafters, weigh scales and associated technologies has also now been shipped and is set to be commissioned by May 2015.

6 The specifications of the abattoir and meat processing facility have been agreed and will be capable of slaughtering 450 sheep and 50 cattle per day. Depending on the number of hours and staffing levels per shift, this output could be doubled. The abattoir will be designed and kitset built in New Zealand and shipped to Saudi Arabia. While the building facility has the potential to be completed by December 2015, the operating processing technology will not likely be fully installed for commissioning until June 2016. New Zealand's financial contribution to the abattoir will however be completed by December 2015, as the majority of the cost for this sub-project is being borne by the Al Khalaf Group.

#### **What does this mean for New Zealand?**

Once complete, the Agrihub will be an important in showcasing New Zealand technology and expertise for the Kingdom and the wider Gulf. For example, there are approximately 1200 abattoirs in Saudi Arabia,

s9(2)(b)(ii)

(i.e. using the higher New Zealand technology as a benchmark for how new Saudi abattoirs will operate). NZTE proposes to look at conducting research into this sector and use that information to work alongside the Al Khalaf Group to leverage this opportunity.

8 High level Saudi interest in the Agrihub has continued, reinforcing the concept of a bilateral food security partnership.

s6(a)

out of scope

9 Post recommends that a visit to the Agrihub be included in the itinerary for the Minister of Primary Industries when he visits the Kingdom for the sixth Saudi-New Zealand Joint Ministerial Commission meeting in the second half of 2015.

10 The existing NZ Inc GCC Strategy outlines the New Zealand Government's commitment to establishing an agribusiness service hub/demonstration farm in the Gulf to fast track partnerships between New Zealand and GCC businesses. It forms an integral part of the concept of a food security partnership and is an excellent demonstration of New Zealand's competitive know-how in the agriculture sector. As such, the Agrihub should take a central role in the new generation NZ Inc GCC Strategy as it encompasses further opportunities such as agricultural training and building capability in Saudi Arabia and the wider Gulf.

ENDS.

RELEASED UNDER THE  
OFFICIAL INFORMATION ACT

Saudi-NZ Agri Hub

Governance Group Meeting Minutes

10<sup>th</sup> February, 2015

Withheld under  
sections 59(2)(b)(i)  
+ 59(2)(ba)

# SAUDI-NZ AGRI HUB

## Governance Group Meeting

1.00 pm Tuesday 10<sup>th</sup> February, 2015

Brownrigg Agriculture Boardroom

Hastings

### Agenda

#### Governance Group Members:

Mike Taylor (Chairman)  
Alex Matheson  
Quentin Quin  
David Brownrigg  
George Assaf

#### Attending:

John Austin-Smith  
Peter Bailey  
Paul Muir

1. Apologies  
Confirmation of Minutes of 5<sup>th</sup> January 2015 Meeting  
Matters Arising
2. The Peter Bailey Report
  - Approval for report distribution,
  - Approval for proposed Sheep Management calendar of events for 2015
  - Budget and management of 2015 Sheep Management Programme
  - Discussion on merits of a resident stockman versus visiting stockman at Um Alerrad in 2015
3. Visit to Agri hub planned for the first week in March by MFAT and NZTE – purpose of visit and proposed visit outcomes
4. Discussion and approval of revised Sheep Breeding and Forages Project as circulated by e-mail.
5. Update on Airfreight, Sheep Breeding, Technologies, Forages and Abattoir Projects, plus updated financials and expenditure forecasts,
6. Other business

out of scope

**From:** Peter Bailey -WLG [mailto: ]  
**Sent:** Monday, 9 February 2015 9:42 a.m.  
**To:** Brian McCulloch [TSY]; s9(2)(a)  
**Cc:** MATHESON, Alex (ECO)  
**Subject:** Agri Hub update

Dear Brian and s9(2)(a)

A lot has happened over the last couple of months. This is the first update on recent activities at the Saudi Agri Hub project, Um Alerrad. I have attached the last governance meeting minutes and a just approved report from a visit late last year.

The air shipment of 900 pregnant ewes arrived at the Agri Hub in excellent condition on 12 October. The ewes began lambing late October, November. The Lead Provider Brownrigg Agriculture were notified there were losses of ewes and lambs occurring over the lambing period. The immediate response was to send myself and an experienced veterinarian and stockman to visit the Agri Hub to evaluate the situation. The attached report and calendar of operations was the outcome.

The rest of the project is progressing very well. The woolshed, covered yards, animal technologies and sheep research in New Zealand is all on track, with deliverables and milestones being met. The abattoir has been delayed still with issues with the engineering company in Saudi Arabia. The sheep and forage research has been cancelled to better focus investment in other Agri Hub projects that have now assumed a higher priority..

The attached minutes, sheep report and calendar of operations provide more detail.

The next Governance meeting is to be held on 10 February, after which Alex and I can meet with you and provide you with the minutes and a personal update. s9(2)(a)

MFAT (Alex Matheson and Jeff Langley et al) and NZTE are to prepare a brief paper for Ministers McCully, Guy and Joyce later this month and I will forward that to you.

Please let me know what date and time is suitable to meet and update you later this month, if required?

Regards

Peter

**Saudi-NZ Agri Hub**

**Governance Group Meeting Minutes**

5<sup>th</sup> January 2015

Withheld under  
sections 59(2)(b)(i)  
& 59(2)(b)(ii)

# SAUDI-NZ AGRI HUB

## Governance Group Meeting

10.30 am Monday 5<sup>th</sup> January, 2015

Brownrigg Agriculture Boardroom

Hastings

## Agenda

### Governance Group Members:

Mike Taylor (Chairman)  
Alex Matheson  
Quentin Quin  
David Brownrigg

### Attending:

John Austin-Smith – Minutes  
Peter Bailey  
Paul Muir  
Jamie Molloy (Review of Peter Bailey Report)  
Malcolm Macfarlane

1. Apologies  
Confirmation of Minutes of 28<sup>th</sup> October 2014 Meeting  
Matters Arising
2. Presentation and discussion of the Draft Peter Bailey Report (to be circulated separately)
3. Learnings and way forward:
  - a. Where to now for NZ Sheep Breeding in Saudi?
  - b. Impact on future sea shipment plans
4. Finalisation of report and communication to stakeholders
5. Review of the Draft Peter Bailey Report and Findings with the Al Khalaf Group  
(Joined by Ahmed Al Khalaf and George Assaf at approx. 1.30 pm)
6. Financial Update - Project to Date
7. Other Business



2014

s9(2)(a)

**From:** LANGLEY, Jeff (MEA)  
**Sent:** Friday, 12 December 2014 2:38 p.m.  
**To:** s9(2)(a)  
**Cc:** (MEA); MATHESON, Alex (ECO); Peter Bailey -WLG (s9(2)(a))  
Chris Carson  
Stone  
MacMASTER, Hamish (RIV) (RIY);  
CORRY, Bede (DS APE); CRAIG, Sarah (CEO Office) (s9(2)(a))  
**Subject:** SAUDI AGRI-HUB PROJECT

#### SAUDI AGRI-HUB PROJECT: BREEDING PROGRAMME ISSUE

The Saudi Agri-Hub Governance Group met on 12 December to discuss latest developments.

Following the airfreighting of 900 in-lamb breeding ewes to the Al Khalaf farm in Saudi Arabia in October, where all the sheep arrived safely and in good health, we are now aware that many of the lambs born at the farm in recent weeks are not surviving.

The exact details are unclear, including sheep management, fatality numbers and the cause of death. NZTE and MFAT are working closely with Brownrigg Agriculture - the lead provider of the NZ Saudi AgriHub project - to identify, evaluate and accurately report on the issues. As a result a veterinarian, stockman and NZTE representative will travel to Saudi Arabia this weekend. In addition Al Khalaf's representative George Assaf will accompany the team from Sydney.

As the lambs are Al Khalaf's property, a report will be prepared for the Al Khalaf Group outlining the team's assessment of the cause the lamb deaths, and suggestions for moving towards best practice in running a sheep breeding operation. The New Zealand team will also discuss alternatives to transporting livestock for breeding purposes, including AI and embryo transfer techniques and technologies in-country.

It is important to note that while this is a potential setback for Al Khalaf's proposed breeding programme, other components of the NZ Saudi AgriHub involving New Zealand agriculture technologies and design remain on track.

s 6(a)

Al Khalaf Group Breeding Programme

We understand that Sheikh Hameed, principal of Al Khalaf Group,

s6(a)

has this week invited the expert team from New Zealand to visit the farm, and we understand has sent samples for laboratory testing in Saudi Arabia. This will allow for a thorough review of the proposed breeding programme.

It is important for the future of the project and the ongoing relationship with the Saudi interests that the review focuses on understanding causes and identifying options for improvement.

In earlier visits to the farm NZ technical experts were encouraged by the apparent preparedness of the Al Khalaf team, including the building of isolation pens, and testing lambing procedures with Saudi ewes and lambs over the past year.

s6(a)

#### Next steps

The New Zealand team will arrive in Saudi Arabia as soon as possible (they have been delayed by visa approval from the Saudi consulate which is expected today). And will spend next week gathering the information required to pull together a detailed report.

The laboratory testing being undertaken by the Saudi authorities will be an important input into the report being jointly authored by Brownrigg Agriculture and NZTE's project manager.

s6(a)

Officials will update Ministers next week, with the final report for Al Khalaf Group due in January – dependent on the information to be provided by the Saudi interests.

**Jeff Langley**

Manager, Middle East and Africa Division  
Ministry of Foreign Affairs and Trade

Ph:

s9(2)(a)

M:



NEW ZEALAND  
UNITED NATIONS  
SECURITY COUNCIL  
2015-16



**LANGLEY, Jeff (MEA)**

**From:** LANGLEY, Jeff (MEA)  
**Sent:** Friday, 12 December 2014 2:13 p.m.  
**To:** Chris Carson  
**Cc:** s 9(2)(a) 59(2)(a)  
**Subject:** RE: Saudi sheep

Chris/

I'm hoping to keep this to an informal email update to our minister's office to convey the steps being taken but not to escalate up to a formal report as there is really no reliable information to go on.

s 6(a), s 9(2)(g)(i), s 9(2)(d) Let me know what you think of this asap and we'll put it up to our minister this afternoon and you can share with yours too:

**SAUDI AGRI-HUB PROJECT: BREEDING PROGRAMME ISSUE**

• Saudi Agri-Hub Governance Group met on 12 December to discuss latest developments.

Following the airfreighting of 900 in-lamb breeding ewes to the Al Khalaf farm in Saudi Arabia in October, where all the sheep arrived safely and in good health, we are now aware that many of the lambs born at the farm in recent weeks are not surviving.

The exact details are unclear, including sheep management, fatality numbers and the cause of death. NZTE and MFAT are working closely with Brownrigg Agriculture – the lead provider of the NZ Saudi AgriHub project - to identify, evaluate and accurately report on the issues. As a result a veterinarian, stockman and NZTE representative will travel to Saudi Arabia this weekend. In addition Al Khalaf's representative George Assaf will accompany the team from Sydney.

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• s important to note that while this is a potential setback for Al Khalaf's proposed breeding programme, other components of the NZ Saudi AgriHub involving New Zealand agriculture technologies and design remain on track.

s 6(a) s 6(a)  
Al Khalaf Group Breeding Programme

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s 6(a)  
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this week invited the expert team from New Zealand to visit the farm, and we understand has sent samples for laboratory testing in Saudi Arabia. This will allow for a thorough review of the proposed breeding programme.

It is important for the future of the project and the ongoing relationship with the Saudi interests that the review focuses on understanding causes and identifying options for improvement.

Earlier visits to the farm by NZ technical experts were encouraged by the preparedness of the Al Khalaf team, including the building of isolation pens, and testing lambing procedures with Saudi ewes and lambs over the past year.

sb(a)

#### Next steps

The New Zealand team will arrive in Saudi Arabia as soon as possible (they have been delayed by visa approval from the Saudi consulate which is now expected today). And will spend next week gathering the information required to pull together a detailed report.

The laboratory testing being undertaken by the Saudi authorities will be an important input into the report being jointly authored by Brownrigg Agriculture and NZTE's project manager.

sb(a)

Officials will update Ministers next week, with the final report for Al Khalaf Group due in January – dependent on the information to be provided by the Saudi interests.

-----Original Message-----

From: Chris Carson :

Sent: Friday, 12 December 2014 1:43 p.m.

To: LANGLEY, Jeff (MEA)

Cc: Matthew Stone

Subject: Saudi sheep

sg(2)(a)

Hi Jeff,

Are you pulling together a note for ministers today? Can you share the drat? We'd be keen to see something like following in the paper.

Cheers  
Chris

sb(a)

[seemail]

Sent from my iPhone

This email message and any attachment(s) is intended solely for the addressee(s) named above. The information it contains is confidential and may be legally privileged. Unauthorised use of the message, or the information it

contains, may be unlawful. If you have received this message by mistake please call the sender immediately on 64 4 8940100 or notify us by return email and erase the original message and attachments. Thank you.

The Ministry for Primary Industries accepts no responsibility for changes made to this email or to any attachments after transmission from the office.

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OFFICIAL INFORMATION ACT

## LANGLEY, Jeff (MEA)

**From:** LANGLEY, Jeff (MEA)  
**Sent:** Wednesday, 10 December 2014 6:51 p.m.  
**To:** s 9(2)(a) (MEA); s 9(2)(a) (RIY)  
**Cc:** MacMASTER, Hamish (RIY); s 9(2)(a) (MEA); HORNE, Stuart (MEA); s 9(2)(a) (RIY); MATHESON, Alex (ECO)  
**Subject:** RE: Saudi sheep

Hi All

Alex and I briefed the minister this afternoon. We outlined the situation as far as we know it and discussed implications for the Agri-Hub project and for the breeding programme element within it. It was acknowledged that we need more detailed information (including specific details of what happened, lab test results, and what will be done now) before coming to any judgements.

MFA was keen to ensure that Brownrigg agriculture gets actively engaged to manage their (and our) reputational risk. We are meeting with Brownrigg on Friday morning. From that meeting we will produce an update for MFA on steps being taken and some defensive points for the office in the unlikely eventuality that the situation gets some sort of public profile.

Cheers  
Jeff

-----Original Message-----

**From:** s 9(2)(a) (MEA)  
**Sent:** Wednesday, 10 December 2014 2:28 p.m.  
**To:** s 9(2)(a) (RIY)  
**Cc:** MacMASTER, Hamish (RIY); s 9(2)(a) (MEA); HORNE, Stuart (MEA); s 9(2)(a) LANGLEY, Jeff (MEA)  
**Subject:** RE: Saudi sheep

[IN CONFIDENCE]

Hi

We met with Alex Matheson today on the below. It will also be discussed with the Minister this afternoon, and we will keep you updated. Key points of the discussion were –

- s 6(a) there has not been any suggestion that NZ is to blame, and NZers should now have access to help resolve the problem and see what's going on
- The sheep-breeding programme was just one aspect of the programme. We are still working towards a sustainable, long term economic partnership.

We'd be grateful if you don't send an FM on this issue at present, until we have had the chance to speak to the Minister and a clearer knowledge of the situation.

Thank you

-----Original Message-----

**From:** s 9(2)(a) (MEA)  
**Sent:** Wednesday, 10 December 2014 10:23 a.m.  
**To:** s 9(2)(a) (RIY)

Cc: (RIY); s 9(2)(a) ;  
Subject: FW: Saudi sheep

s 9(2)(a) (RIY)

Hi s 9(2)(a)

I'm sure RIY is well aware of the below, but we are forwarding it to you just in case.

Thank you

s 9(2)(a)

-----Original Message-----

From: HORNE, Stuart (MEA)

Sent: Wednesday, 10 December 2014 10:11 a.m.

To: s 9(2)(a) (MEA); s 9(2)(a) (MEA)

Subject: FW: Saudi sheep

[UNCLASSIFIED]

-----Original Message-----

From: MATHESON, Alex (ECO)

Sent: Wednesday, 10 December 2014 9:23 a.m.

To: HORNE, Stuart (MEA)

Subject: FW: Saudi sheep

[UNCLASSIFIED]

-----Original Message-----

From: s 9(2)(a)

Sent: Wednesday, 10 December 2014 8:39 a.m.

To: MATHESON, Alex (ECO); Quentin.Quin@nzte.govt.nz; s 9(2)(a) @brownrigg.

Cc: s 9(2)(a) ; LANGLEY, Jeff (MEA)

Subject: Re: Saudi sheep [SEC=UNCLASSIFIED]

Yes, the need for very regular updates to GG is now obvious.

Can we all manage 9 am ?

s 9(2)(a) suggest you co-ordinate time/numbers et al.

Thanks

s 9(2)(a)

-----Original Message-----

From: MATHESON, Alex (ECO)

Sent: Wednesday, December 10, 2014 7:58 AM

To: 'Quentin.Quin@nzte.govt.nz' ; s 9(2)(a) @brownrigg.co.nz'

Cc: s 9(2)(a) ;

Subject: Re: Saudi sheep [SEC=UNCLASSIFIED]

; LANGLEY, Jeff (MEA)

[UNCLASSIFIED]



MFAT Device Tag: UNCLASSIFIED

Works for me

----- Original Message -----

From: Quentin Quin -AKL [mailto:Quentin.Quin@nzte.govt.nz]

Sent: Wednesday, December 10, 2014 07:52 AM New Zealand Standard Time

To: s9(2)(a) i@brownrigg.

Cc: MATHESON, Alex (ECO); Peter Bailey -WLG

s9(2)(a).

Subject: Re: Saudi sheep

Thanks s9(2)(a) is it possible to schedule a teleconference governance meeting for 30 minutes say Friday morning and round table an update on just this particular matter.

Best - Quentin

Sent from my iPhone

The remaining emails are  
withheld under sections  
s9(2)(b)(ii) + s9(2)(ba)

**Saudi-NZ Agri Hub**

**Governance Group Meeting Minutes**

28 October, 2014

Withheld under sections  
s7(2)(b)(ii) + s7(2)(ba)

# SAUDI-NZ AGRI HUB

## Governance Group Meeting

1.00 pm Tuesday 28<sup>th</sup> October, 2014

Brownrigg Agriculture Boardroom

Hastings

### Agenda

#### Governance Group Members:

Mike Taylor (Chairman)  
Alex Matheson  
Quentin Quin  
David Brownrigg

#### Attending:

John Austin Smith – Minutes  
Peter Bailey-NZTE

#### 1. Apologies

Confirmation of Minutes of 22<sup>nd</sup> August 2014 Meeting  
Matters Arising

#### 2. Project Updates

- Airfreight
- Sheep Research
- Technologies
- Abattoir
- Forages

#### 3. Other Business

- Accommodation Recommendations
- Introduction to KSA for visitors to the site
- Other

S9(2)(a)

**From:** RIYADH  
**Sent:** Sunday, 19 October 2014 8:09 p.m.  
**To:** MEA  
**Cc:**

**Subject:** FORMAL MESSAGE: SAUDI ARABIA: SAUDI/NZ AGRI HUB PROJECT: ARRIVAL OF AWASSI BREEDING SHEEP

## Report

Following the arrival of the 900 pregnant Awassi breeding sheep in the Kingdom, HOM MacMaster, Special Envoy Matheson, NZTE S9(2)(a) and Riyadh Trade Commissioner S9(2)(a) visited the Um Alerrad Agri Hub Demonstration Farm on 14 October. There they were met by the Saudi investor Hmood Al Khalaf, his Australian agent George Assaf, others from the Al Khalaf group and New Zealand contractors such as David Brownrigg involved in the project. All the latter group were exhausted, having worked through the past two nights to ensure the animals were well settled. Objectives for the Embassy visit were to demonstrate to the Saudi side the ongoing commitment in the project from the NZ end, building the commercial relationship with the Saudi principals given the recent arrival of TC Tozer and reviewing Agri Hub developments on the farm.

2 The arrival of these animals is a significant milestone in the development of this project. The 900 Awassi sheep had all arrived safely (i.e. no casualties on the flight) and appeared to be in excellent condition, eating and drinking well. The process of unloading the plane at Hofuf airport and transporting the sheep to the farm had gone very smoothly. Saudi agriculture authorities had allowed the animals to disembark immediately with quarantine and vaccination formalities completed later on the farm. There were two vets in attendance of the animals on the farm and they testified to the good condition of the animals.

3 It was encouraging to view the visible progress that had been made on the Agri Hub project since Minister Guy's visit in May. New feedlots have been built for all the NZ Awassi sheep and nearby the recently constructed silage sorting facilities were clearly visible. The pellet making building is almost complete, while new fencing and signage gave the project a more established look. With accommodation for the contractors now ready close to the site, there will be a steady stream of New Zealand contractors visiting in the coming months. Similarly we were told the Saudi Agriculture Minister Balghunaim whose organic farm is just down the road, is a regular visitor.

4 Overall the Saudi NZ Agri Hub demonstration farm is moving ahead well. It was clear that there is a good project management and operational relationship between NZTE, MFAT, Brownrigg and the Al Khalaf group and this will be a real asset as the project progresses. There are 16 New Zealand

technology companies already engaged in the Agri Hub project and that number is expected to increase twofold as the project proceeds.

5 The next few months will be of intense activity for the Agri Hub. A woolshed, covered yards and handling facilities are currently being shipped to Saudi Arabia in kitset form. Sheep and cattle auto handler, drafters, weigh scales and associated technologies are also being shipped and are expected to be commissioned by January 2015. This is against an ongoing programme of sheep breeding research, already well underway. The specifications of the processing facility are to be signed off in the coming weeks. Again this facility will be designed and kitset built in New Zealand and shipped to Saudi Arabia.

#### **Comment**

6 While obviously all very tired, the Saudi principals and New Zealand contractors, including the vets on the farm, were very pleased with how the shipment had gone. The Saudi side is also clearly delighted at the project's overall progress. The Agri Hub is capturing the attention of senior Saudi officials and has been visited by the Saudi Minister of Agriculture. The focus now will be on translating this interest to commercial opportunities through showcasing New Zealand technology and expertise, a significant future preoccupation of the Embassy's recently appointed Trade Commissioner.

ENDS

## LANGLEY, Jeff (MEA)

**From:** LANGLEY, Jeff (AUS)  
**Sent:** Monday, 13 October 2014 10:28 a.m.  
**To:** David Brownrigg; Peter Bailey -WLG; MATHESON, Alex (ECO); Quentin Quin -AKL; matthew.stone: s9(2)(a)  
**Cc:** s9(2)(a) s9(2)(a) s9(2)(a)  
**Subject:** RE: Saudi sheep all arrived safe and sound

Thanks David, a great outcome reflecting a hugely professional effort from all concerned. The message has been passed on to Minister McCully in New York who has been following progress with interest and was pleased to get the good news..

Cheers  
Jeff

**From:** David Brownrigg s9(2)(a)  
**Sent:** Monday, 13 October 2014 10:01 a.m.  
**To:** LANGLEY, Jeff (AUS); Peter Bailey -WLG; MATHESON, Alex (ECO); Quentin Quin -AKL; matthew.stone: s9(2)(a) Mike Taylor s9(2)(a)  
**Cc:** s9(2)(a) s9(2)(a) s9(2)(a)  
**Subject:** Saudi sheep all arrived safe and sound

Hi All... as some of you will have heard, the Singapore Airlines 747 400 freighter with 900 sheep on board touched down late morning Sunday Saudi local time at the desert airfield of Hofufu. The sheep travelled well and arrived in good order, much to the satisfaction of Sheik Hmood.

Transfer of the crates to Hmoods waiting flatbed trucks for the journey to the farm went smoothly and the sheep are now tucking into NZ feed pellets as they begin the transition to their new environment.

Thanks for your support during this challenging but ultimately satisfying project.

Kind Regards

David

David Brownrigg  
BROWNRIGG AGRICULTURE  
Phone: s9(2)(a)  
Email: s9(2)(a)

**LANGLEY, Jeff (MEA)**

**From:** LANGLEY, Jeff (AUS)  
**Sent:** Monday, 13 October 2014 8:46 a.m.  
**To:** PM's Foreign Policy Adviser [DPMC] s9(2)(a)  
MFA Private secretary s9(2)(a)  
**Cc:** CRAIG, Sarah (CEO Office); CORRY, Bede (DS APE); WALKER, David (DS TEG);  
MacMASTER, Hamish (RIY); NOTTAGE, Hunter (LGL/TLU); HARVEY, Martin (TND);  
s9(2)(a) (MEA); s9(2)(a) (MEA); MATHESON, Alex (ECO)  
**Subject:** FW: Sheep have arrived safely [SEC=UNCLASSIFIED]

s9(2)(a)

grateful you let the Minister know the air shipment of sheep to Saudi Arabia has arrived safe and sound with no casualties.

Transport from farm to Auckland, flight to Singapore, transit and flight to Saudi, and unloading and transport to farm all went smoothly.

Radh will report formally in due course.

**From:** Peter Bailey -WLG s9(2)(a)  
**Sent:** Monday, October 13, 2014 07:54 AM New Zealand Standard Time  
**To:** Peter Chrisp -WLG s9(2)(a); Quentin Quin -AKL s9(2)(a)  
**Cc:** MATHESON, Alex (ECO)  
**Subject:** Sheep have arrived safely

Gâ€™™Day all from Riyadh,

I have just arrived in Riyadh, (a bit cooler than Dubai) and have a very brief update regarding the sheep arrival to the Um Alerrad Agri Hub Demonstration farm.

The 900 sheep have arrived and are all ensconced at Um Alerrad Agri Hub demonstration farm. The sheep are all eating and drinking which is a good outcome after such a long flight. There were no casualties on the flight.

The final process from unloading the plane at Hofuf airport and transporting the sheep to the farm went smoothly. Credit must go to David Brownrigg and his project team to have organised and carried out the complex delivery of the sheep from Hawkes Bay NZ to Um Alerrad farm KSA. Also it must be noted the support of MFAT and MPI and their contribution to facilitate it from a compliance perspective.

The delivery of the sheep has been a successful and important part of the project to date.

I will report further after we have been to the farm on 14 October or if other information comes to hand.

Regards

Peter

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**LANGLEY, Jeff (MEA)**

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**From:** LANGLEY, Jeff (AUS)  
**Sent:** Friday, 10 October 2014 6:01 p.m.  
**To:** CORRY, Bede (DS APE); CRAIG, Sarah (CEO Office)  
**Subject:** Saudi Sheep: Note for Ministers  
**Attachments:** AM14-147\_Sheep to Saudi\_StoneM\_2.doc; ATT00002.txt

FYI, This is the note from MPI that went up to Ministers' offices late yesterday. Feedback from MFA was broadly positive.

RELEASED UNDER THE  
OFFICIAL INFORMATION ACT



AM14-147

Ministry for Primary Industries  
Manatū Ahu Matua



**Aide-memoire:**

**From:** Matthew Stone  
Acting Deputy Director-General, Regulation and Assurance Branch  
for Director-General

**Contact:** Matthew Stone

S9(2)(a)

**To:** Hon Nathan Guy  
Minister for Primary Industries

**Cc:** Prime Minister  
Minister for Economic Development  
Minister of Foreign Affairs  
Minister of Trade  
Associate Minister for Primary Industries

**Date:** 9 October 2014

**Export of Sheep to Saudi Arabia**

**Purpose**

1. This Aide Memoire is to provide you with information in relation to an upcoming export of sheep from New Zealand to the Kingdom of Saudi Arabia.

**Key Points**

2. A Singapore Airlines charter flight carrying 1000 pregnant breeding ewes is due to depart New Zealand for Saudi Arabia on Saturday 11 October as part of the Agri-Hub Project, under the New Zealand-Al Khalaf food security partnership.

S9(2)(j)

3. The media has reported the death of 174 sheep on a Singapore Airlines charter last week from Australia to Singapore. As a result officials, the private sector provider Brownrigg Agriculture and Saudi partners Al Khalaf Group have reviewed all arrangements for the flight with a view to mitigating risk. Greater detail is provided below, together with talking points for use if questions are raised about the New Zealand flight by the media.

**Security Level – In Confidence**

4.

The New Zealand flight will be different in almost every respect; it will transport no more than 1000 high-value breeding ewes in custom built single and double tier crates with on-board water available. Key points of difference and risk mitigation include:

- b. Custom built crates with unique features to improve animal welfare performance, in contrast to the standard crates used on the Australian flight.
- c. Fewer animals minimizes the risk of overloading the aircraft ventilation system and the crate loading configuration will include central access to improve airflow.
- d. A veterinarian and experienced stockmen will accompany the flight throughout to monitor animal welfare.

**Background**

- 5. Agreement between the Ministry for Primary Industries (MPI) and the Ministry of Agriculture in the Kingdom of Saudi Arabia on the Export of Livestock from New Zealand to Saudi Arabia for Breeding Purposes was signed in March 2014. The agreement includes specific requirements for cattle and sheep.
- 6. Requirements for the export of Sheep for Breeding to the Kingdom of Saudi Arabia were issued by notice under the Animal Products Act on 1 August 2014. These requirements cover animal health certification and official assurance specifications.
- 7. The Animal Welfare Act requires all exporters to obtain an Animal Welfare Export Certificate (AWEC) issued prior to the export.
- 8. After the promulgation of the Customs Export Prohibition (Livestock for Slaughter) Order in 2007, MPI introduced a central assessment of AWEC applications prior to the issuing of the AWEC at the port of departure.
- 9. Applications for air shipments of livestock are assessed against the regulations published by the International Air Transport Association (IATA Live Animals Regulations (LAR)).
- 10. These regulations cover crate design and size, animal selection, and management practices during loading, transport and unloading.

## Security Level – In Confidence

11. The New Zealand Government is supporting the development of a New Zealand agribusiness 'hub', or demonstration farm, near Dammam, Saudi Arabia - with an initial investment of NZ\$6m.
12. The agribusiness hub will showcase New Zealand's world class agri-technology. It is also expected to open up other opportunities for New Zealand in the Gulf region and potentially elsewhere in the Arab world. Delivery of the project is being led by Brownrigg Agriculture and the Saudi Al Khalaf Group. More than a dozen New Zealand agri-tech companies are already involved.
13. Farming systems in the Gulf are currently mainly based on informal techniques. This agri-hub will introduce formal techniques of farming, as well as highlighting the expertise and products of a wide range of New Zealand companies. New Zealand's background and long history of agricultural production and technology has the potential to contribute to the food security solutions of the Gulf region.
14. As part of this project, approximately 1,000 breeding ewes are due to be air freighted from New Zealand to Saudi Arabia on 11 October.
15. This pilot research breeding programme is focused on what breeds are best suited to the conditions in Saudi Arabia as well as reproduction and lamb production. The long-term aim is to keep a self-replacing flock of high quality New Zealand ewes on the demonstration farm for breeding and ongoing research

### **Export of sheep to Saudi Arabia intended to depart New Zealand by air on 11 October 2014**

16. There are ongoing discussions between Brownrigg Agriculture Group (the Exporter) and MPI during preparations for shipment of sheep to Saudi Arabia by air scheduled for 11 October 2014.
17. The AWEC application for the consignment of sheep was received by Animal Exports team on 1 August 2014. The in-principle AWEC or positive outcome of the central assessment was sent to the port veterinarian, who is responsible for issuing the AWEC, on 7 October 2014.
18. The application included a comprehensive transport plan to successfully manage the export including contingency planning in the event of issues.
19. The crates that will be used to house the sheep during the transport are custom built for the exporter, and have been inspected by MPI staff to ensure compliance with the IATA regulations. The crates are designed with unique features that improve the performance in terms of animal welfare outcomes in comparison to the standard designs.

**Security Level – In Confidence**

20. The loading plan has also been developed to offer improved animal welfare outcomes.
21. The Exporter became aware of the mortalities experienced during a recent air shipment of sheep from Australia to Singapore reported in the media through industry channels, and has been in communications with the airline (Singapore Airlines) and the Australian based exporter who suffered the mortalities reported to better understand the issues.
22. MPI will be present during the loading of the aircraft to ensure that any animal welfare issues will be addressed prior to the consignment departing.
23. The mortality rates reported on in the media represents a very unusual event and the major difference in circumstances around that consignment and the consignment planned from New Zealand mean that the development does not materially change the risks associated with the export.

**Minister / Minister's Office**

Seen / Referred

/ /2014

## Security Level – In Confidence

### Talking Points

- The New Zealand Government is supporting the development of a New Zealand agribusiness 'hub', or demonstration farm, near Dammam, Saudi Arabia - with an initial investment of NZ\$6m.
- The agribusiness hub will showcase New Zealand's world class agri-technology. It is also expected to open up other opportunities for New Zealand in the Gulf region and potentially elsewhere in the Arab world. Delivery of the project is being led by Brownrigg Agriculture and the Saudi Al Khalaf Group. More than a dozen New Zealand agri-tech companies are already involved.
- Farming systems in the Gulf are currently mainly based on informal techniques. This agri-hub will introduce formal techniques of farming, as well as highlighting the expertise and products of a wide range of New Zealand companies. New Zealand's background and long history of agricultural production and technology has the potential to contribute to the food security solutions of the Gulf region.
- As part of this project, a flock of approximately 1,000 breeding ewes is due to be air freighted from New Zealand to Saudi Arabia on 11 October.
- This pilot research breeding programme is focused on what breeds are best suited to the conditions in Saudi Arabia as well as reproduction and lamb production. The long term aim is to keep a self-replacing flock of high quality New Zealand ewes on the demonstration farm for breeding and ongoing research.
- While New Zealand ceased exporting live sheep for slaughter in 2003, exporting stock for breeding purposes is quite common.
- Animal welfare considerations are being given top priority. Approval for the export of live animals will be given when the Director General of the Ministry for Primary Industries is satisfied that conditions around animal welfare requirements have been met.

[If asked]

**This week, there has been media attention in Australia due to the death of 174 sheep on a Singapore Airlines export cargo plane. What assurances are there that this won't happen to New Zealand sheep?**

A comprehensive transportation plan has been prepared for this flight and approved by the Ministry for Primary Industries. Because next week's flight is long-haul and for breeding purposes, it has been designed with comfort and animal welfare as primary considerations.

**Security Level – In Confidence**

There will be relatively few sheep on the plane (half the number that were on the Australian flight), which will allow for comfort and good ventilation. In addition, the sheep will be accompanied on the plane by a vet, a stock manager and a research scientist who will monitor animal welfare during the flight.

RELEASED UNDER THE  
OFFICIAL INFORMATION ACT

S9(2)(a)

**From:** Matthew Stone S9(2)(a)  
**Sent:** Thursday, 9 October 2014 6:13 p.m.  
**To:** LANGLEY, Jeff (AUS); S9(2)(a) (CMD); S9(2)(a)  
**Cc:** S9(2)(a) MATHESON, Alex (ECO); Peter Bailey (Pete); S9(2)(a)  
**Subject:** RE: Mass sheep death on export plane  
**Attachments:** AM14-147\_Sheep to Saudi\_StoneM\_2.doc; ATT00002.txt

Jeff – attached is the final version. Thanks for everyone's assistance with this.

Mat

Matthew Stone BVSc MVS MANZCVS | Director Animal and Animal Products | Regulation and Assurance Branch  
Ministry for Primary Industries | Pastoral House 25 The Terrace | PO Box 2526 | Wellington | New Zealand  
Telephone: S9(2)(a) Facsimile: 64-4-894 0662 | S9(2)(a) Web: [www.mpi.govt.nz](http://www.mpi.govt.nz)



[SEEMAIL]

**From:** LANGLEY, Jeff (AUS) S9(2)(a)  
**Sent:** Thursday, 9 October 2014 3:49 p.m.  
**To:** Matthew Stone S9(2)(a) (CMD); S9(2)(a)  
**Cc:** S9(2)(a) MATHESON, Alex (ECO); Peter Bailey (Pete); S9(2)(a)  
**Subject:** RE: Mass sheep death on export plane

[UNCLASSIFIED]

Hi Mat

Has a final version of the note gone up? Our Minister has arrived in New York and has been asking about it.

Cheers

Jeff

**From:** Matthew Stone S9(2)(a)  
**Sent:** Thursday, 9 October 2014 9:51 a.m.  
**To:** LANGLEY, Jeff (AUS); S9(2)(a) (CMD); S9(2)(a)  
**Cc:** S9(2)(a) Alex (ECO); Peter Bailey (Pete); S9(2)(a)  
**Subject:** RE: Mass sheep death on export plane

Thanks for your feedback Jeff. We will add ccs as suggested.

Mat

Matthew Stone BVSc MVS MANZCVS | Director Animal and Animal Products | Regulation and Assurance Branch  
Ministry for Primary Industries | Pastoral House 25 The Terrace | PO Box 2526 | Wellington | New Zealand  
Telephone: f S9(2)(a) Facsimile: 64-4-894 0662 | Mobile: S9(2)(a) Web: [www.mpi.govt.nz](http://www.mpi.govt.nz)



[SEEMAIL]

**From:** LANGLEY, Jeff (AUS) S9(2)(a)  
**Sent:** Thursday, 9 October 2014 9:36 a.m.  
**To:** (CMD); S9(2)(a) (MEA)  
**Cc:** S9(2)(a) MATHESON, Alex (ECO); Matthew Stone; Peter Bailey (Pete); Krissy Moreau  
**Subject:** RE: Mass sheep death on export plane

[SEEMAIL] [IN CONFIDENCE]

Forgot to say, do you want to add to the CC list ministers McCully, Joyce, Groser and the PM? Or should we just share a copy via their offices?

Cheers

Jeff

---

**From:** LANGLEY, Jeff (AUS)  
**Sent:** Thursday, 9 October 2014 9:32 a.m.  
**To:** S9(2)(a); S9(2)(a) (MEA)  
**Cc:** S9(2)(a) MATHESON, Alex (ECO); Matthew Stone; Peter Bailey (Pete); S9(2)(a)  
**Subject:** RE: Mass sheep death on export plane

Hi All

I've added a 'key points' section up front. Feedback from our minister (not on this paper specifically, but in general) has been that he knows/has seen all of the background material and wants to focus on our impending shipment, the risk highlighted by the Australian experience, and what is being done to ensure it will not happen in our case.

Happy to discuss further.

Cheers

Jeff

**Jeff Langley**

Manager, Australia Division (Acting Manager, Middle East & Africa Division)

Ministry of Foreign Affairs and Trade

Ph: +

M: + S9(2)(a)



---

**From:** S9(2)(a) (mailto:S9(2)(a))  
**Sent:** Wednesday, 8 October 2014 4:02 p.m.  
**To:** (CMD); S9(2)(a)  
**Cc:** S9(2)(a); MATHESON, Alex (ECO); LANGLEY, Jeff (AUS); Matthew Stone; Peter Bailey (Pete);  
**Subject:** RE: Mass sheep death on export plane

S9(2)(a)



Attached is the draft AM we are preparing for the Ministers for your comment. I have included the talking points below as background information where the content was not already covered by paragraphs I had included prior to receiving this.

We had been advised that the consignment will be accompanied by 4 attendants, yet you have mentioned only 3 in your email. Are you confident of your numbers, or should we confirm with Brownrigg? At this stage I have left the number as 4, in accordance with the AWEC application received by MPI.

Please can you have a look and provide comments or suggestions using track changes. The AM is due tomorrow, and still has to go through our approval process, so can I please have any comments by tomorrow 9:00am.

Regards

S9(2)(a)

S9(2)(a)

Senior Adviser, Animal Exports

Animal & Animal Products | Regulation & Assurance

Ministry for Primary Industries - Manatū Ahu Matua | Pastoral House 25 The Terrace | PO Box 2526 | Wellington | New Zealand

Telephone: (S9(2)(a)) | Facsimile: 64-4-894 0733 | Mobile: S9(2)(a) | Web: [www.mpi.govt.nz](http://www.mpi.govt.nz)

**From:** S9(2)(a)

**Sent:** Wednesday, 8 October 2014 1:34 p.m.

**To:** S9(2)(a) Matthew Stone; LANGLEY, Jeff (AUS); Peter Bailey - WLS; S9(2)(a)

**Cc:** S9(2)(a) S9(2)(a) MATHESON, Alex (ECO); S9(2)(a) Dana Findlay -DXB

S9(2)(a)

**Subject:** RE: Mass sheep death on export plane

[UNCLASSIFIED]

Afternoon team

Please find reactive talking points on this issue that can be added to the AM being prepared by MPI.

As noted – these are all based on the previously agreed messages, but we've cut them down a little to suit the current circumstances.

Please let me know if there are any errors of fact – or if we have been too explicit in anything.

Thanks

S9(2)(a)

Talking points

- The New Zealand Government is supporting the development of a New Zealand agribusiness 'hub', or demonstration farm, near Dammam, Saudi Arabia - with an initial investment of NZ\$6m.

- The agribusiness hub will showcase New Zealand's world class agri-technology. It is also expected to open up other opportunities for New Zealand in the Gulf region and potentially elsewhere in the Arab world. Delivery of the project is being led by Brownrigg Agriculture and the Saudi Al Khalaf Group. More than a dozen New Zealand agri-tech companies are already involved.
- Farming systems in the Gulf are currently mainly based on informal techniques. This agri-hub will introduce formal techniques of farming, as well as highlighting the expertise and products of a wide range of New Zealand companies. New Zealand's background and long history of agricultural production and technology has the potential to contribute to the food security solutions of the Gulf region.

- As part of this project, a flock of approximately 1,000 breeding ewes is due to be air freighted from New Zealand to Saudi Arabia on 11 October.
- This pilot research breeding programme is focused on what breeds are best suited to the conditions in Saudi Arabia as well as reproduction and lamb production. The long-term aim is to keep a self-replacing flock of high quality New Zealand ewes on the demonstration farm for breeding and ongoing research.
- While New Zealand ceased exporting live sheep for slaughter in 2003, exporting stock for breeding purposes is quite common. In 2013, New Zealand exported over 36,000 live cattle and 2,800 live horses for breeding purposes.
- Animal welfare considerations are being given top priority. Approval for the export of live animals will be given when the Director General of the Ministry for Primary Industries is satisfied that conditions around animal welfare requirements have been met.

[If asked]

**This week, there has been media attention in Australia due to the death of 174 sheep on a Singapore Airlines export cargo plane. What assurances are there that this won't happen to New Zealand sheep?**

A comprehensive transportation plan has been prepared for this flight and approved by the Ministry for Primary Industries. Because next week's flight is long haul and for breeding purposes it has been designed with comfort and animal welfare as primary considerations.

There will be relatively few sheep on the plane (half the number that were on the Australian flight), which will allow for comfort and good ventilation. In addition, the sheep will be accompanied on the plane by a vet, a stock manager and a research scientist who will monitor animal welfare during the flight.

/ENDS

S9(2)(a)

Communications Account Manager  
New Zealand Ministry of Foreign Affairs & Trade | Manatū Aotearoa

T: S9(2)(a) M: S9(2)(a) E: S9(2)(a)

195 Lambton Quay, Private Bag 18901  
Wellington 5045  
New Zealand

[www.mfat.govt.nz](http://www.mfat.govt.nz) | [www.nzembassy.com](http://www.nzembassy.com) | [www.aid.govt.nz](http://www.aid.govt.nz) | [www.safetravel.govt.nz](http://www.safetravel.govt.nz)

From:

Sent: Wednesday, 8 October 2014 12:24 p.m.

To: Matthew Stone; LANGLEY, Jeff (AUS); Peter Bailey -WLG;

Cc: S9(2)(a) MATHESON, Alex (ECO);

(CMD)

Subject: RE: Mass sheep death on export plane

Hi All,

FYI: please find attached the most up to date versions of the Q&A's and Comms plan that NZTE, MFAT and MPI have prepared in advance.

S9(2)(a) – MFAT comms – is pulling together back pockets for Ministers using these documents and further information relating specifically to the mass sheep death today.

This will be circulated ASAP.

Kindest,

s9(2)(a) | Principal Adviser  
Sector Partnerships and Programmes  
Ministry for Primary Industries  
Pastoral House | 25 The Terrace | PO Box 2526 | Wellington | New Zealand  
Telephone: s9(2)(a) | Facsimile: 64 4 894 0300 | Mobile: s9(2)(a) | Web: [www.mpi.govt.nz](http://www.mpi.govt.nz)  
    
[seemail]

---

**From:** Matthew Stone  
**Sent:** Wednesday, 8 October 2014 12:16 p.m.  
**To:** LANGLEY, Jeff (AUS); Peter Bailey -WLG  
**Cc:** s9(2)(a); MATHESON, Alex (ECO); s9(2)(a)  
(CMD); s9(2)(a)  
**Subject:** RE: Mass sheep death on export plane

Thanks Jeff.

s9(2)(a) and s9(2)(a) are liaising on this using the comms plan we have been jointly (MPI, MFAT and NZTE) preparing. Will be good to have something tailored for the Ministers from this to append to the AM.

Mat

Matthew Stone BVSc MVS MANZCVS | Director Animal and Animal Products | Regulation and Assurance Branch  
Ministry for Primary Industries | Pastoral House 25 The Terrace | PO Box 2526 | Wellington | New Zealand  
Telephone: ? | Facsimile: 64-4-894 0662 | Mobile: ? | Web: [www.mpi.govt.nz](http://www.mpi.govt.nz)



[SEEMAIL]

---

**From:** LANGLEY, Jeff (AUS); s9(2)(a)  
**Sent:** Wednesday, 8 October 2014 12:03 p.m.  
**To:** Matthew Stone; Peter Bailey -WLG  
**Cc:** s9(2)(a); MATHESON, Alex (ECO); s9(2)(a)  
(CMD)  
**Subject:** RE: Mass sheep death on export plane

[UNCLASSIFIED]

Thanks Mat, sounds good.

At our end s9(2)(a) and s9(2)(a) are already refreshing some of the media lines that were prepared some time ago and starting to turn these into "if asked" talking points which could be attached to the note for Ministers.

Happy to discuss and/or meet if that would be useful.

Jeff

Jeff Langley  
Manager, Australia Division (Acting Manager, Middle East & Africa Division)  
Ministry of Foreign Affairs and Trade  
Ph: + s9(2)(a).

M:

59(2)(a)



NEW ZEALAND  
UNITED NATIONS  
SECURITY COUNCIL  
2015-16



**From:** Matthew Stone

59(2)(a)

**Sent:** Wednesday, 8 October 2014 11:44 a.m.

**To:** Peter Bailey -WLG

**Cc:** 59(2)(a), LANGLEY, Jeff (AUS); MATHESON, Alex (ECO)

**Subject:** Re: Mass sheep death on export plane

MPI will take lead on a joint brief to both Mins and you will see a draft for comment later today. Due tomorrow.

Mat

Matthew Stone  
Director Animal and Animal Products  
Ministry for Primary Industries

On 8/10/2014, at 11:35 am, "Peter Bailey -WLG"

59(2)(a)

wrote:

Thanks Matt

I and NZTE have been fully in the loop all the way through.

Besides all the other work being done by Brownrigg (and others) I have suggested to David Brownrigg's operational team that a:

1. A check list be drafted up of all the possible activities, the mitigation and who is responsible that could occur on the flight
2. A second portable electric air can be on board as a stand by as an option

As you are now fully aware everything possible is being done to meet the requirements demanded.

I assume Jeff, the Minister McCully's brief will be copied to the other relevant Ministers as has be done previously.

Cheers

Peter

Peter Bailey  
Project Manager  
Agribusiness Hub

59(2)(a)

w nzte.govt.nz

<image005.png>

Level 24, The Majestic Centre, 100 Willis Street, Wellington 6011  
PO Box 2878, Wellington 6140, New Zealand

<image004.jpg>

**From:** Matthew Stone : s9(2)(a)  
**Sent:** Wednesday, 8 October 2014 11:23 a.m.  
**To:**  
**Cc:** s9(2)(a) Peter Bailey -WLG  
**Subject:** FW: Mass sheep death on export plane

As discussed – AM for Min Guy required providing reassurance of the mechanisms we have in place to ensure this won't happen to NZ sheep.

Work with Pete on this please, and with him consider whether joint AM to Min Guy and McCully.

Mat

Matthew Stone BVMSc MVS MANZCVS | Director Animal and Animal Products | Regulation and Assurance Branch  
Ministry for Primary Industries | Pastoral House 25 The Terrace | PO Box 2526 | Wellington | New Zealand  
Telephone: | Facsimile: 64-4-894 0662 | Web: [www.mpi.govt.nz](http://www.mpi.govt.nz)

s9(2)(a) s9(2)(a)  
<image006.png> <image007.png> <image008.png>

[SEEMAIL]

**From:** s9(2)(a)  
**Sent:** Wednesday, 8 October 2014 11:18 a.m.  
**To:** Matthew Stone  
**Subject:** FW: Mass sheep death on export plane

**From:** s9(2)(a) [DPMC] [mailto: s9(2)(a)]  
**Sent:** Wednesday, 8 October 2014 10:55 a.m.  
**To:** s9(2)(a)  
**Subject:** FW: Mass sheep death on export plane

FYI – just through from MPAT

Hon McCully's office told us that their Minister had lead on any media queries – does that align with your expectations?

s9(2)(a)  
**From:** s9(2)(a) [DPMC] PM's Foreign Policy Adviser  
**Sent:** Wednesday, 8 October 2014 10:51 a.m.  
**To:** s9(2)(a) [DPMC]  
**Subject:** FW: Mass sheep death on export plane

[SEEMAIL]

S9(2)(a)

Background on where the sheep issue lies, FYI.

Will check where we are on media points.

Cheers

S9(2)(a)

**From:** LANGLEY, Jeff (AUS) ;

**Sent:** Wednesday, 8 October 2014 10:47 a.m.

**To:** S9(2)(a)  
MacMASTER, Hamish (RIY);

**Subject:** RE: Mass sheep death on export plane

S9(2)(a)

Private Secretaries MYFA F1M2T

(MEA); CORRY, Bede (DS APE);

[DPMC]

[UNCLASSIFIED]

Hi All

I've spoken with Brownrigg agriculture this morning.

In terms of our flight:

- Singapore Airlines (SQ) has received advice from its office in Jeddah that Saudi Civil Aviation has cleared the flight.
- There is still a final piece of paper to come from Civil Aviation but SQ is working on the basis that the flight is approved and is focused on logistical issues (they have contracted a ground handler at Hofuf airport and are checking handling equipment with the possibility that some may need to be moved from another nearby airport).
- Brownrigg are proceeding full steam ahead with stock and transport preparations for the flight.

In terms the sheep deaths on the Australia/Singapore flight last week:

- Brownrigg became aware of this issue through industry channels a couple of days ago.
- They immediately put a formal request to Singapore seeking details and assurances that this will not happen again. S9(2)(a)(i) They have also been in touch with the Australian exporter.
- They have received information from SQ about the Australian flight which gives a high degree of comfort that our flight is designed with much higher safety margins. (the Australian flight was 2000 sheep destined for slaughter, some in triple crates. Our flight is 1000 sheep in single and double crates, allowing for central access between the crates and greater airflow. Because our flight is long-haul and for breeding purposes it has been designed with comfort and animal welfare as primary considerations).
- Our flight design fully meets MPI standards and has been approved by MPI.
- Final assessment of the flock pre-flight will determine final numbers, but it is possible the actual number of sheep on the flight could drop back to 900 to provide an extra margin of comfort.
- Brownrigg has also confirmed with SQ that we will not be using the same freight aircraft, as an additional precaution.
- The mortality rate on the Australian flight was very unusual, another flight landing in Singapore from Ireland on the same day suffered one death.

While the timing of the Australian flight could hardly be worse, it is clear that it was a very different shipment and should not materially impact on the risk assessment for our own flight.

**From:** Private Secretary MFA s9(2)(a)

**Sent:** Wednesday, 8 October 2014 9:39 a.m.

**To:** s9(2)(a) I LANGLEY, Jeff (AUS);

**Subject:** RE: Mass sheep death on export plane

Thanks - just flicked this up to as well.

s9(2)(a)

s9(2)(a)

Jeff - any update on Brownrigg/SQ yet? MFA was asking again this morning for an update.

s9(2)(a)

**From:** s9(2)(a) - Private Secretary to Hon Tim Groser

**Sent:** Wednesday, 8 October 2014 9:38 a.m.

**To:** s9(2)(a) I LANGLEY, Jeff (AUS);

**Subject:** Mass sheep death on export plane Private Secretaries to the

Not the best headline.... this was Aussie sheep on the way to Singapore.

Hon Tim Groser and Hon Murray McCull

<http://www.stuff.co.nz/business/farming/sheep/10592150/Mass-sheep-death-on-export-plane>

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S9(2)(a)

**From:** LANGLEY, Jeff (AUS)  
**Sent:** Thursday, 9 October 2014 9:58 a.m.  
**To:** S9(2)(a) - Private Secretaries for Hon Tim Cross + Hon Murray; CORRY, Bede  
(DS APE); MacMASTER, Hamish (RIY); LEWIS, Greg (RIY); McCully [DPMC]  
S9(2)(a)  
**Cc:** CRAIG, Sarah (CEO Office)  
**Subject:** Saudi Sheep

Air traffic rights and flight operational clearances for the charter flight have been confirmed with Saudi Authorities and Singapore Airlines. So in terms of last week's issues, we are now good to go.

As for this week's issues, a note for ministers is being prepared by MPI with MEAT input, focusing on risks highlighted by the Australian flight and steps being taken to mitigate those risks for the NZ flight. The note should go up around midday.

Rest of document released  
in earlier email chain.



8/10/19

## Back pocket talking points – Saudi Arabia agri-hub

Developed for MFA and PMO on 8 Oct. Based on the Comms Strategy and back pocket Q and As in GDM.

### Talking points

- The New Zealand Government is supporting the development of a New Zealand agribusiness 'hub', or demonstration farm, near Dammam, Saudi Arabia - with an initial investment of NZ\$5m.
- The agribusiness hub will showcase New Zealand's world class agri technology. It is also expected to open up other opportunities for New Zealand in the Gulf region and potentially elsewhere in the Arab world. Delivery of the project is being led by Brownrigg Agriculture and the Saudi Al Khalaf Group. More than a dozen New Zealand agri-tech companies are already involved.
- Farming systems in the Gulf are currently mainly based on informal techniques. This agri-hub will introduce formal techniques of farming, as well as highlighting the expertise and products of a wide range of New Zealand companies. New Zealand's background and long history of agricultural production and technology has the potential to contribute to the food security solutions of the Gulf region.
- As part of this project, a flock of approximately 1,000 breeding ewes is due to be air freighted from New Zealand to Saudi Arabia on 11 October.
- This pilot research breeding programme is focused on what breeds are best suited to the conditions in Saudi Arabia as well as reproduction and lamb production. The long-term aim is to keep a self-replacing flock of high quality New Zealand ewes on the demonstration farm for breeding and ongoing research.
- While New Zealand ceased exporting live sheep for slaughter in 2003, exporting stock for breeding purposes is quite common. In 2013, New Zealand exported over 36,000 live cattle and 2,800 live horses for breeding purposes.
- Animal welfare considerations are being given top priority. Approval for the export of live animals will be given when the Director General of the Ministry for Primary Industries is satisfied that conditions around animal welfare requirements have been met.

[If asked]

This week, there has been media attention in Australia due to the death of 174 sheep on a Singapore Airlines export cargo plane. What assurances are there that this won't happen to New Zealand sheep?

A comprehensive transportation plan has been prepared for this flight and approved by the Ministry for Primary Industries. Because next week's flight is long-haul and for breeding purposes it has been designed with comfort and animal welfare as primary considerations.

There will be relatively few sheep on the plane (half the number that were on the Australian flight), which will allow for comfort and good ventilation. In addition, the sheep will be accompanied on the plane by a vet, a stock manager and a research scientist who will monitor animal welfare during the flight.

/ENDS

## LANGLEY, Jeff (MEA)

**From:** LANGLEY, Jeff (AUS)  
**Sent:** Wednesday, 8 October 2014 1:27 p.m.  
**To:**  
**Cc:** S9(12)(a)  
**Subject:** RE: Saudi sheep - media lines

Hi gusy

These look good. It does look like a lot of points, so I've folded a couple together.

The only additional point I think we should make is to introduce the concept of private sector delivery, this will also serve as a point of risk mitigation in case of unforeseen negative development.

Have a look. S9(12)(a) happy for you to share with MPI to append to the note for Ministers they are drafting.

This is all on an "if asked" basis, as there is no intention to put out a pre-shipment statement or to take a more proactive stance on media engagement ( S9(12)(a)(li) ).

### Talking points

- The New Zealand Government is supporting the development of a New Zealand agribusiness 'hub', or demonstration farm, near Dammam, Saudi Arabia - with an initial investment of NZ\$6m.
- The agribusiness hub will showcase New Zealand's world class agri-technology. It is also expected to open up other opportunities for New Zealand in the Gulf region and potentially elsewhere in the Arab world. Delivery of the project is being led by Brownrigg Agriculture and the Saudi Al Khalaf Group. More than a dozen New Zealand agri-tech companies are already involved.
- Farming systems in the Gulf are currently mainly based on informal techniques. This agri-hub will introduce formal techniques of farming, as well as highlighting the expertise and products of a wide range of New Zealand companies. New Zealand's background and long history of agricultural production and technology has the potential to contribute to the food security solutions of the Gulf region.
- As part of this project, a flock of approximately 1,000 breeding ewes is due to be air freighted from New Zealand to Saudi Arabia on 11 October.
- This pilot research breeding programme is focused on what breeds are best suited to the conditions in Saudi Arabia as well as reproduction and lamb production. The long-term aim is to keep a self-replacing flock of high quality New Zealand ewes on the demonstration farm for breeding and ongoing research.
- While New Zealand ceased exporting live sheep for slaughter in 2003, exporting stock for breeding purposes is quite common. In 2013, New Zealand exported over 36,000 live cattle and 2,800 live horses for breeding purposes.
- Animal welfare considerations are being given top priority. Approval for the export of live animals will be given when the Director General of the Ministry for Primary Industries is satisfied that conditions around animal welfare requirements have been met.

If asked

**This week, there has been media attention in Australia due to the death of 174 sheep on a Singapore Airlines export cargo plane. What assurances are there that this won't happen to New Zealand sheep?**

A comprehensive transportation plan has been prepared for this flight and approved by the Ministry for Primary Industries.

Because next week's flight is long-haul and for breeding purposes it has been designed with comfort and animal welfare as primary considerations.

There will be relatively few sheep on the plane (half the number that were on the Australian flight), which will allow for comfort and good ventilation.

In addition, the sheep will be accompanied on the plane by a vet, a stock manager and a research scientist who will monitor animal welfare during the flight.

/ENDS

69(2)(a)

Communications Account Manager  
New Zealand Ministry of Foreign Affairs & Trade | Manatū Aorere

59(2)(a)

195 Lambton Quay, Private Bag 18901  
Wellington 5045  
New Zealand

[www.mta.govt.nz](http://www.mta.govt.nz) | [www.mta.govt.nz](http://www.mta.govt.nz) | [www.mta.govt.nz](http://www.mta.govt.nz) | [www.mta.govt.nz](http://www.mta.govt.nz)

Remainder of document  
withheld under section  
59(2)(g)(i)

S9(2)(a)

**From:** LANGLEY, Jeff (AUS)  
**Sent:** Wednesday, 8 October 2014 12:05 p.m.  
**To:**  
**Cc:** S9(2)(a) - Private Secretary to Hon Murray McCully  
**Subject:** RE: Joint AM Sheep to Saudi

Thanks, MPI are taking the lead on a note.  
The system is humming.

**From:** S9(2)(a) - Private Secretary to Hon Murray McCully  
**Sent:** Wednesday, 8 October 2014 11:56 a.m.  
**To:** LANGLEY, Jeff (AUS)  
**Cc:** S9(2)(a)  
**Subject:** FW: Joint AM Sheep to Saudi

VI. Not sure that I would have categorised this as something that MFA has asked for, but seems like things are in train nevertheless.

S9(2)(a)

**From:** S9(2)(a)  
**Sent:** Wednesday, 8 October 2014 11:27 a.m.  
**To:** 'Ministerials'  
**Cc:** Matthew Stone; S9(2)(a) [DPMC]; Bill de la Mare; S9(2)(a)  
**Subject:** Joint AM Sheep to Saudi

Hi Matt

As discussed Ministers McCully and Guy would like a combined AM update on Sheep to Saudi with talking points.

ff Langley's email from this morning has the main points we'll want the Ministers to be able to cover in addition to background notes - as this is likely to be passed to the PM tomorrow.

AM due tomorrow.

S9(2)(a)

| Private Secretary - Agriculture | Office of Hon Nathan Guy  
Parliament Buildings | Wellington | S9(2)(a)

Out of scope

**From:** LANGLEY, Jeff (AUS)  
**Sent:** Tuesday, 7 October 2014 5:48 p.m.  
**To:** s9(2)(a)  
**Subject:** FW: Saudi sheep - media lines

s9(2)(a) could you have a crack at this from home and then send through to me? I assume you will have access to the media lines that were worked up over a year ago?

Cheers  
Jeff

**From:** s9(2)(a) - Private Secretary for Hon Murray McCully  
**Sent:** Tuesday, 7 October 2014 5:35 p.m.  
**To:** LANGLEY, Jeff (AUS)

**Subject:** Saudi sheep - media lines [DPMC] s9(2)(a) - Private Secretary for Hon Murray McCully

[SEEMAIL][RESTRICTED]

Hi Jeff

s9(2)(a) s9(2)(a)  
I've had a chat with and about "in case asked" media lines for the Saudi sheep shipment. I can't remember off the top of my head what media lines were agreed in the comms strategy we talked about today, but we suspect that these would have to be updated in any case.

Would it be possible for MEA (and NZTE/GPO?) to please provide some back pocket points in case the sheep shipment is raised with Ministers? Shorter is better. DPMC are keen to provide these to PMO as well for the PM.

Thanks in advance.

s9(2)(a)

## LANGLEY, Jeff (MEA)

**From:** LANGLEY, Jeff (AUS)  
**Sent:** Monday, 6 October 2014 4:11 p.m.  
**To:** MacMASTER, Hamish (RIY)  
**Subject:** RE: FORMAL MESSAGE: SAUDI ARABIA: LIVE SHEEP FOR BREEDING IMPORTATION COMPLICATION: UPDATE 5/10/14

Top work Hamish. A very good result, due in no small part to some deft diplomacy from you and the team.

**From:** RIYADH  
**Sent:** Monday, 6 October 2014 2:27 a.m.  
**To:** RIYADH; MEA; TND; ECO

**Subject:** RE: FORMAL MESSAGE: SAUDI ARABIA: LIVE SHEEP FOR BREEDING IMPORTATION COMPLICATION: UPDATE 5/10/14

[RESTRICTED]

### Summary

- Post has received notification from the Saudi Ministry of Agriculture that the live sheep export by air may proceed. The authorisation allows for 1100 sheep to be imported, by air, into Houfoof regional airport.

### Action

Attached is a copy of the authorisation issued by Ministry of Agriculture that will allow the air shipment of live sheep animals to proceed as scheduled.

### Report

RIY FMs of 30/9/14, 1/10/14, and 3/10/14 refer.

Late last night (4/10/14), Deputy Agriculture Minister Al Noit rang HOM to advise that his Ministry were now liaising with the General Authority for Civil Aviation (GACA) on the technical details of the shipment.

We thanked the Deputy Minister for his and his Minister's assistance over Eid, but noted the (NZT) Monday deadline by which a decision needed to be taken with regard to whether we proceed with the flight.

2 Following several more discussions with the Saudi investor Hmood Al Khalaf and his agent George Assaf in Australia this morning (5/10/14), Al Khalaf has just received a copy of the **authorisation issued by Ministry of Agriculture that will allow the air shipment of live sheep animals to proceed.**

3 Assaf is currently finalising these flight details with SQ Headquarters. He has also been in contact with Brownrigg in New Zealand and Singapore airlines officials. He is delighted with the

outcome and that the shipment can proceed as planned.

56(b)

4 We attach a copy of the authorisation and the Embassy's English translation. We also reproduce the English translation at the conclusion of this FM for those checking this message on blackberry.

5 With regard to the proposed 13/10 - 14/10 visit by Special Envoy Alex Matheson and NZTE Peter Bailey, we are working on the basis of this proceeding to the Kingdom as previously planned in light of the approved flight.

**ENGLISH TRANSLATION OF NOTE:**

"Kingdom of Saudi Arabia  
Ministry of Agriculture  
(274)  
Department of Animal and plant quarantine

**Subject: Sheep import via Al Houfoof regional airport**

Peace be upon you

Referring to your faxed letter dated 11/12/1435H requesting the permission to import (1100) sheep from New Zealand for breeding purposes via Al Houfoof regional airport, we would like to advise you that there is no objection to importing the sheep according to the above mentioned.

Furthermore, you should coordinate with the General Authority for Civil Aviation in addition to the airport and customs authorities. Please note that the GCC law and executive orders of animal quarantine will be implemented. The consignment will also be subject to all the health and vet conditions upon arrival to the entry point.

Yours sincerely

Deputy Director General  
Department of Animal and plant quarantine

59(2)(a)

ENDS



**From:** RIYADH  
**Sent:** Friday, 3 October 2014 2:32 p.m.  
**To:** MEA; TND; ECO  
**Cc:**

**Subject:** RE: FORMAL MESSAGE: SAUDI ARABIA: LIVE SHEEP FOR BREEDING IMPORTATION COMPLICATION:  
UPDATE 3/10/14

[RESTRICTED]

#### Report

- Post is maintaining close daily contact with the Saudi Minister of Agriculture, Deputy Minister of Agriculture and the Saudi investor Sheikh Hmood Al Khalaf.
- Agriculture officials advise they are doing all they can to have the Decree issued, and the Saudi government shut down for the Eid Al Adhar holiday. Deputy Minister suggests it is most likely the Decree will be forthcoming after the government reopens on 12 October.
- We note the new deadline of 5pm Monday to decide if the air shipment will proceed. We will report again with updates on our Sunday.

#### Action

For information.

#### Summary

RIY FMs of 30/9/14 and 1/10/14, and various ECO/MEA/RIY emails refer.

Since our last report, Post has been in daily contact with Saudi Ministry of Agriculture and Saudi investors.

Yesterday (2/10/14) HOM spoke again with Saudi side that New Zealand would need to take a decision on our Saturday on whether the flight can proceed (based on the contractual arrangement with Singapore airlines). We note that this deadline has now been extended to Monday 5 pm NZT (Langley emails of Oct 2 & 3 refer).

3 HOM has also spoken both days with investor Hmood Al Khalaf who is also in daily contact with Minister Balghunaim. He confirmed the Minister was seeking regular updates from the Royal Court.

56(a)

4 Post will contact Minister Balghunaim on Sunday and seek a further update. We will report the outcome of those discussions prior to your Monday deadline.

56(a)

ENDS

**From:** RIYADH

**Sent:** Wednesday, 1 October 2014 3:06 p.m.

**To:** MEA; TND; ECO

**Cc:**

59(2)(a)

**Subject:** FORMAL MESSAGE: SAUDI ARABIA: LIVE SHEEP FOR BREEDING IMPORTATION COMPLICATION

[RESTRICTED]

Out of Scope

**NYK:** Please pass to MFA's party.

RIY FM of 30/9/14 refers.

56(a)

56(a)

ENDS

**From:** RIYADH  
**Sent:** Tuesday, 30 September 2014 4:39 p.m.  
**To:** MEA; TND; ECO  
**Cc:**

**Subject:** FORMAL MESSAGE: SAUDI ARABIA: LIVE SHEEP FOR BREEDING IMPORTATION COMPLICATION  
**Importance:** High

[RESTRICTED]

**NOT FOR CABLE EXCHANGE**

**Summary**

**Action**

**NYK:** Please pass to MFA's party.

**Report**

Over the weekend, Post learnt from Special Envoy for Government Commercial Partnerships that Singapore Airlines had advised of a possible complication regarding the air shipment next month to Saudi Arabia of sheep for breeding purposes. The air shipment, the first of its kind to the Kingdom, was scheduled to arrive in Dammam on 12 October.

2 Upon learning the news, Post immediately contacted Sheikh Hmood Al Khalaf the Saudi investor (importer of the sheep and significant investor in the Dammam Agrihub project) to ascertain how the Embassy could best assist. Al Khalaf advised he had already been in direct contact with the Saudi Minister of Agriculture, Balghunaim,

Remainder of document withheld 56(a)

**LANGLEY, Jeff (MEA)**

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**From:** LANGLEY, Jeff (AUS)  
**Sent:** Monday, 6 October 2014 9:27 a.m.  
**To:** S9(2)(a) Private Secretary to Min. McGully  
**Cc:** S9(2)(a) (MEA)  
**Subject:** FW: FORMAL MESSAGE: SAUDI ARABIA: LIVE SHEEP FOR BREEDING IMPORTATION  
COMPLICATION: UPDATE 5/10/14  
**Attachments:** MIN AG TPN 051014.pdf; MIN AG NOTE/EMBASSY TRANSLATION.docx

Just to let you know that in light of this good news the next step will be for the governance group to meet by teleconference at 4:00pm (NZT) to confirm that we are all go. This will include feedback from Brownrigg that Singapore Airlines is happy with the letter issued by the Ministry of Agriculture and has been able to extract from Civil Aviation etc the consequent clearances that they need for the flight to happen.

Released in earlier email chain

s9(2)(a)

**From:** LANGLEY, Jeff (AUS)  
**Sent:** Friday, 3 October 2014 2:20 p.m.  
**To:** ALLEN, John (CEO); Peter Chrisp -WLG <s9(2)(a)>  
**Cc:** MATHESON, Alex (ECO); MacMASTER, Hamish (RIY);  
s9(2)(a) (MEA); Peter Bailey -WLG  
(DS APE); CRAIG, Sarah (CEO Office)  
**Subject:** Saudi Agri-Hub: MFAT/NZTE CEO Telecon

Key points covered in the telecon earlier this afternoon between MFAT and NZTE CEOs on the Saudi AgriHub live sheep issue:

- There are three pieces of information to come in over the next 24 hours:
  - Feedback from Ministers
  - Reporting from Riyadh on any progress
  - Outcome of discussions between Brownrigg Agriculture and Singapore Airlines
- Decision deadline on go/no go for the flight will be 5:00pm (NZT) Saturday 4 October, unless Brownrigg is able to secure Singapore Airlines Agreement to delay a decision without incurring penalties, at which point the decision deadline becomes 5pm (NZT) Monday 6 October.
- Decisions on go/no go to be taken by the project governance group based on the information mentioned above (I will pass on direct to s9(2)(a) and s9(2)(a) any feedback from Ministers and the Post).
- CEOs expected there to be no progress at the Saudi end, with the likely outcome that the flight will be cancelled. There was little appetite to put a further \$270k at risk unless there was a strong signal from ministers that the door should be kept open for another week.
- Noted that the goodwill created by the project will continue to accrue even if the flight does not take place (given the origin of the problem and NZ willingness to engage and good faith throughout the live sheep issue and wider project).

Subsequent to our conversation I received the following feedback from MFA's office:

- MFA clearly unhappy that this issue was not identified and resolved earlier by NZ officials.
- did not take a position on options B or C
- decision on whether the flight will be able to go should be taken by officials
- - s6(a)
- expected the system to be doing everything it could to make the flight happen (again, assured that this was so)
- expected to be updated this afternoon

The not for MFA has also been sent to Mr Groser's office. No feedback yet.

**Jeff Langley**  
Manager, Australia Division (Acting Manager, Middle East and Africa Division)  
Ministry of Foreign Affairs and Trade  
Ph:  
M: s9(2)(a)

**LANGLEY, Jeff (MEA)**

---

**From:** LANGLEY, Jeff (AUS)  
**Sent:** Thursday, 2 October 2014 10:03 a.m.  
**To:** MacMASTER, Hamish (RIY)  
**Cc:** 59(2)(a) (MEA); 59(2)(a) (MEA); 59(2)(a) (MEA)  
**Subject:** RE: FORMAL MESSAGE: SAUDI ARABIA: LIVE SHEEP FOR BREEDING IMPORTATION COMPLICATION

Hamish, thanks for this very useful update. If you've not already done so, it will be good to signal to Al Khalaf and the deputy minister that we'll have to take a decision on our Saturday on whether the flight can proceed based on our contractual arrangement with the airline. The risk to manage will be that if we decide to cancel the flight they could still come back mid next week telling us: "SECRET" and the flight can now happen. So we'll need them to understand that if a decision is not forthcoming before Saturday, any future decision will only impact on Plans B, C and D (which we're working on) and not on the current shipment.

Understand from Alex and Peter that a delayed flight (by a couple of weeks or a month) will not work as MPI vets will not let the sheep travel as they are already at the outer limit of the possible with respect to gestation cycles and our own animal welfare rules. So plans B, C and D are expected to cover options looking out into the new year.

Cheers  
Jeff

Rest of document released in  
earlier email chain.

2/10/16

### Saudi New Zealand Agri Hub Project

As reported by Riyadh, the Saudi General Authority for Civil Aviation (GACA) has refused to issue an import licence for the live sheep airfreight consignment due to leave New Zealand on 11 October.

50(a), 59(2)(j)

There are a number of deadlines related to both contractual arrangements with Singapore Airlines and livestock health and welfare that will need to be addressed in the coming days. If the airfreight consignment does not proceed, there are also a range of options available to the project to preserve the goodwill accumulated so far – these are outlined below.

Currently there are 1,300 in-lamb ewes being grazed in the Hawkes Bay that are included in the airfreight sub-project. This sub-project is one many that make up the overall Agri Hub demonstration farm project. The other sub-projects are animal technologies, breeding and forages research, woolshed and yards, drafting yards and abattoir. To date these sub-projects are progressing on schedule (update attached).

#### Deadlines

The contract between project's commercial agent, Brownrigg Agriculture, and Singapore Airlines contains the following provisions regarding cancellation:

- Lose 10% deposit (\$54,000) if cancelled before 5/10
- Liable for payment of 50% (\$271,000) if cancelled between 5/10 – 9/10
- Liable for payment of 100% (\$542,000) if cancelled after 9/10

59(2)(b)(ii)

If we have not received hard assurances from Saudi Arabia by Saturday 4 October that the import licence will be issued in time for the flight, the course of action with the lowest risk will be to cancel the contract with Singapore Airlines.

It is possible the Saudi authorities could provide us with the necessary assurances and issue the import licence in the days immediately following the cancellation of the contract and before the flight is due to depart. However our contractual deadlines have been well signalled to Saudi contacts and this risk can be managed – including through the options outlined below and the positive ongoing impact of the wider project.

A further issue is that if the flight were to be delayed beyond 11 October MPI would be unlikely to approve the shipment as most, if not all, of the in-lamb ewes would be too far into their gestation cycle to travel safely. This effectively rules out any airfreight consignment after 11 October.

## Options

If the ewes are not airfreighted from NZ to KSA on 11 October there are options to consider regarding their management and possible future relocation to KSA. These will need to be further developed by the project governance group and consulted with Al Khalaf and all interested parties.

Airfreighting the ewes to a neighbouring country for subsequent ground transportation to Saudi Arabia has been considered as an option but it would introduce a range of risks associated with time, cost and animal welfare as they relate to various elements including transit, ground transportation and re-export licencing. It may be necessary to negotiate a government-to-government understanding with any transit country. We cannot fully scope these risks in the time available and this option is not recommended.

## Plan "B"

This plan will be an option if there is no airfreight approved. It essentially involves gifting the ewes to Al Khalaf in New Zealand, further developing the breeding programme in partnership with Al Khalaf, shipping the ewes by sea around this time next year as well as developing a programme in KSA in early 2015 using related genetic material. The key points are:

- In NZ the Agri Hub the project owns 1,300 m-lamb ewes. Plan "B" is to retain these ewes in NZ, lamb in November, and rear the progeny through to weaning in February 2015. After weaning, around 300 ewes may not be suitable for future breeding and culled.
- Of the lambs born, select 500 ewe lambs to be retained for replacements and future breeding. A small number of male lambs may be kept for breeding also. The remaining ewe and ram lambs will be sold to slaughter.
- In March 2015 a selection of the ewes will enter a breeding program where they will be super ovulated and mated by artificial insemination. Following mating the ewes will be flushed and viable embryos collected and frozen. At the same time a selection of rams will have semen collected from them and frozen.
- The 1,000 ewes will be re-mated in April/May to lamb in October/November. These ewes along with the 500 ewe hoggets will be shipped to KSA in September (along with the proposed sea shipment of 50,000 breeding ewes).
- In KSA, 1,000 breeding ewes will be purchased in January 2015 and become part of the breeding program. In April/May they will be implanted with the NZ embryos and/or artificially inseminated with NZ semen. They will lamb in October/November.
- At the end of 2015 with plan "B" there will be 1,500 NZ bred ewes and 1,000 KSA ewes mated with NZ genetics as part of the research breeding program. There will also be the 50,000 commercial ewes that will be used for future breeding programs.

## Plan "C"

This plan would be an option if the import licence is approved after the cancellation of the current airfreight contract. It essentially involves airfreighting the ewes and selected ewe lambs in early 2015. The ewes could be gifted to Al Khalaf in New Zealand, as above, or kept under the ownership of the project until delivery to KSA. Key points are:



RESTRICTED

Page 3 of 4

- Plan "C" is to retain the in-lamb ewes in NZ, lamb in November, and rear the progeny through to weaning in February 2015. After weaning, around 300 ewes may not be suitable for future breeding and culled.
- The remaining ewes and 500 weaned ewe lambs will be airfreighted in February.
- In KSA ewes will be mated in May to lamb in September.
- At the end of 2015 with plan "C" there will be 1,500 NZ bred ewes as part of the research breeding program. There will also be the September shipped 50,000 commercial ewes that will be used for future breeding programs.

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POL144-316

RESTRICTED

### The Agri Hub Demonstration Farm Other Sub-projects Update

Overall the Saudi NZ Agri Hub Demonstration farm is progressing well. There is a good project management and operational relationship between NZTE, MFAT, Brownrigg and the Al Khalaf group. A governance group oversees the project's implementation comprised of representatives from Brownrigg Agriculture, Al Khalaf group, MFAT and NZTE.

The five sub-projects are:

- Airfreight of ewes.
- Agri Hub technologies.
- Sheep genetics and breeding research.
- Abattoir and meat processing.
- Forages and nutrition research.

There are currently 16 New Zealand technology companies engaged in the Agri Hub project. The main companies are; Brownrigg Agriculture (lead provider), (abattoir), woolshed/covered yards and sheep/cattle handlers), and s9(2)(b)(ii). The other companies are; s9(2)(b)(ii)

The number of companies engaged is expected to increase twofold as the project proceeds.

The Agri Hub technologies sub-project will comprise of a four to six stand woolshed and covered yards at the sheep breeding feedlot, a set of covered yards at the lamb finishing feedlot and a covered handling facility at the cattle feedlot. The woolshed, covered yards and handling facilities are currently being shipped to Saudi Arabia in kitset form. Sheep and cattle auto handlers, drafters, weigh scales and associated technologies are also being shipped and are expected to be commissioned by January 2015.

The sheep breeding sub-project including research is well underway. The research includes the effects of ewe age, ewe breed and sire breed on reproduction and growth in Saudi's climate. There is also research being undertaken on the effects a late mating has on pregnancy. Finally overlaying these research programs is a progeny test of the New Zealand Awassi rams that have been used as sires when mating the ewes.

The specifications of the abattoir and meat processing have been agreed and will be capable of slaughtering 450 sheep and 50 cattle per day. Depending on number of hours and staffing levels per shift this output could be doubled. The abattoir will be designed and kitset built in New Zealand and shipped to Saudi Arabia.

## LANGLEY, Jeff (MEA)

**From:** LANGLEY, Jeff (AUS)  
**Sent:** Tuesday, 30 September 2014 12:20 p.m.  
**To:** ALLEN, John (CEO)  
**Cc:** CRAIG, Sarah (CEO Office); CORRY, Bede (DS ARE); S6(a) (MEA)  
**Subject:** FW: Livestock

Hi John

Update on the Saudi sheep issue attached below. This seems to have taken everyone by surprise, including Saudi agriculture officials. Riyadh is working closely with the importer on sorting this out. MEA is in close touch with NZTE and Alex Matheson.  
Cheers  
Jeff

**From:** S9(2)(a) (MEA)  
**Sent:** Tuesday, 30 September 2014 11:59 a.m.  
**To:** LANGLEY, Jeff (AUS)  
**Subject:** Livestock

[IN CONFIDENCE]

### Key points – airfreight of livestock to Saudi Arabia

S6(a)

- The Embassy in Riyadh has been in contact with Sheikh Hmood who advised that:

- S6(a)  
• S6(a) then and a ruling made;

Minister Balghunaim hopes the issue will be discussed

- A response could be forthcoming from the Royal Court as early as tomorrow;

- Sheikh Hmood thanked the Embassy for the call, and said there is nothing the Embassy could do to assist at this time (noting the government shutdown in Saudi Arabia).

- The Embassy will stay in close touch with Sheikh Hmood and will seek an update from the Saudi Deputy Minister of Agriculture asap.
- We have until Saturday 4 October to cancel the flight without incurring a \$250,000 penalty from Singapore Airlines. Alex Matheson is seeking further advice on contractual issues and cost implications if the flight is cancelled.

- Alex Matheson and Peter Bailey (NZTE) are currently working on a 'plan b' in the event that the shipment cannot proceed.

s 9(2)(a)

Policy Officer  
Middle East and Africa Division  
Ministry of Foreign Affairs and Trade  
New Zealand Ministry of Foreign Affairs & Trade | Manatū Aorere

s 9(2)(a)

195 Lambton Quay, Private Bag 18901  
Wellington 5045  
New Zealand

[www.newzealand.govt.nz](http://www.newzealand.govt.nz) | [www.diplomacy.govt.nz](http://www.diplomacy.govt.nz) | [www.mfat.govt.nz](http://www.mfat.govt.nz) | [www.mta.govt.nz](http://www.mta.govt.nz)



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OFFICIAL INFORMATION ACT

out of scope

**From:** LANGLEY, Jeff (AUS)  
**Sent:** Tuesday, 30 September 2014 11:50 a.m.  
**To:** CORRY, Bede (DS APE)  
**Subject:** RE: Live Sheep snag...?

Under way. I've spoken to Sarah too.

**From:** CORRY, Bede (DS APE)  
**Sent:** Tuesday, 30 September 2014 11:49 a.m.  
**To:** LANGLEY, Jeff (AUS)  
**Subject:** FW: Live Sheep snag...?  
**Importance:** High

[SENSITIVE]

Could you have a chat to MEA about this?

**From:** CRAIG, Sarah (CEO Office)  
**Sent:** Tuesday, 30 September 2014 11:04 a.m.  
**To:** LANGLEY, Jeff (AUS); MacMASTER, Hamish (PIY)  
**Cc:** CORRY, Bede (DS APE)  
**Subject:** Live Sheep snag...?  
**Importance:** High

[SENSITIVE]

Hi Jeff – John has just rung from home (out of scope) to say that Pete Chrisp has been in touch about the live sheep export consignment to Saudi. Apparently this has hit a snag insofar as the shipment doesn't have an export licence? Pete understands that Hamish is onto it – so I assume MEA is in the loop.

John is keen to get across the issues here, s6(a) and s9(2)(j). Anticipating MFA concerns, he wants to know what's being done and what the problem

Could you look into it and get me a response asap? Sorry about this. Many thanks Sarah

Sarah Craig  
Special Adviser to the Chief Executive  
CEO  
Ministry of Foreign Affairs and Trade  
d/f:  
Mob: s9(2)(a)

Updated September 2014

## SAUDI ARABIA NZ AGRIHUB COMMUNICATIONS STRATEGY

### QUESTIONS & ANSWERS

*These detailed questions and answers form part of the overall communications strategy for the Saudi Arabia New Zealand agribusiness-hub (agri-hub), and are provided to help all agencies involved answer various questions relating to the agri-hub in Um Alerrad, Saudi Arabia. This information can also be used in material being developed about the agri-hub, if needed, however the intention is that these are more for reactive use.*

#### Why the investment

*What is the agri-hub?*

New Zealand is investing in a demonstration farm (agri-hub) in Um Alerrad, Saudi Arabia.

This will showcase New Zealand agri-technology and is a pilot research project for the wider Gulf region.

This is the first project of its kind and the research that is being undertaken will show whether it is a viable operation for the wider Gulf region and can be replicated in other Gulf States.

Currently under construction, once completed in late 2015, the commercially run farm will be the first of its kind for New Zealand and will comprise 15 centre pivot irrigators, a feed mill, a sheep breeding operation, a lamb and cattle finishing feedlot, and an abattoir and processing facility.

The demonstration farm will also be a model for vertical integration, from cropping to fresh meat supply to the local market. It will be a full showcase of New Zealand agritech technology including technical services, farming systems, animal health, on-farm equipment, genetics and farm expertise. New Zealand will also provide a genetics programme which will include animals for breeding and research.

*How much is NZ investing in this and why?*

The New Zealand Government has committed NZ\$6 million to develop the pilot research project.

The farm is expected to open up other opportunities for New Zealand in the GCC and potentially elsewhere in the Arab world; Arab countries have little productive agricultural land and are actively looking to other countries to provide food and food systems.

New Zealand is well placed as a leader in agritech technology to provide a full range of agribusiness expertise, products and services throughout the GCC.

*Who is leading it and why?*

The contract for the lead provider to develop a consortium to deliver goods and services for the agribusiness hub was awarded to Brownrigg agriculture following a public Request for Proposals via GETS.

Brownrigg's experience in leading multi-company consortia; their experience in sheep farming; and their experience in the Middle East were factors in the decision to appoint them.

### Why are we doing this?

The states of the Gulf are looking at ways to boost their food security and have sought support from experts in this area.

Our background and long history of agriculture production and technology has the potential to contribute to the food security solutions of the GCC countries.

Farming systems in the Gulf are presently mainly based on informal techniques. This agri-hub will introduce formal techniques of farming, as well as highlighting New Zealand's expertise and products.

### Why Saudi Arabia?

There are a number of specific reasons why Saudi Arabia:

- Saudi Arabia, like other GCC countries has an acute need for future food security resulting from a shortage of arable land (only 1.25% of the land area of the GCC region is arable).
- Food security initiatives represent a priority for their government, and a number of GCC countries are actively seeking partners with a global reputation for innovation and expertise in food security, food production and agribusiness. New Zealand is seen to have this expertise.
- Saudi Arabia is looking to make its sheep and food production systems more sustainable, which includes developing or importing technology, techniques, tools and expertise in diverse specialities including environmental protection, herd management, breeding improvement programmes and feed improvement.
- New Zealand is well placed to partner with Saudi Arabia to provide this expertise
- Finally, the local developers and owners of the farm are located in Saudi Arabia.

### Why these partners?

A project of this scale requires local expertise. Brownrigg agriculture is working with the local owner of the farm, to develop the agri-hub.

### What New Zealand companies are involved?

To date (August 2014), 16 New Zealand companies are involved with the project including:

- s 9(2)(b)(i) (wool press and wool handling/harvesting equipment)
- Brownrigg Agriculture (lead provider)
- (ear tags and tagging tools)
- (woolshed/covered yards, sheep/cattle handlers and abattoir structures)
- (animal handling technologies)
- (fencing materials)
- (water reticulation materials)
- (air charter services)
- (sheep genetics and breeding)
- (forage seeds)
- (portable yards and auto drafter technologies)
- (abattoir)
- (environmental monitoring technologies)
- (digital presentations and design)
- (animal handling equipment),
- (weigh scales and EID technologies)

It is expected that closer to 30 New Zealand companies will be involved with the farm as the project develops.

**What are the benefits?**

This pilot project will allow New Zealand firms to demonstrate their wares in a farm setting in the Gulf.

If it proves successful, the farm is expected to open up other opportunities for New Zealand in the GCC and potentially elsewhere in the Arab world.

**Other potential questions – back pocket and if asked only**

*What does this mean for the GCC FTA?*

The FTA is still under negotiation. However this project is seen as a positive step towards it.

*Are we able to export animals?*

In March this year, New Zealand and Saudi Arabia signed a protocol providing the framework for exports of livestock for breeding purposes.

The protocol will regulate the export of live sheep, goats and cattle from New Zealand to Saudi Arabia for breeding purposes. It covers animal welfare requirements relating to either sea or air freight, and contains a guarantee that the animals will be allowed to disembark upon reaching their destination.

*What does the sheep for research breeding part of the project involve?*

The provision of sheep for breeding is just one part of this project, and will involve the transportation of sheep from New Zealand to Saudi Arabia for a pilot research breeding programme focused on what breeds are best suited to the conditions in Saudi Arabia as well as reproduction and lamb production. The long-term aim is to keep a self-replacing flock of high quality New Zealand ewes on the demonstration farm for breeding and ongoing research.

*When will the sheep be transported to Saudi Arabia?*

The export of sheep to Saudi Arabia for breeding will begin with a pilot involving approximately 1000 sheep which will be air freighted to Saudi Arabia in October 2014.

*What will happen to the sheep exported to Saudi Arabia?*

The long-term aim is to keep a core flock of high quality New Zealand-bred Awassi ewes on the demonstration farm for breeding. A portion of the ewe lambs bred from the ewes exported from New Zealand will be part of an ongoing breeding programme. Some lambs bred from the ewes from New Zealand will be slaughtered in Saudi Arabia.

*Will New Zealand be exporting live sheep for slaughter?*

No. The export of some livestock (i.e. sheep, cattle, deer and goats) for slaughter is prohibited (Customs and Excise Act 1996 - Customs Export Prohibition (Livestock for Slaughter) Order 2013), "unless the risks to New Zealand's trade reputation can be adequately managed".

The Director-General of MPI may approve individual consignments on a case-by-case basis if judged that the risks can be adequately managed.

*Won't this damage our meat exports?*



No. The primary purpose of the breeding programme is to provide fresh meat for the local market at specific times. It is not expected to impact on our frozen meat trade which has been increasing in recent years.

New Zealand's exports of exports chilled and frozen meat (beef and sheep) to Saudi Arabia for the year ending June 2014 amounted to NZ\$131.3 million, an increase from the year before (NZ\$108.2 million).

Saudi Arabia's demand for meat far outweighs what New Zealand can provide.

*Won't you be removing sheep from NZ production systems?*

If the pilot is successful, we expect there will be increased demand for New Zealand meat, both that processed here and in Saudi Arabia.

*Does New Zealand regularly export animals for breeding?*

While New Zealand ceased exporting live sheep for slaughter in 2003, the export of livestock for breeding purposes has continued to grow with cattle, sheep and horses all shipped or air freighted every year.

New Zealand has agreed livestock import health conditions with dozens of countries. Dairy cows are mainly sea freighted to China where just over 35,000 were exported in 2013. Sheep exports for breeding averaged around 400 a year and nearly 3,000 race horses are air freighted annually.

*How will the welfare of the sheep be assured?*

Approval for export is only given when the Director General of MPI is satisfied that all conditions have been met, including animal welfare requirements. This applies to live animal exports to any destination and of any species.

*What happens if the sheep get ill en route?*

Once the ship departs New Zealand, the ship's Master becomes responsible for the management of the animals throughout the voyage, up through and including unloading. The sheep will be accompanied by suitably experienced stockmen, and at least one veterinarian, as well as medicines and equipment for treating the animals that become unwell during the journey. The ship's Master must also make provision for "hospital pens", where the sheep will be kept until they can be returned to their normal pens. If treatment is unsuccessful, provision is made for humane euthanasia.

If unusual levels of mortality or sickness occur during the voyage the ship's Master is to report this immediately to MPI. In addition, at the end of the voyage, the exporter is responsible for providing MPI with a written report, within 10 working days of completion of the voyage, which includes detailed information about the condition of the animals throughout the journey. Any lessons learned from the voyage can be applied to subsequent voyages in order to ensure continuous improvement of animal welfare during sea voyages. Once the sheep are unloaded, the importer becomes responsible for the welfare of the animals, and it is clearly in their own best interests to ensure the highest standards are maintained.

*What assurances do we have the animals won't be mistreated en route or in country?*

Prior to the export of any livestock to Saudi Arabia, MPI will have in place an agreement, with the Saudi Arabian Ministry of Agriculture, concerning this trade. In addition to the specific testing and treatment the livestock must undergo while in New Zealand, the Agreement will address animal welfare matters upon arrival in Saudi Arabia. For example, if there are any

concerns regarding the health condition of the sheep upon arrival, the Agreement ensures that they will be offloaded and transported to an appropriate quarantine station until the dispute can be resolved.

*Who is the Al Khalaf Group?*

The Al Khalaf Group, headed by Sheik Hmood Al Khalaf, is a Saudi Arabia company that has substantial investments in Saudi Arabia including assets in transportation, farming, abattoir, fishing, property development, and retail in Saudi Arabia. They are investing heavily into their main farm at Um Alerra near Dammam (the site of the demonstration breeding farm and operation). The Al Khalaf Group is a long-time investor in New Zealand and has established Awassi sheep farms in Hawke's Bay

*How do Saudi farms differ to NZ farms?*

New Zealand farms, with animals grazing on open pastures, are different to farms in many parts of the world including Saudi Arabia. Farms in Saudi Arabia generally feature covered feedlot pens on sand designed with different roof heights to cope with heat and to allow adequate airflow. Farms in Saudi Arabia usually have pivot irrigators to grow food stocks, as well as water wells and date palms.

# SAUDI-NZ AGRI HUB

## Governance Group Meeting

1.00 pm Friday 22<sup>nd</sup> August, 2014

Brownrigg Agriculture Boardroom

Hastings

### Agenda

#### Governance Group Members:

Mike Taylor (Chairman)  
Alex Matheson  
Quentin Quin  
David Brownrigg

#### Attending:

John Austin-Smith – Minutes  
Paul Muir  
Peter Bailey-NZTE  
Chris Tozer – Trade Commissioner Riyadh

1. Apologies  
Confirmation of Minutes of 24<sup>th</sup> June 2014 Meeting  
Matters Arising
2. Financials
  - Expenditure to date versus original forecast
  - Forecast expenditure to project completion
3. Project Updates
  - Airfreight
  - Sheep Research
  - Technologies
  - Abattoir
  - Forages
4. Other Business

Out of scope

From: RIYADH  
Sent: Wednesday, 25 June 2014 7:16 p.m.  
To: MEA; TND  
Cc:

Subject: 59(2)(a) FORMAL MESSAGE: SAUDI ARABIA VISIT OF MINISTER OF TRADE, 7-10 JUNE 2014

[RESTRICTED]

Out of scope

Summary

Out of scope

Action

Out of scope

Report

Out of scope

Call on HE Dr Fahd Balghunaim, Minister of Agriculture

Out of scope.

4 Minister Balghunaim highlighted his admiration for New Zealand and exhibited a detailed knowledge of the agribusiness project near Dammam. He spoke of his gratitude for the manner in which he had been received in New Zealand and advised that his Ministry was getting feedback on the JMC from the other participating Saudi departments and would pass on any comments in due course. The abiding message was that the JMC had been a positive experience and we were in a good space on the relationship.

Out of Scope

7 The Minister discussed the agribusiness hub in Dammam and the possibility of New Zealand providing assistance with the development of a modern abattoir.

§ 9(2)(b)(i)

Remainder of document is  
Out of Scope (8 pages)

# SAUDI-NZ AGRI HUB

## Informal Governance Group Meeting

1.00 pm Tuesday 24<sup>th</sup> June, 2014

Brownrigg Agriculture Boardroom

Hastings

### Agenda

#### Governance Group Members:

David Brownrigg (Acting Chairman)  
Alex Matheson  
Quentin Quin

#### Attending:

John Austin-Smith – Minutes  
Paul Muir  
Peter Bailey

1. Apologies – Mike Taylor (Chairman) and George Assaf  
Confirmation of Minutes of 18<sup>th</sup> March 2014 Meeting  
Matters Arising
2. Saudi-NZ Agri Hub Brief Project Updates
  - SOP Sea-freight
  - Forages
  - Sheep Research
  - Technologies
  - Abattoir
  - Airfreight
3. Other Business – NZTE /Marie Taylor PR visit
  - Future Meetings

s9(2)(a)

**From:** s9(2)(a) (RIY)  
**Sent:** Friday, 23 May 2014 1:07 a.m.  
**To:** s9(2)(a) (MEA)  
**Cc:** AUSTIN, Jonathan (MEA); CURR, Jonathan (MEA); s9(2)(a) (RIY); s9(2)(a) (RIY); John Laxon  
**Subject:** MEETING BRIEFS - MINISTER GROSER VISIT TO SAUDI ARABIA  
**Attachments:** MEETING BRIEF MINISTER OF FINANCE JUNE 2014.docx; RIY BRIEF MEETING BRIEF CROWN PRINCE MINISTER GROSER JUNE 2014.docx; RIY BRIEF MEETING BRIEF DEPUTY CROWN PRINCE MINISTER GROSER JUNE 2014.docx; RIY BRIEF MEETING BRIEF MINISTER OF TRADE AND COMMERCE MINISTER GROSER VISIT TO SAUDI JUNE 2014.docx; RIY BRIEF MINISTER OF AGRICULTURE SAUDI ARABIA MINISTER GROSER VISIT JUNE 2014.docx; RIY OVERVIEW BRIEF SAUDI ARABIA MINISTER GROSER JUNE 2014.docx; RIY BRIEF MEETING BRIEF GCC SG AL ZAYANI MINISTER GROSER JUNE 2014.docx

s9(2)(a)

Please find attached (and hyperlinked) and my meeting briefs for Minister Groser's upcoming visit to Saudi Arabia, including:

- General Overview Brief on Saudi Arabia
- Brief for call on the Deputy Crown Prince
- Brief for call on GCC SecGen Al-Zayani
- Brief for call on Minister of Agriculture

out of scope

out of scope

Best regards

s9(2)(a)

## Bilateral Relationship with Saudi Arabia

Out of Scope

### Trade and economic relationship

Out of Scope

3 The agribusiness partnership with the Al Khalaf Group has the potential to develop into a broader food security partnership with Saudi Arabia and could present new and lucrative opportunities for New Zealand companies. In Saudi Arabia, and across the Gulf more broadly, food security is an important preoccupation due to the virtual absence of arable land. This makes New Zealand a natural partner. The current value of New Zealand agricultural exports to Saudi Arabia and the wider Gulf countries could be increased by securing the entry into force of the FTA and exporting higher value products and services.

Out of Scope

Out of Scope .

The following page is withheld under s6(b),  
s9(2Xj) and out of scope



Out of scope

#### **Saudi Arabia and the Haj**

13 The Haj is an Islamic pilgrimage to the city of Mecca that every Muslim, if they are able to, is required to undertake at least once in their lifetime. In 2012 the Saudi Arabia Ministry of Foreign Affairs estimated that 3.2 million pilgrims undertook the Haj. The Haj takes place during the festival of Eid, where Muslims traditionally slaughter animals and distribute the meat to the needy. Today, pilgrims buy a voucher in Mecca for sheep to be slaughtered in their name. This usually involves around 20 million sheep.

**MEETING BRIEF: MEETING WITH HRH PRINCE SALMAN BIN ABDUL AZIZ AL SAUD, CROWN PRINCE, FIRST DEPUTY PRIME MINISTER AND MINISTER OF DEFENCE**

**Time: MEETING IS TBC**

**Date: MEETING IS TBC**

**Venue: MEETING IS TBC**

- Update the Crown Prince on progress in resolving the live sheep issue, and now our agricultural expertise could assist Saudi Arabia meet its food security needs.

**Key Participants: HRH Crown Prince Salman bin Abdul Aziz Al Saud**  
 ("Your Royal Highness")

NZ Officials

- HE Hamish MacMaster, Ambassador of New Zealand to the Kingdom of Saudi Arabia
- Chris Tozer, P/S Minister of Trade
- Greg Lewis, Deputy Head of Mission, New Zealand Embassy Riyadh

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**Background Information***Livestock export issue*

5 Since New Zealand's last ministerial engagement with the Crown Prince earlier this year, we have resolved the livestock export issue, a significant irritant in our bilateral relationship.

39(2)(j) We are confident that this issue has now been resolved with the signing by Primary Industries Minister Hon Nathan Guy on 4 March 2014 in Riyadh of the *Arrangement for the Export of Livestock from New Zealand to Saudi Arabia for Breeding Purposes*.

6 The timing of the next step – export of livestock to Saudi Arabia for breeding – is now a commercial decision, although the first shipment could happen in the second half of this year.

Out of Scope

Out of scope

*Food security*

9 At the January 2014 meeting, Minister McCully and Saudi Finance Minister Al-Assaf agreed that there were opportunities to work bilaterally on food security opportunities in third countries (particularly Africa). Already Saudi Arabia was investing in agricultural projects in Argentina, Chile and the Philippines. We are exploring food security opportunities with the Saudi Arabian Investment and Livestock Corporation

Remainder of document  
is Out of Scope (1 page)

**MEETING BRIEF: GULF COOPERATION COUNCIL SECRETARY GENERAL ABDUL LATIF BIN RASHID AL ZAYANI**

**Time:** TBC  
**Date:** TBC  
**Venue:** TBC

**Objectives**

- Update SG Al-Zayani on the signing of the livestock for breeding arrangement with Saudi Arabia,

Out of scope

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**Key Participants**

Secretary General Abdul Latif Bin Rashid Al Zayani

Officials

- HE Hamish MacMaster, Ambassador of New Zealand to the Kingdom of Saudi Arabia
- Chris Tozer, P/S Minister of Trade
- Greg Lewis, Deputy Head of Mission, New Zealand Embassy Riyadh

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**Key Points**

Out of scope

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**Background Information**

Out of scope

Page Out of Scope or Withheld  
under section 59(2)(j)

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Out of scope

Food security

Out of scope

13. New Zealand is exploring food security partnerships in the region. We are working , on establishing an Agribusiness Services Hub in Saudi Arabia,

Out of scope

Out of scope

14. New Zealand remains ready to work bilaterally with any member of the GCC that wishes to explore cooperation with New Zealand on food security, or more broadly in areas where New Zealand government departments and companies hold expertise or experience. This is an area that could be explored further with Al Zayani should he visit New Zealand.

Out of scope

Remainder of document  
is Out of Scope (1 page).

**MEETING BRIEF: AGRICULTURE MINISTER DR FAHD BALGHUNAIM****Time:** TBC**Date:** TBC**Venue:** TBC**Objectives**Out of scope  
s9(2)(j)**Key Participants**

Agriculture Minister Dr Fahd Balghunaim

Officials

- HE Hamish MacMaster, Ambassador of New Zealand to the Kingdom of Saudi Arabia
- Chris Tozer, P/S Minister of Trade
- Greg Lewis, Deputy Head of Mission, New Zealand Embassy Riyadh

**Key Points**Out of scope  
s9(2)(j)

- New Zealand is keen to explore areas of cooperation with the Saudi Ministry of Agriculture to build on the close relationship that has developed over recent years.

**Background Information***Previous engagement*

1. You met Minister Balghunaim most recently in Wellington in April 2014. Ministers McCully and Guy called on Minister Balghunaim in Riyadh in January and March 2014 respectively, the latter to sign the *Arrangement for the Export of Livestock from New Zealand to Saudi Arabia for Breeding Purposes*,

s9(2)(j)

*Joint Economic Commission*

2. Minister Balghunaim travelled to New Zealand in April 2014 for the Saudi-NZ Joint Economic Commission (JEC), hosted by you. The agenda covered a wide range of topics, including: (1) agriculture, food security, and developments in halal



certification; (2) trade in livestock for breeding; (3) NZ-GCC FTA; (4)  
 (5) Out of scope (6) Out of scope

3. The successful JEC visit supported the broader rehabilitation of the economic relationship with Saudi Arabia (following resolution of the livestock issue). Solid, practical outcomes were achieved for New Zealand on education and reducing the cost of business visas (both key priorities in terms of the NZ Inc GCC Strategy).

Out of scope

*Agribusiness Hub in Dammam and export of live goats for breeding*

6. MEA - Any update?

7. Hmood Al-Khalaf, the Saudi partner, has requested that the annexes of the Arrangement for the Export of Livestock to Saudi Arabia for Breeding Purposes be amended to include also the export of goats (in addition to sheep and cattle). Given that this requires minor changes to the certificates attached to the Arrangement, this sort of change can, in most markets, be undertaken at officials' level between the Ministry for Primary Industries and the foreign regulator. However, the Saudi Ministry of Agriculture has thus far refused, on the grounds that the Arrangement was signed between Ministers and thus the annexes cannot be amended by officials.

out of scope + s 6(a)

s 9(2)(a)

*Suggested messages*

- New Zealand has in good faith addressed the livestock issue to the satisfaction of both the Saudi Government and the investor. 39(2)(5)

out of scope

New Zealand Embassy Riyadh  
May 2014

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Out of scope

**From:** RIYADH  
**Sent:** Monday, 5 May 2014 7:11 p.m.  
**To:** MEA  
**Cc:**

Out of scope

**Subject:** FORMAL MESSAGE: KUWAIT: VISIT BY MINISTER OF TRADE, 28 APRIL 2014

Out of scope

#### Summary

Out of scope

- Minister Groser reiterates the desire for greater agricultural cooperation, noting NZ produces 15% of all food consumed in the Gulf.

Out of scope

Out of scope

#### Action

Out of scope

#### Report

s 9(2)(a)

Minister Groser, accompanied by Chargé d'Affaires a.i. Lewis, undertook a day of high-level calls in Kuwait City on 28 April 2014.

NZTE Regional Director IMEA Kimpton,

Out of scope

Call on HE Dr Abdulmohsen Al-Madaj, Deputy Prime Minister and Minister of Commerce and Industry

Out of scope

all on HE Eng Jaseem Mohamed Habib Al-Bader, General Director of the Public Authority for Agriculture Affairs and Fish Resources.

Out of scope

priority.

10 Minister Groser discussed the agrihub project in Saudi Arabia and New Zealand's policy to develop bilateral agricultural agreements with GCC members. The resolution of the Saudi Al-Khalaf issue was discussed and the recent discussions with UAE Minister Al-Mansouri.

The remainder of this document is withheld under sections 54(1) + 54(1)(b) or is out of scope (b) (b) (b)

**From:** MEA  
**Sent:** Monday, 28 April 2014 12:29 p.m.  
**To:** RIYADH  
**Cc:** MEA; ...MEA POSTS; DS APE; DS TEG; TND; ECO; AUCKLAND; FM.P/S Trade; FM.P/S MFA; FM.P/S Economic Development; FM.P/S Agriculture; FM.NZTE (Seemail); FM.EducationNZ (Seemail); FM.Education Ministry (Seemail); FM.Immigration NZ (Seemail); FM.Culture & Heritage (Seemail); FM.Health Ministry (Seemail); FM.Internal Affairs (Seemail); FM.NAB (Seemail); FM.Social Development (Seemail); FM.MBIE Economic Development (Seemail)  
**Subject:** FORMAL MESSAGE: VISIT TO NEW ZEALAND BY SAUDI AGRICULTURE MINISTER DR FAHD BALGHUNAIM  
**Attachments:** Fifth Saudi- NZ JMC Agreed Minute.pdf

[RESTRICTED]

#### Handling Instructions

Education NZ:  
Ministry of Education:  
NZTE:  
MPI:  
Immigration:  
Culture and Heritage:  
Health:  
Internal Affairs:  
NAB:  
Social Development:  
MBIE:

#### Summary

A successful visit by Saudi Agriculture Minister, Dr Fahd Balghunaim, supported the broader rehabilitation of the economic relationship with Saudi Arabia following the recent resolution of the livestock issue.

Out of scope

#### Action

For information.

Out of scope

out of scope

## Report

The Saudi Agriculture Minister, Dr Fahd Balghunaim, visited New Zealand on 8-11 April to participate in the fifth New Zealand-Saudi Arabia Joint Ministerial Commission (JMC), which was co-chaired by Minister Groser.

out of scope

s9(2)(j)

out of scope

out of scope

Ministerial Calls

9 Minister Guy reiterated New Zealand's interest in assisting Saudi Arabia with food security, and the opportunity the new Saudi-NZ agrihub presented for showcasing New Zealand farming technologies. Minister Guy also noted the New Zealand interest in chilled meat exports to the Saudi market. Minister Balghunaim commented that the purchasing habits of Saudis were changing. Saudis used only to purchase locally slaughtered meat, but chilled and frozen imported product was becoming more popular.

sb(b)

Out of scope

Out of scope

Out of scope

Out of scope

#### Comment

13 As our 18<sup>th</sup> largest export market, Saudi Arabia remains an important economic partner for New Zealand, and the JMC proved useful in the context of our efforts to place the economic relationship on a solid footing after the resolution of the livestock issue.

Out of scope

Out of scope

RELEASED UNDER THE  
OFFICIAL INFORMATION ACT



Agreed Minutes  
of  
The Fifth Session of the New Zealand - Saudi Arabia  
Joint Ministerial Commission  
9 April 2014  
Wellington - New Zealand

*Out of Scope*

- The signing of the Arrangement for the Export of Livestock from New Zealand to Saudi Arabia for Breeding Purposes;

*Out of Scope.*

*Pages 2 and 3 are withheld under s 6(6)  
and out of scope*

21. Both parties welcomed the development of a New Zealand Agri-business Hub in Dammam, Kingdom of Saudi Arabia, in partnership with Saudi investor Mr. Mahmood Al Khalaf, and encouraged similar future investments into the New Zealand and Saudi agricultural sectors.

out of Scope


25. Both parties welcomed the signing on 4 March 2014 in Riyadh, Kingdom of Saudi Arabia, of the *Arrangement on the Export of Livestock from New Zealand to the Kingdom of Saudi Arabia for Breeding Purposes* and the subsequent visit to New Zealand by a veterinary delegation from the Ministry of Agriculture of the Kingdom of Saudi Arabia.

out of Scope


Out of Scope.

33. Done and signed in Wellington, New Zealand, on 9 April 2014 corresponding to 9 Jumada II 1435 in two originals in the Arabic and English languages, both texts being equally authentic.

The New Zealand Party

  
\_\_\_\_\_  
Hon Tim Groser  
Minister of Trade

The Saudi Party

  
\_\_\_\_\_  
Dr Fahd bin Abdulrahman Balghunaim  
Minister of Agriculture



# Cabinet

CAB Min (14) 12/3(16)

Copy No. 18

## Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

### Budget 2014: Vote Foreign Affairs and Trade Technical Initiatives

On 7 April 2014, Cabinet:

- 1 approved the Budget initiatives for the above Vote for inclusion in the 2014 Budget package, as listed in the summary below and detailed in the attached initiative documents;

#### Summary of initiatives included in the attached initiative documents:

##### Operating Initiatives (Impact on Operating Balance)

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2013/14	2014/15	2015/16	2016/17	2017/18 & Outyears
8252	Government-to-Government Commercial Partnerships	(1,000)	-	-	-	-
8253	Saudi Agribusiness Research Programme	(1,500)	-	-	-	-
Total Operating		(2,500)	-	-	-	-

- 2 approved the changes to appropriations to implement the initiatives, as set out in the attached initiative documents;
- 3 agreed that the changes to appropriations and/or projected balances of net assets for 2013/14 above be included in the 2013/14 Supplementary Estimates;
- 4 authorised the Minister of Finance and the Vote Minister to approve jointly any technical adjustments to baselines necessary to remove any errors or inconsistencies identified while finalising the 2013/14 Supplementary Estimates, the 2014/15 Estimates and the fiscal forecasts;
- 5 noted that all communications relating to the 2014 Budget are co-ordinated by a Budget communications committee, and that any requests for early announcement will need to have both the written approval of the Minister of Finance and sign-off from the Prime Minister's office.

*Michael Smith*  
Secretary of the Cabinet

Reference: CAB (14).160

Distribution: (see over)

Initiative No: 8252

**Vote:** Foreign Affairs and Trade

**Title:** Government-to-Government Commercial Partnerships

**Description:** Contribution towards the establishment of a Government-to-Government office hosted by New Zealand Trade and Enterprise

**Appropriation Changes**

	Sm - increase/(decrease)				
	2013/14	2014/15	2015/16	2016/17	2017/18 & Outyears
Operating Balance Impact	(1,000)	-	-	-	-
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
<b>Total</b>	<b>(1,000)</b>	-	-	-	-

	Sm - increase/(decrease)				
	2013/14	2014/15	2015/16	2016/17	2017/18 & Outyears
<b>Departmental Output Expense:</b>					
Policy Advice and Representation - Other Countries (funded by revenue Crown)	(1,000)	-	-	-	-
<b>Total Operating</b>	<b>(1,000)</b>	-	-	-	-
<b>Total Capital</b>	-	-	-	-	-

**Additional recommendation**

- 6 noted that a corresponding initiative in Vote Economic Development will complete this fiscally neutral adjustment.

59(2)(a)

**From:** MEA  
**Sent:** Tuesday, 1 April 2014 11:25 a.m.  
**To:** 59(2)(a)  
**Cc:** CURR, Jonathan (MEA); AUSTIN, Jonathan (MEA)  
**Subject:** FW: FORMAL MESSAGE: PRIMARY INDUSTRIES MINISTER VISITS SAUDI ARABIA

**From:** RIYADH  
**Sent:** Monday, 31 March 2014 7:50 p.m.  
**To:** MEA  
**Cc:**

Out of scope

**Subject:** FORMAL MESSAGE: PRIMARY INDUSTRIES MINISTER VISITS SAUDI ARABIA

(RESTRICTED)

Out of scope

#### Summary

A two-day visit by Primary Industries Minister Nathan Guy provides an opportunity to sign with his Saudi counterpart an Arrangement for the export of livestock for breeding to the Kingdom. \* Minister calls on

Out of scope

the site of the New Zealand agribusiness hub operation also in the Eastern Province.

56(a) 59(2)(j)

Out of scope

#### Action

Out of scope

#### Report

59(2)(a)

2 Primary Industries Minister Nathan Guy accompanied by HOM MacMaster, MEA Unit Manager Curr, DHOM Lewis, Second Secretary 59(2)(a), MPI Chief Market Access Officer Zohrab, Dubai-based NZTE Consul General Kimpton, Government Commercial Partnerships Special Envoy Matheson and NZTE's Programme Leader— Global Agribusiness Smith, undertook a two-day visit to Saudi Arabia including calls in Dammam, Eastern Province, on 3 March and Riyadh on 4 March 2014. The delegation was well received and offered full facilitation by the Saudi Ministry of Agriculture.

56(a)

out of scope  
agribusiness hub model farm will be located.

the farm of Sheikh Hmood Al-Khalaf, where the New Zealand

### Call on Saudi Minister of Agriculture

3 The purpose for Minister Guy's visit to Saudi Arabia was primarily to call on Minister Balghunaim and to sign the Arrangement for the Export of Livestock from New Zealand to Saudi Arabia for Breeding Purposes (attached)

s6(a)

Areas of future agriculture cooperation

s6(a)

s6(a) + s9(2)(ba)

s6(a) + s9(2)(ba)

out of scope

out of scope .

Out of Scope .

s6(a)+s9(2)(s)

s6(a) + s9(2)(j)

*Animal Welfare considerations*

11 Minister Guy noted that while New Zealand already exported live animals for breeding we did not export livestock for slaughter and had not done so for over 10 years. There were no plans to resume this trade. The Arrangement had not been easy because of the importance of animal welfare concerns to both the government and the New Zealand public. Ensuring a good relationship with Saudi Arabia was important.

s6(a)

s6(a) + s9(2)(j)

s6(a) + s9(2)(b2)

005

Out of Scope



Out of scope

#### Visit to Sheikh Hmood Al Khalaf Farm

19 On the return trip to Riyadh, the delegation called on Sheikh Hmood Al Khalaf at his farm and the future site of the New Zealand agribusiness hub and model farm. Despite being located in the middle of the desert, the farm boasted large date plantations, irrigated alfalfa and wheat fields, and significant feedlots for goats and sheep. The Minister and Sheikh Hmood discussed development of the agribusiness hub which will showcase New Zealand on-farm technology and include a breeding and feed programme for desert-suited Awassi sheep. The Arrangement signed the next day in Riyadh by Minister Guy and his counterpart Minister Balghunaim provides the framework for the export of breeding ewes from New Zealand to this model farm to serve as the nucleus of the breeding flock for the model farm.

#### Comment

20 The signing of the Arrangement has impacted positively on our bilateral relationship with Saudi Arabia and .. As the culmination of several years' efforts to address Saudi grievances, the conclusion and signing of the Arrangement potentially heralds a new era in New Zealand/Saudi relations. Both Ministers were keen to highlight that the relationship was now forward looking and would not reflect on past difficulties.

S 6(a) + S 9(2)(ba)

21 The call on the Al-Khalaf farm was also well received, both by Sheikh Hmood and the Saudi Minister (the latter mentioned the fact he was a frequent visitor to the Al-Khalaf farm, having his own organics farm nearby). Minister Guy's visit to the farm underscored the importance of the agribusiness hub to New Zealand as a developing area of bilateral cooperation.

S 6(a) + S 9(2)(j)

Page 5 is withheld under S 6(a) and S 9(2)(j)

**Saudi-NZ Agri Hub**  
**Governance Group Meeting Minutes**  
18<sup>th</sup> March, 2014

Withheld under sections  
s9(2)(b)(ii) + s9(2)(ba)

# SAUDI-NZ AGRI HUB

## Governance Group Meeting

10.30 am, Tuesday 18<sup>th</sup> March, 2014

Brownrigg Agriculture Boardroom

Hastings

### Agenda

#### Governance Group Members:

Mike Taylor - Chairman  
David Brownrigg  
Alex Matheson  
Haylon Smith  
George Assaf

#### Attending:

John Austin-Smith – Minutes  
Paul Muir  
Malcolm Macfarlane  
Peter Bailey

1. Apologies  
Confirmation of Minutes of 26<sup>th</sup> February 2014 Meeting  
Matters Arising
2. Draft Saudi-NZ Agri Hub Costed Workplan
  - o Summary
  - o Project 2 Airfreight
  - o Project 3 R&D Sheep Breeding
  - o Project 4 Demonstration of NZ Technologies
  - o Project 5 Abattoir
  - o Project 6 Forages R&D

(Note: Electronic copies of proposals for each of the above projects will be circulated by Sunday 16<sup>th</sup> March electronically, with hard copies available at the meeting.)

3. Other Business - Future Meetings



COMMERCIAL IN CONFIDENCE

## AL KHALAF PARTNERSHIP - AIRFREIGHT SHIPMENT APPROVAL

## Purpose

1. This briefing seeks Ministers' approval of NZTE as the agency responsible for a one-off airfreight shipment of breeding ewes to Saudi Arabia as part of the Al Khalaf Partnership, and Hon Murray McCully as primary spokesperson.

Date: 03 March 2014	Deadline: 05 March 2014	Priority: High
---------------------	-------------------------	----------------

<b>Action Sought</b> Minister for Economic Development Minister of Foreign Affairs Cc Minister of Trade	<p>Note on Thursday 13 February NZTE's Board approved NZTE to implement the agribusiness hub in Saudi Arabia, including responsibility for a one-off airfreight shipment of breeding ewes before November 2014, subject to Ministerial approval.</p> <p>Note that Cabinet considered this issue on 24 February (ERD Min 14/2/A refers) noting the costs of the proposal are estimated to be up to:</p> <ul style="list-style-type: none"> <li>• NZ\$0.650 million for the airfreight of the pilot flock.</li> <li>• NZ\$0.650 million of associated costs to enable the shipment.</li> </ul> <p>Approve NZTE as the agency responsible for the one-off airfreight shipment of breeding ewes.</p> <p>Note the Communications Plan agreed by MFAT, MPI and NZTE.</p> <p>Agree Hon Murray McCully as primary spokesperson.</p>
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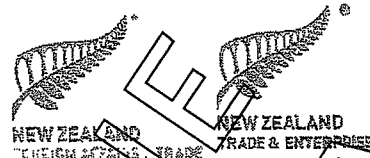
Any queries relating to this paper should be addressed to:

Contact	Position	First Contact	Mobile
Haydon Smith	Programme Leader	✓	59(2)(a)
Kiona Acheson	Director - Board and Ministerial		59(2)(a)

File site Number: 11479161

## THE FOLLOWING HAVE BEEN CONSULTED ON THIS REPORT:

- ✓ New Zealand Trade and Enterprise
- ✓ Ministry of Foreign Affairs and Trade
- ✓ Ministry for Primary Industries
- ☐ Callaghan Innovation



COMMERCIAL IN CONFIDENCE

File Ref: 11479161

03 March 2014

Minister for Economic Development  
Minister of Foreign Affairs  
cc Minister of Trade

#### AL KHALAF PARTNERSHIP – AIRFREIGHT SHIPMENT APPROVAL

#### PURPOSE

1. This briefing seeks Ministers' approval of New Zealand Trade and Enterprise (NZTE) as the agency responsible for a one-off airfreight shipment of breeding ewes to Saudi Arabia as part of the Al Khalaf Partnership and Hon Murray McCully as primary spokesperson.

#### COMMENT

2. *59(2)(h)*
3. NZTE, MFAT and the Ministry of Primary Industries (MPI) have developed a strategy to communicate the Al Khalaf agribusiness hub and food security partnership in Saudi Arabia. A Communications Strategy and Back Pocket Question and Answer document are attached in Appendix One.
4. The strategy proposes that the primary spokesperson is Hon Minister McCully who will retain the key relationship with Sheikh Hmood Al Khalaf.

#### BACKGROUND

5. In February 2013 Cabinet noted the proposal to invest in a pilot agribusiness operation with Saudi Arabia as a means to resolve a long-running dispute and remove the basis for their objection to the Free Trade Agreement (FTA) with the Gulf Cooperation Council (GCC) nations proceeding. A total of \$10 million was allocated from within MFAT baselines for the New Zealand-Al Khalaf Partnership, a food security partnership.
6. Brownrigg Agriculture won a public tender for contract implementation. Design of the agriculture hub in Saudi Arabia (animal feed and water use, breeding and fattening units, a processing unit) is under way, together with the selection of the New Zealand technologies to be utilised and showcased at the agribusiness hub. A detailed design is scheduled to be delivered by March 2013.

7. As instructed by Cabinet, the contract process was developed in consultation with the Treasury. *5962769161* The contract has been led initially by MRAI but will be transferred to NZTE for implementation following approval by the NZTE Board on 13 February 2014.
8. NZTE's Board also approved NZTE as the agency responsible for the airfreight shipment of breeding ewes before November 2014, subject to Ministerial approval.

*Airfreight of Breeding Ewes*

9. On 24 February Cabinet (ERD Min (14/2/1) refers) was updated on an option for advancing the Saudi food security partnership with the Al Khalef Group in order to accelerate Saudi Arabia's removal of its objection to the GCC's FTA with New Zealand.
10. The proposal is that there is a one-off airfreight shipment of breeding ewes before November 2014. The arrangements for the airfreight shipment will be managed by Brownrigg through a variation to its existing contract. Brownrigg is experienced with live animal exports by air.
11. Cabinet noted that the costs of the proposal are estimated to be up to:
- NZ\$0.850 million for the airfreight of the pilot flock;
  - NZ\$0.650 million of associated costs to enable the shipment;
12. MFAT has funds available within its 2013-14 financial year budget to accommodate this cost. With the agreement of the Minister of Finance, the \$1.5 million will be transferred from Vote: Foreign Affairs and Trade to Vote: Economic Development (ERD Min (14) 2/1), to enable the shipment to take place.

**CONSULTATION**

13. MPI has been consulted in the preparation of this briefing.

## RECOMMENDATIONS

14. It is recommended that you:

- Note on Thursday 13 February NZTE's Board approved NZTE to implement the agribusiness hub in Saudi Arabia, including responsibility for a one-off airfreight shipment of breeding ewes before November 2014, subject to Ministerial approval.
- Note that Cabinet considered this issue on 24 February (ERD Min 14/2/1) refers) noting the costs of the proposal are estimated to be up to:
  - NZ\$0.850 million for the airfreight of the pilot flock,
  - NZ\$0.650 million of associated costs to enable the shipment.
- Approve NZTE as the agency responsible for the one-off airfreight shipment of breeding ewes.

AGREE/DISAGREE

- Note the Communications Plan agreed by MFAT, MPI and NZTE.
- Agree Hon Murray McCully as primary spokesperson.

AGREE/DISAGREE

Tim Green  
GENERAL MANAGER  
INTERNATIONAL

AGREE/DISAGREE

Jeff Langley  
for SECRETARY OF FOREIGN AFFAIRS  
AND TRADE

Hon Steven Joyce  
MINISTER FOR ECONOMIC  
DEVELOPMENT  
Date: 1 / 3 / 2014

Hon Murray McCully  
MINISTER OF FOREIGN AFFAIRS  
Date: 1 / 3 / 2014

## APPENDIX ONE

### Saudi Arabia/Al Khalaf Communications Strategy and Back Pocket Question and Answer

#### *Communications Objectives*

##### New Zealand

- Ensure the full scope of the broader project is fully understood and manage concerns over live sheep exports.
- Profile the Al Khalaf project within the broader context of NZ Inc GCC strategy and the growth in Saudi Arabia and the region and the opportunities this provides for New Zealand businesses and the wider economy.
- Maximise opportunities around inward and outward visits to discuss Saudi Arabia, GCC and relationships with New Zealand.
- Use government activity and channels to raise awareness of the opportunities for New Zealand/New Zealand business in Saudi Arabia, and other GCC countries, using the Al Khalaf partnership as an example.
- Ensure all communications activity about Al Khalaf is aligned and that key partners and stakeholders are kept informed, and are aware of the communications approach.

##### Saudi Arabia

- Use government channels to raise the profile of New Zealand in Saudi Arabia and other GCC nations, by leveraging Al Khalaf as well as ministerial visits, trade shows and company examples.
- Maximise opportunities around inward and outward visits to discuss relationships between New Zealand, Saudi Arabia and the GCC.
- Ensure all communications activity is aligned and that key partners and stakeholders are kept informed, and are aware of our communications approach.

##### Spokespeople

- The strategy proposes that the primary spokesperson is Hon Minister McCully who will retain the key relationship with Sheikh Hmood Al Khalaf.
- All queries on the GCC strategy; the government investment in the Al Khalaf project; and FTA negotiations will be referred to MFAT.
- Hon Minister Guy will be the overall Minister responsible for the protocol for the export of cows and sheep negotiated by MPI and the Ministry of Agriculture Saudi Arabia.
- All queries relating to animal exports will be referred to MPI.
- All queries relating to the ongoing development of the farm; the business opportunities in the region; NZ agribusiness opportunities and NZTE's agribusiness strategy will be referred to NZTE.



- The spokespeople in Saudi Arabia will be Ambassador Hamish MacMaster or NZTE Regional Director Clayton Kilmington as appropriate
- Company spokespeople
  - Brownrigg – media queries will be directed to NZTE.
  - Mamood Al Khalaf
  - Individual companies involved in the project will talk about their successes

#### Key messages

##### General

- In early 2013, the New Zealand government confirmed an agreement with the Al Khalaf Group in Saudi Arabia to open up opportunities for New Zealand agribusiness goods and services in Saudi Arabia.
- The agreement will provide New Zealand with access to the knowledge and networks of the Al Khalaf Group throughout the GCC, and will result in the development of a significant New Zealand agribusiness 'hub', or demonstration farm, near Dammam, Saudi Arabia.
- The demonstration farm will be developed as a commercial partnership between a New Zealand consortium, led by Brownrigg, and Al Khalaf Group. The hub will be one of the largest of its kind, and is expected to be a full showcase of New Zealand agrotechnology, including:
  - Technical services (core science, R&D, advisors and educational courses)
  - Farm inputs (animal feed and health products, fertilisers, chemical sprays, building and fencing materials)
  - On-farm equipment (readers, scanners, scales, irrigators)
  - On-farm business systems and expertise (specialist farm and benchmarking systems)
  - Genetics testing and mapping expertise
  - The provision of sheep from New Zealand for breeding.
- In November 2013, following a detailed RFP process, Hawke's Bay-based Brownrigg was appointed the lead provider for the development of the agribusiness hub, and is now establishing a consortium of companies to deliver goods and services. It is hoped that the first services will be installed in Dammam by June 2014.
- The partnership with Al Khalaf will open up significant opportunities for New Zealand in the GCC and potentially elsewhere in the Arab world; Arab countries have little productive agricultural land and are actively looking to other countries to provide food and food systems. New Zealand is well placed as a leader in agrotechnology to provide a full range of agribusiness expertise, products and services throughout the GCC. It is expected that the agribusiness hub in Saudi Arabia will also provide a platform for further opportunities in third party countries, especially in Africa.
- Al Khalaf is a long-time investor in New Zealand and has established Awassi sheep farms in Hawke's Bay. The group has substantial investments and assets in transportation, farming, abattoir, property development, and retail in Saudi Arabia, and they are investing heavily into their main farm near Dammam (the site of the proposed demonstration breeding farm and operation).
- The agreement forms a significant component of a broader food security partnership with Saudi Arabia, and is a critical element of the New Zealand-GCC (Gulf Cooperation Council) Free Trade Agreement currently under negotiation.
- The partnership with Al Khalaf is part of a wider programme of work that aims to maximise international opportunities for our agriculture industry, and individual agribusiness and agrotechnology companies.

### New Zealand-GCC and Food Security

- Exports from New Zealand to the GCC already exceed NZ\$1.5 billion, and have been growing steadily by 10% a year. Acutely aware that there is a finite aspect to petroleum-based wealth, GCC countries have been seeking to invest to secure their post-petroleum futures. Future food security is high on the list of priorities, and New Zealand, as one of the world's leading agricultural nations is a partner of choice.
- In recent years, the New Zealand Government has been working with its counterparts in Saudi Arabia, and the wider GCC to better understand the food security needs of that region. The recent launch of the NZ Inc GCC strategy by the Minister of Foreign Affairs outlines food security as a key area of focus.
- The GCC countries share a common problem – an acute need for future food security resulting from a shortage of arable land (on average less than 1.5% of the land mass of GCC countries). In each case, well-funded food security initiatives represent a priority for their government, and a number of GCC countries are actively seeking partners, especially from countries such as New Zealand that have a global reputation for their innovation and expertise in food security, food production and agribusiness.
- One of the food security initiatives in Saudi Arabia is to increase the number of sheep, after seeing sheep numbers in the Kingdom drop from 12 million in 2008 to 8.7 million in 2012. The Saudis also want to make the industry sustainable. This will entail developing or importing technology, techniques, tools and expertise in diverse specialities including environmental protection, herd management, breeding improvement programmes and feed improvement. New Zealand has the experience, knowledge and expertise to assist with this.
- This is a challenging region to do conduct business in, and requires strong personal ties and good political relations. Before New Zealand becomes a partner of choice for the region, we need to develop strong government and private sector relationships. That is why the Government developed the GCC Strategy.
- The GCC Strategy defines how we will grow our relationship with the region. The goals are to:
  - Develop a model for public-private partnerships with the GCC region.
  - Double the value of NZ high value-manufacturing and service exports.
  - Double the value of NZ value-added food exports
  - Establish NZ as a premium education service provider and study destination.

## BACK POCKET QUESTIONS & ANSWERS

What is the New Zealand agribusiness hub in Saudi Arabia?

The New Zealand agribusiness hub in Saudi Arabia is a demonstration farm in Damman, Saudi Arabia that will be developed as a commercial partnership between a New Zealand consortium and Al Khalaf Group, following an agreement between the New Zealand government (MFAT and NZTE) and Al Khalaf.

The hub is expected to be a full showcase of New Zealand agrotechnology. It will include:

- Technical services (core science, R&D, advisors and educational courses)
- Farm inputs (animal feed and health products, fertilisers, chemical sprays, building and fencing materials)
- On-farm equipment (readers, scanners, scales, irrigators)
- On-farm business systems and expertise (specialist farm and benchmarking systems)
- Genetics testing and mapping expertise
- The provision of sheep for breeding.

What New Zealand products and services will be included in the hub, and what companies will be involved?

The agribusiness hub in Damman, Saudi Arabia is expected to showcase a full range of New Zealand agribusiness technology and expertise. The actual New Zealand providers of technology, products, services, knowledge and expertise is yet to be finalised, however the demonstration farm will be seeking providers of:

- Technical services (core science, R&D, advisors and educational courses)
- Farm inputs (animal feed and health products, fertilisers, chemical sprays, building and fencing materials)
- On-farm equipment (readers, scanners, scales, irrigators)
- On-farm business systems and expertise (specialist farm and benchmarking systems)
- Genetics testing and mapping expertise
- Sheep for breeding

Based on this, our expectation is that a wide range of New Zealand companies will be involved.

Why is the farm being located in Saudi Arabia?

The demonstration farm is being developed in Saudi Arabia because that is where the Al Khalaf Group's farms are located. Al Khalaf has substantial investments and assets in transportation, farming, abattoir, property development, and retail in Saudi Arabia, and they are investing heavily into their main farm near Damman.

How much money is this partnership costing?

The New Zealand Government has committed NZ\$7.5 million over the next two to three years to develop the demonstration breeding farm and operation.

What will the return on investment be?

It is too early to say, however, the partnership with Al Khalaf will open up significant opportunities for New Zealand in the GCC and potentially elsewhere in the Arab world; Arab countries have little productive agricultural land and are actively looking to other countries to provide food and food systems. New Zealand is well placed as a leader in agrotechnology to provide a full range of agribusiness expertise, products and services throughout the GCC. It is expected that the agribusiness hub in Saudi Arabia will also provide a platform for further opportunities in third party countries, especially in Africa.

Which companies are involved?

To be provided by NZTE

Is this just a way of exporting live sheep to Saudi Arabia?

The provision of sheep for breeding is just one part of this partnership, and is by no means the only element.

The export of live animals is a known contentious issue, and one which is being considered very carefully. The export of live sheep from New Zealand for slaughter was suspended in 2002, and while there is no confirmed date, it is expected that exports of sheep for breeding only will resume as part of this agreement. This will initially be a pilot involving 1000 to 2,500 sheep which will be air freighted to Saudi Arabia.

There are a number of issues that need to be resolved in order for more substantial sheep for breeding exports to resume, in particular around transportation and welfare.

It is vital to this project that the prime breeding stock being exported remains in excellent condition. The project partners will ensure the highest standards of animal transportation are maintained.

What will happen to the sheep exported to Saudi Arabia?

The long term aim is to keep a nucleus flock of high quality New Zealand sheep on the demonstration farm for breeding. The stock bred from the sheep from New Zealand will be slaughtered in Saudi Arabia.

How will these sheep survive in the desert?

Sheep are extremely versatile animals and particular breeds cope well with hot desert climates, for example Australia. The sheep going to Saudi Arabia as part of the pilot will be given plenty of water, shorn more often and kept in the shade. We will also be running a parallel study in New Zealand to gauge how different breeds/combinations cope to ensure that only sheep that can thrive in Saudi Arabia will be involved in this project.

The sheep will be fed pellets produced from forage grown in Saudi Arabia, using New Zealand technology and systems – just one example of the broader opportunities to showcase our agribusiness expertise.

Won't this damage our meat exports?

The provision of sheep for breeding is quite separate from New Zealand's overall meat exports to Saudi Arabia. New Zealand's exports of chilled and frozen meat (beef and sheep) to Saudi Arabia for the year ending June 2013 amounted to NZ\$108.2 million, an increase from the year before (NZ\$90.9 million). Saudi Arabia's demand for meat far outweighs what New Zealand can provide.

The sheep for breeding programme and our meat exports are two separate channels and will run in parallel.

Many countries, including the UK, France, Australia and Germany, export live sheep for slaughter to Saudi Arabia. We won't be doing that. We will be exporting live sheep for breeding, and their offspring will enter the Saudi market as a result of this project.

Why can't you just kill the sheep here under Halal certification?

We do this already – all New Zealand meat (and any other product that contains any type of animal product) exported to Saudi Arabia and the GCC already meets their often strict and detailed halal requirements, and is readily accepted and consumed by people throughout the region.

However, Saudi Arabian consumers also want live sheep for slaughter which are sold at 'hot' markets. The Hajj alone requires 20 million sheep and boosting breeding capacity in Saudi Arabia will help meet this need.

Where are you getting the sheep from?

Ultimately, over 100 farmers from throughout New Zealand, but particularly Hawke's Bay, will provide breeding stock for this project. Brownrigg will lead the consortia of New Zealand companies involved across the agribusiness spectrum.

Won't you be removing sheep from NZ production systems?

If the pilot is successful, there will be increased demand for New Zealand meat, both processed here and in Saudi Arabia.

How do Saudi farms differ to NZ farms?

New Zealand farms, with animals grazing on open pastures, are different to farms in many parts of the world including Saudi Arabia. Desert farms in Saudi Arabia generally feature covered feedlot pens on sand designed with different roof heights to cope with heat and to allow adequate airflow. Desert farms in Saudi Arabia usually have pivot irrigators to grow food stocks, as well as water wells and date palms.

Why Saudi Arabia?

There are a number of specific reasons why Saudi Arabia:

- The Government partnership is with the Al Khalaf Group, a long-time investor in New Zealand, which has substantial investments and assets in transportation, farming, abattoir, property development, and retail in Saudi Arabia, and they are investing heavily into their main farm near Dammam.
- Saudi Arabia, like other GCC countries has an acute need for future food security resulting from a shortage of arable land (on average less than 1.5% of the land mass of GCC countries). Well-funded food security initiatives represent a priority for their government, and a number of GCC countries are actively seeking partners, especially from countries such as New Zealand that have a global reputation for their innovation and expertise in food security, food production and agribusiness.
- Saudi Arabia is seeking to increase the number of sheep, after seeing sheep numbers in the Kingdom drop from 12 million in 2008 to 8.7 million in 2012.
- Saudi Arabia is looking to make its sheep and food production systems more sustainable, which includes developing or importing technology, techniques, tools and expertise in diverse specialities including environmental protection, herd management, breeding improvement programmes and feed improvement. New Zealand is well placed to partner with Saudi Arabia to provide this expertise.
- Saudi Arabia, with a population of 29 million people, is actively looking for ways to ensure a consistent quality supply of food for its people. According to Business Monitor International, food consumption in Saudi Arabia is projected to grow by nearly 10% this year alone (as at June 2013).

Does NZ have/or intend to have demonstration farms?

How many breeding animals are sent overseas each year, and where are they sent?  
Data for exports of livestock from New Zealand in recent years follows. Statistics on all livestock exports are published by MPI annually in the June issue of Surveillance magazine, available on the MPI website at <http://www.biosecurity.govt.nz/publications/surveillance/index.htm>.

*Annual Numbers for Exports of Livestock to All Countries (2010-2012)*

Jan-Dec 2010	Jan-Dec 2011	Jan-Dec 2012
Cattle: 16,150	Cattle: 30,499	Cattle: 39,636
Sheep: 311	Sheep: 177	Sheep: 421
Goats: 58	Goats: 979	Goats: 0
Deer: 5	Deer: 31	Deer: 65
Pigs: 10	Pigs: 0	Pigs: 0

*Annual Numbers for Cattle Exported by Country (2011-12)*

	Grand Total	China	Fiji	Philippines	Malaysia (Sabah)	USA	Vietnam
Jan - Dec 2011	30499	22913	340	870	826	1250	4300
Jan - Dec 2012	39636	33571	4	1205	250	0	4610

How will the sheep get there?

The sheep involved in the plot will be flown to Saudi Arabia.

How do we know they're for breeding?

The exporter must sign a statutory declaration that the animals are intended for breeding and approval for subsequent shipments will consider the compliance record of the exporter.

When will the exports happen?

Export dates will depend on commercial and practical realities of preparing consignments for export.

Who is the actual exporter?

Brownrigg.

How will the welfare of the sheep be assured?

Approval for export is only given when the Director General of MPI is satisfied that all conditions have been met, including animal welfare requirements. This applies to live animal exports to any destination and of any species.

What happens if the sheep get ill en route?

For sea transport, the arrangement stipulates a requirement for at least one veterinarian on board. For air transport, the arrangement references the International Air Transport Association regulations, the international standard used by NZ and most other countries for livestock air freight.

What assurances do we have the animals won't be mistreated en route or in country?

The arrangement references standards and guidelines under the Animal Welfare Act and international standards used by NZ and most other countries for livestock freight. Saudi Arabia is a member of the OIE and abides by the international standards for Animal Welfare established by this organisation.

What other investments does Al Khalaf have in New Zealand?

Al Khalaf's main investments in New Zealand are the development of a number of farms in the Hawke's Bay, primarily for the breeding of Awassi sheep.

What is the government doing to ensure that the welfare of animals

The government takes animal welfare very seriously, and our laws and regulations reflect this. The development and implementation of this programme involves MPI which regulates the industry.

This project involves partners in New Zealand and Saudi Arabia who are highly experienced in this area and it's in everyone's best interests to ensure the welfare of high quality breeding animals.

How and why was this contract awarded to Brownrigg?

The contract for the lead provider to develop a consortium to deliver goods and services for the agribusiness hub in Dammam, Saudi Arabia was awarded to Brownrigg following a public Request for Proposals via GETS. Brownrigg's experience in leading multi-company consortia; their experience in sheep farming; and their experience in the Middle East were factors in the decision to appoint them.

How will setting up farms and processing plants overseas actual return money to New Zealand?

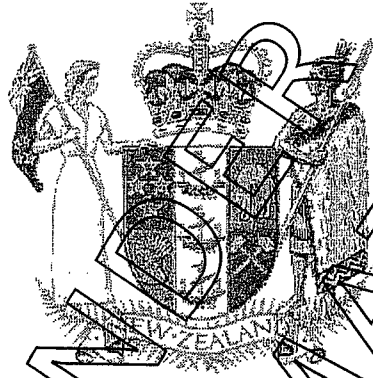
There are a number of areas: salaries of New Zealand employees, products and services provided to those operations from New Zealand, profits repatriated from the ownership and operation of the processing business/farm.

What is the Govt's role?

Al Khalaf will develop and run the farm and NZTE will work with them, Brownrigg and New Zealand companies to identify the New Zealand technology that will best demonstrate the country's expertise. The Government will also facilitate the provision of live sheep for breeding purpose.

Won't this approach eventually erode our competitive advantage by giving away the secrets to our farming success?

No company will be giving away its secrets or IP. Accelerating demand globally for food as well as increasing international interest in the New Zealand farming system suggests that to do nothing to take advantage of these trends is more likely to erode our country advantage than continuing with the status quo.



Hon Nathan Guy

**Minister for Primary  
Industries**

**Visit to the Gulf**

1 – 8 March 2014



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Out of scope

Pages 3 to 22 are out of scope

### **Meet with Shiekh Hmood Al Khalaf and view farm**

Shiekh Hmood Al Khalaf is the owner and CEO of Al Khalaf Group, one of the world's largest importers of livestock.

s9(2)(a)

#### **Objectives**

- Build a relationship with Sheikh Hmood Al Khalaf to support the delivery of the NZ-Saudi Arabia Agribusiness Hub.
- Demonstrate the New Zealand Government's commitment to the project and the resumption of livestock exports for breeding (including through a pilot air shipment of 1000 sheep in 2014).
- Gain a deeper insight into the NZ-Saudi Agribusiness Hub and seek Sheikh Hmood's views on his future plans for the Um Alerrad farm.

#### **Key Points**

- The Al Khalaf Group has set aside a significant parcel of land for the New Zealand – Saudi Arabia demonstration farm (Um Alerrad), which is located some 130km from the Eastern port city of Dammam, on the main highway to Riyadh.
- MFAT and NZTE officials have visited the farm and it is apparent that the Al Khalaf Group is investing substantially in anticipation of the partnership activities: tens of millions of dollars worth of breeding, feeding and potentially meat processing abattoir facilities are under various stages of design, development, and construction.
- The current farming operation comprises a total of 3920Ha, with 25 operating pivot irrigators, employing 120 staff. The new demonstration farm will be set up 7km from the existing operation on 1360Ha. It already has 10 pivots in place or under construction.

Al Khalaf's vision is for a farm

s9(2)(b)(ii)

mated with Awassi rams.

In the set up phase, New Zealand ewes will be

- The demonstration farm will also be a model for vertical integration, from cropping to hot fresh meat supply to the local market. Al Khalaf wishes to have an onsite abattoir to service both lambs from the demonstration farm feedlot and neighbouring farms.

## Background

The Al Khalaf Group is reputed to be the world's largest livestock importer, importing livestock from Australia, Africa and Europe into Saudi Arabia via the port cities of Dammam and Jeddah. The group also owns farms in Australia and in the Hawke's Bay, and owns a quarantine centre near Timaru, which is currently used as part of the existing trade in exporting breeding dairy cattle and sheep to destinations such as South America and China.

2 It has significant holdings in Saudi Arabia including its core business of livestock transportation and trading, as well as construction, retail and contracting businesses. As the largest livestock trading company in Saudi Arabia it owns significant assets in the red-meat supply chain and globally, and has access to Saudi customers and influencers that will benefit New Zealand firms involved in the partnership.

3 Trading in New Zealand as Awassi NZ Ltd the Group bred, contracted and transported sheep from New Zealand from the late 1980s to 2003 when the practice was banned. During this time the group spent hundreds of millions of dollars in the New Zealand farming sector, and has developed a highly-prized breed of Awassi sheep using New Zealand genetic and pastoral expertise. It works closely with a range of New Zealand firms in its New Zealand operations, including consultants from PGG Wrightson, and Brownrigg Agriculture.

4 The Group advised that it has entered into a

5 The Group has shown an interest in working with the New Zealand Government and firms in assisting Saudi Arabia with its food security needs and religious festival red-meat requirements. The Group is investing along with the Saudi Government in increased breeding facilities and farms in Saudi Arabia.

Pages 25 to 30 are out of scope

## **Meeting with Minister of Agriculture - Dr Fahd Balghunaim**

### **Objectives**

- Sign, with Minister Balghunaim, the Arrangement for the Export of Livestock from New Zealand to Saudi Arabia for Breeding Purposes.
- Update Balghunaim on the progress made with the Al Khalaf partnership and our commitment to a longer-term food security partnership with Saudi Arabia.

### **Key Points**

- You have not met with Minister Balghunaim before. The Minister of Foreign Affairs, Hon Murray McCully, most recently met with Minister Balghunaim in January 2014.
- Negotiations between MPI and the Saudi Ministry of Agriculture on the livestock arrangement allowing the export of livestock for breeding took place between March 2013 and January 2014.
- The partnership with Al Khalaf Group is underway, with Brownrigg Agriculture appointed as the lead provider. The elements of the partnership are currently undergoing detailed design work due at the end of March but will centre on a large scale breeding and demonstration facility on the Al Khalaf farm near Dammam.

Page 32 is withheld under s6(b)  
and s9(2)(j)

Out of Scope

S9(2)(j)  
Minister McCully commented that specific deadlines needed to be achieved, including the signing of the Protocol during your visit to Saudi Arabia. Once this was signed it became principally a commercial matter.

**Suggested messages:**

- NZ has in good faith addressed the livestock issue to the satisfaction of both the Saudi Government and that investor. This has involved some risk and expense for the NZ Government, and is a measure corresponding of our commitment to the relationship with Saudi Arabia and the GCC;
- The protocol negotiations have been concluded. Once the protocol is signed, during your meeting, it becomes principally a commercial matter when the first exports take place (bearing in mind the need to obtain an Animal Welfare Export Certificate). This is beyond the control of either Government;
- NZ is committed to the relationship. We have placed considerable emphasis in the last few years, including through implementation of the GCC Strategy, on developing the NZ-GCC relationship on all fronts including political dialogue, investment, food security, air links and education;

Pages 34 to 52 are withheld  
under s9(2)(j)

## Background Briefs

### ***Background on the New Zealand-Saudi Arabia Agribusiness Hub***

#### **Key points**

- Good progress has been made to implement the New Zealand – Saudi Arabia Agribusiness Hub, with a detailed design scheduled to be completed by March 2014.
- The creation of an agribusiness hub in partnership with Al Khalaf Group has resulted in a dramatically different outlook towards New Zealand from Riyadh.
- The livestock protocol, together with the Al Khalaf partnership, provides a sound basis for broader food security partnership activity in Saudi Arabia and the Gulf region and presents an excellent opportunity for New Zealand firms to benefit from the increasing demand for food security in the Gulf.
- A one-off airfreight shipment of a small pilot flock of up to 1000 animals has been agreed by Cabinet.  
and would strengthen the partnership with the Al Khalaf Group, providing invaluable data for both commercial and animal welfare purposes that could be used to assess the viability of any subsequent transport of larger numbers of animals by sea.

#### **Background**

In February 2013, Cabinet approved a proposal to invest in a pilot agribusiness operation with Saudi Arabia as a means to resolve a long-running dispute with Saudi Arabia

and as a basis to form a food security partnership with the Kingdom. A total of \$10m was allocated from within MFAT baselines for designing and developing the food security platform. \$6m of this was for the Agribusiness Hub specifically. This funding has been committed to the design and development of a demonstration breeding farm showcasing New Zealand agriculture and technology in partnership with long term investor in New Zealand, the Al Khalaf Group.

2 Key benefits of the project include:

- Gaining direct access to al Khalaf project spend for the farm project (est. \$100m), over and above the partnership funding;
- Establishing a showcase for New Zealand agricultural technology in the Gulf.

### Delivery of the Agribusiness Hub

3 The project was awarded to Brownrigg Agriculture to design and deliver the demonstration farm with Al Khalaf Group; the core delivery team includes S 9 (2) (a) and two additional project managers, one of which will reside for extended periods of time in Saudi Arabia. Good progress is being made in the partnership with the Al Khalaf Group, and Brownrigg Agriculture has moved quickly to begin implementing a project plan focused on at least five key areas:

#### *New Zealand Breeding Ewes (genetics and sheep supply chain)*

4 Brownrigg will source and coordinate shipment of elite breeding ewes as well as approximately 45,000 breeding ewes and 4,000 cattle to Saudi Arabia to form the basis of a demonstration farm and breeding programme. An inaugural shipment is expected in September – November 2015 with a trial air shipment this year (see below).

#### *Awassi Genetics and Breeding (Saudi Arabia)*

5 A breeding programme will be designed and implemented in both Saudi Arabia and New Zealand. Until research design and planning activities are completed in March 2014, no detailed budgets or timelines can be estimated. The genetic programs are to be designed to identify the sheep with the best productivity and lamb carcase suitable to the environment and market.

#### *Forage and Nutrition*

6 A forages and nutrition programme will be designed and implemented by On Farm Research, with expertise contracted in from experts such as PGG Wrightson, and others as identified in the initial planning phase.

7 It is intended this programme will evaluate the forages for yield increases and nutritional values as part of the feeding programme for the feedlot farm. This is likely to be implemented through utilizing New Zealand know-how, specifically looking at new grass cultivars (working closely with NZ seed companies), harvesting schedules to achieve maximum nutritional value, and wider technology transfer through cooperation with Saudi Agricultural institution(s).

#### *New Technologies (on farm)*

8 Brownrigg will identify New Zealand farm technologies that could be appropriate to install in the New Zealand demonstration areas on Um Alerrad farm. It is expected that a wide range of New Zealand technology will be deployed, such as:

- Feed mixing equipment
- Feed ration wagons
- Electronic weighing scales
- Auto drafting setups
- Walk over weighing setups
- Software programs (genetics SIL, pedigree matchmaker, monitoring & reporting productivity, nutrition requirements, traceability & compliance)

- Electronic Identification (EID) & visual management tags
- Animal health & veterinary equipment
- Reproduction equipment
- Feedlot yard & roof design construction
- Electronic CCTV livestock monitoring

#### *Abattoir and Feedlot Design*

9 A key part of the New Zealand demonstration farm is likely to be the construction of a New Zealand designed abattoir and feedlot. The Al Khalaf Group is expected to provide land, obtain all approvals and permits required, and meet building construction costs.

10 There are a wide number of New Zealand companies who could provide technology and services into the abattoir in the area of specialised slaughter and processing plant and equipment (product conveying, robotic processing, refrigeration P&E, hygiene ware, robotic primal cutting, production control, weighing grading and recording, product yield control systems etc.)

11 It should be noted that the potential for a private abattoir is a significant development in Saudi Arabia, where all slaughterhouses (2,000) are owned by the government. In this case, the Saudi Government appears prepared to allow Al Khalaf Group to build an abattoir that would then be gifted to the Saudi Government and leased back to the group. Given this, there is potential for New Zealand (particularly the New Zealand design companies involved in this project) to have first mover advantage if Saudi Arabia was to loosen current laws.

#### Air Shipment

12 As agreed through the partnership, a significant number of New Zealand breeding ewes would be exported to Saudi Arabia as part of the relocation plan for the Al Khalaf business.

13 The partnership had been working on a sea shipment date of 2014, utilizing a new state-of-the-art vessel Al Khalaf group has commissioned (due for sea trials February 2014). Due to timing issues associated with approval against current technical standards, it is unlikely an export certificate would be granted for a shipment in 2014 that was also economically feasible for Al Khalaf due to mating seasonality of the breeding ewes. Mindful of the pressure to have sheep in Saudi Arabia in 2014, Al Khalaf has indicated a desire to have sheep on the ground this year.

14 A revised approach will now see a one off airfreight shipment of a small research flock of up to 1,000 animals. It is intended this will:

- Provide demonstration to the Saudis of the sincerity of the New Zealand government's efforts to resolve the issue.

59(2)(j)

- Allow the partnership to scientifically research the performance and welfare of different cross-breeds in advance of a larger, and economically viable, shipment of breeding stock in 2015. The Ministry for Primary Industries has indicated a strong preference for this approach as opposed to an initial shipment by sea.



15 Since 2005, sheep for breeding have been exported on multiple occasions to Asia, Australia, UK, Europe, Pacific Islands, Central and South America, USA. These have primarily been small shipments by airfreight (breeding rams), of which there has been zero mortality on all flights. Only one large sea shipment has taken place since 2005, where 34,824 breeding ewes were shipped to Mexico in 2007. Dairy cattle are frequently exported from New Zealand by sea freight.

16 The cost of an airfreight shipment (aircraft charter, fuel, fit-out, veterinary, animal and related costs) is estimated at up to NZ\$1.5m. Associated costs in Saudi Arabia would be met by Al Khalaf.

## Food Security in the Gulf

### Key points

- Food security is a policy priority for the Gulf States. Given New Zealand's world-class agricultural expertise, we are a natural food security partner for the region.
- New Zealand is well placed to work with the Gulf States in three main areas:

- Co-investment (including in third countries) – the Al Khalaf partnership represents a potential model for NZ – GCC co-investment in large-scale agricultural projects. There could also be opportunities in third countries, particularly in Africa

s(b)(a)

### Background

Food security has become a pressing domestic and foreign policy priority for all the Gulf States who, due to the region's dependence on desalinated water and a shortage of arable land, have become largely dependent on imports to achieve food security. In the GCC, food imports typically account for about 80-90 percent of domestic food consumption, and by 2020, food imports are projected to grow to US\$53.1 billion.

s(b)(a)

s 6(a)

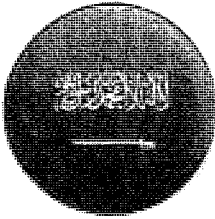
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OFFICIAL INFORMATION ACT

4 As an agricultural economy, with world-class food production systems New Zealand is well placed to provide the expertise the Gulf States are seeking for their food security projects. New Zealand enjoys a deserved reputation in the Gulf for being Muslim friendly, including its halal infrastructure (nearly 100% of New Zealand's meat is halal). New Zealand is also recognised in the Gulf as clean and green and having considerable expertise in agribusiness.

5 New Zealand has recently taken steps to build potential food security partnerships with the Gulf States, especially through the Special Envoy for Government-Commercial Partnerships who has been tasked with building food security partnerships in the Gulf. Aside from the Al Khalaf Partnership (refer NZ-Saudi Agribusiness brief), food security-related work is under way with Environment Abu Dhabi in the UAE, and interest in working with New Zealand has been expressed by Qatar (fisheries), Oman (aquaculture, red meat, and food safety), and Kuwait (sheep breeding cooperation and embryo transfer).

Out of Scope

Pages 60 to 70 are out of scope



## Kingdom of Saudi Arabia

- **Population:** 28.2m (UN 2010 estimate)
- **GDP:** USD \$921.7 billion
- **Total bilateral goods trade:** NZD 1.44 billion (2013)
- **New Zealand goods exports:** NZD 545 million (2013). Milk powder (34%), butter and dairy spreads (15%), sheep meat (15%)
- **New Zealand goods imports:** NZD 889 billion (2013). Crude petroleum (76%), nitrogen fertilisers (19%), polymers of ethylene (3%)

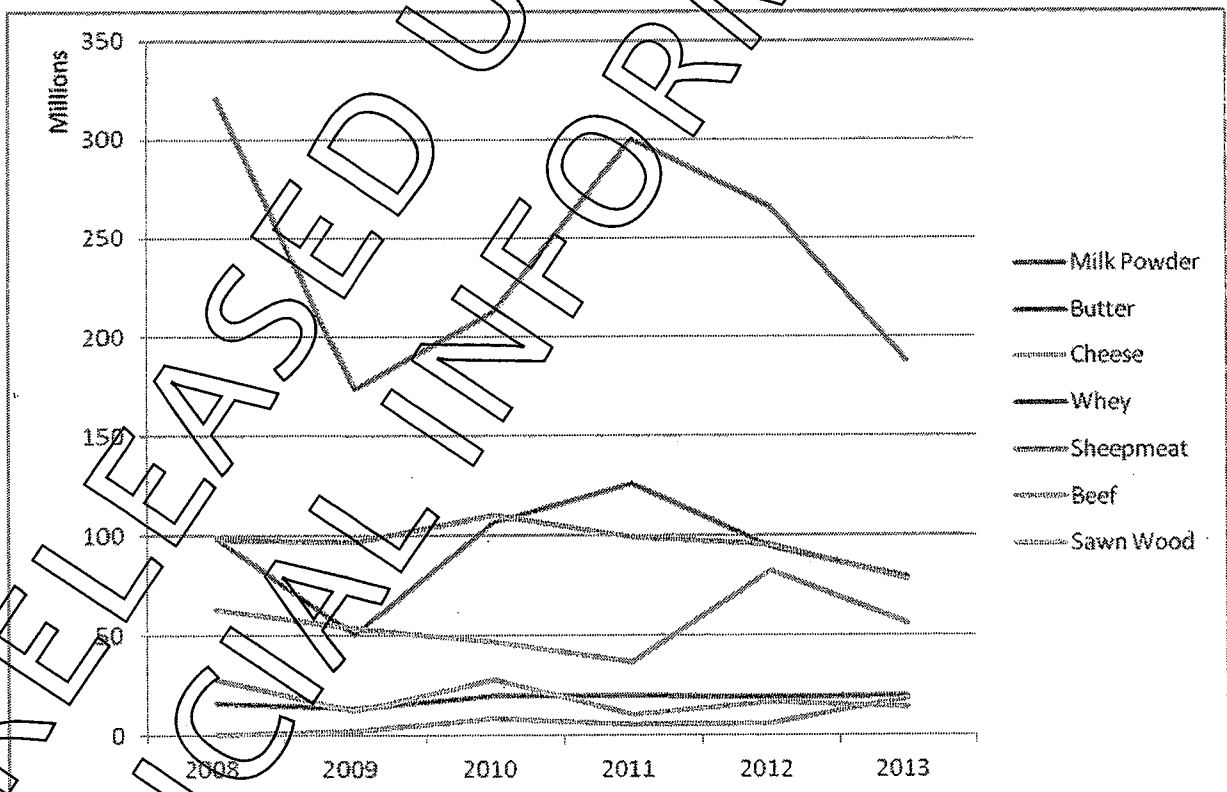


Figure One. Top New Zealand exports to Saudi Arabia (NZ\$)

## Bilateral Relationship with Saudi Arabia

S6(a)

Out of Scope

3 The agribusiness partnership with the Al Khalaf Group has the potential to develop into a broader food security partnership with Saudi Arabia and could present new and lucrative opportunities for New Zealand companies. In Saudi Arabia, and across the Gulf more broadly, food security is an important preoccupation due to the virtual absence of arable land. This makes New Zealand a natural partner. The current value of New Zealand agricultural exports to Saudi Arabia and the wider Gulf countries could be increased by securing the entry into force of the FTA and exporting higher value products and services.

Out of Scope

out of Scope

s9(2)(j)

s6(b) + s9(2)(j)

8 Your meeting with Minister Balghunaim presents an opportunity to sign the Arrangement and to reinforce our commitment to the export of livestock for breeding purposes and the wider food security partnership. Once the Arrangement is signed resumption of trade will principally become a commercial decision beyond the scope of the NZ Government.

s9(2)(j)

Page 74 is withheld under  
s9(2)(j)

### **Saudi Arabia and the Haj**

13 The Haj is an Islamic pilgrimage to the city of Mecca that every Muslim, if they are able to, is required to undertake at least once in their lifetime. In 2012 the Saudi Arabia Ministry of Foreign Affairs estimated that 3.2 million pilgrims undertook the Haj. The Haj takes place during the festival of Eid, where Muslims traditionally slaughter animals and distribute the meat to the needy. Today, pilgrims buy a voucher in Mecca for sheep to be slaughtered in their name. This usually involves around 20 million sheep.

Pages 76 to 87 are out of  
scope



**Saudi-NZ Agri Hub**  
**Governance Group Meeting Minutes**  
26<sup>th</sup> February, 2014

Withheld under sections  
under s9(2)(b)(i) + s9(2)(ba)

# SAUDI-NZ AGRI HUB

## Governance Group Meeting

1.15 pm, Wednesday 26<sup>th</sup> February, 2014

Brownrigg Agriculture Boardroom

Hastings

### Agenda

#### Governance Group Members :

Mike Taylor - Chairman  
David Brownrigg  
Alex Matheson  
Haylon Smith

#### Attending:

John Austin Smith – Minutes  
Paul Muir  
Malcolm Macfarlane  
Peter Bailey

1. Apologies  
Confirmation of Minutes of 28 January 2014 Meeting  
Matters Arising
2. Informal Report on visit to Saudi w/c 17<sup>th</sup> February – David Brownrigg
3. Progress Reports (Verbal):
  - Airfreight – Contract Variation
  - Airfreight – Research Update
  - Sheep Breeding
  - Forages
  - Feedlots
  - New Technologies
  - Abattoir
4. Other Business - Future Meetings

RESTRICTED



# Cabinet External Relations and Defence Committee

## Minute of Decision

ERD Min (14) 2/1

Copy No: 2/1

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### Saudi Arabia: Food Security Partnership: Update

Portfolio: Foreign Affairs

On 19 February 2014, the Cabinet External Relations and Defence Committee:

1 noted that:

1.1 the Minister of Foreign Affairs visited Riyadh in January 2014<sup>1</sup>

S9(2)(j)

1.2

S9(2)(j)

2 noted that, as a next step in advancing the food security partnership, the Minister for Primary Industries will sign an Arrangement with Saudi Arabia on the export of livestock for breeding purposes on 4 March 2014 during his proposed visit to the Gulf;

3 noted the progress made in implementing the Saudi Arabia food security partnership as a hub for New Zealand agribusiness in Saudi Arabia and the Gulf Cooperation Council region since last year's report to Cabinet [CAB Min (13) 4/7];

4 noted the significant potential for New Zealand agribusiness exports to the Gulf region, arising from the development of the agrihub concept and the partnership with Saudi Arabia;

5 noted that this progress has helped restore what had become a difficult relationship.

S9(2)(j)

6 noted that discussions have commenced on the airfreight of a pilot flock of up to 1,000 ewes to Saudi Arabia to support the development of the agribusiness hub.

S9(2)(j)

RESTRICTED

ERD Min (14) 2/1

- 7 noted that the cost of this proposal would be up to NZ\$1.5 million, with funds identified from within existing Ministry of Foreign Affairs and Trade baselines for this purpose, and that the Minister of Foreign Affairs has made a proposal to the Minister of Finance for these funds to be held, and then transferred to Vote Economic Development at a later date.

*Laurence Tyler*

Laurence Tyler  
Committee Secretary

Reference: ERD (14) 9

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Office of the Minister of Foreign Affairs

Chair,

Cabinet External Relations and Defence Committee

## SAUDI ARABIA: FOOD SECURITY PARTNERSHIP: UPDATE

### Proposal

1 Ministers are asked to note the progress made in implementing the Saudi Arabia food security partnership as a hub for New Zealand agribusinesses in Saudi Arabia and the Gulf, and the intention to commit a further \$1.5 million to the airfreight of a research flock of sheep this year in place of a large scale seafreight shipment.

### Background

2 My visit to the United Arab Emirates, Oman and Saudi Arabia in January provided me with an excellent update <sup>s9(2)(j) + s6(a)</sup> and enabled me to assess progress in dealing with the sensitive issues relating to Saudi Arabia. It is appropriate that I should report on these matters to Cabinet, and also outline the steps that are now proposed.

<sup>1</sup> The Gulf Cooperation Council includes Saudi Arabia, the United Arab Emirates, Kuwait, Qatar, Oman and Bahrain. Combined the GCC is New Zealand's fifth largest trading partner, with NZ\$4.7 billion in bilateral trade in 2013 (5% of New Zealand's total trade).

s6(a) + s9(2)(j)

Next Steps

7 We noted that the final step now required was the signing of an arrangement setting the conditions for the export of livestock from New Zealand to Saudi Arabia for breeding purposes. While the export of livestock for slaughter remains effectively prohibited, New Zealand routinely exports livestock to China, Vietnam, Malaysia, the Philippines, Australia and the UK.

I have recommended that Minister Guy visit Saudi Arabia next month to sign this agreement.

8 Minister Balghunaim and I agreed that from that point (the signing of the arrangement) governments would have completed their formalities and it would be for commercial players to proceed.

9 It has always been clear that a significant milestone in Saudi thinking is the arrival of the first sheep for breeding. While earlier discussions had focused on a ship containing pregnant ewes, attention has now turned to a more careful process involving an aircraft shipment of up to 1,000 pregnant ewes.

Saudi Agribusiness Hub

<sup>3</sup> The Animal Welfare Act requires that the exporter apply for and receive an Animal Welfare Export Certificate (AWEC). The Act defines the matters that the Director General of MPI considers when issuing certificates, and MPI has developed standards and guidelines to expand on and operationalise these matters. MPI's process is that exporters indicate an intention to export, providing planning details for the consignment (number and class of stock, means of transport, stockpersons etc). When satisfied that appropriate plans are in place, a provisional AWEC is issued. The actual AWEC is issued on the day of export by the MPI Port Veterinarian after verification that all the plans have been appropriately followed during preparation, the stock are in good condition, and on-board arrangements (feed, water, pens, maritime safety certification for the vessel etc) are similarly in place.

10 Meanwhile good progress has been made with the partnership approved by Cabinet last year. Brownrigg Agriculture won a public tender for contract implementation. Design of the agrihub in Saudi Arabia (animal feed and water use, breeding and fattening units, a processing unit) is under way, together with the selection of the New Zealand technologies to be utilised and showcased in the breeding farm. There is strong interest from New Zealand firms. A detailed design is scheduled to be delivered by March 2013. The NZTE Board has agreed to take over implementation of the contract, with the balance of funds to be transferred from MFAI for this purpose.

11 New Zealand officials have made several visits to the farm in Saudi Arabia where many of the proposed activities will be based. It was apparent that the Al Khalaf Group is investing substantially in anticipation of the partnership activities: tens of millions of dollars' worth of new initiatives in support of the partnership are either under development or construction. While this investment will be a platform for Al Khalaf expanding its own business, it sees the New Zealand component and partnership - particularly focusing on research, genetics, design and new technologies - as being a core part of this expansion into Saudi supply-chains. In addition to investing in a new vessel s 9(2)(b)(i) for the transportation of breeding stock, the Al Khalaf Group's contribution is summarised in the table below. Actual contributions and level of Al Khalaf capital investment will be detailed in the proposed implementation plan due at the end of March, along with the range of New Zealand technologies that will be involved in the partnership:

Al Khalaf Contribution to Agrihub	Description
Land and irrigation	Al Khalaf has purchased several hundred hectares of additional land with irrigation potential to accommodate the agrihub and farming operation. The group is looking to put 10-12 pivot irrigators (1-1.5k diameter) to grow feed for the agrihub operation.
Agrihub showcase	Providing staff and facilities dedicated to the agrihub showcase and operation, and infrastructure including roading.
Feedmill	Building the largest feedmill in Saudi Arabia within the agrihub.
Feedlot and breeding units, and cattle yards	2 x 20,000 Breeding Ewe farms
Sheep and Cattle finishing pens	Pens to accommodate 15,000 Sheep and 2,000 Cattle
Feed, equipment and manure storage, and cattle yards	Supporting infrastructure for the operation of the farm and showcase.
Abattoir	We understand that Al Khalaf Group is in the process of obtaining the only private licence in Saudi Arabia to operate an abattoir. The agrihub design intends for this to be built using NZ technology - with a range of firms likely to contribute to this development. The Saudi authorities are thought to be watching this development closely with a view to the future redevelopment of hundreds of public abattoirs through the country.
Purchase of New Zealand animals in 2015, and associated costs	The sheep that will be used in the breeding programme from 2015 onwards will be high-value cross breeds with the local Awassi breed, from New Zealand farmers.

12 The livestock Arrangement, together with the Al Khalaf partnership, provide a sound basis for broader food security partnership activity in Saudi Arabia and the Gulf region and present an excellent opportunity for New Zealand firms to benefit from the increasing demand for food security in the Gulf. Saudi Arabia and its neighbours spend substantial sums on subsidies in attempts to secure supplies of food. There are opportunities for New Zealand agritech firms in Saudi Arabia and in third countries (largely African) where land has been purchased for farming. There is also a growing appreciation for high quality food sourced directly from New Zealand. The partnership aims to help move consumer preference from buying live animals for slaughter to higher quality processed cuts, including chilled product from New Zealand.

\_\_\_\_\_ Agrihub: maintaining momentum

S9(2)(a) + S6(a)

14 These efforts have been complemented by the development of an innovative solution to the bilateral dispute with Saudi Arabia over livestock exports. The creation of an agribusiness hub in partnership with Al Khalaf Group has resulted in a dramatically different outlook towards New Zealand from Riyadh. The evidence of this can be found in the reinvigoration of the Joint Economic Commission with the Saudis, which will take place in April and hosted by New Zealand, and the warmth with which I was received in Saudi Arabia during my visit in January. The agrihub is gaining attention elsewhere: during my visit to Muscat last month, S9(2)(a), S9(2)(ba) + S6(a) expressed interest in the partnership with Saudi Arabia and made a point of offering Oman's assistance as a logistics hub for New Zealand's involvement.

15 As a way of taking forward the relationship with Saudi Arabia, and to best capitalise on its currently positive trajectory, a one-off airfreight shipment of a small pilot flock of up to 1000 animals is under discussion. S6(a) and S9(2)(j)

and would strengthen the partnership with Al Khalaf Group, providing invaluable data for both commercial and animal welfare purposes that could be used to assess the viability of any subsequent transport of larger numbers of animals by sea.

16 Airfreight of livestock from New Zealand is not unusual. At this stage plans are focused on five different types of cross breed in the shipment, matched by similar



numbers as a control sample in New Zealand. This research programme would be conducted over the coming months. This would:

- provide earlier 2014 demonstration to the Saudis of the sincerity of our efforts to solve this problem. s(b)(a) s(1)(s)(j)
- allow the partnership to research scientifically the performance and welfare of different cross-breeds, in advance of a larger, and economically viable, shipment of breeding stock.

17 The Al Khalaf Group has indicated a willingness to experiment with an airfreight shipment but has said it is not economically viable for them to do this alone. Financial support from New Zealand would be required. An airfreight consignment is technically straightforward and there is recent experience airfreighting cattle and horses from New Zealand.<sup>4</sup> Due to the small numbers as well as short and temperature-controlled transit, the International Air Transport Association (IATA) regulations used by New Zealand around air transport of live animals are easier to meet than those for sea voyages to achieve the same animal welfare outcome. The cost of an airfreight shipment (livestock, aircraft charter, fuel, fit-out, veterinary and related costs) is estimated at up to NZ\$1.5m. Associated costs in Saudi Arabia would be met by Al Khalaf. Purchasing the pilot flock would need to take place by the end of February so that the ewes could be mated prior to shipment. A detailed timeline is contained in the annex to this paper (Annex 1).

18 Previous Cabinet consideration of this issue [CAB Min (13) 4/7] has focused on shipment by sea as the most likely method of transporting livestock for breeding to Saudi Arabia. For a variety of reasons Ministers have insisted that this course be explored with great sensitivity. It is clear that there are also a range of practical impediments to the prospect of any transport of breeding stock to Saudi Arabia by sea during 2014, and this is judged highly unlikely to proceed.

19 In light of the above, discussions have commenced on the basis that the New Zealand Government would contribute to the trial shipment. In my view there is undoubted value in the pilot programme that is proposed, particularly as it would enable us to meet the sheep arrival milestone earlier and take the place of a large scale sea shipment this year. We should also welcome the very careful and prudent manner in which the Saudi interests propose to proceed. For that reason I have asked officials to advance these discussions with a view to seeking in due course the concurrence of the Minister of Finance to a transfer from the current year's MFAT underspend. If Ministers agree, NZTE is willing to manage implementation.

<sup>4</sup> In each of the last three years (2011-2013) between 30-40,000 cattle have been exported annually to China. Most shipments are by sea, comprising around 2500-3500 head per shipment, although Brownrigg has undertaken air-freight of cattle to China in this period. Exports of sheep have numbered between 170-420 annually in the same three year period, all by air-freight. All these exports are of animals for breeding. Exports of horses by air is much more common, with between 2800-3308 annually over the same three year period. Air freight of livestock is covered by standards under the International Air Transport Association (IATA). See Annex 2.

## Consultation

20 New Zealand Trade and Enterprise, and the Ministry of Primary Industries have been consulted. They concur with the contents of this paper.

## Financial implications

21 The cost of this proposal would be up to NZ\$1.5m. Funds have been identified within existing baselines. A proposal has been made to the Minister of Finance that funds will be held, and then transferred to Vote: Economic Development at a later date.

## Human rights implications

22 There are no inconsistencies with the Human Rights Act 1993 and New Zealand Bill of Rights Act 1990.

## Legislative implications

23 None.

## Regulatory impact analysis

24 Not required.

## Gender implications

25 None.

## Disability perspective

26 None.

## Publicity

27 The Saudi food security partnership was announced in June 2013. Further publicity will be given to this partnership now that implementation is under way. This will include reference to the airfreight proposal should this be agreed.

## Recommendations

28 The Minister of Foreign Affairs recommends that the Committee:

1. Note that the Minister of Foreign Affairs visited Riyadh in January 2014

56(a), 59(2)(j)

2. Note that as a next step in advancing the food security partnership the Minister for Primary Industries will sign an Arrangement with Saudi Arabia on the export of livestock for breeding purposes on 4 March during his proposed visit to the Gulf;

3. Note the progress made in implementing the Saudi Arabia food security partnership as a hub for New Zealand agribusiness in Saudi Arabia and the Gulf Cooperation Council region since last year's report to Cabinet [CAB Min (13) 4/7];

4. Note the significant potential for New Zealand agribusiness exports to the Gulf region arising from the development of the agrihub concept and the partnership with Saudi Arabia.
5. Note that this progress has helped restore what had become a difficult relationship  
56(a), 59(2)(c)
6. Note that discussions have commenced on the airfreight of a pilot flock of up to 1000 ewes to Saudi Arabia to support the development of the agribusiness hub and to advance the removal of Saudi Arabia's objection to the NZ's FTA with the GCC;
7. Note that the cost of this proposal would be up to NZ\$1.5m, with funds identified from within existing MFAT baselines for this purpose, and that the Minister of Foreign Affairs has made a proposal to the Minister of Finance for these funds to be held, and then transferred to Vote: Economic Development at a later date.

  
Hon Murray McCully

Minister of Foreign Affairs

**Annex 1: Timeframe for export of sheep to Saudi Arabia by air.**

<b>Activities</b>	<b>Monthly timelines</b>	<b>Number of Days</b>	<b>Temperature in Saudi Arabia (average "high" C)</b>
Purchase 2,000 ewes	February 2014	120	23
Graze & hold ewes in isolation (quarantine)	March to June	120 - 0	23 - 27 - 32 - 38 - 41
<b>Mating of ewes</b>	<b>June</b>	<b>0</b>	<b>41</b>
Scanning of ewes for pregnancy, select and retain 1,000 best pregnant ewes for export	September	70	40
Pre-condition nutrition of ewes for export	September/October	70 - 115	40 - 34
<b>Ewes depart New Zealand (flight)</b>	<b>October</b>	<b>115</b> (as per protocol)	<b>34</b>
<b>Ewes arrive in Saudi Arabia</b>	<b>October</b>	<b>115</b>	<b>34</b>
Ewes begin lambing in feedlot	November	155	27
Lambs weaned from ewes	February 2015	250	23

## Annex 2: Cattle and Sheep Export for Breeding Statistics

Exports of cattle for breeding during the period 2009-2013										
Year	China	Fiji	Japan	Norfolk Island	Philippines	Sabah (Malaysia)	Thailand	USA	Vietnam	Grand Total
2009	11801			1	470	566	9			12847
2010	7059		10		980	760			7341	16150
2011	22913	340			870	826		1250	4300	30499
2012	33571				1205	250			4610	39636
2013	35242					381			950	36573
Total	110586	340	10	1	3525	2783	9	1250	17201	122858

Volume of sheep exports to world regions 2005-2013											
	Africa	Asia	Australia	Canada	Europe except UK	Middle East	Pacific Islands	Central and South America	UK	US	Total
2005		68					9	4 544	2		4 621
2006		84	843					56			987
2007			65				1	34 824	2	2	34 894
2008		45	3				33	15	5		111
2009		2					100	22			122
2010			41				243	5	22		311
2011	0	0	174	0	0	0	0	32	31	0	177
2012	0	20	350	0	0	0	0	15	36	0	421
2013	0	15	287	0	0	0	0	7	71	0	380
Total	0	234	1708	0	17	0	386	39 520	169	2	42 037

NB: The last major shipment of sheep from New Zealand was in 2007 to Mexico, with a consignment of 34,824 sheep for breeding. With the notable exception of this shipment, almost all other shipments were by air freight, which had a nil mortality rate.

1  
S 9(2)(a)

**From:** RIYADH  
**Sent:** Wednesday, 12 February 2014 12:24 a.m.  
**To:** MEA  
**Cc:**

**Subject:**

[RESTRICTED]

Not for cable exchange

**Handling Instructions:**

VZTE (C Kimpton (DXB), S Jones (DXB), H Smith (AKL))  
MPI (M Stone)

**Summary**

A short but high tempo one day visit to Riyadh by Minister McCully is well received by the Saudis - with calls on the Crown Prince, Deputy Minister of Foreign Affairs, Minister of Finance and Minister of Agriculture as well as GCC Secretary General.

Out of scope

**Action**

Out of scope

**Report**

Minister McCully, accompanied by HOM MacMaster, S 9(2)(a) MEA Lead Adviser Curr and DHOM Lewis undertook a day of high-level calls in Riyadh on 21 January 2014.

Minister called on the Saudi Crown Prince, Deputy Foreign Minister, Ministers of Agriculture and Finance and Secretary General of the GCC. i  
Out of scope  
S 6(b)

Call on HRH Prince Salman bin Abdulaziz Al Saud, Crown Prince and First Deputy Prime Minister and Minister of Defence

Out of Scope

Call on His Royal Highness Prince Abdul Aziz bin Abdullah, Deputy Foreign Minister

Out of Scope

Out of Scope.

*Food Security*

17 Minister noted that Saudi Arabia and New Zealand were natural food security partners. With New Zealand's food production expertise and Saudi capital, there were opportunities for both countries to partner in Africa. World food demand was growing and there was considerable underdevelopment of agriculture in Africa. The Minister also described the New Zealand agrihub to be based in Saudi Arabia. The Minister noted that officials had visited Saudi Arabia in December 2013, and considered the agricultural project would be larger than initially envisaged.

18

s9(2)(ba) .



Out of Scope

Comment

Out of Scope

ENDS

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S9(2)(a)

**From:** RIYADH  
**Sent:** Wednesday, 12 February 2014 12:39 a.m.  
**To:** MEA  
**Cc:**

**Subject:** FORMAL MESSAGE: SAUDI ARABIA (2): MINISTER MCCULLY VISIT TO RIYADH: FTA, SHEEP PROTOCOL AND ECONOMIC ISSUES

out of scope

#### Summary

\*Minister McCully calls on Ministers of Agriculture and Finance and Secretary General of the GCC to update on the sheep for breeding export protocol \*Minister confirms Protocol will be ready for signing in Feb/March with the proposed visit of Minister Guy to Riyadh \*Once signed any decision on export for breeding purposes will be a commercial decision

#### Action

#### Report

Separate reporting of today (not to all) on political/regional discussions and signing of the GCC Consultation Agreement refers. This FM pertains to FTA and trade/economic calls.

2 Minister McCully, accompanied by HOM MacMaster, S9(2)(a), MEA Lead Adviser Curr and DHOM Lewis undertook a day of high-level calls in Riyadh on 21 January 2014. This report pertains to the Minister's calls on Saudi Minister of Agriculture, HE Dr Fahd Balghunaim and the Minister of Finance HE Ibrahim Abdulaziz Al-Assif. These discussions focused on developments of the live sheep for breeding protocol and aspirations for the NZ/GCC FTA.

**Call on HE Ibrahim Abdulaziz Al-Assif, Minister of Finance**

s6(a) + s9(2)(j)

4 Minister McCully opened noting that the bilateral irritant over live sheep exports had all but been resolved with Saudi Arabia. A bilateral protocol for the export of livestock for breeding had been negotiated and was now being finalised. It was intended that the Minister for Primary Industries, Minister Guy would visit Saudi Arabia in either February or March to sign the Protocol.

s6(a) + s9(2)(j)

out of scope

7 The Minister highlighted that there were opportunities to work bilaterally on **food security opportunities** in third countries (particularly Africa).

s9(2)(ba)

out of scope

Out of Scope

**Call on HE Dr Fahd Balgunaim, Minister of Agriculture**

11 The Minister's call on Balgunaim built upon the good relations developed during the Minister's previous visit to Riyadh in March 2013.

s6(a), s9(2)(ba)

12 The Minister commented that "good and fruitful progress was being made" with the Al Khalaf Group. He updated Balgunaim on the December visit of Brownrigg to the Kingdom, noting that the partnership with Al Khalaf appeared to be bigger than either side had envisaged.

s6(a), s9(2)(ba)

13 The Minister advised that in discussions with NZ based exporter George Assaf, sea trials would soon commence on a new vessel. Much depended on how these trials went. In the short term while the maritime option was being clarified, a further means being considered was for animals to be transported by air.

Out of Scope

s6(a) + s9(2)(ba).

The Minister commented that specific deadlines needed to be achieved, including the signing of the Protocol during Minister Guy's proposed visit to the region in February/March. Once this was signed it became principally a commercial matter.

Comment

S6(a) + S9(2)(j)

With the stars aligning, the visit reaffirmed New Zealand's credibility as a food security partner and our sincerity and commitment to livestock for breeding exports to the Kingdom.

S6(a) S9(2)(ba) S9(2)(j)

ENDS

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## BOARD PAPER

DATE	4 February 2014
PREPARED BY	Tim Green, General Manager – International / Haylon Smith Programme Leader, Global Agribusiness
APPROVED BY	Peter Chrisp – Chief Executive
SUBJECT	Al Khalaf Partnership (Saudi Arabia Agribusiness Hub)

## RECOMMENDATION

It is recommended that the Board:

- Note** Cabinet has approved an investment into the New Zealand – Al Khalaf partnership of \$10,000,000. This includes \$6,000,000 toward the development of an Agribusiness Hub (demonstration farm).
- Note** an additional \$1,500,000 is currently before Ministers for approval, which would bring the Agribusiness Hub to a total of \$7,500,000.
- Note** the Agribusiness Hub will be funded by transfer of funds of \$6,500,000 from MFAT to NZTE (i.e. \$7,500,000 less \$500,000 MEAT / Brownrigg costs for Milestone 1, and less \$500,000 NZTE contribution).
- Approve** a \$500,000 NZTE contribution to the Agribusiness Hub, and an additional \$250,000 for project management and OPEX costs (which is allocated within current NZTE budget).
- Approve** NZTE to deliver the Agribusiness Hub and be novated the MFAT/ Brownrigg Agreement.
- Delegate** authority to the Chief Executive to approve expenses within the approved budget, and to sign the novation agreement between MFAT, NZTE and Brownrigg.
- Note** this project is expected to run for two years, through to FY 2015/16. Future leverage activities for the Hub will be determined at a later date.

### 1 PURPOSE

Approval is sought for NZTE to manage the implementation of an Agribusiness Hub in Saudi Arabia. This paper provides an overview of the Agribusiness Hub, details of the wider project and updates the Board on progress made over the last six months.

Since the last formal update to the Board in July 2013 and detailed background provided in April 2013, there have been a number of significant developments. In particular, MFAT (with NZTE's support) has awarded the design and implementation of the Agribusiness Hub to Brownrigg Agriculture.

An additional project is being undertaken to expedite the Hub, which would see 1000 pregnant breeding ewes airfreighted to Saudi Arabia in 2014, to ensure the expectations of the Saudi Government and partners are met. This option is also favourable for the project

team, and the Ministry of Primary Industries as it will provide animal performance and welfare data before a larger sea shipment in 2015.

## 2 BACKGROUND

In February 2013 Cabinet approved the proposal to invest in a pilot agribusiness operation with Saudi Arabia as a means to resolve a long-running dispute with Saudi Arabia

sb(a) + sq(2)(3)

... and as a basis to form a food security partnership with the Kingdom. A total of \$10m was allocated from within MFAT baselines for designing and developing the food security platform. \$6m (including \$500k from NZTE) of this was for the Agribusiness Hub specifically. This funding has been committed to the design and development of a demonstration breeding farm showcasing New Zealand agriculture and technology in partnership with long term investor in New Zealand, the Al Khalaf Group.

Good progress is being made in the partnership with the Al Khalaf Group. Following the completion of the technical visit in April 2013, a public tender was used to select a lead provider to design and implementation of the Agribusiness Hub. Three applications were received and considered by a review panel including MFAT, NZTE, and independent consultant Chris Kelly, the former CEO of Landcorp. The panel recommended the contract be awarded to Brownrigg Agriculture, a corporate agribusiness company based in Hastings (Overview in Appendix One).

In order to progress the project expediently, MFAT signed the contract with Brownrigg and committed \$500,000 of the \$6,000,000 for Milestone One, a detailed design plan, with the intention of novating the remainder of the project to NZTE when and if approved by the NZTE Board (this paper refers).

The contract is being overseen by a steering group comprising New Zealand officials (MFAT and NZTE) and representatives of Brownrigg. The intent is that NZTE will be responsible for managing the contract following the initial design phase (Milestone One). NZTE has been closely engaged in contractor selection and contract negotiation.

Brownrigg Agriculture has moved quickly with implementation. They have visited Saudi Arabia and devised a project plan comprising at least five key areas:

- New Zealand Breeding Ewes (genetics and sheep supply chain)
- Awassi Genetics and Breeding (Saudi Arabia)
- Forage and Nutrition
- New Technologies (on farm)
- Abattoir and Feedlot Design

Further detail on these areas is outlined in 3) below. A detailed design and implementation plan for each of the areas above is scheduled to be delivered by the end of March 2013.

MFAT and NZTE officials have visited the Al Khalaf farm near Damman where much of the proposed activities will be based. It was apparent that the Al Khalaf Group is investing substantially in anticipation of the partnership activities: up to NZ\$100m worth of breeding, feeding and potentially meat processing abattoir facilities are under various stages from design, development to construction.

These developments are being observed closely by the Saudi authorities. Significantly, it is expected the Government will authorise Al Khalaf to build the only private slaughterhouse in Saudi Arabia – using New Zealand design and technology. The intention is that this facility will be used as a best-practice model for technology advancement in the Saudi processing

industry, including potentially across the more than 2000 public processing facilities in the Kingdom.

## 2.1 Air Shipment

As agreed through the partnership, a significant number of New Zealand breeding ewes would be exported to Saudi Arabia as part of the relocation plan for the Al Khalaf business.

The partnership had been working on a sea shipment date of 2014, utilizing a new state-of-the-art vessel Al Khalaf group has commissioned (due for sea trials February 2014). Due to timing issues associated with approval against current technical standards, it is unlikely an export certificate would be granted for a shipment in 2014 that was also economically feasible for Al Khalaf due to mating seasonality of the breeding ewes. Mindful of the pressure to have sheep in Saudi Arabia in 2014, Al Khalaf has indicated a desire to have sheep on the ground this year.

A revised approach will now see a one off airfreight shipment of a small research flock of up to 1000 animals. It is intended this will:

- provide demonstration to the Saudis of the sincerity of the New Zealand government's efforts to resolve the issue. The arrival of sheep in Saudi Arabia should remove the basis for their objection to the FTA proceeding.
- allow the partnership to scientifically research the performance and welfare of different cross-breeds, in advance of a larger, and economically viable, shipment of breeding stock in 2015. The Ministry for Primary Industries has indicated a strong preference for this approach as opposed to an initial shipment by sea.

Since 2005, sheep for breeding have been exported on multiple occasions to Asia, Australia, UK, Europe, Pacific Islands, Central and South America, USA. These have primarily been small shipments by airfreight (breeding rams), of which there has been zero mortality on all flights. Only one large sea shipment has taken place since 2005, where 34,824 breeding ewes were shipped to Mexico in 2007. Dairy cattle are frequently exported from New Zealand by sea freight.

The cost of an airfreight shipment (aircraft charter, fuel, fit-out, veterinary, animal and related costs) is estimated at up to NZ\$1.5m. Associated costs in Saudi Arabia would be met by Al Khalaf.

All costs for this additional project of \$1.5 million will be funded by MFAT, which will be included in the MFAT/Brownrigg Agreement and, if approved by the Board, be novated to NZTE as part of the Agribusiness Hub.

## 3 ANALYSIS

### 3.1 Al Khalaf Dammam Farm

The Al Khalaf Group has set aside a significant parcel of land for the New Zealand – Saudi Arabia demonstration farm, which is located some 130kms from the Eastern port city of Dammam, on the main highway to Riyadh (see Appendix Two).

The current farming operation comprises

s9(2)(b)(ii)

The new demonstration farm will be set up 7km from the existing operation on 1360Ha. It already has 10 pivots in place or under construction.

s9(2)(b)(ii)



The demonstration farm will also be a model for vertical integration, from cropping to hot meat supply to the local market. Al Khalaf wishes to have an onsite abattoir, which would service both lambs from the farm and neighbouring farms

Animals from offsite would be held in a separate self-contained feedlot.

### 3.2 Delivery of the Agribusiness Hub

The project has been awarded to Brownrigg Agriculture to design and deliver the demonstration farm with Al Khalaf Group, the core delivery team includes On Farm Research Ltd, Lowe Corporation and two additional project managers, one of which will reside for extended periods of time in Saudi Arabia.

The project has been structured in an iterative fashion, with only the first milestone being agreed between MFAT and Brownrigg. This milestone outlines five areas that are to be planned in detail before approved. These five areas (plus the opportunity for capability development) will become independent work streams, alongside the airfreight project.

It should be noted that there is significant flexibility in the project, in that if any of the areas below are deemed to be either of no commercial interest to Al Khalaf Group, or would provide little input from New Zealand companies, then the weightings of funding will be adjusted accordingly.

#### 3.2.1 Forages and Nutrition

Design an appropriate forages and nutrition programme. The implementation will be completed by On Farm Research, with expertise contracted in from experts such as PGG Wrightson, and others as identified in the planning phase.

It is intended this programme will evaluate the yield increases and nutritional feeding programme for the farm. This is likely to be implemented through utilizing New Zealand know-how, specifically looking at new grass cultivars (working closely with NZ seed companies), harvesting schedules to achieve maximum nutritional value, and wider technology transfer through cooperation with Saudi Agricultural institution(s).

#### 3.2.2 New Technologies

Identification of appropriate New Zealand farm technologies that would be appropriate to install in the New Zealand demonstration areas on Um Alerrad farm.

It is expected that a wide range of New Zealand technology will be deployed, such as:

- Feed mixing equipment
- Feed ration wagons
- Electronic weighing scales
- Auto drafting setups
- Walk over weighing setups
- Software programs (genetics SIL, pedigree matchmaker, monitoring & reporting productivity, nutrition requirements, traceability & compliance)
- Electronic Identification (EID) & visual management tags
- Animal health & veterinary equipment
- Reproduction equipment

- Feedlot yard & roof design construction
- Electronic CCTV livestock monitoring

### 3.2.3 Abattoir and Feedlot Design and Construction

A key part of the New Zealand demonstration farm is likely to be the construction of a New Zealand designed abattoir and feedlot. The Al Khalaf Group is expected to provide land, obtain all approvals and permits required, and meet building construction costs.

There are a wide number of New Zealand companies who could provide technology and services into the abattoir in the area of specialised slaughter and processing plant and equipment (product conveying, robotic processing, refrigeration R&E, hygiene ware, robotic primal cutting, production control, weighing grading and recording, product yield control systems etc.)

### 3.2.4 Awassi Breeding and Genetics Programme

Design and implement a breeding programme in both Saudi Arabia and New Zealand. Until research design and planning activities are completed in March 2014, no detailed budgets or timelines can be estimated.

### 3.2.5 Export Breeding Ewe Supply Chain

Source and coordinate shipment of elite breeding ewes as well as approximately 45,000 breeding ewes and 4,000 cattle to Saudi Arabia to form the basis of a demonstration farm and breeding programme. An inaugural shipment expected September – November 2015.

### 3.2.6 Other: Capability Development

There are a number of additional areas of opportunity for New Zealand firms in this project which are likely to come to light during the initial stages (Milestone One).

Of particular interest is that of people development. With no structured development / training for the significant number of farm workers, Al Khalaf group has signalled an interest in collaborating with a local Saudi Agricultural institution(s) and a New Zealand university to supply such education and training.

## 3.3 Benefits

The development of the Agribusiness Hub will be a showcase of New Zealand technology for Saudi Arabia, and the wider Middle East region, key benefits are:

- a. Direct access to al Khalaf project spend for the farm project (est. \$100m), over and above partnership funding
- b. Establishment of a New Zealand showcase of New Zealand technology
  - Reference site of New Zealand provision of agricultural solutions for other countries (future NZ Inc Initiatives)
  - New Zealand companies showcase technologies (future sales)

The project is expected to engage a number of technology and service providers. Eight organisations

§ 9(2)(b)(ii).

expressed interest in supplying the Agribusiness Hub during the procurement for a lead provider, and since then a number more have indicated a willingness to engage. NZTE's project manager will work closely with Brownrigg to identify further suppliers to the hub, in each of the various project areas.

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### 3.4 Risk assessment

The summary below outlines key risks and mitigation approaches for the project. Note the majority of these are high or extreme risk categories. These determinations have impacted the management structure NZTE has implemented to oversee the project, including a dedicated (technical expert) project manager and a seat on the Governance Group.

Financial risks of the project have been largely mitigated by the engagement of a lead provider. It is expected contingency budgets will be built into each of the future workstreams. If Ministers do not approve the additional funding of \$1,500,000 (to cover the air shipment project activity), the agreement with Brownrigg will provide that the cost for that milestone activity be met from the original Total Funding Amount (Funding Amount of \$6 million. This will require cost savings (and potential associated scope decrease) in other areas of the project. The governance group would be responsible for agreeing the necessary changes to the proposed design to accommodate the shortfall.

Risk	Likelihood	Consequence	Comments and Risk Management / Mitigation Actions
<b>Project Management</b>			
Project delays	Moderate	Moderate	MFAT and NZTE have implemented a phased structure to the contract with Brownrigg Agriculture, requiring a detailed plan for all key work streams for Milestone One, before confirming the implementation of the Project and future milestones. Furthermore NZTE has acquired a dedicated project manager, and both NZTE and MFAT have representation on the Steering Group. Going forward, the Trade Commissioner in Riyadh (budget department) will have strong on the ground contact.
Project scope creep	Likely	Minor	
Technology implementation	Unlikely	Major	
Lack of NZ company interest	Unlikely	Major	
<b>Lead Provider Risk</b>			
Failure of lead provider to deliver &/or third party supplier risk	Unlikely	Major	Brownrigg has a long history with Al Khaleef Group; they also have expertise in the shipment of animals. They have identified a project coordinator to live in Saudi during key implementation phases, and have a project team willing to work closely with NZTE to ensure the most appropriate companies are showcased and engaged as part of the project.
Expectation risk (Saudi, NZ Govt, Brownrigg)	Moderate	Major	
Animal welfare issues (transport, feedlot, abattoir)	Unlikely	Major	NZTE and MFAT will facilitate the relationship between MFAT and Brownrigg with regard to all technical and protocol requirements in the project

56(a)

Page 8 withheld under 56(a)

### 3.5 Governance and Project Management:

The project has several layers of governance, and project support which is outlined below.

#### *Contract structure*

The funding agreement between MFAT and Brownrigg Agriculture as lead provider allows for flexibility in delivery of the project given the unique circumstances in which it is being delivered. The iterative nature of having a robust design and implementation plan ahead of formalising all project work streams reduce risk in scope creep and project execution.

#### *Governance Group*

NZTE and MFAT are both represented on the Governance Group with two representatives of Brownrigg Agriculture (David Brownrigg and independent Chairman, Mike Taylor). Al Khalaf is also represented on this group Ex-Officio through Awassi New Zealand.

The Governance group is responsible for agreeing the individual work stream deliverables, before these will be approved contractually between NZTE and Brownrigg. The Governance Group itself has the ability to vary from each workstream by 15% only.

#### *Project Management*

Recognising the complex and technical nature of the project, NZTE has undertaken a number of measures to ensure the success of the project.

- Employed technical Project Manager, Peter Bailey. Peter is an experienced agricultural consultant, having worked on similar projects for the Government of Victoria, Australia. Peter has also worked for LIC, Fonterra and PGG Wrightsons.
- Managed the project through the Agribusiness High Impact Programme team, noting the strong connection to similar companies.

### 3.6 Government Stakeholders and Oversight

At the directive of Cabinet, MFAT has been required to engage closely with a number of Government Ministries including NZTE, Treasury and the Office of Control and Auditor General.

#### *Treasury*

Treasury has been informed of development of the projects to date and will continue to be briefed following each steering group meeting.

#### *Office of Control and Auditor General (OCAG)*

The OCAG has engaged with MFAT in some detail on this project, and although they are not entirely comfortable with the business case rationale for the project given its diplomatic nature, accept this but withhold the right to change opinion should they later audit the project.

NZTE will make it clear to MFAT (by letter and in the novation agreement) that any issues or liability relating to the rationale of the project, including compliance to Government policy and legal obligations that arise before the novation will remain with MFAT.

#### *Ministry for Primary Industries (MPI)*

NZTE and MFAT are working closely with MPI, with Minister Guy likely to travel to Saudi Arabia in February to sign the Livestock Protocol. Close engagement will continue as we work toward the likely airfreight shipment in 2014 and the sea shipment in 2015.

#### 4 FUNDING / BUDGET

##### 4.1 Funding/Budget implications

50 Total baseline budget implications for NZTE total \$750,000 for FY 13/14 and FY 14/15. This funding has been rolled over from an initial budget in FY 2012/2013.

Total project spend:

	NZTE	MFAT
Project Management and OPEX	\$250,000	NA
Saudi-NZ partnership	0	\$4,000,000
Agribusiness Hub	\$500,000	\$5,500,000
Agribusiness Hub project expansion*	0	\$1,500,000*
<b>Total</b>	<b>\$750,000</b>	<b>\$11,000,000</b>

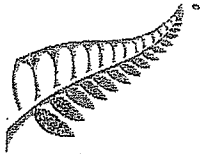
\* to be approved by Minister(s).

##### Agribusiness Hub: Calculation of funds transfer to NZTE

Initial Agribusiness investment	\$5,500,000
+ expansion investment	\$1,500,000
+ NZTE investment	\$500,000
<b>Total Agrihub investment</b>	<b>\$7,500,000</b>
Less MFAT Brownrigg costs to date	\$500,000
Less NZTE investment	\$500,000
<b>Transfer from MFAT to NZTE</b>	<b>\$6,500,000</b>

pages 11-13 withheld under sections  
s9(2)(b)(ii) + s9(2)(ba)(i)

RESTRICTED



NEW ZEALAND  
FOREIGN AFFAIRS TRADE

31 January 2014

Minister of Foreign Affairs

For action by 7 February 2014

## SAUDI ARABIA: AL KHALAF PARTNERSHIP

SUBMISSION Issue

PURPOSE This submission suggests an option for accelerating the Saudi food security partnership with the Al Khalaf Group.

2661  
S9(2)(j)

### Recommended referrals

Minister of Trade	For information by	3 February 2014
Minister for Primary Industries	For information by	3 February 2014
Minister for Economic Development	For information by	3 February 2014

### Contact details

NAME	ROLE	DIVISION	WORK PHONE	MOBILE PHONE
Jonathan Austin	Divisional Manager	MEA		
Jonathan Curr	Lead Adviser	MEA		

### Minister's Office comments

Signed / Referred

Date: \_\_\_\_ / \_\_\_\_ / \_\_\_\_

RESTRICTED

PAGE 2 OF 6

## SAUDI ARABIA: AL KHALAF PARTNERSHIP

### Key points

- \* The partnership with Al Khalaf Group in developing a demonstration breeding farm and operation is progressing well, with the contract in place and detailed design work under way in New Zealand and construction in Saudi Arabia.

Note that a protocol enabling the transport of breeding stock has been negotiated between New Zealand and Saudi Arabia, and is awaiting signatures by the respective Agriculture Ministers in March.

- \* The arrival of sheep, could be accelerated by sending an airfreight shipment. This would also provide information on the performance and welfare of New Zealand cross-breeds in Saudi conditions, underpin the science of the larger scale breeding programme envisaged under the partnership, and provide data that would be used to reduce the risk associated with a large delivery of animals in the first consignment.
- \* A one-off airfreight shipment of around 1000 sheep would cost up to NZ\$1.5m. Funds are available for transfer from MFAT to NZTE for this purpose.

### Recommendations

It is recommended that you:

- 1 **Note** that a contract is now in place for the Al Khalaf partnership and good progress is being made with implementation. Yes / No

- 2 Yes / No

- 3 **Agree** that an airfreight shipment of sheep should be sent in an attempt to remove this objection earlier than November 2015. Yes / No

- 4 **Agree** that NZ\$1.5m should be allocated to allow this to occur and that these funds should be transferred from MFAT to NZTE for this purpose. Yes / No

- 5 **Note** that to enable this it is proposed that to vary the contract for the lead provider for the NZ-Saudi Agrihub before, subject to NZTE board agreement, the contract is passed to NZTE for implementation. Yes / No

John Allen

Secretary of Foreign Affairs and Trade



## SAUDI ARABIA: AL KHALAF PARTNERSHIP Report

### Update on Al Khalaf Partnership:

- 1 In February 2013 Cabinet agreed to invest in a pilot agribusiness operation with Al Khalaf Group in Saudi Arabia as a means to resolve a long-running dispute with Saudi Arabia and as a basis to form a food security partnership with the Kingdom.
- 2 Good progress is being made with our partnership. A public tender led to three applications to design and develop the NZ/Saudi agrihub. These were considered by a review panel including MFAT, NZTE, and independent consultant ~~59(2)(a)~~, the former CEO of Landcorp. The panel recommended the contract be awarded to Brownrigg Agriculture.
- 3 The contract is being overseen by a steering group comprising New Zealand officials and representatives of Al Khalaf. The intent is that NZTE will be responsible for managing the contract following the initial design phase. NZTE has been closely engaged in contractor selection and contract negotiation, and its board will be asked to approve NZTE involvement when it meets on 13 February. In the meantime, MFAT has taken the initial position on the contract and committed \$1,000,000 to the first phase of implementation.
- 4 Brownrigg Agriculture has moved quickly to contract implementation, having already visited Saudi Arabia with a team of experts, and is in the process of designing the agrihub (animal feed and water use, breeding and fattening units, a processing unit), and selecting which New Zealand technologies will be utilised and showcased in the breeding farm and operation. A detailed design and implementation plan is scheduled to be delivered by March 2013.
- 5 Separately, MFAT and NZTE officials have visited the Al Khalaf farm near Damman where much of the proposed activities will be based. It was apparent that the Al Khalaf Group is investing substantially in anticipation of the partnership activities: up to NZ\$100m worth of breeding, feeding and processing facilities are under development and construction.

### Political Developments:

- 6 Our agreement to the export of livestock for breeding and a restorative partnership with Al Khalaf intended to create at the same time a model for broader food security partnership activity in the region. This has been well received in Saudi Arabia, around the Gulf, and by the GCC Secretariat. Assuming all goes as planned we have cause to be optimistic ~~56(a) & 58(2)(j)~~ and are already enjoying some early fruits: the JEC process with Saudi Arabia has been rejuvenated; you signed a cooperation arrangement with the GCC Secretariat during your visit to Riyadh on 21 January; and our efforts to address Al Khalaf's grievances have been explicitly linked by one GCC

**SAUDI ARABIA: AL KHALAF PARTNERSHIP**

Sovereign Wealth Fund to a renewed investment interest in NZ. We cannot afford to take this for granted, however.

7 The next step in the process is to sign a protocol for the export from New Zealand to Saudi Arabia of livestock (including both sheep and cattle) for breeding. This arrangement will be signed during the proposed visit of Minister Guy to the region in the first week of March. Separately, arrangements are being made for Saudi agriculture officials to visit New Zealand in March to inspect animal export arrangements. That visit will be followed up by the first New Zealand/Saudi Arabia Joint Economic Commission (JEC) since 2010. Minister Balghunaim will head the Saudi delegation to the JEC, to be held in New Zealand and hosted by Minister Groser over the period 9-11 April.

Shipment timing

8 The Al Khalaf Group is keen to proceed with the export of breeding animals from New Zealand, preferably using a new state-of-the-art vessel it has been building in Singapore. This vessel will carry up to 50,000 sheep in fully enclosed and considerably more advanced temperature-controlled conditions. The performance of the vessel has yet to be tested, however, and its launch date has been repeatedly delayed.

9 Current technical standards, which are based on Australia's, for the export of animals by sea do not allow the shipment of pregnant animals between 1 May and 31 October, due largely to the temperatures on board ships in the Gulf at this time of year. Although Al Khalaf has indicated a desire to have these changed based on the controlled temperature conditions onboard its new vessel, it is unlikely that performance data would be available this year to persuade either Australian or New Zealand regulators to change current rules. Al Khalaf Group could apply for the certification required to export non-pregnant breeding animals during the April to October period but this would go against their wish to have "New Zealand made" lambs and reduce the economic viability of the exercise. In any case, regulators are unlikely to allow a shipment which would have animals arriving in the Gulf in the very high summer heat.

10 Mindful of the pressure to have sheep in Saudi Arabia in 2014, Al Khalaf has indicated a desire to make a shipment this year. Due to the regulations, November is the first available opportunity. This timing will be challenging: it is well outside the mating window for New Zealand ewes and performance of the breeding animals is likely to be significantly degraded.<sup>1</sup> A shipment this year would not be in the interest of a longer-term breeding programme and food-security partnership between New Zealand and Saudi Arabia.

<sup>1</sup> Sheep have a 145 day gestation period. Pregnant sheep may not be transported by sea when they are more than 96 days pregnant. If a shipment was made on 1 November, this would require impregnation in late July, well outside the February-April regular mating time in New Zealand. This is expected to have a significant detrimental effect on impregnation rates and lambing percentages.

## SAUDI ARABIA: AL KHALAF PARTNERSHIP

11 An alternative approach would be the one-off airfreight shipment of a small research flock of up to 1000 animals. This would:

- provide earlier 2014 demonstration to the Saudis of the sincerity of our efforts to solve this problem.
- allow the partnership to scientifically research the performance and welfare of different cross-breeds, in advance of a larger, and economically viable, shipment of breeding stock.

12 The timeframe for an airfreight shipment in 2014 would be as follows:

Activities	Monthly timelines	Number of Days	Temperature in Saudi Arabia (average "high" C)
Purchase 2,000 ewes	February 2014	-120	23
Graze & hold ewes in isolation (quarantine)	March to June	-120 - 0	23 - 27 - 32 - 38 - 41
<b>Mating of ewes</b>	<b>June</b>	<b>0</b>	<b>41</b>
Scanning of ewes for pregnancy, select and retain 1,000 best pregnant ewes for export	September	70	40
Pre-condition nutrition of ewes for export	September/October	70 - 115	40 - 34
<b>Ewes depart New Zealand (flight)</b>	<b>October</b>	<b>115 (as per protocol)</b>	<b>34</b>
<b>Ewes arrive in Saudi Arabia</b>	<b>October</b>	<b>115</b>	<b>34</b>
Ewes begin lambing in feedlot	November	155	27
Lambs weaned from ewes	February 2015	250	23

13

14 The Al Khalaf Group has indicated a willingness to experiment with an airfreight shipment but has said it is not economically viable for them to do this alone. It would

**SAUDI ARABIA: AL KHALAF PARTNERSHIP**

want significant financial support from New Zealand. An airfreight consignment is technically straightforward and there is recent experience airfreighting cattle and horses from New Zealand. Due to the small numbers as well as short and temperature-controlled transit, the regulations around air transport of live animals are much less onerous than for seafreight. The cost of an airfreight shipment (livestock, aircraft charter, fuel, fit-out, veterinary and related costs) is estimated at up to NZ\$1.5m. Associated costs in Saudi Arabia would be met by Al Khalaf.

15 It is proposed that the arrangements for the airfreight shipment would be managed by the Agrihub lead provider, Brownrigg Agriculture, through a variation to their existing contract with MFAT (which is intended to be novated to NZTE via a separate process). The company is highly experienced with live animal exports by air. Purchasing the research flock would need to take place within the next few weeks, however, if transport arrangements are to be made in 2014, so that the ewes can be mated prior to shipment during the New Zealand 2014 mating season.

16 Once the protocol has been signed and the research flock delivered to Al Khalaf Group in Saudi Arabia, any subsequent shipments by either air or sea would be a commercial matter for Al Khalaf Group to pursue. The baseline data from the research flock would then be used to make the case for regulatory approvals for these shipments.

17 MFAT has funds available within the 2013/14 FY budget to accommodate this cost. As noted above, it would not be viable for this to be funded commercially, and the data obtained from the research flock would also be valuable to both New Zealand and Saudi regulators. As with the broader contract, however, officials consider that it would be more appropriate given the scope of the MFAT appropriation for these funds to be transferred to NZTE so as to allow NZTE to fund the shipment via the contract with the Agrihub lead provider, Brownrigg.

21 Jan. 14

**Declaration of Interest(s) – under the New Zealand Trade & Enterprise  
Disclosures of Interest Policy**  
Refer to NZTE policy on SuperTED for guidance.

**Declaration**

I, David John Brownrigg MIKE TAYLOR  
(Full Name)  
Director of Brownrigg Agriculture Group Ltd (BAGL) MICHAEL CRAIG TAYLOR (BAGL)  
(Position / Job title / Office location)

As an employee of / contractor to \* New Zealand Trade & Enterprise ("NZTE") I declare I do not have any:

- Direct or indirect interest in any arrangement, agreement, or contract made or entered into by NZTE or that (as far as I am aware) NZTE is proposing to make;
- Personal interests that may give rise to a conflict of interest, potential conflict of interest, insider trading or potential insider trading, in relation to NZTE or any of its current clients.

Other than as set out below:

- Enter "nil" in all columns if none to be declared
- Attach a page if you need more space (note, please initial any additional pages)

**Interest Categories**

**Financial** Has a financial value or Party is expected to gain some financial benefit or loss from the interest.  
**Gifts / Hospitality received** Has received gifts or hospitality greater than \$200  
**Professional** Having professional contacts with other organizations, association and trusts.  
**Research** Where research is funded by an independent organisation and this funding may compromise or appear to compromise the design, conduct or reporting of the research.  
**Whanau / Relationship** Whanau relationships, acquaintances and friendships which could be perceived as a conflict.  
**Non-Financial** An employee's position or authority is used to influence or make decisions that lead to any form of personal gain for that employee, member of their family or personal associates.  
**No Conflict** Party has registered no conflict.

Interest Categories	Name of other party	Details – include number of shares if applicable
<i>Example: Financial</i> <i>If you are handwriting, please print legibly.</i>	<i>ABC Limited</i>	<i>Director</i>
Financial	On Farm Research Ltd	BAGL own 50% D J Brownrigg a director
Financial	BL Land Co Ltd	BAGL own 50% Lowe Corporation Ltd own 50% D J Brownrigg a director of BL Land Co Ltd

I will seek the specific approval of my Manager before pursuing any personal interest that could involve a real, potential or perceived conflict of interest.

Signed: DAVID BROWNRI GG  
Date: 24 January 2014

MIKE TAYLOR

MIKE TAYLOR

Saudi-NZ Agri Hub  
Governance Group Meeting Minutes  
28<sup>th</sup> January, 2014

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OFFICIAL INFORMATION ACT

Withheld under sections  
s9(2)(b)(i) + s9(2)(ba)

# SAUDI-NZ AGRI HUB

## Governance Group Meeting

10.00 am, Tuesday 28<sup>th</sup> January, 2014

Brownrigg Agriculture Boardroom

Hastings

### Agenda

**Attendees:** Mike Taylor  
David Brownrigg  
Alex Matheson  
Haylon Smith

John Austin-Smith – Minutes  
Paul Muir

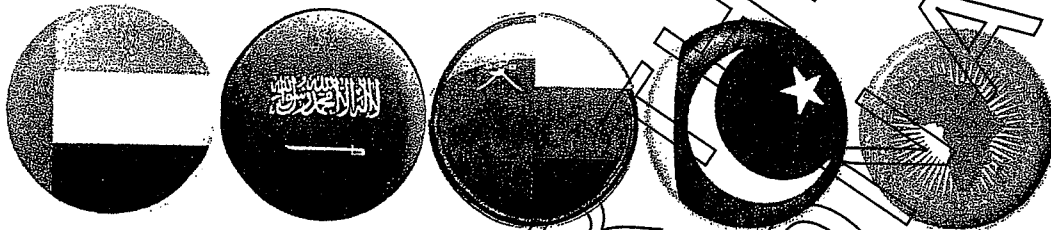
1. Role of the Governance Group, Responsibilities, Appointment of Chairman, etc
2. Update on Airfreight Option for 2014
3. Progress Reports:      Sheep Breeding  
                                 Forages  
                                 Feedlots  
                                 New Technologies  
                                 Abattoir
4. Conflicts of Interest
5. External Communications
6. Progress Payment No 2 Due 31 January, 2014
7. Other Business      - Future Meetings
8. Appendices              Trip Report

[RESTRICTED - NEW ZEALAND EYES ONLY]

HON MURRAY MCCULLY

VISIT TO *out of scope* SAUDI ARABIA,

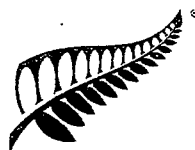
19 - 28 JANUARY 2014



**Visit by Hon Murray McCully  
Minister of Foreign Affairs**

*out of scope*  
**Saudi Arabia**

*out of scope*



**NEW ZEALAND  
FOREIGN AFFAIRS & TRADE**

[RESTRICTED - NEW ZEALAND EYES ONLY]



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*Out of Scope*

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HON MURRAY MCCULLY

VISIT TO *Out of Scope* SAUDI ARABIA

19 - 28 JANUARY 2014

*Out of Scope*

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Minister of Agriculture - Dr Fahd Balghunaim .....	75
Minister of Finance - Ibrahim Abdulaziz Al-Assaf .....	78
Crown Prince, First Deputy Prime Minister & Minister of Defence - H.R.H. Prince Salman bin Abdulaziz Al-Saud .....	80

*Out of Scope*

*Pages 5 to 64 are out of scope*

19 - 28 JANUARY 2014



## Part 2 - Saudi Arabia

*out of scope*

Trade and economic relationship

*out of scope*

3 The agribusiness partnership with the Al Khalaf Group has the potential to develop into a broader food security partnership with Saudi Arabia and could present new and

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HON MURRAY MCCULLY

VISIT TO *Out of Scope* SAUDI ARABIA,

19 - 28 JANUARY 2014

lucrative opportunities for New Zealand companies. In Saudi Arabia, and across the Gulf more broadly, food security is an important preoccupation due to the virtual absence of arable land. This makes New Zealand a natural partner. The current value of New Zealand agricultural exports to Saudi Arabia and the wider Gulf countries could be increased by securing the entry into force of the FTA and exporting higher value products and services.

*Out of Scope*

*b6(a) + s9(a)(j)*

Over the past year, New Zealand has made a serious effort to resolve this and we have worked with Saudi ministerial counterparts, officials and commercial partners to:

- Conclude a protocol enabling the export of live pregnant ewes for breeding. We hope to sign the proctol during a potential visit by Minister Guy to Riyadh (possibly in February);
- Settle commercial issues with a prominent Saudi investor in NZ;
- Set aside \$6m of NZ Government investment for a pilot programme to transfer agricultural expertise to Saudi Arabia, partnering with Saudi interests;

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HON MURRAY MCCULLY

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*out of scope*

19 - 28 JANUARY 2014

- Engage, both bilaterally and through the GCC, to better understand the Kingdom's and region's food security needs - and where we may best assist.

*s6(a), s(9)(2)(j)*

Your meeting with Minister Balghunaim presents an opportunity to reinforce our commitment to the export of livestock for breeding purposes and the wider food security partnership, highlighting that once the Protocol is signed (most likely in February 2014) resumption of trade will become a commercial decision beyond the scope of the NZ Government

*s6(a), s(9)(2)(j)*

*s6(a), s(9)(2)(j)*

Political relationship

*out of scope*

[RESTRICTED - NEW ZEALAND EYES ONLY]  
HON MURRAY MCCULLY  
VISIT TO *Out of scope* SAUDI ARABIA,

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Minister of Foreign Affairs - H.R.H. Prince Saud bin Faisal bin  
Abdulaziz Al Saud

- Update the Foreign Minister on progress in resolving the live sheep issue,

*Out of scope*

*s6(a), s9(2)(j)*

*Out of Scope*

*This page was not numbered*

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HON MURRAY MCCULLY

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out of scope

- NZ has previously experienced difficulties with live sheep exports to the Kingdom. We are conscious of the obligations of the Kingdom, and HM the King as the Custodian of the Two Holy Places, to ensure a supply of sheep for sacrifice during Hajj. Update Al Faisal on the progress made to resolve the livestock issue.
- Since you last met Prince Saud in September, an agricultural delegation from the private sector, along with agricultural officials, visited the Kingdom to review agricultural cooperation possibilities. New Zealand stands ready to assist the Kingdom with its food security needs.

s6(a) + s9(2)(j)

Out of Scope

NZ Embassy Riyadh

Ministry of Foreign Affairs and Trade, January 2014

Pages 72 and 73 are out of scope and withheld  
under s6(a) and s9(2)(j)

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HON MURRAY MCCULLY  
VISIT TO *out of scope* SAUDI ARABIA,  
19 - 28 JANUARY 2014

*sq(2)(j) + sb(a)*

- Now that we have essentially resolved the live sheet issue with Saudi Arabia,

*sq(2)(j) + sb(a)*

- New Zealand is exploring food security partnerships in the region.  
Qatar's National Food Security Programme,  
Aqribusiness Services Hub in Saudi Arabia,  
*out of scope*
- New Zealand remains ready to work bilaterally with any member of the GCC that wishes to explore cooperation with New Zealand on food security, or more broadly in areas where New Zealand government departments and companies hold expertise or experience.

*out of scope*

New Zealand Embassy Riyadh/Middle East and Africa Division  
January 2014



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HON MURRAY MCCULLY

VISIT TO :

SAUDI ARABIA,

19 - 28 JANUARY 2014

Minister of Agriculture - Dr Fahd Balghunaim

#### Objectives

- Update Balghunaim on the progress made with the Al Khalaf partnership and our commitment to a longer-term food security partnership with Saudi Arabia.

#### Key Points

- You last met with Minister Balghunaim in Riyadh in March 2013.
- Since that meeting, negotiations between MPI and the Saudi Ministry of Agriculture on the livestock protocol allowing the export of livestock for breeding have been completed. The protocol is ready for signature, hopefully during a visit by Minister Guy to Saudi Arabia in Q1 of 2014.
- The partnership with Al Khalaf Group is underway with Brownrigg Agriculture appointed as the lead provider. The elements of the partnership are currently being refined but will centre on a large scale breeding and demonstration facility on the Al Khalaf farm near Damman.
- During his farewell call in December 2013, former Ambassador Harris briefed Minister Balghunaim on progress towards the protocol, agribusiness hub,

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HON MURRAY MCCULLY

VISIT TO

IS, SAUDI ARABIA,

Out of scope

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; (2) trade in livestock for breeding;

oos

s6(a)  
s9(2)(ba)  
s9(2)(c)

s6(a)  
s9(2)(ba)

s6(a)  
s9(2)(ba)  
s9(2)(c)

s6(a)  
s9(2)(ba)  
s9(2)(c)

s6(a)  
s9(2)(ba)

**Suggested messages:**

- NZ has in good faith addressed the livestock issue to the satisfaction of both the Saudi Government and that investor; This has involved some risk and expense for the NZ Government, and is a measure correspondingly of our commitment to the relationship with Saudi Arabia and the GCC;

[RESTRICTED - NEW ZEALAND EYES ONLY]

HON MURRAY MCCULLY

VISIT TO *out of scope* SAUDI ARABIA,

19 - 28 JANUARY 2014

- The protocol negotiations have been concluded. Once the protocol is signed, which we are planning for in the near future, it is a commercial matter when the first exports take place. This is beyond the control of either Government;
- NZ is committed to the relationship. We have placed considerable emphasis in the last few years, including through implementation of the GCC Strategy, on developing the NZ-GCC relationship on all fronts including *Out of scope* food security

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S6(a)  
S9(2)(j)

[RESTRICTED - NEW ZEALAND EYES ONLY]

HON MURRAY MCCULLY

VISIT TC

SAUDI ARABIA

19 - 28 JANUARY 2014

Minister of Finance - Ibrahim Abdulaziz Al-Assaf

#### Objectives

- Note that New Zealand is committed to developing its economic relationship with Saudi Arabia, particularly in areas such as agriculture/food security;

- Update Al-Assaf on the progress made with the Al Khalaf partnership and our commitment to a longer term food security partnership with Saudi Arabia.

#### Key Points

New Zealand is committed to deepening its economic relationship with Saudi Arabia and we are looking forward to discussions with Saudi Minister of Agriculture Fahd Balghunaim in April 2014 for the Saudi-NZ Joint Economic Commission (JEC) with Minister Groser.

- The agenda is likely to cover: (1) agriculture, food security, (2) trade in livestock for breeding; (3) NZ-GCC FTA; (4)

s6(a) s9(2)(j)

Page 79 withheld under  
s6(a), s9(2)(b), s9(2)(j)

[RESTRICTED - NEW ZEALAND EYES ONLY]

HON MURRAY MCCULLY

VISIT TO

SAUDI ARABIA.

*Out of scope*  
19 - 28 JANUARY 2014

Crown Prince, First Deputy Prime Minister & Minister of Defence  
- H.R.H. Prince Salman bin Abdulaziz Al-Saud

*Sec (a)*

*out of scope*

- Update the Crown Prince on progress in resolving the live sheep issue, outlining NZ's credentials as a country tolerant and welcoming towards Muslims, and how our agricultural expertise could assist Saudi Arabia meet its food security needs.

**Key Points**

*Out of scope*

[RESTRICTED - NEW ZEALAND EYES ONLY]

HON MURRAY MCCULLY

VISIT TO

SAUDI ARABIA,

19 - 28 JANUARY 2014

Out of scope

Since your last meeting with Prince Salman in March 2013, New Zealand has made considerable progress on arrangements to provide for the export of live sheep for breeding to Saudi Arabia. Update Prince Salman on these developments.

- A NZ agricultural delegation from the private sector visited Saudi Arabia several times since your last meeting with Prince Salman (most recently in December) to work with Saudi officials assist with Saudi food security needs.

s6(1)

s9(2)(j)

Out of scope

NZ Embassy Riyadh/Middle East and Africa Division  
Ministry of Foreign Affairs and Trade  
January 2014

Page 82 to 111 out of scope

19 - 28 JANUARY 2014

## New Zealand And The GCC Strategy: Implementation

### Key points

- The countries of the Gulf Cooperation Council (GCC) are the economic powerhouses of the Middle East. Small populations combined with large hydrocarbon resources have provided these countries with considerable disposable income, and an appetite for high quality imports and investment opportunities.
- With its combination of large state resources and particular needs that match New Zealand's comparative strengths, the GCC presents opportunities for New Zealand to grow our economic and political relationship with the region.
- These opportunities lie in niche goods and services areas in which New Zealand excels, including food, *Out of scope*  
New Zealand governance and public sector expertise also has considerable commercial potential in the Gulf.
- Though distant from our area of direct strategic concern, New Zealand has significant security, economic and trading interests in the region. In working with the GCC states, New Zealand needs to demonstrate that it is a valuable partner across a range of international and security issues as well as in the trade and economic arena.
- To best position New Zealand to grow our relationship with GCC countries and to capitalise on economic opportunities in the region, a five year strategy for the GCC has been under development. This is based on a much closer collaboration between Government agencies and the business community, reinforced by high level political engagement. The strategy aims to:
  - Double high value exports (manufacturing, processed food and commercial services) to the Gulf;  
*Out of scope*
  - Generate a new source of income through commercialising Government IP.
- The strategy is designed around the following priorities:
  - Stronger in-market support for New Zealand firms;
  - Public/private projects to commercialise New Zealand public and private sector technology, skills and expertise;
  - Improved air linkages;
  - Continued advocacy to conclude the FTA with the GCC;
  - Better visa arrangements for New Zealanders within the GCC;
  - Stronger political engagement.

19 - 28 JANUARY 2014

### Background information

The GCC was established in 1981 between Saudi Arabia, the United Arab Emirates (UAE), Kuwait, Oman, Qatar and Bahrain. These six countries, all sitting astride major oil and trade routes, are also socially and politically diverse.

### Trade and Economic Opportunities

The GCC is New Zealand's seventh largest export destination<sup>2</sup> with goods exports worth \$1.5bn in the year to June 2012. Exports of goods have grown by an average 10% per year over the last decade. In addition, the countries of the GCC are an entry point into the region for some New Zealand companies and a base from which to penetrate the wider Middle East and beyond to Central Asia and Africa.

The six states of the GCC in themselves represent a substantial market opportunity for New Zealand. Comprising around 50 million people, the GCC countries are among the wealthiest in the world (e.g. Qatar with a per capita GDP of over US\$84,000). The GCC economies are largely hydrocarbon-based, sitting atop an estimated third of global oil reserves and a fifth of global gas reserves. The resulting foreign exchange reserves have created sovereign wealth funds among the world's largest with a combined value estimated at US\$2 trillion. Their global investments provide a spread risk portfolio and future economic insurance.

Despite their substantive wealth, GCC members share a problem: the virtual absence of arable land. There is strong demand for imported food and beverages that are of high quality, healthy and halal. Future food security is a preoccupation for GCC members. This makes New Zealand a natural partner. The current value of New Zealand agricultural exports to Gulf countries - not only goods but services too - could be increased significantly, by securing the entry into force of a Free Trade Agreement (FTA) and exporting higher value products and services.

### Government-Commercial Partnerships

*Out of Scope*

<sup>2</sup> Behind Australia, China, the EU, ASEAN, the US and Japan.



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HON MURRAY MCCULLY

VISIT TO

SAUDI ARABIA,

*Out of scope*

19 - 28 JANUARY 2014

A lead provider has been contracted to work with Al Khalaf Group to create an agribusiness services hub in Saudi Arabia. Project design is under way. The next step in moving this new partnership forward is for Minister Guy to sign a Livestock for Breeding Export Protocol with his Saudi counterpart, Dr Fahd Balghunaim, during his planned visit to the region.

**Supporting New Zealand Business**

*Out of scope*

**NZ-GCC FTA**

**Education**

**Air links and visas**

*Out of scope*

*Out of scope*

*Pages 115 to 196 are out of scope*

59(2)(a)

**From:** RIYADH  
**Sent:** Wednesday, 8 January 2014 7:56 p.m.  
**To:** FM.P/S MFA; CEO; MEA; DS APE  
**Cc:**

Out of Scope

**Subject:** FORMAL MESSAGE: VALEDICTORY FROM RIYADH

[RESTRICTED]

**Handling Instructions**

MoE

NZTE

NZ

**NOT FOR CABLE EXCHANGE**

Hon Murray McCully  
Minister of Foreign Affairs

Dear Minister

Out of scope

Out of scope

**The livestock solution was essential**

(9)(2)(j) + 36(a)

The blunt messages you

received during your own visit to Riyadh in April 2011 were confirmation that doing nothing could be a costly option.

7 It is difficult, therefore, to overstate the significance of the solution which eventually emerged nor the importance of fully following through on it. This solution - namely, our agreement to export of livestock for breeding and a restorative partnership with al Khalaf intended to create at the same time a model for broader food security partnership activity round the Gulf - has been well received in Saudi Arabia, round the Gulf, and by the GCC Secretariat.

b(1) + b(7)(C)

b(1) + b(7)(C)

out of scope

Pages 4, 5, 6, 7, 28 are out of scope

Σ 2

Saudi-NZ Agri Hub  
Review Meeting – Farming house 19<sup>th</sup> December, 2013

Withheld under sections  
s9(2)(b)(i) + s9(2)(ba)

Ministry for Primary Industries  
Manatū Ahu Matua



16 December 2013

Dr Abdul Ghaniy Y.M. Al-Fadhl  
Permanent Delegate of KSA in OIE  
Vice-President of the OIE Regional Commission for the Middle East  
Director General of Animal and Plant Quarantine  
Ministry of Agriculture  
King Abdulaziz Road  
Riyadh 11195  
SAUDI ARABIA

As-salamu alaykum Dr Abdul Ghaniy

I extend greetings from New Zealand, and extend assurances of our highest consideration to you and your Department of Animal and Plant Quarantine.

I greatly appreciate your assistance during our technical negotiation of the draft *Arrangement between the Ministry of Agriculture in the Kingdom of Saudi Arabia and the New Zealand Ministry for Primary Industries on the Export of Livestock from New Zealand to Saudi Arabia for Breeding Purposes*. Having concluded the technical negotiation, we now await an opportunity to formally sign the arrangement. The New Zealand Embassy in Riyadh will explore suitable opportunities with your Ministry.

In the meantime, I would like to formally invite you and a delegation of your Ministry of Agriculture colleagues to New Zealand on a familiarisation visit with our breeding livestock export programme. We propose to host your delegation in the week of 17-21 March 2014. A draft itinerary is attached. We suggest that your group would organise international flights to Wellington and from Napier at the start and end of your visit. We will cover arrangements and costs for internal travel.

We welcome your confirmation of the proposed draft itinerary, or any suggested modifications.

I am greatly looking forward to hosting you and your colleagues as we work towards concluding this mutually beneficial arrangement.

Yours sincerely

  
Dr. Matthew Stone  
OIE Delegate for New Zealand  
Director of Animal and Animal Products

Growing and Protecting New Zealand

Standards Branch  
Animal & Animal Products  
Pastoral House, 25 The Terrace, PO Box 2526  
Wellington 6140, New Zealand  
Telephone: 0800 00 83 33, Facsimile: +64-4-894 0300  
[www.mpi.govt.nz](http://www.mpi.govt.nz)

**Proposed Itinerary for the Ministry of Agriculture Kingdom of Saudi Arabia  
visit to New Zealand for the purposes of familiarisation  
with the breeding livestock export regulatory programme**

**17-21 March 2014**

**Sunday 16 March**

- Arrive Wellington New Zealand
- Rest and acclimatise. No official engagements.

**Monday 17 March**

- Official welcome and technical meetings (Wellington)
- Minister of Primary Industries, Parliament: Welcome and informal discussions (to be confirmed)
  - Ministry for Primary Industries: Overview of Competent Authority, export assurance systems, and livestock exports programme
  - MPI hosted welcome dinner

**Tuesday 18 March**

Morning

- MPI Animal Health Laboratory (Wallaceville, approx. 45min drive)
- Tour of diagnostic laboratory facilities and presentation of AHL functions and capabilities

Afternoon

Drive to Napier (4 hrs).

**Wednesday 19 March**

- Breeding livestock export supply chain (Napier, Hawkes Bay)
- Visits to Brownrigg Agriculture farms and on-farm isolation facilities

Lunchtime

- Reception Matthews Station (Tikokino, Hawkes Bay)
- Hosted by Mr George Assaf, Alkhalaf Group Ltd

**Thursday 20 March**

Morning

- Breeding livestock export supply chain (Napier, Hawkes Bay)
- Visits to Napier Port and MPI Certification Offices

Afternoon

- Meat processing premises visit (Hawkes Bay)
- Silver Fern Farms, Takapau (to be confirmed)
- Wrap up session (Napier, Hawkes Bay)
- MPI technical briefing to answer final questions and receive visit feedback from KSA delegation

**Friday 21 March**

Official itinerary ends. Depart New Zealand in accordance with travel arrangements.





10 December 2013

File Ref: EN/GYT-0007

Phil Goulin *10/12/13*  
Chief Financial Officer  
Ministry of Foreign Affairs and Trade  
Private Bag 18901  
Wellington 6160

Dear Phil

**SAUDI ARABIA FOOD SECURITY PARTNERSHIP**

Thank you for your email of 27 November 2013 with the attached paper, *Investing in a NZ demonstration breeding farm and operation in Saudi Arabia, November 2013*. We understand that the document is intended to constitute the final business case. It does not appear to us to be in the form of a traditional business case; however we note that it provides more information on the matters we have raised with you than the documentation we have seen previously.

I have outlined below the points made in Lyn Provost's letter of 20 August 2013 to John Allen, together with our Office's response having now received the paper, *Investing in a NZ demonstration breeding farm and operation in Saudi Arabia, November 2013*.

Comments as per Lyn Provost's letter of 20 August 2013 on the 17 June 2013 paper	Our additional comments, 6 December 2013, having received the November 2013 paper
We consider the financial case, as set out in the 17 June 2013 document, to be weak. In our view, there was insufficient information on the financial benefits accruing. We were told that there remained many unknowns about the potential earnings proposition.	<p>The November 2013 paper states that "<i>the New Zealand investment needs to demonstrate commercial benefit both to the Saudi group as well as the involved New Zealand interests</i>". We appreciate that commercial benefit will need to be realised but that, in contrast to what we would expect from a business case, the paper outlines the areas in which potential commercial benefit may lie (e.g. opening the door to potential, future commercial opportunities, relationships, connections, and partnerships; showcasing New Zealand technologies, products, expertise and best practices; and building awareness of the New Zealand "brand".)</p> <p>We also note that the paper clearly acknowledges that the agricultural hub initiative is central to the work to resolve the relationship issue with Saudi Arabia and, by extension, the Gulf Cooperation Council (GCC). We note the stated importance of this relationship in not only assisting progress with a free trade agreement but also in mitigating the risk to existing trade with the Gulf states.</p>

<b>Comments as per Lyn Provost's letter of 20 August 2013 on the 17 June 2013 paper</b>	<b>Our additional comments, 6 December 2013, having received the November 2013 paper</b>
<p>We considered there was insufficient information to give an assurance about the legality of the sheep export activity. The Ministry assured us that it would rely on the Ministry for Primary Industries' advice on this matter. Obviously compliance with the law is important for any public entity.</p>	<p>We note your advice, as per the paper, that any proposal to export livestock for breeding purposes must meet existing MPI criteria.</p>
<p>We noted the general lack of explicit assumptions underpinning the business case, the protection of intellectual property, the sheep export strategy (and whether this would be a one-off relocation of breeding stock or a continuing activity), and the financial sustainability of the agricultural hub.</p>	<p>We infer from the paper that the sustainability of the agricultural hub will rely on future investment by New Zealand agribusinesses (and Saudi interests). We also infer that the New Zealand firms involved will be responsible for protecting their own intellectual property which, as the paper advises, will be managed according to normal commercial arrangements.</p> <p>The Cabinet decision of 18 February 2013 covers the "relocation" of breeding stock to Saudi Arabia for the purposes of the new business model and, "<i>not to establish a new business in New Zealand in the export of livestock for breeding</i>". We were unable to infer from the paper the scale, frequency, or duration of the sheep export activity.</p>

We wish to reiterate that our feedback in this letter is based solely on reviewing the November 2013 paper. We have not performed any audit or assurance work on the business case, and we have not reviewed the supporting documentation listed in paragraph 66 of the November 2013 paper. As such, our comments do not provide assurance of any nature and neither do they constitute an endorsement of government policy, which is outside the Auditor-General's mandate.

Yours sincerely

Bill Robertson  
Sector Manager, Parliamentary Group

Cc John Allen, Secretary of Foreign Affairs  
Lyn Provost, Controller and Auditor-General

GOULIN, Phil (FIN)

**From:** s9(2)(a) [TSY] <l@treasury.govt.nz>  
**Sent:** Tuesday, 3 December 2013 11:36 a.m.  
**To:** GOULIN, Phil (FIN)  
**Cc:** MATHESON, Alex (MEA); AUSTIN, Jonathan (MEA); s9(2)(a) (OFS); COOPER, Peter (PRO); ^OAG: s9(2)(a) ; Fiona Ross [TSY]  
**Subject:** RE: KSA Plan v12pc 3  
**Attachments:** TSY comments\_ Saudi Food Security Partnership business case (final).DOCX

Hi Phil

Thanks for sending this through. We are generally comfortable with the business case. A couple of upfront points (the rest are attached in an annotated business case):

- It would be good if future business cases came according to the Better Business Cases template, which progresses through the proposal in a straightforward manner. This is available on the National Infrastructure Unit [website](#)
- In order to fulfil the Cabinet directive ('MFAT to work w Tsy on the execution and management of the contract') we are considering involvement in the proposed Steering Group. I'll get back to you soon on this, but it would be good to know if you were thinking of other ways to fulfil this directive.

Comment A5 of the attached is possibly the most important.

Thanks

s9(2)(a)

| Analyst, International | The Treasury  
**Tel:** s9(2)(a) [l@treasury.govt.nz](mailto:l@treasury.govt.nz)

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**From:** GOULIN, Phil (FIN) [mailto:s9(2)(a)]  
**Sent:** Wednesday, 27 November 2013 5:48 p.m.  
**To:** ^OAG: s9(2)(a) [TSY]  
**Cc:** MATHESON, Alex (MEA); AUSTIN, Jonathan (MEA); s9(2)(a) (OFS); COOPER, Peter (PRO)  
**Subject:** KSA Plan v12pc 3

[UNCLASSIFIED]

s9(2)(a)

Attached is the updated final Business Case for your review and comment. The Procurement process has progressed well and the Ministry is now able to address some of the uncertainties that existed at the time the Indicative Business Case was drawn up.

The Ministry is looking to sign contracts in the near future so we would appreciate your comments early-mid next week.

We are happy to meet and discuss at your convenience.

Phil

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NOV 2013

YOL1-144-158

Investing in a NZ demonstration  
breeding farm and operation in Saudi  
Arabia

November 2013

RELEASED UNDER THE  
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## Introduction

1. This paper outlines the proposed approach to designing and implementing the Government's commitment to invest \$6m in a demonstration breeding farm and operation in Saudi Arabia, in partnership with Al Khalaf Group, that will showcase New Zealand agribusiness capability and technology.
2. The purpose of this paper is to:
  - Confirm the strategic context and fit of the proposed investment. It demonstrates how the proposed investment is already assisting in rectifying the diplomatic issues outlined in the paper approved by Cabinet on 18 February 2013 (CAB Min (13) 4/7).
  - Outline how New Zealand and the Al Khalaf Group are jointly developing a New Zealand demonstration farm and agrihub in Saudi Arabia for the benefit of both New Zealand and Saudi Arabia; and,
  - Outline the proposed approach to manage the Government's investment.

## Strategic Context

3. For more than three years the Minister of Foreign Affairs, supported by Ministry officials, has been working to resolve a major relationship issue with Saudi Arabia which has spilled over into the wider GCC.  
: and threatened to poison goods and services exports valued at over NZ\$1bn annually.
4. The problem stems from the grievance of influential long-term Saudi investor in New Zealand, Hmood Al Khalaf, about the imposition of a ban on the export of live sheep for slaughter and the effect this has had on his farming investment in New Zealand.
5. This initiative is central to our work to resolve this issue while pursuing a stronger relationship with the GCC (protecting and extending market access) and increasing agrisector export revenues in the GCC region. The progress that has been made to date has been documented in a range of formal communications from our diplomatic network and related updates to Ministers. The initiative has been significantly responsible for a normalisation in the diplomatic relationship between New Zealand and Saudi Arabia, which is fundamental to make progress with ratification of Free Trade Agreement between the GCC and New Zealand.
6. Saudi Arabia is the largest and most influential country in the GCC region. It is a significant importer of New Zealand agricultural goods. It is also increasingly becoming an important market for New Zealand's services expertise. At the same time the Kingdom is looking to invest in a range of food security initiatives, including in the red-meat sector. The Minister

## Commercial Partnership

7. A technical field visit of New Zealand private and public sector experts to Saudi Arabia was undertaken in April 2013 to gain a better understanding of Al Khalaf's business and Saudi

Arabian food security needs. The participants identified the following key investment objectives:

- Investment objective one: Research, plan and design a demonstration breeding farm and hub designed around a combination of Saudi Arabian and New Zealand on-farm best practices
  - Investment objective two: Develop a demonstration breeding farm and operation which supports Saudi Arabia's food security objectives. This may include the export from New Zealand of animals for breeding under a recently agreed animal export protocol.
  - Investment objective three: Showcase and promote NZ best practice, technology, capability and approaches representing best practice across the value chain
8. As part of the technical visit, a value chain assessment was undertaken of Al Khalaf Group's current capabilities, and the proposed breeding operation. This identified several areas where assistance and support from New Zealand would be beneficial to the development of the breeding farm and operation. Based on the scale of New Zealand's proposed investment, this list was further reduced to the core areas that were both critical to Al Khalaf Group and where New Zealand could provide a demonstrable difference. The areas that have subsequently been agreed with the Al Khalaf Group are:
- Animal performance and management
  - Nutrition management
  - Design and provision of technology and equipment
  - Governance and marketing
9. Cabinet has agreed that the \$6m funding for purchasing New Zealand goods and services as part of the partnership will be met within the current baselines of the Ministry of Foreign Affairs and Trade. Funding has been allocated for this purpose.

#### Management Approach

10. MFAT, in partnership with NZTE, issued via GETS an expression of interest for a lead provider to develop an agribusiness hub around a demonstration breeding farm and operation. A selection panel consisting of NZTE, MFAT and independent consultant s 4(2)(a) (recently CEO of Landcorp) assessed the tenders in accordance with regular procurement procedures. Brownrigg Agriculture, a leading New Zealand agriculture firm, was been selected as lead provider. MFAT and NZTE are currently concluding contract negotiations with Brownrigg Agriculture.
11. MFAT undertook an internal audit of the procurement process following the selection of the preferred lead provider. This audit confirmed best practice had been followed.
12. The contract is being structured so that MFAT initially supervises the contract with NZTE taking it over following consideration by the NZTE Board at its February 2014 meeting. This collaborative structure is important to the Saudi interests as the discussions and understandings over the last few years have principally been with the Minister of Foreign Affairs and MFAT.
13. The first milestone of the contract seeks the lead provider's advice on the detailed design of the agrihub, and in particular how the associated work streams and technologies

connect with Al Khalaf's wider business plan, and with Saudi Arabia's food security programmes. This stage of work has been costed at \$500K, with delivery targeted for the end of March next year. The detailed implementation plans for the balance of the Government's investment will be considered and approved following this first milestone.

14. The contract will be overseen by a steering group consisting of MFAT, NZTE, Al Khalaf Group and the lead provider.

## Introduction

### Cabinet Decision

15. The Cabinet paper CAB (13) 71 approved on 18 February 2013 (CAB Min (13) 47) provides the strategic context to the decision to make an investment in the agrihub in Saudi Arabia.
16. In regards to the partnership with the Saudi interests, Cabinet:
  - noted the proposal to invest in a pilot agribusiness operation with Saudi Arabia as a means to resolve this dispute and form a long term food security partnership;
  - agreed there will be an ongoing investment in the pilot agribusiness operation of up to \$6 million for the delivery of services by NZ agricultural service entities, and that the \$6 million will be undertaken in strict conformity with Government Procurement requirements;
  - noted that the cost of these initiatives will be met from the MFAT baseline;
  - noted that the procurement and selection of New Zealand firms and services to participate in the food security partnership will be done with agreement of the Saudi partners, MFAT, and NZTE;
  - noted that any related proposal to export livestock for breeding purposes must meet existing MPI criteria and be the subject of an application in the normal way;
  - noted that any export of livestock for breeding purposes under the partnership must be undertaken to achieve the effective relocation of breeding stock to Saudi Arabia for the purposes of shaping the new business model, and not to establish a new business in New Zealand in the export of livestock for breeding.

### Background

17. In recent years, the New Zealand Government has been working with its counterparts in Saudi Arabia, and the wider GCC to better understand the food security needs of that region. The recent launch of the NZ Inc GCC strategy by the Minister of Foreign Affairs outlines food security as a key area of focus. This document is available at [NZ Inc Strategy - Opening Doors to the Gulf Region](#).
18. Annual goods exports from New Zealand to the GCC already exceed NZ\$1.5bn and have been growing steadily by 10% a year. Services exports are estimated at a further NZ\$250m on top of this. Aware that there is a finite aspect to petroleum based wealth, GCC countries have been seeking to invest to secure their post-petroleum futures. Future food security is therefore high on the list of priorities, and New Zealand; as one of the world's leading agricultural nations is a partner of choice.
19. That means more than just being a long term exporter of primary product to GCC markets, although food and beverage exports continue to grow at a great pace. It brings the potential



for partnerships between GCC capital and New Zealand agricultural expertise to contribute to long term food security in the Gulf.

20. One of the food security initiatives in Saudi Arabia is to increase the number of sheep, after seeing sheep numbers in the Kingdom drop from 12 million in 2008 to 8.7 million in 2012. The Saudis also want to make the industry sustainable. This will entail developing or importing technology, techniques, tools and expertise in diverse specialities including environmental protection, herd management, breeding improvement programmes and feed improvement.
21. The New Zealand Government has therefore provided up to six million dollars to be invested over the next two to three years to develop a demonstration breeding farm and operation which will enhance the capability of the New Zealand and Saudi Arabian red meat industries. A key focus of the project developing higher value products the Saudi market focusing on the Awassi sheep breed.
22. The intent is that the money will be used to develop or implement NZ agricultural technologies, techniques and equipment for the Saudi environment, in such a way that future business opportunities may be developed in Saudi Arabia and the states that make up the GCC region, and potentially into Africa.

#### **Demonstration Breeding Farm and Operation**

23. The demonstration farm and operation will showcase a breeding and fattening unit that produces product that suitable to meeting the tastes of the growing middle class in Saudi Arabia and the GCC. While this will initially focus on opportunities for partnerships inside Saudi Arabia and the GCC, it is the government's ambition that it has the potential to serve as a base for creating partnerships between New Zealand agricultural expertise and GCC capital in third party countries, especially in Africa where 60% of the world's undeveloped arable land is to be found.
24. The farm and operation will be built in partnership with a group of long-time Saudi investors in the New Zealand red-meat sector whose investments and assets in transportation, farming, abattoir, property development, and retail in Dammam and Jeddah in Saudi Arabia are substantial. The group's main farm, near Dammam, (the site of the proposed demonstration breeding farm and operation) is a large one, into which major new investment is already being made around breeding livestock. This is a commercial operation, and as such the New Zealand investment needs to demonstrate commercial benefit both to the Saudi group, as well as the involved New Zealand interests.
25. A group of New Zealand agribusiness experts visited Saudi Arabia 9-16 April 2013. The purpose of the visit was to assess the opportunity for New Zealand. The participants of the study tour included officials from MFAT, NZTE and the Ministry of Primary Industries and representatives of the following firms: PGG Wrightson, Sourceworld, AsureQuality, Deloitte NZ, Proand, Brownrigg Agriculture and Awassi NZ.
26. While further research is needed to understand fully the local conditions to ensure that any New Zealand solutions are sustainable and scalable, the experts suggested that the farm and operation should:

- Be assisted where possible by a New Zealand based research and development programme focusing on genetics and feeding of sheep adapted to Saudi Arabian conditions;

- ## Existing Arrangements and Business Needs

AI Khalaf Group Integrated Breeding Value Chain for Red Meat													
New Zealand				Offshore				Saudi Arabia					
Animal Health	Animal Welfare	Animal Nutrition	Animal Genetics	Animal Breeding	Animal Management	Animal Health	Animal Welfare	Animal Nutrition	Animal Genetics	Animal Breeding	Animal Management	Animal Health	Animal Welfare
Strategies and Planning	Supply agreements with Farmers	Animal Selection	Country of Departure Regulations	Site Selection and Design	Planning the Programme	Animal Genetics and Strategy	Agromony and seeds	Land Selection	Asset Utilisation	Site Selection	Citizens of KSA	Hot Kill Local Trade	
Comms Strategy	Animal Selection	Infrastructure and Logistics	Vessel Selection	Equipment Procurement	Performance Management	Animal Husbandry	Soil Management	Design of Buildings for Animals & Storage	Management of Supply	Design	Residents of KSA	Butchers	
Performance Management	Animal Genetics and Ram Availability	Fodder	Animal Health	Disembarking Procedures	HP Planning & Capability Building	Quality Assurance	Irrigation Plan	Plant	Redesign and New Equipment	Project and Cost Management	Branding	Restaurant Trade	
Infrastructure	Animal Traceability	Animal Health	Country of Arrival Regulations	Quality Assurance Processes	Finance	Animal Traceability	Storage	Equipment and Machinery	Cost Management	Equipment Procurement	Marketing	Fast Food Outlets	
Finance	Quality Assurance	In Country Regulations		Hygiene Practices	Information Technology		Feed Mill		Quality Assurance Processes	Quality Assurance Processes		GCC States	
Information Technology							Water Management		Hygiene Practices	Hygiene Practices			
									By Product, Pellets, Fertilisers				

- Animal performance and management

- Nutrition management
- Provision and design of technology and equipment
- Governance and marketing

29. Al Khalaf intends to build a processing plant next to the demonstration farm once planning consent is given. They anticipate New Zealand expertise will be procured to design and build this facility.

30. The overall investment objective is to support the design and build of a demonstration farm and operation that represents best practice, and upholds the reputation of New Zealand Agri-business excellence - showcasing New Zealand on-farm capability, products and expertise in market generating repeat purchases. Potential areas of focus or value include:

Investment areas (NZ\$)	Expected outcomes
<b>Animal Performance and Management</b>  Animal selection, husbandry, welfare, performance  Genetics  Infrastructure development (i.e. feedlots)  Nutrition management	This area focusses on the end to end breeding programme to meet a market specification. This will span a genetics programme in NZ through to a breeding and fattening operation in Saudi Arabia. This will be complemented by a nutrition programme developed for an extreme environment. A combination of NZ expertise and Saudi local knowledge will be needed to deliver a superior outcome.
<b>Technology and Equipment</b>  Processing design and technologies  Tag readers  Scanners and scales  Agricultural technology	Access to enabling technology will underpin the necessary best practice elements of the demonstration farm. Any technology will need to be coupled with the appropriate expertise for design, implementation and use of it to achieve the best outcomes on farm in Saudi Arabia.
<b>Management and Marketing</b>  Planning and project management  Farm management  People development  Farmer selection and contracting  Marketing and branding	Demonstrated ability to deliver this project between New Zealand Saudi Arabia is a critical success factor. The project is part of sustainable long term business for Saudi Arabia will require capability and ambition to achieve this over the longer term – i.e. beyond the project funding horizon.

## Assumptions

31. The following assumptions have been taken into account, agreed with the Al Khalaf Group and will form part of the deliverables under the agreement with the Lead Provider:
- A high level objective for Al Khalaf is developing a high-value red-meat product for the Saudi market, focusing on the Awassi breed of sheep. This project will support that objective but it will not be a deliverable for the project.
  - Land and major infrastructure to support the breeding operation will be made available by Al Khalaf
  - Al Khalaf will assist with access to capability and people where required, and with the showcasing aspects of the project.
  - It is expected that successful delivery will involve a range of services and products, ranging from sourcing and installing New Zealand technology and equipment in Saudi Arabia, to research, design, training and consultancy services. We are expecting the Lead Provider and consortia to demonstrate the most effective emphasis and programme of work within the identified potential areas of focus.

## Commercial Operation

32. The New Zealand investment in a demonstration farm and operation outlined in this document is part of a wider a Saudi Arabian owned commercial breeding, farming and livestock operation. The design and implementation of any solutions will be done in close discussion between the Lead Provider/consortia and the Saudi interests.
33. Broad agreement on how much of the proposed funding will be invested in what specialist areas will be assessed during the detailed design phase. It is unlikely that all of the areas noted under the 'Potential Focus Areas' above, will receive the same level of focus or investment.
34. A large farm property outside of the port city of Dammam, has been identified as the site of the hub and demonstration breeding farm and operation for these New Zealand technologies and capabilities, and is being made available to the consortia.
35. It is anticipated that consortium will work with the Saudi interests to ensure that New Zealand agribusinesses can leverage off local relationships, networks and the physical demonstration of New Zealand agricultural techniques/equipment to win further business in Saudi Arabia and other GCC states and countries. The intellectual property of firms involved in the project will be managed via normal commercial arrangements.

## Breeding Protocol

36. An important part of the project is the supply of New Zealand breeding stock, focusing on the Awassi breed of sheep, to the Saudi Arabia farm. To facilitate this, the relevant Ministries in New Zealand and Saudi Arabia have negotiated the necessary documentation and approvals for this to occur – this awaits signing by Ministers, anticipated to occur in the first quarter of 2014. The Saudi interests are investing significantly into breeding infrastructure at the property near Dammam in preparation for the receipt of breeding stock, and the development of the breeding operation in Saudi Arabia.

## Strategic Context

37. The investment proposal aligns to New Zealand's interest in pursuing a stronger relationship with the GCC.
38. The GCC is a six member regional grouping of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. With a population of 28 million, Saudi Arabia is by far the largest and most influential GCC state.<sup>1</sup> The GCC comprises one of the wealthiest trading blocs in the world. Qatar has the highest GDP per capita (US\$102,000) in the world. Surrounded by the Arab Spring, GCC nations are utilising oil wealth to improve the lives of their citizens, as a means of ensuring longer term stability.
39. For the past three years the Minister of Foreign Affairs, supported by Ministry officials, has been working to resolve a major relationship issue with Saudi Arabia which has spilled over into the wider GCC. While this issue has, at this stage, been resolved, the more serious problem lies in the threat to existing trade in goods and services unless steps are taken to resolve it.
40. The GCC is a region where:
- Economies are growing quickly
  - Markets are maturing
  - Consumer demand for imported goods and services is high and on an upward growth trajectory
  - Economic indicators underline the importance of New Zealand securing a stable, strategic economic partnership on a par with other countries, and recognition as a supplier of choice.
  - New Zealand's exports to the Gulf region have experienced on average 10% growth per year over the last six years, compared with average growth in New Zealand's total exports of 3.7% per year over the same period.
  - New Zealand goods exports to the GCC already exceed \$1.57 billion (higher than the UK and India) and have grown at an average of over 10% over the past three years. This reflects a recognition by both the Government and the private sector of the fact that significant effort could see these figures lift dramatically. The only new New Zealand embassy opened anywhere in the world in the last three years was established in Abu Dhabi, and private sector interests have also invested heavily in their presence in the Gulf.

<sup>1</sup> Saudi Arabia (28 million people), United Arab Emirates (7.9m), Kuwait, (2.8m), Oman (2.7m), Qatar (1.8m), Bahrain (1.3m).

s 9(2)(j)

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42. Importantly for the depth of New Zealand's on-going relationship with Saudi Arabia, the investment proposal is aligned to Saudi Arabia's food security goals.
43. According to the Economist Intelligence Unit, the six GCC states currently import 90% of all food products. High reliance on imports means the region is particularly vulnerable to price increases when supplies are interrupted. For example, interruptions in supply and demand lead to shortages in food commodities and a surge in prices during the world food crisis from mid 2007 to mid 2008.
44. Saudi Arabia is currently investing US\$23.1 billion in food security initiatives, including a US\$12.3 billion allocation to the development of the food processing sector.
45. The proposal for a demonstration breeding farm is timed well with new Saudi initiatives to improve its food security. The Saudi Agricultural Development Fund has, for example, recently launched an initiative to increase the number of sheep after seeing sheep in the Kingdom drop from 12 million in 2008 to 8.7 million in 2012. They want to make the industry sustainable with the preservation of natural resources while also developing the methods used by herders, breeding-improvement programs, genetic improvement, and feeding methods.
46. New Zealand's best practice agricultural capability, and reputation for excellence, means that we are well placed to assist Saudi Arabia, and the wider gulf region, with food security initiatives.

#### Commercial Focus

#### Investment Objectives

47. The overall investment objective is to support the design and build of a demonstration farm and operation that represents best practice, and upholds the reputation of New Zealand

Agri-business excellence - showcasing New Zealand on farm capability, products and expertise in market generating repeat purchases.

48. To that end a technical field visit with key stakeholders was undertaken to identify the investment objectives and gain a better understanding of the business needs. The key stakeholders identified and agreed the following key investment objectives:

- Investment objective one: Research, plan and design a demonstration breeding farm designed around a combination of Saudi Arabian and New Zealand on-farm best practices
- Investment objective two: Build and implement demonstration breeding farm which support Saudi Arabia's food security objectives
- Investment objective three: Showcase and promote NZ best practice, technology, capability and approaches representing best practice across the value chain

### Potential Commercial Benefits

49. The agrihub will enable the development of market demand for New Zealand products and capabilities by show casing New Zealand's primary sector capabilities within market (initially Saudi Arabia – and progressively through the GCC states). The programme will also contribute to stronger regional relationships with connections throughout the Saudi Arabian food value chain – through the promotion of Al Khalaf and his leadership role in the formation of a partnership and consequentially the development of closer Government-to-Government connections through contributing to Saudi Arabia's food security.

50. While the potential commercial benefits will be considered in more detail following through the initial design phase, it is anticipated that benefits beyond the initial investment will arise through:

- Increased export revenues from sales of products and services by New Zealand Companies in Saudi Arabia initially then the GCC
- Increased services and product sales
- Increased benchmarking services
- Potential for IP licencing fees
- Potential long term customer base

51. The first milestone of the contract seeks the lead provider's advice on the detailed design of the agrihub (investment objective one), and in particular how the associated work streams connect with Al Khalaf's business plan, and with Saudi Arabia's food security programmes. This stage of work has been costed at \$500K, with delivery targeted for the end of March next year. The detailed implementation plans for the balance of the Government's investment will be considered and approved following this first milestone.

Milestone		Activity
No	Description	

1.1	Al Khalaf Project Development, Oversight, co-ordination and Integration	<p>Work with the Al Khalaf Group in Saudi to gain a full understanding of their business within wider Saudi Arabia red-meat and food security industries. Agree with Al Khalaf the Agri-Hub priorities, scope of individual projects, and process and timeframe for design and delivery</p> <ol style="list-style-type: none"> <li>1. Obtain background and commercial detail on farm, feedlot operations, processing facilities, retail outlets, staff, office and accommodation facilities available.</li> <li>2. Visit facilities, agree Agri Hub priorities, scope, &amp; plan for overall design and delivery</li> </ol>
1.2	New Zealand Breeding Ewes	<p>Design the export breeding ewe supply chain including export protocols, preferred ewe breeds/specifications, mating protocols, sheep procurement, quarantine and pre-export procedures and quality control.</p> <p>Cost the implementation phase of research and development for the sheep export project. This project will include writing full supply chain SOPs including animal welfare; farm modelling; supply contracts; breeding logistics; design and installation of quarantine/ pre-export and sheep handling facilities, staff training.</p> <ol style="list-style-type: none"> <li>1. Identify quarantine facilities required, identify animal numbers and breeds required, identify pre-export procedures and protocols, and mating protocols and timing.</li> <li>2. Complete the preparation of supply chain standard operating procedures and budgets for the implementation phase for the live animal export phase of the project.</li> </ol>
1.3	Awassi Genetics and Breeding	<p>Complete a review of current Al Khalaf breeding policies in NZ and Saudi. Design and cost a genetic improvement project showcasing NZ technologies including a NZ/Saudi Awassi progeny test programme</p> <ol style="list-style-type: none"> <li>1. Obtain information on numbers and details of breeding ewes available in Saudi and NZ, timing of lambing, ram selection policies in place, main diseases affecting sheep in Saudi,</li> <li>2. Visit the Saudi and NZ facilities to ensure suitability for a genetics programme, and identify additional facilities required</li> <li>3. Design and cost the genetic improvement component of the project</li> </ol>
1.4	Forage and Nutrition	<p>Complete a review of the current status of forage production and sheep nutrition in the Al Khalaf Group. Design and cost a research and development programme to improve forage production and sheep performance on Al Khalaf farms/ feedlots</p> <ol style="list-style-type: none"> <li>1. Obtain information on animal feeds grown and bought in, cultivars and types grown and why, irrigated area available for cropping</li> <li>2. Visit farms, facilities, and suppliers to identify composition of pellets, quantities fed out daily, storage facilities available and appropriate, and identify alternatives potentially available.</li> <li>3. Design and cost a research programme to improve forage production and sheep performance on Saudi farms</li> </ol>
1.5	New Technologies	<p>Identify new agricultural technologies (and preferred NZ providers) suitable for use in the Al Khalaf Groups farm and feedlots. Prepare a plan, and costing, to integrate these technologies into the Al Khalaf operations</p> <ol style="list-style-type: none"> <li>1. Obtain information on stock numbers bred, farmed, and finished for slaughter, and electronic equipment in use.</li> <li>2. Visit the facility and proposed demonstration farm location and identify appropriate potential equipment for inclusion</li> <li>3. Visit key NZ suppliers and assess interest in participating in the project, and prepare costed workplan for project implementation.</li> </ol>
1.6	Abattoir and Feedlot Design	<p>Establish feedlot and abattoir design and build requirements, e.g. power, water, effluent, materials. Identify preferred NZ specialist sub-contractors to assist.</p> <p>Prepare costing to include detailed design work, provision and installation of specialist equipment/technology, supervision, commissioning and staff training</p> <ol style="list-style-type: none"> <li>1. Obtain information on animal numbers and types to be processed, chilled and frozen storage required, water availability, waste water requirements, management of hides, offal, blood, and</li> </ol>



		condemned product.
		2. Visit the proposed abattoir site to identify local requirements for building, construction company capability and availability, staff availability and training required
		3. Complete detailed design, provision for specialist equipment, costing, commissioning programme and training programmes required

52. The detailed implementation plan and associated contractual milestones following the detailed design phase, will focus on investment objectives two and three above. It is anticipated that the majority of the New Zealand Government's investment will be committed in the first 12 months following the detailed design phase, with any residual investment carried into the following year depending on the approval of the implementation plan.

53. NZTE and MFAT will work closely with the Saudi authorities, the Al Khalaf group, the lead provider, and the New Zealand firms involved, to that New Zealand agribusinesses can leverage off local relationships, networks and the physical demonstration of New Zealand agricultural techniques/equipment to win further business in Saudi Arabia and other GCC states and countries. The intellectual property of firms involved in the project will be managed via normal commercial arrangements.

### Management Approach

54. MFAT, in partnership with NZTE, issued an expression of interest for a lead provider via GETS to develop an agribusiness hub around a demonstration breeding farm and operation. Brownrigg Agriculture has been selected as lead provider, and MFAT and NZTE are currently concluding contract negotiations with Brownrigg Agriculture.

55. The decision to contract with Brownrigg Agriculture was made following the open tender process, and involved a selection panel consisting of NZTE, MFAT and independent consultants <sup>9(2)(4)</sup> who was recently CEO of Landcorp. MFAT undertook an internal audit on the procurement process following the selection of the preferred lead provider.

56. The contract with the lead provider is being structured so that MFAT, initially, and NZTE following consideration at its Board's February 2014 meeting, will supervise the contract. This structure is important to the Saudi interests as the discussions and understandings over the last few years have been with MFAT.

57. The contract will be overseen by a steering group consisting of MFAT, NZTE, Al Khalaf Group and the lead provider.

### Risk Management

58. A risk register will be developed as part of the contractual management framework developed with the lead provider and will be progressively updated as more detailed analysis is undertaken. The shape of the detailed implementation plans following Milestone 1 at the end of March will enable a more detailed assessment of risks across the various integrated work streams.

59. The Gulf region always presents a degree of risk for businesses. The firms participating in this initiative will need to develop their view on how these risks might affect their business prospects. As indicated above, this is also the approach that firms will need to take to managing ongoing risks and value from trading their intellectual property through this project.

60. The tight link between this initiative and good diplomatic relationships with Saudi Arabia, mean that ongoing Ministerial and diplomatic support, interest and visibility will assist in managing this country-to-country risk.

61. Sheikh Hmood Al Khalaf, and Al Khalaf Group, is a critical payer in the Kingdom's red meat industry.

s 6(a)

62. The contract with the lead provider is structured so that release of funding based on achieved deliverables and milestones (with progress payments as may be agreed). The contract allows for a managed exit process for either party.

63. Public perceptions about the breeding programme will need to be managed in discussion with NZTE, MFAT and MPI and relevant Ministers.

64. The table below outlines some of the high level operational risks and mitigants. As the detailed work plan is developed and approved, the risk register will also be refined

Operational Risk	Impact (H/M/L)	Likelihood (H/M/L)	Current or Planned Mitigation Strategies
Saudi border being closed to animal imports	High	Low	<p>Risk of an animal health risk</p> <p><b>Mitigate:</b> Al Khalaf are experienced in live animal exports and have the resources to manage pre-export animal checks, resources on the boat and in country to manage any issues</p> <p>The breeding protocol requires Saudi Arabia authorities to receive the shipment.</p>
The ability to scale up Awassi NZ's production or source of animals	Medium	Medium	<p>Lack of interest from local farmers to shift their production systems</p> <p><b>Mitigate:</b> Develop a supplier group with support and contractual certainty to support their transition and performance</p>
IP protection	High	Medium	<p>Benefits from investment are not attained because competitors duplicate our systems and capabilities</p> <p><b>Mitigate:</b> Processes and farming systems are easy to replicate but hard to apply, the focus is on continual refinement and development to stay ahead</p>

Identified risks	Considered (probability)	Assessed (impact)	Comments and Risk Management Strategies
Threat of new competitors (entrants) in the start exporting restricting access to animals	Medium	Low	New entrants to the industry could provide additional competition, and reduce the impact of this programme by decreasing our market share and therefore decreasing uptake. <b>Mitigate:</b> Al Khalaf's infrastructure, identity and experience provides an end-to-end capability that generates commercial efficiencies
Security of supply of raw materials	High	Medium	Reliance on suppliers of for supplementary feed to the farms <b>Mitigate:</b> This programme itself mitigates this risk by developing the crop and pastoral capabilities on farm.

#### Funding sources

65. Cabinet has agreed that the \$6m funding for purchasing New Zealand goods and services as part of the partnership will be met within the current baselines of the Ministry of Foreign Affairs and Trade (NZTE has indicated that it would contribute 500K of this \$6m). Funding has been allocated for this purpose.

#### Supporting Documentation

66. The following documents are available to provide more detail and context to this paper:

- Draft contract
- Cabinet paper dated [ ]
- MFAT internal probity report on procurement process
- Procurement process documentation, including Expressions of Interest (Parts 1 and 2), and suppliers' responses
- Draft breeding protocol
- Initial project plan supplied by Brownrigg Agriculture as part of its response to the Expression of Interest (funding milestones have been modified during the contract negotiation process)

## Due Diligence Report on Brownrigg Agriculture

This report comments of the financial information that accompanied Brownrigg's responses to the Due Diligence Questionnaire. The audited financial statements reviewed covered the financial year ended 31 July 2012 with comparative figures for 2011.

### Key Points

s 9(2)(ba)

### Opinion

s 9(2)(ba)

### Report

s 9(2)(ba)

The remainder of this document is withheld  
under s 9(2)(ba)

1/11/13

# Brownrigg Agriculture REFERENCE CHECK

All reference checks are treated as

s9(2)(a) and s9(2)(b)(ii)

Company Name:	Brownrigg Agriculture
Company	
Referee's Name:	
Verification of Phone Number:	
Referee's Title	
Reference completed by:	

Overview
----------

What is the relationship of Satsuma Foods with Brownrigg Agriculture?	
What is your role in the relationship?	
Who do you deal with from Brownrigg most often?	
What do Brownrigg provide to you?	
How long have you had a working relationship?	
Tell me, what words spring to mind when you first think of [name]?	
On a scale of 1 to 10, how would you describe the professionalism of Brownrigg to work with?	

What would you summarise as Brownriggs key strengths and skills?	
How about your main contact [name]	
How would you describe [name] business to business relationship management skills?	
Any notable areas of improvement (Weaknesses)?	
Do you have any advice about how best work with Brownrigg and/or [name]?	
Please comment on {name} organisational skills.	
Governance arrangements – clearly defined roles relating to management?	
Has the relationship with Brownrigg added value to your business? Have Brownrigg introduced any new ideas or innovation?	
Have Brownrigg consistently met your expectations?	
Have you ever found yourself in dispute with Brownrigg? How did the deal with the situation?	
Would you have any reason to question the ethical standards of Brownrigg or personnel integrity of [name]?	
Processes to identify and manage risk related to a specific project or activity.	
Are Brownrigg or key staff involved in any organisations or movements that you believe may create a conflicts of interest or reputational risk to the Ministry.	
As mentioned earlier, we are considering [name] to [describe requirements] How do you think they would deliver against our expectations?	
Are there any aspects of the consortium leads responsibilities that you think Brownrigg may need more support/direction in?	
In what way?	
If the Brownrigg wishes to view this reference, are we able to share the information you have provided?	
Do you have any further comments?	

1/11/13

## Brownrigg Agriculture REFERENCE CHECK

All reference checks are treated as CONFIDENTIAL.

§ 9(2)(b)  
§ 9(2)(b)(ii)

Company Name:	Brownrigg Agriculture
Company	
Referee's Name:	
Verification of Phone Number:	
Referee's Title	
Reference completed by:	

Overview
----------

What is the relationship of Progressive Meatss with Brownrigg Agriculture?
What is your role in the relationship?
Who do you deal with from Brownrigg most often?
What do Brownrigg provide to you?
How long have you had a working relationship?
Tell me, what words spring to mind when you first think of [name]?
On a scale of 1 to 10, how would you describe the professionalism of Brownrigg to work with?

What would you summarise as Brownriggs key strengths and skills?	
How about your main contact [name]	
How would you describe [name] business to business relationship management skills?	
Any notable areas of improvement (Weaknesses)?	
Do you have any advice about how best work with Brownrigg and/or [name]?	
Please comment on {name} organisational skills.	
Governance arrangements – clearly defined roles relating to management?	
Has the relationship with Brownrigg added value to your business? Have Brownrigg introduced any new ideas or innovation?	
Have Brownrigg consistently met your expectations?	
Have you ever found yourself in dispute with Brownrigg? How did the deal with the situation?	
Would you have any reason to question the ethical standards of Brownrigg or personnel integrity of [name]?	
Processes to identify and manage risk related to a specific project or activity.	
Are Brownrigg or key staff involved in any organisations or movements that you believe may create a conflicts of interest or reputational risk to the Ministry.	
As mentioned earlier, we are considering [name] to [describe requirements] How do you think they would deliver against our expectations?	
Are there any aspects of the consortium leads responsibilities that you think Brownrigg may need more support/direction in?	
In what way?	
If the Brownrigg wishes to view this reference, are we able to share the information you have provided?	
Do you have any further comments?	



5/11/13

# Brownrigg Agriculture REFERENCE CHECK

All reference checks are treated as CONFIDENTIAL.

59(2)(a), 59(2)(b)(ii)

Company Name:	Brownrigg Agriculture
Company	
Referee's Name:	
Verification of Phone Number:	
Referee's Title	
Reference completed by:	

Overview
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What is the relationship of you with Brownrigg Agriculture	
What is your role in the relationship?	
Who do you deal with from Brownrigg most often?	
How long have you had a working relationship	
Tell me, what words spring to mind when you first think of [name]?	
On a scale of 1 to 10, how would you describe the professionalism of Brownrigg to work with?	
What would you summarise as Brownriggs key strengths and skills?	
How about your main contact [name]	
How would you describe [name] business to business relationship management skills?	

Any notable areas of improvement (Weaknesses)?	
Do you have any advice about how best work with Brownrigg and/or [name]?	
Please comment on [name] organisational skills.	
Governance arrangements – clearly defined roles relating to management?	
Has the relationship with Brownrigg added value to your business? Have Brownrigg introduced any new ideas or innovation?	
Have Brownrigg consistently met your expectations?	
Have you ever found yourself in dispute with Brownrigg? How did the deal with the situation?	
Would you have any reason to question the ethical standards of Brownrigg or personnel integrity of [name]?	
Processes to identify and manage risk related to a specific project or activity.	
Are Brownrigg or key staff involved in any organisations or movements that you believe may create a conflicts of interest or reputational risk to the Ministry.	
As mentioned earlier, we are considering [name] to [describe requirements] How do you think they would deliver against our expectations?	
Are there any aspects of the consortium leads responsibilities that you think Brownrigg may need more support/direction in?  In what way?	
If the Brownrigg wishes to view this reference, are we able to share the information you have provided?	
Do you have any further comments?	

November 2013

## Probity audit of Saudi Agrihub tender process

### Planning documentation

The Procurement Plan for seeking an agri-business consortium lead and proposed partners for a demonstration breeding farm and operation was appropriately approved and endorsed. The Plan provided a clear analysis of the process to be undertaken and included:

- Detail relating to the members of the project team and the evaluation panel. It also identified a Chair of the evaluation panel, and the external parties assisting as members of the evaluation panel, and the role they will hold.
- A list of procurement process approvals and the stage and level of financial delegation at which they need to be sought at each stage of the process. The Procurement Plan did not state who would ultimately approve the panel's recommendation, but had been signed off by the CEO and given the value of funding being provided the CE is only person with the required level of financial authority.
- Conflict of interest disclosures were sought from panel and project members. Some of these were not obtained until after the tender process had closed. Appropriate mitigations were put in place and agreed by the project manager.

### Advertising

The EOI was advertised on the Government Electronic Tenders ("GETS") website, and through NZTE's industry network so as to enable MFAT to gain the necessary market reach.

### The EOI process

#### EOI documentation

The EOI document was based on MBIE good procurement templates and contained the following:

- An overview in respect of the services and/or products intended to be purchased.
- Detailed description of the EOI process.
- A timetable for the process that allowed approximately one month for potential tenderers to prepare and submit their responses to MFAT.
- Closing date, time, address and method of receipt of proposals. The closing time on the EOI document noted a closing date and time of NZ3.00pm, Thurs 12 Sept whereas the closing date set out in the GETS advertisement was inadvertently shown as NZ 3.00pm Monday 16th September. The Project Manager consulted and advised tenderers that the later date and time would apply. This did not unfairly advantage any of the tenderers.
- Clear identification of MFAT's authorised representative, and a process of communication with MFAT regarding requests for clarification and additional information.


- Completed evaluators' scoring sheets, a summary of scores (and the mechanism for combining or arriving at evaluation team scores) and a record of the discussions of the evaluation team, including reasons for the scores were maintained and reviewed.
- The Panel has prepared a written report seeking the Divisional Manager's approval of a lead provider. The report also describes the EOI process.

#### **Notification procedures**

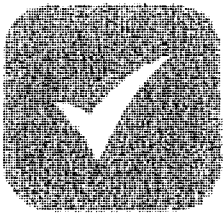
- Formal communication was provided to shortlisted and the one non-shortlisted respondent informing them of the outcome of the EOI process and the future process.
- A debrief was provided to the unsuccessful respondent.

#### **Overall conclusion Quality and probity procedures throughout the tender process**

- MFAT acted, and was seen to act, in a fair, transparent and unbiased manner. Suppliers attending the 26 August briefing provided positive feedback on the procurement process.
- Conflict of interest declarations were obtained from the evaluation team and suppliers and were managed appropriately. Guidance was issued to those parties as to what constitutes a conflict of interest. Actual or potential conflicts were assessed and addressed on a case-by-case basis, in conjunction with the probity auditor.
- The EOI process followed that documented in the tender document, with the exception of the removal of a competitive tender process. A full explanation and reason for this departure are provided in the EOI recommendation to Div Mgr MEA.
- Formal communications between MFAT staff and their external advisors and any potential respondent have been recorded and retained on the tender file.
- Adequate documentation and records of the process have been kept to ensure that MFAT and external advisors have followed due process, , and there is a robust audit trail, so that any subsequent re-issue of a EOI can be adequately planned if necessary.

  
Richard Leverington  
Div Manager AUK  
November 2013

Nov 13



## Evaluation Panel Minutes / Report Saudi AgriHub EOI

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## Evaluation summary

Item	Response
Tender:	Expression of Interest - AgriHub Consortium Lead
Agency:	MFAT / NZTE
Scope of purchase:	<p><b>Overview</b></p> <p>The Ministry of Foreign Affairs and Trade (MFAT), along with its partner agency New Zealand Trade and Enterprise, is seeking a lead provider/consortium to develop a demonstration sheep breeding farm and operation in New Zealand and Saudi Arabia, which will form the basis of a sustainable agribusiness hub in Saudi Arabia.</p> <p>The Government will provide up to six million dollars to be invested over the next two to three years to develop a research and development programme which will enhance the capability of the New Zealand and Saudi Arabian agricultural industries.</p> <p>It is anticipated that the lead provider / consortium partners, will develop a demonstration breeding farm and operation in such a way that it will showcase New Zealand agribusiness expertise and technologies to Saudi Arabia, and the wider Gulf Co-operation Council (GCC) region.</p> <p>The value of NZ developed farming techniques, technology and equipment will be showcased on an existing Saudi Arabian sheep breeding unit owned by the Al Khalaf Group.</p> <p>The intent is that the money will be used to develop or implement NZ agricultural technologies, techniques and equipment for the Saudi environment, and in such a way that future business opportunities may be developed.</p> <p>The agri-business hub will use an existing Saudi farming operation to showcase farming techniques, technology and equipment that can be</p> <p><b>Purpose of EOI</b></p> <p>The focus of the EOI is to identify an organisation or organisations with the capability, networks, commitment and capital to establish and maintain an agribusiness hub in Saudi Arabia that will promote and assist NZ firms interested in selling their services or equipment into the Gulf states, and potentially further afield.</p>
Change to the proposed Procurement Process	<p>The original intent of the EOI was to shortlist supplier(s) whom MFAT/NZTE would take through a structured Competitive Dialogue process. It was envisaged that the detailed scope of work, milestones, deliverables, reporting and management information requirements would be developed through a competitive dialogue<sup>1</sup> process.</p>

<sup>1</sup> Refer to accompanying MBIE guidance on the competitive dialogue process in a New Zealand context.

The written responses and presentations of the two short-listed providers have highlighted that in order to develop a detailed schedule of deliverables and associated project budget that they will need to work with the Al Khalaf Group to ensure that the balance of effort and investment meets the expectations of both parties. (The consortium lead representing NZ's interests (Cabinet's intent is that the \$6m is "for the delivery of services by New Zealand agricultural service entities") and the Al Khalaf group in Saudi Arabia).

Having received face to face presentations to clarify areas of concern raised during the assessment of each providers EOI response, it became clear to the evaluation team that only one provider was able to demonstrate that:

- they were strongly invested in the scope and success of the project; and
- had identified within their organisation a clearly accountable and sufficiently senior / experienced project lead.

Both criteria are key components to the success and sustainability of this project

For this reason the EOI has been used to select a preferred lead provider with which to enter into negotiations.

**Funding Committed :**

Cabinet have committed NZ\$6million to developing an agrihub and demonstrating the value that can be derived from NZ agricultural technology, expertise, equipment in the Saudi environment.

**Contract term:**

It is envisaged the initial funding agreement will be for a period of three years however the duration of the agreement will be driven by the completion of whatever deliverables are agreed during discussions between MFAT/NZTE, the selected lead provider and the Al Khalaf Group

**Recommended or preferred supplier/s:**

Three suppliers responded to the EOI

- Brownrigg Agriculture
- s 9(2)(b)(ii)
- 

Both Brownrigg and s 9(2)(b)(ii) were viable choices however Brownrigg is recommended as the preferred consortium lead. (Refer to the Recommendation section below for more detail)

**Fee proposal:**

Spending under this agreement will be capped at NZ\$6million but the money will only be released as agreed deliverables are completed to the satisfaction of NZTE.

**Expected contract start date:**

TBC

**Issues to be resolved:**

A heads of agreement will be negotiated with Brownrigg in advance of the Funding Agreement being completed with deliverables, milestones and budget.

The reason for this is that whilst Brownrigg have demonstrated considerable capability through the initial project plan they presented, the final scope of work still needs to be agreed with the Al Khalaf Group who are the Saudi partners to this arrangement.

The intent of the heads of agreement will be to ensure that a number of broad principles are agreed. Notably that whilst Brownrigg's core capabilities in regard to sheep breeding and fattening are central to establishing a successful

demonstration farming unit we will need assurances that a significant proportion of the \$6million will be directed toward NZ agribusinesses other than Brownrigg, in other speciality areas including technology and equipment, research, feed, processing technology, irrigation

Contract Management Plan: To be developed by NZTE.

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## Evaluation panel minutes

### Panel participants

Name	Title and agency	Role (Chair, voting/non-voting, adviser)
Peter Cooper	Divisional Manager - Procurement	Chair – non voting
Alex Matheson	Special Envoy – Government Commercial Partnerships	Evaluator – voting
Haylon Smith	Programme Leader – Global Agribusiness NZTE	Evaluator – voting
s9(2)(b)	Independent advisor (ex Landcorp CEO)	Evaluator – voting
Richard Leverington	Divisional Manager – Audit and Risk	Probity Advisor – non voting
s9(2)(b)	Office Solicitor – MFAT	Advisor
s9(2)(b)	Office Solicitor – NZTE	Advisor
Phil Goulin	CFO – MFAT	Advisor

Refer to Appendix for Instructions to Evaluation Panel and Guide to Scoring.

### Summary of responses

- Suppliers that submitted tenders

Supplier	Passed mandatory conditions stage?
Brownrigg Agriculture Group Limited	Yes
s 9 (2)(b)(i)	Yes
s 9 (2)(b)(ii)	Yes

### Summary of evaluation:

### Shortlisted suppliers – qualitative score and price summary

Supplier	Commentary (Summary)	Overall ranking
Brownrigg	<ul style="list-style-type: none"> <li>Close alignment of Brownriggs core red meat business to the objectives sought by Al Khalaf from this partnership.</li> </ul>	1

	<ul style="list-style-type: none"> <li>Committed, enthusiastic and experienced and capable senior manager in David Brownrigg</li> </ul>	
s 9(2)(b)(ii)	s 9(2)(b)(ii)	2

Refer to Appendix for details of evaluation, including panel commentary

### Suppliers excluded from shortlist:

Supplier	Reasons for exclusion
s 9(2)(b)(ii)	s 9(2)(b)(ii)

### Summary of evaluation: Following presentations

The graph below represents the evaluation panels assessment of the two shortlisted providers against the evaluation criteria set out in Expression of Interest.

Both the potential consortium leads put forward strong proposals however Brownrigg Agricultural provided a much stronger proposition than s 9(2)(b)(ii) in the following areas in particular:

- The alignment of the opportunity to their business objectives and core business
- Commitment of senior management to make a success of this project
- Level of detail in the proposed project plan to achieve the objectives set out in the EOI
- Governance structures

S9(2)(b)(i)

### Recommendation

A key component to the success of this project and the sustainability of the Agrihub will be that the lead provider is clearly accountable and invested in the scope and success of the project.

For this reason the evaluation panel have recommended that MFAT/NZTE enter into negotiations with Brownrigg as the preferred bidder

### Issues to be resolved

The challenge to finalising the specification of services and deliverables that will be provided under the proposed funding agreement is that the selected lead provider will need to have detailed discussions with both the Saudi based representatives of the Al Khalaf Group and potential consortium partners. Once these discussions have been concluded the scope of work (milestones, deliverables, payment milestones) can be documented and agreed in the funding agreement.

To ensure the objectives of the NZ Government are met it is proposed that MFAT negotiated and agree terms of reference of the subsequent funding agreement which will clearly set out expectations in regard to splitting investment across a number of different areas and involving a minimum number of specified consortium partners to be involved

### Procurement Plan & probity practices

We confirm that the approved Procurement Plan and probity practices have been followed, with the exception of running a Competitive Dialogue process.

The terms and conditions of the EOI under clause 20g 'Buyers Rights' enables the Buyer (MFAT/NZTE) to 'proceed or not proceed to a Competitive Dialogue or other subsequent tender stage.

## Endorsement by the evaluation panel

Full name	Signature	Date
Peter Cooper Divisional Manager - Procurement	<i>P Cooper</i>	4 Nov 13
Alex Matheson Special Envoy – Government Commercial Partnerships	<i>Alex Matheson</i>	4 Nov 13
Haydon Smith Programme Leader – Global Agribusiness - NZTE	<i>Haydon Smith</i>	3 Nov 13
59(2)(a) Independent advisor (ex Landcorp CEO)		

## Approval to notify Supplier and progress to negotiations

Full name	Signature	Date
Jonathan Austin Divisional Manager - MZA		

Endorsement by the evaluation panel

Full name	Signature	Date
Peter Cooper Divisional Manager - Procurement	<i>[Signature]</i>	<del>14 Nov</del> 2013
Alex Matheson Special Envoy - Government Commercial Partnerships	<i>[Signature]</i>	④ Nov 13
Haylon Smith	<i>[Signature]</i>	Nov 2013
s 9(2)(2) Independent advisor (ex Landcorp CEO)	s 9(2)(a)	16 Oct 2013

## Appendix

## Post Presentation Evaluation of Lead Providers

Criteria to be used in selecting a consortium lead and mutually potential consortium partners providing the EOI	Weighting	Comments / Questions / Concerns / Points to discuss / Issues for suppliers address in their presentations
<b>Capacity and Credibility of the Supplier (as Lead Provider)</b> Agribusiness/red meat industry innovator with proven capability to deliver and credibility in the New Zealand industry and balance sheet to support on-going involvement in the agribusiness/red meat sector	31	
Succinctly explain and provide evidence of your credibility and success as a business in the New Zealand agricultural sector	7	BA successful
Provide evidence that you have sufficient economic scale and expertise to be selected as the consortium lead responsible for managing this project	6	
What attributes / experience would make you a good lead for the consortium of companies required to deliver the expectations set out in this EOI?	7	Difference is BA development of squash and Wagyu JKS in tough markets. PASSION
Discuss any relationships or interests that you have with the proposed consortium partners.	7	Both providers have people known to Al Khalaf and both have a good understanding of the companies in the NZ agricultural sector who could contribute to the objectives of the consortium.
Declare any actual, potential or perceived Conflicts of Interest you believe you may have in regard to the tender.	7	Both suppliers have people who currently do work with Al Khalaf. The credibility these relationships provide is a both a strength and a potential issue around perception
<b>Capability and Commitment of the Supplier (as Lead Provider)</b>	31	
Note the names and responsibilities of staff you would nominate to deliver the outcomes set out in this EOI. – Append brief CVs for nominated staff.	8	The Brownrigg presentation delivered considerably more confidence in that the owner/senior manager Dave was committed to ensuring his organisations name was not associated with anything other than a success.
Explain what offshore agribusiness interests you have currently and in which countries	6	
Describe the level, type and location of investment you have committed to develop offshore agribusiness.	5	BA have offshore links but no real presence.
Would you anticipate making any additional investment beyond the New Zealand Government investment to ensure the demonstration farm and operations effectively establish a successful GCC agribusiness hub? What are the on-going opportunities for you and your proposed partners that will result from this project?	6	BA meat exports.
How would you see this project benefiting other New Zealand firms not directly involved in delivery of the project	7	as above Happy to farm out activity not core their own businesses
<b>Industry knowledge and networks of the Supplier (as Lead Provider)</b>	31	
Proven ability to collaborate with value chain participants and contribute to a wider programme of work/industry knowledge and networks	7	(Note) The Ministry reserves the right to provide the names of potential consortium partners noted below to the selected Lead Provider (or shortlisted potential Lead Providers) should you not be shortlisted or selected as the Lead Provider
Refer to the list of potential focus areas set out on page 8. Note the opportunities you would see for potential consortium partners and what value you believe they would add to the consortium	7	Comments / Questions / Concerns / Points to discuss / Issues for suppliers address in their presentations
The specialist areas listed below are indicative only and work completed in the business planning or research phases of this project may identify other specialist areas. (NOTE: Processing design and technology are likely to be areas of strong interest)	7	BA Animal Genetics, farming and R and D strong
<b>Methodology</b> Proposed project plan, governance, reporting arrangements	35	
What Project Management / Governance reporting arrangements would you suggest?	8	BA very committed and central to core business
Append an indicative high level plan indicating what you believe may be useful milestones in terms of completing activities or deliverables	8	BA Detailed timeline and milestones proposed.
What project and risk management processes would you suggest be implemented?	7	BA more focused, accountable, less constrained in relation to making decisions quickly
How would you provide assurance that you and the consortium partners are delivering value for money?	7	
How do you propose incentivising consortium partners?	6	Payment on completed targets
How would you suggest your performance is managed and by extension the performance of your consortium partners?	7	Strong leadership and clear accountability for success of the project communicated more clearly by BA

## Agreement Fit For Execution



### Who and when?

Completed by contract owner when the contract draft is ready for signing. This form should always be used for contracts with a value over \$100,000.

<b>Agreement Title</b>	<b>FUNDING AGREEMENT</b> LEAD PROVIDER, SAUDI AGRI-HUB PROJECT
<b>Parties to the Agreement</b>	Ministry of Foreign Affairs & Trade Brownrigg Agricultural Group Limited
<b>Commencement Date</b>	Date of last signature
<b>Contract Form</b>	OTHER Bespoke - modified JIG Grant Funding Arrangement
<b>Agreement Term</b>	This Agreement will remain in effect until "completion of all Milestones and Deliverables and payment of the final Claim".
<b>Business Unit</b>	MEA
<b>Contract Owner</b>	Jonathan Austin, Divisional Manager MEA
<b>Relationship Manager</b>	Malcolm Millar, Ambassador UAE and Alex Matheson, Special Envoy Government Commercial Partnerships
<b>Maximum Total Estimated Value</b>	\$6,000,000 (six million dollars) MFAT is responsible for paying an initial amount of \$500,000 for the first Milestone (policy advice and representation required to agree, with Al Khalaf, the detailed design of the Agrihub). The remainder of the \$6.0m will then be transferred by MFAT to NZTE and the Agreement will be novated to and managed by NZTE (subject to NZTE Board approval). NZTE have previously agreed to contribute \$500K to the project.



When contract risk and/or value is low to medium always try and use Government Model Contracts. For specialist or higher risk/value contracts contact one of the Office Solicitors for support.

### Budget

Within Budget?	<input type="radio"/> No <input checked="" type="radio"/> Yes
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## Background and Objectives

### What was the background to the contract?

[Reference content from the Business Case and/or Procurement Plan.]

### Background

The New Zealand Government has identified the drive by the Gulf Co-operation Council (GCC) countries toward establishing long term food security, and the resulting potential for New Zealand companies to both establish long term export markets in the region, and to develop partnerships between GCC capital and New Zealand agricultural expertise benefitting both partners.

As a result, the New Zealand Government approved \$10,000,000 in funding to support the development of a demonstration breeding farm and operation in Saudi Arabia to enhance the capability of the red meat industries in both countries, with a focus on the development of higher value products from the Awassi sheep breed. The \$6,000,000 funding to be provided under this Agreement represents the remainder of the original sum, \$4,000,000 having already been expended on initial policy advice and representation.

A representative group of New Zealand industry experts and senior representatives of relevant Government Departments participated in a Study Tour to Saudi Arabia 8-18th April 2013. Following the Study Tour, MFAT and NZTE advanced the concept of a demonstration breeding farm further through a request for Expressions of Interest from companies capable of converting the potential identified to reality, and through a process of competitive tender, Brownrigg was selected as lead provider to implement the Project.

### Objectives

Showcase New Zealand agricultural technology and expertise to the GCC region, and assist with the improvement of farming efficiencies in the region through the introduction of programmes of genetic improvement in breeding animals, improved feed production, nutrition, and feed efficiency, high technology animal processing facilities, and through the development of people employed in the industry.

### Scope of Project

The Project is comprised of six broad components:

- (i) Design and implementation of the export breeding ewe supply chain.
- (ii) Design and implement Awassi sheep breeding and genetics research programmes.
- (iii) Design and implement an appropriate forages and nutrition research programme.
- (iv) Identify appropriate new technologies available in NZ and integrate these into the Saudi partner's operations.
- (v) Design, provide specialist equipment for, and support the construction and commissioning of a state of the art abattoir and feedlot on the Saudi partner's land.
- (vi) Development of people capability on site to ensure programmes and facilities implemented are sustained.

Details on what is currently available in Saudi Arabia in relation to quarantine and export protocols, breeding programmes, forages and nutrition programmes, and agricultural and processing technologies are not available, therefore details and budgets for the overall work programme cannot be completed until Milestone 1 is completed in early 2014.

MFAT, NZTE and Brownrigg have agreed a Costed Workplan and progress payments for Milestone 1. On completion of Milestone 1, MFAT, NZTE and Brownrigg will agree the programme of work (including Milestones, activities, Deliverables, Costed Workplan and payment schedule) for the Project.



### Governance

A Governance Group will be established to manage the Project. This group will consist of senior representatives of MFAT, NZTE and Brownrigg and may include a representative from Treasury. Responsibilities of the Governance Group include:

- ensuring the Project produces the Deliverables planned, and that professional standards are retained throughout all components of the Project;
- approving changes as required to the Costed Workplan;
- ensuring reports are completed as required.

## Termination Provisions & Minimum Annual Commitment

**What are the termination provisions of the contract?**

**Are there any penalties for early termination? No.**

**What is the minimum spend the Ministry must commit under this contract?** No minimum, but a maximum of \$6,000,000 with only the first \$500,000 payable directly by MFAT and the remainder paid by NZTE following novation of the Agreement.

### Contractual Terms and Conditions

The Agreement is based on the New Zealand Aid Programme's Grant Funding Template. It was reviewed by NZTE prior to the procurement process and modified slightly to incorporate their requirements in relation to the processing of claims.

Brownrigg sought to negotiate a number of changes to the template after their selection as preferred lead provider. MFAT and NZTE worked with Brownrigg to reach an acceptable middle ground.

Features of the final terms and conditions include:

- MFAT-standard obligations on Brownrigg to manage their Consortium Partners and subcontractors.
- Flexibility for the parties to agree to the Funding being paid in arrears on completion of Milestones or as progress payments.
- Obligations on Brownrigg to provide sufficient detail with their invoices to prove the validity of each claim – these details were heavily negotiated to find a middle ground between NZTE's standard provisions; and Brownrigg and MFAT's preference for a simple, outputs focused payment mechanism.
- A right to audit Brownrigg (note that this does not extend to a right to audit Consortium Partners or subcontractors but does extend to an audit of how Brownrigg has spent the Funding).
- MFAT-standard provisions in relation to rights to audit, changes in personnel, information management (including confidentiality), promotion of MFAT's support for the Project, insurance, procurement, conflicts of interest and dispute resolution.
- An indemnity from Brownrigg for any loss or damage caused by their negligence, wilful act or omission, or breach of the Agreement.
- Mutual rights to terminate the Agreement for:
  - the other party's default, and
  - for convenience with 20 Business Days' notice, provided however that if Brownrigg terminates for convenience they are obliged to provide a proper handover of the Project to MFAT/NZTE or a third party
- Any intellectual property in the Deliverables created during the Project will be owned by MFAT (to pass on to the Project Partner – Al Khalaf), but Brownrigg will have a licence to use it provided that they do not pass it on to any direct competitor of the Al Khalaf.

## Price Review

### What is the price review mechanism in the contract?

There is no price review mechanism in this Agreement since it is a Funding Agreement rather than a contract for services. The maximum amount of Funding is \$6,000,000, with that amount broken down into funding for each Milestone and Deliverable. As noted above, there will be a Costed Workplan that sits outside the Agreement and provides further detail as to how the Funding will be incurred against various activities and expenses, as per MFAT's standard 'outputs focused' contracting process.

The Costed Workplan will be reviewed, amended, or enhanced as required at each meeting of the Governance Group without requiring a contract variation, provided that:

- the amount of Funding payable in respect of each Deliverable, and the Maximum Funding Amount payable in respect of each Milestone, changes by no more than 15%;
- any change to the Costed Workplan does not result in a change to the agreed Milestones; and

the Total Maximum Funding Amount (\$6,000,000) is not exceeded.

## Previous Procurement Step Endorsements

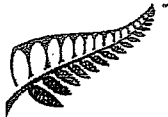
### The following steps have already been completed:

Refer to the email from Richard Leverington, attached. An EOI was undertaken, which was intended to be followed by a Competitive Dialogue. However, only two respondents to the EOI were considered able to provide the services, so the Competitive Dialogue was not necessary. Instead, those two respondents presented their proposed solution to the evaluation team. Brownrigg was considered to be clearly the most able to act as the lead provider, with the other respondent being a close second. In addition, Brownrigg has a very close working relationship with the Project Partner (Al Kahla) and is highly trusted to deliver a solution that Al Kahla is happy with.

## Recommendation

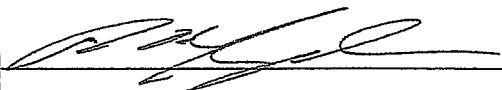
### In summary, why should this contract be signed in its current form?

The Agreement in its current form represents the best negotiated deal that MFAT and NZTE could achieve with Brownrigg, who are the company best able to meet the objectives of the Project.



NEW ZEALAND  
FOREIGN AFFAIRS & TRADE

## Procurement – driving better value for money

Approvals – that the Contract is Fit for Execution		
Business Owner	This procurement meets the requirements of our business case and within budget.	Click here to enter text.
		Alex Matheson
Contract Owner	The business unit is ready to take ownership of the contract and to manage the operational aspects of implementation and ongoing management.	Click here to enter text.
		Jonathan Austin
Legal	Has reviewed the contract document and verified that it is fit for purpose.	s 9(2)(a)
		s 9(2)(b)
Information Technology	The procurement complies with information technology standards and requirements	n/a
Procurement	The sourcing process leading to this contract is fit for purpose and complies with MFAT's policy and procedures as well as the Government Mandatory Rules for Procurement.	See attached email from Peter Cooper, who has since left the Ministry.
Finance	Has been consulted and confirms that, provided the Agreement is novated to NZTE as planned, the Agreement is acceptable from a financial point of view.	
		Phil Goulin

**EOI Response #2:**

(Please refer to a copy of

presentation for more detail)

**STRATEGIC DIRECTION**

s9(2)(a)

s9(2)(b)(i)

**OFFSHORE MARKET EXPERIENCE**

s9(2)(a)

s9(2)(b)(i)

**RESEARCH CAPABILITY**

s9(2)(a)

s9(2)(b)(i)

**SAUDI RELATIONSHIPS**

s9(2)(a)

s9(2)(b)(i)

**PROJECT GOVERNANCE**

s9(2)(a)

s9(2)(b)(i)

**RESOURCING & INTELLECTUAL PROPERTY**

**TIMING OF NEXT STEPS**

**PANEL QUESTION: WHAT WOULD SUCCESS IN THIS PROJECT LOOK LIKE?**

**EOI Response #1: Brownrigg Agriculture Group**

(Please refer to a copy of the Brownrigg presentation for more detail)

**STRATEGIC DIRECTION**

b7(D)  
b7(C)  
b7(D)  
b7(C)

**OFFSHORE MARKET EXPERIENCE**

b7(D)  
b7(C)  
b7(D)  
b7(C)

**RESEARCH CAPABILITY**

b7(D)  
b7(C)  
b7(D)  
b7(C)

**SAUDI RELATIONSHIPS**

b7(D)  
b7(C)  
b7(D)  
b7(C)

**PROJECT GOVERNANCE**

b7(D)  
b7(C)  
b7(D)  
b7(C)

**RESOURCING & INTELLECTUAL PROPERTY**

b7(D)  
b7(C)  
b7(D)  
b7(C)

**TIMING OF NEXT STEPS**

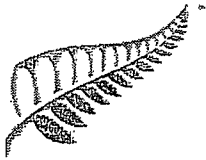
**RISKS**

**KEY AREAS**

**PANEL QUESTION: WHAT WOULD SUCCESS IN THIS PROJECT LOOK LIKE?**

15/10/13

The Government's 5 procurement principles: Plan and manage for great results – Give all suppliers a fair go – Get the right supplier – Get the best deal for everyone – including the planet – Play by the rules

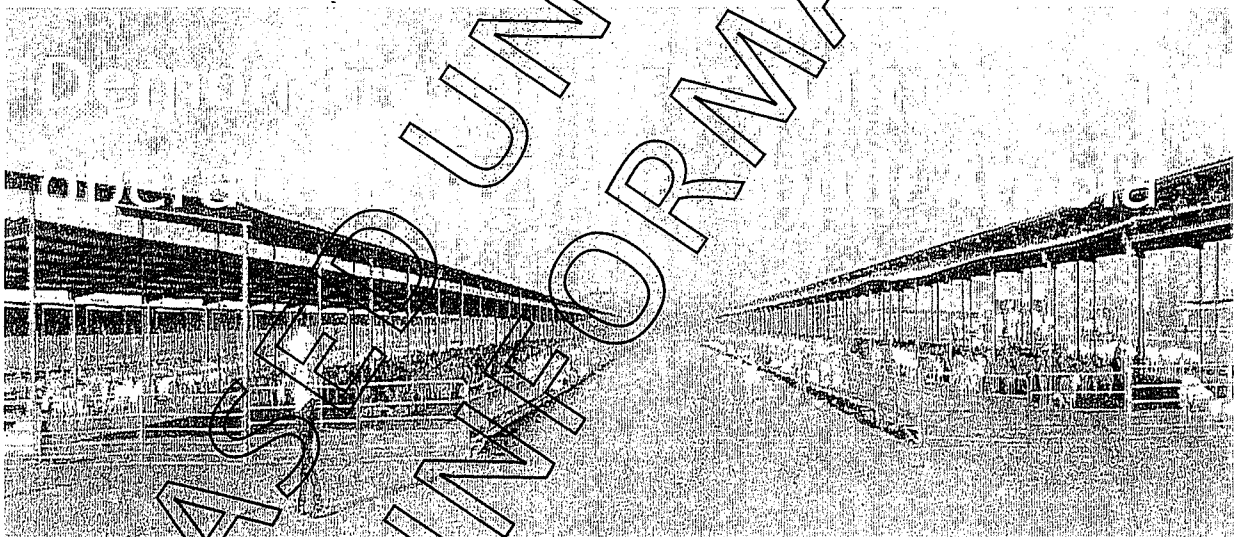


NEW ZEALAND

Kaitiaki Take Kōwhiri

# Procurement Plan

## Seeking an agribusiness consortium lead and proposed partners



The Government's Five Procurement Principles: 1. Plan and manage for great results. 2. Give all suppliers a fair go 3. Get the right supplier. 4. Get the best deal for everyone – including the planet. 5. Play by the rules.



UNCLASSIFIED

Procurement Plan For Goods or Services Over \$100k

The Government's 5 procurement principles: Plan and manage for great results – Give all suppliers a fair go – Get the right supplier - Get the best deal for everyone - including the planet – Play by the rules

#### Version Release History

Version	Author	date	Feedback/Changes
Procurement Plan Saudi AgriHub – v2.0	Pete Cooper	12/08/2013	Amended to include NZTE feedback from 9/08/2013 meeting
Procurement Plan Saudi AgriHub – v2.0	Pete Cooper	14/08/2013	Incorporated comments from NZTE (Haylon) and MEAT (Richard Leverington)

The Government's Five Procurement Principles: 1. Plan and manage for great results. 2. Give all suppliers a fair go  
3. Get the right supplier. 4. Get the best deal for everyone - including the planet. 5. Play by the rules.

UNCLASSIFIED

## Procurement Plan for Consortium Lead and potential partners to establish an agribusiness hub in Saudi Arabia :

### **Budget**

Grant Funding of NZ\$6million.

The intent is that NZ\$5.5million funding will be transferred to NZTE based on the NZTE board's approval of the recommendations resulting from this tender.

### **Project Team**

Role	Nominated Person	Responsibilities
Project Sponsor	Chris Seed, MFAT, Deputy Secretary	Ensure the delivery of expectations set out in Cab Min (13) 4/7
Business Owner	Jonathan Austin, MFAT, Divisional Manager	Ensure the indicative Business Case, Procurement Plan and supporting activity deliver to the expectations set out in Cab Min (13) 4/7
Subject Matter Expert	Alex Matheson, MFAT, Government Commercial Partnerships Haydon Smith, NZTE, Lead, Global Agribusiness	Plan, manage and complete the activity necessary to deliver to the expectations set out in Cab Min (13) 4/7
Procurement Specialist	Peter Cooper, MFAT Procurement Divisional Manager	Provide specialist support as required
Commercial/Financial Expert	Phil Goulin, MFAT Chief Financial Officer, Richard Grant, NZTE Chief Financial Officer	Ensure the validity and compliance of any finance related activity
Legal Advisors	s 9 (2)(a) MFAT Office Solicitor	Legal advice on procurement process and support on contract negotiations
	s 9 (2)(a) NZTE, Corporate Counsel	NZTE's legal adviser and support on contract negotiations.
Probity Auditor	Richard Leverington, Divisional Manager AUR	Ensure that process, activity and relationships involved in this project are appropriate from a probity perspective

End User Representative	George Assaf, Al Khalaf Group	Provide feedback and direction as necessary to ensure the expectations set out in Cap Min (13) 4/7 are met
Independent Expert(s)	NZTE is investigating the market to identify appropriately experienced independent and qualified expert(s) to join the EOI evaluation team	Assess the achievability and reasonableness of commitments made in EOI responses. Support in structuring, facilitating steering the Competitive Dialogue process

### Procurement Plan Approvals & Endorsements

Role	Name	Signature	Date
Approver:	John Allen – Chief Executive, MFAT		
Endorsed by:	Jonathan Austin - Divisional Manager MEA		
Probity	Richard Leverington, Divisional Manager AUR		
FIN Review	Phil Goulin, CFO, MFAT		
Legal Review	S. 972(6), MFAT		
PRO Review:	Peter Cooper – Divisional Manager, Procurement		
Developed in Consultation With:	Haylon Smith, NZTE		
Initiator:	Alex Matheson - Government Commercial Partnerships		

### Section 1 – Summary

#### Overview of Requirement

The Ministry of Foreign Affairs and Trade (MFAT), along with its partner agency New Zealand Trade and Enterprise, is seeking a lead provider/consortium to develop a demonstration sheep breeding farm and operation in New Zealand and Saudi Arabia, which form the basis of a sustainable agribusiness hub in Saudi Arabia.

The Government will provide up to six million dollars to be invested over the next two to three years to develop a research and development programme which will enhance the capability of the New Zealand and Saudi Arabian agricultural industries.

It is anticipated that the lead provider / consortium partners, will develop a demonstration breeding farm and operation in such a way that will showcase New Zealand agribusiness expertise and technologies to Saudi Arabia, and the wider Gulf Co-operation Council (GCC) region.

The value of NZ developed farming techniques, technology and equipment will be showcased on an existing Saudi Arabian sheep breeding unit owned by the Al Khalaf Group.

The intent is that the money will be used to develop or implement NZ agricultural technologies, techniques and equipment for the Saudi environment, and in such a way that future business opportunities may be developed.

#### Purpose

The purpose of this procurement process is to identify an organisation(s) with the suitable experience, credibility, capability, capacity and commitment to build and lead a consortium of agricultural businesses in establishing an agribusiness hub in Saudi Arabia.

The detailed scope of work, milestones, deliverables, reporting and management information requirements will be developed through a competitive dialogue<sup>1</sup> process.

The focus of the EOI is to identify an organisation or organisations with the capability, networks, commitment and capital to establish and maintain an agribusiness hub in Saudi Arabia that will promote and assist NZ firms interested in selling their services or equipment into the Gulf states, and potentially further afield. The agri-business hub will use an existing Saudi farming operation to showcase farming techniques, technology and equipment that can be delivered from New Zealand.

#### Budget and background

MFAT is leading the procurement activity as the investment opportunity has arisen as a result of Cabinet's Decision of 18 February 2013 (CAB Min (13) 4/7 refers).

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<sup>1</sup> Refer to accompanying MBIE guidance on the competitive dialogue process in a New Zealand context.

Cabinet noted the proposal to invest in a pilot agribusiness operation with Saudi Arabia, and agreed that there will be an investment in the operation of up to \$6million for the delivery of services by New Zealand agricultural service entities, and that the \$6million will be undertaken in strict conformity with government procurement requirements.

Cabinet also noted that the procurement and selection of New Zealand firms and services to participate in the food security partnership will be done with the agreement of the Saudi partners, MFAT, and NZTE, to ensure the consortium delivers against the expectations of each of these parties.

It is proposed that NZTE will undertake the eventual management of a consortium including payment to the selected consortium lead.

Once the scope of work, milestones, deliverables, reporting and management information requirements have been developed, within the framework of MFAT's Grant Funding agreement template, it is proposed that \$5.5 million be transferred to NZTE (NZTE has agreed, subject to the final Board agreement, to contribute \$500K to the project).

A draft business case was prepared and sent to the NZTE board. The NZTE Board noted the proposed process and the business case, and will review (and retain the right to decline) the preferred supplier/s proposal before approving its role in managing the contract. The Board also asked that an interagency group assist NZTE in its oversight of the milestones specified in the contract.

The Minister of Foreign Affairs has subsequently agreed that a private firm be contracted following an approved procurement process to work with the Al Khalaf Group to design and develop a New Zealand demonstration breeding farm and operation in Saudi Arabia, which will act as a showcase for New Zealand agribusiness and on-farm technology and knowhow.

#### Related Documents

<b>Document Name (hyperlink)</b>	<b>Relevance of document as background</b>
<a href="#">Cabinet Paper</a>	
<a href="#">Cabinet Minute</a>	
<a href="#">Study Tour Report – MFAT Formal Message</a>	
<a href="#">Indicative Business Case</a>	
<a href="#">Initial MFAT/Al Khalaf Contract for</a>	

Service and exchange of letters  
between MFA and Hmood Al Khalaf

### Procurement Process and overview of timetable

The selection of a consortium lead will be undertaken via a competitive dialogue process that will start with posting an Expression of Interest on the Government Electronic Tenders Service.

The procurement process will entail the following steps (see page 8 of MBIE's Competitive Dialogue guide):

Activity	Date	Elapsed Business Days
EOI posted on GETs	Mon. 19 August 2013	
Supplier Briefing - Wellington	Mon. 26 August	5 days
Deadline for Suppliers' questions (Clarification Period):	Mon. 2 September	11 days
Deadline for the Buyer to answer questions:	Thur. 5 September	14 days
Deadline for EOI Proposals (Closing Date):	Thur. 12 September	18 days
Short listed Suppliers' presentations:	Tue 24 September	26 days
Supplier/s selected & unsuccessful Suppliers notified:	Fri 27 September	29 days
Establish the timetable and activity to be completed during the Competitive Dialogue process	Wk of 30 September	
Structured dialogue / Competitive Dialogue with short listed Supplier/s (Develop final scope of outputs, estimated budget, payment and reporting milestones, terms of the Funding Arrangement)	TBD	
Financial and any other necessary due diligence completed concurrently		
Request for final Proposals issued	TBD	
Deadline for final Proposals (Closing Date):	TBD	
Evaluate final Proposals	TBD	
Possible Supplier/s Presentation/s	TBD	

Supplier selected & unsuccessful Suppliers notified:	TBD
Supplier debriefs:	TBD
Anticipated Agreement start date:	November 2013

Having shortlisted one or more potential providers through an Expression of Interest NZTE and MFAT will work with shortlisted provider/s to better define the services, outputs, deliverables, milestones, roles, responsibilities and reporting requirements that will be tied to the funding.

Final proposals will be evaluated based on the relative value for money, risks, potential benefits, and likely sustainability of the agribusiness hub as assessed by MFAT, NZTE and the Al Kahlaf Group.

#### Reason for the Selected Process

To ensure that the award of this work is as fair and transparent as possible it is appropriate to run an open tender. The first phase of the tender will be an EOI followed by a Contestable Dialogue process with suitably qualified provider(s).

The competitive dialogue process is very useful for procurements where wants/needs are known, but it is not as clear how they can be met or what the market can offer. (Refer to the MBIE guidance on the benefits of a competitive dialogue process in the New Zealand context)

We will use the EOI to invite, then shortlist qualifying suppliers to participate in the competitive dialogue process, which includes a structured dialogue phase. T

The structured dialogue phase allows agencies to work in one-on-one sessions with each supplier to develop possible solutions.

During the competitive dialogue process suppliers compete against each other to put together the best solution(s) and this creates a competitive tension that stimulates innovative ideas and better value for money.

The dialogue phase may result in a single solution or a different solution with each consortium. The Ministry can then finalise their specifications and make a comparative assessment of the proposals.

A well managed competitive dialogue process will help build excellent working relationships and iron out potential problems before the contract is awarded.

Additional benefits include:

- Identifying potential consortium partners who may not have otherwise been familiar with each other.
- Identifying businesses who may have established links into agri-business in Saudi Arabia or other Gulf Co-operation Council states.

## Section2 – Project Plan

### **Contact Person**

The Contact Person (CP) for suppliers during the Tender process is: Peter Cooper

### **Evaluation Methodology**

EOI responses will be evaluated against the criteria below.

<b>Criteria to be used in selecting a consortium/lead and prequalify potential consortium participants proposed in the EOI responses</b>	<b>Weighting</b>
<b>Capacity and Credibility of the proposed consortium lead</b> Agribusiness/red-meat industry innovator, with proven capability to deliver and credibility in the New Zealand industry, and balance sheet to support on-going involvement in the agrihub.	20%
<b>Capability and Commitment of proposed consortium lead</b> Demonstrated business relationships in offshore agribusiness, or successful offshore agri business operations preferably in the Middle East, and Saudi Arabia in particular, or climatically similar areas.	30%
<b>Industry knowledge, and networks of Consortium lead</b> Proven ability to collaborate with value chain participants and contribute to a wider programme of work. Industry knowledge, and networks in the three key areas noted under the 'potential focus areas' section of the EOI part 2 Requirements.	30%
<b>Proposed Methodology</b> Proposed project plan, governance structure, milestones, performance measures, response to Draft Contract and risk management processes.	20%
<b>Total</b>	<b>100%</b>

**Evaluation Panel**



Role	Name
Chair Person (Not Voting)	Peter Cooper – Procurement Division Manager
Evaluation Panel Members	Alex Matheson, MFAT Haylon Smith, NZTE Technical Expert, TBC
Financial Evaluator	Phil Goulin, MFAT (Competitive Dialogue phase)
Legal Advisor for evaluation process	s 9(2)(a), MFAT
Probity Auditor	Richard Leverington, MFAT
Procurement Specialist	Peter Cooper, MFAT
End User x	George Assaf, Al Khalaf Group
Contract responses	s 9(2)(a) NZTE s 9(2)(a) MFAT
Independent Expert(s)	NZTE is investigating the market to identify appropriately experienced independent and qualified expert(s) to join the EOI evaluation team  Assess the achievability and reasonableness of commitments made in EOI responses.  Support in structuring, facilitating steering the Competitive Dialogue process

### Terms and Conditions of EOI

The EOI terms and conditions have been based on the Ministry of Economic Developments and Employments All of Government Request for Proposal terms and conditions.

### Terms and Conditions of Grant Funding Agreement

NZTE will review MFAT's standard Grant Funding Agreement and utilise it as the basis on which to contract. The proposed agreement will be included with the EOI when it issued.

## Timetable

Task	Responsible	Due Date	✓
1. Draft Specification	Initiator		<input checked="" type="checkbox"/>
2. Decide if supplier briefings, reference checks and interviews are required.	Initiator	July	<input checked="" type="checkbox"/>
3. Draft Evaluation criteria and weightings	Initiator	July	<input checked="" type="checkbox"/>
4. Approve Evaluation Criteria (Alex and Haydon)	Eval. Panel	July	<input checked="" type="checkbox"/>
5. Draft RfX document (call for Tenders)	Initiator	July	<input checked="" type="checkbox"/>
6. Peer review RfX	Panel	July	<input checked="" type="checkbox"/>
7. Approve RfX (Ready for Publishing)	ARO	Wk of 12 Aug	<input checked="" type="checkbox"/>
8. Obtain nominations for and independent expert for the Evaluation Panel from NZIE	Initiator	August	
9. Confirm each panel member accepts nomination	Initiator	August	
10. Schedule key dates and obtain Panel member confirmations	Initiator	August	
11. Obtain Conflict of Interest Declarations and Confidentiality Agreements	Initiator	August	
12. Establish Risk Register	Initiator	July	

Task	Responsible	Due Date	✓
1. Publish RfX on GETS	Initiator	Wk of 12 Aug	
2. Publish tender elsewhere. Notify potential tenderers	Initiator	NA	
3. Log and Respond to manage supplier queries (Post questions on GETS if appropriate)	Evaluation Panel Chair	5 September	
4. Prepare Panel Instructions	Initiator	August	
5. Tender Closes	Evaluation Panel Chair	12 September	

Task	Responsible	Due Date	<input checked="" type="checkbox"/>
1. Log RfX received	Evaluation Panel Chair	12 September	
2. Send <u>emails</u> confirming receipt	Evaluation Panel Chair	12 September	
3. Prepare and send papers to Panel members	Evaluation Panel Chair	12 September	

### Evaluation Panel

Task	Responsible	Due Date	<input checked="" type="checkbox"/>
1. Convene Evaluation Panel	Initiator	Wk of 16 Sept	
2. Supplier presentations	Evaluation Panel Chair	24 September	
3. <u>Complete evaluation</u>	Panel	Wk of 1 October	
4. <u>Complete Due Diligence</u>	Panel	2 weeks or more	
5. Complete Panel Minutes/Report/Recommendations	Initiator	Wk of 1 October	
6. Update Probity File	Initiator	Wk of 1 October	
7. Submit Recommendation for Approval	Initiator	Wk of 1 October	
8. EOI shortlisting Recommendation endorsed.	PRO	Wk of 1 October	

Task	Responsible	Due Date	<input checked="" type="checkbox"/>
1. Advise Preferred Supplier(s)	Evaluation Panel Chair	Wk of 1 October	
2. Organise Workshops / Negotiations	Evaluation Panel Chair	Wk of 1 October	
3. Develop parameters for the Competitive Dialogue process. Select Team and assign roles.	Panel	From 12 Sept	
4. Undertake Structured meetings with potential Consortium leads and key consortium partners as appropriated	Initiator	From 1 October	
5. <b>Finalise details of the Grant Funding Agreement</b> Prepare contract for signing (PRO, NZTE Legal Must review)	Initiator	TBD	

Task	Responsible	Due Date	<input checked="" type="checkbox"/>
6. Sign Agreement and advise unsuccessful suppliers	Initiator/CP	TBD	
<b>7. Agreement Start date</b>	Initiator	1 November 2013	
8. Debrief unsuccessful suppliers	Initiator	TBD	
9. Assemble and complete Probity File for the Tender	Probity Auditor	TBD	

Task	Responsible	Due Date	<input checked="" type="checkbox"/>
<b>1. NZTE Board Approval</b>	NZTE	1 November 2013	
2. Assign Agreement manager	Initiator	1 November 2013	
3. Establish Agreement management plan	Initiator	1 November 2013	
4. Handover to Agreement to Manager to implement contract.	Initiator	1 November 2013	
<b>5. Assign contract manager</b>	NZTE	1 November 2013	
6. Implement the Agreement	Contract Manager	1 November 2013	
7. Monitor and manage performance & costs	Contract Manager	1 November 2013	

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Procurement Plan For Goods or Services Over \$ 100k

The Government's 5 procurement principles: Plan and manage for great results -- Give all suppliers a fair go -- Get the right supplier - Get the best deal for everyone - including the planet -- Play by the rules

## Risk Register

Consequence

Likelihood

Risk Title

1 = Low, 2 = Moderate, 3 = High

1 = Unlikely, 2 = Possible, 3 = Likely

Risk Description

Mitigation

Consequence

Likelihood

Net Risk score

EOI process may not be transparent, auditable and fair to all responders.

If the EOI process is not transparent or auditable then it will be seen as unfair or objected to by unsuccessful providers which may reflect badly on MFAT

- Procurement staff fully involved in the end-end procurement process.
- Procurement policy and processes followed by all project team members.
- Corporate commits resources to manage communication.
- EOI and RFP evaluation process is fully documented.
- An independent in-house provider auditor observes the procurement process.
- Suppliers involved in the competitive dialogue phase of this project will be well briefed on how the process will work.

unlikely

3

Market Interest

If appropriate qualified and experienced providers are not registered with GETs they may not be made aware of the opportunity and we may not respond to the EOI

- Ensure potential providers are made aware of the EOI through contacting potential providers and appropriate industry bodies

Likely

Political undermining

If opposition politicians choose to try and embarrass the Government on the basis that the proposed \$6mill investment is not appropriate MFAT and the Government may have to deal with negative media coverage which could damage NZ's relationship with Saudi

- Ensure that MFAT's communications team are well briefed and informed on the EOI and supporting cabinet papers
- Ensure that the Grant Funding agreement has strong reporting and performance measurement indicators included in it

unlikely

3

The Government's Five Procurement Principles: 1. Plan and manage for great results. 2. Give all suppliers a fair go 3. Get the right supplier. 4. Get the best deal for everyone - including the planet. 5. Play by the rules.

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NZ focus of EOI	If the NZTE Board is unwilling to undertake the project on behalf of MFAT	The Evaluation criteria related to knowledge, networks and credibility in the NZ market will not preclude foreign owned NZ trading entities from tendering and being evaluated on fair and equitable basis.	Low	2
NZTE Saudi interests	Given the Saudi interests are not going to be directly involved in the Competitive Dialogue process there is a risk that the specialist areas of investment that are agreed may not be aligned to the areas the Saudi interests have prioritized	MFAT will need to stay well connected with the Al Khalaf group to ensure the competitive dialogue process develops proposals that are attractive to the Saudi interests.	Low	2

RELEASABLE UNDER THE OFFICIAL INFORMATION ACT

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Procurement Plan For Goods or Services Over \$1.0M

The Government's 5 procurement principles: Plan and manage for great results — Give all suppliers a fair go — Get the right supplier — Get the best deal for everyone — including the planet — Play by the rules

RELEASED UNDER THE  
OFFICIAL INFORMATION ACT

The Government's Five Procurement Principles: 1. Plan and manage for great results. 2. Give all suppliers a fair go  
3. Get the right supplier. 4. Get the best deal for everyone - including the planet. 5. Play by the rules.

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## Summary of Selection Process Milestones

Activity	Date
EOI posted on GETs	Mon. 19 August 2013
Supplier Briefing - Wellington	Mon. 26 August
Deadline for Suppliers' questions (Clarification Period):	Mon. 2 September
Deadline for the Buyer to answer questions:	Thur. 5 September
Deadline for EOI Proposals (Closing Date):	Thur. 12 September
Supplier/s selected & unsuccessful Suppliers notified:	Fri 27 September
Short listed Suppliers' presentations:	Wed 9 October
Structured dialogue / Competitive Dialogue with short listed Supplier/s (Develop final scope of outputs, estimated budget, payment and reporting milestones, terms of the Funding Arrangement)	Brownrigg Agriculture selected as preferred provider on basis of their written response and presentation
Financial and any other necessary due diligence completed concurrently	
Supplier debrief: 59(2)(a)	Fri 18 October
Anticipated Agreement start date:	November 2013



# Tendering Filing & Probity Checklist

## Who and when?

Procurement process manager should complete this form as an audit reference in high risk projects.

<b>Project:</b>	Saudi AgriHub
<b>Project Manager:</b>	Alex Matheson
<b>Project Sponsor:</b>	Chris Seed
<b>Date:</b>	5 October 2013

## Filing locations and checklist

### Activity

#### Procurement Plan (Simple or Detailed) or Business Case.

Include risk assessment, evaluation methodology and criteria, an assessment of the alternative ways of resourcing the solution (e.g. contractor versus employee, level of management internally or externally);

A proposed approach to calculating and tracking savings; potential efficiencies that may be delivered over time; clear ownership for managing the supplier relationship and contract.

### Document name / reference / GDM Link

Cab Min (14) 4/7 – Saudi Arabia Food Security Partnership, 18 February 2013

Saudi food security partnership: technical visit, 9-16 April 2013  
Briefing Paper – Minister of Foreign Affairs

Al Khalaf Group – NZ/Saudi Food Security Partnership., 10 July 2013 Recommendations to Minister Foreign Affairs

Saudi Arabia Food Security Partnership - Cabinet Paper Min of Foreign Affairs, 13 February 2013

Indicative Business Case, Final Draft 13 August 2013

Procurement Plan 14 August 2013

### Conflict of Interest Declarations

Haylon Smith, NZTE

Alex Matheson, MFAT

Peter Cooper, MFAT

s 9 (2) (a) - Independent Expert. Score for s 9 (2) (a) Proposal not used due to associations with s 9 (2) (a) Averaged assessments of s 9 (2) (a) proposal completed by other evaluators. Chris's evaluation compared. All consistent.

### Tender document (EOI/RFP/RFT).

Expression of Interest – Ref 39954,

### Supplier Briefing – Non Disclosure Agreements

s 9 (2) (a)

Evidence of how tenderers were selected or notified, for example, printout from GETS, file note or explanation of supplier selection in the Business Case and/or Procurement Plan.

Pre and Post presentation evaluations graphed.

Evaluation minutes and report

Brownrigg verbal refs x 3

## Activity

**Questions of clarification and the responses** (both through GETS and direct to the tenderer) – including evidence (eg email advice from GETS) as to when the information was issued/released. (Printed copy of excel coms log. Refer to the PRO Templates Section) – filed.

File note approving the **screening out of any tenders for general non-compliance**, and copy of notification sent to the supplier.

**Questions of clarification** (issued as part of the evaluation process)

**Team evaluation** sheets.

**Reference checks.**

**Tender Evaluation and Recommendation** memo/report. (Signed copy)

**Miscellaneous Project Correspondence** relevant to the process, decision making and potential future audit review.

Correspondence relating to **contract negotiations**.

**Signed Contract Fit for Execution**

**Implementation, communications and contract Management Plans**

## Document name / reference / GDM Link

Tenders Communication log – Questions and answers

Supplier Presentation briefing notes

Collated individual responses graphed. Original individual electronic copies in GDM

Draft as at 5/11 included. Signed by Haydon, **§ 9(2)(a)**, Peter Cooper. Awaiting Alex Matheson and Jonathan Austin

24 September 2013

Mr Graeme Leversha  
Managing Director  
Laurium Asset Management  
59(2)(a)  
**AUCKLAND 1149**

Dear Mr Leversha

**AGRIBUSINESS HUB: SAUDI ARABIA**

I am in receipt of your letter of 15 September.

This Ministry acknowledges the interest of various organisations and individuals in developing trade links with Saudi Arabia and the GCC over recent years. Since your earlier involvement in 2012, there have been separate government to government level discussions, which have led to the Agribusiness Hub Request for expressions of interest.

We are obliged to run that process in a transparent and objective way. From that, the government will work with successful respondents on design and implementation of the Hub.

The Ministry is satisfied that no intellectual property or confidential information belonging to Agricultural Estates or Laurium Asset Management has been used to develop that Request for expressions of interest. Responses from those interested in taking this important development forward will be assessed on merit based on the criteria in the Request.

Yours sincerely



**John Allen**

Secretary of Foreign Affairs and Trade

15<sup>th</sup> September 2013

Mr John Allen  
Chief Executive Officer  
Ministry of Foreign Affairs & Trade  
Wellington, New Zealand

Dear John Allen

**Agribusiness Lead to Establish Saudi Agribusiness Hub**

This letter is a request for you to explain certain matters

Laurium Asset Management, Agricultural Estates and our partners have serious concerns regarding the matter of sensitive commercial information being used in the formation of the above tender.

**Background:**

During the period September 2010 to December 2012 Laurium Asset Management, Agricultural Estates and our partners designed, negotiated, and formed a consortium of organisations to help the development of Awass's business in New Zealand, Saudi Arabia and other countries. This was designed as a mechanism to help Saudi Arabia with its animal husbandry (sheep). The wider plan was designed to help secure the Saudis approval to proceed with the GCC/NZ FTA.

At all stages we informed MFAT of our actions. We had meetings with Ministers Tim Groser, Murray McCully and other parties. During a March 2012 visit to New Zealand by Hmood Al Khalaf and George Assaf, we coordinated meetings with Murray McCully in both Wellington and Auckland to discuss the above matters. Murray McCully constantly called into our meetings with our guests to get updates.

Following those meetings your Ministry insisted that we would be contacted when a person responsible for the Saudi relationship was appointed. No contact has been made.

For any avoidance of doubt I have attached a letter which outlines clearly the roles of some of the parties.

Laurium Asset Management

Infrastructure

Agricultural Commodities

59(2)(a)

www.lauriumasset.com

We now find a tender process requesting participants to form a consortium and implement exactly what we had designed 17 months prior. Furthermore, many of those parties listed in the tender process are our partners.


Our concerns are:

1. Commercial IP relating to confidential documents and conversations has found its way to your Ministry and has been used as the basis for the tender.
2. Discussions with our partners and other parties has uncovered a very negative and factually incorrect attitude towards Agricultural Estates and Laurium Asset Management.

We and our partners have put a considerable amount of effort and resource into developing a series of relationships and the Saudi Agribusiness hub concept. We are not happy that this effort seems to have been used for political gain without any communication with ourselves.

Laurium Asset Management, Agricultural Estates and our partners are very disappointed and somewhat surprised that we find ourselves in the current situation. We offer you the opportunity to fully explain the actions of MFAT and NZTE in forming the tender and other related matters.

Yours sincerely

  
Graeme Leversha  
Managing Director  
Laurium Asset Management

Copy:  
Hon Tim Groser, Minister of Trade c/-  
Hon Steven Joyce, Minister for Economic Development (NZTE)  
Peter Cooper, Divisional Manager, MFAT

Laurium Asset Management

Private Equity

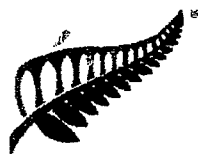
Infrastructure

Agricultural Commodities

59(2)(2)

www.lauriumasset.com

12 Sept 3



**NEW ZEALAND**  
FOREIGN AFFAIRS & TRADE

# Expression of Interest

## Section A: Profile of organisation

### 1. Supplier's contact person for this EOI

Contact person:	David Brownrigg		
Position:	Managing Director		
Phone number:	s 9 (2) (a)		
Mobile number:	s 9 (2) (a)		
Email address:	s 9 (2) (a)		
Is the contact person authorised to negotiate?	Yes	<input checked="" type="checkbox"/>	No

### 2. Supplier's organisational profile

Full legal name:	Brownrigg Agriculture Group Limited
Trading name: (if different)	As above
Name of parent company:	As above
Physical address:	Farming House, 211 Market Street South, Hastings 4122
Postal address:	Farming House, PO Box 1142, Hastings 4156
Company website:	www.brownrigg.co.nz
Location of head office:	Hastings
Type of entity (legal status):	NZ Limited Company
Company registration #:	2120112
Country of residence:	New Zealand
GST registration number:	099-497-564

## Section B: Referees

Referee #1	
Name of organisation:	s 9 (2) (b) (a)
Name of referee:	s 9 (2) (b) (a)
Relevance of this referee:	s 9 (2) (b) (a)
Address:	s 9 (2) (b) (a)
Telephone:	s 9 (2) (b) (a)
Email:	s 9 (2) (b) (a)
Goods / Services provided:	s 9 (2) (b) (a)
Dates when provided:	s 9 (2) (b) (a)
Key personnel	s 9 (2) (b) (a)

Referee #2	
Name of organisation:	s 9(2)(b a)
Relevance of this referee:	s 9(2)(b a)
Name of referee:	s 9(2)(b a)
Address:	s 9(2)(b a)
Telephone:	s 9(2)(b a)
Email:	s 9(2)(b a)
Goods / Services provided:	s 9(2)(b a)
Dates when provided:	s 9(2)(b a)
Key personnel	s 9(2)(b a)

Referee #3	
Name of organisation:	s 9(2)(b a)
Relevance of this referee:	s 9(2)(b a)
Name of referee:	s 9(2)(b a)
Address:	s 9(2)(b a)
Telephone:	s 9(2)(b a)
Email:	s 9(2)(b a)
Goods / Services provided:	s 9(2)(b a)
Dates when provided:	s 9(2)(b a)
Key personnel	s 9(2)(b a)



## Section C: Response to EOI

### Capacity and Credibility of the Supplier (as Lead Provider)

Criteria	Supplier's Response
<p>Succinctly explain and provide evidence of your credibility and success as a business in the New Zealand agricultural sector</p>	<p>59(2)(b)(i)</p>

Provide evidence that you have sufficient economic scale and expertise to be selected as the consortium lead responsible for managing this project

What attributes / experience would make you a good lead for the consortium of companies required to deliver the expectations set out in this EOI?

Discuss relationships or interests that you have with the proposed consortium partners.

BA has a shareholding in On-Farm Research Ltd, the preferred genetics and sheep and beef breeding research provider to the consortium. The company has no other financial interest in any of the potential consortium partners or subcontractors.

<p>Declare any actual, potential or perceived Conflicts of interest you believe you may have in regard to the tender.</p>	<p>There are no actual, potential, or perceived conflicts of interest known to BA in submitting this EOI.</p>
---	---

#### Capability and Commitment of the Supplier (as Lead Provider)

<p>Note the names and responsibilities of staff you would nominate to deliver the outcomes set out in this EOI. – Append brief CVs for nominated staff.</p>	<p><b>David Brownrigg</b> (Managing Director Brownrigg Agriculture) – Project Leader and Governance Board Member</p> <p>(Executive Director, Brownrigg Agriculture - Governance Board Member</p> <p>(Brownrigg Agriculture) – Financial Management</p> <p>(Brownrigg Agriculture) – Livestock Systems Manager</p> <p>(Brownrigg Agriculture) - Livestock Supply Manager)</p> <p>(Brownrigg Agriculture) – Agronomist</p> <p>(Brownrigg Agriculture) – Operations Manager, Farms</p> <p>(Independent Contractor) Project Manager , linkages with NZTE, and coordination with sub-contractors and NZ product suppliers</p> <p>(On-Farm Research). Responsible for designing and managing the overall research and breeding programmes in both New Zealand and Saudi Arabia</p> <p>(Independent Contractor) – Implementing the research and breeding programmes in Saudi Arabia, training key staff on the demonstration farm.</p> <p>(Lowe Corporation) Abattoir design/processing technology</p> <p>Brief CVs are included in the Project Plan for key project team members.</p>
<p>Explain what offshore agribusiness interests you have currently and in which countries</p>	<p>BA have established strategic alliances to develop key offshore markets, those of significant scale include:</p> <ul style="list-style-type: none"> <li>• In Japan</li> <li>• Also in Japan,</li> <li>• Similarly in Korea,</li> <li>• In Northern China,</li> </ul>

<p>Describe the level, type and location of investment you have committed to develop offshore agribusiness.</p>	<p>BA has invested in and continues to commit significant expenditure to establishing strong strategic alliances with key partners in major and developing markets, including frequent visits by key staff to key markets each year.</p> <p>Investment within New Zealand to support the development of offshore business includes:</p> <p style="text-align: right;">s 9 (2) (b) (ii)</p>
<p>Would you anticipate making any additional investment beyond the New Zealand Government investment to ensure the demonstration farm and operations effectively establish a successful GCC agribusiness hub? What level of investment are you contemplating?</p>	<p style="text-align: right;">s 9 (2) (b) (ii)</p>
<p>What are the on-going opportunities for you and your proposed partners that will result from this project?</p>	<p style="text-align: right;">s 9 (2) (b) (ii)</p>

How do you see this project benefiting other New Zealand firms not directly involved in delivery of the project?	<p>New Zealand's profile and reputation as a supplier of expertise, technology, equipment, and farming capability will be enhanced significantly in the region, enabling non-participating businesses to benefit both directly and indirectly from the promotional benefits of the demonstration farm.</p> <p>New Zealand's credibility as a supplier of sheep and cattle to international markets will also be enhanced, enabling others involved in farming, processing and the supply chain to benefit.</p>
--	--

Industry knowledge, and networks of the Supplier (as Lead Provider)	
<b>Animal Performance and Management</b>	
<b>Company Name</b>	s 9 (2) (b) (i)
<b>Nature of relationship</b>	Sub-contractor
<b>Capability to assist in the delivery of the programme</b>	have the in-house skills to run progeny tests, advise on genetic programmes and develop forage programmes in Saudi. s 9 (2) (b) (i)
<b>Company Name</b>	s 9 (2) (b) (i)
<b>Nature of relationship</b>	Sub-contractor
<b>Capability to assist in the delivery of the programme</b>	have skills in stock procurement to complement those within Brownrigg Agriculture. They will also be able to assist with forage seed requirements s 9 (2) (b) (i)
<b>Company Name</b>	<p>Multiple other New Zealand specialist technology and service businesses</p> <p>le Other specialist providers will be identified and contracted into the project following completion of Milestone 1. Specialist providers are expected to include but are not limited to s 9 (2) (b) (i)</p>

Technology and Equipment	
Company Name	s 9(2)(b)(i)
Nature of relationship	Sub-contractor
Areas of expertise	Processing plant design, build, equipment supply, plant management, and quality assurance systems.
Capability to assist in the delivery of the programme	s 9(2)(b)(ii)
Company Name	s 9(2)(b)(i)
Nature of relationship	Sub-contractor
Areas of expertise	Provider of processing technology – hook and horn cutters, siding saws etc
Capability to assist in the delivery of the programme	As one of New Zealand's leading suppliers of meat processing equipment and technology, s 9(2)(b)(i) are expected to be a key contributor to the establishment of a state of the art abattoir on site.
Company Name	s 9(2)(b)(i)
Nature of relationship	Sub-contractor
Areas of expertise	Provider of electronic tagging systems
Capability to assist in the delivery of the programme	As New Zealand's leading supplier of animal ear tags, s 9(2)(b)(i) products in conjunction with automated reading, recording, weighing and drafting facilities will be central to technology utilised on the demonstration farm.
Company Name	s 9(2)(b)(i)
Nature of relationship	Sub-contractor
Areas of expertise	Provider of weighing and automatic drafting facilities
Capability to assist in the delivery of the programme	Key provider of technology and equipment to be utilised on the demonstration farm

Management and Marketing	
Company Name	Project Coordinator
Nature of relationship	Contractor
Areas of expertise	Project Management and Marketing
Capability to assist in the delivery of the programme	Manage the establishment phase and maintenance of the Saudi facility, and ensure the promotional opportunities for New Zealand technology utilised within the demonstration farm are maximised. Specialist marketing expertise will be contracted where and if required.

Methodology	
What Project Management / Governance /reporting arrangements would you suggest?	A separate company is proposed to administer this project. The project team will report quarterly to a board consisting of David Brownrigg, Bryan Inch, (Executive Director Brownrigg Agriculture) and a representative of NZTE or MFAT.
Append an indicative high level plan indicating what you believe may be useful milestones in terms of completing activities or deliverables	A project plan is attached along with suggested milestones for Year 1 and indicative budgets
What project and risk management processes would you suggest be implemented?	<p>The project team will report quarterly to the Governance Board, reporting against firm activity plans, and firm financial budgets established within Milestone 1. All variations to programme plans and budgets will require the approval of the Governance Board.</p> <p>Once final plans and budgets have been established within Milestone 1, a risk register will be prepared and reviewed quarterly at Governance Board Meetings.</p>
How would you provide assurance that you and the consortium partners are delivering value for money?	The board will sub-contract services from a range of providers, agreeing in advance with each contractor the cost and deliverables.
How do you propose incentivising consortium partners?	BA as the lead provider will take responsibility for all project deliverables. Other companies will be contracted in to the consortium to provide specific deliverables against agreed fees. BA is incentivised by the potential to develop a future chilled and frozen market in the region for their farming operations, consequently has every incentive to complete the project successfully and effectively.
How would you suggest your performance is managed (and by extension the performance of your consortium partners?	Performance of all contributors to the project will be monitored against agreed milestones and budgets on a quarterly basis by the Governance Team which includes a representative of either NZTE or MFAT.

Refer to section 6 –  
Proposed Funding  
Agreement

The proposed Funding Agreement sets out NZTE's minimum requirements in terms of the level of commercial detail and standard terms and conditions that will form part of any final contract with the successful Supplier. These minimum requirements will be expanded on to reflect the final project design.

Each Supplier is asked to confirm its full acceptance of the terms of the proposed Funding Agreement, as the minimum terms of any future relationship arising out of this procurement.

If the Supplier does not confirm full acceptance of the proposed terms, the Supplier must, on a clause by clause basis:

- (a) Identify and explain why the relevant terms have not been accepted; and
- (b) Set out the Supplier's proposed amendments.

59(2)(b)(iii)

### Supplier's Check List

Make sure you include everything that is asked for in this EOI. Use this check list when finalising your Response.

Things to be included with your Response	Schedule 3	Electronic copy required
1. Profile of organisation	Section A	✓
2. Referees	Section B	✓
3. Response to EOI	Section C	✓
4. Supplier's Declaration	Section D	✓



## Section D: Supplier's Declaration

Each Supplier / Lead Provider is required to complete the following Declaration..

### Supplier's Declaration

Topic	Requirement	Supplier's declaration
EOI response:	The Supplier has prepared this Proposal independently to supply the goods/services.	agree
EOI terms and conditions:	The Supplier has read and fully understands this EOI, and the EOI Conditions, and agrees to be bound by them.	agree
Collection of further information:	<p>The Supplier authorises the Buyer to:</p> <ul style="list-style-type: none"> <li>a. collect any information about the Supplier and proposed consortium partners, except commercially sensitive pricing information, from any relevant third party, including a referee, or previous or existing client</li> <li>b. use such information in the evaluation of the Response.</li> </ul> <p>The Supplier agrees that all such information will be confidential to the Buyer.</p>	agree
Proposed Funding Agreement:	The Supplier has read and fully understands and accepts the Proposed Funding Agreement. If successful, the Supplier agrees to sign a contract based on these terms and conditions.	agree
Conflict of Interest:	<p>The Supplier warrants that it has no actual, potential or perceived conflict of interest in submitting this Response, or entering into a contract to deliver the Requirements. Where a conflict of interest arises during the procurement process the Supplier will report it immediately to the Buyer's Contact Person.</p> <p>Any actual, potential or perceived Conflicts of Interest are to be documented and submitted as part of the EOI Response</p>	agree
Ethics:	<p>In submitting this Response the Supplier warrants the following:</p> <ul style="list-style-type: none"> <li>a. it has not entered into any improper, illegal, collusive or anti-competitive arrangements with any Competitor or parties currently or potentially involved in this project</li> <li>b. its Response has not been prepared with</li> </ul>	agree

consultation, communication, arrangement or understanding with any Competitor (other than potential consortium partners nominated in the Response)

- c. directly or indirectly approached any representative of the Buyer to lobby or solicit information in relation to the EOI (other than the Buyer's nominated Contact Person)
- d. has not attempted to influence, or provide any form of personal inducement, reward or benefit to any representative of the Buyer.

<b>Offer Validity Period:</b>	The Supplier confirms that this Response remains open for acceptance for a period of 6 from the Closing Date. This is called the Offer Validity Period.	agree
-------------------------------	---	-------

<b>Declaration:</b>	The Supplier declares that in preparing this Response it:	agree
---------------------	---	-------

- a. has provided complete and accurate information in all parts of the Response, in all material respects
- b. has secured all appropriate authorisations to submit this Response and is not aware of any impediments as to its ability to enter into a formal contract to deliver the Requirements.

The Supplier understands that should it be successful in being awarded a contract with the Buyer then the falsification of information, supplying misleading information or the suppression of material information in relation to this EOI will be grounds for termination of the contract.

If, in completing this Declaration, you fail to indicate 'agree' or 'disagree' against any of the above statements you will be deemed to agree with each of these statements.

#### DECLARATION

This Response has been approved and is signed by a representative of the Supplier who has the authority to do so. This representative is named below.

This representative declares that the particulars provided above and in the attached Response documents are accurate, true and correct.

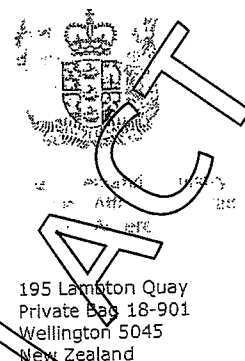
Signature: 

Full name: David Brownrigg

Title / position: Managing Director, Brownrigg Agriculture Group Limited

Date: 12<sup>th</sup> September, 2013

UNCLASSIFIED



5 September 2013

Lyn Provost  
Controller and Auditor-General  
Office of the Auditor-General  
P O Box 3928  
Wellington 6140

Dear Lyn

**SAUDI ARABIA FOOD SECURITY PARTNERSHIP**

Thank you for your letter of 20 August in which you highlight three issues for my attention.

You are concerned to ensure that the Auditor-General's role is understood and that as an independent audit agency your office cannot participate in the execution and management of the contract as directed by Cabinet. I assure you that we do understand that your office needs to maintain its independence and that will limit your office's input.

Secondly, you note doubts as to the legality of the sheep exporting arrangements. I assure you that no arrangements will be put in place that do not comply with legislation.

Finally you advise that the Indicative Business Case provided an inadequate level of information to evaluate viability and risk. I acknowledge these concerns and that is the reason that we decided to seek further input from subject matter experts at this stage of the project. It is my expectation that more clarity in the areas you have raised will be provided during the current Procurement Phase and before the Final Business case is submitted for approval. As agreed the Ministry will provide your office with the near Final Business Case for your review and I would value any observations or comments you have on that document.

Again, thank you for bringing your concerns to my attention. I would like to assure you that those issues will be addressed satisfactorily prior to any final decision to proceed.

Yours sincerely

John Allen  
Secretary of Foreign Affairs and Trade

FINA-12-79

UNCLASSIFIED

28 August 2013

Secretary of Foreign Affairs and Trade

## AL KHALAF PARTNERSHIP: MEETING WITH AUDITOR-GENERAL

### Objectives for meeting:

- Acknowledge the role of OCAG during this project, and that the Cabinet Minute does not adequately reflect the Office's independence from the Executive.
- Assure that the exportation of breeding stock is legal, subject to relevant protocols being concluded between New Zealand and the relevant competent authority in the importing country.
- Acknowledge the areas that have been identified in MFAT's internal Indicative Business Case by OCAG staff that would benefit from added clarity and explanation, and note that prior to the contract being finalised the final Business Case will provide more clarity in these areas.
- Explain that the unique nature of this "diplomatic settlement", and the risks and opportunities it presents, has required MFAT and NZTE to work together closely to ensure that a robust plan and procurement process is developed, and that going to subject matter experts for assistance in developing the detailed proposal and implementation plan is a necessary step at this stage.

### OCAG's letter:

The Controller and Auditor-General's letter of 20 August 2013 raises three principal concerns:

1. A concern about the extent to which OCAG can participate in this work.

The instruction to involve OCAG came from Cabinet. It was not at MFAT's suggestion. OCAG was going to raise this with the Cabinet Office. It appears they have not done so.

2. Doubts about the legality of live sheep exports.

As has been explained to OCAG, this is primarily a matter for MPI. There is no legal prohibition on the export of animals for breeding. A bilateral zoosanitary protocol is required. One with Saudi Arabia is close to completion. It is possible that the partnership may not in fact end up involving live sheep exports.

3. Concern about the adequacy of MFAT's internal business case.

This business case is unusual in that we are seeking to implement a decision already made by Cabinet based on a diplomatic settlement with our Saudi partner (i.e. the decision to procure is not based on an internal business need). It served to flesh out that Cabinet decision based on the report of a study visit and the Minister's agreement that we should seek to procure a consortia to manage implementation. The business case was followed by a procurement plan based on our assessment that a market-led approach, involving a competitive dialogue between potential suppliers, would be the most effective means of implementation.

The issues raised by the OCAG (risks, benefits, financials) have been picked up in the procurement plan. They will need to be further fleshed out in the contracting phase. Our view is

that there was little value in elaborating the points raised by OCAG until we knew what it was that we would actually be procuring. The NZTE board and The Treasury were also consulted. They were comfortable with this approach, with NZTE reserving its decision to participate until it knew the nature of the deal.

**Process from here:**

MFAT's procurement plan has now been finalised, and the Expression of Interest documentation and a draft Funding Agreement were published on GETS on 19 August.

These documents have been subject to intensive discussion/negotiation between the relevant players in NZTE and MFAT – all the while ensuring that the Saudi partners are comfortable with the process and what is being sought from the market. Drafts were sent to Treasury and OCAG for their information.

As of 27 August, there have been 164 views, of the documents, and 69 downloads from the GETS system.

A supplier briefing was held at MFAT on 27 August with 9 firms in attendance, along with MFAT and NZTE procurement and project staff, and MFAT's internal auditor.

Expressions of Interest close on 12 September, at which point the competitive dialogue process will begin (MBIE provided comment in the Indicative Business Case, which informed the procurement strategy).

A preferred lead provider will be selected, with discussions on the detailed plan and milestones leading to signed contract/funding agreement.

The final Business Case will largely comprise the information contained in the Indicative Business Case, and incorporating information from the detailed plan that we/NZTE end up contracting for. We are seeking expert input and advice on this business case prior to its finalisation. We believe this will address OCAG's concerns. We will certainly be keeping them informed and offering further opportunities for comment.

Alex Matheson, Special Envoy Government-Commercial Partnerships  
Phil Goulin, Chief Financial Officer  
Peter Cooper, Head of Procurement  
Jonathan Austin, Divisional Manager MEA

28 August 2013

## **Agribusiness hub Supplier Briefing – Q&A**

### **Monday, 26 August 13**

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#### **Why have you chosen to partner with the Saudi interests on this project?**

- The Saudi interests have a 25-year investment history in New Zealand, and are therefore well placed to understand the benefits of a New Zealand partnership. They have also shown their genuine interest in the innovative science and technology currently being produced within New Zealand, and their ability to champion New Zealand products within their local market. As a large farming and livestock business, they are also a significant player heavily involved in the Kingdom's food security ambitions, and these connections will be an advantage to their New Zealand partners while navigating the unique trading conditions in Saudi Arabia.

#### **What do you expect from the chosen supplier in terms of on-going investment?**

While we are only looking to contract for the initial partnership project, we are interested in suppliers who have an appetite for on-going investment, involvement or expansion within the region. The Saudi partners are looking for a sustainable partnership with New Zealand firms, and ideally the successful consortium will use this relationship, and the support of MFAT and NZTE, to leverage additional growth within both the Saudi market and the Middle East region more generally. Food Security is an increasingly important topic in the region, and this has positive implications for on-going agribusiness initiatives.

#### **How do you anticipate the \$6 million will be spent?**

The outcomes we are seeking, and the investment focus areas are outlined in the Expression of Interest document. Proposals may spread the funding across one (or several) initiatives. It can cover both capital and operational components.

#### **Who will retain ownership of the agribusiness hub once the project is completed?**

The Saudi partners have offered the partnership access to an existing working farm outside the port city of Dammam as a key site for the breeding farm and operation, and showcase of New Zealand agricultural technologies. They are already investing substantially in the proposed breeding operation both in New Zealand and Saudi Arabia. As part of the partnership, any equipment or programmes agreed within the scope of the contract will be retained by the Saudi partners. Any equipment or programmes provided outside of the contract can be negotiated on normal commercial terms.

**Is there any scope within this project to become involved in Saudi Arabian property investments in other countries eg Africa?**

This is outside the scope of this project. There is certainly an opportunity, however, for New Zealand companies to use their involvement in this agribusiness hub to inform or leverage future operations within the region.

Food security is an issue of growing concern both within Saudi Arabia and the region more broadly, so there are wide ranging opportunities for post-project expansion for the successful consortium.

**Can you give us more details about the anticipated timeframes on this project?**

We anticipate that project will be well underway within the first year, and that majority of the contracted milestones will be completed within 24 months. However, timeframes for the delivery of this project will be dictated by the nature of the programme developed, including the amount of time allocated for any showcase to operate. Milestones will be established by negotiation during the Competitive Dialogue process.

**Do you anticipate the Lead on this project to take a Project Management role, or also deliver some (or all) of the substantive programme?**

We are open to discussing either approach during the Competitive Dialogue process, and at this stage there are no restrictions on the potential makeup of the consortium. The criteria for selecting the lead provider are outlined in the Expression of Interest document.

**What type of expertise and workforce are already available in the region?**

Labour is readily available in this sector, and existing programmes in the region have focused on training the local workforce in the use of sustainable farming techniques. The Saudi partners are a family run operation. Challenges for the selected supplier will include potential language barriers, as well having the people capability to deliver at least a portion of the project from within Saudi Arabia. The successful lead will need to be sensitive towards existing farming expertise in Saudi Arabia, as the partners are highly experienced in local farming conditions, and are seeking a collaborative and innovative partnership with New Zealand agribusiness.

**Has a breeding protocol been finalised between New Zealand and Saudi Arabia yet?**

The relevant Ministries in New Zealand and Saudi Arabia are currently discussing the necessary documentation and approvals for this to occur.



20 August 2013

File Ref: EN/GVT-0007

John Allen  
Secretary of Foreign Affairs and Trade  
Ministry of Foreign Affairs and Trade  
Private Bag 18901  
Wellington 6160



DS APE - Chris Seed  
Alex Matheson (MEA)  
Jonathan Austin (MEA)  
Phil Goulin (FIN).

Dear John

**SAUDI ARABIA FOOD SECURITY PARTNERSHIP**

Since March this year, my Office has been receiving information from the Ministry of Foreign Affairs and Trade (the Ministry) about the Saudi Arabia Food Security Partnership proposals. My staff have held discussions with the Ministry, expressed our preliminary views on the proposals, and carried out some work on the appropriation.

With the information received so far, I consider it now an appropriate time for me to convey to you my views and concerns regarding the proposals, including the business case and the nature of my role in this matter:

1. In our view, the Indicative Business Case document we were given (*Investing in a NZ demonstration breeding farm in Saudi Arabia*, draft 17 June 2013) provided an inadequate level of information to evaluate viability and risk.
2. We had doubts as to whether the legality of the sheep exporting arrangement had been demonstrated, although Ministry staff have assured us that the arrangement will meet the necessary legal requirements.
3. There is also an apparent lack of understanding of the extent to which we can participate in this work. We are an independent audit agency and cannot participate in, "the execution and management of the contract", as directed by the Cabinet minute (CAB Min (13) 4/7).

On the latter point, it is important that we clarify our role and the work the Office of the Auditor-General (OAG) has undertaken regarding the Food Security Partnership matters:

To date, the OAG has:

- carried out work to confirm whether the \$4 million provided for the food security platform was within the Vote Foreign Affairs appropriation for *Policy Advice and Representation – Other Countries*. We concluded that the \$4 million spend was within the scope of the appropriation, and the timing of the payment did not create any appropriation issues from our controller function perspective; and
- aimed to provide useful feedback, within the bounds of possibility given my Office's limited role in this matter, to Ministry staff (Alex Matheson and Phil Goulin) about the Indicative Business Case for the remaining \$6 million expenditure.

As the following are operational decision functions of the Ministry, we cannot provide:

- Input into the design, execution, management, or monitoring of any activities involving the \$6 million set aside for Saudi Arabia Food Security Partnership;
- Advice on the merits or legality of the Indicative Business Case or ensuing contract; or
- Approval or endorsement of the arrangements and activities associated with the Saudi Arabia Food Security Partnership.



My staff have conveyed several of our observations and concerns to Alex and Phil, based on the Indicative Business Case document (17 June 2013), for which some questions were answered but several remained outstanding:

1. We consider the financial case, as set out in the 17 June 2013 document, to be weak. In our view, there was insufficient information on the financial benefits accruing. We were told that there remained many unknowns about the potential earnings proposition.
2. As already stated, we considered there was insufficient information to give an assurance about the legality of the sheep export activity. The Ministry assured us that it would rely on the Ministry for Primary Industries' advice on this matter. Obviously compliance with the law is important for any public entity.
3. Other matters discussed include the general lack of explicit assumptions underpinning the business case, the protection of intellectual property, the sheep export strategy (and whether this would be a one-off relocation of breeding stock or a continuing activity), and the financial sustainability of the agricultural hub.

As such, we found the Indicative Business Case raised more questions for us than answers. Ministry staff told us that several of these questions could not be answered at the time, but that the proposal would proceed and more detail would be provided during negotiations and in the terms of the draft contract between the Ministries in New Zealand and Saudi Arabia. We have not seen a revised version of the Indicative Business Case, but have been told that the 17 June 2013 version will not change significantly, as it is no longer needed as a decision-making tool.

Alex Matheson told my staff (on 16 July) that the NZTE board had responded favourably to the original draft Indicative Business Case, although we understand that NZTE has not yet committed to the proposal. We have more recently (26 July) been told that some of the information gaps in the draft Indicative Business Case we discussed are to be picked up in the procurement and contracting phase of the project. We would have expected a more full explanation of the business proposals, risks, and benefits at the initial decision-making phase.

Ministry staff told us in the 26 July email that, "Any mention of the role of the OCAG in this project has been amended to reflect the precise wording of the Cabinet decision." I wish to emphasise that any references to my Office made by the Ministry should accurately reflect the limitation of my Office's input which, you will note, was overstated in the Cabinet minute.

I am happy to meet and discuss this further, if you wish.

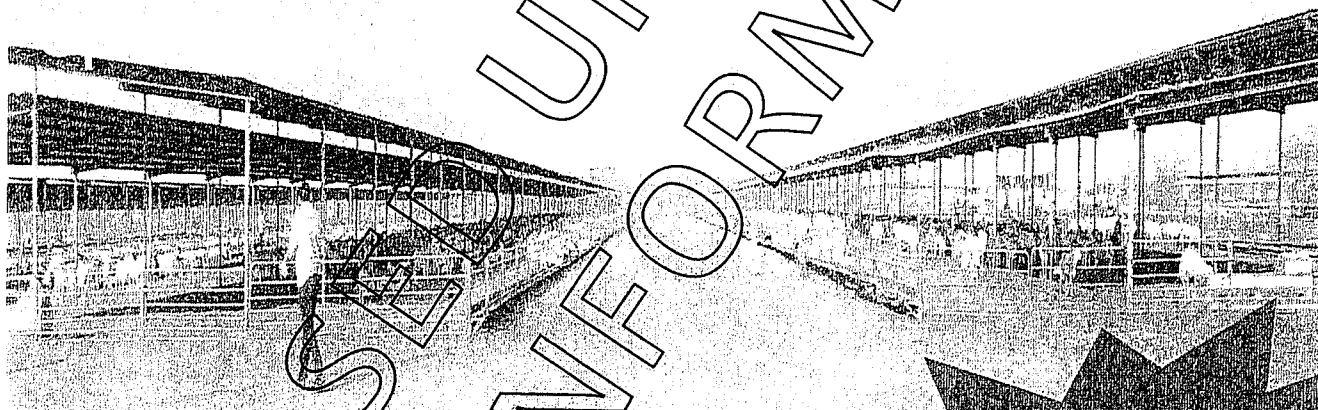
Yours sincerely

Lyn Provost  
Controller and Auditor-General

# Part 1- Notice of Procurement

An overview of our Expression of Interest

Seeking an agribusiness consortium lead  
and proposed partners



This RFP will be issued  
the week of 19 August  
2013

## What's inside?

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What we need

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What's important to us

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Why should you bid?

3

Interested? Next steps

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A bit about us

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### *What we need...*

**An organisation with  
the capability to identify  
and lead a consortium  
to establish an agri-  
business hub between  
New Zealand and Saudi  
Arabia**



## What we need

The Ministry of Foreign Affairs and Trade (MFAT), along with its partner agency New Zealand Trade and Enterprise (NZTE), is seeking a **lead provider and indicative consortium** to develop an agribusiness hub around a demonstration sheep breeding farm and operation in Saudi Arabia. MFAT is managing and responsible for the tender process. It is anticipated that the successful respondent will contract with and work with NZTE to complete the agreed programme of work.

It is proposed that the Government will provide up to six million dollars (plus GST) through NZTE for a lead provider to engage and manage consortium partners to develop a demonstration breeding farm and operation. The farming operation encompasses breeding, feeding through to processing design and technologies. The farm and operation are intended to operate in a way that will showcase New Zealand agribusiness expertise and technologies to Saudi Arabia, and the wider Gulf Co-operation Council (GCC) region.

## What's important to us?

### How we will evaluate proposals

We are seeking responses from firms that have the capability, capacity and commitment to use this opportunity to establish an agribusiness hub for New Zealand firms in Saudi Arabia.

We are looking for the successful respondent to have the following attributes:

#### 1. Capacity and Credibility

Agribusiness/red-meat industry innovator, with proven capability to deliver and credibility in the New Zealand industry, and balance sheet to support on-going involvement in the agrihub.

#### 2. Capability and Commitment

Demonstrated business relationships in offshore agribusiness, or successful offshore agri business operations preferably in the Middle East, and Saudi Arabia in particular, or climatically similar areas.

#### 3. Industry knowledge and networks

Proven ability to collaborate with value chain participants and contribute to a wider programme of work. Industry knowledge, and networks in the following areas:

- *Animal Performance and Management* (animal selection, husbandry, welfare, performance, genetics, Infrastructure development (i.e. feedlots), nutrition programmes)
- *Agriculture Technologies and Equipment* (eg. ear tags/EID tags, tag readers, scanners and scales, processing design and technologies)
- *Management and Marketing* (planning and project management, farm management, people development, farmer selection and contracting, marketing and branding)

#### 4. A robust methodology, including commercials

Proposed project plan, governance structure, milestones, performance measures, project , pricing (value for money), and risk management processes.

## Why should you bid?

- You need to have participated in this EOI in order to be given the opportunity to be selected as a potential the consortium lead (Lead Provider) for the next phase of the procurement process,
- The next phase of the procurement process will be a competitive dialogue phase<sup>1</sup> involving a series of structured workshops during which MFAT and agricultural businesses shortlisted as potential lead providers, will work together to better define requirements, the services, outputs, deliverables, milestones, roles, responsibilities and reporting requirements that will be tied to the funding
- This is a unique opportunity to establish a sustainable business presence in a rapidly developing market.

## Interested? Next steps

- Review the rest of this document.
- Ask any questions you have about the process or our requirements.
- Provide us with a completed Supplier Response and Declaration by the due date.
- We'll then assess all compliant bids and shortlist suppliers to proceed through to the dialogue phase.
- The next phase in the selection process beyond the EOI will be a **Competitive Dialogue process**. This process will enable us to go into formal talks with shortlisted Consortium lead(s), and their key consortium partners, in a competitive environment with no pre-determined specifications to limit innovation. The Competitive Dialogue process will be run in accordance with the accompanying Ministry of Economic Development and Employment (MBIE) guidance on 'How Competitive Dialogues works in New Zealand'

## About this EOI

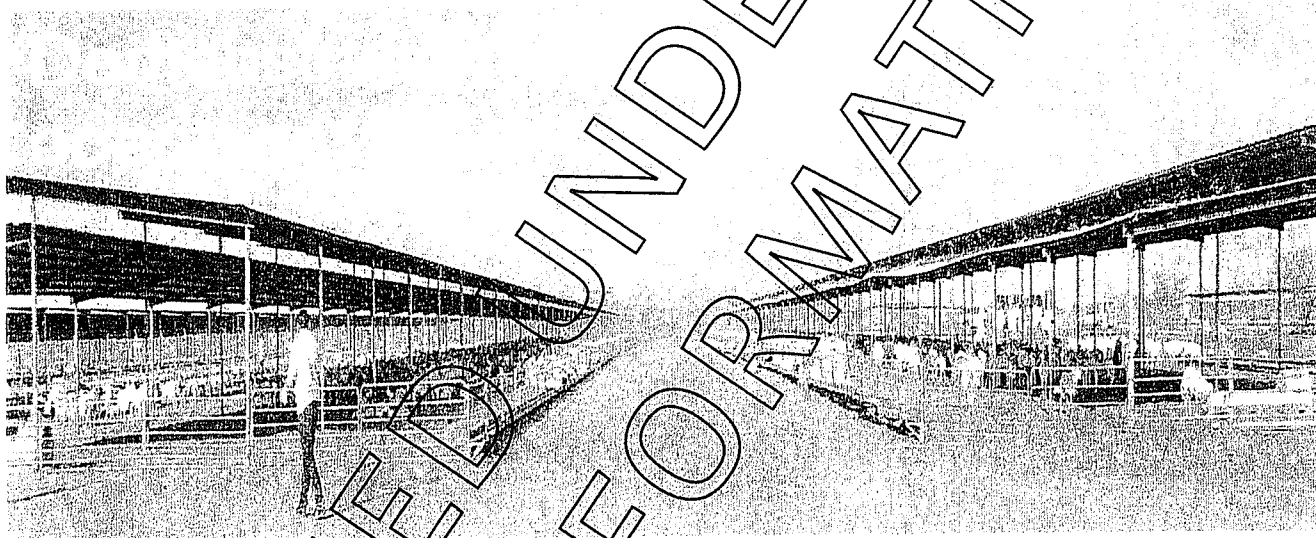
• EOI Issued	16 August 2013
• Issued by	Ministry of Foreign Affairs and Trade
• Contact person	Peter Cooper, Divisional Manager
• Response due	3.00pm Thurs. 12 September 2013

<sup>1</sup> Refer to the accompanying MBIE guidance on 'How Competitive Dialogue works in New Zealand'

# Expression of Interest - Part 2

## Our Requirements:

Seeking an agribusiness consortium lead  
and proposed partners



## What's inside?

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7. Instructions to Suppliers and EOI conditions	21
8. Guidance: 'How Competitive Dialogue Works in the New Zealand Environment'	Accompanying

This EOI is due to  
close 3.00pm  
Thurs 12 September  
2013

# 1. Next steps

If, having read our Expression of Interest (EOI), you are interested in submitting a Response this document sets out the next steps in the process.

## Understand our Requirements

Make sure you fully read this document and the Instructions to Suppliers & EOI Conditions before starting to prepare your response. In particular develop a strong understanding of our Requirements and how your Response will be evaluated. If anything is unclear or you have any questions then ask us to explain. Email our Contact Person.

## Our process

This is a contestable and competitive two stage tender. It is anticipated that the second stage will take the form of a Competitive Dialogue, which will be run in accordance with the Ministry of Business Innovation and Technology's draft guidance on 'How Competitive Dialogue Works in the New Zealand Environment'<sup>1</sup>. We have set out a step-by-step process for Suppliers to follow as well as some rules. The process is described at a high level in Section 3.

Make sure you follow our process and abide by the rules. Remember, it is important when preparing your Response to use the Supplier Response Form and complete the Supplier Declaration. Having done the work don't be late – you must get your Response to us before the Closing Date.

## Changes to our process

If we need to change anything about this process or want to provide suppliers with additional information we will let all Suppliers know by placing a notice on the Government Electronic Tenders Service (GETS) at [www.gets.govt.nz](http://www.gets.govt.nz). If you downloaded this EOI (either Part 1 or Part 2) from GETS you will automatically be sent notifications of any changes.

## Our Contact Person

Please direct all enquiries to our Contact Person. You must not attempt to gain information from any other member of our staff.

**Peter Cooper** Divisional Manager - Procurement

Telephone: 64 (04) 439 7149

Email: [peter.cooper@mfat.govt.nz](mailto:peter.cooper@mfat.govt.nz)

## Our email address for Responses

Responses must be submitted by email to [procurement@mfat.govt.nz](mailto:procurement@mfat.govt.nz) and as a single file in PDF format (or in a format compatible with Microsoft Office). Total size of the required

<sup>1</sup> Refer to accompanying guidance - 'How Competitive Dialogue Works in the New Zealand Environment'

document and your email must be under 5 megabytes (MB). Any email exceeding the 5MB limit will not be accepted by our mail server and will be rejected.

**Please note:** Responses sent by post or fax will not be accepted.

## Our Indicative Timeline

The following information sets out our process and Indicative Timeline.

Expression of Interest	EOI posted on GETs	19 August 2013	Elapsed
	Confirm intent to attend Supplier briefing – (Confirm intent to attend procurement@MFAT.govt.nz)	22 August	4 days
	Lead Provider Supplier Briefing – 2.00pm-4.00pm, Wellington, lvl 12 HSBC, 195 Lambton Quay.	26 August	5 days
	Deadline for Suppliers' questions (Clarification Period)	2 September	11 days
	Deadline for the Buyer to answer questions:	5 September	14 days
	Deadline for EOI Responses (Closing Date):	3.00pm	18 days
		12 September	
	Shortlisted Suppliers' presentations:	24 September	26 days
	Supplier/s selected & unsuccessful Suppliers notified:	27 September	29 days
	Establish the timetable and activity to be completed during the Competitive Dialogue process	27 September	
Competitive Dialogue	Structured dialogue / Competitive Dialogue with shortlisted Supplier/s (Develop final scope of outputs, estimated budget, payment and reporting milestones, terms of the Funding Agreement)	TBD	
	Financial and any other necessary due diligence completed concurrently		
	Request for final Proposals issued	TBD	
	Deadline for final Proposals (Closing Date):	TBD	
	Evaluate final Proposals presented in the form of the Funding Agreement with any necessary supporting documentation	TBD	
	Possible Supplier/s Presentation/s	TBD	
	Supplier selected & unsuccessful Suppliers notified:	TBD	
Assessment of final Proposals	Supplier debriefs:	TBD	

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Anticipated Agreement start date:

November 2013

**Please note:** All times are New Zealand time. We reserve the right to alter the timeline, if required.

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RELEASED UNDER THE  
OFFICIAL INFORMATION ACT



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## The rules

This Expression of Interest is subject to the Instructions to Suppliers and EOI Conditions set out in this document.

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## Interpreting this EOI

Words starting with capital letters can have special meaning. The Instructions to Suppliers and EOI Conditions contains definitions for words and expressions that have special meanings.

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## Tools

Here are some tools that can be found at [procurement.govt.nz](http://procurement.govt.nz), that may help you in preparing your Response.

- [How Competitive Dialogue Works in New Zealand](#)
  - [Top tips for tendering](#)
  - [A guide to Supplying New Zealand Government](#)
  - [Procurement Jargon Buster](#)
  - [Guide to Suppliers Debrief](#)
  - [How to feedback and complain](#)
-

## 2. Our Requirements

The Ministry of Foreign Affairs and Trade (MFAT), along with its partner agency New Zealand Trade and Enterprise (NZTE), is seeking a Lead Provider to develop an agribusiness hub around a demonstration sheep breeding farm and operation in Saudi Arabia.

The Government will provide up to six million dollars (plus GST) for a Lead Provider and consortium partners to develop a demonstration breeding farm and operation in such a way that will showcase New Zealand agribusiness expertise and technologies to Saudi Arabia, and the wider Gulf Co-operation Council (GCC) region<sup>2</sup>.

Potential Lead Providers will include in their Responses details of indicative consortium partners that they may work with to provide the services and deliverables that will be agreed during the Competitive Dialogue process.

We will only accept/consider Responses from Lead Providers. The names of any consortium partners noted in the EOI Responses that are not shortlisted to progress to the Competitive Dialogue stage may be provided to organisations that have been shortlisted to ensure that the Lead Provider eventually selected is aware of potential consortium partners.

MFAT is facilitating the tender process. It is anticipated that the successful Supplier will contract with and work with NZTE to complete the agreed programme of work.

### Background

In recent years, the New Zealand Government has been working with its counterparts in Saudi Arabia, and the wider GCC to better understand the food security needs of that region. The recent launch of the NZ Inc GCC strategy by the Minister of Foreign Affairs outlines food security as a key area of focus. This document is available at [NZ Inc Strategy - Opening Doors to the Gulf Region](#).

Exports from New Zealand to the GCC already exceed NZ\$1.5B and have been growing steadily by 10% a year. Being acutely aware that there is a finite aspect to petroleum based wealth, GCC countries have been seeking to invest to secure their post-petroleum futures. Future food security is therefore high on the list of priorities, and New Zealand, as one of the world's leading agricultural nations is a partner of choice.

That means more than just being a long term exporter of primary product to GCC markets, although food and beverage exports continue to grow at a great pace. It brings the potential for partnerships between GCC capital and New Zealand agricultural expertise to contribute to long term food security in the Gulf.

One of the food security initiatives in Saudi Arabia is to increase the number of sheep, after seeing sheep numbers in the Kingdom drop from 12 million in 2008 to 8.7 million in 2012. The Saudis also want to make the industry sustainable. This will entail developing or importing technology, techniques, tools and expertise in diverse specialities including environmental protection, herd management, breeding improvement programmes and feed improvement.

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<sup>2</sup> The Gulf Cooperation Council (GCC) was established in 1981 between Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. The six countries are the economic powerhouses of the Middle East with large state resources and particular needs that match New Zealand's comparative strengths. These are states that are looking to work with us on areas such as food security, education and investment.

The New Zealand Government has therefore provided up to six million dollars to be invested over the next two to three years to develop a demonstration breeding farm and operation which will enhance the capability of the New Zealand and Saudi Arabian red meat industries. A key focus of the project is developing higher value products for the Saudi market focusing on the Awassi sheep breed.

The intent is that the money will be used to develop or implement NZ agricultural technologies, techniques and equipment for the Saudi environment, in such a way that future business opportunities may be developed in Saudi Arabia and the states that make up the GCC region, and potentially into Africa.

## Demonstration Breeding Farm and Operation

The demonstration farm and operation will showcase a breeding and fattening unit that produces product that suitable to meeting the tastes of the growing middle class in Saudi Arabia and the GCC. While this will initially focus on opportunities for partnerships inside Saudi Arabia and the GCC, it is the government's ambition that it has the potential to serve as a base for creating partnerships between New Zealand agricultural expertise and GCC capital in third party countries, especially in Africa where 60% of the world's undeveloped arable land is to be found.

The farm and operation will be built in partnership with a group of long-time Saudi investors in the New Zealand red-meat sector whose investments and assets in transportation, farming, abattoir, property development, and retail in Damman and Jeddah in Saudi Arabia are substantial. The group's main farm, near Damman, (the site of the proposed demonstration breeding farm and operation) is a large one, into which major new investment is already being made around breeding livestock. This is a commercial operation, and as such the New Zealand investment needs to demonstrate commercial benefit both to the Saudi group, as well as the involved New Zealand interests.

A group of New Zealand agribusiness experts visited Saudi Arabia 9-16 April 2013. The purpose of the visit was to assess the opportunity for New Zealand. The participants of the study tour included officials from MFAT, NZTE and the Ministry of Primary Industries and representatives of the following firms: PGG Wrightson, Sourceworld, AsureQuality, Deloitte NZ, Proand, Brownrigg Agriculture and Awassi NZ.

While further research is needed to understand fully the local conditions to ensure that any New Zealand solutions are sustainable and scalable, the experts suggested that the farm and operation should:

- Be assisted where possible by a New Zealand based research and development programme focusing on genetics and feeding of sheep adapted to Saudi Arabian conditions;
- Be designed around a combination of Saudi Arabian and New Zealand on-farm best practices;
- Involve and showcase in Saudi Arabia a number of New Zealand firms or technologies representing best practice across the value chain (genetics, nutrition, farm management systems and farm equipment, processing design and technologies and marketing were identified);
- Have staff capacity and capability to showcase the operation to interested business delegations;
- Leverage the Saudi group's brand, investments and expertise in both markets while providing a new sustainable business;
- Support Saudi Arabia's food security and safety objectives; and
- Build awareness of the New Zealand brand and complement the existing chilled and frozen meat trade.

The participants of the study visit are not precluded from tendering for this opportunity and given the small number of New Zealand firms with current Saudi Arabian market experience or networks it is possible that they will be involved in the final consortium to a greater or lesser degree. None of the private sector participants of the study tour will be involved in the EOI evaluation.

## Potential Focus Areas

The overall investment objective is to support the design and build of a demonstration farm and operation that represents best practice, and upholds the reputation of New Zealand Agri-business excellence – showcasing New Zealand on-farm capability, products and expertise in market generating repeat purchases. Potential areas of focus or value include:

### Animal Performance and Management

Animal selection, husbandry, welfare, performance  
Genetics  
Infrastructure development (i.e. feedlots)  
Nutrition management

This area focusses on the end to end breeding programme to meet a market specification. This will span a genetics programme in NZ through to a breeding and fattening operation in Saudi Arabia. This will be complemented by a nutrition programme developed for an extreme environment. A combination of NZ expertise and Saudi local knowledge will be needed to deliver a superior outcome.

### Technology and Equipment

Processing design and technologies  
Ear tags/EID tags  
Tag readers  
Scanners and scales  
Agricultural technology

Access to enabling technology will underpin the necessary best practice elements of the demonstration farm. Any technology will need to be coupled with the appropriate expertise for design, implementation and use of it to achieve the best outcomes on farm in Saudi Arabia.

### Management and Marketing

Planning and project management  
Farm management  
People development  
Farmer selection and contracting  
Marketing and branding

Demonstrated ability to deliver this project between New Zealand Saudi Arabia is a critical success factor. The project is part of sustainable long term business for Saudi Arabia will require capability and ambition to achieve this over the longer term – i.e. beyond the project funding horizon.

### Assumptions

When preparing the response, the following assumptions should be taken into account:

- A key focus of the project is developing a high-value red-meat product for the Saudi market, focusing on the Awassi breed of sheep
- Land and major infrastructure to support the breeding operation will be made available by the Saudi interests
- The Saudi interests will assist with access to capability and people where required, and with the showcasing aspects of the project.

- It is expected that successful delivery will involve a range of services and products, ranging from sourcing and installing New Zealand technology and equipment in Saudi Arabia, to research, design, training and consultancy services. We are expecting the Lead Provider and consortia to demonstrate the most effective emphasis and programme of work within the identified potential areas of focus.

### **Commercial Operation**

The New Zealand investment in a demonstration farm and operation outlined in this document is part of a wider Saudi Arabian owned commercial breeding, farming and livestock operation. The design and implementation of any solutions will be done in close discussion between the Lead Provider/consortia and the Saudi interests. There is the expectation that Lead Provider/consortia members would spend time within the commercial operation in Saudi Arabia, as a key part of the design and/or implementation of any proposed solutions.

Broad agreement on how much of the proposed funding will be invested in what specialist areas will be reached via the competitive dialogue process. It is unlikely that all of the areas noted under the 'Potential Focus Areas' above, will receive the same level of focus or investment.

A large farm property outside of the port city of Dammam, has been identified as the site of the hub and demonstration breeding farm and operation for these New Zealand technologies and capabilities, and is being made available to the consortia.

The Saudi interests will retain the commercial rights to any investment made as part of the Government's investment. It is anticipated that consortium will work with the Saudi interests to ensure that New Zealand agribusinesses can leverage off local relationships, networks and the physical demonstration of New Zealand agricultural techniques/equipment to win further business in Saudi Arabia and other GCC states and countries.

### **Breeding Protocol**

An important part of the project is the supply of New Zealand breeding stock, focusing on the Awassi breed of sheep, to the Saudi Arabia farm. To facilitate this, the relevant Ministries in New Zealand and Saudi Arabia are currently discussing the necessary documentation and approvals for this to occur. The Saudi interests are investing significantly into breeding infrastructure at the property near Dammam in preparation for the receipt of breeding stock, and the development of the breeding operation in Saudi Arabia.

### 3. Procurement Process

We are seeking a firm that will act as the Lead Provider to propose and manage agreed consortium partners; and deliver the demonstration breeding farm and operation in New Zealand and Saudi Arabia.

Suppliers interested in responding to this EOI as potential Lead Providers have the opportunity to attend a supplier briefing on at MFAT offices in Wellington on the 26 August. Suppliers interested in attending should confirm via e mail their intention by e mailing the name of their company and names of proposed attendees to [procurement@mfat.govt.nz](mailto:procurement@mfat.govt.nz) by the 22 August.

We are seeking Responses only from Suppliers capable of acting as a Lead Provider. Responses should indicate the consortium partners with which the Supplier proposes to work to deliver the demonstration breeding farm and operation.

Following the evaluation of Responses MFAT may prequalify, as a potential consortium, a Supplier together with that Supplier's suggested consortium partners.

Alternatively, we may seek to work with a Supplier to expand on or modify the Supplier's proposed consortium. To this end, MFAT retains the right to introduce potential Lead Providers and consortium partners to each other, including consortium partners proposed by a Lead Provider whose Response is not shortlisted through this EOI process to progress to the Competitive Dialogue stage. The intent of such introductions is to ensure that well qualified agribusinesses are not precluded from offering their services through the agribusiness hub simply because they were not known to the successful Lead Provider.

Firms who are invited to be named as consortium partners in more than one Response are free to be represented by more than one Supplier.

If more than one Supplier and/or proposed consortium is prequalified as having the attributes to deliver a successful outcome MFAT will utilise the Ministry of Business, Innovation and Employment's (MBIE) guidelines on 'Competitive Dialogue in a New Zealand Context' to work with the shortlisted supplier(s) to develop final Proposals. Final Proposals will be provided in the form of the Funding Agreement appended to this EOI document and will define the scope of Outputs, estimated budget, payment and reporting milestones as developed during the Competitive Dialogue stage.

Final Proposals will be evaluated based on the relative:

- value for money,
- risks,
- potential benefits,
- likely sustainability of agribusiness hub; and
- additional criteria that may be established as a result of the information provided in this EOI stage, which will be communicated to shortlisted Suppliers during the Competitive Dialogue stage.

Evaluation of final Proposals will be undertaken by representatives of MFAT, NZTE, and interested Saudi parties, together with any independent expert(s) whose input is considered desirable by MFAT and NZTE. MFAT will work with Supplier(s) shortlisted through the EOI evaluation to ensure that the evaluation criteria proposed to assess final Proposals are well understood, prior to final Proposals being submitted.

The successful Lead Provider will be accountable for the management of all consortium partners and the delivery of all services and outputs in accordance with the final Funding Agreement.

## 4. Our Evaluation Methodology

Criteria to be used in selecting a consortium lead and prequalify potential consortium partners proposed in this EOI	Weighting
<b>Capacity and Credibility of the Supplier (as Lead Provider)</b> Agribusiness/red-meat industry innovator, with proven capability to deliver and credibility in the New Zealand industry, and balance sheet to support on-going involvement in the agrihub.	20%
<b>Capability and Commitment of the Supplier (as Lead Provider)</b> Demonstrated business relationships in offshore agribusiness, or successful offshore agri business operations preferably in the Middle East, and Saudi Arabia in particular, or climatically similar areas.	30%
<b>Industry knowledge, and networks of the Supplier (as Lead Provider)</b> Proven ability to collaborate with value chain participants and contribute to a wider programme of work. Industry knowledge, and networks in the three key areas noted above under the 'potential focus areas' section.	30%
<b>Proposed Methodology</b> Proposed project plan, governance structure, milestones, performance measures, project outputs, response to proposed Funding Agreement and risk management processes.	20%
<b>Total</b>	<b>100%</b>

Rating	Definition	Score
Excellent	Exceeds the requirement. Exceptional demonstration by the Supplier of the relevant ability, understanding, experience, skills, resource and quality measures required to provide the goods / services. Response identifies factors that will offer potential added value, with supporting evidence.	9-10
Good	Satisfies the requirement with minor additional benefits. Above average demonstration by the Supplier of the relevant ability, understanding, experience, skills, resource and quality measures required to provide the goods / services. Response identifies factors that will offer potential added value, with supporting evidence.	7-8
Acceptable	Satisfies the requirement. Demonstration by the Supplier of the relevant ability, understanding, experience, skills, resource, and quality measures required to provide the goods / services, with supporting evidence.	5 - 6
Minor Reservations	Satisfies the requirement with minor reservations. Some minor reservations of the Supplier's relevant ability, understanding, experience, skills, resource and	3 - 4



	quality measures required to provide the goods / services, with little or no supporting evidence.	
<b>Serious Reservations</b>	Satisfies the requirement with major reservations. Considerable reservations of the Supplier's relevant ability, understanding, experience, skills, resource and quality measures required to provide the goods / services, with little or no supporting evidence.	1-2
<b>Unacceptable</b>	Does not meet the requirement. Does not comply and/or insufficient information provided to demonstrate that the Supplier has the ability, understanding, experience, skills, resource & quality measures required to provide the goods / services, with little or no supporting evidence.	0

The EOI evaluation panel will consist of MFAT and NZTE personnel and independent expert(s).

## 5. Supplier's Response Form & Declaration

### Section A: Profile of organisation

1. Supplier's contact person for this EO			
Contact person:			
Position:			
Phone number:			
Mobile number:			
Email address:			
Is the contact person authorised to negotiate?	Yes	No	

2. Supplier's organisational profile	
Full legal name:	
Trading name: (if different)	if applicable
Name of parent company:	if applicable
Physical address:	for company insert registered office
Postal address:	
Company website:	
Location of head office:	city in New Zealand / if overseas please specify city and country
Type of entity (legal status):	sole trader / partnership / limited liability company / other please specify
Company registration #:	if applicable, registered number for a company
Country of residence:	insert country where organisation is resident for tax purposes
GST registration number:	NZ GST number / if overseas please state

## Section B: Referees

Please supply the details of at least two referees. These must be from agricultural sector organisations with sufficient experience of working with you to comment on your capability to be effectively build and lead a consortium of agribusinesses capable of delivering to the expectations set out above. Briefly describe the nature, duration and purpose of your association with the nominated referees.

Referee #1	
Name of organisation:	
Name of referee:	
Relevance of this referee:	
Address:	
Telephone:	
Email:	
Goods / Services provided:	summarise the nature of the goods or services provided
Dates when provided:	state the dates when the goods or services have been provided
Key personnel	names and roles of key personnel involved in this project who are nominated for involvement in establishing, leading, managing the proposed consortium

Referee #2	
Name of organisation:	
Name of referee:	
Address:	
Telephone:	
Email:	
Goods / Services provided:	summarise the nature of the goods or services provided
Dates when provided:	state the dates when the goods or services have been provided
Key personnel	Names and roles of key personnel involved in this project who are nominated for involvement in establishing, leading, managing the proposed consortium

- Add tables for referees as required

## Section C: Response to EOI

### Supplier's Response

Your responses to the questions set out below will be used to assess your capability against the criteria set out in Section 4 – Our Evaluation Methodology.

In preparing your Response you are required to respond to all of the questions set out below and encouraged to provide as much supporting evidence as possible in the form of, case studies, referees, published material or in-house tools, templates, examples.

Your responses will be scored by members of our evaluation team independently and the individual scores of the evaluation panel will be moderated via consensus or failing consensus a majority view.

The evaluation team may further amend their scoring of your initial written Response based on information provided during Supplier presentations that may clarify questions or concerns related to your written response.

Capacity and Credibility of the Supplier (as Lead Provider)	
Successful agribusiness/red-meat industry innovator and exporter with credibility in the New Zealand industry.	
Criteria	Supplier's Response
Succinctly explain and provide evidence of your credibility and success as a business in the New Zealand agricultural sector	
Provide evidence that you have sufficient economic scale and expertise to be selected as the consortium lead responsible for managing this project	
What attributes / experience would make you a good lead for the consortium of companies required to deliver the expectations set out in this EOI?	
Discuss any relationships or interests that you have with the proposed consortium partners.	

<p>Declare any actual, potential or perceived Conflicts of Interest you believe you may have in regard to the tender.</p>	
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<p><b>Capability and Commitment of the Supplier (as Lead Provider)</b></p> <p>Demonstrated business relationships in offshore agribusiness, or successful offshore agribusiness operations preferably in the Middle East and Saudi Arabia (or equivalent or a climatically similar region)</p>	
<p>Note the names and responsibilities of staff you would nominate to deliver the outcomes set out in this EOI. – Append brief CVs for nominated staff.</p>	
<p>Explain what offshore agribusiness interests you have currently and in which countries</p>	
<p>Describe the level, type and location of investment you have committed to develop offshore agribusiness.</p>	
<p>Would you anticipate making any additional investment beyond the New Zealand Government investment to ensure the demonstration farm and operations effectively establish a successful GCC agribusiness hub? What level of investment are you contemplating?</p>	
<p>What are the on-going opportunities for you and</p>	

your proposed partners that will result from this project?	
How do you see this project benefiting other New Zealand firms not directly involved in delivery of the project?	

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### Industry knowledge and networks of the Supplier (as Lead Provider)

Proven ability to collaborate with value chain participants and contribute to a wider programme of work. Industry knowledge and networks

Refer to the list of potential focus areas set out on page 8. Note the organisations you would see as potential consortium partners and what value you believe they would add to the consortium.

**Add tables for additional specialist expertise you believe may be useful to achieving the objectives of the project.** (Note. The Ministry reserves the right to provide the names of potential consortium partners noted below to the selected Lead Provider (or shortlisted potential Lead Providers) should you not be shortlisted or selected as the Lead Provider)

*The specialist areas listed below are indicative only and work completed in the business planning or research phases of this project may identify other specialist areas.*

**NOTE: Processing design and technology are likely to be areas of strong interest**

#### Animal Performance and Management

Company Name	
Nature of relationship	
Capability to assist in the delivery of the programme	

#### Technology and Equipment

Company Name	
Nature of relationship	
Areas of expertise	
Capability to assist in the delivery of the programme	

#### Management and Marketing

Company Name	
Nature of relationship	
Areas of expertise	

Capability to assist in the delivery of the programme	
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Methodology							
Proposed project plan, governance structure, milestones, performance measures, project and risk management processes							
What Project Management / Governance /reporting arrangements would you suggest?							
Append an indicative high level plan indicating what you believe may be useful milestones in terms of completing activities or deliverables							
What project and risk management processes would you suggest be implemented?							
How would you provide assurance that you and the consortium partners are delivering value for money?							
How do you propose incentivising consortium partners?							
How would you suggest your performance is managed and by extension the performance of your consortium partners?							
<p>Refer to section 6 – Proposed Funding Agreement</p> <p>The proposed Funding Agreement sets out NZTF's minimum requirements in terms of the level of commercial detail and standard terms and conditions that will form part of any final contract with the successful Supplier. These minimum requirements will be expanded on to reflect the final project design.</p> <p>Each Supplier is asked to confirm its full acceptance of the terms of the proposed</p>	<p>[Yes I confirm]</p> <p>OR</p> <p>[ No I do not confirm. The clauses that have not been accepted are:</p> <table border="1"> <thead> <tr> <th>Clause</th> <th>Why is the clause not accepted?</th> <th>Supplier's proposed amendments</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Clause	Why is the clause not accepted?	Supplier's proposed amendments			
Clause	Why is the clause not accepted?	Supplier's proposed amendments					



Funding Agreement, as the minimum terms of any future relationship arising out of this procurement.

If the Supplier does not confirm full acceptance of the proposed terms, the Supplier must, on a clause by clause basis:

- (a) Identify and explain why the relevant terms have not been accepted; and
- (b) Set out the Supplier's proposed amendments.

1

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### Supplier's Check List

Make sure you include everything that is asked for in this EOI. Use this check list when finalising your Response.

Things to be included with your Response	Schedule 3	Electronic copy required
1. Profile of organisation	Section A	✓
2. Referees	Section B	✓
3. Response to EOI	Section C	✓
4. Supplier's Declaration	Section D	✓

## Section D: Supplier's Declaration

Each Supplier / Lead Provider is required to complete the following Declaration.

Supplier's Declaration	Topic	Requirement	Supplier's declaration
<b>EOI response:</b>	The Supplier has prepared this Proposal independently to supply the goods/services.	agree / disagree	
<b>EOI terms and conditions:</b>	The Supplier has read and fully understands this EOI, and the EOI Conditions, and agrees to be bound by them.	agree / disagree	
<b>Collection of further information:</b>	<p>The Supplier authorises the Buyer to:</p> <ul style="list-style-type: none"> <li>a. collect any information about the Supplier and proposed consortium partners, except commercially sensitive pricing information, from any relevant third party, including a referee, or previous or existing client</li> <li>b. use such information in the evaluation of the Response</li> </ul> <p>The Supplier agrees that all such information will be confidential to the Buyer</p>	agree / disagree	
<b>Proposed Funding Agreement:</b>	The Supplier has read and fully understands and accepts the Proposed Funding Agreement. If successful, the Supplier agrees to sign a contract based on these terms and conditions.	agree / disagree	
<b>Conflict of Interest:</b>	<p>The Supplier warrants that it has no actual, potential or perceived conflict of interest in submitting this Response, or entering into a contract to deliver the Requirements. Where a conflict of interest arises during the procurement process the Supplier will report it immediately to the Buyer's Contact Person.</p> <p>Any actual, potential or perceived Conflicts of Interest are to be documented and submitted as part of the EOI Response</p>	agree / disagree	
<b>Ethics:</b>	<p>In submitting this Response the Supplier warrants the following:</p> <ul style="list-style-type: none"> <li>a. it has not entered into any improper, illegal, collusive or anti-competitive arrangements with any Competitor or parties currently or potentially involved in this project</li> <li>b. its Response has not been prepared with</li> </ul>	agree / disagree	

consultation, communication, arrangement or understanding with any Competitor (other than potential consortium partners nominated in the Response)

- c. directly or indirectly approached any representative of the Buyer to lobby or solicit information in relation to the EOI (other than the Buyer's nominated Contact Person)
- d. has not attempted to influence, or provide any form of personal inducement, reward or benefit to any representative of the Buyer.

**Offer Validity Period:**

The Supplier confirms that this Response remains open for acceptance for a period of 6 from the Closing Date. This is called the Offer Validity Period.

agree / disagree

**Declaration:**

The Supplier declares that in preparing this Response it:

agree / disagree

- a. has provided complete and accurate information in all parts of the Response, in all material respects
- b. has secured all appropriate authorisations to submit this Response and is not aware of any impediments as to its ability to enter into a formal contract to deliver the Requirements.

The Supplier understands that should it be successful in being awarded a contract with the Buyer then the falsification of information, supplying misleading information or the suppression of material information in relation to this EOI will be grounds for termination of the contract.

If, in completing this Declaration, you fail to indicate 'agree' or 'disagree' against any of the above statements you will be deemed to agree with each of these statements.

**DECLARATION**

This Response has been approved and is signed by a representative of the Supplier who has the authority to do so. This representative is named below.

This representative declares that the particulars provided above and in the attached Response documents are accurate, true and correct.

Signature:

Full name:

Title / position:

Date:

## 6. Proposed Funding Agreement

It is anticipated that NZTE will, subject to the NZTE Board's approval, contract with the selected Lead Provider to implement the project.

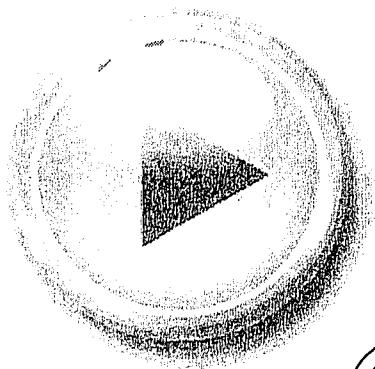
The accompanying Funding Agreement sets out NZTE's minimum requirements in terms of the level of commercial detail and general terms and conditions that will form part of any final contract with the successful Supplier.

These minimum requirements will be expanded on to reflect the final project design, including in respect of how the Funding will be paid, details of outputs, performance measures and reporting requirements.

These details will be worked through during the Competitive Dialogue or other subsequent tender stage and should form part of any final Proposal.

## 7. Instructions to Suppliers and EOI Conditions

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### Introduction

This document contains instructions for Suppliers interested in submitting a Response to this EOI. It also sets out the Standard Conditions that apply to the EOI process.

The following words and expressions (where they appear in the EOI-Part 1, EOI-Part 2, this document and any Schedule or attachment) have the meanings described below.

**Business Day**

A day when most businesses are open for business in New Zealand. It excludes Saturday, Sunday and public holidays.

**Business Hours**

Business hours means the period from 8.30am to 5.00pm on any Business Day.

**Buyer**

The Buyer is the organisation that has issued the EOI with the intent to purchase the goods or services described in the Requirements. For this EOI, the Buyer is the Ministry of Foreign Affairs and Trade and its partner agency, New Zealand Trade and Enterprise.

**Clarification Period**

The period within which a Supplier can ask for clarification or additional information from the Buyer in relation to the EOI.

**Closing Date**

The deadline for Responses (or final Proposals, as the context dictates) to be received by the Buyer as stated in Part 2.

**Competitive Dialogue**

The anticipated second stage of this procurement process, following the shortlisting of Suppliers as a result of the evaluation of EOI Responses. Refer to the accompanying MBIE guidance on 'How Competitive Dialogue works in New Zealand'.

**Competitors**

Any other business that is in competition with a Supplier either in relation to

the goods or services sought under the EOI or in general.

**Confidential Information**

Information that:

- a. is by its nature confidential
- b. is marked by either the Buyer or a Supplier as 'Confidential' 'Commercially Sensitive'
- c. is provided by the Buyer, a Supplier, or a third party 'In Confidence'
- d. the Buyer or a Supplier knows, or ought to know, is confidential
- e. is of a sensitive nature, or commercially sensitive to the Buyer, a Supplier or a third party.

**Conflict of Interest**

A Conflict of Interest arises if a Supplier's personal or business interests or obligations do, could or be perceived to, conflict with its obligations to the Buyer under the EOI or in the anticipated provision of the goods or services. It means that the Supplier's independence, objectivity or impartiality can be called into question. A Conflict of Interest may be:

- a. actual: where the conflict currently exists
- b. potential: where the conflict is about to happen or could happen, or
- c. perceived: where other people may reasonably think that a person is compromised.

**Contact Person**

Both the Buyer and Suppliers are required to appoint a Contact Person. This is the person who is the single point of contact for all communications during the EOI process and any subsequent Competitive Dialogue, negotiations, or other tender stage. The Buyer's Contact Person is identified in Part 2. The Supplier's Contact Person is identified in its Response.

**EOI Conditions**

The instructions to Suppliers, containing an outline of the process and the terms and conditions which apply to the process. This document contains the EOI Conditions.

**Evaluation Methodology**

The methodology set out in Part 2 used by the Buyer to evaluate Responses.

**Expression of Interest (EOI)**

The EOI comprises Part 1, Part 2, this set of Standard Conditions and any other Schedule attached by the Buyer.

**Funding Agreement**

The legally enforceable written contract for the delivery of the project between the successful Supplier and the Buyer/NZTE based on the proposed Funding Agreement appended to this EOI..

**GETS**

Government Electronic Tenders Services [www.gets.govt.nz](http://www.gets.govt.nz)

**GST**

The goods and services tax payable in accordance with the New Zealand Goods and Services Tax Act 1985.

**Indicative Timeline**

The suggested dates and times for the EOI process as described in Part 2. These may be subject to change at the Buyer's sole discretion.

**Intellectual Property**

All Intellectual Property rights and interests, including copyright, trademarks,

	designs, patents and other proprietary rights, recognised or protected by law.
<b>Lead Provider</b>	A Supplier that is responsible for the overall management and delivery of a project.
<b>Part 2</b>	The second section of the EOI which contains key information on the contracting opportunity.
<b>Proposal</b>	A final offer for the delivery of the project described in this EOI following a Competitive Dialogue or other subsequent tender stage,
<b>Representative of the Buyer</b>	A person who represents the Buyer. This can be a member of staff, contractor, consultant, agent or second. Suppliers must not directly or indirectly approach, lobby or solicit information from a representative of the Buyer, other than the Buyers' Contact Person named in the EOI.
<b>Requirements</b>	The goods and/or services described in the EOI Part 2.
<b>Response</b>	The response a Supplier submits in reply to the EOI. It should include all information specified by the Buyer in the EOI.
<b>Schedule</b>	Any attachment to the EOI with the title 'Schedule'.
<b>Supplier</b>	A person, organisation, business or other entity that submits a Response in response to the EOI. It includes subcontractors, successors and permitted assignees.

## 1. Preparing a Response

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### Preparing a Response

- Suppliers must provide in their Response all information requested by the Buyer in the EOI. The information must be supplied in the format specified by the Buyer.
- Failure to provide all information requested or in the correct format may result in the Response being rejected as non-conforming.

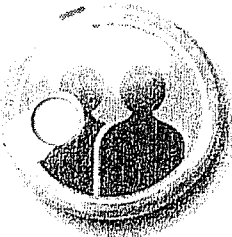
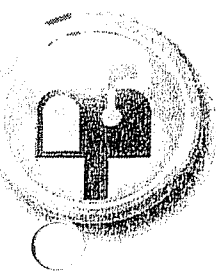
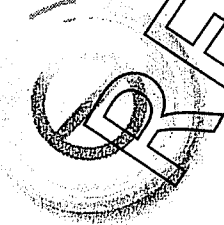
### Language

- Responses must be in English.

### Clarification Period

- Each Supplier must satisfy itself as to the interpretation of the EOI. If there is any perceived ambiguity or uncertainty in the EOI documents Suppliers should seek clarification before the end of the Clarification Period.
- All requests for clarification must be made by email to the Buyer's Contact Person. Please allow a reasonable period of time for the Buyer to respond to a request. Requests will be dealt with by the Buyer during Business Hours.



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6. The Buyer does not intend to answer questions submitted after the Clarification Period ends, although it reserves the right to do so.
  7. If the Buyer considers a request to be of sufficient importance to all Suppliers it may provide details of the question and answer to other Suppliers. This information may be posted on GETS. In deciding whether or not to publish the question and answer the Buyer will take into account the risk of disclosing information which may be commercially sensitive to the Supplier making the request.
  8. If a Supplier identifies an inaccuracy or inconsistency in the EOI please notify the Buyer as soon as possible.

#### **Joint Responses**

9. Suppliers may collaborate with their proposed consortium partners in the preparation of their Response, provided that each consortium partner signs the Supplier's Declaration in Section D. Note however that the Buyer reserves the right to treat Suppliers and their proposed consortium partners as separate and independent entities for the purpose of any Competitive Dialogue or other subsequent tender stage.

## **2. Submitting a Response**

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#### **Submitting a Response**

1. Responses must be received by the Buyer before the Closing Date.
2. The Buyer accepts no responsibility for Responses that are delivered to the wrong address or, for whatever reason, are not received by the Buyer.
3. The Buyer will acknowledge receipt of each Response by telephone or email.
4. By submitting a Response each Supplier warrants that all information provided is complete and accurate in all material respects

#### **Late Responses**

5. The Buyer reserves the right to accept a late Response in exceptional circumstances where it considers that there is no material prejudice to other Suppliers. However, the Buyer will not accept a late Response if it considers that it would be unfair to any other Supplier to accept the late Response.

### 3. Evaluation of Responses

#### Evaluation

1. The Buyer will convene an evaluation panel comprising members chosen for their relevant expertise and experience. The Buyer may, at its sole discretion, invite independent advisors to evaluate any Response, or any aspect of any Response. Suppliers must not communicate with any member of the evaluation panel.
2. The Buyer will evaluate each Response in accordance with the Evaluation Methodology set out in Part 2.

#### Collection of further information

3. Each Supplier authorises the Buyer to collect further information (except commercially sensitive pricing information) from any publically available sources or relevant third parties (such as a referee or a previous or existing client) and to use that information as part of its evaluation of the Supplier's Response.
4. The Buyer reserves the ability to adjust its evaluation and scoring of a Supplier's Response following the collection of further information.

#### Short listing

5. Following the evaluation process the evaluation team aims to shortlist those Suppliers who are capable of delivering the Requirements and rank them in order of their evaluated scores.
6. The Buyer will notify the shortlisted Suppliers. Such notification does not constitute acceptance by the Buyer of the Response, or imply or create any obligation on the Buyer to enter into negotiations with, or award a contract to any shortlisted Supplier.
7. At this stage in the process the Buyer does not intend to publicise the names of the shortlisted Suppliers.

#### Supplier debrief

8. Following the short listing process, the Buyer will advise all unsuccessful Suppliers. The debrief may be provided by email, or phone.

4.

## General terms and conditions

### Buyer's terms

1. The EOI comprises Part 1 and Part 2. The EOI sets out the Buyer's terms upon which Suppliers may submit Responses. These terms are non-negotiable.
2. Each Supplier should carefully read the EOI to ensure that its Response complies with the Buyer's terms. By submitting a Response the Supplier accepts that it is bound, without reservation or variation, by the terms set out in the EOI.
3. The Buyer is not required to accept any Response for evaluation that does not comply with these terms.

### Suppliers' obligations

4. Each Supplier will be considered to have:
  - a. examined the EOI and any documents referenced in the EOI and any other information provided by the Buyer
  - b. satisfied itself as to the correctness and sufficiency of its Response.

### Reliance on the Response

5. Each Supplier must ensure that all information provided to the Buyer is complete and accurate. The Buyer may rely upon all information provided by a Supplier in its Response and in any correspondence or negotiations with the Buyer, or the Buyer's representatives.

### Indicative Timeline

6. The Indicative Timeline for the EOI process is stated in Part 2. Please note that these dates and times may be changed at the sole discretion of the Buyer. The Buyer will notify Suppliers of any material changes to these dates or times. This may be by notice posted on GETS.

### Buyer's Contact Person

7. All enquiries regarding the EOI must be directed to the Buyer's Contact Person, whose details are provided in Part 2. The Buyer requests that email be used for all communications in relation to the EOI.
8. Only the Contact Person, and any person authorised by the Contact Person, are authorised to communicate with Suppliers regarding any aspect of the EOI.
9. The Buyer will not be bound by any written or oral statement made by any person, other than the Contact Person.
10. The Buyer may change the Contact Person at any time. The Buyer will notify Suppliers of any such change. This notification may be posted on GETS.
11. Where a Supplier has an existing contract with the Buyer then business as usual communication, for the purpose of that contract, will continue using the usual contacts. Suppliers must not use business as usual contacts to lobby the Buyer, solicit information or discuss aspects of the EOI.

### **Conflict of Interest**

12. Each Supplier must include a Declaration with its Response Section D, which includes a statement regarding Conflicts of Interest. Each Supplier must immediately inform the Buyer should a Conflict of Interest arise during the EOI process.

### **Ethics**

13. Suppliers must direct all enquiries to the Buyer's Contact Person. Suppliers must not directly or indirectly approach, contact, lobby or solicit information concerning any aspect of the EOI from any other representative of the Buyer.
14. Suppliers must not attempt to influence or provide any form of personal inducement, reward or benefit to any other representative of the Buyer.
15. A representative of the Buyer includes any employee, consultant, contractor or advisor engaged by the Buyer.
16. Any Supplier, who attempts to do anything prohibited by the above clauses 13 and 14 may be disqualified from the EOI.

### **Confidentiality**

17. The Buyer, and each Supplier, will keep confidential all Confidential Information provided by the other. No Confidential Information will be provided to a third party without the other's prior written consent.
18. Where a Supplier's Response contains information, such as Intellectual Property, that it considers should be held confidential, the Supplier must clearly identify the information and mark it confidential and commercially sensitive. The Supplier may be asked by the Buyer to indicate the reason why such information should be held as confidential.
19. Suppliers acknowledge that the Buyer's obligations under the above clause are subject to the requirements imposed by the Official Information Act 1982, the Privacy Act 1993, parliamentary convention and any other obligations imposed by the law.

### **Response costs**

20. Each Supplier must meet all of its own costs associated with the preparation and presentation of its Response.

### **Ownership of documents**

21. All documents forming the Response will, when delivered to the Buyer, become the property of the Buyer. Responses will not be returned to Suppliers at the end of the process.
22. Ownership of Intellectual Property rights does not pass on a Response being delivered to the Buyer. However, the Supplier grants to the Buyer a license to retain, use, disclose and copy information contained in the Response for any purpose related to the EOI process.

### **No binding legal relations**

23. Responses are submitted on the basis that no contract or binding legal relations with the Buyer are created unless, and until, a written contract between the Buyer and any Supplier selected following a subsequent stage of this tender process is signed by both parties.

### **Status of EOI**

24. The Buyer aims to demonstrate fair dealing and due process, and to act lawfully, fairly and reasonably in its interactions with Suppliers.
25. Neither the EOI nor the EOI process shall create any legal relationship between the Buyer and a Supplier. This EOI process does not give rise to a process contract.

### **Buyer's rights**

26. In addition to any other term described in the EOI the Buyer may at any time:
- a. amend, suspend, re-issue or cancel the EOI or any part of the EOI on notice to the Suppliers
  - b. change any date in the Indicative Timeline contained in Part 2 on the proviso that any material change is notified to Suppliers
  - c. delete, change or add to the Requirements contained in Part 2 on the proviso that any material change is notified to Suppliers
  - d. reject or accept any non-compliant Response on notice to the Supplier
  - e. reject or accept any alternative Response on notice to the Suppliers
  - f. waive any irregularities or information in the EOI process
  - g. proceed or not proceed to a Competitive Dialogue or other subsequent tender stage
  - h. not enter into a contract with any Supplier
  - i. exclude any Supplier from the EOI process where the Supplier has breached a term or condition of the EOI on notice to the Supplier
  - j. liaise or negotiate with any Supplier without disclosing this to, or doing the same with, any other Supplier
  - k. provide or withhold from any Supplier information in relation to any question arising in relation to the EOI. Information will only be withheld if it is deemed unnecessary, is commercially sensitive to a Supplier, or is inappropriate to supply at the time of the request
  - l. deal separately with any divisible element/s of the Requirements or any Response
  - m. split the provision of the Requirements and enter into separate contracts with separate suppliers or run separate subsequent tender stages.

### **Public statements**

27. Suppliers must not issue any public statement in relation to the EOI, or any subsequent tender stage or contract awarded, without the prior written approval of the Buyer.

### **New Zealand law**

28. The laws of New Zealand shall govern the EOI and each Supplier agrees to submit to the exclusive jurisdiction of the New Zealand courts in respect of any dispute concerning the EOI or the EOI process.

### **Disclaimer**

29. While all reasonable care has been taken in compiling the EOI, the information and details are presented in good faith. No warranty (expressed or implied) is given by the Buyer as to the completeness or accuracy of the documents or information.
30. The Buyer and its agents or advisors will not be liable in contract, tort, equity, or in any other way whatsoever for any direct or indirect damage, loss or cost incurred by any Supplier or any other person in respect of the EOI process.

Indicative Business  
Case

Investing in a NZ demonstration  
breeding farm and operation in Saudi  
Arabia

Final Draft 13 August 2013

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# Executive Summary

## Introduction

1. This Indicative Business Case seeks formal approval to procure a lead provider to design and implement the Government's investment in a demonstration breeding farm and operation in Saudi Arabia that will showcase New Zealand agribusiness capability and technology. This will be developed and delivered in partnership with the Al Khalaf Group, a large Saudi Arabian company specialising in farming, transportation and sale of livestock.
2. The key purpose of this Indicative Business Case is to<sup>1</sup>:
  - Confirm the strategic context and fit of the proposed investment;
  - Provide an update on progress to date and report back on the results of the technical visit to Saudi Arabia in April 2013;
  - Propose how New Zealand can best assist and partner with the Al Khalaf Group to develop a New Zealand/ demonstration farm and agrihub in Saudi Arabia; and,
  - Recommend a procurement strategy to select a lead provider to design and implement the Government's investment.

## Strategic Case

3. The strategic case outlines the context and case for the investment proposal.

### The strategic context

4. For the past three years the Minister of Foreign Affairs, supported by Ministry officials, has been working to resolve a major relationship issue with Saudi Arabia which has spilled over into the wider GCC. s 9(2)(j)  
the more serious problem lies in the threat to existing trade in goods and services unless steps are taken to resolve it.
5. The attached Cabinet Paper outlines in more detail the background and context of this wider issue.

The investment proposal presented in this paper aligns New Zealand's interest in resolving this issue, pursuing a stronger relationship with the GCC (protecting and extending market access), and increasing agri-sector export revenues in the GCC region. A technical field visit with private and public sector experts to Saudi Arabia was undertaken in April 2013 to identify the investment objectives and gain a better understanding of the business needs<sup>2</sup>. The participants identified the following key investment objectives

- Investment objective one: Research, plan and design a demonstration breeding farm and hub designed around a combination of Saudi Arabian and New Zealand on-farm best practices

<sup>1</sup> This Indicative Business Case follows the Better Business Case guidance, and is organised around the "five case model"

<sup>2</sup> The contract between MFAT and the Al Khalaf Group outlines the basis for access to Al Khalaf Group's IP, staff, systems and networks, and their assistance in developing and undertaking the technical visit to Saudi Arabia.

- Investment objective two: Develop a demonstration breeding farm and operation which supports Saudi Arabia's food security objectives
  - Investment objective three: Showcase and promote NZ best practice, technology, capability and approaches representing best practice across the value chain.
6. The benefits from achieving these investment objectives are expected to be:
- Protection of current market access to the GCC
  - Improved market access to the GCC
  - Increased agrisector revenues
  - Increased tax revenue

## Economic Case

7. As part of the technical visit, a value chain assessment was undertaken of Al Khalaf Group's current capabilities to deliver against their business objectives, and the proposed breeding operation. This identified several areas where assistance and support from New Zealand would be beneficial to the development of the breeding farm and operation. Based on the scale of New Zealand's proposed investment this list was further reduced to the core areas that were both critical to Al Khalaf Group and where New Zealand could provide a demonstrable difference. The four areas that have been agreed with the Al Khalaf Group are:
- Animal performance and management
  - Nutrition management
  - Design and provision of technology and equipment
  - Governance and marketing

Refer to Table four for more detail regarding each of the above

## Commercial Case

8. The commercial case outlines the proposed procurement strategy. At a conceptual level, the procurement and contracting structure is based on the Primary Growth Partnership Programme run by the Ministry of Primary Industries<sup>3</sup>.
9. It is proposed that a two stage tender process to enable the prequalification of a consortium lead (lead provider) and likely consortium members. . Having completed the initial Registration of Interest (ROI) and associated screening the shortlisted provider(s) will progress through into a competitive dialogue process to better define the scope of the service delivery model, prior to being invited to submit a more detailed proposal(s). The selected lead provider will organise a consortium to meet the programme scope and requirements and deliver of the services and deliverables documented in a contract signed with MFAT/NZTE (to be determined).

<sup>3</sup> The PGP programme focuses on contracting to deliver value, joint setting of objectives and milestones, inclusive governance models and a planning process that allows for variations over the duration of the contract within an agreed framework.

## Financial Case

10. The financial case outlines the funding requirements of the preferred way forward.
11. Cabinet has agreed that the \$6m funding for purchasing New Zealand goods and services as part of the partnership will be met within the current baselines of the Ministry of Foreign Affairs and Trade. Funding has been allocated for this purpose.
12. It is proposed that the funding and responsibility for managing the selected lead provider will be transferred to NZTE.(to be agreed).

## Management Case

13. The management case addresses the planning arrangements required to both ensure successful delivery and to manage project risks.
14. The project governance structure is based around a contract between the Government agencies and the lead provider. The lead provider will then establish a management group and project teams utilising key consortium staff. It is proposed NZTE will manage the contract through a set of milestones jointly developed with the lead provider.

## Next Steps

15. This Indicative Business Case seeks formal approval to commence the procurement process.

## Introduction

16. This Indicative Business Case seeks approval to procure a lead provider to design and implement the Governments investment in a demonstration breeding farm and operation in Saudi Arabia that will showcase New Zealand agribusiness capability.

17. The purpose of this Indicative Business Case is to:

- Confirm the strategic context and fit of the proposed investment
- Provide an update on progress to date and report back on the results of the technical visit to Saudi Arabia
- Propose how New Zealand can best assist and partner with the Al Khalaf Group to develop a New Zealand/Saudi Arabia demonstration farm and operation in Saudi Arabia
- Recommend a procurement strategy to select a lead provider to design and implement the Governments investment

18. This plan seeks approval for the Ministry of Foreign Affairs, in partnership with NZTE and the Al Khalaf Group to:

- Undertake an EoI, competitive dialogue and contracting process to design the programme of work in more detail and contract with a lead provider and associated consortium members
- Invest \$6million in the partnership created by the contract (of which NZTE has indicated it will invest 500K)
- Participate in the on-going contract management required over a defined period.

19. The principles behind MPI's Primary Growth Partnership have been utilised to underpin the approach outlined in this paper and should be utilised throughout the rest of the process. The concept of partnership is important to the Al Khalaf Group, and is key to ensuring that the Government's investment in this programme is able to be leveraged into new commercial opportunities for New Zealand agribusiness in Saudi Arabia and the wider GCC.

20. The key outcomes that the Government aim to achieve are:

- A demonstration farm and operation that represents best practice, and upholds the reputation of New Zealand agri-business excellence - showcasing New Zealand on farm capability, products and expertise in market generating repeat purchases
- Protected and improved market access to the GCC
- Support Saudi Arabia's food security and safety objectives
- Increased New Zealand agri- sector revenues

### Al Khalaf Group

21. The Al Khalaf Group is a large Saudi Arabian based company specialising in the farming, importing and processing of red meat for consumption in the Saudi Arabian market. It has for over 20 years remained committed to New Zealand and still own two farms in the Hawke's Bay with an Awassi flock of 8,000 breeding ewes and over 500 stud rams. Al Khalaf

continues to show a commitment to New Zealand through these investments in land, livestock breeding contracts with New Zealand farmers and local communities

22. The Al Khalaf Group is Saudi Arabia's largest livestock importer - importing livestock from Australia, Africa and Europe into Saudi Arabia via the port cities of Dammam and Jeddah. The group also owns farms in Australia and in the Hawke's Bay, and owns a quarantine centre near Timaru, which is currently used as part of the existing trade in exporting breeding dairy cattle and sheep to destinations such as South America and China.
23. The Group has significant holdings in Saudi Arabia including its core business of livestock transportation and trading, as well as construction, retail and contracting businesses. As the largest livestock trading company in Saudi Arabia it owns significant assets in the red-meat supply chain, and has access to Saudi customers and influencers that will benefit New Zealand firms involved in the partnership.
24. Trading in New Zealand as Awassi NZ Ltd the Group bred, contracted and transported sheep from New Zealand from the late 1980s to 2003 when the practice was banned. During this time the group spent hundreds of millions of dollars in the New Zealand farming sector, and has developed a highly-prized breed of Awassi sheep using New Zealand genetic and pastoral expertise. It works closely with a range of New Zealand firms in its New Zealand operations.
25. The Group advised that it has entered into a contract  
§ 9(2)(b)(ii)  
The Group has advised that this vessel will be used in any transportation of breeding stock to develop the breeding operation in Saudi Arabia,
26. The Group has shown an interest in working with New Zealand Government and firms in assisting Saudi Arabia with its food security needs and religious festival red-meat requirements. The Group is investing along with the Saudi Government in increased breeding facilities and farms in Saudi Arabia.
27. The owner of the Group, Sheikh Hamood Al Khalaf, has a close relationship with key players in the Saudi agricultural sector, including the Minister of Agriculture and the Chairman of the Saudi Arabia Livestock Investment Company – a large agri investment fund.
28. The Al Khalaf Group has confirmed it wants to build a demonstration breeding farm on an existing site that it owns in Saudi Arabia, using New Zealand technologies and knowhow and welcomes a proposal from New Zealand on how that may be achieved for the benefit of both countries. The Al Khalaf Group has a substantial business in Saudi Arabia to build a solution around. The Al Khalaf Group has made it clear that any proposed solution should provide a valid role and commercial opportunity for the past and current investment in New Zealand farms and Awassi genetics. Any proposed solution should have a strong livestock component to it. For example, live export of breeding stock both sheep, cattle and in time dairy stock.
29. The Al Khalaf Group will be key in identifying and researching market opportunities in Saudi Arabia and elsewhere in the Middle East for the products produced from the demonstration farm.

#### Progress to date

30. In order to develop a solution, a group of New Zealand technical experts (see related papers) travelled to Saudi Arabia to review Al Khalaf's existing value chains. The objective was to

identify how best New Zealand could assist Al Khalaf to achieve its objectives of a demonstration breeding farm and contribute to the Saudi Arabian food security programme.

31. New Zealand based technical experts identified a range of areas where New Zealand could assist Al Khalaf with building the demonstration farm. The components of a value chain were identified and documented. A well-funded demonstration farm could act as a showcase of New Zealand technologies for the wider GCC market where Saudi Arabian, GCC farmers and agribusinesses and other sector participants could observe New Zealand systems and technologies in operation. The initial costs from Al Khalaf indicate it will cost approximately \$80 million to establish a sustainable breeding operation of 50,000 breeding ewes. New Zealand's \$6 million investment will be used to procure specialist expertise to make it a success. Al Khalaf is committed to a partnership arrangement to build the demonstration farm and promote New Zealand capability which will in turn assist with contributing over time to Saudi Arabia's food security objectives.
32. While the discussions continue to develop with Al Khalaf's representatives, there is now a need to consider the programme of work which will determine the optimal solution for New Zealand before these discussions can progress.
33. The immediate opportunity, and the focus of this paper, is the development of a demonstration breeding farm and hub in Saudi Arabia that will mean New Zealand companies are well placed to assist Saudi Arabia and Al Khalaf with wider and more extensive goals.
34. The pilot programme will enable the development of market demand for New Zealand products and capabilities by showcasing New Zealand's primary sector capabilities within market (initially Saudi Arabia – and progressively through the GCC states). The programme will also contribute to stronger regional relationships with connections throughout the Saudi Arabian food value chain – through the promotion of Al Khalaf and his leadership role in the formation of a partnership and consequentially the development of closer Government-to-Government connections through contributing to Saudi Arabia's food security.

#### **Cabinet Decision**

In regards to the partnership, Cabinet:

- Noted the proposal to invest in a pilot agribusiness operation with Saudi Arabia as a means to resolve this dispute and form a long term food security partnership;
- Agree there will be an ongoing investment in the pilot agribusiness operation of up to \$6 million for the delivery of services by NZ agricultural service entities, and that the \$6 million will be undertaken in strict conformity with Government Procurement requirements;
- Noted that the cost of these initiatives will be met from the MFAT baseline;
- Noted that the procurement and selection of New Zealand firms and services to participate in the food security partnership will be done with agreement of the Saudi partners, MFAT, and NZTE, and funding will be disbursed using usual NZTE mechanisms;
- Noted that any related proposal to export livestock for breeding purposes must meet existing MPI criteria and be the subject of an application in the normal way;
- Noted that any export of livestock for breeding purposes under the partnership must be undertaken to achieve the effective relocation of breeding stock to Saudi Arabia for the

purposes of shaping the new business model, and not to establish a new business in New Zealand in the export of livestock for breeding.

- Cabinet also agreed that MFAT was to work with OAG and Treasury on developing the programme.

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## The Strategic Case – Making the Case for Change

35. This part of the strategic case confirms the strategic context for the investment proposal and makes a compelling case for change.

### Strategic Context

36. The strategic context provides an overview of the organisation and the outcomes that it is seeking to achieve, or contribute to, through its operations.

### Organisational overview and alignment to existing strategies

37. The investment proposal aligns to New Zealand's interest in pursuing a stronger relationship with the GCC.
38. The GCC is a six member regional grouping of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. With a population of 28 million, Saudi Arabia is by far the largest and most influential GCC state.<sup>4</sup> The GCC comprises one of the wealthiest trading blocs in the world. Qatar has the highest GDP per capita (US\$102,000) in the world. Surrounded by the Arab Spring, GCC nations are utilising oil wealth to improve the lives of their citizens, as a means of ensuring longer term stability.
39. For the past three years the Minister of Foreign Affairs, supported by Ministry officials, has been working to resolve a major relationship issue with Saudi Arabia which has spilled over into the wider GCC.
- s 9(2)(j)
- the more serious problem lies in the threat to existing trade in goods and services unless steps are taken to resolve it.
40. The investment proposal aligns to the three related Government entity objectives as outlined at a high level below:

<sup>4</sup> Saudi Arabia (28 million people), United Arab Emirates (7.9m), Kuwait, (2.8m), Oman (2.7m), Qatar (1.8m), Bahrain (1.3m).



**Table 1: Alignment to key Government Agencies**

<b>Ministry of Foreign Affairs and Trade</b>	<p>MFAT is responsible for protecting and promoting New Zealand's interests overseas. Relevant SOI enduring outcomes are:</p> <ul style="list-style-type: none"> <li>• New Zealand's ability to influence key relationships and safeguard our interests enhanced</li> <li>• Economic growth and international competitiveness advanced through New Zealand's international connections</li> <li>• New Zealand's interests secured through regional and multilateral engagement and effective international rules</li> </ul> <p>And relevant strategic priorities are:</p> <ul style="list-style-type: none"> <li>• Achieve influential relationships with key emerging economies</li> <li>• Build comprehensive partnerships with the European Union and the Middle East</li> <li>• Help New Zealand firms to internationalise and export.</li> </ul>
<b>New Zealand Trade and Enterprise</b>	<p>NZTE's as New Zealand's international business development agency helps New Zealand businesses grow bigger, better, faster in international markets. NZTE's strategy supports the Government's Business Growth Agenda which creates conditions that encourage successful businesses to grow globally.</p>
<b>Ministry of Primary Industries</b>	<p>Relevant aspects of MPI's strategy are:</p> <ul style="list-style-type: none"> <li>• Increasing sector investment in innovation</li> <li>• Increasing access to new and changing markets</li> <li>• Increasing primary sector contribution to GDP</li> </ul>

41. The GCC is a region where:

- Economies are growing quickly
- Markets are maturing
- Consumer demand for imported goods and services is high and on an upward growth trajectory
- Economic indicators underline the importance of New Zealand securing a stable, strategic economic partnership on a par with other countries, and recognition as a supplier of choice.

42. The GCC is a significant market for New Zealand:

- If treated as a single destination, the GCC was New Zealand's fifth-largest export market by value in the year to December 2011, .
- New Zealand's exports to the Gulf region have experienced on average 10% growth per year over the last six years, compared with average growth in New Zealand's total exports of 3.7% per year over the same period.
- New Zealand goods exports to the GCC already exceed \$1.57 billion (higher than the UK and India) and have grown at an average of over 10% over the past three years. This reflects a recognition by both the Government and the private sector of the fact that significant effort could see these figures lift dramatically. The only new New Zealand embassy opened anywhere in the world in the last three years was established in Abu

Dhabi, and private sector interests have also invested heavily in their presence in the Gulf.

43. The objective of an FTA with the GCC would be to move towards deeper economic integration between New Zealand and the GCC countries. There are, at this stage, three broad benefits accruing to New Zealand in pursuing FTA negotiations with the GCC.

**Table 2: Benefits of an FTA to NZ**

Benefit	Description
<b>Removal of tariff barriers to maintain our competitive edge</b>	<ul style="list-style-type: none"><li>• New Zealand's top two export items to the GCC, dairy and sheep meat, together account for an average of 80% (or NZ\$554 million) of exports to the region over the last three years.</li><li>• In 2006 the GCC was New Zealand's fourth largest market for sheep meat by volume, and fifth by value. For beef, the GCC was New Zealand's 11<sup>th</sup> largest market by volume and 12<sup>th</sup> by value.</li></ul>
<b>A platform to develop trade in services and investment</b>	<ul style="list-style-type: none"><li>• While goods currently dominate our exports, New Zealand has growing interests in services areas such as information and communications technology, education services, architecture and engineering services, consultancies, legal services, environmental services, and construction. Saudi Arabia and Oman are a growing and important source of international fee-paying students.</li></ul>
<b>Reducing non-tariff barriers to trade</b>	<ul style="list-style-type: none"><li>• Longer-term, an FTA would also provide a basis for consultation to deal with a range of non-tariff issues affecting trade, such as Sanitary and Phyto-sanitary (SPS) measures (i.e. animal and plant quarantine, including food safety); and Technical Barriers to Trade (TBT) (e.g. standards, technical regulations and conformity assessment procedures).</li></ul>

44. Importantly for the depth of New Zealand's on-going relationship with Saudi Arabia, the investment proposal is aligned to Saudi Arabia's food security goals.
45. According to the Economist Intelligence Unit, the six GCC states currently import 90% of all food products. High reliance on imports means the region is particularly vulnerable to price increases when supplies are interrupted. For example, interruptions in supply and demand lead to shortages in food commodities and a surge in prices during the world food crisis from mid 2007 to mid 2008.
46. Saudi Arabia is currently investing US\$23.1 billion in food security initiatives, including a US\$12.3 billion allocation to the development of the food processing sector. Some of the actions taken include:
- Increasing the salaries of all government officials.
  - Increasing the allowances of all social security beneficiaries.

- Subsidising some basic products (rice, baby milk powder, barley and other animal feed ingredients).
- Controlling the prices of some products (cement, steel).
- Lowering the local prices of fuel (Gasoline and Diesel).
- Reducing the fees on some services such as seaport services, passports, driving licenses, and residences permits. Cutting the import tariffs of 180 basic commodities of which some are food products such as wheat products, chickens, eggs etc.

47. The proposal for a demonstration breeding farm is timed well with new Saudi initiatives to improve its food security. The Saudi Agricultural Development Fund has, for example, recently launched an initiative to increase the number of sheep after seeing sheep in the Kingdom drop from 12 million in 2008 to 8.7 million in 2012. They want to make the industry sustainable with the preservation of natural resources while also developing the methods used by herders, breeding-improvement programs, genetic improvement, and feeding methods.

48. New Zealand's best practice agricultural capability and reputation for excellence, means that we are well placed to assist Saudi Arabia, and the wider gulf region, with food security initiatives.

## Investment Objectives, Existing Arrangements and Business Needs

### Investment Objectives

49. As stated in the introduction the overall investment objective is to support the design and build of a demonstration farm and operation that represents best practice, and upholds the reputation of New Zealand Agri-business excellence - showcasing New Zealand on farm capability, products and expertise in market generating repeat purchases.

50. To that end a technical field visit with key stakeholders was undertaken to identify the investment objectives and gain a better understanding of the business needs. The key stakeholders identified and agreed the following key investment objectives:

- Investment objective one: Research, plan and design a demonstration breeding farm designed around a combination of Saudi Arabian and New Zealand on-farm best practices
- Investment objective two: Build and implement demonstration breeding farm which support Saudi Arabia's food security objectives
- Investment objective three: Showcase and promote NZ best practice, technology, capability and approaches representing best practice across the value chain

### Existing Arrangements and Business Needs

51. The demonstration farm will showcase a breeding and fattening unit that produces product that would be targeted to the growing middle class in Saudi Arabia and the GCC. This would complement Al Khalaf's existing value chains and provide a premium market return. Al Khalaf will be seen as the driver of innovation in the red meat sector in its resolve to contribute to addressing food security risks. Visitors to the demonstration farm will see New Zealand products and services in action.

52. The demonstration farm will:

- Be designed around a combination of Saudi Arabian and New Zealand on-farm best practices
- Involve and showcase in Saudi Arabia a number of New Zealand firms or technologies representing best practice across the value chain (genetics, farm management systems and farm equipment were identified)
- Have staff capacity and capability to showcase the operation to interested business delegations
- Leverage Al Khalaf's brand, investments and expertise in both markets while providing a new sustainable business
- Support Saudi Arabia's food security and safety objectives
- Build New Zealand brand awareness and complement the existing chilled and frozen meat trade

53. During the study tour to Saudi Arabia the participants developed an integrated breeding chain for red meat from New Zealand to Saudi Arabia – see the diagram below. Using this tool we identified those areas where New Zealand could best assist Al Khalaf and developed their new value chain.

Deloitte

Al Khalaf Group Integrated Breeding Value Chain for Red Meat												
New Zealand			Offshore			Saudi Arabia						
(A) Breeding in New Zealand			(B) Breeding in Offshore			(C) Breeding Programme in Saudi Arabia		(D) Slaughter and Processing		(E) Sales/Marketing and Distribution		
Strategies and Planning	Supply agreements with Farmers	Animal Selection	Country of Departure Regulations	Site Selection and Redesign	Planning the Programme	Animal Genetics and Strategy	Agronomy and seeds	Land Selection	Asset Utilisation	Site Selection	Citizens of KSA	Hot Kill Local trade
Comms Strategy	Animal Selection	Infrastructure and feedlots	Vessel Selection	Equipment Procurement	Performance Management	Animal Husbandry	Soil Management	Design of Buildings for Animals & Storage	Management of Supply	Design	Residents of KSA	Butchers
Performance Management	Animal Genetics and Ram Availability	Fodder	Animal Health	Disembarking Procedures	HP Planning & Capability Building	Quality Assurance	Irrigation Plan	Plant	Redesign and New Equipment	Project and Cost Management	Branding	Restaurant Trade
Infrastructure	Animal Traceability	Animal Health	Country of Arrival Regulations	Quality Assurance Processes	Finance	Animal Traceability	Storage	Equipment and Machinery	Cost Management	Equipment Procurement	Marketing	Fast Food Outlets
Finance	Quality Assurance	In Country Regulations		Hygiene Practices	Information Technology		Feed Mill		Quality Assurance Processes	Quality Assurance Processes		GCC States
Information Technology							Water Management		Hygiene Practices	Hygiene Practices		
									By Product, Pelts, Fertilisers			

54. An assessment was undertaken of Al Khalaf's current capabilities to deliver against their objectives. This identified several areas where they required assistance and support from New Zealand. Based on the quantum of the New Zealand's investment this list was further reduced to the core areas that were both critical to Al Khalaf and where New Zealand could provide a demonstrable difference. The four areas that have been agreed are:

- Animal performance and management
- Nutrition management

- Provision and design of technology and equipment
- Governance and marketing

55. Al Khalaf intends to build a processing plant next to the demonstration farm once planning consent is given. They anticipate New Zealand expertise will be procured to design and build this facility – potentially under a separate arrangement.

56. Al Khalaf believed that sales and distribution was an area where they had existing capability and intended to invest further as the programme comes on stream.

**The Economic Case sets out the programme areas in more detail and also outlines high level milestones and achievement measures.**

## Potential Business Scope and Key Service Requirements

57. As outlined above, the business scope and key service requirements were identified and assessed by key stakeholders during the study tour. The group concluded that the following was the scope required to deliver essential and desirable service requirements:

**Table 4: Potential business scope and key service requirements**

Service Requirements	Key Assessment
Animal performance and management	<ul style="list-style-type: none"> <li>• Animal husbandry, welfare, performance</li> <li>• Animal selection</li> <li>• Genetics strategy</li> <li>• Infrastructure development (i.e. feedlots)</li> </ul>
Nutrition management	<ul style="list-style-type: none"> <li>• Nutrition formulations</li> <li>• Agronomy and seeds selection</li> <li>• Fodder production</li> <li>• Water management systems</li> <li>• Irrigation systems</li> </ul>
Provision and design of technology and equipment	<ul style="list-style-type: none"> <li>• Ear tags/EID tags</li> <li>• Tag readers</li> <li>• Scanners</li> <li>• Scales</li> <li>• Sprayers</li> <li>• Irrigators</li> <li>• Fencing</li> <li>• Slaughter and processing design and technologies</li> </ul>
Governance and marketing	<ul style="list-style-type: none"> <li>• Business planning and project management</li> <li>• Farm management planning</li> <li>• HR strategies and people development</li> <li>• Farmer selection and contracting</li> <li>• Marketing and branding</li> </ul>

## Main Benefits

58. Stakeholders identified the following benefits during the study tour and subsequent analysis.

**Table 5:** Analysis of potential benefits that can be expressed in monetary terms (more detailed analysis will be undertaken through the contracting process with the lead provider).

Main Benefits	Who Benefits?	Direct or Indirect?	Description
Protection of current market access to the GCC	Government and current exporters to the GCC	Indirect	This is part of a strategy to resolve a major relationship issue with Saudi Arabia which has spilled over into the wider GCC
Increased tax revenue	Government	Indirect	Tax revenue in the form of income tax and PAYE through growth of New Zealand companies. The portion of the investment recycled through the tax system via Income and PAYE taxes (for companies based in New Zealand). Very little GST will be captured primarily due to the services being delivered offshore
Increased sector revenues	Agri sector	Direct and indirect	<p>Increased sector revenues through</p> <ul style="list-style-type: none"> <li>Commercialisation of Government IP (through Government Ministries and Departments)</li> <li>Increased export revenues from sales of products and services by New Zealand Companies in Saudi Arabia initially then the GCC</li> <li>Increased services and product sales</li> <li>Increased benchmarking services</li> <li>Potential for IP licencing fees</li> <li>Potential long term customer base</li> </ul>

59. Some benefits cannot be reliably quantified in monetary values. These non-monetary benefits are described below.

**Table 6:** Analysis of potential benefits that cannot be reliably expressed in monetary terms

Main Benefits	Who Benefits?	Direct or Indirect?	Quantitative or Qualitative?	Description and Possible Measures
Improved market access	Government and current and future exporters to the GCC	Indirect	Quantitative	This project will improve the relationship between the New Zealand and Saudi Arabian Governments – ultimately resulting in improved market access to Saudi and the broader GCC. This will have significant spill over benefits to New Zealand organisations doing or wishing to do business in Saudi and the GCC

60. Measures of these and other benefits will be developed with the selected provider for inclusion in the contract. These will then be tracked in the form of progress reporting through the contract management process.

## Main Risks

61. Risks result from uncertain events that either improve or undermine the achievement of benefits. The main risks that might create, enhance, prevent, degrade, accelerate or delay the achievement of the investment objectives are identified and analysed below:

**Table 7: Initial risk analysis**

Main Risks	Consequence (H/M/L) <sup>5</sup>	Likelihood (H/M/L)	Comments and Risk Management Strategies
Market interest and capability	Medium	Medium	<p>There are no guarantees that substantial sales will result from the demonstration farm. Attracting a lead supplier and consortium partners who will invest their own time/money in developing sales in the GCC may be challenging</p> <p><b>Mitigate:</b> Ensure the Notice of Procurement and ROI are posted on GETs for a sufficient period of time for consortia to be organised, briefed and to formulate responses.</p>
Procurement Process	Medium	Medium	<p>Undertaking a two stage tender including competitive dialogue will require at least 50 business days from the initial notice of procurement, supplier briefing, tender evaluation, to agreeing a contract.</p> <p><b>Mitigate:</b> Be realistic in the time required develop and refine requirements with suppliers. Be transparent in the ROI and communicate progress regularly with the Minister responsible</p>
Saudi border being closed to animal imports	High	Low	<p>Risk of an animal health risk</p> <p><b>Mitigate:</b> Al Khalaf are experienced in live animal exports and have the resources to manage pre-export animal checks, resources on the boat and in country to manage any issues</p>
The ability to scale up Awassi NZ's production or source of animals	Medium	Medium	<p>Lack of interest from local farmers to shift their production systems</p> <p><b>Mitigate:</b> Develop a supplier group with support and contractual certainty to support their transition and performance</p>
IP protection	High	Medium	<p>Benefits from investment are not attained because competitors duplicate our systems and capabilities</p> <p><b>Mitigate:</b> Processes and farming systems are easy to replicate but hard to apply, the focus is on continual refinement and development to stay ahead</p>

<sup>5</sup> High, medium or low.

Main Risks	Consequence (H/M/L)	Likelihood (H/M/L)	Comments and Risk Management Strategies
Customer perception	Medium	Medium	The customers are very sophisticated and assess quality by where they were breed <b>Mitigate:</b> Provide customers with the story of where they were breed and where they were finished
Threat of new competitors (entrants) in the start exporting restricting access to animals	Medium	Low	New entrants to the industry could provide additional competition, and reduce the impact of this programme by decreasing our market share, and therefore decreasing uptake <b>Mitigate:</b> Al Khalaf's infrastructure, identity and experience provides an end-to-end capability that generates commercial efficiencies
Security of supply of raw materials	High	Medium	Reliance on suppliers of for supplementary feed to the farms <b>Mitigate:</b> This programme itself mitigates this risk by developing the crop and pastoral capabilities on farm.

62. A risk register will be developed as part of the contractual management framework developed with the lead provider and will be progressively updated as more detailed analysis is undertaken.

## Key Constraints and Dependencies

63. The proposal is subject to the following constraints and dependencies. These dependencies will be carefully monitored during the project through the contract management framework with the lead provider.

**Table 8:** Key constraints and dependencies

Constraints	Dependencies
New Zealand's investment	The key constraint is the size of the New Zealand investment. Estimates from Al Khalaf are that to build a demonstration farm for 50,000 breeding ewes is in the order of \$80million. Therefore support is required from Al Khalaf to develop the farm.
Al Khalaf	The success of this project is reliant on Al Khalaf to partner with the New Zealand Government to design and build the demonstration farm. For example, the success of the project is reliant on Al Khalaf providing access to land to build the farm, capital to procure the livestock and the availability of a livestock transport ship to the deliver the animals to Saudi Arabia.



# The Economic Case – Exploring the Preferred Way Forward

64. The purpose of the economic case is to identify the investment option that optimises value for money. However, due to preliminary approval of the approach through the Cabinet Paper, and the technical visit to determine the most suitable technical approach to progressing the partnership, we have outlined only the preferred option below.

65. Based on the findings of the technical experts, the development of a value chain and the subsequent discussions with Al Khalaf four primary areas of investment have been identified where New Zealand can offer significant value.

66. The following table outlines these key areas of the New Zealand commitment. It is expected that these four areas will form the distinct Project Teams within the framework outlined in the Management Case Section.

**Table 9: Key investment areas**

Investment areas	Explanation	Possible NZ providers <sup>6</sup>
<b>Animal Performance and Management</b> <ul style="list-style-type: none"> <li>Animal husbandry, welfare, performance</li> <li>Animal selection</li> <li>Genetics strategy</li> <li>Infrastructure development (i.e. feedlots)</li> </ul>	<p>This area focusses on the end to end breeding programme to meet a market specification. This includes the genetics programme in New Zealand through to the breeding and fattening operations in Saudi Arabia.</p>	<p>s 9(2)(b)(i)</p>
<b>Nutrition management</b> <ul style="list-style-type: none"> <li>Nutrition formulations</li> <li>Agronomy and seeds selection</li> <li>Fodder production</li> <li>Water management systems</li> <li>Irrigation systems</li> </ul>	<p>A nutrition programme will complement the animal plan and it is critical to get this right given the extreme environment. Once again a combination of New Zealand expertise and local knowledge will deliver a superior outcome than is currently achieved.</p>	<p>s 9(2)(b)(ii)</p>

<sup>6</sup> This is an indicative list of the types of firms and technologies that could participate in this programme

Investment areas	Explanation	Possible NZ providers <sup>5</sup>
<b>Technology and Design</b> <ul style="list-style-type: none"> <li>• Ear tags/EID tags</li> <li>• Tag readers</li> <li>• Scanners</li> <li>• Scales</li> <li>• Sprayers</li> <li>• Irrigators</li> <li>• Fencing</li> <li>• Slaughter and processing</li> </ul>	Access to enabling technology will underpin the necessary best practice elements of the demonstration farm. Any technology will need to be coupled with the appropriate expertise for design, implementation and use to achieve the best outcomes on farm.	59(2)(b)(i)
<b>Governance and Marketing</b> <ul style="list-style-type: none"> <li>• Business planning and project management</li> <li>• Farm management planning</li> <li>• HR strategies and people development</li> <li>• Farmer selection and contracting</li> <li>• Marketing and branding</li> </ul>	Al Khalaf has identified strong governance and execution capability as a critical success factor. They plan to build a sustainable long term business and will require capability around them to achieve this over the longer term – i.e. beyond the New Zealand funding horizon.	59(2)(b)(i)

67. Having identified the four areas where New Zealand will invest, the key activities to be undertaken and the draft timeline (see Management Case section) the team has developed a preliminary and high level performance management framework (see below) designed around milestones and achievement measures. Clearly these will be refined during the competitive dialogue process, with additional milestones and achievement measures being developed around the four key project areas above. As previously stated these milestones and outcomes will form the basis of a subsequent contract with the Government.

**Table 10:** A high level view of the potential programme milestones

Milestone: Research plan & design, construction, breeding farm	
Achievement measures	<ol style="list-style-type: none"> <li>1. Develop a research, design and feasibility plan including: <ol style="list-style-type: none"> <li>a. Preliminary information of the cost of the landed animals</li> <li>b. Market research on the likely returns in Saudi for the premium stock</li> <li>c. An evaluation of the existing operation compared to relevant benchmarks</li> <li>d. The training components needed and a training plan</li> <li>e. Market research to provide a plan for required breeds to maximise returns and then a plan to achieve this starting with the imported animals and males that could be exported along with the pregnant female cattle and sheep. E.g. Awassi</li> <li>f. Identification of local animal health risks and a prevention programme to minimise losses and ill thrift, ensuring maximum returns</li> </ol> </li> </ol>

- g. Review of the current feed production systems and determination of the level of performance currently and some prediction on the likely improvements possible.
- h. Land selection including ground type for building good foundations, water table, slope for building, rainfall for water runoff
- i. Design of buildings for animals and storage and the feedlot farms for both sheep and cattle breeding
- j. Estimate of cost of the development after initial design work
- k. **Stop/go decision point for Government and the Lead Provider – is this a feasible, achievable and realistic programme and can we achieve the desired benefits?**

**Start date** July 2013

**End date** TBC

#### Mission 2: Build and implement a demonstration breeding farm

##### Achievement measures

1. Based on the business plan and the approved designs of the infrastructure, implement a breeding programme and demonstration farm to achieve maximum returns, utilising the best of technology applicable to the situation
2. Select and utilise the best available technologies to give the best results taking into account the climate, facilities and human resources including tagging systems needed for animal management, and then a computerised means of recording this information
3. Preparation for the arrival of the breeding stock and the lambing

**Start date** January 2014

**End date** TBC

#### Mission 3: Support and develop the business for the breeding industry and its products

##### Achievement measures

1. Develop communication channels to ensure extensive promotion
2. Develop communication tools (e.g. story boards on process undertaken, lessons learnt, NZ capability etc)
3. Set up showcase infrastructure and make available personnel for promotion purposes
4. Encourage delegations and broader involvement to increase awareness and maximise profile

**Start date** TBC

**End date** TBC

# The Commercial Case

68. This section outlines the proposed procurement approach in relation to the preferred way forward.

## Outlining the procurement strategy

69. Subject to the approval of this indicative business case, it is proposed that a two stage tender is undertaken. A Notice of Procurement will be posted on GZTs providing early notification to the market of the planned Registration of Interest (ROI) and a supplier briefing. A supplier briefing will be held before or soon after the ROI is released. The second stage of the tender will be competitive dialogue process with the short-listed lead provider/s and their consortium partners. The competitive dialogue process will be used to more closely define requirements and deliverables, in advance of formal proposals being invited.

70. . An open approach to market is the most robust means of identifying and qualifying the range of agribusiness expertise required to maximise the benefits that NZ may derive from the Governments investment in this initiative..

71. **Lead Provider:** To ensure that the various specialist NZ agricultural products and services are identified and effectively showcased through the proposed demonstration farm it is necessary to identify an organisation with the scale, networks and commercial experience to organise and manage the activity required in NZ and Saudi Arabia. The selected lead provider will be responsible for the final design and delivery of the agreed outcomes within the \$6 million budget. It would be the lead provider's responsibility to sub contract the necessary New Zealand capability to deliver the programme.

72. This approach ensures that there are clear accountabilities between Government, Al Khalaf and the lead provider and takes the day to day delivery of the programme away from Government, allowing them to have a contract management role. This approach is not too dissimilar to the Governments collaborative approach to investment in our own productive sector through the Primary Growth Partnership.

73. **Procurement options:** Accepting that having single point of accountability for delivery of the proposed programme of work, is the right strategy, the next challenge is how to procure a lead provider. From the research completed to date it is clear that there are few companies that have the networks /knowledge of the NZ agricultural sector and experience in GCC to be a credible lead provider. The following table outlines the procurement options we have considered.

**Table 11: Procurement options**

	Advantages	Disadvantages
Direct sourced	<ul style="list-style-type: none"> <li>Have already identified potential providers in the agri-sector that may meet the evaluation criteria</li> <li>Least cost option</li> <li>Least time consuming option</li> </ul>	<ul style="list-style-type: none"> <li>High procurement/perception risk</li> <li>May have inadvertently missed out a potential provider</li> <li>Ability to demonstrate value for money</li> </ul>

Option	Advantages	Disadvantages
Two Stage tender ROI process – then enter into competitive dialogue/ negotiations	<ul style="list-style-type: none"> <li>• Gaining insight in to the market</li> <li>• Encouraging collaboration of Agri-Sector providers</li> <li>• Pragmatic given small market, knowledge of market and strict criteria</li> <li>• Ability to work with the short-listed provider/s to shape the programme and benefits schedules</li> <li>• Competitive negotiations will provide insights to VFM and tighten requirements</li> <li>• Potential to identify small medium sized firms who may be able to contribute or benefit through the work of the lead provider and main consortium partners</li> </ul>	<ul style="list-style-type: none"> <li>• Can be costly if the competitive dialogue process is not managed well and draws out</li> <li>• If only one viable lead provider / consortium bid is received the competitive dialogue process will not deliver as much value as would be the case if an alternative solution were proposed or two consortia were contributing to a refined specification of requirements.</li> </ul>
ROI and traditional RFP process	<ul style="list-style-type: none"> <li>• Opportunity to narrow down respondents for the full RFP based on written ROI responses, reference checks, presentations – therefore taking less time than working through a competitive dialogue process.</li> <li>• Can produce a good outcome if the specification of requirements in the RFP are sufficiently well developed.</li> </ul>	<ul style="list-style-type: none"> <li>• Potential to miss out on the innovative ideas that the market may have regarding how the services proposed may be delivered and how incentives in the contract may be structured.</li> </ul>
Single Stage RFP	<ul style="list-style-type: none"> <li>• Potentially the quickest sourcing alternative.</li> <li>• Given the likely low level of responses this is viable option.</li> <li>• Can produce a good outcome if the specification of requirements in the RFP are sufficiently well developed</li> </ul>	<ul style="list-style-type: none"> <li>• Lacks an opportunity to work with responders to more fully develop a specification of services and develop a programme plan and associated processes</li> </ul>

74. Based on the experience of the technical team the preferred approach is the Two Stage competitive dialogue process – The ROI will determine the competitiveness and the capability of the market to deliver the services required, and competitive dialogue phase will enable expectations on all sides of the proposed initiative to be clarified.

75. **Procurement process** The objective of the procurement process is to procure a consortium of suppliers and organisation to lead and implement New Zealand's contribution to the Agri-Hub in Saudi Arabia. The following diagram outlines the preferred process at a high level and its fit within the context of the broader programme:

Consent for ROI process	ROI process	Competitive dialogue	Contracting process	Programme delivery
<ul style="list-style-type: none"> <li>• Consultation with Al Khalaf and Agri-Sector participants</li> <li>• Indicative Business Case seeking consent for an ROI process</li> </ul>	<ul style="list-style-type: none"> <li>• ROI development</li> <li>• ROI dissemination</li> <li>• ROI response</li> <li>• ROI evaluation</li> <li>• Preferred supplier selection (based on a lead provider and consortium approach)</li> </ul>	<ul style="list-style-type: none"> <li>• Programme and milestone schedule (including financials) development and negotiation</li> <li>• Benefit schedule development and negotiation</li> </ul>	<ul style="list-style-type: none"> <li>• Overarching contract development and negotiation</li> <li>• Contract signing</li> </ul>	<ul style="list-style-type: none"> <li>• Programme Governance</li> <li>• Programme Management by agreed Project Teams</li> <li>• Programme delivery as per negotiated milestones</li> </ul>

**76. Notice or Procurement:** A notice of procurement provides the market early notification of the intended ROI and provides them some time ensure they will have the resources and time available to provide a good quality RFI response.

**77. The ROI:** The following provides an indication of the the content and evaluation criteria that may be considered in preparing the ROI. An ROI will be issued to the market clearly outlining:

- The purpose of the ROI – being to understand the market for a lead provider – and associated consortium partners, to establish a demonstration breeding farm (Agri-Hub) for sheep and beef in Saudi Arabia. The purpose of the demonstration farm being to promote New Zealand companies and Government Department IP in the form of services, policies, equipment, and capabilities to new markets.
- The high level background to the project, its strategic importance to bilateral relationships and desired outcomes sought
- The four key areas of the programme that the lead provider and consortium members will be expected to deliver
- The concept of Partnership and its importance to this programme and an introduction to the existing participants in the partnership – Al Khalaf and the New Zealand Government
- The evaluation criteria for a lead provider and consortium members
- The expected outcomes and benefits of the programme to the New Zealand Government including:
  - A number of New Zealand companies across the value chain will be involved in the delivery of the programme
  - The demonstration farm will have staff capacity and capability to show through interested New Zealand delegations
  - The demonstration farm and associated show room will represent best practice, and uphold the reputation of New Zealand Agri-business excellence
- The request for information on:
  - Lead provider

- Consortium members *(A list of potential providers is set out in the Economic Case section. The list is indicative only and is based on market research completed to date. The ROI will be used to identify new, additional or alternative providers.)*
- For each of the parties, experience, capability and commitment against each of the evaluation criteria
- A commitment to enter in to the next steps with the Government in good faith if selected to proceed
- The expected next steps including:
  - Timelines
  - Programme schedule (including financials) development and negotiation
  - Benefit schedule development and negotiation
  - Overarching contract development and negotiation (in line with PGP contract structure)
  - Contract signing
  - Programme Governance via contract management
  - Programme Management by agreed Project Teams
  - Programme delivery as per negotiated milestones
- The intention of working together in partnership to develop the approach etc.

**78. Draft evaluation criteria:** The following table outlines draft characteristics of success. These characteristics could be utilised as the basis for evaluation criteria.

**Table 12: Draft evaluation criteria**

Characteristic	Lead provider	Consortium member
The ability to build strategic partnering relationships in another country	x	
Proven track record of contracting with Government – preferably by way of partnership	x	
Proven ability to collaborate with wider value chain participants and contribute to a wider programme of work	x	x
Proven ability to deliver like projects in any or all of the four key project areas	x	x
Reputation for excellence in New Zealand and overseas	x	x
Ability to adapt New Zealand best practice to other environments	x	x
Strategic focus, demonstrated experience and operational reach or relationships in the GCC	x	x
Adequate economic scale	x	x
Understanding and appreciation of the Partnership approach	x	x

Characteristic	Lead provider	Consortium member
Commitment to delivering direct and indirect net economic benefits to New Zealand (based on PGP principles)	x	x
Commitment to providing spillover benefits to New Zealand (based on PGP principles)	x	x

## Required services

79. The required services in relation to the preferred way forward are outlined at a high level in the Economic Case section.

## Potential for risk sharing

80. The proposed procurement approach and contract will deliver the accountabilities and incentives for all stakeholders to perform. It provides Government with market choice (to proceed or not as the case may be). The concept of a lead provider provides clear incentives to perform and contracted accountabilities. This approach will provide the Government with simplicity, transparency and effectiveness, while encouraging collaboration in the private sector. Risk is better shared with those incentivised to manage it.

## Proposed key contractual clauses

81. The contract provisions will be loosely based on the PGP contract structure. The content of the overarching template will largely be set by the Government, with limited opportunity for negotiation. However the contract schedules will be developed in collaboration (competitive dialogue) with the lead provider and consortium members. The programme costings and contributions will need to be adequately specified, realistic and appropriate (based on PGP principles).

## Accountancy treatment

82. As part of the partnership arrangement, Al Khalaf is utilising its extensive land base for the Agri-Hub. This \$6 million investment is a programme designed around the purchase of goods and services that showcase good practice NZ agribusiness tools and techniques on a demonstration farm owned by Al Khalaf.

## Payments

83. The organisation intends to make payments with respect to the proposed products and services through the times and amounts specified in the contract – jointly developed between the lead provider and the Government, up to a total amount of \$6 million. This will generally be monthly as expenses are incurred, as long as milestones, achievement measures and timelines are being regularly met in accordance with the programme of work set out in the contract. Invoicing and payment details will be provided in the contract.

## Contract length

84. The contract length will be determined as part of the collaborative negotiation process but is anticipated to be between 2 – 3 years.

## Contract structure

85. The following diagram outlines the structure of the contract that will be signed between the lead provider (supported by consortium members), and MFAT/NZTE.



#### Overarching Contract

Sets out nature of relationship, expectations regarding annual planning, reporting, audit, payment mechanisms, variations, change events, termination, liability, indemnity etc.

#### Management Group Terms of Reference

Sets out composition, meetings, roles, responsibilities, scope, procedure, consensus

#### Principles for IP Management

Sets out management principles for IP developed by the consortium, and obligations for spillover

#### Communications Plan

Sets out plan for public communications, holding of information, release of information, parliamentary questions, OIA requests

#### The Programme Plan

Sets out expected benefits schedule, programme outcomes, milestones and achievement measures, programme financials and stop/go decision points by the Government

### Procurement timeline

86. It is anticipated that the implementation milestones to be agreed with the service provider(s) will be as follows:

**Table 13:** Procurement timetable

Procurement Milestone	Approximate Date
ROI to market	Mid August
Dialogue with potential respondents	Late August
AT/NZTE selection of preferred provider/s	Early September
Expense transfer from MFAT to NZTE	Late September
Receipt and approval of detailed proposal and implementation plan	Late September
Contract finalised	Late September
NZTE management of contract and release of funding against agreed milestones	Ongoing

87. This approach would be consistent with Government procurement guidelines. In accordance with Cabinet instructions, it has been discussed with the Office of the Auditor-General and with The Treasury.

## The Financial Case

89. The purpose of this section is to set out the indicative financial implications of the preferred way forward. The split of funding across the four key service areas has been tentatively estimated below:

**Table 14:** Tentative split of funding across activity areas

Governance and Marketing	\$600,000
Animal Performance and Management	\$3,000,000
Nutrition management	\$1,200,000
Technology	\$1,200,000
<b>Total</b>	<b>\$6,000,000</b>

90. This split and its breakdown will be further assessed through the contract negotiation and design phase.

### Funding sources

91. Cabinet has agreed that the \$6m funding for purchasing New Zealand goods and services as part of the partnership will be met within the current baselines of the Ministry of Foreign Affairs and Trade (NZTE has indicated that it would contribute 500K of this \$6m). Funding has been allocated for this purpose.

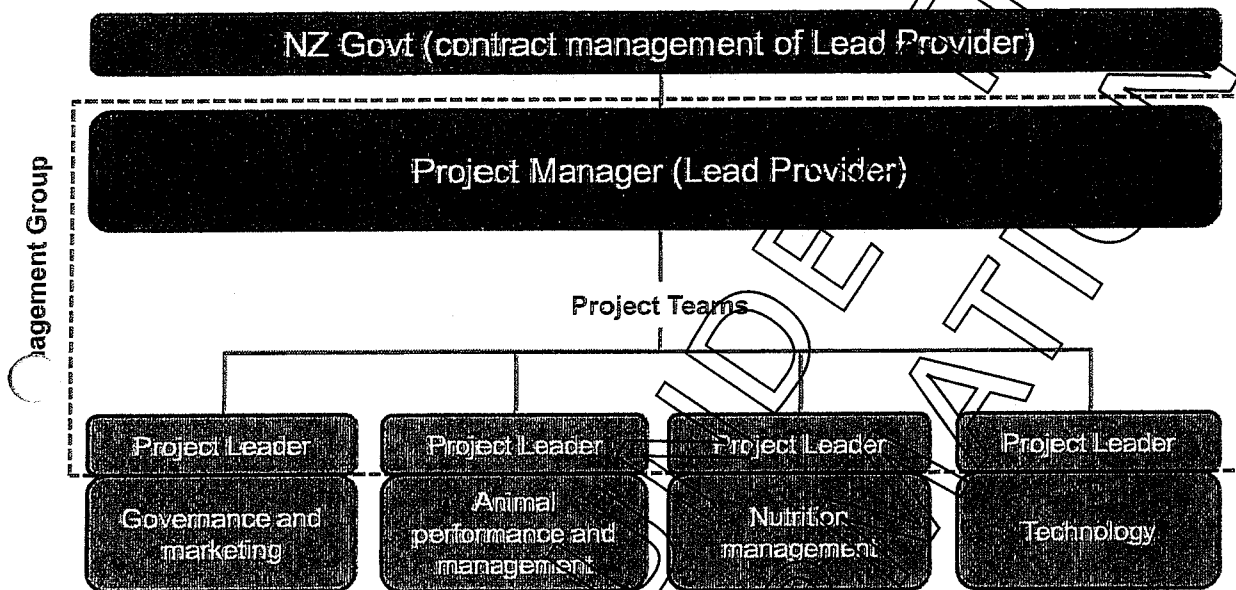
92. This will be transferred to NZTE for the purposes of managing the contract.

# The Management Case

93. The management case addresses the achievability of the proposal and planning arrangements required to both ensure successful delivery and to manage project risks.

## Project management strategy and framework

94. The following diagram outlines the proposed framework:



95. **NZ Government:** The Government, through NZTE, will provide a Contract Management role. It will manage the lead provider and consortium members on delivery against the milestones in the contract and will track the progress being made against expected benefits. NZTE will also be responsible for approval of scope and business plans – including vision and objectives, reviewing the risk register and adjudicating any disputes escalated by the project manager.

96. **Lead Provider:** The Lead Provider will have day-to-day control of the initiative and has five main responsibilities:

1. **Set the expectations;** draft the Project Team Terms of Reference for delivery by the project leaders and prepare standards for how the Project Teams will operate. They will set reporting requirements and templates and mandate meeting schedules and attendances.
2. **Ensure tasks and deliverables are completed properly and on time;** support and monitor Project Team operation in relation to expectations and standards; ensure interdependencies and collaborative work requirements are facilitated and operate smoothly; monitor deliverables over time and assist with removing roadblocks.
3. **Report regularly to the Government through the contract management process** with collated Project Team data on progress and raise issues and matters for advice or decision at other levels.
4. **Provide guidance and advice for Project Team Leaders;** assist in problem resolution and advise on risk mitigation and management and issue resolution.

97. The Lead Provider will manage all communications, will have excellent project management skills, make appropriate decisions, motivate and inspire Project Teams, bring a tactical focus to the process and champion the changes that will need to be made.

98. **Management Group:** The four Project Team Leaders and the Lead Provider represent the Management Group. The Project Leaders will:

- Ensure milestones are met
- Liaise with the lead provider on a day-to-day basis and report regularly
- Support the lead provider in their role
- Ensure continuity of service where this already exists and draw on external assistance as necessary.

99. The Project Leaders must have the enthusiasm to champion the programme and motivate others. They will need to have a clear understanding of the big picture in order to promote and deliver on the programme plan. They will also need to be:

- Respected for subject expertise
- Excellent communicators, and
- Motivated leaders.

100. **Project Teams:** The Project Teams, built around the four key areas of the programme, undertake their work in accordance with the Terms of Reference to deliver on the programme plan. The Project Teams will have specific objectives, milestones, activities, deliverables and deadlines and will need to work closely with other areas/ Project Teams to meet their obligations for establishment.

101. **Reporting:** Project leaders provide data and information to the lead provider who then collates this material and presents it in a clear and transparent way to the Government through NZTE and the contract management process.

102. The key features of the reporting are regularity and detail to the level appropriate for the audience. The key function of the reporting during the programme is to allow progress to be monitored and to ensure surprises are avoided if and when changes to approach are needed.

#### **Proposed timeline**

103. The proposed timeline requires careful planning. The first shipment needs to arrive in Saudi Arabia so that the lambs are prime before the commencement of the Northern Summer – June 2015. The following outlines a draft timeline which the detailed programme plan can be based on:

KSA seasons	Summer	Autumn	Winter	Spring	Summer	Autumn	Winter	Spring
NZ seasons	Winter	Spring	Summer	Autumn	Winter	Spring	Summer	Autumn
Year / Quarters								
RFI & contracting								
Financing agreed								
Planning/Governance								
Farmer preparation								
Design and build infrastructure in KSA								
Animal selection								
Feedlot NZ								
Shipment to KSA								
Gestation period								
Lambing								
Fatten animals								
Prime animals								
Milestone 1: Research, Plan & Design								
Milestone 2: Build & Implement								
Milestone 3: Showcase & Promote								

## Risk management

104. A risk manager will be appointed and a risk register established as per the usual risk management approaches of NZTE and MFAT.

## Next Steps

This Indicative Business Case seeks formal approval to commence the procurement process as outlined in the Commercial Case.

# Better Business Cases

## Indicative Business Case Template

Prepared by:	Alex Matheson
Prepared for:	MFAT CEO
Date:	17 June 2013
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Role	Name	Sign-off Date
Project Manager	Alex Matheson	
Senior Responsible Owner / Project Sponsor	Jonathan Austin	
Chief Finance Officer (or Delegate)	Phil Goulin	
Division Manager - Procurement	Peter Cooper	

59(2)(a)

**From:** RIYADH  
**Sent:** Sunday, 21 July 2013 7:27 p.m.  
**To:** MEA  
**Cc:** UNHC; DS APE; DS MLG; ...MEA POSTS; NEW YORK; GENEVA; FM, P/S MFA; RIYADH  
**Subject:** Call on Saudi Deputy MFA Al Jindan  
**Categories:** Transferred to SharePoint

[RESTRICTED]

**Summary**

out of scope

**Action**

For information.

**Report**

We (HOM and both Second Secretaries) met today with Dr Khaled Al-Jindan, Undersecretary (Deputy Minister) for Bilateral Affairs, Saudi Ministry of Foreign Affairs to update him on developments and initiatives in the bilateral and GCC relationship over the last six months.

out of scope

59(2)(a)  
Sheep

3 We noted that trade between KSA and New Zealand was healthy and increasingly diverse, and that New Zealand was also pursuing a Food Security Partnership with KSA to increase agricultural cooperation.

59(2)(a) HOM explained that a way forward, including a partnership for promoting New Zealand agricultural know-how, had been agreed between MFA and the Saudi

Minister of Agriculture and also with Sheikh Hmood Al Khalaf, the affected investor.

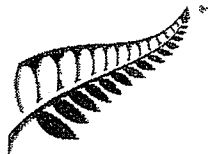
s 6(a), s 9(2)(ba), s 9(2)(j)

The remainder of this document  
is out of scope.

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OFFICIAL INFORMATION ACT



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NEW ZEALAND  
FOREIGN AFFAIRS & TRADE

5 July 2013

Minister of Foreign Affairs

For action by

10 July 2013

## Al Khalaf Group - NZ/Saudi Food Security Partnership

SUBMISSION Issue

## PURPOSE

To update you on the recent food security technical visit to Saudi Arabia and to seek your agreement to the next stage in the partnership: engaging a private firm or consortia to work with the Al Khalaf Group to design and develop a New Zealand demonstration breeding farm and operation in Saudi Arabia, which will act as a showcase for New Zealand agribusiness and on-farm technology and knowhow.

### Recommended referrals

Minister of Trade  
Minister of Economic Development  
Minister for Primary Industries

### Contact details

NAME	ROLE	DIVISION	WORK PHONE	MOBILE PHONE
Jonathan Austin	Divisional Manager	Middle East and Africa		
Alex Matheson	Special Envoy - Government Commercial Partnerships	Middle East and Africa		59(2)(c)

### Minister's Office comments

Signed / Referred

Date: \_\_\_\_ / \_\_\_\_ / \_\_\_\_

LEGA-55-834

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PAGE 2 OF 9

## AL KHALAF GROUP FOOD SECURITY

### Key points

Cabinet agreed to an investment of up to \$6m in a pilot agri-business operation with Saudi Arabia.

A team of private and public New Zealand agribusiness experts visited Saudi Arabia on April 9-16 to assess where New Zealand should focus this investment.

The team found that the investment focus should be in farm management, breeding, nutrition, technology, and marketing.

It is proposed that a private sector lead provider/consortia be engaged to design and develop a New Zealand demonstration breeding farm and operation in Saudi Arabia.

### Recommendations

It is recommended that you:

- 1 Note that a food security partnership technical visit to Saudi Arabia took place 9-16 April 2013. Yes / No
- 2 Note that as a result of the visit the recommended areas for the focus of the partnership is investment in farm management, breeding, nutrition, technology, and marketing. Yes / No
- 3 Agree a private firm or consortia be contracted following an approved procurement process to work with the Al Khalaf Group to design and develop a New Zealand demonstration breeding farm and operation in Saudi Arabia, which will act as a showcase for New Zealand agribusiness and on-farm technology and knowhow. Yes / No
- 4 Note that as directed by Cabinet, MFAT is working with NZTE, the Treasury and the Office of the Controller and Auditor General on the execution and management of the contract above and that none have raised significant concerns with the proposed approach. Yes / No
- 5 Sign the attached letter to Sheikh Hmood Al Khalaf outlining the proposed approach to advancing the partnership. Yes / No

C J Seed  
Secretary of Foreign Affairs and Trade

**AL KHALAF GROUP FOOD SECURITY****Report****Cabinet Decision**

At its meeting of 18 February 2013, Cabinet:

- noted the proposal to invest in a pilot agribusiness operation with Saudi Arabia as a means to resolve this dispute and form a long-term food security partnership;
- agreed that there will be an on-going investment in the pilot agribusiness operation of up to \$6 million for the delivery of services by New Zealand agricultural service entities, and that the \$6 million will be undertaken in strict conformity with government procurement requirements;
- noted that the costs of these initiatives will be met from within MFAT's baseline;
- noted that the procurement and selection of New Zealand firms and services to participate in the food security partnership will be done with the agreement of the Saudi partners, MFAT, and NZTE;
- directed MFAT to work with the Treasury, the Office of the Auditor-General and NZTE on the execution and management of the contract.

This submission, and the formal message from Riyadh on the technical visit to Saudi Arabia 9-16 April 2013, updates you on progress against the Cabinet decision.

**Technical Visit**

A group of 7 New Zealand agribusiness experts, Al Khalaf Group Australasian management, and relevant officials from MFAT, NZTE and MPI visited Saudi Arabia 9-16 April 2013. The visit was facilitated and hosted by Al Khalaf Group but also included visits to an Al Marai dairy operation, meetings with Saudi and GCC Secretariat officials, and a follow-up to the NZ visit of the Saudi Arabia Livestock Investment Corporation (SALIC).

The Al Khalaf Group's investments and assets in transportation, farming, slaughterhouses, property development, and retail in Dammam and Jeddah, are substantial. His main farm (the site of the proposed demonstration breeding farm and operation) is a large one, into which major new investment is being made around breeding livestock. The quality and health of livestock throughout Al Khalaf's operation was good. It was apparent, however, that there is scope to improve the farm operating environment in the proposed demonstration farm. By showcasing best practice breeding and fattening, the group believed the demonstration farm and operation could act as a showcase for New Zealand agribusiness technologies and knowhow for the wider GCC.

**Demonstration Breeding Farm and Operation**

While further research is needed to understand fully the local conditions to ensure that any New Zealand solutions are sustainable and scalable, the experts suggested that the farm should:

## AL KHALAF GROUP FOOD SECURITY

- Be designed around a combination of Saudi Arabian and New Zealand on-farm best practices;
- Involve and showcase in Saudi Arabia a number of New Zealand firms or technologies representing best practice across the value chain (genetics, nutrition, farm management systems and farm equipment, and marketing were identified);
- Have staff capacity and capability to showcase the operation to interested business delegations;
- Leverage Al Khalaf's brand, investments and expertise in both markets while providing a new sustainable business
- Support Saudi Arabia's food security and safety objectives
- Build New Zealand brand awareness and complement the existing chilled and frozen meat trade

### Recommended Focus Areas

Investment Area	Explanation
<b>Animal Performance and Management</b> <ul style="list-style-type: none"> <li>• Animal selection, husbandry, welfare, performance</li> <li>• Genetics</li> <li>• Infrastructure development (i.e. feedlots)</li> </ul>	<p>This area focusses on the end to end breeding programme to meet a market specification. This includes the genetics programme in NZ through to the breeding and fattening operations in Saudi Arabia.</p>
<b>Nutrition management</b> <ul style="list-style-type: none"> <li>• Nutrition formulations</li> <li>• Agronomy and seeds</li> <li>• Fodder production</li> <li>• Water management and irrigation</li> </ul>	<p>A nutrition programme will complement the animal plan and it is critical to get this right given the extreme environment. Once again a combination of NZ expertise and local knowledge will deliver a superior outcome than is currently achieved.</p>
<b>Technology</b> <ul style="list-style-type: none"> <li>• Ear tags/EID tags</li> <li>• Tag readers</li> <li>• Scanners and scales</li> <li>• Sprayers</li> <li>• Fencing</li> </ul>	<p>Access to enabling technology will underpin the necessary best practice elements of the demonstration farm. Any technology will need to be coupled with the appropriate expertise for design, implementation and use to achieve the best outcomes on farm.</p>
<b>Management and Marketing</b> <ul style="list-style-type: none"> <li>• Planning and project management</li> <li>• Farm management</li> <li>• HR strategies and people development</li> <li>• Farmer selection and contracting</li> <li>• Marketing and branding</li> </ul>	<p>Al Khalaf has identified strong execution capability as a critical success factor. They plan to build a sustainable long term business and will require capability around them to achieve this over the longer term – i.e. beyond the NZ funding horizon.</p>

## AL KHALAF GROUP FOOD SECURITY

### Discussions with the Al Khalaf Group

The Al Khalaf Group has a substantial business in Saudi Arabia as well as New Zealand around which to build the proposed solution. It has already made significant investment in cropping and infrastructure in preparation for the anticipated partnership and breeding programme. They estimate that the full cost of a sustainable breeding operation will be around NZ\$80m and will involve 50,000 breeding ewes. Al Khalaf is comfortable with the areas suggested for the partnership, but has made it clear that any proposal should provide a valid role and commercial opportunity for the past and current investment in New Zealand farms and Awassi genetics, and should have a strong livestock component to it.

Al Khalaf has confirmed its commitment to the partnership arrangement, to building the demonstration breeding farm and operation and to assisting at the political level in Saudi Arabia. The concept of partnership is important to Al Khalaf, and it is crucial that the respective contributions being made to the programme are acknowledged. As the project progresses the key theme of 'partnership' must be front and centre of the ongoing engagement – to them this represents commitment and trust rather than a form of commercial arrangement. This is important to carry into doing business on a wider scale into Saudi and into the rest of the Gulf. The Al Khalaf Group via the partnership will be vital in identifying and researching market opportunities in Saudi Arabia and elsewhere in Middle East.

The attached letter to Hmood Al Khalaf outlines the proposed approach for advancing the partnership agreement.

### Wider developments in Saudi Arabia

This proposal for a demonstration breeding farm and operation is timed well with new Saudi initiatives to improve its food security. The Saudi Agricultural Development Fund has, for example, recently launched an initiative to increase the number of sheep after seeing sheep in the Kingdom drop from 12 million in 2008 to 8.7 million in 2012. The Saudis want to make the industry sustainable with the preservation of natural resources while also developing the methods used by herders, breeding-improvement programs, genetic improvement, and feeding methods. All of which reinforce the proposed investment in the identified focus areas.

### Procurement and Implementation

MFAT's existing contract with the Al Khalaf Group commits us to work together and agree on a detailed business plan by the end of May before release of further funding. The technical visit was central to this. Al Khalaf is comfortable with the focus areas noted above and is keen to move to the next stage.

Since the technical visit, officials have worked with Mr Assaf, Al Khalaf's Australasian CEO, and agreed that the best approach is to engage a team of private sector experts to develop and deliver the next stage of the partnership. We both believe that this will generate the energy, innovation and flexibility that will provide the most benefit to the Al Khalaf Group, Saudi Arabian food security and New Zealand. Over the next month or so MFAT, in consultation with NZTE, will select a firm or consortia to develop and deliver on an implementation plan for the investment in the breeding farm and operation

## AL KHALAF GROUP FOOD SECURITY

between New Zealand and Saudi Arabia focused on the areas outlined above. MFAT will continue to work with Mr Assaf around the selection of the firms and the details of the programme to ensure it fits with the Al Khalaf Group's business requirements. This will ensure that the firms in the consortia and the implementation plan are motivated and underpinned by commercial demand.

This approach ensures clear accountabilities between Government, Al Khalaf and the lead provider and takes the day-to-day delivery of the programme away from the partnership, allowing them to have an oversight/governance role. This approach is not too dissimilar to the Government's collaborative approach to investment in our own productive sector through the Primary Growth Partnership. Under such an approach the suggested process and timeline would be:

- mid July ROI to market
- mid July, NZTE Board considers business case and its proposed role
- late July/early August dialogue with ROI respondents
- early August MFAT/NZTE selection of preferred provider/s
- late August/early September receipt and approval of detailed proposal and implementation plan
- late August/early September contract finalised
- early September final approval from NZTE board, and fiscal transfer from MFAT to NZTE
- on-going NZTE management of contract and release of funding against agreed milestones

The proposed approach is consistent with Government procurement guidelines. We are working closely with MBIE on this.

### **Working with NZTE, the Treasury and the Office of the Controller and Auditor General**

As required by Cabinet, MFAT is working with NZTE, the Treasury and the Office of the Controller and Auditor General on the execution and management of the contract.

In this regard, MFAT has developed and consulted these agencies on a detailed business case which outlines the rationale for the proposed investment and the procurement approach outlined above.

The NZTE Board will shortly be considering the business case along with NZTE's involvement and contribution of \$500k to the \$6m project. Recent discussions with NZTE's CEO suggest that NZTE is comfortable with the proposed approach, recognising that the detailed implementation plan and involvement of committed and capable New Zealand firms is crucial to the project's success.

The Office of the Controller and Auditor General has indicated that its specific interest is in the appropriate expenditure of appropriations, and then to audit and report on that expenditure. It has not raised significant concerns in either regard with the proposed

## AL KHALAF GROUP FOOD SECURITY

approach but has reserved its right to comment formally in future. Equally, the Treasury has not raised any significant concerns with the proposed approach.

### **Risk Management**

A risk register will be developed as part of the contractual management framework developed with the lead provider and will be progressively updated as more detailed analysis is undertaken.

A key constraint is the size of the New Zealand investment. Estimates from the Al Khalaf Group are that the cost of building a demonstration farm for 50,000 breeding ewes could be as much as NZ\$80million. The success of the project is therefore reliant on the Al Khalaf Group providing access to land to build the farm and operation, and capital to procure the livestock and other necessary infrastructure and equipment.

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## AL KHALAF GROUP FOOD SECURITY

Dear Sheikh Hmood

Greetings from New Zealand, and I trust you are well.

Firstly, I would like to thank you for hosting the New Zealand technical experts on their visit to Saudi Arabia in April. The feedback I received about the quality of the animals throughout your operation, and of the generosity that you and your family displayed, was greatly appreciated.

I thought I would take this opportunity to update you on where the New Zealand Government is regarding fulfilling the next stage of our partnership agreement.

As you know, we have committed to provide up to NZ\$6m to invest in the partnership. In particular, investing in research and development for the purpose of exporting and producing Awassi and New Zealand livestock for breeding and enhancing the supply of fresh meat to the Saudi market while promoting New Zealand red meat technology and capability, both in New Zealand and Saudi Arabia.

Your property outside of Dammam, as a hub and demonstration breeding farm and operation for these New Zealand technologies and capabilities, is a critical part of the partnership. I am very aware that the New Zealand Government's contribution is an important but modest part of the overall costs of establishing a sustainable breeding programme between New Zealand and Saudi Arabia, and my officials were impressed with the scale of your current investment and ambition in this regard.

Since the technical visit, New Zealand officials have been working with the relevant experts and with Mr George Assaf to facilitate the necessary documentation to enable the breeding programme between New Zealand and Saudi Arabia to commence, and to suggest to how the proposed investment could be mostly usefully applied. I understand that good progress is being made on both these fronts.

On the latter, Mr Assaf and my officials agree that the best approach is to engage a team of private sector experts to develop and deliver the next stage of our partnership. We believe this will generate the energy, innovation and flexibility that will provide the most benefit to the Al Khalaf Group, Saudi Arabian food security and New Zealand. Over the next month or so we will select a firm or consortia to develop and deliver on an implementation plan that meets both our needs for the investment in the breeding farm and operation between New Zealand and Saudi Arabia focused on the areas outlined above. My officials will continue to work closely with Mr Assaf around the selection of the firms, and the details of the programme to ensure it fits with your business requirements.

Late last week I launched the NZ Inc GCC strategy to an audience of senior public and private leaders in Auckland. This strategy is one of a series where the government



RESTRICTED

PAGE 9 OF 9

## AL KHALAF GROUP FOOD SECURITY

outlines its approach to working with key markets around the world. I took the opportunity to tell the audience, in broad terms, about our ambitions in Saudi Arabia. I strongly believe that our partnership can form the basis of greater trade and investment in agribusiness and food security between New Zealand and Saudi Arabia, and to the wider GCC.

I look forward to continuing working with you and your team, and you are always welcome in New Zealand.

Yours sincerely

Hon Murray McCully  
Minister of Foreign Affairs

s 9(2)(a)

**From:** RIYADH  
**Sent:** Thursday, 23 May 2013 4:04 a.m.  
**To:** MEA  
**Cc:**

out of scope

**Subject:** SAUDI ARABIA FOOD AND GCC SECURITY PARTNERSHIP TECHNICAL VISIT, 9-16 APRIL 2013

[RESTRICTED]

**NOT FOR CABLE EXCHANGE**

#### **HANDLING INSTRUCTIONS**

MPI: for Knox, Zohrab, s 9(2)(a) Stone  
NZTE: for Kimpton, Jones (Dubai), Haylon (Auckland)

#### **SUMMARY**

New Zealand Food Security Technical Group visit to Saudi Arabia meets its key objectives of identifying specific opportunities for partnering with the Al Khalaf group of companies, and registering, with the Saudi Arabian Government and the GCC, the New Zealand capacity and commitment to partner on food security and agri-business.

#### **Action**

and that the GCC has now asked us for a formal proposal on a food security partnership to frame further discussions (para 29).

#### **Report**

A high-level New Zealand public/private sector food security delegation paid a technical/scoping visit to Saudi Arabia over the period 9-16 April. The main purpose of the visit was to identify opportunities for partnering and investment with the Al-Khalaf Agricultural Company as part of a wider New Zealand/Saudi Arabia food security/agri-business partnership. A full list of the delegates is appended for reference. This report is the third of three on the overall activities of the delegation; the other two deal with and the livestock Arrangement/Protocols negotiation.

#### **Programme**

2. The study tour started in Al Kharj near Riyadh with a visit to one of the massive and state-of-the-art Al Marai dairy farms (amongst the biggest in the world, 17,000 cows). This provided the group with an opportunity you understand the possibilities and potential for world-class agricultural production in the Kingdom. From Al Kharj, the group moved to Dammam in the Eastern Province to view the Al Khalaf

Group's slaughter, tanning, feedlot and retail butchery operations. After Dammam, the group moved to Riyadh for calls on the GCC, Saudi Ministry of Agriculture and a meeting with the Saudi Arabian Livestock investment Company (SALIC). The Riyadh leg also included a formal dinner to provide the delegation an opportunity to meet senior Saudi agri-business and agricultural/food security leaders. In Jeddah the delegation visited the Al Khalaf Group's operations, including existing livestock disembarkation facilities.

#### *Initial Areas for Cooperation*

3. The study tour identified early potential for technical cooperation with the Al Khalaf Group. The Al Khalaf Group's key value chain for live imports currently comes from Africa. The Technical Group assessed that there is considerable potential for a premium 'best in class' product for the Saudi domestic market to be developed in partnership between NZ and the Al Khalaf Group. This would amount to creating a new and complementary value-chain for the Al Khalaf Group. This premium product would utilise NZ expertise to develop a domestic value chain, from breeding through to retail operations to deliver a red meat product that is not currently present in the Saudi domestic market. This would service the growing Saudi middle class which is becoming increasingly focused on quality and safety of produce. The key risk identified by the group was to work with the Al Khalaf Group to ensure that the project would be commercially sustainable and thus provide a solid platform for NZ positioning in the Saudi market and durability of the partnership.

4. The early focus will be on establishing a breeding programme from the NZ end to export livestock into a "best in class" breeding and production programme in Saudi Arabia that would showcase NZ expertise and enable the Al Khalaf Group to demonstrate the use of superior systems and innovations through the value-chain. This would result in a point of difference and premium brand association through marketing of this product to Saudi consumers. The project would also assist both Al Khalaf Group and New Zealand Inc to demonstrate commitment to assisting with food security issues in KSA.

5. To achieve this, early work programme for the technical group will likely focus on:

- Updating and understanding the value chain within the Al Khalaf Groups livestock operations;
- Analyse breeding operation in NZ and scoping of main areas of work;
- Assist with breeding programme in KSA;
- Scope fodder production, agronomy and genetics requirements and options;
- Scope and identify quality and performance management solutions;
- Assisting with preparing the ground on the supply side in NZ to ensure there is enough animals of the right quality to export;
- Slaughter and processing – plant/system design;
- Negotiating and implementing a wider NZ/Saudi Arabia Agricultural Cooperation Arrangement in addition to the Arrangement and Protocols for Export of Livestock for Breeding;
- Assisting the preparation, as required, of infrastructure and facilities in place in Saudi Arabia for debarkation and breeding in KSA.
- Input to marketing of the NZ/Al Khalaf Group premium product (although this would be led by Al Khalaf Group).

6. The Technical Group will shortly produce a business plan to structure the partnership along the above lines for consideration and approval by Ministers and the Al Khalaf Group.

*Meeting with GCC Agricultural Department*

7. Alex Matheson led the meeting with the Director of the GCC Agricultural Department Dr Hilal Ambusaidi by outlining NZ's vision for engaging with the GCC and its member countries to help it achieve food security. Matheson provided an outline of NZ's engagement on food security related projects in the region, including UAE, Oman, Qatar & UAE and provided an outline of the NZ government's engagement plans with the KSA and the partnership with the Al Khalaf Group. He noted also that the GCC was the focus of his role as Special Envoy for Government Commercial Partnerships.

5 (a)  
5 (2) (b)

s 6(a)  
s 9(2)(b)

out of scope

Meeting with Saudi Arabian Ministry of Agriculture

15. The delegation attended a brief, s 6(a) meeting with HE Dr Khalid Fuhaid, Assistant Minister for Animal Wealth and International Agreements at the Saudi Arabian Ministry of Agriculture. Also present was Fahad Al Arabi, Director General of International Cooperation and Professor s 9(2)(a) Agricultural Advisor.

s 6(a)  
s 9(2)(b)

s 6 (a)  
s 9 (2) (ba)

*Meeting with SALIC*

21. The group had an introductory meeting with Abdullah Al Dubaikhi, the President of the Saudi Arabian Livestock Investment Company (SALIC). Al Dubaikhi, who had travelled to New Zealand late last year with the SALIC Chairman, provided a brief overview of SALIC's strategy for deployment of its USD800 million in available funds for investment.

s 6 (a)  
s 9 (2) (ba)

23. George Assaf from the Al Khalaf Group spoke in warm terms of the support that the NZ government had provided to Al Khalaf Group both in the initial investment in land and breed stock in NZ

and recently in the form of the government partnership. He downplayed the difficulties in the relationship

s 6 (a)

out of scope

#### Comment

25. The study tour by the Technical Group was a major step forward in implementing our strategy to put the live sheep issue behind us s 6 (a) and the potential of a broader food security partnership. It succeeded in identifying concrete options for partnership and shared investment in the Al Khalaf Groups operations and established the foundations for a valuable and durable on-going partnership. The study tour is currently focused on presenting its business plan and strategy for NZ engagement with the Al Khalaf Group. Progressing the partnership will then require agreement from Ministers and the Al Khalaf Group principals.

26. The presence in the Kingdom of a such a strong group of Agricultural experts was registered by the Saudis, and the GCC, as a sign of New Zealand's commitment to a food security partnership and perhaps more importantly in the short term, to address the on-going grievance of Saudi Investor Sheikh Hmood Al Khalaf.

s 6 (a)

27. Al Khalaf Group support for the programme and the partnership was impressive and was registered strongly with Saudi and GCC authorities at every available opportunity.

s 6 (a)

s 9 (2)(b a)

s 6 (a)

s 6(a)

s 9(2)(ba)

## APPENDIX

### *Food Security/Technical Delegation List of Attendees*

- Director, Proand
- , Director, Sourceworld
- Partner, Deloitte
- (Certification & QA Manager, AsureQuality
- David Brownrigg, Director, Brownrigg Agriculture
- , Group manager, PGW Consulting
- North Island Primestock Co-ordinator, PGW
- George Assaf, CEO Australasia Al Khalaf Group, and Director of Awassi NZ
- Joseph Assaf, Business Development Manager, Al Khalaf Group
- Alex Matheson, Special Representative for Government Commercial Partnerships
- New Zealand diplomat, Riyadh Embassy (MFAT)
- Clayton Kimpton, MEA Regional Director, New Zealand Trade and Enterprise
- Haydon Smith, Programme Leader, Agribusiness, New Zealand Trade and Enterprise
- Matthew Stone, Director Animal and Animal Products, Standards Branch
- Ministry for Primary Industries
- Director, Market Access, Ministry for Primary Industries

s 9(2)(a)



out of scope

**From:** RIYADH  
**Sent:** Thursday, 23 May 2013 3:59 a.m.  
**To:** MEA

out of scope

**Subject:** FM: NEGOTIATION OF ARRANGEMENT ON EXPORT OF LIVESTOCK FOR BREEDING AND RELATED PROTOCOLS WITH SAUDI ARABIA

[RESTRICTED]

NOT FOR CABLE EXCHANGE

#### HANDLING INSTRUCTIONS

MPI: for  
NZTE: for

#### SUMMARY

Negotiations on a Bilateral Arrangement on Export for Breeding and two related export Protocols (for sheep and cows respectively), which are aimed to facilitate the trade between NZ and Saudi Arabia on livestock for breeding, get off to a good start in mid April. \*

\*Negotiations on text have continued by email, and officials aim to meet in the margins of the upcoming OIE (World Organisation for Animal Health) General Session in Paris in late May.

#### Action

TND/MPI please note RIY's recommendations about negotiation process (para 9).

#### Report

On 13 April MPI/senior officials Dr Matt Stone, Director, Animal and Animal Products, Standards Branch and <sup>s 9(2)(a)</sup> Director Market Access, accompanied by <sup>s 9(2)(a)</sup>, Policy Advisor/Translator in the Embassy met briefly with Assistant Minister of Agriculture of Animal Wealth and International Agreements, Dr <sup>s 9(2)(a)</sup>. After that began a five hour first negotiation meeting with Saudi counterparts of what, following this first meeting, is being called the "Arrangement between the Ministry of Agriculture in the Kingdom of Saudi Arabia and the NZ Ministry for Primary Industries on the

Export of Livestock from New Zealand to Saudi Arabia for Breeding Purposes" ("the Arrangement"), and the two Draft Protocols for Import of Livestock for Breeding (covering cows and sheep respectively)

2 The negotiations were conducted in Riyadh during the NZ Inc Agricultural/Food Security Technical visit to Saudi Arabia to assess investment/cooperation opportunities with the Al Khalaf Group,

out of scope

This report draws in part on a File Note on the negotiations prepared by Dr Stone, attached.

out of scope

This report should be read together with the separate FM on the discussions of the Food Security delegation with the GCC Secretariat about food security cooperation, at which livestock imports were discussed at some length.

Call on Assistant Minister of Agriculture Dr Khalid Al Fuhaid

3

s 6 (a)

s 9 (2) (b a)

Negotiations Towards an Arrangement for Export for Breeding

4 Following the call on Dr s 9 (2) (a) the group began substantive negotiations towards the Arrangement and Protocols. Dr s 9 (2) (a) (Director General of Animal Quarantine, and OIE Delegate), Professor s 9 (2) (a) veterinary expert, with MOA for 30 years) led for the Saudi side; a third official was present for the first hour, but did not provide a business card; NZ officials understood him to be a Director General from another department in MOA.

5

s 9 (2) (b a)

s 6 (a)

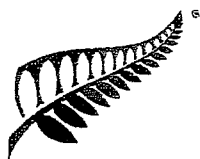
b6(a)  
b7(c)(b)

Wider Issues

b6(a)  
b7(c)(b)

Comment

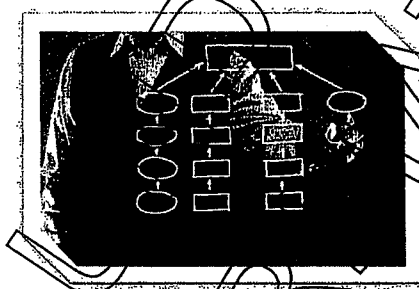
12 The significance of this first round of negotiations on the instruments necessary to enable the livestock trade (for breeding) to recommence was not lost on anyone. As you know, negotiations on a similar protocol (for export for slaughter) were broken off in 2009. b6(a)  
The remainder of this document is withheld under sections b6(a) + b7(c)(b)



NEW ZEALAND  
FOREIGN AFFAIRS & TRADE

## Procurement Plan

Engaging Deloitte to develop a business plan to inform the development of a NZ agribusiness hub in Saudi Arabia



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Procurement Plan for: [Click here to enter text.](#)

## Section One – Summary

### Purpose

The purpose of this procurement plan is to document and seek approval for the engagement of Deloitte Consulting (led by ~~54(2)(4)~~) to assist in implementing the recommendations presented to Cabinet by the Hon Murray McCully, Minister of Foreign Affairs, dated 13 February 2013, entitled *Saudi Arabia Food Security Partnership*, where he recommended, and Cabinet agreed that it:

- Note the progress reported by the Minister of Foreign Affairs to address a significant impediment in the bilateral relationship between New Zealand and Saudi Arabia;
- Note the proposal to invest in a pilot agribusiness operation with Saudi Arabia as a means to resolve this dispute and form a long term food security partnership;
- Note the cost of this food security platform will be \$4 million initially, which recognises the intellectual property which the Saudi investor brings to the platform, the services and in-market networks he will contribute, as well as the settlement of the long-running dispute;
- Agree there will be an ongoing investment in the pilot agribusiness operation of up to \$6 million for the delivery of services by NZ agricultural service entities, and that the \$6 million will be undertaken in strict conformity with Government Procurement requirements;
- Note that the cost of these initiatives will be met from the MFAT baseline;
- Note that the procurement and selection of New Zealand firms and services to participate in the food security partnership will be done with agreement of the Saudi partners, MFAT, and NZTE;
- Note that any related proposal to export livestock for breeding purposes must meet existing MPI criteria and be the subject of an application in the normal way;
- Note that any export of livestock for breeding purposes under the partnership must be undertaken to achieve the effective relocation of breeding stock to Saudi Arabia for the purposes of shaping the new business model, and not to establish a new business in New Zealand in the export of livestock for breeding.

## Procurement Plan Approvals &amp; Endorsements

Role	Name/Title	Signature
<b>Initiator:</b>	Alex Matheson - Special Envoy, Government Commercial Partnerships	
<b>Endorsed by:</b>	Peter Cooper – Divisional Manager Procurement	
<b>Approver:</b>	Chris Seed, Deputy Secretary	
<b>PRO Endorsement:</b>		

## Background

The role of Special Envoy – Government Commercial Partnerships, was established in June 2012 by John Allen, CEO MFAT to:

- a) provide greater government support for NZ business operating in the GCC region;
- b) provide a central NZ Inc point for selected commercial opportunities arising from the GCC region; and
- c) lead several projects out of the GCC region including food-security partnerships in out of scope Saudi Arabia.

In order to achieve the above objectives, the Ministry needed to identify a company or, more particularly, an individual with the credibility, knowledge and networks to represent MFAT in discussions and negotiations with the Saudi Arabian Government and a significant NZ based farming business developed and owned by the Saudi Arabian company, the Al Khalaf Group.

The Al Khalaf Group has invested significantly in developing markets for red meat (primarily lamb) farmed in New Zealand or produced by breeding stock, and by forging a closer commercial relationship. MFAT, MPI and NZTE are seeking to use the Al Khalaf Group's networks to assist in establishing increased agribusiness for New Zealand firms in the Middle East. (Additional background is noted in a Cabinet Paper presented by the Hon Murray McCully, Minister of Foreign Affairs, dated 13 February 2013.)

The following organisations and individuals were approached to establish who may have the required networks, credibility and knowledge to design and negotiate a closer working relationship with the Al Khalaf Group that could assist the New Zealand Government in working with the Saudi Government and other Middle Eastern countries to increase market access and opportunities for New Zealand businesses in the Middle East, particularly in the red-meat sector:

Procurement Plan for: [Click here to enter text.](#)

59(2)(a)

The research and discussions with those noted above who are representative of influential organisations in the agriculture sector in New Zealand, and firms doing business in the Middle East consistently mentioned 59(2)(a) a Wellington-based partner at Deloitte, and his team as fitting the requirements. In addition, 59(2)(a) had led the Meat Industry Association sponsored NZ red-meat strategy document released in 2012.

Additionally, and importantly, Gibbs and Deloitte were known to the Al Khalaf team who have an interest in assisting New Zealand develop closer agricultural trading relations with Saudi and the Middle East.

59(2)(a) was engaged in August 2012, for a fixed fee of \$40K to assist in establishing a strategy to develop a relationship with the Al Khalaf Group to further New Zealand's trading interests in the Middle East. Specifically to prepare a road map / blue print for the development of a best practise sheep beef farm and dairy farm to improve the returns on Saudi interests - Al Khalaf Group - New Zealand investments (and possibly other components of its international business) and to grow the animals available for their Saudi Arabian supply chain, within the policy constraints of no live export for slaughter from New Zealand.

The result of discussion and negotiations with Al Khalaf Group was an important input and step in providing advice to the Minister and the proposed strategy that the Hon Murray McCully, Minister of Foreign Affairs presented to Cabinet on the 13 February 2013.

Cabinet acceptance of this strategy and proposed investment in this endeavour has resulted in a programme of work that includes facilitating and preparing the business case on behalf of MFAT based on the initiatives identified by an expert group who have travelled to Saudi Arabia for that purpose.

The work programme includes:

1. Working with NZTE to establish their expectations of the business case, including its content and degree of detail required and structure
2. Advising a team of MFAT selected experts who will work together to identify areas in the value chain where NZ products and/or services can provide value (Initiatives)
3. Supporting the expert group's travel to KSA to investigate the current value chain and identify areas where NZ can assist
4. Documenting possible initiatives for inclusion into the business case. (Include a brief description of the problem, how the NZ solution solves that problem, the investment required and the value to NZ.)

5. Recommending which initiatives have the best value to NZ
6. Preparing a procurement process that meets the Government procurement rules
7. Drafting the business case for review by MFAT
8. Finalising the business case for MFAT
9. Submitting business case to NZTE

On 14 March 2013 Deloitte were invited to present a proposal to:

1. Work with NZTE to action their expectation of the business case;
2. Design a template to document the initiatives as they are identified;
3. Travel to KSA with the expert group;
4. Facilitate the identification of the initiatives for investment;
5. Challenge the expert group on the initiatives they are promoting and review their documentation of the initiatives. For sake of clarity it is not Deloitte's role to prepare and document the initiatives;
6. Work with the expert group to decide which initiatives should go forward for inclusion in the business case;
7. Prepare the business case;
8. Submit draft to MFAT for review and comments;
9. Finalise the business case based on feedback and submit to MFAT.

On agreeing to the scope of work Deloitte will be engaged under the Defence Syndicated contract. Deloitte had been selected onto this panel of professional services firms through an open tender that was managed by Defence.

#### Related Documents

- Cabinet paper referred to above
- Submission to Minister of Foreign Affairs related to expert group technical visit in April 2014
- Contract between Ministry of Foreign Affairs and Al Khalaf Group

#### Contact Person

The Contact Person (CP) for suppliers is: Alex Matheson, Special Envoy, Government Commercial Partnerships.

#### Approach To Market

The initial selection of Deloitte to assist in developing a proposed strategy for establishing closer agribusiness ties with Saudi Arabia through a Saudi Arabian farming business (the Al Khalaf Group) was based on the market research noted above. This initial work was under the Ministry's \$50k threshold for seeking competitive quotes.

Procurement Plan for: Click here to enter text.



Based on the performance of Deloitte in executing this initial work and the relationship, knowledge and capability demonstrated, the approach recommended is the direct engagement of Deloitte to undertake Phase Two of this work, as documented in the appended Statement of Work.

### Risks / Conflicts of Interest

Deloitte and Alex Matheson, Special Envoy, Government Commercial Partnerships have completed Conflict of Interest Declarations.

### Terms and Conditions of Contract

Defence Syndicated Contract.

### Budget

\$50K, plus expenses.

## Section Two – Procurement Timetable

Task	Responsible	Due Date
1. Draft Specification	Alex Matheson	
2. Decide if supplier briefings, reference checks and interviews are required.	Alex Matheson	
3. Draft Evaluation criteria and weightings	N/A	
4. Approve Evaluation Criteria	PRO	
5. Draft RfX document (call for Tenders)	N/A	
6. Approve RfX (Ready for Publishing)	N/A	
N/A	N/A	
7. Confirm each panel member accepts nomination	N/A	
8. Schedule key dates and obtain Panel member confirmations	N/A	
9. Obtain Conflict of Interest Declarations and Confidentiality Agreements	Alex Matheson	
10. Establish Risk Register	Alex Matheson	

Task	Responsible	Due Date
1. Publish RfX on GETS	N/A	Allow 2 days
2. Publish tender elsewhere	N/A	
3. Log and Respond to manage supplier queries (Post questions on GETS if appropriate)	N/A	
4. Prepare Panel Instructions	N/A	
5. Tender Closes	N/A	3 weeks later

Task	Responsible	Due Date
1. Log RfX received	N/A	
2. Send emails confirming receipt	N/A	
3. Prepare and send papers to Panel members	N/A	

Task	Responsible	Due Date
1. Convene Evaluation Panel	N/A	
2. <u>Complete evaluation</u>	N/A	2 weeks
3. <u>Complete Due Diligence</u>	N/A	2 weeks or more
4. Complete Panel Minutes/Report/Recommendations	N/A	
5. Submit Recommendation for Approval	N/A	
6. Panel Recommendation endorsed.	N/A	

Task	Responsible	Due Date
1. Advise Preferred Supplier	N/A	
2. Organise Negotiations	Alex Matheson	
3. Negotiate Contract	Alex Matheson	
4. <u>Prepare contract for signing (PRC Must review)</u>	Alex Matheson	
5. Sign contract and advise unsuccessful suppliers	N/A	
6. Contract Start date	Alex Matheson	
7. Debrief unsuccessful suppliers	N/A	

Task	Responsible	Due Date
1. Assign Contract manager	Alex Matheson	
2. Implement the contract	Alex Matheson	
3. Monitor and manage performance & costs	Alex Matheson	

## Statement of Work

PART ONE – STATEMENT OF WORK (MFAT to complete)	
PROJECT TITLE	
<b>Contact Details:</b>	Alex Matheson, Special envoy, Government Commercial Partnerships
<b>Closing Date and Time:</b>	Latest 30 June 2013
<b>Project Outline:</b>	As attached
<b>Deliverables:</b>	As attached
<b>Specifications:</b>	As attached
<b>Timeframe:</b>	April 2013- June 2013
<b>Budget:</b>	50%, plus expenses
<b>Performance Measures:</b>	MFAT acceptance of draft business plan
<b>Reporting:</b>	<p>On completion of the Project the supplier is to provide a report outlining:</p> <ol style="list-style-type: none"> <li>1. Compliance with the timeline, scope and the cost of the completed Services.</li> <li>2. A breakdown of the cost for the completed Contract; and any recommendations for future projects.</li> </ol>
<b>General Comments:</b>	NA

**PART TWO – STATEMENT OF WORK**  
**(Supplier to complete)**

PROJECT TITLE	
Supplier Company Name:	Deloitte
Supplier Contact Details	s 9(2)(c)
Price to provide the required services:	\$ 50,000 (excl. GST), plus expenses
Timings required to meet the Statement of Work (SoW):	<input type="checkbox"/> As per SoW
Resources proposed to meet SoW needs:	Partner, project oversight and accompanying expert group on technical visit to RSA in April 2013 Advisor Administrative Support s 9(2)(a)
Other information (requested or relevant):	
Notes:	NEW ZEALAND DEFENCE FORCE TE Kaitiaki o Aotearoa

Signed By Supplier:

s 9(2)(a)

Signature

Name

s 9(2)(a)

Title

Partner

DDI

Date

26 March 2013

s 9(2)(a)

Acceptance of your offer will be confirmed by an official NZDF Purchase Order. Please retain the Purchase Order number for invoicing/payment purposes.

Procurement Plan for: Click here to enter text.

## Memo

Date: 14 March 2013

To: Alex Mathieson

From:

59(2)(1)

Subject: Business Case for KSA

### Purpose

Based on our recent discussions you have asked Deloitte to assist MFAT with the preparation of a business case for an investment the New Zealand Government wishes to make in support of the Kingdom of Saudi Arabia's (KSA) quest to build sustainable sources of protein.

The Government has set aside \$6 million and has asked NZTE to manage the distribution of these funds in accordance with NZ Government procurement rules. MFAT are responsible for the preparation of the business case and have assembled a team of experts in red meat value chain and doing business in KSA to assist. The investments that NZ organisations will make and how they will make them will be determined by this group of experts.

In principle the \$6 million will be used to purchase NZ products and/or services to improve the provision of protein to KSA. The NZ investment will not in any way provide the total solution, but will in part provide valuable products and/or services in areas where NZ has solution that can solve existing constraints and/or issues the KSA currently has in its value chains.

The hypothesis of providing this initial seed investment into the value chain is to show case NZ capability to KSA and the value NZ organisations can bring and it is hoped that this will result in further purchases as a result.

The purpose of this document is to outline Deloitte's role in the preparation of the business case.

### Objective

The business case is to document the investment initiatives that have been identified by the expert group to improve KSA's protein sources and the value proposition to NZ. In addition the business case will also outline how these products and services will be procured from New Zealand organisations in a way that satisfies the Government's procurement rules.

Date: 14 March 2013

Page 2

## Process

The following is a summary of the process that will be followed to prepare the business case

1. Work with NZTE to get their expectations of the business case, including its content and degree of detail required and structure
2. MFAT have appointed a team of experts who will work together to identify areas in the value chain where NZ products and/or services can provide value (initiatives)
3. Expert group to travel to KSA to investigate the current value chain and identify areas where NZ can assist
4. These initiatives will be documented for inclusion into the business case by the appropriate member and will include a brief description of the problem, how the NZ solution solves that problem, the investment required and the value to NZ.
5. Decide on which initiatives have the best value to NZ
6. Prepare a procurement process that meets the Government procurement rules
7. Draft the business case for review by MFAT
8. Finalise the business case for MFAT
9. Submit business case to NZTE

## Deloitte's Roles

Deloitte's role is to facilitate and prepare the business case on behalf of MFAT based in the initiatives identified by the expert group. This will include:

1. Work with NZTE to get their expectation of the business case
2. Design a template to document the initiatives as they are identified
3. Travel to KAS with the expert group
4. Facilitate the identification of the initiatives for investment
5. Challenge the expert group on the initiatives they are promoting and review their documentation of the initiatives. For sake of clarity it is not Deloitte's role to prepare and document the initiatives
6. Work with the expert group to decide which initiatives should go forward for inclusion in the business case
7. Prepare the business case
8. Submit draft to MFAT for review and comments
9. Finalise the business case based on feedback and submit to MFAT

## Price

The following is a summary of the fees and disbursements that MFAT will pay:

1. The fees for the assistance of the preparation of the business case is \$50,000 (excl. GST)
2. Disbursements provided for will include:
  - a. Economy fares for the trip to KSA,
  - b. All food and accommodation cost on the trip.

## COMMERCIAL-IN-CONFIDENCE

15 March 2013

Minister of Foreign Affairs

**SAUDI ARABIA FOOD SECURITY PARTNERSHIP: TECHNICAL VISIT, 9-16 APRIL 2013**

This note outlines the scheduled technical visit to the Kingdom of Saudi Arabia April 9-16 2013, as part of the NZ/Saudi Arabia (KSA) food security partnership agreed by Cabinet.

*Background*

Cabinet recently considered the paper on establishing a KSA Food Security Partnership, and agreed that there will be an investment in a pilot agribusiness operation of up to \$6 million for the delivery of services by NZ agricultural service entities, undertaken in strict conformity with Government Procurement requirements.

To implement this, MFAT has contracted to purchase the following services from the KSA interests:

- participation of key personnel and/or associates of the KSA interests in a NZ agribusiness technical visit to KSA in April 2013;
- the development, in cooperation with MFAT, of a detailed business plan by the end of May 2013, and following the technical visit in April, outlining the research and development and procurement of relevant technologies to be carried out, along with the timing of implementation.
- implementation of the business plan, in cooperation with MFAT and NZTE, between June 2013 and June 2014.

The KSA interests have chosen the dates for the technical visit as 9-16 April, to meet their commercial imperatives.

*Technical Visit: Purpose*

MFAT has committed funding to the partnership, recognising the investment that the KSA interests have made in the genetic development of the Awassi breed, its logistical, supply chain and market connections to create a base for New Zealand service suppliers to leverage the NZ brand and reputation for agricultural excellence in the Middle East market. The intention is to develop this hub for NZ agricultural service providers to build an enduring presence in the Middle East and African markets. The long term value of this arrangement can only be secured for NZ if there is an immediate engagement of agricultural service providers on the ground in the region.

A first step in this partnership is therefore to undertake a visit to KSA and study the red-meat supply chain. The purpose of this visit is to provide the basis for a business plan for identifying the NZ technologies and expertise that can become part of the hub.

The proposed members of the technical visit include managers from the KSA interests, their NZ-based advisors, New Zealand Government officials (MFAT NZTE, and MPI), and several NZ technical experts from the red-meat, farming and animal breeding industries with experience in the Middle East.



The study tour will comprise a range of meetings and site visits hosted by the KSA interests with their senior technical and management experts, and other relevant KSA government and private sector businesses. As the itinerary sees the group travel through Riyadh, the NZ Embassy will look to include meetings with relevant and influential KSA interests while in the capital.

*Technical Visit: firm selection and role clarity*

A key requirement of the partnership is that both parties need to agree on all aspects of the business plan, including the composition of the group to participate in the technical visit to KSA.

The composition of the technical visit therefore needs to balance the KSA interests' commercial needs with a broader NZ perspective. The group needs to be a manageable size, and will include officials from NZTE, MFAT and MPI. The NZ-based advisors of the KSA interests (from PGW and Brownrigg Agriculture) understand the importance of providing advice and input into the business plan that balances NZ and KSA interests – in particular in terms of delivering on the services to MFAT outlined in the contract for services which formally establishes the partnership.

Given the requirements of the contract and in discussion with the KSA interests, NZTE and MFAT have identified firms who have expertise in:

- Development of food safety and biosecurity systems
- Farming systems development
- Design and operation of red-meat plants
- Red meat industry strategy development
- Proven track record of delivery in the region

AsureQuality, SourceWorld and Proand respectively meet the requirements above, having all actively worked in the region with significant depth and experience. NZTE will engage those companies as service providers, and they are required to deliver a report on the technical visit, which can be used to develop the business plan to be put forward to the KSA interests/Ministers, as well as explore broader opportunities in KSA and the wider GCC. MFAT and the Saudi interests have agreed that s 9(2)(a) from Deloitte is best placed to pull together the first draft of the business plan, and MFAT has engaged Deloitte for this purpose.

The participants on the technical visit:

- Director, Proand
- Director, Sourceworld
- Partner, Deloitte
- , Certification & QA Manager, AsureQuality
- David Brownrigg, Director, Brownrigg Agriculture
- Group manager, PGW Consulting
- , North Island Primestock Co-ordinator, PGW
- Alex Matheson, Special Rep for Government Commercial Partnerships (MFAT)
- , Riyadh Embassy (MFAT)
- George Assaf, CEO Australasia Al Khalaf Group, and Director of Awassi NZ
- Business Development Manager, Al Khalaf Group
- Clayton Kimpton, MEA Regional Director (NZTE – part visit)
- Haydon Smith, Programme Leader - Agribusiness (NZTE)
- , Director, Market Access (MPI, - Riyadh only – already in region)
- Matt Stone, Director Animal and Animal Products (MPI, part – already in region)

s 9(2)(a)

### *Technical Visit – procurement and business plan development*

Given the limited number of New Zealand firms with the combination of technological expertise and GCC/Middle East market experience, it is inevitable that the potential technologies and services selected in the first instance might come from the firms/individuals on the study tour. If there is a particular technology or service identified by the group that has more than one New Zealand provider, then a robust procurement process must be undertaken. The business plan approval process may however mean that technologies and services identified from the study tour are not necessarily approved for investment.

MFAT has advised the Saudi interests that the advisors and firms that have been selected on the technical visit, and the organisations that they have selected, will still need to be selected on merit for the next phase of implementing the Business Plan. Certainly all these organisations will be given every opportunity to submit a proposal to participate in that next phase of the Business Plan implementation – depending on the needs identified, but this will be run as a government procurement process and so it will naturally also consider other potential suppliers (if any).

### *Technical Visit – itinerary and budget principles*

The partnership will contribute airfares and accommodation and appropriate related costs for private sector participants on the study tour, but will not meet fees or salaries. Other costs will be met directly by the Saudi interests (such as the Dammam accommodation, and ground handling in KSA), or by MFAT and/or NZTE (such as the costs of staff travel as part of technical visit, and the per diems of the selected firms - particularly where the scope of work commissioned by the NZ firms is broader than the parameters of the partnership ie commenting on and investigating broader agri-export/food-security related opportunities in KSA and the GCC region).

The itinerary includes investigation of the potential for related business opportunities in areas such as:

- Port operations
- Transport and logistics systems
- Farm systems and operations (dairy and sheep)
- Feedlot operations
- Abattoir operations

The itinerary:

9 – 12 April Dammam, KSA  
13 – 14 April Riyadh  
15 – 16 April Jeddah

### Recommendation

MFAT recommends that you note this paper.

Middle East and Africa Division  
MFAT

59(2)(a)

**From:** RIYADH  
**Sent:** Thursday, 14 March 2013 9:29 p.m.  
**To:** MEA  
**Cc:**

out of scope

**Subject:** FM: Minister McCully's visit to the Kingdom of Saudi Arabia  
**Attachments:** Food Security One Sheet (F) EN.pdf; out of scope

(RESTRICTED)

out of scope

# **Formal Message: Minister McCully's visit to the Kingdom of Saudi Arabia**

## **SUMMARY**

Minister McCully visits Riyadh for fast-paced but highly productive one day visit - making calls on the Saudi Crown Prince; Deputy Foreign Minister; Minister of Agriculture; and billionaire investor Prince Al-Waleed.

out of scope

\*Further progress is made towards final resolution of the key bilateral irritant - live sheep exports. This is heralded as a "new chapter" in the relationship by the Saudi Agriculture Minister. \*Minister McCully's announcement of a pilot project to examine bilateral agricultural co-operation well received. \*Proposal to re-energise Joint Ministerial Consultations.

out of scope

**ACTION**

out of scope

**REPORT**

out of  
scope

**Meeting with HRH Prince Abdulaziz bin Abdullah bin Abdulaziz Al-Saud, Deputy Minister of Foreign Affairs**

out of scope

*Agriculture Mission*

7 Minister McCully noted that an agriculture scoping mission would visit the Kingdom in mid-April to review potential areas for partnerships. Prince Abdulaziz welcomed the idea: noting that his father, King Abdullah, had supported similar initiatives. This including investing in agricultural projects in Africa, particularly Ethiopia. The Prince wondered whether there might also be scope for trilateral co-operation between Saudi, NZ and a third state – perhaps in Africa. Minister McCully responded that he also saw significant potential in such projects.

out of  
scope

but of  
scope

**Meeting with HE Dr Fahd Balghunaim, Minister of Agriculture**

14 Dr Balghunaim, joined by several of his deputy ministers, was well aware of the efforts NZ had made to resolve the Al-Khalaf export issue, and was warm and effusive towards NZ and the Minister personally. Balghunaim described this as a "new chapter" which had been opened since Minister McCully had last visited Riyadh. Minister McCully acknowledged that several people, including Hmood Al-Khalaf, had invested in the bilateral trade/economic partnership and not been treated fairly. So NZ had sought equitable solutions in good faith to put right some misunderstandings. Minister McCully also updated Balghunaim on a new initiative to create an agricultural co-operation hub in Riyadh. Initially this would be a two-year pilot project, and a scoping mission was planned to visit Riyadh mid-April to establish the platform for agricultural partnerships.

56(a)  
59(2)(ba)

s6(a)  
s9(2)(ba)

out of scope

out of scope

**Press Conference – food security focus**

22 At a well-attended (by around 20 local print and TV media outlets, including agencies like Reuters, and the FT) press conference at the NZ Embassy, and building on the media engagement in his January visit to the UAE, Minister McCully announced New Zealand's intention to engage in a food security partnership with Saudi Arabia and the wider GCC. The assembled journalists took the opportunity to ask a wide range of questions, allowing the Minister to give substantive responses on NZ's role in the region;

out of scope

as well as the specific topic of food security. We attach for reference some press clippings giving an overview of media coverage for the visit. Also attached is a copy of the food security partnership brochure which was disseminated to the local media in both English and Arabic.

**Dinner with the Agriculture Minister and key food, agriculture and investment players**

23 The Chargé hosted a small s6(a) group to an informal dinner at the Residence, in the last official fixture of the visit programme. The Minister and NZ officials were joined by the Saudi Agriculture Minister Dr Balghunaim, Sheikh Hmood Al-Khalaf (owner of a sheep farm in the Hawke's Bay – and around whom tensions over the live sheep for slaughter ban have centred), the President of the Saudi Livestock Investment Corporation (SALIC –

which despite its name has a wide food security mandate including crops and fisheries); <sup>s 9(2)(a)</sup>  
(multi billionaire proprietors of the Kingdom's biggest food import and distribution empire, including the cold stores in which all NZ chilled and frozen imports are kept); <sup>s 9(2)(a)</sup> (investor and consultant working with the incoming Matheson-led agriculture delegation) and <sup>s 9(2)(a)</sup> (senior adviser with the King Abdullah Initiative – the KAI - a US\$100 billion sovereign wealth fund).

24 Amidst the jovial atmospherics and conviviality of the occasion, substantive outcomes for NZ were achieved. Al-Khalaf, whose commercial interests had been impacted by the export ban on live sheep for slaughter, expressed his satisfaction with the arrangements put in place to resolve his commercial dispute. These arrangements move the relationship ahead by forming a real partnership to assist with the Kingdom's wider food security needs.

Comment

ENDS



NEW ZEALAND

## A Strategic Food Security Partner

W <http://www.nzembassy.com/saudi-arabia> E [info@nzembassy.org.sa](mailto:info@nzembassy.org.sa) T +966 1 488 7985

9 March 2013

New Zealand is a country of spectacular scenic beauty. The clean environment, expansive open fields, bountiful oceans, clean water and a favourable climate all give New Zealand a unique natural advantage for agriculture. The country is renowned for the cultivation of the healthiest and most delicious of foods.

New Zealand dairy products, meat, fish, honey, fruit, vegetables and other produce are all of the highest possible quality and excellent nutritional value. Also sensitive to the cultural and religious requirements of the Saudi Arabian market, New Zealand is the only western food producer to require their products to receive government certification as totally halal-compliant, alongside the usual health and hygiene checks. New Zealand food is very affordable and outstandingly good value for money, thanks to their efficiency of production and a streamlined, deregulated economy.

As a country of innovators, and enterprising entrepreneurs, New Zealand also has a reputation for developing exceptionally effective, efficient and environmentally-friendly methods of food production. Their farmers and scientists have perfected ways of producing food with lower inputs of labour, fuel and feedstock along with higher returns and much lower impact on our planet's precious natural ecosystems than anywhere else in the world. New Zealand is looking to share their country's research and expertise in this field by partnering with Gulf States, to help ensure the food security of friendly nations in the region.

Specific initiatives New Zealand is currently undertaking to achieve this goal include:

- The New Zealand Foreign Minister, Hon Murray McCully, is visiting Saudi Arabia to directly engage on food security issues with this friendly country.
- The Government of New Zealand is also exploring options for investment to support a public-private partnership on agriculture. This venture would conduct joint research and development projects into agriculture in the Kingdom.
- New Zealand is close to concluding a memorandum of understanding with the Gulf Co-operation Council (GCC). A key focus of this agreement will be on food security co-operation.
- New Zealand is also hoping to work more closely with less developed countries, such as those in Africa, to help them with their agricultural development issues. New Zealand gives significant aid to assist poorer countries develop their food production base, and hopes to work in partnership with Saudi Arabia to expand these programmes.





s 9(2)(a)

**From:** Haylon Smith -AKL s 9(2)(a)  
**Sent:** Sunday, 3 March 2013 10:27 p.m.  
**To:** MATHESON, Alex (MEA)  
**Cc:** AUSTIN, Jonathan (MEA); Clayton Kimpton -DXB s 9(2)(a)  
**Subject:** RE: NZ/Al Khalaf Group Partnership

Alex

Thanks for the update.

Regarding the companies to engage as part of the Study Tour, I agree that there are a very limited number of companies who have the skills and experience required, I am happy to work with you to identify and engage those required this week.

Of the three areas

- Development of food safety and biosecurity systems
- Farming systems development
- Design and operation of red-meat plants

My thoughts are AsureQuality, SourceWorld and Proand respectively – having all actively worked in the region with significant depth and experience. But I would like to discuss this with the team internally to confirm. We also run the risk of unavailability given the short time frame; we will need to cover this scenario also.

I think the best approach will be for MFAT to engage those companies / consultants as Service Providers; required to deliver a report (or the like) on the opportunities, which can be used to develop the business cases which are put forward to Al Kahlaf / Ministers in conjunction with Al Kahlaf's advisors' findings. There are two key benefits to this approach:

- There is no expectation on the service providers part that the Study Tour will lead to further work for the company / consultant (which may be inferred if time was not paid)
- The reports can be used to question (or confirm) propositions put forward by Al Kahlaf / their advisors; I don't anticipate this to be the case, but it would be advantageous if we found ourselves in that position

I would then expect we review the procurement process for each business case drafted, this may vary significantly.

On Thursday we will meet with NZTE's corporate counsel s 9(2)(a) to discuss this process and map out process requirements over the next 12 months. Although the initial stage (Study Tour) will be MFAT led, as we have discussed it is likely NZTE will take on a more substantial role following the completion of the Tour, hence the need for this meeting sooner rather than later.

Of course this will follow the NZTE/MFAT discussion on Wednesday and any decisions that follow.

I look forward to discussing further.

Regards  
Haylon

**From:** MATHESON, Alex (MEA) s 9(2)(a)  
**Sent:** Friday, 1 March 2013 11:22 a.m.  
**To:** Haylon Smith -AKL

**Cc:** AUSTIN, Jonathan (MEA)  
**Subject:** NZ/Al Khalaf Group Partnership

[UNCLASSIFIED]

Hi Haylon

As discussed, now that Cabinet has signed off the \$6m partnership with the Al Khalaf Group we need to pull together the proposed study tour as a crucial input into the business plan.

While MFAT and NZTE are meeting next week to discuss management of the programme going forward, including transfer of the funding, I think we need to move on selecting and inviting the firms/individuals to participate in the study tour as soon as possible – given that the dates have already been proposed by our Saudi partner.

The background below, provides some information on the proposed study tour, and the dates that have been selected.

A key construct in the design of the partnership is that our commercial partner Al Khalaf will need to agree on all aspects of the business plan, along with the Minister of Foreign Affairs (and potentially other Ministers, including NZTE's).

The composition of the study tour therefore needs to balance Al Khalaf's needs with a broader NZ perspective. The group needs to be a manageable size, and will include officials from NZTE, MFAT and MPI, which limits other private sector members to 3 or 4 (in addition to the Al Khalaf management from Australia, and their NZ-based advisors: s 9(2)(a) from Brownrigg Agriculture, and s 9(2)(a) and s 9(2)(c) from PGW). The NZ-based advisors are understand the importance of providing advice and input into the business plan that balances New Zealand's and Al Khalaf's interests – in particular in terms of delivering on the services to MFAT outlined in the contract for services which formally establishes the partnership:

"a contribution of up \$6m will be made as investment in the partnership to be disbursed as agreed between the Parties to fund research and development into the relevant technologies for the purpose of producing and exporting Awassi and New Zealand livestock for breeding, while promoting the advancement of animal handling, husbandry and breeding technology, red-meat technology and capability to Saudi Arabia and the Middle East".

Given the need for balance and pragmatism, the requirements of the contract, discussions with the Al Khalaf Group, and the current composition of the study tour, it would be useful if we could identify some firms/individuals who met the following criteria. Expertise in:

- Development of food safety and biosecurity systems
- Farming systems development
- Design and operation of red-meat plants

In addition, the following additional attributes are important in the selection of firms for the study tour, as well selection of technologies and services recommended for investment in the business plan:

- Experience of operating within the GCC/Middle East region
- The capacity and capability to undertake potential projects identified as part of the study tour

Given the limited number of New Zealand firms with this mix of technological expertise and GCC/Middle East market experience, it is inevitable that the potential technologies and services selected in the first instance might come from the firms/individuals on the study tour. If there is a particular technology or service identified by the group that has more than one New Zealand provider, then a robust procurement process must be undertaken.

The business plan approval process may however mean that technologies and services identified from the study tour are not necessarily approved for investment. I expect that the opportunity provided by this study tour, hosted by a large Saudi company and given privileged access to information and

contacts in Saudi Arabia will be valuable to the participants irrespective of whether or not their own technology is eventually recommended in the business plan.

## Background

The New Zealand Government has formed a partnership with Al Khalaf Group, a large Saudi Arabian company with significant agribusiness assets particularly focused on transportation and trading of live animals, with investments in New Zealand via its subsidiary Awassi New Zealand Ltd.

The Minister of Foreign Affairs has committed funding to the partnership, recognising the investment that Al Khalaf Group has made in the genetic development of the Awassi breed, its logistical, supply chain and market connections to create a base for New Zealand service suppliers to leverage the New Zealand brand and reputation for agricultural excellence in the Middle East market. The intention is to develop this hub for New Zealand agricultural service providers to build an enduring presence in the Middle East and African markets. The long term value of this arrangement can only be secured for New Zealand if there is an immediate engagement of agricultural service providers on the ground in the region.

A first step in this partnership is therefore to undertake a study tour of the Al Khalaf supply chain in Saudi Arabia. The purpose of this study tour is to provide the basis for a business plan for identifying the New Zealand technologies and expertise that can become part of the hub. It is also proposed that the group spend a couple of days in Addis Ababa (Ethiopia). There is a strong link between the GCC and Africa in terms of supplying feed and live animals, as well as the opportunity for New Zealand to assist Africa to develop its agricultural potential.

The range of New Zealand interests which might form part of the hub, subject to the business plan, could include:

- Technical services (core science, R&D, advisors, farm management, and educational courses)
- Farm inputs (animal feed and health products, fertilisers, chemical sprays, cropping, building and fencing materials)
- On-farm equipment (readers, scanners, scales, irrigators)
- On-farm business systems and expertise (specialist farm and benchmarking systems)
- Genetics testing and mapping expertise

The proposed members of the study tour include Al Khalaf Group management, New Zealand-based advisors to the Group, New Zealand Government officials (MFAT and NZTE), and several other New Zealand agribusiness technical experts with experience in the Middle East – particularly related to farming systems development, and implementation of food safety and biosecurity services.

The study tour will comprise a range of meetings and site visits hosted by Al Khalaf Group and senior technical and management experts from Al Khalaf Group and other relevant Saudi government and private sector businesses. As the itinerary sees the group travel through the Saudi capital, Riyadh, the New Zealand Ambassador to Saudi Arabia will look to include meetings with influential Saudi interests while in Riyadh.

The itinerary will include investigation of the potential for related business opportunities:

- Port operations
- Transport and logistics systems
- Farm systems and operations (dairy and sheep)
- Feedlot operations

- Abbatoir operations

The partnership will contribute airfares and accommodation and appropriate related costs for participants on the study tour, but will not meet fees or salaries.

The proposed itinerary:

8 April Depart New Zealand

9 April Overnight Dammam, Saudi Arabia

10 April Dammam

11 April Dammam

12 April Riyadh

13 April Riyadh

14 April Jeddah

15 April Jeddah

16 April Addis Ababa, Ethiopia

17 April Addis Ababa

18 April Return to NZ

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"The information contained in this email message is intended only for the addressee and is not necessarily the official view or communication of the Ministry. If you are not the intended recipient you must not use,

s9(2)(a)

**From:** MEA

**Sent:** Monday, 25 February 2013 4:03:12 p.m. (UTC+12:00) Auckland, Wellington

**To:** RIYADH

**Cc:** ...

**Subject:** FORMAL MESSAGE: SAUDI ARABIA: AL KHALAF PARTNERSHIP

[SEEMAIL] [RESTRICTED]

**NOT FOR CABLE EXCHANGE**

*Handling Instructions:*

MPI – for Chris Carson,

NZTE – for Tim Green, Haylon Smith, Clayton Kimpton, Steve Jones

Summary:

Cabinet has noted the agreement now reached with Saudi business interests (Al Khalaf Group) over the long running Saudi Arabia live sheep issue. This agreement, which is not yet public, includes a NZ\$4m payment for access to the knowledge and networks of Al Khalaf and up to NZ\$6m in New Zealand goods and services for an agribusiness partnership with Al Khalaf centred on a “hub” in Saudi Arabia. Depending on Saudi agreement, this could form part of a broader food security partnership with Saudi Arabia. In addition to removing a major irritant in the bilateral relationship,

s6(a)  
s9(2)(j)

Action:

2 Grateful you deliver attached letter to the Minister of Agriculture, note that the initial NZ\$4m has now been paid and explore interest in a joint announcement on a food security partnership.

Report:

3 On 17 February Cabinet noted the progress which has been made in resolving the live sheep issue with Saudi Arabia, particularly the agreement with Al Khalaf Group to pursue an agribusiness partnership as part of a possible broader food security partnership with Saudi Arabia. A copy of the Cabinet minute is attached. We are now working through the implementation of this agreement.

4 A contract for services with Al Khalaf has been completed and an initial payment made of NZ\$4m to settle the dispute and access Al Khalaf’s knowledge and networks in Saudi Arabia. We will shortly be meeting with NZTE (and consulting as directed with Treasury and the Office of the Auditor-General) to determine an appropriate modality for the NZ\$6m investment in New Zealand goods and services to underpin the second stage of the partnership: the development of an agribusiness “hub” in Saudi Arabia. Preparations are under way for an initial 9-

16 April study visit to Saudi Arabia (and possibly Ethiopia) by members of the partnership and selected New Zealand firms, following which a business plan will be produced.

5 The Minister of Foreign Affairs has written to the Saudi Minister of Agriculture outlining the basis for the agreement (your FM of 16 January refers). A copy of this letter is attached. In delivering this letter, it would be useful to refer back to your earlier suggestion of a bilateral food security partnership and test whether the Minister would be comfortable with public reference to this being something under discussion between New Zealand and Saudi Arabia. One possibility is to announce this during Mr McCully's forthcoming visit to Riyadh.

6 The letter also refers to work which is now under way on the necessary zoosanitary protocols to allow the export from New Zealand to Saudi Arabia of live sheep and cattle for breeding. The Director-General of Primary Industries will be writing to his Saudi counterpart about this shortly. Although our partnership with Al Khalaf will have a firm Saudi Arabia focus, there will remain a need for the shipment of breeding stock from New Zealand.

7 **The agreement with Al Khalaf is not yet public.** It is our intention to announce it at a suitable opportunity after the Minister has visited Saudi Arabia. In the meantime, please refer to us (MEA, CMD) any queries you receive from business/media. We will be in contact separately regarding a communications strategy currently under development.

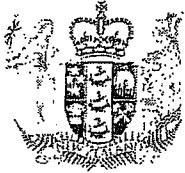
Comment:

8 Reaching this agreement is, as you know, a major achievement. Finding a resolution to this difficult and festering sore has consumed considerable thought and energy over several years. Your role in this has been critical and much appreciated. Thank you.

s 6 (1)

s 9 (2)

out of scope



# Office of Hon Murray McCully

Minister of Foreign Affairs

Minister for Sport and Recreation

22 FEB 2013

H.E. Fahad bin Abdulrahman Balghunaim

Minister of Agriculture

Kingdom of Saudi Arabia

Your Excellency

I am writing to update you on developments relating to the agricultural cooperation issues between our two countries that we discussed when we met in Riyadh last year. I am pleased to report that good progress has been made in resolving outstanding matters.

As we discussed, New Zealand and Saudi Arabia are natural food security partners. Since we met, my officials have focused on how New Zealand Government agencies might play a more proactive role in promoting agricultural and food security partnerships between New Zealand and Saudi Arabia. A central element of this is New Zealand's desire to engage with and assist the development and delivery of Saudi Arabia's food security programme, including the challenge of meeting the significant increased demand during the Hajj season.

As you have indicated, Saudi interests led by Al Khalaf Group have invested significantly in the future of the agricultural relationship between our two countries and there was a need to resolve the difficulties that they have experienced. For this reason there have been extensive discussions with Al Khalaf Group to agree a basis on which its expertise and resources might be used to promote deeper engagement on agriculture and to underpin a new food security partnership. I am pleased to advise that officials have reached agreement on commercial terms for this to now move forward.

These discussions have also explored the opportunity for leading New Zealand agricultural service suppliers to transfer knowledge and technology to Saudi Arabia, providing a base from which future agricultural partnerships might flow. The New Zealand Government has agreed to commit up to NZ\$6 million to this pilot programme, to be managed in partnership with Al Khalaf Group. An initial step in this will be for a group of key public and private agricultural experts representing the partnership to visit Saudi Arabia in April to develop a plan for how best to develop the partnership.

In addition to enhanced agricultural business and investment, I hope that this partnership will pave the way for greater economic cooperation between our two countries and the wider Gulf Cooperation Council membership.

Alongside this, initial work has begun on the necessary protocols to enable the export from New Zealand to Saudi Arabia of live animals for breeding. New Zealand officials will be in contact with your officials to take this forward.

I intend to travel to Saudi Arabia next month. I hope it will be possible to meet you to discuss this developing partnership between our countries in some more detail, and how we might look at ways to expand this for our mutual benefit. I understand the New Zealand Embassy in Riyadh has been in touch with your office to request this meeting.

Yours sincerely



Hon Murray McCully  
Minister of Foreign Affairs

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OFFICIAL INFORMATION ACT





19 Feb 2013  
Poli-144-35



# Contract for Services

## The Parties to this Contract

Ministry of Foreign Affairs and Trade

(Buyer)

and

Hmood Al Ali AlKhalaf Trading and Transportation Est  
(Hereinafter HAATT Est)

(Supplier)

s 9(2)(a)

Dammam

Kingdom of Saudi Arabia

The Buyer and the Supplier are each a Party to the contract and are together the Parties.

## The Contract

The Buyer appoints the Supplier to deliver the Services described in this Contract and the Supplier accepts that appointment. This Contract sets out the Parties' rights and obligations.

### Contract documents

This Contract consists of:

1. this page
2. the Contract Details and Description of Services
3. the Standard Terms and Conditions
4. any other attachments described at Schedule 1.

Page 1

Schedule 1

Schedule 2

### How to read this Contract

Together the above documents form the Contract. If there are any differences between the documents, Schedule 1 overrides Schedule 2. Clause numbers refer to clauses in Schedule 2. Words starting with capital letters have a special meaning, as stated in Schedule 2 Definitions section (clause 12).

# Schedule 1

## Contract Details and Description of Services

**Start Date** 19 February 2013

Reference Schedule 2 clause 1

**End Date** 30 June 2014

Reference Schedule 2 clause 1

### Contract Managers

Reference Schedule 2 clause 4

**Name:**

Alex Matheson

George Assaf

**Title / position:**

Special Representative for Government Commercial Partnerships

CEO Australasia Division

**Address:**

**Phone:**

**Fax:**

**Email:**

**Buyer's Contract Manager**

**Supplier's Contract Manager**

### Addresses for Notices

Reference Schedule 2 clause 9

**For the attention of:**

Jonathan Austin

**Delivery Address:**

**Fax:**

**Email:**

**Buyer's address**

**Supplier's address**

George Assaf

### Supplier's Reporting Requirements

Reference Schedule 2 clause 2

**Report to:**

Contract Manager

**Type of report**

Interim Progress Report

**Due date**

Completed

Two Monthly Progress Report

End of each second month

Project completion report

30 June 2014

### Description of Services

**Phase One - Immediate**

To recognise the investment HAATT Est has made in the Awassi breeding programme and its unique and valuable knowledge-based assets and networks in Saudi Arabia, the Buyer is purchasing the following Services from the Supplier:

- access to the output of the research and development, capital investment and market-analysis of HAATT Est, particularly related to the Awassi breed of sheep;
- facilitation of access to HAATT Est's key customer, business and influencer networks in Saudi Arabia; and
- assistance with preparation of a New Zealand agri-business delegation to Saudi Arabia to study the HAATT Est in-market supply-chain and provide recommendations regarding the potential New Zealand intellectual property and technologies that could be used to enhance and improve the existing animal welfare standards and red-meat productivity in Saudi Arabia.

A payment of \$4 million will be paid as soon as practicable on signing of this Contract.

## Phase Two – Partnership Business Plan and Investment

In the spirit of partnership between HAATT Est and the Buyer, as part of the above payment of \$4 million, the Buyer procures from the Supplier the Services to establish an investment in research and development into the relevant technologies for the purpose of producing and exporting Awassi and New Zealand livestock for breeding, and thereby enhancing the supply of fresh meat to the Saudi market, while promoting the advancement of animal handling, husbandry and breeding technology, red-meat technology and capability. In so doing to assist in the development and delivery of Saudi Arabia's food security programme. To implement this, the Buyer will purchase the following Services from the Supplier in Phase Two of this Contract:

- participation of key personnel and/or associates of HAATT Est in the New Zealand Agri-business study tour to Saudi Arabia in April 2013;
- the development, in cooperation with the Buyer, of a detailed business plan by the end of May 2013, and following the study tour in March, outlining the research and development and procurement of relevant technologies to be carried out, along with the timing of implementation. The development in the business plan, in cooperation with the Buyer, of a project management and governance model to facilitate delivery of the objectives specified in Phase 2.
- implementation of the business plan, in cooperation with the Buyer, between June 2013 and June 2014.

As indicated by the Minister of Foreign Affairs in his letter of 12 November 2012, a contribution of up to NZ\$6 million will be made as an investment in the Partnership to be disbursed as agreed between the Parties to fund research and development into the relevant technologies for the purpose of producing and exporting Awassi and New Zealand livestock for breeding, while promoting the advancement of animal handling, husbandry and breeding technology, red-meat technology and capability to Saudi Arabia and the Middle East.

### Charges & Fees

Reference Schedule 2  
clause 3

NZ\$4 million for Phase One of this Contract. There is no GST applicable to this payment as it is solely for Services to be supplied by the Supplier in and from Saudi Arabia.

### Expenses

Reference Schedule 2  
clause 3

Expenses will be outlined in the business plan.

### Invoices

Reference Schedule 2  
clause 3.

Phase 1: \$4m immediate

Phase 2: Disbursements to approved applicants based on invoices and in accordance with the processes as set out in the agreed business plan. Expenses as previously agreed by the Buyer (at cost without margin).

### Changes to Schedule 2 Standard Terms & Conditions

None

### Additional clause/s

Confidential information includes this Contract and all its details.

This Contract may be assigned by the Buyer to another New Zealand Government entity (including a Crown entity or a Crown entity subsidiary).

### Attachments

Reference 'Contract  
documents' described at  
page 1

Letter from Hon Murray McCully to Hmood Al Khalaf dated 12 November 2012

Letter from Hmood Al Khalaf to Hon Murray McCully dated 25 November 2012


**Acceptance**

The date of execution of this Contract is the later of the two dates below.

In signing this Contract each Party acknowledges that they have read and agree to be bound by it.

For and on behalf of the **Buyer**:

For and on behalf of the **Supplier**:

  
\_\_\_\_\_  
Signature

Name: John Allen

Position: Secretary of Foreign Affairs and Trade

Date: 19<sup>th</sup> February 2013

  
\_\_\_\_\_  
Signature

Name: George Assaf

Position: CEO Australasia, HAAT Est

Date: 20<sup>th</sup> February 2013

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OFFICIAL INFORMATION ACT

## Schedule 2 - Standard Terms and Conditions: Services

### 1. Length of Contract

This Contract starts on the Start Date, and ends on the End Date unless terminated earlier. Both Parties can also extend this Contract by mutual agreement.

### 2. The Services

2.1 Both Parties agree to act in good faith and demonstrate honesty, integrity, openness and accountability in their dealings with each other, and will discuss matters affecting this Contract or the delivery of the Services, whenever necessary. Both Parties will comply with all applicable laws and regulations.

#### 2.2 The Buyer must:

- provide the Supplier with any information it has reasonably requested to enable the delivery of the Services
- make decisions and give approvals reasonably required by the Supplier to enable delivery of the Services. All decisions and approvals must be given within reasonable timeframes, and
- pay the Supplier the Charges for the Services as long as the Supplier has delivered the Services and invoiced the Buyer, all in accordance with this Contract.

#### 2.3 The Supplier must deliver the Services:

- on time and to the required performance standards or quality set out in Schedule 1 or reasonably notified by the Buyer to the Supplier from time to time
- within the amounts agreed as Charges, and
- with due care, skill and diligence, and to the appropriate professional standard.

#### 2.4 The Supplier must:

- ensure that its Personnel have the necessary skills, experience, training and resources to successfully deliver the Services, and
- provide all equipment and resources necessary to deliver the Services.

### 3. Charges and payment

3.1 The Charges are the total maximum amount payable by the Buyer to the Supplier for delivery of the Services, including Fees, Expenses and any taxes. The Supplier must provide a valid invoice for all Charges.

3.2 If the Buyer receives a valid invoice on or before the 3rd Business Day of the month, the Buyer must pay that tax invoice by the 20th calendar day of that month. Any valid invoice received after the 3rd Business Day of the month will be paid by the Buyer on the 20th calendar day of the month following the month it is received.

### 4. Contract management

4.1 The persons named in Schedule 1 as the Contract Managers are responsible for managing the Contract, including managing the relationship between the Parties, the performance of the Contract and acting as a first point of contact for any issues that arise.

4.2 If a Party changes its Contract Manager it must tell the other Party, in writing, the name and contact details of the replacement within 5 Business Days of the change.

### 5. The contractual relationship

5.1 Nothing in this Contract constitutes a legal relationship between the Parties of partnership, joint venture, agency, or employment.

5.2 Neither Party has authority to bind or represent the other Party in any way or for any purpose.

5.3 The Supplier may transfer any of its rights or obligations under this Contract only if it has the Buyer's prior written approval. The Buyer will not unreasonably withhold its approval.

5.4 The Supplier must not enter into a contract with someone else to deliver any part of the Services without the Buyer's prior written approval. The Buyer will not unreasonably withhold its approval.

5.5 The Supplier warrants that as at the Start Date, it has no Conflict of Interest in providing the Services or entering into this Contract, and will do its best to avoid situations that may lead to a Conflict of Interest arising. The Supplier must inform the Buyer immediately in writing if any Conflict of Interest arises in relation to the Services or this Contract. If a Conflict of Interest does arise the Parties will agree how it should be managed.

5.6 The Parties agree to use their best endeavours to resolve any dispute or difference that may arise under this Contract.

### 6. Ending this Contract

6.1 Either Party may terminate this Contract immediately, by giving Notice, if the other:

- becomes bankrupt or insolvent, or otherwise enters into some form of administration
- ceases for any reason to continue in business or to deliver the Services
- is unable to deliver the Services for a period of 20 Business Days or more due to an Extraordinary Event
- is in breach of any of its obligations under this Contract and the breach cannot be remedied, or the other fails to remedy the failure after Notice
- has a Conflict of Interest that is so material as to impact adversely on this Contract, or
- provides information that is misleading or inaccurate in any material respect.

6.2 On termination or expiry of this Contract, the Supplier must, if requested by the Buyer, immediately return or securely destroy all Confidential Information and other material or property belonging to the Buyer.

6.3 The termination or expiry of this Contract does not affect those rights of each Party which accrued prior to the time of termination or End Date.

### 7. Intellectual Property Rights

Pre-existing Intellectual Property Rights remain the property of their current owner, and New Intellectual Property Rights in the Deliverables remain the property of the Supplier.

### 8. Confidential Information

8.1 Each Party confirms that it has adequate security measures to safeguard the other Party's Confidential Information from unauthorised access or use by third parties, and that it will not use or disclose the other Party's Confidential Information to any person or organisation other than:

- to the extent that use or disclosure is necessary for the purposes of providing the Services or in the case of the Buyer using the Services
- if the other Party gives prior written approval to the use or disclosure
- if the use or disclosure is required by law (including under the Official Information Act 1982), Ministers or parliamentary convention, or
- in relation to disclosure, if the information has already become public, other than through a breach of the obligation of confidentiality by one of the Parties.

8.2 Each Party will ensure that its Personnel are aware of the confidentiality obligations in this Contract, and do not use or disclose any of the other Party's Confidential Information except as allowed by this Contract.

## 9. Notices

All Notices to a Party must be delivered by hand or sent by post, courier, fax or email to that Party's address for Notices stated in Schedule 1. Notices must be signed or in the case of email sent by the appropriate manager or person having authority to do so.

## 10. Extraordinary Events

Neither Party will be liable to the other for any failure to perform its obligations under this Contract where the failure is due to an Extraordinary Event. On occurrence of an Extraordinary Event, the Party affected will notify the other, and the Parties will discuss and agree the way forward.

## 11. General

Any change to this Contract is called a Variation. A Variation must be agreed by both Parties and recorded in writing and signed by both Parties or through an exchange of emails where the authors have delegated authority to approve the Variation.

11.2 This Contract, including any Variation, records everything agreed between the Parties relating to the Services. It replaces any previous communications, negotiations, arrangements or agreements that the Parties had with each other relating to the Services before this Contract was signed, whether they were verbal or in writing.

11.3 If a Party breaches this Contract and the other Party does not immediately enforce its rights resulting from the breach that does not mean that the Party in breach is released or excused from its obligation to perform the obligation at the time or in the future, and does not prevent the other Party from exercising its rights resulting from the breach at a later time.

11.4 This Contract will be governed and interpreted in accordance with the laws of New Zealand. All money is in New Zealand dollars, unless Schedule 1 specifies a different currency. Dates and times are New Zealand time.

11.5 Both Parties must agree in advance concerning any disclosures about this Contract.

11.6 The date of execution is the date this Contract is signed. This Contract may be signed in counter-parts.

11.7 The clauses that by their nature should remain in force on expiry or termination of this Contract do so.

11.8 If there is any conflict or difference between the documents forming this Contract (as stated on Page 1) then the order of precedence is:

- a. a Variation agreed between the Parties under clause 11.1
- b. Schedule 1
- c. any Attachment to Schedule 1
- d. Schedule 2.

## 12. Definitions

**Attachment** Any supplementary document named in Schedule 1 as an Attachment to this Contract.

**Buyer** The Buyer is the purchaser of the Services and is named as the Buyer on page 1 of this Contract for the purposes of this Contract.

**Charges** The total amount payable by the Buyer to the Supplier as stated in Schedule 1. The Supplier's Charges include Fees and any Expenses and Daily Allowances stated in Schedule 1. Charges are payable on successful delivery of the Services provided a valid tax invoice has been submitted.

**Confidential Information** Information that:

- a. is by its nature confidential
- b. is marked by either Party as 'confidential', 'in confidence', 'restricted' or 'commercial in confidence'
- c. is provided by either Party or a third party 'in confidence'
- d. either Party knows or ought to know is confidential, or
- e. is of a sensitive nature or commercially sensitive to either Party.

**Conflict of Interest** A Conflict of Interest arises if a Party or its Personnel's personal or business interests or obligations do or could conflict or be perceived to conflict with its obligations under this Contract. It means that its independence, objectivity or impartiality can be called into question. A Conflict of Interest may be:

- a. actual where the conflict currently exists
- b. potential: where the conflict is about to happen or could happen, or
- c. perceived: where other people may reasonably think that a person is compromised.

**Contract** The legal agreement between the Buyer and the Supplier that comprises Page 1 (the front sheet), Schedule 1, this Schedule 2, any other Schedule, and any Variation and Attachment.

**Contract Manager** The person named in Schedule 1 as the Contract Manager.

**Deliverables** A tangible output resulting from the delivery of the Services as stated in Schedule 1. A deliverable may be a document, a piece of equipment, goods, information or data stored by any means including all copies and extracts of the same.

**End Date** The earlier of the date this Contract is due to end as stated in Schedule 1, the date of termination as set out in a Notice of termination or any other date agreed between the Parties as the date the Contract is to end.

**Expenses** Any actual and reasonable out-of-pocket costs incurred by the Supplier in the delivery of the Services and agreed to in Schedule 1.

**Extraordinary Event** An event that is beyond the reasonable control of the Party immediately affected by the event. An Extraordinary Event does not include any risk or event that the Party claiming could have prevented or overcome by taking reasonable care. Examples include:

- a. acts of God, lightning strikes, earthquakes, tsunamis, volcanic eruptions, floods, storms, explosions, fires, pandemics and any natural disaster
- b. acts of war (whether declared or not), invasion, actions of foreign enemies, military mobilisation, requisition or embargo
- c. acts of public enemies, terrorism, riots, civil commotion, malicious damage, sabotage, rebellion, insurrection, revolution or military usurped power or civil war, or
- d. contamination by radioactivity from nuclear substances or germ warfare or any other such hazardous properties.

**Fees** The amount payable to the Supplier for the time spent in delivery of the Services calculated on the basis stated in Schedule 1.

**Intellectual Property Rights** All Intellectual Property Rights and interests, including copyright, trademarks, designs, patents and other proprietary rights, recognised or protected by law.

**New Intellectual Property Rights** Intellectual Property Rights developed after the date of this Contract and incorporated into the Deliverables.

**Notice** A formal or legal communication from one Party to the other that meets the requirements of clause 9.

**Party** The Buyer and the Supplier are each a Party to this Contract, and together are the Parties.

**Personnel** All individuals engaged by either Party in relation to this Contract or the delivery of Services. Examples include: the owner of the business, its directors, employees, Subcontractors, agents, external consultants, specialists, technical support and co-opted or seconded staff.

**Pre-existing Intellectual Property Rights** Intellectual Property Rights developed before the date of this Contract. It does not cover later modifications, adaptations or additions.

**Services** All work, tasks and Deliverables, including those stated in Schedule that the Supplier must perform and deliver under this Contract.

**Schedule** An attachment to this Contract with the title 'Schedule'.

**Start Date** The date when this Contract starts as stated in Schedule 1.

**Subcontractor** A person, business, company or organisation contracted by the Supplier to deliver or perform part of the Supplier's obligations under this Contract.

**Supplier** The person, business, company or organisation named as the Supplier on page 1. It includes its Personnel, successors, and permitted assignees.

**Variation** A change to any aspect of this Contract that complies with clause 11.1.

RESTRICTED



# Cabinet

CAB Min (13) 47

Copy No: 6

## Minute of Decision

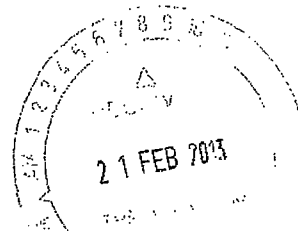
*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

### Saudi Arabia Food Security Partnership

Portfolio: Foreign Affairs

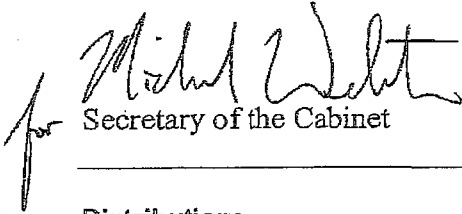
On 18 February 2013, Cabinet:

- 1 noted the progress reported by the Minister of Foreign Affairs to address a significant impediment in the bilateral relationship between New Zealand and Saudi Arabia, as outlined in the paper under CAB (13) 74;
- 2 noted the proposal to invest in a pilot agribusiness operation with Saudi Arabia as a means to resolve this dispute and form a long-term food security partnership;
- 3 noted that the cost of this food security platform will be \$4 million initially, which recognises the intellectual property which the Saudi investor brings to the platform and the services and in-market networks he will contribute, as well as the settlement of the long-running dispute;
- 4 agreed that there will be an ongoing investment in the pilot agribusiness operation of up to \$6 million for the delivery of services by New Zealand agricultural service entities, and that the \$6 million will be undertaken in strict conformity with government procurement requirements;
- 5 noted that the costs of these initiatives will be met from within the Ministry of Foreign Affairs and Trade's baseline;
- 6 noted that the procurement and selection of New Zealand firms and services to participate in the food security partnership will be done with the agreement of the Saudi partners, the Ministry of Foreign Affairs and Trade, and New Zealand Trade and Enterprise;
- 7 noted that any related proposal to export livestock for breeding purposes must meet existing Ministry for Primary Industries criteria and be the subject of an application in the normal way;





- 8 noted that any export of livestock for breeding purposes under the partnership must be undertaken to achieve the effective relocation of breeding stock to Saudi Arabia for the purposes of shaping the new business model, and not to establish a new business in New Zealand in the export of livestock for breeding;
- 9 directed the Ministry of Foreign Affairs and Trade to work with the Treasury, the Office of the Auditor-General and New Zealand Trade and Enterprise on the execution and management of the contract.

  
for Secretary of the Cabinet

Reference: CAB (13) 71

**Distribution:**

Prime Minister  
Chief Executive, DPMC  
Director PAG, DPMC  
Minister of Finance  
Secretary to the Treasury  
Minister of Foreign Affairs  
Secretary of Foreign Affairs and Trade  
Minister of Trade  
Chief Executive, New Zealand Trade and Enterprise  
Minister for Primary Industries  
Director-General, Ministry for Primary Industries  
Controller and Auditor-General  
Secretary, ERD

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Office of the Minister of Foreign Affairs

Chair,  
Cabinet

## Saudi Arabia Food Security Partnership

### Proposal

This paper updates Ministers on progress in resolving a serious bilateral relationship issue with Saudi Arabia that poses a major threat to New Zealand's trade and economic interests.

This paper asks Cabinet to note the proposals that have been developed to address this situation, prior to moving into the implementation phase. Broadly, the proposal involves facilitating the relocation of those aspects of the trade in live sheep for slaughter that are no longer permitted in New Zealand, to Saudi Arabia, and creating a new hub for New Zealand agribusiness service providers to build foreign exchange earning opportunities in the Middle East and Africa as a three year pilot project.

The cost of this initiative is \$4m. To leverage the benefits it is essential that it is accompanied by a package of New Zealand goods and services valued at up to \$6m. Costs will be met from MFAT savings reallocated to NZ Inc leveraging initiatives.

### Background

The Gulf Cooperation Council is a six member regional grouping of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. With a population of 28 million, Saudi Arabia is by far the largest and most influential GCC state.<sup>1</sup> The GCC comprises one of the wealthiest trading blocs in the world. Qatar has the highest GDP per capita (US\$102,000) in the world.

The GCC countries share a common problem – an acute need for future food security resulting from a shortage of arable land (on average less than 1.5% of the land mass of GCC countries). In each case, well funded food security initiatives represent a priority for their government. The Qatar National Food Security Programme and the King Abdullah Initiative for Agricultural Holdings Abroad are good examples of well funded initiatives focused on achieving future food security, actively seeking out partners, especially from countries like New Zealand.

#### *The threat to New Zealand trade and economic interests*

For the past three years the Minister of Foreign Affairs, supported by Ministry officials, has been working to resolve a major relationship issue with Saudi Arabia

<sup>1</sup> Saudi Arabia (28 million people), United Arab Emirates (7.9m), Kuwait, (2.8m), Oman (2.7m), Qatar (1.8m), Bahrain (1.3m).

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Briefly, the history of these events is:

- In 1995, acting on specific encouragement from New Zealand Ministers, Saudi interests commenced investing in the purchase of New Zealand farms in order to build a business supplying live lambs for slaughter to the Saudi market, commanding premium prices at the time of the Haj religious festival.
- In 2003, prompted by media controversy over the practice of exporting live sheep for slaughter, a de facto voluntary moratorium was introduced. The Clark Government then put in place a Customs Export Prohibition Order (CEPO) on animals for slaughter in 2007. This CEPO was renewed for three years in 2010.
- Despite this step, Ministers in the Clark Government continued to encourage Saudi interests to hold and increase their investment, promising that the issues curtailing their trade would be resolved.
- By the time the Key Government was appointed in 2008, tensions around this matter had become a serious irritant to the Saudi relationship.

The Saudi Government stated unequivocally that the concerns of their investor needed to be addressed.

- Exchanges with Ministers in the Key Government underlined the potential for major damage to our trade and economic interests and it was agreed that the Minister of Foreign Affairs would lead efforts to resolve what had become a major relationship issue.

#### *Confidence-building steps*

Following an initial visit to offer apologies for previous misunderstandings, comprehensive efforts have been made to find a solution to this problem. These have focused on the purpose of original Saudi interest in New Zealand – a need for greater food security. The Saudi Government has been clear that any solution must involve the Saudi interests that have invested in New Zealand over nearly two decades. The Minister of Foreign Affairs has initiated a process by which officials from MFAT, with input from MPI and NZTE have held discussions with those parties, and with a range of New Zealand agri-business interests potentially interested in the Saudi market. In order to provide appropriate structure, Deloitte was engaged to format these discussions in a business case and provide officials with external advice. These discussions focused on how the current stalled model for breeding Awassi sheep for export for slaughter could be reconfigured to link the benefits of the breeding programme in New Zealand to a relocated farming operation in Saudi Arabia which could then serve as a hub for the export of New Zealand agricultural services in the Gulf states and potentially Africa.

#### *The proposal*

In simple terms the proposal is to work with the existing Saudi investors in New Zealand to relocate the parts of their business that are no longer able to operate here as a result of the ban on live sheep exports for slaughter. The objective is to use the investment they have made in the genetic development of the Awassi breed, their logistical, supply

chain and market connections to create a base for New Zealand service suppliers to leverage the New Zealand brand and reputation for agricultural excellence in the Middle East market. For this purpose Deloitte conducted a modelling exercise and prepared a business case.

The resulting plan falls into two parts:

- A \$4m commitment to acquire from the Saudi investors the components of the platform to conduct a three year pilot.
- The allocation of up to \$6m for a project to use the platform as a hub for New Zealand agricultural service providers to build an enduring presence in the Middle East and African markets. This will depend on securing relevant New Zealand company commitment to the project.

The funding for both of these elements would be met from MFAT baseline savings reallocated to NZ Inc leveraging initiatives. There needs to be further discussion between agencies, including NZTE, to determine who is to administer the project and disburse funds. NZTE view this project as an extension of their normal activity, and support for this project will be via the New Zealand companies, and is conditional on company support, commitment and co-investment. NZTE has allocated approximately \$500,000 for this project within their Agribusiness High Impact Programme.

#### *The platform*

The \$4m figure has been established after negotiations with the parties who have invested in the trade in live sheep between New Zealand and Saudi Arabia, attempting to identify a commercial basis for acquiring access to the breeding systems, supply chains and trade relationships that will be required if the hub is to replicate in Saudi Arabia the business that they had intended to base wholly in New Zealand.

While the Saudi parties would have preferred to enter discussions on the basis of seeking compensation for commercial loss as a result of Government decisions (and indicated that they had received legal advice suggesting they pursue a claim for between \$20 million and \$30 million), the Government has made it clear that we would not be a party to such discussions.

Some consideration was given to an offer to purchase the New Zealand investments of these parties as a basis for resolution. However it became clear that the capital cost of doing so would have been much greater –

*s 6(a), s 9(2)(g)(i) and s 9(2)(b)(a)*

The focus has therefore shifted to negotiating a contract for services between MFAT and the Saudi interests to recognise the investment that has been made in the Awassi breeding programme to date, the value of access to research and development, capital investment and market analysis, and of access to key customer, business and influencer networks in Saudi Arabia. The contracted services would also include assistance with the preparation of New Zealand agribusiness delegations to Saudi Arabia to study the in-market supply chain. This work will determine the shape of the New Zealand agribusiness hub. It also includes an obligation to use their best offices to connect New Zealand Government and trade interests with key government and commercial decision makers in Saudi Arabia.

*s 9(2)(g)(i)*

there will be strong incentives for the Saudi parties to promote the ratification of the NZ-GCC FTA as a basis for expanding this new business partnership.

Saudi interests have indicated that once the contract is signed they expect to make further significant investments in their New Zealand farming operations.

*The services*

The long term value of this arrangement can only be secured for New Zealand if there is an immediate engagement of agricultural service providers on the ground in the region. Extensive discussions with such providers suggest a high level of interest in becoming involved in the type of project outlined by Deloitte. Exploratory discussions with Saudi investors suggest a serious level of interest in purchasing additional services, which would see the hub grow quickly.

The range of New Zealand interests which might form part of the hub, subject to the study tour proposed for April 2013, include:

- Technical services (core science, R&D, advisors and educational courses)
- Farm inputs (animal feed and health products, fertilisers, chemical sprays, building and fencing materials)
- On-farm equipment (readers, scanners, scales, irrigators)
- On-farm business systems and expertise (specialist farm and benchmarking systems)
- Genetics testing and mapping expertise

Officials believe that a commitment of \$6m to the pilot programme over three years would be an appropriate investment in the pilot.

*Export of animals for breeding purposes*

It is likely that the export of breeding animals, focused on Awassi sheep breeding stock currently in New Zealand, will form part of this proposal. The export of livestock for breeding purposes is permitted from New Zealand and all parties understand that they will need to meet the normal criteria and make applications in the normal way.

*The opportunities*

A key goal in resolving this longstanding issue is of the GCC FTA.

on ratification

A concluded FTA will add significant impetus to already significant trade opportunities for NZ in the Gulf.

New Zealand goods exports to the GCC already exceed \$1.57 billion (higher than the UK and India) and have grown at an average of over 10% over the past three years. This reflects a recognition by both the Government and the private sector of the fact that significant effort could see these figures lift dramatically. The only new New Zealand embassy opened anywhere in the world in the last three years was established in Abu Dhabi, and private sector interests have also invested heavily in their presence in the

Gulf. It is estimated that New Zealand exports to the GCC could double to \$3 billion (half our current exports to China) in the space of five years if we can achieve an FTA.

Around 8,000 students, mostly from Saudi Arabia, make the GCC our fourth largest international education market. The Saudi consulate in Auckland (which supports the Saudi students here on scholarships) is already the largest diplomatic mission in New Zealand. Both the United Arab Emirates and Kuwait have advised that they plan to open embassies in New Zealand during the term of this Government.

The increased tempo of New Zealand Ministerial visits into the Gulf has already attracted significant interest, with six GCC trade and investment delegations through here in recent months and several more planned. In recent weeks we have signed Government to Government partnerships with the Governments of Qatar and the UAE, creating an umbrella for a new flow of economic partnerships.

As a potential source of investment, the GCC states offer some of our largest opportunities. The Abu Dhabi Investment Authority (US\$600 billion), the Saudi Arabia Sovereign Wealth Fund (US\$500 billion), the Kuwait Fund (US\$300 billion) and the Qatar Investment Authority (\$115m) have all shown recent interest in New Zealand assets.

s6(a) and s9(2)(d)

s6(a) and s9(2)(d)

## Conclusion

We have now reached the point at which discussions regarding proposals must move into an implementation phase. Already there is an expectation on the part of both the Saudi Government and private sector investors that discussions will now lead to actions. This sense will be reinforced by the planned study tour.

This is, then, the appropriate point to report progress and to seek the comfort of colleagues prior to embarking on the next phase.

It is my view that it is strongly in New Zealand's interests to proceed as envisaged. Even if we achieve nothing more than the removal of the source of major aggravation in the relationship, while creating a hub for New Zealand businesses to launch into the Middle East and Africa, their proposal would be justified. But the potential is there to do much more than this. There is an opportunity to unlock a huge source of badly needed capital. And there is a serious prospect of getting the GCC FTA across the line, with billions of dollars of advantage for New Zealand. For this reason I strongly support this project.

## Consultation

The Ministry for Primary Industries and New Zealand Trade and Enterprise have been consulted. The Minister of Trade has been consulted and strongly supports this paper.

## Financial implications

The cost of the food security partnership will be met within the current baselines of the Ministry of Foreign Affairs and Trade. Funding has been allocated for this purpose. A contribution of \$500,000 from NZTE is also being discussed.

### Legislative implications

None.

### Recommendations

The Minister of Foreign Affairs recommends that the Cabinet:

- Note the progress reported by the Minister of Foreign Affairs to address a significant impediment in the bilateral relationship between New Zealand and Saudi Arabia;
- Note the proposal to invest in a pilot agribusiness operation with Saudi Arabia as a means to resolve this dispute and form a long term food security partnership;
- Note the cost of this food security platform will be \$4 million initially, which recognises the intellectual property which the Saudi investor brings to the platform, the services and in-market networks he will contribute, as well as the settlement of the long-running dispute;
- Agree there will be an ongoing investment in the pilot agribusiness operation of up to \$6 million for the delivery of services by NZ agricultural service entities, and that the \$6 million will be undertaken in strict conformity with Government Procurement requirements;
- Note that the cost of these initiatives will be met from the MFAT baseline;
- Note that the procurement and selection of New Zealand firms and services to participate in the food security partnership will be done with agreement of the Saudi partners, MFAT, and NZTE;
- Note that any related proposal to export livestock for breeding purposes must meet existing MPI criteria and be the subject of an application in the normal way;
- Note that any export of livestock for breeding purposes under the partnership must be undertaken to achieve the effective relocation of breeding stock to Saudi Arabia for the purposes of shaping the new business model, and not to establish a new business in New Zealand in the export of livestock for breeding.



Hon Murray McCully  
Minister of Foreign Affairs

Date: 13 February 2013

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Office of the Minister of Foreign Affairs

Chair,  
Cabinet External Relations and Defence (ERD)

## Food Security Partnerships in the GCC

### Proposal

This paper proposes that the Committee note the steps being taken by the Minister of Foreign Affairs to promote Food Security Partnerships with the members of the Gulf Cooperation Council (GCC). It also outlines steps being taken specifically in relation to Saudi Arabia to promote agricultural partnerships taking into account the cessation of live sheep exports since 2002.

### Executive summary

2 Food security is a policy priority for the GCC States. Given New Zealand's world-class agricultural expertise, it is a natural food security partner for the arid countries of the Gulf Cooperation Council (GCC).

3 A NZ Inc. GCC Strategy will shortly be put to Cabinet for consideration. This Strategy will outline how New Zealand should effectively position itself as a food security partner for the Gulf States.

4

A proposed food security partnership that will allow livestock to be bred in Saudi Arabia using New Zealand technology and expertise has been positively received by Saudi Arabia,

s 6 (a)

s 9 (2) (j)

s 9 (2) (j)

### Comment

5 The six states of the GCC represent a substantial market opportunity for New Zealand. Comprising nearly 50 million people, the GCC includes the wealthiest nations in the world (e.g. Qatar with a per capita GDP of over US\$102,000). Despite their substantial wealth, however, GCC members share a common problem: the virtual absence of arable land. The question of future food security is their number one preoccupation.

6 New Zealand is therefore a natural partner for the GCC. The current level of New Zealand exports to Gulf countries not only in goods – currently \$1.4B – but agricultural services too, could be increased significantly with effective partnerships. Positioning New Zealand as an expert and reliable food security partner for the GCC States is a central pillar of the NZ Inc. GCC Strategy, which will come to Cabinet for consideration in the coming weeks.

7 Reflecting this natural alignment of interests, an FTA has been negotiated to completion with the GCC.

8 Over the past three years significant steps have been taken to try to prepare a way forward. The idea of high-level food security partnerships has been suggested bilaterally to GCC members and to the GCC organisation. This has led to a significant number of visits by GCC food security delegations to New Zealand; *out of scope* and the Saudi Agriculture and Livestock Investment Company (SALIC) have both sent delegations in the last year *out of scope*

9 This has been difficult given that Saudi investors, with strong encouragement from New Zealand Ministers, have invested substantially in acquiring farms and breeding capability specifically targeting returns from the live lamb market at the time of the Haj festival. Substantial relationship-building work has focused therefore on the original purpose of the investment - improved food security for Saudi Arabia - and on how we might build a future trade without exporting live sheep for slaughter.

10 Key features of the proposal now being advanced are:

- o Initial funding of \$4m increasing over time depending upon progress with the partnership (with the possibility of additional contributions from participating firms and the government of Saudi Arabia) to provide a hub of New Zealand agribusiness partners working alongside Saudi co-investors to showcase New Zealand agricultural expertise and technology. The initial \$4m in funding will come from operational savings achieved through 2011/2012 and rolled over for future NZ Inc leveraging purposes.
- o Possible export, once or twice a year, of a significant number (in the tens of thousands) of pregnant livestock for breeding purposes to form the basis of a New Zealand hub in Saudi Arabia. These arrangements will need to satisfy the

normal MPI criteria. However this is well explored territory given that New Zealand has exported over 85,000 head of livestock in the last three years for breeding purposes.

- o Provision of genetic and breeding technology and scientific support services from New Zealand companies.

11 The response from the Saudi Government has been very positive to these proposals. It is now my intention to ask officials to take the next steps to put these proposals into action.

#### Consultation

12 New Zealand Trade and Enterprise (NZTE) and the Ministry for Primary Industries were consulted in the development of this paper.

#### Financial implications

13 Any costs incurred will be met within the current baselines of the Ministry of Foreign Affairs and Trade, a contribution from NZTE is also being discussed.

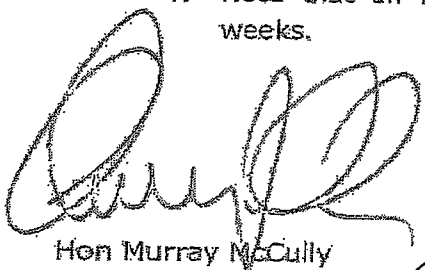
#### Legislative implications

14 There are no legislative implications.

## Recommendations

15 The Minister of Foreign Affairs recommends that the Committee:

1. Note that work has been ongoing to develop food security partnerships with the member states of the Gulf Cooperation Council (GCC).
2. Note that a proposal for developing a partnership with Saudi Arabia has been positively received and I will be instructing officials to put the proposal into action.
3. Note that the costs incurred in implementing a food security partnership with Saudi Arabia will be met from within MFAT baselines.
4. Note that an NZ Inc. GCC Strategy will be put to Cabinet in the coming weeks.



Hon Murray McCully  
Minister of Foreign Affairs

29/1/2013

**RIDINGS, Penelope (LGL)**

**From:** MATHESON, Alex (MEA)  
**Sent:** Friday, 25 January 2013 3:24 a.m.  
**To:** RIDINGS, Penelope (LGL)  
**Cc:** 39(2)(a) AUSTIN, Jonathan (MEA)  
**Subject:** Fw: Contract for Signing [SEC=UNCLASSIFIED]  
**Attachments:** HAAT Draft INVOICE.jpeg; Contract for Services AK Group - Revised Terms.docx

[UNCLASSIFIED]

MFAT Device Tag:UNCLASSIFIED

Hi Penny.

George's changes below are consistent with the letters between the Minister and Hmood, and are consistent with the appropriation (by investing in development of technologies to facilitate increased trade with Saudi and the Middle East)

We are going with this version tonight, and sending George the version to sign.

Thanks for all of your assistance, and see you back in Wellington.

Best

**From:** George Assaf  
**Sent:** Friday, January 25, 2013 02:46 AM  
**To:** MATHESON, Alex (MEA)  
**Subject:** Re: Contract for Signing [SEC=UNCLASSIFIED]

Hi Alex,

Thank you for your revised contract. Please find attached my revised Copy, can you please amend to read as indicated in red before we can finalise and sign.

Also attached is a draft copy of the Invoice. Please check and mark your amendments if and where is required. Does the account number need to go on the invoice or can we forward it after to you separately.

Regards,

George Assaf  
Managing Director/CEO  
Arrow Export Services Pty Ltd/AlKhalaf Group Australasia  
Phone:  
Fax: 39(2)(a)

Cell:  
Email:

59(2)(a)

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On 24-Jan-13 6:12 PM, MATHESON, Alex (MEA) wrote:

[UNCLASSIFIED]

MFAT Device Tag:UNCLASSIFIED

From:

59(2)(a)

Sent: Thursday, January 24, 2013 08:10 PM

To: MATHESON, Alex (MEA)

Subject:

Hi George

I think we are there.

Throughout the attached contract, and in particular in Phase 2 (and emphasising the bigger picture of increasing food security trade and investment flows between NZ and Saudi Arabia/GCC), we have been careful to use the words from the Minister's letter to Hmood referring to "a \$6m contribution to invest in the partnership" and noting Hmood's reply that he and the Minister "remain in ultimate control of this expenditure and its allocation" and that a plan be developed to deliver on the Minister's and Hmood's joint objectives.

The two letters between the Minister and Hmood provide the basis for the partnership, the contract enables the Ministry to make the necessary payments and other arrangements - everything the Minister and Hmood agreed can be accommodated with this contractual mechanism.

I take your point on establishing the most effective mechanism for disbursing the \$6m, and you and I can flesh your suggested option out some more when I see you in Sydney - along with the start of the business plan.

We haven't got certainty around dates of the Minister's proposed travel to Saudi - but looks like it could be around 10 March. We can give our teams a heads-up that the visit could be then, and I will come to Sydney on Feb 6 for the day to work out details for who is coming/payment rules and arrangements/draft itinerary etc. We should have certainty from the Minister then.

For your invoice of \$4 million please state that it is for services set out under the contract dated 25 January 2013.

Please make sure the invoice is on letterhead/invoice paper from Hmood Al Ali Khalaf Trading and Transportation Est, 59(2)(a) Dammam, Kingdom of Saudi Arabia, addressed to the Ministry of Foreign Affairs and Trade.

If you are ready to go on this - please sign this version of the contract and scan and email me and Jonathan, and we will ask John Allen to sign. We will then send you the scanned version with both signatures, and I will bring original version with me to Sydney in February. Please email me the invoice as well.

Please call if you want to discuss anything.

kind regards

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**RIDINGS, Penelope (LGL)**

**From:** RIDINGS, Penelope (LGL)  
**Sent:** Thursday, 24 January 2013 3:50 p.m.  
**To:** MATHESON, Alex (MEA); s9(2)(a)  
**Cc:** AUSTIN, Jonathan (MEA)  
**Subject:** RE: NZ Al Khalaf Partnership [SEC=UNCLASSIFIED]

Hi Alex

In anticipation of s9(2)(a) absence today, I checked with FIN as to what would be acceptable so that it would fit within the appropriation. The following sentence can be included:

The Buyer will establish a fund of \$6 million as an investment in the partnership to be disbursed as agreed between the Parties to fund proposals to develop technologies to facilitate trade flows to Saudi Arabia and the Middle East.

The last bit is important so that it fits within the appropriation.

The invoice for the \$4 million just needs to include the statement that it is "For the provision of services per the contract dated ...."

s9(2)(a) let us know if you have anything different to suggest.

Kind regards

Penny

**From:** MATHESON, Alex (MEA)  
**Sent:** Thursday, 24 January 2013 2:29 a.m.  
**To:** s9(2)(a)  
**Cc:** AUSTIN, Jonathan (MEA); RIDINGS, Penelope (LGL)  
**Subject:** Fw: Fw: NZ Al Khalaf Partnership [SEC=UNCLASSIFIED]

[UNCLASSIFIED]

Device Tag: UNCLASSIFIED

Hi s9(2)(a)

I just spoke to George and agreed that we should try and accommodate his first request relating to the 6m below, but that we couldn't accommodate his second s9(2)(g)(i)

Are you also please able to provide me advice as to what the invoice for the 4m should say. George made it clear he wouldn't want his first invoice returned for alterations...

Best

**From:** George Assaf s9(2)(a)  
**Sent:** Thursday, January 24, 2013 01:10 AM  
**To:** MATHESON, Alex (MEA)  
**Subject:** Re: Fw: NZ Al Khalaf Partnership [SEC=UNCLASSIFIED]



**RIDINGS, Penelope (LGL)**

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**From:** MATHESON, Alex (MEA)  
**Sent:** Wednesday, 16 January 2013 2:58 p.m.  
**To:** AUSTIN, Jonathon (MEA); RIDINGS, Penelope (LGL)  
**Subject:** Fw: Draft Al Khalaf Partnership Q&As [SEC=UNCLASSIFIED]

[UNCLASSIFIED]

MFAT Device Tag: UNCLASSIFIED

**From:** Alex Matheson s 9(2)(a)  
**Sent:** Wednesday, January 16, 2013 02:57 PM  
**To:** MATHESON, Alex (MEA)  
**Subject:** Draft Al Khalaf Partnership Q&As

Jonathan - let's discuss. Penny - just a bit more flavour fyi

C regards

Draft Q&As

*What are we doing this for?*

A key focus of New Zealand's renewed efforts to develop stronger business and investment linkages with the Gulf States is around assisting these countries with their food security needs.

This is outlined in more detail in the draft NZ Inc/GCC strategy document - to be considered by Cabinet in the next few months.

The GCC States see New Zealand as having a range of public and private products, services and expertise to assist with its food security needs.

New Zealand is developing several Government to Government arrangements in the Gulf that outline the broad areas of expertise that New Zealand public and private sectors can bring to the table, and a commitment from both parties to work together.

Discussions and diplomatic efforts with the Gulf countries over the last couple of years showing that New Zealand is willing and equipped to assist with this issue and the wider food-security need, while not resuming shipments of live sheep for slaughter have seen the discussion on increased trade and investment flows with the region reopened.

*What is the "partnership"?*

A key part of the renewed dialogue with KSA is our developing partnership with the Kingdom's largest livestock transportation company, Al Khalaf Group.

The Group has shown an interest in working with New Zealand Government and firms in assisting Saudi Arabia with its food security needs and religious festival red-meat requirements. The Group is investing along with the Saudi Government in increased breeding facilities and farms in Saudi Arabia.

The partnership is based around assisting Saudi Arabia with red-meat production and access, and improved livestock breeding techniques using New Zealand technology and knowhow, as part of a wider NZ Inc food security programme with the Kingdom and GCC.

*Why the Al Khalaf Group?*

For several reasons:

- it has a proven track record in the New Zealand in the red meat sector over the past 20 years, and own farms in the Hawke's Bay.
- it has developed a highly-prized breed of Awassi sheep using New Zealand genetic and pastoral expertise.
- the <sup>56(a)</sup> combined with the firm's New Zealand heritage, makes it an ideal partner to take the country to country relationship forward.
- the Al Khalaf Group owns significant assets in the red-meat supply chain in KSA and globally, and has access to Saudi customers and influencers that will benefit New Zealand firms involved in the partnership.

*How much is the NZ Government committing?*

The NZ Government is committing \$10m to the the partnership over the next couple of years.

*How does it benefit NZ?*

- the partnership provides a platform to showcase New Zealand food and agriculture technology and knowhow in Saudi Arabia, and as a stepping-stone to other Gulf countries.
- the bulk of the partnership funding will go directly to New Zealand firms who are able to assist Saudi Arabia and Al Khalaf with its business needs around food security and red-meat production and access.

*How will you work out which firms are to be involved?*

Working with experts from the Al Khalaf Group, Saudi Arabia and New Zealand, a business plan will developed to outline the areas where the partnership will invest. Procurement of the identified products and services will be outlined in the business plan.

*Which New Zealand firms have signed up?*

None as yet. A business plan is being developed over the next few months.

*What is "food security?"*

It basically means ensuring that your population is able to access protein and other food staples and at an affordable price.

It is generally a combination of increasing food production capacity and capability in your own country, and ensuring that you have a secure supply of these foods if they are sourced externally.

59(2)(a)

**From:** RIYADH  
**Sent:** Wednesday, 16 January 2013 3:25 a.m.  
**To:** MEA  
**Cc:**

out of scope

**Subject:** FORMAL MESSAGE: CALL ON THE SAUDI MINISTER OF AGRICULTURE, 13 JANUARY 2013 – LIGHT AT THE END OF THE LIVE SHEEP TUNNEL

[RESTRICTED]

RESTRICTED – NOT FOR CABLE EXCHANGE

### Summary

Post called on Saudi Agriculture Minister on Sunday to seek agreement to our proposals to resolve the live sheep issue and to test Saudi interest in a wider food security partnership. \*During a 90 minute meeting with excellent atmospherics, we outlined NZ's proposal to enable live sheep for breeding exports to take place by concluding a zoosanitary protocol, and our intended measures to rectify the commercial impact on Saudi investor Al Khalaf of the live sheep for slaughter restriction including plans to build an ongoing partnership with him. We also sought Saudi views on whether a food security partnership would be helpful and what it might look like (paras 3-6).

59(2)(b)(i)

s 6(a)  
s 6(b)(i)

\*We judge on the basis of this meeting that the NZ strategy to date has been well targeted, but it is crucial that NZ now follows up quickly and unambiguously on what we have said we will do in order to consolidate the fragile trust that has now been re-introduced to the relationship.

59(2)(j)

### Action

Grateful if consideration could be given to:

Finalising the draft of the zoosanitary protocol for handing across to Saudi MAF and sending appropriate officials to Riyadh if necessary (para 10)

- Recording the solutions proposed in relation to export for breeding and Al Khalaf, perhaps in the form of a ministerial letter (para 10)
- Issuing a letter of invitation, at the appropriate time, to a JMC this year (para 17)
- The possible content of and mechanism for a food security partnership (paras 11ff)
- Inward agricultural investment proposals, and whether NZ wishes to be listed as a destination for investment under the King Abdullah Agricultural Initiative (para 15)

## Report

We (HOM, DHOM, Second Secretary) called on HE Dr Fahad bin Abdulrahman bin Sulaiman Balghunaim, Saudi Minister of Agriculture, on 13 January to deliver the messages set out in your FM of 16 November as supplemented by further excellent technical material sent through shortly before Christmas (TND-RIY emails refer). He was accompanied by his Deputy Ministers for Agriculture ( s 6(a) ), Fisheries ( s 6(a) ), and for Animal Resources ( s 6(a) ) - a very senior group.

### Presentation of NZ proposals

2 We set out this part of the conversation in some detail as it provides important context for Balghunaim's response (paras 7-16), and for how we should take the relationship forward (comment, paras 19-21).

3 HOM explained that the New Zealand system, led by Minister McCully, had been working very hard to find a solution to this thorny and longstanding issue for some time. We were grateful for Minister Balghunaim's patience, but it seemed worth taking the time to find a solution that would prove durable rather than to attempt a quick fix. The New Zealand side was sensitive to the needs of the Kingdom in this area, both as host to millions of *Hajj* pilgrims every year – a responsibility we knew the Kingdom took very seriously – and in terms of developing long term food security in a region which lacked water. As friends we wanted to help. Another key motivation was the strong desire to restore trust and confidence to our relationship with a country that we regarded as a close friend and with which we sought a long term partnership in many fields, not just agriculture. That relationship was going from strength to strength, but the one cloud on the horizon had been the sheep trade. Ministers Groser and McCully had both acknowledged in person to Minister Balghunaim that NZ could have handled aspects of the issue better, and realised that NZ also had to take concrete steps aimed at putting things right. We were also aware of the wholly unintended impact that our policies had had on a Saudi investor, Mr Hmood al Khalaf, who had made a long term commitment to NZ that we valued.

4 We had, therefore, come up with three main proposals which sought to respect and accommodate the sensitivities and needs on both sides – the Minister already being aware, we noted, of concerns held by parts of the NZ public about livestock exports for slaughter, and of the risk to billions of dollars of meat exports to e.g. the EU and North America if international NGOs attempted to lead a consumer boycott. First, we could enable the export of pregnant ewes *for breeding*. An essential prerequisite would be agreement on a zoosanitary protocol; with the Minister's permission we would submit a draft protocol as soon as possible for consideration by his officials and there may be a need for technical experts on both sides to meet. We noted Mr Al Khalaf's desire to send an initial shipment as early as mid October. We were uncertain whether

this would be possible in practical terms, but that was a commercial matter for Mr Al Khalaf; we were committed to doing our best to make sure a protocol was in place in time for this to occur.

5 We set out, second, the precise measures which had been agreed with Mr Al Khalaf to address his grievances ( s 6(a) ) We were not simply paying Mr Al Khalaf to 'walk away' – we wanted to engage and build a closer partnership to our mutual benefit, which recognised and valued his long term commitment to NZ. Resources had thus been made available to enable the supply of NZ expertise to assist Mr Al Khalaf to build a more efficient and productive business in NZ and Saudi. This might include e.g. research and development projects such as livestock and pasture improvement, and improved killing chain technology; we would know more after the planned March visit by a delegation of technical experts who would look at his whole operation and make recommendations. We noted that Mr Al Khalaf has expressed his satisfaction with the measures proposed.

6 This brought us to the third limb of our proposals. It had occurred to us that our co-operation with Mr al Khalaf might form the starting point for a wider partnership between our two countries on food security, if this is something Saudi Arabia would value. New Zealand was well aware of the challenges faced by Saudi Arabia and other GCC countries in this area. We had already initiated a discussion with the GCC over collaboration with NZ on food security among other selected areas, but in reality much of the substance would be implemented through bilateral mechanisms. Saudi Arabia would enjoy high priority given its political and economic predominance in the region. In fact we were already exploring the potential for specific co-operation in areas like red meat supply, given impetus by the recent visit by SALIC CEO s 9(2)(a) and Chairman s 9(2)(a) . The Minister of Trade had invited the Secretary-General of the Muslim World League to NZ, partly for the purposes of formalising co-operation around halal certification. We had also been asking ourselves whether NZ expertise might be leveraged to increase the supply of livestock to Saudi Arabia from the region, as there would always be natural constraints on what NZ could provide in terms of quantity.

*Minister Balghunaim's response*

7 Minister Balghunaim was fulsome in his praise of the proposals, interjecting at various points and then setting out his thoughts in a more structured way once we'd finished.

s 6(a)

s 9(2)(ba)

s 6 (a)  
s 9 (2) (ba)

*Zoosanitary Protocol – and the need for written confirmation of the NZ proposals*

10 More specifically, Balghunaim requested that we submit without delay a draft protocol on zoosanitary hygiene for livestock export for breeding, for review by his officials. They were keen to conclude this as soon as possible so that the trade could commence; it may be necessary for technical experts on both sides to hold discussions and if this were the case, he implied it would be very helpful if NZ officials could come to Riyadh in the near future for that purpose. More broadly he said he wanted to report to the King and the Saudi Council of Ministers on this very welcome progress in the relationship and on the livestock issue.

s 6 (a)  
s 9 (2) (ba)

What might a food security partnership look like?

This page is withheld  
under sections 6(e) and  
9(e)(6).

s 6(a)  
s 9(2)(ba)

out of scope

s 6(a) s 9(2)(ba)

#### Comment

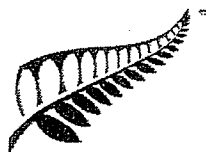
19 In our view this crucial meeting went as well as we could possibly have hoped, and was a solid endorsement of the NZ approach and of the judgments we have made along the way. This includes the decision to defer a visit by Minister McCully until we were fully ready to communicate clear proposals and progress to the Saudis; and waiting for Al Khalaf to give his own positive readout to the Minister before seeking a meeting ourselves.

s 6(a)



RELEASED UNDER THE  
OFFICIAL INFORMATION ACT

s 6(a)  
s 9(2)(g)(i)



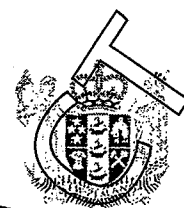
NEW ZEALAND  
FOREIGN AFFAIRS & TRADE

14 January 2013

Minister of Foreign Affairs

For action by

18 January 2013



## Saudi Arabia: Al Khalaf Group – Next Steps

SUBMISSION Issue

PURPOSE To seek your agreement that the Ministry finalise arrangements with the Al Khalaf Group to support a livestock breeding programme in Saudi Arabia which could form part of a broader bilateral food security partnership.

### Recommended referrals

Prime Minister	For information
Minister for Primary Industries	For information
Minister of Trade	For information

### Contact details

NAME	ROLE	DIVISION	WORK PHONE	MOBILE PHONE
Jonathan Austin	Manager	MEA		
Alex Matheson	Special Envoy for Government Commercial Partnerships	MEA		--

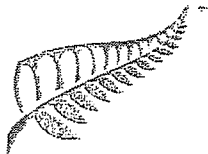
59(2)(a)

Minister's Office comments

Signed / Referred

Date: 28 / 1 / 2013

*Minister approved while travelling*



NEW ZEALAND  
FOREIGN AFFAIRS & TRADE

14 January 2013

Minister of Foreign Affairs

For action by

18 January 2013

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Minister of Trade	For information

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NAME	ROLE	DIVISION	WORK PHONE	MOBILE PHONE
Jonathan Austin	Manager	MEA		
Alex Matheson	Special Envoy for Government Commercial Partnerships	MEA		

59(2)(a)

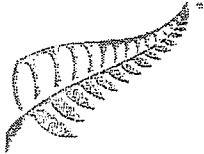
### Minister's Office comments

Minister approves while  
traveling Jonathan  
Austin has the original

Signed / Referred

Date: \_\_\_\_ / \_\_\_\_ / \_\_\_\_

28/1/2013



NEW ZEALAND  
FOREIGN AFFAIRS

14 January 2013

Minister of Foreign Affairs

For action by 18 January 2013

## Saudi Arabia: Al Khalaf Group – Next Steps

SUBMISSION Issue

PURPOSE To seek your agreement that the Ministry finalise arrangements with the Al Khalaf Group to support a livestock breeding programme in Saudi Arabia which could form part of a broader bilateral food security partnership.

### Recommended referrals

Prime Minister	For information
Minister for Primary Industries	For information
Minister of Trade	For information

### Contact details

NAME	ROLE	DIVISION	WORK PHONE	MOBILE PHONE
Jonathan Austin	Manager	MFA		
Alex Matheson	Special Envoy for Government Commercial Partnerships	MEA		

s 9(2)(a)

Minister's Office comments

Signed / Referred

Date: \_\_\_\_ / \_\_\_\_ / \_\_\_\_

## AL KHALAF GROUP - NEXT STEPS

## Recommendations

It is recommended that you:

- 1 Agree that the Ministry pay \$4 million to Al Khalaf Group as outlined in your letter of 12 November 2012 as a necessary first step in establishment of the New Zealand/Al Khalaf Group partnership, as part of a wider food security partnership with Saudi Arabia. Yes / No
- 2 Note that Ambassador Harris has had a positive meeting with the Saudi Agriculture Minister, following Mr Al Khalaf's earlier discussion with the Minister, and note the anticipated timetable for development of the New Zealand/Al Khalaf partnership as outlined above. Yes / No
- 3 Note that officials will prepare a letter from you to the Saudi Agriculture Minister summarising the agreement with Al Khalaf and proposing broader food security cooperation with Saudi Arabia. Yes / No
- 4 Note that a paper proposing the formation of a public-private NZ Inc reference group to assist with management of issues and opportunities emerging from increased food-security related government and business activity in the GCC region will be prepared for your consideration in February. Yes / No

C J Seed  
for Secretary of Foreign Affairs

Agree officials should process to put in place agreed steps. Lab Committee paper to advise colleagues in first week of Feb. please. As advised orally, please ensure careful steps to apply appropriate product standards to any procurement.

AL KHALAF GROUP – NEXT STEPS  
Background and Comment

Formalisation of Partnership

- Your letter of 12 November 2012 to Hmood Al Khalaf (copy attached) outlines the basis of a partnership between Al Khalaf Group and NZ Inc to assist with the development of a livestock breeding programme in Saudi Arabia, as part of a wider GCC/NZ Inc food security programme. Now that Mr Al Khalaf has accepted our proposal, we need to finalise arrangements with the Al Khalaf Group and to make the first payment.
- The Ministry has taken legal advice that the most appropriate arrangement between the Ministry and Al Khalaf Group is a contract for services, where the first milestone is the payment of \$4 million as outlined in your 12 November letter. Provision for this payment has been made within the Ministry's 2012/2013 baselines (from the NZ Inc Partnerships Leveraging Fund).
- Since the meeting you had with Mr Al Khalaf at his Hawke's Bay property in November last year, he has advised that he met the Saudi Agriculture Minister, Dr Fahad Balghunaim, in late December 2012 to brief him on the developing partnership. s9(2)(ba)  
s6(a)
- Ambassador Harris called on Dr Balghunaim on 13 January to seek agreement to our proposals to resolve the live sheep issue and to test Saudi interest in a wider food security partnership. s6(a)  
s9(2)(ba)
- It is crucial that New Zealand now follows up quickly on what we have said we will do in order to consolidate the still fragile trust which has been re-introduced to the relationship. Discussions on the protocol will need to be managed delicately. s6(a)  
s9(2)(ba)

**AL KHALAF GROUP – NEXT STEPS****Programme**

Following the initial milestone payment, the anticipated timeline for the development of the partnership, as well as the timetable for the Al Khalaf Group's business intentions, is:

**February 2013:**

MFAT to facilitate engagement with MPI and Saudi officials, and the Al Khalaf Group, to begin preparation of the necessary documentation to allow for the shipment of breeding animals between New Zealand and the Kingdom. This could take at least several months – and is particularly dependent on the Saudi officials agreeing to receive the shipments.

**March 2013:**

NZ agri-business delegation to Saudi Arabia (and potentially via Ethiopia) to study the Al Khalaf in-market supply-chain, and provide recommendations to the partnership as to the potential New Zealand intellectual property and technologies that could be used to enhance red-meat productivity in Saudi Arabia.

**April 2013:**

Development of a business plan for the remaining partnership funding, following the study tour in March. The business plan will include the recommended New Zealand technologies and IP to be transferred, timing for this to occur, governance and management arrangements, process for procurement, and timing for drawdown of the partnership funding. The business plan will need to be agreed by yourself and Mr Al Khalaf. NZTE is currently working through its own role in facilitating the ongoing transactions between the potential New Zealand firms and the partnership, and its financial contribution to the project.

**October 2013:**

The earliest that a shipment of breeding animals between New Zealand and Saudi Arabia is likely to happen. This will be dependent on the export certification, the completion of Al Khalaf's new "state-of-the-art" livestock vessel currently under construction in Singapore, and the ability of the Al Khalaf Group to arrange contracts with New Zealand farmers to supply sufficient numbers of breeding animals.

**Proposal for Reference Group**

- With the increase in activity and complexity of the food-security relationship with the GCC region (for instance the emerging Qatar National Food Security Programme partnership with New Zealand) the Ministry considers a public-private reference group should be established to assist with managing the associated opportunities and issues. These include considerations around NZ Inc risk and

AL KHALAF GROUP – NEXT STEPS

reputation management, procurement, capacity and capability, and ensuring long-term value for New Zealand.

- A separate paper on the proposed reference group, including a draft Terms of Reference and potential participants, will be forwarded for your consideration in early February.



**MATHESON, Alex (MEA)**

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**From:** MATHESON, Alex (MEA)  
**Sent:** Tuesday, 8 January 2013 3:05 p.m.  
**To:** AUSTIN, Jonathan (MEA)  
**Subject:** Deloitte Invoice for Al Khalaf Partnership work

Jonathan

As you are aware, in September 2012 the Ministry engaged Deloitte to assist with the development of a strategy and model for the proposed New Zealand/Al Khalaf partnership.

We have received the invoice for completion of this work, totalling \$48,147.19, which I recommend that the Ministry now pay.

Attached to this invoice is:

- The agreed scope of work
- MFAT CEO's approval for the Government-Commercial partnerships budget - including noting of this piece of work
- A file note outlining the rationale for selection of Deloitte
- The Deloitte deliverables

regards

Project Phases:

The project is broken down into three phases:

- Phase one – to prepare a road map / blue print for agreement between the parties
- Phase Two – prepare a feasibility study for the agreed market led approach to be investigated
- Phase Three – implementation.

The scope of this engagement is to provide assistance with Phase One.

Objective:

The objective of Phase One is to prepare a road map / blue print for the development of a best practise sheep beef farm and dairy farm to improve the returns on Al Khalaf's New Zealand investments (and possibly other components of their international business) and to grow the animals available for their Saudi Arabian supply chain, within the policy constraints of no live export for slaughter from New Zealand.

Background:

Al Khalaf invested in New Zealand to grow a sustainable value chain of half breed Awassi sheep to Saudi Arabia. The plan was to grow the productive capacity for Awassi cross sheep in New Zealand to approximately 200,000 animals annually to be processed in Saudi Arabia.

Government policy changed in 2003 and stopped live exports for slaughter and as a result the return on investment on the assets in New Zealand has been significantly impaired. Currently Al Khalaf owns two farms in New Zealand with approximately 8,000 breeding ewes.

As a result of the policy changes the New Zealand Government wishes to partner with Al Khalaf to investigate how they can participate/collaborate in improving the returns on their New Zealand investment and growing the animals into their Saudi Arabian supply chain, within the policy constraints of no live export for slaughter.

Process:

The project will commence Monday 21 August 2012. The process is as follows:

- Understand the Saudi Arabian's food security policy position and explore how this project can contribute to achieving their desired outcomes.
- Explore how to develop a true partnership to improve returns on Al Khalaf's New Zealand investments (and possibly other components of their international business) and develop international opportunities for New Zealand businesses.
- Investigate how New Zealand's portfolio of intellectual property and agribusiness management capability can be a part of the solution.
- Work with the NZ staff of Al Khalaf to develop the preferred option.
- Prepare a summary of the Crown's risks and mitigation strategies with the support of MFTA staff
- Prepare a draft road map / blue print for presentation to the Minister of Foreign Affairs and Trade for his approval, include a budget for Phase Two and a summary of the Crown's risk.
- Prepare a draft road map / blue print for presentation to Al Khalaf's representative based in Sydney

For the sake of clarity the scope of this project excludes:

- Any investigation – other than desk top research into markets or demand for red meat in Saudi Arabia.

Output Phase 1:

The output from Phase One is to:

- Prepare a road map / blue print for the way forward with Al Khalaf for their approval
- Prepare an estimated budget for Phase Two
- Prepare a road map / blue print for the way forward with Al Khalaf for approval by the Minister of Foreign Affairs and Trade

**Estimated Costs**

The estimated costs for Phase One are s9(2)(b)(ii)

Disbursements will be recovered at cost and it is expected to include, but not limited to, New Zealand Travel and accommodation. Expense will be preapproved before incurred.

**Why Deloitte**

Deloitte understands what is required to develop a successful partnership between investing parties and more broadly has built an experienced team of experts in economic development and agribusiness. Below are some summaries of work they have recently undertaken.

s9(2)(a)

s9(2)(b)(ii)

s9(2)(b)(a)

scope of work agreed

RELEASED UNDER THE OFFICIAL INFORMATION ACT

**MATHESON, Alex (MEA)**

---

**From:** DUNCAN, Lucy (GM SGG)  
**Sent:** Thursday, 27 September 2012 10:39 a.m.  
**To:** MATHESON, Alex (MEA); MacMASTER, Hamish (MEA); GOULIN, Phil (FIN)  
**Cc:** SEED, Chris (DS APE)  
**Subject:** FW: Approval of NZ Inc leveraging fund allocation for GCC projects  
**Attachments:** img-926124818-0001.pdf

[UNCLASSIFIED]

Dear all

John's approval is attached.

Phil - funds to be transferred to MEA's budget with Chris's oversight on expenditure.

Who needs to keep the original? (I will send to Hamish for filing unless otherwise advised).

Cheers

y

-----Original Message-----

**From:** s 9(2)(a)  
**Sent:** Wednesday, 26 September 2012 11:54 a.m.  
**To:** DUNCAN, Lucy (GM SGG)  
**Subject:** FW: Scan Data from FX-B35532

[UNCLASSIFIED]

Scanned document attached Lucy.

Thanks, s 9(2)(a)



NEW ZEALAND  
FOREIGN AFFAIRS AND TRADE

## MEMORANDUM

To: CEO  
From: GM-SGG  
cc: DS APE; Director MEA; GCC-NZ Inc Strategy Co-ordinator, PM MEA designate;  
Special Envoy for Government-Commercial Partnerships  
Date: 10 September 2012  
Regarding: GOVERNMENT-COMMERCIAL PARTNERSHIPS: 2012-2013 BUDGET

### Purpose

To seek approval for the allocation of up to NZ\$260,000 from the NZ Inc. Leveraging Initiatives Fund to fund the work and expenses of the Government-Commercial Partnerships Initiative as outlined at Appendix 1.

2. The budget requested will cover the project management, subject matter expertise, travel expenses and cost of developing marketing collateral to establish:

out of scope

c) a long term Food Security partnership with Saudi Arabia, initially through the Al Khalaf Group (the group that has for many years invested in the breeding of Awassi sheep in the Hawkes Bay).

3. These projects will involve a very high degree of NZ Inc. coordination, both across agencies and between the government and private sectors. They will form the foundation of the NZ Inc. GCC Strategy and will inform the development of a permanent Government-Commercial Partnerships mechanism.

### Background

4. The Minister of Foreign Affairs established the role of Special Envoy for Government-Commercial Partnerships in response to a need for a central NZ Inc. point for coordinating strategic

commercial priorities in the GCC region. A note from the Minister to his colleagues is attached at Appendix 2 and outlines the rationale and broad focus of the role. In addition to the development of a permanent structure for carrying this work forward in future, the Special Envoy's work programme consists of three specific projects requiring public-private partnerships overlaid by Government to Government agreements in the GCC region. Specifically those projects are:

out of scope

- developing a food security joint venture with the Saudi Arabian Awassi sheep investors, the Al Khalaf Group (the paper attached at Appendix 3 refers);

out of scope

6. With the Saudi Investors, the successful development of a food security partnership may go a long way to removing the impediments to the finalisation of the NZ-GCC FTA. This is one of MFAT's strategic priorities and is reflected in the NZ Inc. GCC Strategy.

7. Beyond that, partnerships may span between 3-5 years or even longer, giving added strength to the bilateral relationships with those countries, and implementation will provide evidence for the systematisation of government-commercial partnership arrangements in the future.

### Link to Business Growth Agenda

8. The Building Export Markets document, released as part of the Government's Business Growth Agenda, signals MBIE and MFAT responsibility to establish mechanisms to secure commercial export opportunities on the basis of core public sector intellectual property and expertise:

"In a number of emerging markets, for example in the Middle East, governments often seek 'Government' partners when developing commercial partnerships, even those involving the

private sector. New Zealand's expertise in the primary sector – for example in food security – and resource management is highly valued. We are exploring opportunities for strategic Government to Government partnerships, and ways to facilitate commercial opportunities in partnership with the private sector under a New Zealand Government umbrella.”

*The NZ Inc. Leveraging Initiatives Fund*

9 The proposed investment of \$200,000 from the NZ Inc. Leveraging Initiatives Fund will fund MFAT, working with NZTE and MBIE, to develop a joint plan designed to:

- determine options for a permanent structure for facilitating government/commercial partnerships, including the required governance arrangements;
- develop a network of nominated personnel in core government agencies that will be able to support and resource such a structure;
- develop a strategy to mitigate risks to governments of promoting specific companies or consortia to foreign governments; and
- develop professional NZ Inc. branded collateral to sell New Zealand as a trusted food security partner in the GCC.

10 NZTE has appointed a full time resource, Paul Gestro, to partner with MFAT on the work programme, and discussions have been held with MBIE on their resource commitment to the programme.

*Draft Organisational Responsibilities:*

MFAT	NZTE	MBIE
	<ul style="list-style-type: none"><li>• Governance</li><li>• NZ Inc. offshore</li><li>• G2G commercial arrangements</li><li>• Specific projects agreed with MFA</li><li>• IDG Linkages</li><li>• Risk Management</li></ul>	<ul style="list-style-type: none"><li>• Governance</li><li>• NZ Inc. onshore relationship with NZ-based agencies (purchase agreements etc.)</li><li>• Commercialisation of IP</li><li>• Contractual frameworks</li><li>• Receipt and disbursement of offshore revenues</li><li>• Procurement</li><li>• Risk Management</li></ul>

*Reimbursement, Administration and Procurement*

11 It is anticipated that as the projects above evolve contributions and fees for some of the activity will come from either the foreign governments/agencies (e.g. EAD), or from the private participants in consortia formed to deliver on the opportunities (e.g. project management for food security). The proposed budget will allow MFAT to kick-start some of the projects, including negotiations with public and private delivery partners, detailed project specification, and risk management.

12 It is proposed that the funding referred to above will be transferred to the MEA cost centre for administrative purposes, and approval for the disbursement of these funds will be done within the Ministry's usual delegated financial authorities, and be overseen by DS APE.

13 It is anticipated that the nature of the Government Commercial Partnerships will require procuring external contractors and subject matter experts that will be selected on an open and contestable basis. It is also anticipated that if this first tranche of work is successful there may be a range of subsequent opportunities that could be pursued (possibly subject to additional funding). With this in mind the resources required to complete the initial scope of work will be selected through an open tender to ensure we:

- Select the best available resources;
- Negotiate a competitive fee structure recognising the scope of this work may grow substantially; and
- Are compliant with our own procurement policies and the 'Mandatory Rules for Procurement by Government Departments'.

14 It is likely a small panel of providers will be selected that will provide the flexibility and capacity to ramp up resourcing quickly should we need to, as we move through the feasibility, establishment and growth phases of this initiative. The Procurement team is assisting the Special Envoy and MEA to ensure this process is expedited as quickly and effectively as possible.

# Recommendations

This paper recommends that you:

Approve the allocation of up to NZ\$260,000 from the NZ/nc. Leveraging Initiatives Fund to fund a work programme during 2012/2013 for developing Government Commercial Partnerships as outlined in Appendices 1 and 2; and

Agree that DS APE will maintain oversight of the disbursement of this allocation on advice from DIM MEA and the Special Envoy.

Lucy Duncan  
Group Manager Strategy and Governance

Appendix 1 – 2012/2013 Government Commercial Partnerships Work Programme and Budget

	Activity	Funding sought
Scoping	Initial scoping work on feasibility of breeding programme/food security partnership with Saudi Arabia (this could come from overall settlement funding for the Saudi investors discussed below) has been started. Deloitte has been engaged to do this initial and urgent work.	NZ\$40,000
Project management and subject matter expertise	The formation of the consortia of public and private entities to deliver on the proposed G2G arrangements (including contract development, secondment agreements between NZ institutions and foreign governments, commercial arrangements between parties etc)	NZ\$60-80,000
Travel expenses	Estimates based on recent travel booked through the Ministry travel provider, Orbit, and current MFAT travel rates. 2-3 trips to Australia NZ\$2,000 each 4-5 trips to GCC NZ\$10,000 each 8-10 overnight trips to AKI NZ\$700 each Per diems, phone, data, taxis NZ\$5,000 each	NZ\$50-60,000
Collateral	Professional, accessible, consistent collateral (presentation deck and brochure, incorporating NZ inc branding and a high-quality a/v) particularly needed for food security projects.	NZ\$60-80,000
Total		NZ\$160,000

out of scope

Office of Hon. Murray McCully

Minister of Foreign Affairs  
Minister for Sport and Recreation

RECEIVED

21 JUN 2012

BY:


Prime Minister  
Deputy Prime Minister  
Minister of Economic Development  
Minister of Trade  
Minister of Primary Industries  
Minister of Environment  
Minister of Education  
Minister of Health  
Minister of Customs  
Minister of Māori Affairs  
Associate Minister of Tourism

Dear Colleagues

I attach a paper on the proposal for increased NZInc engagement in support of government-to-government commercial partnerships. It outlines the matters we discussed briefly at this week's meeting of export ministers.

Should any of you have any issues to do with how the process is managed going forward, please get in contact with me.

Yours sincerely

  
Hon Murray McCully  
Minister of Foreign Affairs

IN CONFIDENCE

Office of the Minister of Foreign Affairs

## NZ Inc: Government-Commercial Partnerships

This paper seeks to inform Ministers of steps being taken to improve New Zealand's capacity to earn foreign exchange through partnerships involving government agencies. Ministers are asked to note:

- there are significant international opportunities to commercialise and retain value from public sector intellectual property and expertise;
- that in order to pursue some of these opportunities, NZ Inc needs to improve its ability to develop government-to-government commercial partnerships, and within these, to provide support for companies to operate within markets such as the Gulf Cooperation Council (GCC) region;
- that MFAT is developing a cross-agency programme to more swiftly and cohesively organise NZ Inc public and private resources and expertise to pursue commercial opportunities offshore, initially in the GCC region, under the umbrella of government-commercial partnerships; and,
- the appointment of a Special Representative for Government-Commercial Partnerships, Mr Alex Matheson, to be based within MFAT.

There are challenges to be confronted as to the extent to which the Government can be seen to endorse commercial initiatives, reputational issues to be considered, case by case, decisions to be made regarding commercial risk/reward considerations for Government agencies participating in such ventures.

### Background

Over the past few months the Minister of Foreign Affairs, and the New Zealand Ambassadors in the GCC region, have been approached by GCC government-linked agencies, as well as New Zealand firms operating in the region, about opportunities involving the commercialisation of New Zealand public and private intellectual property and expertise.

2 Through these approaches, it has become increasingly clear that NZ Inc. may not be as 'commercial' as competing foreign governments when developing government-to-government commercial partnerships, and supporting companies operating within the markets of the GCC.

*The potential opportunity*



Two examples of the type of opportunity presented by relationships that New Zealand has formed in the GCC are briefly outlined below:

out of scope

#### *Improving NZ Inc engagement*

13 MFAT and NZTE have already taken some steps to modernise the NZ Inc business support mandate. Terms of Reference for writing company letters of endorsement are being established, steps have been taken to ensure closer cooperation between the two agencies regarding prioritisation within the region, Ministerial travel priorities for the GCC region have been very carefully targeted and there has been some work to facilitate private consortia to respond to potential commercial opportunities in the region.

14 MFAT has also started identifying and pursuing opportunities for strategic government-government partnerships within the GCC, including in the environment, agriculture, fisheries, food security, education and health sectors.

15 It is evident, however, that there is the potential for more business in this region if relevant parts of the public sector were able to rapidly respond to commercial opportunities in partnership with the private sector under a New Zealand government umbrella. In order to facilitate this, it is proposed that a dedicated resource within MFAT be responsible for identifying, assessing, and driving these potential offshore commercial opportunities forward, and an associated work programme to:

- determine options for a more permanent structure for facilitating government-commercial partnerships, including governance;
- develop network of nominated personnel in core government agencies that will be able to support and resource such a structure; and,
- develop a strategy to mitigate risks to the government or providing specific companies or consortia to foreign governments, including, for example, a process of due diligence through the NZTE system.

16 The work programme envisaged for Government Commercial Partnerships is consistent with the Business Growth Agenda and will be reflected in the NZ Inc GCC Strategy currently under development, to ensure the widest possible NZ Inc buy-in.

#### Role of the Special Representative

out of scope

17 Mr Alex Matheson has been appointed by the Minister of Foreign Affairs as Special Representative for Government-Commercial Partnerships. This role was established in response to a need for greater government support to businesses operating in the GCC region, and a central NZ Inc partner for coordinating strategic commercial priorities offshore.

18 Mr Matheson will lead New Zealand's engagement with the Environment Agency of Abu Dhabi (EAD) and Qatar National Food Security Programme (QNFS) in the first instance, using these as 'pilot studies' to inform the establishment of a more permanent structure for coordinating NZ Inc government-commercial partnerships offshore.

19 The appointment of a Special Representative for Government-Commercial Partnerships is to be the first formal step in the direction of the establishment of a permanent structure to support New Zealand commercial interests offshore.

Hon Murray McCully  
Minister of Foreign Affairs

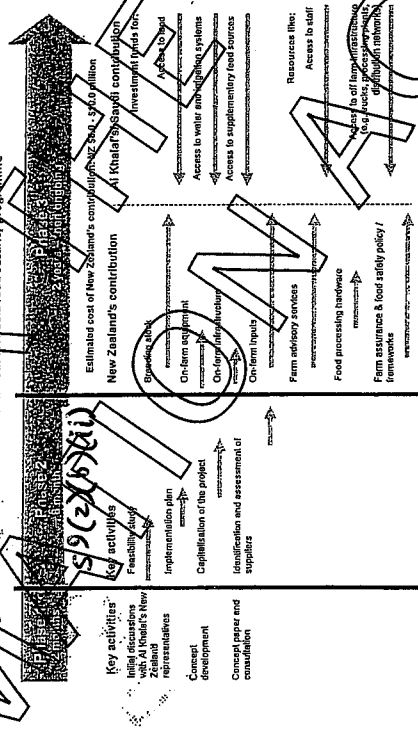
Briefing paper:	Informing the Government's investments within international markets
To:	Hon Murray McCully Minister of Foreign Affairs and Trade
Purpose:	To discuss the concept of partnering with Al Khalaf to deliver a New Zealand - Saudi Arabia food security programme

#### Summary

This paper proposes that the New Zealand Government should consider this project to develop a partnership with Al Khalaf to deliver a Saudi food security programme. Key points to note in this paper are:

- There is an opportunity for the Government to 'partner' with Al Khalaf in a commercial pilot of best practices sheep beef and dairy farms in Saudi Arabia – and promote New Zealand companies and Government Department IP in the form of services, policies, frameworks, equipment and capabilities to new markets.
- The proposed approach is for New Zealand to take the form of IP, capability and farm related equipment to establish best practice sheep beef and dairy farms in Saudi Arabia. The four key components of the proposed model are:
  - New Zealand Government's investment through New Zealand companies and promotion of Governmental capabilities
  - The investment and development of New Zealand based capabilities around Awassi NZ's existing farming assets and IP
  - The development of market demand for New Zealand products and capabilities by showing New Zealand's primary sector capabilities within market (initially Saudi Arabia – and progressively North Africa and South America) in line with Saudi Arabia's primary sector strategy
  - The development of closer Government-to-Government connections through contributing to Saudi Arabia's food security
- The creation of stronger regional relationships with connections throughout the Saudi food value chain – through the promotion of Al Khalaf and his leadership role in the formation of a partnership.
- The partnering opportunity will require investment from the New Zealand Government, Al Khalaf and Saudi Government as outlined in the following diagram.

Figure 1: Partnering with Al Khalaf to deliver a New Zealand - Saudi Arabia food security programme



Background

MFAT have held preliminary discussions with both Al Khalaf's Saudi Arabian and New Zealand representatives. These initial discussions have been constructive and provided MFAT with an understanding of the issues – from their perspective.

The key points they have made are:

- Al Khalaf has remained committed to New Zealand for over 20 years and still own two farms with an elite Awassi flock of 8000 breeding ewes and over 500 stud rams.
- They have experience sustained losses based on commitments in the media.
- Any proposed solution should provide a valid role & commercial opportunity for the past & current investment in NZ farms and Awassi genetics.
- Al Khalaf (Hamoud & George Assaf) will be key in identifying & researching market opportunities in Saudi and elsewhere in Middle East.
- Any proposed solution should have a strong livestock component to it. For example live export of breeding stock both sheep, cattle & dairy stock.
- Al Khalaf would like the first right of refusal on any commercial or other opportunities in Saudi Arabia that may arise out of any proposed solution (this may include leading the engagement at a political level).

The conversations with the Al Khalaf group are constructive in spite of the issues they have raised. Moreover, we have been able to define the basis by which this dialogue can be built on to enable a commercial investment. A key theme to be built on is 'Partnership', to them this represents a commitment rather than a form of commercial arrangement.

While this is a great opportunity for New Zealand, due consideration must be given to what New Zealand requires from this process. As such, consideration has been given to:

- How New Zealand can benefit from a strategic engagement with a substantial business in the Middle East
- How can we maximise the return on New Zealand's investment for New Zealand businesses
- How can New Zealand contribute to the security of the region – humanitarian good and contribute to food security on the region
- How the Government may consider investing and New Zealand's current fiscal situation
- How the Government/New Zealand can gain a return on their investment
- How the Government can minimise its risk while maintaining enough influence to achieve its outcomes.

While the discussions continue to develop with Al Khalaf's representatives, there is now a need to consider the options and determine the optimal solution for New Zealand before these discussions can progress. The following section outlines the investment models assessed to determine best 'how New Zealand can maximise its returns', while mitigating any associated risks and provides a description of what the next step would look like (along with the associated costs).

Investment considerations

Al Khalaf's representatives have stated that they are interested in undertaking a collaborative investment with the Government. Before considering the appropriate structure, consideration must be given to how the Government partners with commercial/private business within New Zealand and overseas. The existing models for investment are outlined in the table below.

Figure 2: An overview of the Government's primary sector investment models

Primary Growth Partnership (PGP)	Up to 50-50 funding with private sector – for up to 7 years	No recognition given to investments by PGP's, limited to primary sector's	Could provide a good contract template that could be utilised; potential source of funds or mechanism for contracting skills/tp
MSI research funds	Targets foundational research- up 80% funding	Often small amounts of funding	
International aid programme	Up to 100% funding, targeted at developing nations or international crisis	Not directly accessible by businesses or sector's	Inability to invest in commercial businesses
Funding for Crown agencies/research institutes	Baseline funding to support the achievement of a sector's outcomes	Not directly accessible by businesses or sector's (leverage/alignment opportunity)	Can partner/invest in commercial ventures
State owned Enterprises (Landcorp Ltd)	The investment of retained earnings or capital injections	Required rate of return on investments	Can partner/invest in commercial ventures
Government Departments (Ministry of Primary Industries)	The investment of business funding or capital injections	Inability to invest in commercial businesses	

While none of the above investment mechanisms fit perfectly, they do have attributes that may help resolve their points under discussion. For example, the PGP programme is currently the best domestic investment programme (up to \$700 million) currently still seeking investment opportunities in the PGP programme. Unique features of this investment framework are:

- Spillover benefits - the Government recognises returns to the economy in addition to any direct returns, in that their investments add value to businesses within the sector.
- Partnership model - both the contracting department (Ministry of Primary Industries - MPI) and the commercial business/es have a joint responsibility to ensure the success of the investment programme. The partnering takes several forms:
  - MPI staff participate on the team that develops the final project scope
  - MPI staff and representatives sit on the Programme Steering Group (the investment programme's board).

- Government does not take an ownership stake in any investment or business (where a special purpose company has been created). Under this structure, the Government is not responsible for any additional funding required or for any long term ownership structures (it manages its risks through the contract).

In considering the investment mechanisms outlined above, the following key attributes are considered essential to successfully undertake a joint investment with Al Khalaf.

Figure 3: An overview of the model attributes required

<p>The ability to leverage multiple sources of funding (e.g. PGR, NZ Aid, MSA etc)</p> <p>Promotion of New Zealand IP in foreign markets</p> <p>Promotion of new business models and company revenue streams (e.g. the licensing of IP)</p> <p>The investment's ability to create or catalyse/accelerate the penetration of New Zealand's businesses in target markets</p> <p>The ability to show case the Government-to-Government investment model</p>	
An investment reflecting a 'true' partnership	An investment over a set time period
A clear, time bound contractual framework	
A framework for New Zealand companies to benefit from over the longer term	
A capped investment	
An understood risk profile with defined mitigations	

Operating in the spirit of 'partnership' is essential for acceptance. Al Khalaf is looking for a level of commitment to the process beyond simply providing funding. To fairly enter into a true partnership, the Government will need to show its understanding of the value Al Khalaf has already created in New Zealand.

The value of Al Khalaf's New Zealand assets could be significant, especially when Al Khalaf's representatives believe these are conservative. Particular areas of value are the genetic advancements they have made within their flock and IP they have developed on-farm.

- Al Khalaf's lamb flock - their elite flock averages of roughly 60% averages for this breed globally - and this is continuing to develop (estimated replacement value \$9(2)(b)(ii))
- Al Khalaf's central Hawkes Bay sheep farms - farm values have decreased significantly from their highs, but based on average listed prices it is reasonable to expect they will be valued between \$9(2)(b)(ii), depending on condition and conversion potential).

With a potential contribution between \$6.2 and \$9.2 million to the partnership, the initial investment for the Government will be substantial. Because the land will remain in the possession of Al Khalaf, but will be utilised by the partnership, the lands contribution should be discounted to align to the potential lease value (at a conservative estimate of \$400,000). Based on this their contribution could be as much as \$2.6 million.

When considering the nature of the Government's contribution, the easiest way will be to invest and capitalise the project. We would expect the minimum initial capital injection for Phase 2 would be in the order of NZ\$1.5 - \$2.0 million.

Maximising New Zealand's value and influence

The range of investment options for the Government is limited. The preferred approach from Al Khalaf's New Zealand advisors is a partnering model where roles are defined and the value of their pre-existing

Investments is recognised. From a Government perspective, the optimal model will also maximise the value captured by New Zealand and its business community.

As such, with the Government acting as an investor there are limitations as to how the benefits can be accrued. For example, the easiest measure will be the portion of the investment recycled through the tax system via income and PAYE taxes (for companies based in New Zealand). Very little GST will be captured primarily due to the services being delivered offshore. The Government's mechanisms for value capture are outlined by service/product in Appendix 1 and summarised below.

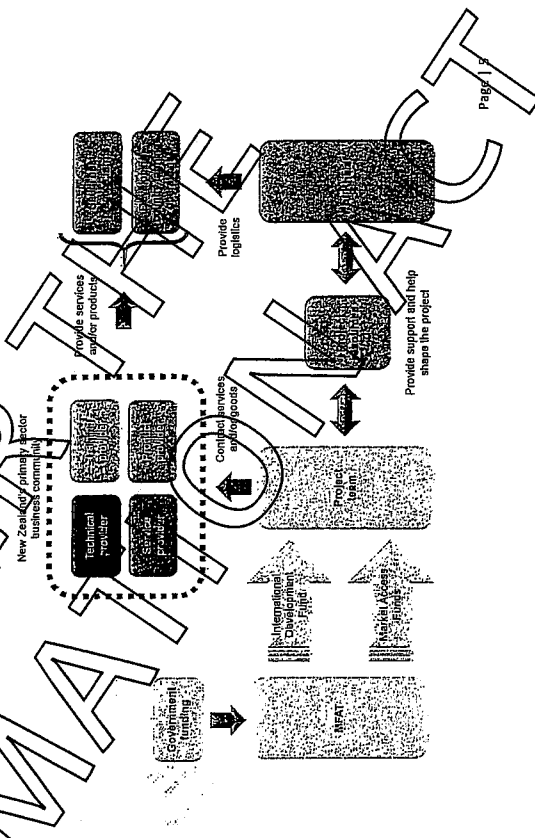
The Government can capture a tax benefit, commercialisation of Government IP (through Government Ministries and Departments) and aid sector revenues through promotion and market development. This can be achieved through channelling the Government's investment through the businesses directly. For example:

- contracting of technical services
- purchase of farm inputs
- purchasing of on-farm equipment
- purchasing of on-farm and business systems
- purchasing of phenotypic expertise
- purchasing business and governance expertise

To manage the Government's risk and on-going obligations consideration must be given to the Investment structure. Al Khalaf owns many of the key assets, creating an investment vehicle that takes an ownership stake would not add much (new) value to them.

For these reasons, an investment approach is recommended whereby the Government uses its existing channels to manage their contributions and act as the contracting/coordinator to maintain its influence within the partnership. MEAT has two channels that should be considered, firstly the Market Access funds and secondly under New Zealand Aid there is an International Development Fund (of which 10% is able to be directed to activities outside the Pacific and South East Asia).

Figure 4: Proposed investment structure

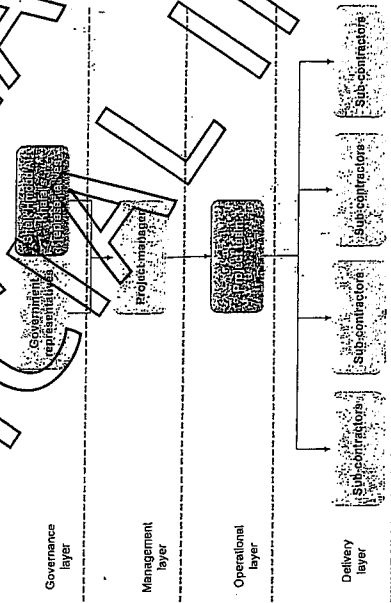


The use of the two funding streams will enable the targeting of funding and a controlled phasing of the project. For example:

- Market access fund: is the main funding channel used to promote services or products that will be used within Saudi Arabia on the best practice sheep beef and dairy farms
- International development fund: is a funding channel targeted to pay for the knowledge gained in the first phase to developing nations in North Africa and South America – to increase their animal productivity and sector production.

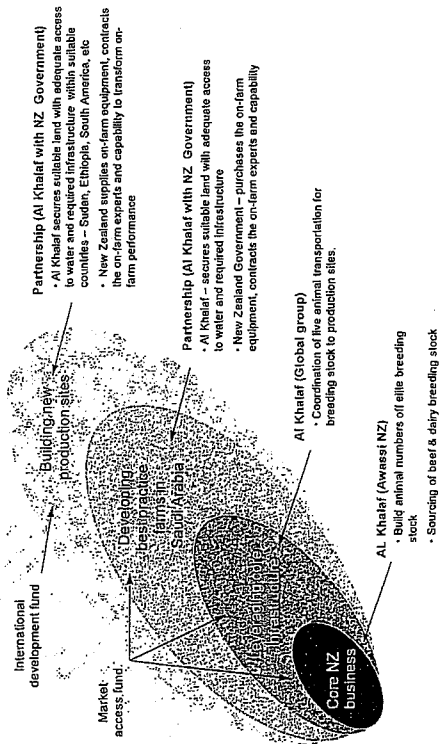
The implementation of the project will result in additional value being created, to project participants' interests a project governance team should be established. The following diagram outlines a possible structure.

Figure 5: Proposed project structure



This structure would provide the operational capability to develop and deliver on the opportunity through a progressive development and expansion of global best practice farms based off the genetic attributes of New Zealand's sheep beef and dairy herds.

Figure 6: Expansion through partnering with Al Khalaf



The proposed investment model can succeed within a partnering framework with Government. This approach is widely accepted within the PGP environment. For example, within the FarmIQ PGP there are two co-investors who have invested significant amounts of money and not taken a shareholding (they are NZ Merino and TruTest). For these companies, they have recognised the value of the FarmIQ PGP programme and using the knowledge gained by being involved, to power-up their own value chains.

#### Risks to the Crown

The following illustrates the risks identified for this initiative. They have been identified using 'Porters 5 Forces' analysis. The risks identified are outlined below with current mitigation strategies.

Saudi border being closed to animal imports			
	Risk of an animal health risk	Low	Mitigate: Al Khalaf are experienced in live animal exports and have the resources to manage pre-export animal checks, resources on the boat and in country to manage any issues
The ability to scale up Awassi NZ's production or source of animals	Lack of interest from local farmers to shift their production systems	Medium	Mitigate: Develop a supplier group with support and contractual certainty to support their transition and performance
Protection of investment	Benefits from investment are not attained because competitors duplicate our systems and capabilities	Medium	Mitigate: Processes and farming systems are easy to replicate but hard to apply, the focus is on continual refinement and development to stay ahead
Customer perception	The customers are very sophisticated and assess quality by where they were bred.	Medium	Mitigate: Provide customers with the story of where they were bred and where they were finished
Threat of new competitors (entrants) in the start	New entrants to the industry could provide additional competition, and reduce the impact of this programme by decreasing our market share and therefore decreasing uptake.	Low	Mitigate: Al Khalaf's Infrastructure, identity and experience provides an end-to-end capability that generates commercial efficiencies
Security of supply of raw materials	Reliance on suppliers of supplementary feed to the farms	Medium	Mitigate: This programme itself mitigates this by developing the crop and pastoral capabilities on farm.

These risks will be tested and refined in the next phase of this process.

#### Next steps

The current process has three phases, they are:

- To prepare a road map / blue print for agreement between the parties (this is the current phase)
- Prepare a Business case and plan to gain approval and resources for the partnership with Al Khalaf (to deliver a New Zealand - Saudi food security programme)

iii) Implementation the approved business plan

The recommended approach for Phase 2 is outlined below along with high level estimates of effort and costs for your consideration.

Objective

The objective of Phase 2 is to prepare a business case and implementation plan that details how the New Zealand Government and business will invest in the Awassi value chain to improve the current returns on the New Zealand based asset. The audience for the business case will be the projects governance team.

Approach

The activities required to prepare the business case include, but are not limited to:

- i) Designing a value chain to a scale that would provide a satisfactory return on investment, including what investments are required in New Zealand and in Saudi Arabia.
- ii) Working with Sheikh Hamoud Al Khalaf to investigate the market in Saudi Arabia and the need for red meat and how that contributes to the country's overall strategic objective of food security.
- iii) Identification and negotiation of the required inputs: need to develop the Awassi supply chain, including people capabilities.
- iv) Developing a financial model to estimate the investment required and the possible returns.
- v) Finalise the investment channels and how the New Zealand Government will best provide investment funds.
- vi) Preparation of an implementation plan.
- vii) Consult with relevant parties and officials.
- viii) Review and incorporate feedback to finalise the documentation (this will include an iterative process to negotiation of the draft business case with the respective parties to the venture, both in New Zealand and offshore).
- ix) Finalisation of the business case.

Output

The output from this process will be a business case and implementation plan for partnering with Al Khalaf to deliver a New Zealand - Saudi Arabia food security programme.

Estimated costs

Based on previous experience the costs to prepare the business case will range from \$480,000 to \$520,000 excluding GST. In arriving at this estimated cost we have assumed:

- i) That the business case will be sufficiently detailed for the partners to make a decision to invest, or not as the case maybe.
- ii) The implementation plan will provide sufficient detail that a project team can execute the project.
- iii) Several visits will be required to Saudi Arabia and Australia.

iv) That the underlying assumptions will be agreed by the partners

	35
Preliminary investigations and business models	
Detailed design of the Awassi sheep value chain	40
Implementation plan	35
Negotiations with suppliers	25
Financial modelling	40
Draft review to finalisation	25
TOTAL DAYS	200

Appendix 1: Table of value capture mechanisms for Government

Contracting of technical services		Research & Development	Large science	Science application	Farm advisors	Farmer educational courses	Practical farm base skill training	Tax in the form of income tax and PAYE	Short term	Long term	Potential for IP licensing fees
Potential providers:									Increased services revenues		
Purchase of farm inputs											
Potential providers:											
Provision of on-farm equipment											
Potential providers:											
Provision of on-farm and business systems											
Potential providers:											
Provision of phototypic expertise											
Potential providers:											
Provide access to business and governance expertise											
Potential providers:											

9(2)(b)(ii) measurement frameworks

\*Examples of providers within New Zealand able to provide these services and products

Appendix 1: Table of value capture mechanisms for Government

Construction of technical services		Research & Development	Core Science	Science application	Tax in the form of income tax and PAYE	Long term	Short term
Potential providers:		<ul style="list-style-type: none"> <li>AgResearch</li> <li>Atticus</li> <li>Baker &amp; Associates</li> <li>AgriOne</li> <li>AgriTO</li> <li>YoungFarmers</li> </ul>	<ul style="list-style-type: none"> <li>Farm advisers</li> <li>Farmer educational courses</li> <li>Practical farm base skill training</li> </ul>	<ul style="list-style-type: none"> <li>Science application</li> <li>Farm advisers</li> <li>Farmer educational courses</li> <li>Practical farm base skill training</li> </ul>	<ul style="list-style-type: none"> <li>Increased services revenues</li> <li>Potential for IP/licensing fees</li> </ul>	<ul style="list-style-type: none"> <li>Long term</li> <li>Potential long term customer base</li> </ul>	<ul style="list-style-type: none"> <li>Short term</li> <li>Increased services revenues</li> <li>Potential for IP/licensing fees</li> </ul>
Purchase of farm inputs		Animal feed	Animal health products	Fertilisers	Chemical sprays	Building materials e.g. fencing material	Short term
Potential providers:		<ul style="list-style-type: none"> <li>PGGWrightsons</li> <li>Farmlands</li> <li>CRT</li> <li>ICI</li> </ul>					<ul style="list-style-type: none"> <li>Increased product sales</li> <li>Long term</li> <li>Potential long term customer base</li> </ul>
Provision of on-farm equipment		Ear tags/EID tags	Tag readers	Scanners	Scales	Sprayers	Short term
Potential providers:		<ul style="list-style-type: none"> <li>TruTest</li> <li>Gallagher</li> <li>PGGWrightsons</li> <li>Splifire</li> </ul>					<ul style="list-style-type: none"> <li>Increased product sales</li> <li>Long term</li> <li>Potential long term customer base</li> </ul>
Provision of on-farm and business systems		Specialist systems – overseen, FarmMax, etc					Short term
Potential providers:		<ul style="list-style-type: none"> <li>Ravensdown</li> <li>Balance</li> <li>FarmIQ</li> <li>LIC</li> <li>DairyNZ</li> <li>B+LNZ</li> </ul>	<ul style="list-style-type: none"> <li>Farm systems – AgHub, FarmIQ, etc</li> <li>Benchmarking systems – Beef+Lamb, DairyNZ, etc</li> </ul>				<ul style="list-style-type: none"> <li>Increased product sales, information sales and benchmarking services</li> <li>Long term</li> <li>Potential long term customer base</li> </ul>
Provision of phototypic expertise		Access to central systems	Genetic testing	Genetic mapping			Short term
Potential providers:		<ul style="list-style-type: none"> <li>AgResearch</li> <li>LIC</li> <li>FarmIQ</li> <li>Ovita/SIL</li> </ul>					<ul style="list-style-type: none"> <li>Increased product sales, information sales and benchmarking services</li> <li>Long term</li> <li>Potential long term customer base</li> </ul>
Provide access to business and governance expertise		Access to integrated business systems	Access to agribusiness experts	Access to business/performance			Short term
Potential providers:		<ul style="list-style-type: none"> <li>Xero</li> <li>CMR</li> <li>Deloitte</li> </ul>					<ul style="list-style-type: none"> <li>Increased services and product sales</li> <li>Long term</li> <li>Potential long term customer base</li> </ul>

- Barker & Associates measurement frameworks

base

\*Examples of providers within New Zealand able to provide these services and products



# New Zealand cost comparisons

Sheep beef capital items Costs		Dairy capital items Costs	
(for a 240ha farm)		(for a 240ha dairy farm conversion 240ha)	
Shearing shed	\$9.4m	Dairy shed	\$1m
Fences	\$0.3m	Buildings and raceways	\$9.9m
Covered yards	\$0.3m	Livestock (650 head)	\$0.9m
Livestock	\$0.6m	Farm equipment	\$0.5m
		Harvesters (8 pieces)	\$4m
Total	\$1.6m	Total	\$5.3m

Source: B+LNZ

## FILE NOTE

This is to note that a selected procurement was made to engage Deloitte to assist the Ministry with developing a model for a proposed partnership between New Zealand and the Al Khalaf Group.

### Background

As part of his role the Special Envoy – Government Commercial Partnerships, was tasked with developing a model to form a partnership between New Zealand and the Al Khalaf Group. The Ministry's files and briefing papers on this issue provide a comprehensive background to the proposed partnership.

Given the complexities involved in forming a government-commercial partnership of this type, it was clear that specialist advice was required to assist, particularly in regards to:

- Providing a degree of commercial probity, and a method of valuation, and potential commercial structures for the proposed partnership, external to the Ministry
- Having a deep understanding of both the New Zealand and Middle East red-meat and agriculture sectors, commercial models, opportunities, and issues
- As the Al Khalaf operation has been operating in the Hawke's Bay with a range of red-meat and agriculture businesses for the past 20 years who are likely to be involved in the proposed partnership, to have credibility and deep connections in this region

### Decision to Engage Deloitte

The requirements immediately suggested that a New Zealand-based CA firm with global connections and credibility would be needed to assist with this stage of the project – particularly the probity, valuation and structural requirements.

Discussions with a range of players in the agriculture sector in New Zealand, and firms doing business in the Middle East consistently mentioned **s 9(2)(a)**, a Wellington-based partner at Deloitte, and his team as fitting the requirements. Additionally, and crucially, the preferred supplier had to be acceptable to the Al Khalaf team – and was.

The Special Envoy therefore asked Deloitte to develop and price a scope of work (attached), and in consultation with the Director of the MEA division at the time, asked Deloitte to proceed. The quoted price was considered to be reasonable given the demands of the scope of work.

The attached summary reports, as well as the many meetings that **s 9(2)(a)** and his team attended with the Ministry have been crucial in getting the Minister of Foreign Affairs and the Al Khalaf Group to the point where a partnership offer has been made and accepted.

2012

C.R. 24590270 - C.C. No. 1244

The Kingdom of Saudi Arabia has an enduring need for quality live sheep and sheep meats, for both internationally attended Islamic and cultural festivities, and routine Arabian consumption. In this regard, the Kingdom feels a keen sense of responsibility to ensure that both the nation's needs and those of the international Islamic pilgrims are met. I consider New Zealand and the ability of its farmers to be unequalled in terms of capability to help meet these needs.

I accept that resumption of the live sheep and cattle trade for slaughter is currently politically untenable in New Zealand and, while that remains the case, the initiative to export breeding sheep from New Zealand to the Kingdom of Saudi Arabia is a sensible alternative. However, as part of the spirit of our agreement, I think it will be of great assistance if New Zealand displays an understanding of and empathy for the Kingdom of Saudi Arabia's position and, consistent with your letter to me earlier in the year, retains an open mind and continues to seek ways to remove the current impediments to the trade. In particular, confirming New Zealand acceptance of deleting provisions in the MOU purporting to deal with issues past the point of disembarkation is a most important gesture, as already acknowledged by the Saudi Government.

I hope that one day the shifting sands of public perception, perhaps driven by advancement in animal transport technology and global animal welfare management capability, along with a strengthening of mutual trust between our countries, will enable the New Zealand live sheep trade for slaughter to resume.

Notwithstanding my comments above, our new special purpose partnership, with its overarching focus on assisting the Kingdom of Saudi Arabia's food security ambitions, has my absolute commitment. I see the key early steps as being:

- Livestock export/import protocols for breeding sheep and cattle (both beef and dairy) will need to be in place between New Zealand and the Kingdom of Saudi Arabia. This will include the MOU, zoosanitary certification and animal welfare export certification. I would appreciate your assistance in ensuring that New Zealand Government officials expedite this process with my management team.
- In the near future, members of the New Zealand team to visit the Kingdom of Saudi Arabia, spending time getting to know each other and learning about the entire supply chain from New Zealand farm to the Kingdom of Saudi Arabian consumer. When the breeding programme is underway in New Zealand, I would anticipate a reciprocal visit from my Saudi team to New Zealand. I believe that through knowledge gained during these visits, our joint teams will produce a cohesive programme for our mutual long-term benefit.
- I will once again ask Mr George Assaf to work with your officials regarding:
  - arranging payment of the capital contribution, in the near future; and
  - the development of a plan for the special purpose partnership that delivers our joint objectives.
- The Alkhalaf Group will begin planning for an export of pregnant sheep and cattle (beef and dairy) in 2013 to be shipped on our new ship, the Awassi Express, or similar vessel.

In regard to the New Zealand Government investment in the new special purpose partnership, I ask that you and I retain ultimate control of this expenditure and its allocation.

As discussed, you may soon be organising a visit to the Kingdom of Saudi Arabia through official Government channels. I extend a warm invitation for you to visit our farming business during your stay in the Kingdom and look forward to hosting you.

Kindest regards

Hmood Alkhalaf  
Group President

s 9(2)(a)

**From:** TND  
**Sent:** Friday, 16 November 2012 12:04 p.m.  
**To:** HARVEY, Martin (TND); (TND); (TND); (TND); (TND); (TND);  
s9(2)(a) (TND); (TND); (TND); (TND);  
**Subject:** FW: FORMAL MESSAGE: SAUDI ARABIA: LIVE SHEEP: AL KHALAF PARTNERSHIP

[RESTRICTED]

s 9(2)(a)

Clerical Support Officer - Trade Negotiations Division  
Ministry of Foreign Affairs and Trade

**From:** MEA  
**Sent:** Friday, 16 November 2012 11:47 a.m.  
**To:** RIYADH  
**Cc:** TND; DS APE; CEO; DS TEG; ECO; FM.MPI (Seemail); FM.NZTE (Seemail); FM.P/S MFA; FM.DPMC (FPA); STR  
**Subject:** FORMAL MESSAGE: SAUDI ARABIA: LIVE SHEEP: AL KHALAF PARTNERSHIP

[RESTRICTED]

RESTRICTED

*Handling Instructions:*

MPI – for  
NZTE – for

s 9(2)(a)

Summary:

We are close to concluding a NZ\$10m partnership with Al Khalaf Group to support both an enhanced sheep breeding programme in New Zealand, and a farming facility in Saudi Arabia, based around the large-scale export of live sheep for breeding. We propose that this partnership sit, alongside other initiatives, under a bilateral Government-to-Government food security MoU. A zoosanitary protocol for the export of live sheep and cattle for reeding is also proposed.

Action:

2 Grateful you engage with Saudi authorities as outlined in para 8 and report reactions.

Report:

3 We (Matheson/Austin) met Al Khalaf regional representative George Assaf in Sydney on 29 October to discuss a revised proposal for a partnership between the New Zealand Government and Al Khalaf Group (Austin/Harris emails refer). We were upfront about the fact that there will not be a resumption of the live sheep for slaughter trade in the foreseeable future.

s 6(a)

s 9(2)(ba)

4 With the live sheep for slaughter door now clearly closed, Assaf had considered other ways in which to obtain a return on their New Zealand investment. Apparently briefed in advance by his New Zealand team, Assaf appeared attracted to a package comprising:

- "capitalisation" of the partnership of around NZ\$4m

- Procurement by the partnership of New Zealand services and technology of up to around NZ\$6m to support both an enhanced breeding programme in New Zealand and a facility currently under development in Saudi Arabia to receive breeding stock. Support to the latter could include the latest killing chain technology and possibly feed from Ethiopia.

5 It is proposed that the partnership sit under a wider food security MoU with Saudi Arabia. This MoU could then include other players such as SALIC and hopefully move the discussion context with the Saudis away from the negative of live sheep for slaughter and into a positive win/win food security space. A protocol for export of live sheep and cattle for breeding could come under the cover of this MoU.

6 The current draft protocol (sheep only), which applies OIE standards and does not seek additional impositions beyond disembarkation in Saudi Arabia, was considered acceptable by Assaf. The next step is for the competent authorities in New Zealand (MPI) and Saudi Arabia to initiate discussions on the requirements. In order to avoid any misalignment of expectations MPI will also communicate directly with Al Khalaf/his representative to discuss the technical arrangements. These will include a number of elements such as:

- the length of voyage, timing of voyage, route, ship to be used, veterinarians and/or stockpersons accompanying;
- animal conditions such as livestock classes, ages, pregnancy status, methods of confirming stage of pregnancy, on-board feed;
- any pregnant sheep or cattle should not be in the last third of pregnancy;
- animals may not arrive into the Middle East during the Northern Hemisphere mid-summer.

These elements will be consistent with forthcoming changes to the Animal Welfare Act which will set regulations around the export of live animals. The changes do not alter policy but rather amend some mechanisms in relation to the trade.

6 Assaf explained that if the partnership could be agreed, Al Khalaf would be aiming to export annually a ship load of animals (mostly pregnant ewes, but possibly also cattle) from the Hawkes Bay to new facilities, currently under construction (not necessarily by Al Khalaf), in Saudi Arabia. He noted that New Zealand had recently exported "large numbers" of cattle and sheep to China and Mexico for similar breeding purposes (in 2010 New Zealand exported 377 live sheep and 26,540 live cattle – the last major shipment of sheep was in 2007 to Mexico). Al Khalaf currently have a purpose designed ship under construction in Singapore for the live animal trade.

s 9(2)(g)(i)

7 Mr McCully has written to Hmood Al Khalaf (Matheson/Harris email refers) outlining the proposed agreement. He has also accepted an invitation to meet him in the Hawke's Bay on 20 November. In addition to completing the deal, we anticipate this meeting will be an opportunity to remind Al Khalaf about our expectations in return.

s 6(a)  
s 9(2)(j)

8 Now that we have some news to convey, we consider the time is right for you to engage with the Saudi authorities to:

- brief them on the positive discussions with Al Khalaf;
- determine their interest in a wider Government-to-Government food security MoU; and,
- propose that our competent authorities liaise on a zoosanitary protocol for the export of breeding animals from New Zealand to Saudi Arabia as a tool to enable the Al Khalaf partnership.

We leave it to you to determine the appropriate targets for your intervention. We will await with interest your report.

9 Assuming we can complete the arrangement with Al Khalaf, and the Saudi authorities respond positively to our proposals, our intention is that MFA travel to Riyadh early next year to confirm in person these arrangements. We would welcome your comment on this plan, including whether or not it is likely a MoU could be concluded in time for him to sign.

s 9(2)(a)

**From:** AUSTIN, Jonathan (MEA)  
**Sent:** Friday, 16 November 2012 11:30 a.m.  
**To:** 'Chris Carson'  
**Cc:** MATHESON, Alex (MEA); Matthew Stone;  
IVESS, Richard (TND)  
**Subject:** RE: Saudi Arabia: Live Sheep

Thanks Chris. This is helpful, including on the outcome of your meetings with Mr Carter. We will send the amended cable to Riyadh shortly.

While the letter to Al Khalaf has already been sent, we will incorporate the points below into Mr McCully's speaking notes for his meeting with Al Khalaf next week. Alex will also hand over a note to Assaf setting out the normal requirements as outlined below and note that MPI will be in touch with Awasshi etc on the detail.

Thank you for your confirmation that MPI will meet the costs of negotiating the protocol.

Before we do anything else I think we need to step through:

- a) Mr McCully's meeting with Al Khalaf. We need to be sure we have a deal.
- b) Riyadh's engagement with the Saudi authorities. We need to be sure they are on board.

I suggest we should delay any technical engagement until we are comfortable on these points. Do you agree?

Cheers

Jonathan

Jonathan Austin  
Manager, Middle East and Africa Division

New Zealand Ministry of Foreign Affairs and Trade  
195 Lambton Quay, Private Bag 48-995, Wellington, New Zealand  
Tel +1  
106  
[www.mtaf.govt.nz](http://www.mtaf.govt.nz)

NEW ZEALAND

**From:** Chris Carson [mailto:  
**Sent:** Thursday, 15 November 2012 6:27 p.m.  
**To:** AUSTIN, Jonathan (MEA)  
**Cc:** MATHESON, Alex (MEA); Matthew Stone  
**Subject:** RE: Saudi Arabia: Live Sheep

[SEEMAIL] [RESTRICTED]  
Jonathan/Alex,

Comments on the draft message attached.



This page is withheld under  
s 6(a) and s 9(2)(g)(i)

RELEASED UNDER THE  
OFFICIAL INFORMATION ACT

From: AUSTIN, Jonathan (MEA) [mailto:s9(2)(a)]  
Sent: Thursday, 15 November 2012 2:33 p.m.  
To: Chris Carson  
Cc: MATHESON, Alex (MEA)  
Subject: Saudi Arabia: Live Sheep

[SEEMAIL] [RESTRICTED]

Hi Chris

Thank you for the meeting on Tuesday. I promised to send you a draft of the cable we plan to send to Riyadh tomorrow. Apologies for the delay in doing so (I was on leave yesterday). Here it is.

Look forward to your confirmation that this is OK following your briefings to your DG/Minister.

Cheers

Jonathan

The remainder of this document is  
out of scope

Attached FYI is a note we have sent up to MFA on the latest on live sheep. Will let you know how it plays (hopefully we'll be sending you some instructions this week).

b6(a)

Cheers

Jonathan

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OFFICIAL INFORMATION ACT



## Office of Hon Murray McCully

Minister of Foreign Affairs  
Minister for Sport and Recreation

12 NOV 2012

Mr Hmood Al Khalaf

59(2)(a)

SAUDI ARABIA

Dear Mr Al Khalaf

Greetings from New Zealand, and I trust that this letter finds you well.

When we last met we discussed how we can make progress on developing a partnership between the Al Khalaf Group and the New Zealand Government, as an important part of the New Zealand Government's desire to acknowledge the contribution of the Al Khalaf Group in the New Zealand agricultural sector and to develop a closer trade and investment relationship with the Kingdom of Saudi Arabia.

I asked my officials to begin a dialogue with your Australasian management, to begin fleshing out a partnership between the New Zealand Government and the Al Khalaf Group, focusing on improving food security in the Kingdom of Saudi Arabia, and utilising the investments of the Al Khalaf Group in New Zealand, and its knowledge and networks in Saudi Arabia.


My officials have worked with George Assaf, and members of your New Zealand team and associates, David Brownrigg, 59(2)(a) on developing the broad scope and model for such a partnership, which includes the following components:

- a NZ\$4 million capital contribution from the New Zealand Government to recognise the Al Khalaf Group's investment in the Awassi sheep breed to-date in New Zealand, and the expertise and customer networks that it will bring to the partnership;
- a NZ\$6 million contribution from the New Zealand Government to invest in the partnership, in particular in investing in research and development for the purpose of producing and exporting Awassi and New Zealand livestock for breeding and enhancing the supply of fresh meat to the Saudi market while promoting New Zealand red-meat technology and capability both in New Zealand and Saudi Arabia; and,
- I have instructed my officials to open a dialogue with their Saudi Arabian counterparts on the potential for a wider government-to-government food security partnership, which will include this proposal, and an arrangement to facilitate the export of animals for breeding purposes between New Zealand and Saudi Arabia.

If you agree to this broad proposal, I suggest that we ask our respective teams to begin work on the necessary details to get this partnership underway.

I understand that you will be in the Hawke's Bay for a few days from the 19<sup>th</sup> of November, I would like to accept your invitation to visit you at this time to formalise the beginning of what I am sure will be a productive and enduring partnership between the Al Khalaf Group, the New Zealand Government and the Kingdom of Saudi Arabia.

Kindest regards



Hon Murray McCully  
Minister of Foreign Affairs

RELEASED UNDER THE  
OFFICIAL INFORMATION ACT

s 9(2)(a)

**From:** HARRIS, Rodney (RIY)  
**Sent:** Sunday, 11 November 2012 3:30 a.m.  
**To:** AUSTIN, Jonathan (MEA)  
**Cc:** MUNRO, James (RIY)  
**Subject:** RE: Saudi Arabia: Live Sheep

[RESTRICTED]

Hi Jonathan, thanks again for these docs.

Just re-reading the letter I had a suggestion: that in the letter first page fourth indent you insert "for breeding" after "arrangement to facilitate the export of animals".

This has been the main point of confusion and misunderstanding in MFA's letter earlier this year to al Khalaf (March).

s 6(a) you may also want to  
say last para "I would like to accept your invitation to visit you on your farm to formalise", etc.

s 6(a)  
I'm assuming this letter will be delivered via the Embassy. I think it's essential we continue to be the point of communication s 9(2)(a)(i)

s 6(a)  
Could we also please see a draft of the breeding protocol. I need to start getting my head round how it differs from what had been under negotiation. A commentary would be useful but not essential in this regard – and not if it delays getting us a draft. A technical question: can the export happen without a protocol?

Cheers, Rod

---

**From:** AUSTIN, Jonathan (MEA)  
**Sent:** Sunday, 4 November 2012 10:10 p.m.  
**To:** HARRIS, Rodney (RIY)  
**Subject:** FW: Saudi Arabia: Live Sheep

[RESTRICTED]

Hi Rod

**Deloitte**

A draft blueprint for an enduring  
partnership between  
NZ and Al Khalaf Group

Understanding the opportunity for primary sector  
joint ventures

In commercial confidence

# An opportunity to partner

The New Zealand government recognises the value and commitment shown by Sheik Hmood Al Khalaf to New Zealand. Moreover, the recognition of the investments and advancements that could constitute Sheik Hmood Al Khalaf's contribution to form the potential partnership.

The purpose of this document is to outline an initial opportunity for the partnership to build an integrated and sustainable across border breeding farming operation that supplies a best practice farm in Saudi Arabia. With an aim to:

*“Transform Sheik Hmood Al Khalaf's New Zealand investments and capabilities through their integration with newly established best practice farm operations in the Kingdom of Saudi Arabia”*



# An approach to establish the partnership

The New Zealand government is proposing the partnership with Sheik Hmood Al Khalaf be developed in three stages, they are:

- 1 – to prepare a road map / blue print for agreement between the parties (this is the process we are currently in now)
- 2 – prepare a implementation plan for the agreed market led approach to be investigated.
- 3 – implementation.

The New Zealand government's high level value proposition for Sheik Hmood Al Khalaf covers several aspects:

- A willingness to invest to capitalise the partnership.
- A willingness to fund the development steps 1 and 2 of the proposed Partnership's roadmap (as outlined above).
- A willingness to invest to ensure the partnership has access to the right skills and information.
- A willingness for Sheik Hmood Al Khalaf to own the farms outputs and lead the process/political engagement in Saudi Arabia.

New Zealand's government is ready to engage with Sheik Hmood Al Khalaf and his representatives to explore this opportunity and build a vertically integrated farming operation. To further aid the partnership process, New Zealand's government is willing to make a cash payment to capitalise the partnership to ensure it has sufficient financial resources to progress key initiatives.

# Background - recognising where you are today

Sheik Hmood Al Khalaf continues to show a commitment to New Zealand through investments in land, livestock breeding contracts with NZ farmers and local communities. These significant investments represent a sustained commitment over many years and an ongoing desire to build a prosperous business able to benefit both New Zealand and Saudi Arabia.

Sheik Hmood Al Khalaf has made significant progress in his selective breeding programmes to improve the genetics of their New Zealand flock. However, due to a lack of progress Awassi NZ has scaled back its breed operations to approximately 8,000 Awassi ewes and 500 stud rams. However, the Australasian management and NZ partners of Al Khalaf report that restrictions on the live export of animals means the current farming operations are not realising their potential and experience sustained losses

The recent food crisis has elevated the issue of food security across the world. Many countries experienced shortages of food commodities and price surges. As a result of this countries are looking to both develop their domestic food production, and secure high quality and sustainable food imports.

Any proposed solution should provide a valid role & commercial opportunity for the past & current investment in NZ farms and Awassi genetics and have a strong livestock component to it. For example live export of breeding stock both sheep, cattle & dairy stock

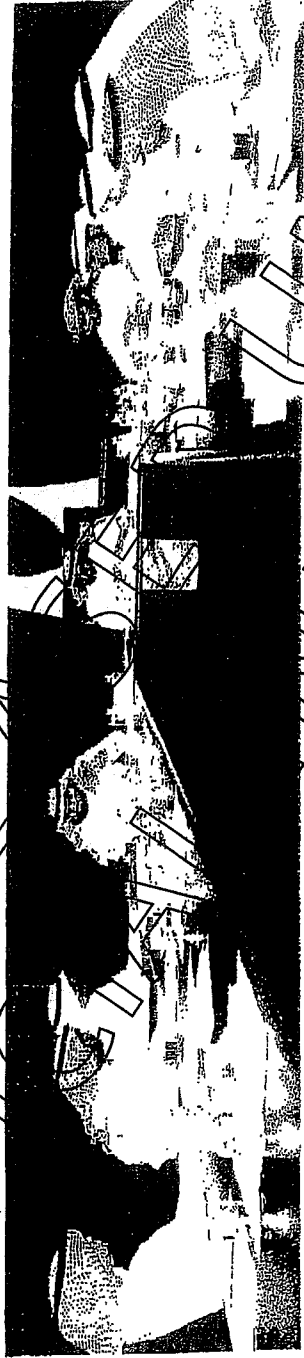
Sheik Hmood Al Khalaf will be key in identifying & researching market opportunities in Saudi Arabia and elsewhere in Middle East and would like the first right of refusal on any commercial or other opportunities in Saudi Arabia that may arise out of any proposed solution (this may include leading the engagement at a political level).

## Background - Recognising where we are today

New Zealand has an agriculturally based economy with proven world best practice capabilities and livestock. On this basis, the New Zealand Government is seeking opportunities to enter into strategic partnerships that show case New Zealand's capabilities and further support friendly nations looking to establish long term relationships with the supply high quality products.

Sheik Hmood Al Khalaf and Saudi Arabia have been identified as potential partners to pilot a collaborative investment. New Zealand contribute to the security of the region - humanitarian good and contribute to food security on the region.

The New Zealand Government wishes to be actively involved in this partnership and will encourage and support New Zealand business bring their capabilities to the solution.



The food security committee meeting in Riyadh recently. (SPA)

## Food security committee: All signs indicate food crisis

RIYADH: WALAA HAWARI  
ARAB NEWS STAFF

The food security committee at the Riyadh Chamber of Commerce and Industry has stressed the importance of finding an economic commission with independent authority to manage the strategic stockpiling of essential food products. The entity, the committee indicated, should work to achieve an equilibrium between supply and demand, ensure a certain level of food security in the country, limit negative impacts resulting from price fluctuation, and ensure the continuous flow of food products to local markets.

The committee held a periodical meeting last week under the supervision of the head of the food security committee, Saad Al-Khuraief, who is also a board member of the chamber.

The committee recommended that the suggested commission be assigned with a number of missions, such as to build storage spaces for

essential products, prepare necessary researches and studies regarding the concept of strategic stockpiling, determine the surplus and deficit, and study the international stock market.

In anticipation of a food crisis, Al-Khuraief said the committee reviewed a few international changes that could predict a future food crisis. He said some countries suffered from the increase in the costs of local and international agriculture and food production as well as the decrease in international strategic food stockpiles recently due to aviation and climate conditions in the food-producing countries. Other countries producing strategic agricultural products, the committee pointed out, used those products to produce organic fuel, like corn.

On top of these global variables, the scarcity of water resources and dry desert climate of the Kingdom had resulted in the reduction of cultivated land and a drop in agricultural production in general, while food demand had increased due

to the annual population growth by 2.5 percent. Al-Khuraief said the committee had previously adapted some solutions to face food crises and changes in product prices. We support agricultural products that do not dry up water. At the same time, we try to optimize the use of water through specifying the agricultural products, their need of water, and the ideal ways to water them, finding the best locations in the Kingdom for selling products; and developing new breeds with high qualities, he said. Al-Khuraief confirmed the need to speed up and activate the agricultural strategy.

The food security committee also recommended the activation of Custodian of the Two Holy Mosques King Abdullah's initiative for agricultural investment abroad.

The periodical meeting also reviewed the continuous work to launch a national observatory for prices of food products, which will take place within the coming weeks.

gent companies with government participation

to develop tourism in areas that lack

conversion of agricultural land into tourism projects and by permitting more domestic and foreign airline companies

Channel.  
"Tourism is the second largest provider of jobs, accounting for 26 percent

ed to represent 2.9 percent of the GDP this year as compared to 2.7 percent in 2009.

# Considering the needs of Saudi Arabia

In developing the partnership, we believe understanding the needs of the local market and opportunities to benefit the regions wider population is important. A Saudi example is:

## King Abdullah's initiative for Saudi agricultural investment abroad: "a way of enhancing Saudi food security"

During the food crisis the Saudi government intervened to mitigate the direct and indirect impacts of the food crisis on it's population. This included: increase wages and support payments, subsidising/fixing prices/lowering prices across numerous product groups and dropping input tariffs on selected goods. The Saudi government has identified that the annually compounding population growth will make any future food crisis a significantly more expensive situation.

The strategy is to:

- I. Provide funds, credit and logistics to Saudi investors to invest abroad in agriculture
- II. Establishing a strategic reserve for basic food commodities, to meet the Saudi needs for food and avoid future food crises.

Livestock is one of the targeted products, below are the programme's principles to safeguard Saudi food security:

- I. The Saudi private sector (not the Government) is the main investor.
- II. Investments in recipient countries are in long term.
- III. Investor's right to choose the cultivated crops.
- IV. Investor's right to export his produce to Saudi Arabia (some of the produce might be left for the local market).
- V. The targeted investment are for staple food products.

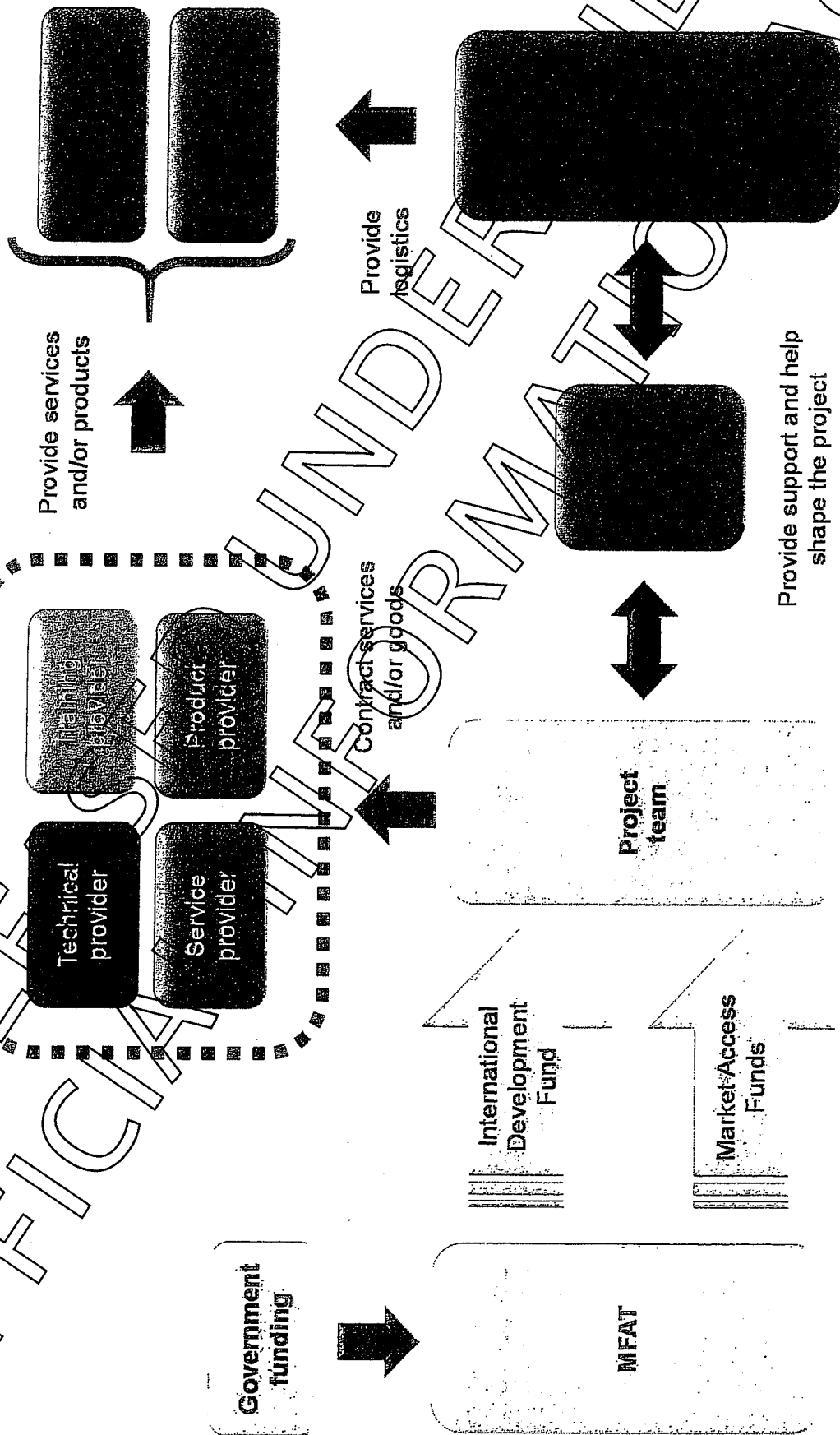
# Approach

The activities required to prepare the business case/implementation plan include, but are not limited to:

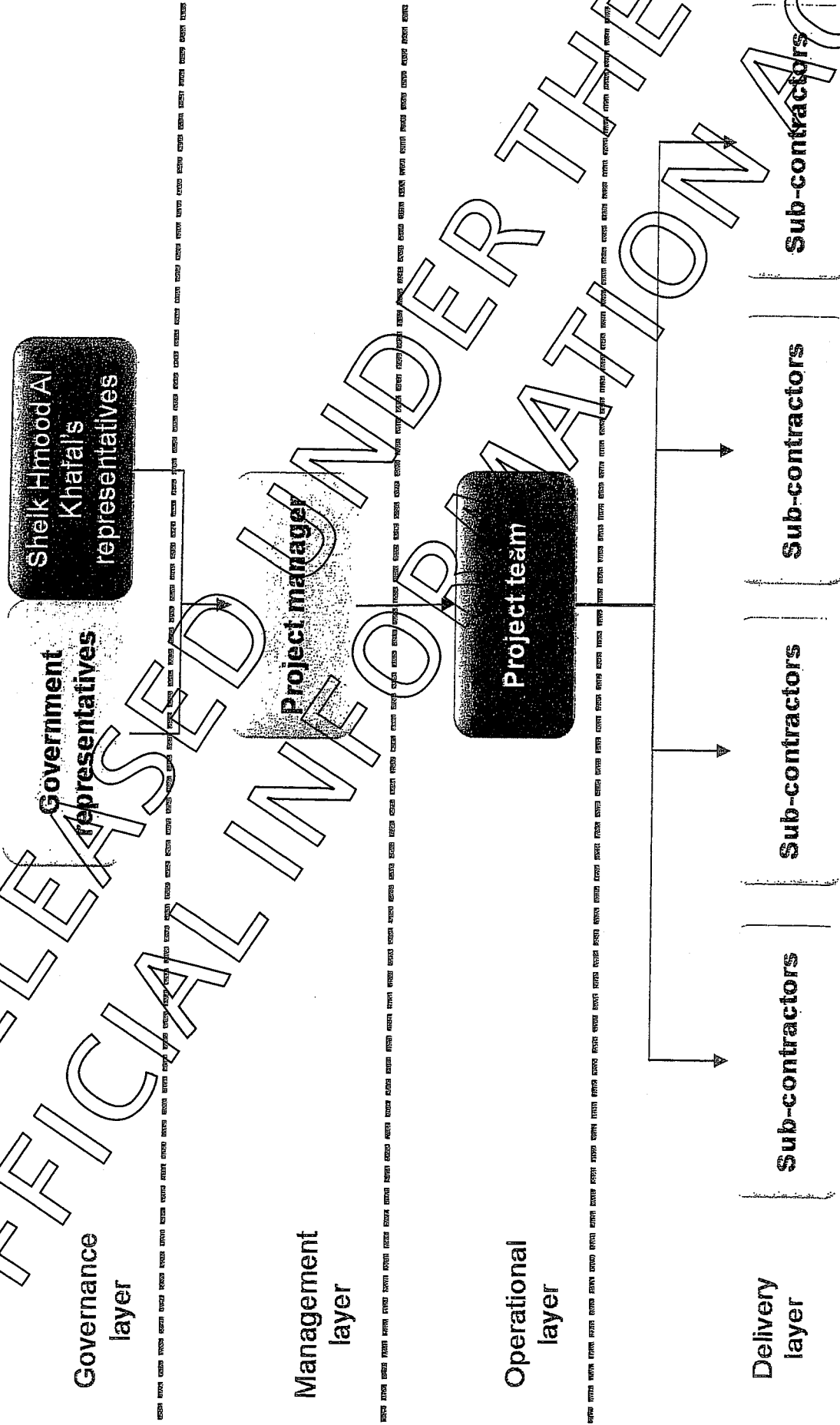
1. Designing a value chain to a scale that would provide a satisfactory return on investment, including what investments are required in New Zealand and in Saudi Arabia.
2. Working with Sheik Al Khalaf to investigate the market in Saudi Arabia and the need for red meat and how that contributes to the country's overall strategic objective of food security.
3. Identification and negotiation of the required inputs need to develop the Awassi supply chain, including people capabilities.
4. Developing a financial model to estimate the investment required and the possible returns.
5. Finalise the investment channels and how the New Zealand Government will best provide investment funds.
6. Preparation of an implementation plan.
7. Consult with relevant parties and officials.
8. Review and incorporate feedback to finalise the documentation (this will include an iterative process to negotiation of the draft business case with the respective parties to the venture, both in New Zealand and offshore).
9. Finalisation of the business case.

# Proposed Investment Structure

New Zealand's primary sector business community



# Proposed Project Structure



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# Expansion through partnering with Al Khalaf

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International development fund

Building new production sites

Market access fund

Developing best practice farms in Saudi Arabia

Leveraging core infrastructure

Core NZ business

Al Khalaf (Global group)

- Coordination of live animal transportation for breeding stock to production sites.

AL Khalaf (Awassi NZ)

- Build animal numbers off elite breeding stock
- Sourcing of beef & dairy breeding stock

Partnership (Al Khalaf with NZ Government)

- Al Khalaf secures suitable land with adequate access to water and required infrastructure within suitable countries – Sudan, Ethiopia, South America, etc
- New Zealand supplies on-farm equipment, contracts the on-farm experts and capability to transform on-farm performance

Partnership (Al Khalaf with NZ Government)

- Al Khalaf secures suitable land with adequate access to water and required infrastructure
- New Zealand Government – purchases the on-farm equipment, contracts the on-farm experts and capability

# Investing for the transfer of breeding stock, knowledge and capability from New Zealand (for sheep beef and dairy farms)

## Animal genetics

Building on Sheik Hmood Al Khataf's existing breeding programme in New Zealand can provide the latest sheep and cattle phenotypic technologies (e.g. genetic material and/or analytics from

s 9(2)(a), s 9(2)(b)(i)

## Performance monitoring

New Zealand is investing heavily to develop farming systems and capabilities to capture data to inform on-farm decisions (e.g. performance measurement capability from

s 9(2)(a), s 9(2)(b)(i)

## Farm science

New Zealand has developed significant research capabilities to optimise farming systems - including animal health, feeds, equipment and farm design.

(e.g. laboratory to field expertise from

s 9(2)(a), s 9(2)(b)(i)

## Agronomy & nutrition management

New Zealand has developed significant knowledge, systems, specialist products and research capabilities to optimise feed growth (e.g. soil testing, mapping and forage breeding by

s 9(2)(a), s 9(2)(b)(i)



# Investing for the transfer of breeding stock, knowledge and capability from New Zealand cont. (for sheep beef and dairy farms)

## Improved food security

The partnership will support the delivery a sustainable flow of stock to expand domestic and foreign farm production systems  
(e.g. from stock firms like s 9 (2)(b)(i))  
s 9 (2)(a)

## People capability

New Zealand can provide both practical experience and formal training for farmers/workers that can be taken back to Saudi Arabia  
(e.g. professional courses from farm advisors s 9 (2)(a))  
s 9 (2)(b)(ii)

## Assurance programmes

New Zealand has world leading expertise in all farm related activities  
(e.g. audited programmes from companies like s 9 (2)(a))  
s 9 (2)(b)(i)

## Irrigation systems

New Zealand has world leading expertise in automated irrigation systems to maximise feed production.  
(e.g. expertise with centre pivots and waste systems like s 9 (2)(a))  
s 9 (2)(b)(i)



# Initial thinking on the value proposition for Sheik Hmood Al Khalaf

## The latest technology

New Zealand proposes to capitalise the partnership to access the latest technology and systems for the best practice:

- sheep beef farm
- dairy farm
- processing capability

## Access to world class training

A formal exchange programme could be established to capture and deliver the on-farm capabilities from New Zealand back to Saudi Arabia

## Increased utilisation of assets

A formal partnership will allow the coordination of livestock through Sheik Hmood Al Khalaf's existing infrastructure to establish and grow the proposed farming operations.

## New market opportunities

New Zealand is not seeking to market the farming outputs, allowing Sheik Hmood Al Khalaf to leverage New Zealand's investment to market any products to grow and target new markets



# Potential for further innovations

## Diversification opportunities

Awassi sheep are known as good milking sheep, a complementary farming system to the proposed breeding programme could be to collect and process the milk. New Zealand companies are world leaders in adding value to milk products - these include cheeses, milk powders and baby formulas.

## Expansion of the business model

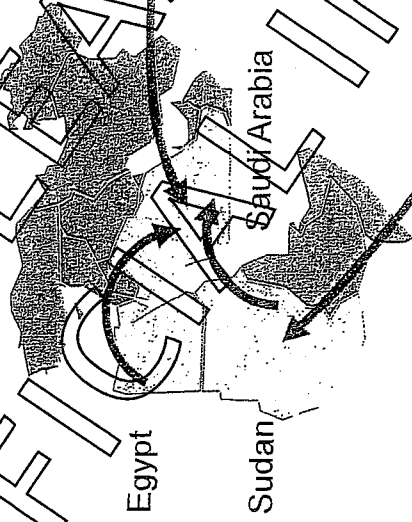
At the end of the pilot's investment Al Khalaf may wish to expand the breeding programme to establish additional farming production sites within other regions of the world.

## Reducing of green house gases

New Zealand is investing heavily in understanding the opportunities to reduce animal greenhouse gas emissions. Much of this research is still being undertaken. However once complete, this knowledge, management practices or genetics may be of interest to Sheik Hmood Al Khalaf.

## Expansion of the business model – the ability to power up multiple farm production sites

Elite breeding stock can flow directing to the sheep beef or dairy farms to accelerate the development of a sustainable production system

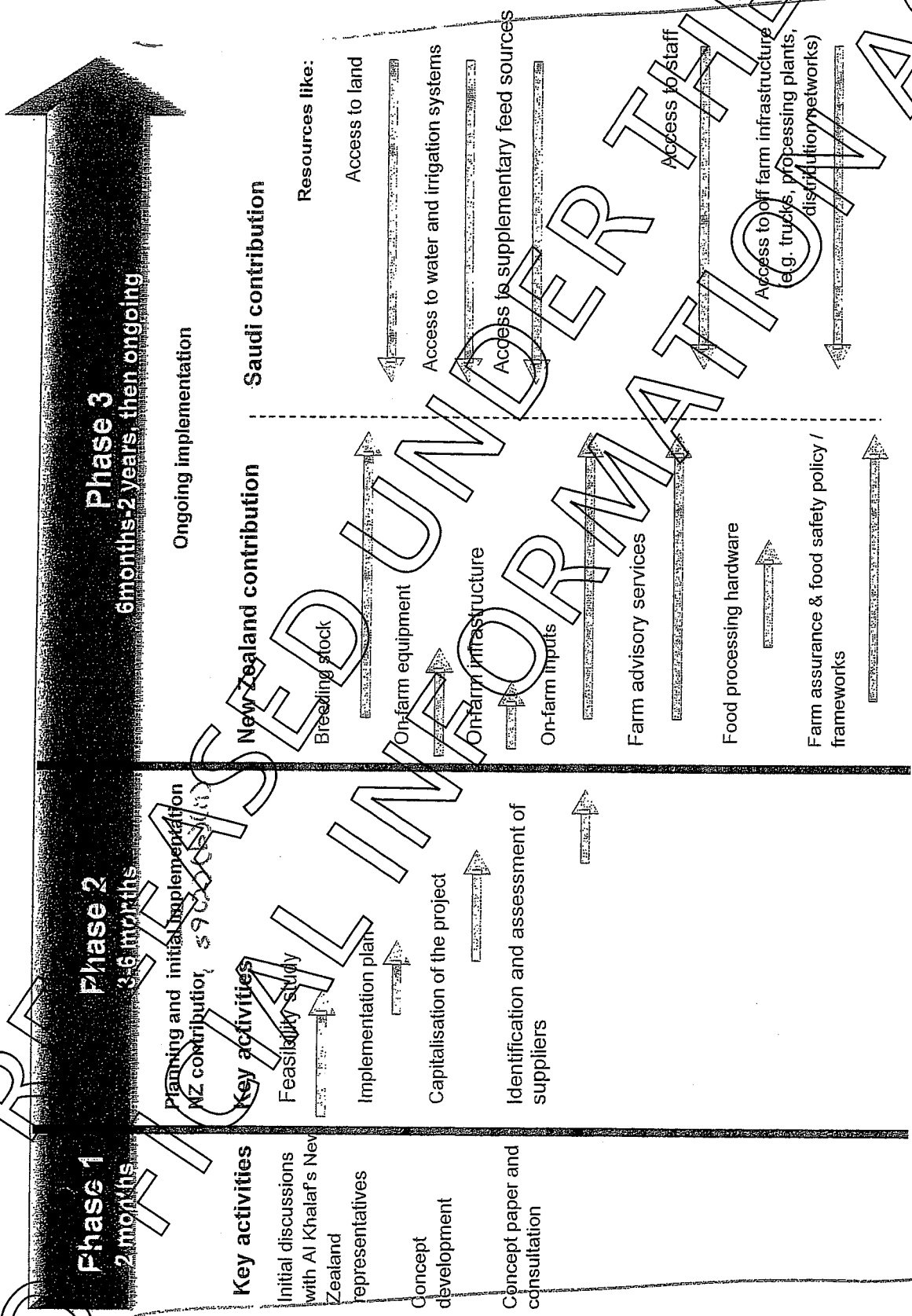


Or conversely, elite breeding stock could over time also be used to transform other farming operations to supply stock to Saudi Arabia. This aligns with King Abdullah's initiative for Saudi agricultural investment abroad where targeted countries for food supply include Egypt, Sudan and Ethiopia.

Moreover, both Sudan and Ethiopia can align with the New Zealand's government's aid programmes, such an alignment could represent an opportunity to leverage other government investments to accelerate additional production operations within the proposed partnership.

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12 p10m



# Appendix - New Zealand Capability (1)

Activity and providers*	Services able to be provided are	Government's value capture mechanism	Companies value capture mechanism
-------------------------	-------------------------------------	---	--------------------------------------

Contracting of technical  
services

Potential providers:

s 9 (2) (a)

s 9 (2) (b) (i)

Research & Development

Core science

Science application

Farm advisors

Framer educational courses

Practical farm base skill  
training

Tax in the form of  
income tax and PAYE

Short term

Increased services revenues

Long term

Potential for IP licencing fees

Purchase of farm inputs

Potential providers:

s 9 (2) (a)

s 9 (2) (b) (i)

Animal feed

Animal health products

Fertilisers

Chemical sprays

Building materials e.g.  
fencing material

Tax in the form of  
income tax

Short term

Increased product sales

Long term

Potential long term customer  
base



# Appendix - New Zealand Capability (2)

Activity and providers*	Services able to be provided APV	Government's value capture mechanism	Companies value capture mechanism
Provision of on-farm equipment	Ear tags/EID tags		Short term Increased product sales
Potential providers:	Tag readers		Long term Potential long term customer base
s 9(2)(a)	Scanners	Tax in the form of income tax	
s 9(2)(b)(i)	Scales		
	Sprayers		
	Irrigators		
Provision of on-farm and business systems	Specialist systems – overseer, , etc		Short term Increased product sales, information sales and benchmarking services
Potential providers:	s 9(2)(b)(ii)	Tax in the form of income tax and PAYE	Long term Potential long term customer base
s 9(2)(a)	Farm systems		
s 9(2)(b)(i)	s 9(2)(b)(ii)		
	Benchmarking systems –		
	s 9(2)(b)(ii)		

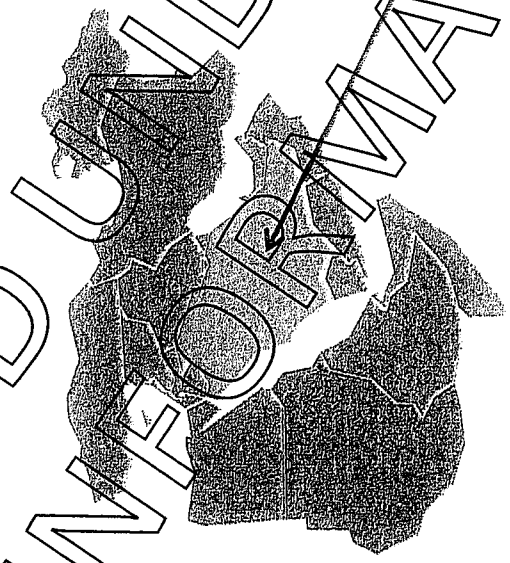
# Appendix - New Zealand Capability (3)

Activity and providers	Services able to be provided are	Government's value capture mechanism	Companies value capture mechanism
<b>Provision of phenotypic expertise</b>  <b>Potential providers:</b>  s 9(2)(a) s 9(2)(b)(ii)	Access to central systems Genetic testing Genetic mapping	Tax in the form of income tax and PAVE	<b>Short term</b> Increased product sales, information sales and benchmarking services  <b>Long term</b> Potential long term customer base
<b>Provide access to business and governance expertise</b>  <b>Potential providers:</b>  s 9(2)(a) s 9(2)(b)(ii)	Access to integrated business systems Access to agribusiness experts Access to business/performance measurement frameworks	Tax in the form of income tax and PAVE	<b>Short term</b> Increased services and product sales  <b>Long term</b> Potential long term customer base

cash  
acc.  
love

**Deloitte**

# Proposal for an Agri-Hub in Saudi Arabia



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# 1. Summary of findings

1. Findings from technical visit
2. Key activities
3. Areas for further consideration
4. Value Chain

## 1.1 Key findings from the technical visit (1)

1. Sheik Hmood Al Khalaf continues to show a commitment to New Zealand through investments in land, livestock breeding contracts with NZ farmers and local communities
2. Al Khalaf has a substantial business in Saudi Arabia to build a solution around
3. Al Khalaf wants to build a breeding farm in Saudi Arabia as a demonstration farm, using New Zealand technologies and IP and welcomes a proposal from NZ on how that may be achieved for the benefit of both countries
4. The NZ based technical experts identified a range of areas where NZ could assist Al Khalaf with building the demonstration farm. The components of a value chain were identified and documented
5. A demonstration farm, (well funded) could act as a show case of NZ technologies for the wider GCC market where GCC farmers could learn new skills and observe NZ systems and technologies in operation
6. It will cost approximately \$80m to establish a sustainable breeding operation
7. NZ's \$6m investment is invaluable to procure specialist expertise to make it a success
8. Al Khalaf are committed to a JV arrangement to build the demonstration farm and promote NZ capability and contribute to food security

## 1.2 Key findings from the technical visit (2)

### Technical team's key activities

1. Reviewed the current value chain - identified the strength and weaknesses
2. Identified where NZ could invest to build a value chain centred around a breeding farm (refer to value chain diagram)
  - [A] Breeding in NZ
  - [C] Breeding Programme in Saudi Arabia
  - [D] Slaughter and Processing
3. Acknowledged that sea transportation was not a core strength of NZ
4. Documented the proposed breeding value chain

### Areas that require further consideration:

1. It was noted that Al Khalaf was considering targeting the growing middle class in KSA and the GCC with their product. This would complement their existing value chains and provide a premium market return
2. That the NZ investment has to be part of a wider and comprehensive investment by Al Khalaf – and that this business plan needs to be further documented – clearly showing how the NZ investment is best placed to support both parties wider objectives
3. That any programme has to be supported by an appropriate Governance framework





## 2. The high level plan

1. The high level plan
2. What does success look like?
3. Timelines for first shipment
4. Where can NZ contribute?
5. Procurement strategy
6. Governance structure



## 2.1 The high level plan

The following is a summary of the plan. Further explanation of the plan is in subsequent slides.

1. A demonstration breeding farm will be established in Saudi Arabia that will show case NZ IP and contribute to food security
2. A protocol for shipping breeding stock is currently under discussion between the NZ and Saudi agriculture ministries
3. The Partnership will develop a business plan for the establishment of the demonstration breeding farm illustrating how it will target the market with a NZ/KSA product focussed on the growing middle class in KSA and the GCC
4. That plan will outline how NZ technology and IP will support the design, build and operations of the demonstration breeding farm
5. A governance structure will be established to support the development and execution of the Plan

## 2.2

### The high level plan - What does success look like

#### Establishing a demonstration farm in Saudi Arabia: The NZ Agri Hub - key attributes

- The primary objective of the demonstration farm is to showcase a breeding and fattening unit that produces product to a market specification
- Al Khalaf will be seen as the driver of innovation in the red meat sector in its resolve to contribute to addressing food security risks in the GCC
- Visitor's to the demonstration farm will see NZ products and services in action
- The farm will:
  - Be designed around a combination of KSA and NZ on farm best practices
  - Utilise New Zealand technologies and better practices including genetics (animal and plant), farm management systems and farm equipment
  - Leverage off Al Khalaf's brand, investments and expertise in both markets

#### Desired outcome

- The programme supports Saudi Arabia's food security and safety objectives
- Al Khalaf has a new sustainable business that complements existing businesses
- A new, differentiated NZ/KSA product is produced to a market specification
- NZ brand awareness is built in KSA and complements our chilled and frozen trade
- NZ on farm capability, products and expertise are showcased in market generating repeat purchases

## 2.4 Investment – Where can NZ usefully contribute?

Support from NZ is critical to developing a sustainable breeding business with a differentiated product that meets a market specification.

An analysis of the future value chain and what New Zealand can offer has identified four main areas where assistance is required:

- Animal Performance and Management
- Technology and Equipment
- Management and Marketing

Al Khalaf intends to build a processing plant next to the demonstration farm once planning consent is given. They anticipate NZ expertise will be procured to design and build this facility.

More detailed confirmation of how the NZ funding is best allocated across the areas identified will be investigated with the respective technical expertise as part of the next steps.

The following slide further explains the types of products and services required from NZ.

## Investment – Where can NZ usefully contribute?

Investment areas	Explanation
Animal Performance and Management	This area focuses on the end-to-end breeding programme to meet a market specification. This will span a genetics programme in NZ through to a breeding and fattening operation in Saudi Arabia. This will be complemented by a nutrition programme developed for an extreme environment. A combination of NZ expertise and Saudi local knowledge will be needed to deliver a superior outcome.
Animal selection (by standards and performance)	
Genetics	
Infrastructure development (the facilities)	
Nutrition management	
Technology and Equipment	Access to enabling technology will underpin the necessary best practice elements of the demonstration farm. Any technology will need to be coupled with the appropriate expertise for design, implementation and use of it to achieve the best outcomes on farm in Saudi Arabia.
Processing design and technologies	
Ear tags/EID tags	
Tag readers	
Scanners and scales	
Agricultural technology	
Management and Marketing	Demonstrated ability to deliver this project between New Zealand and Saudi Arabia is a critical success factor. The project is part of a sustainable long term business for Saudi Arabia will require capability and ambition to achieve this over the longer term – i.e. beyond the project funding horizon.
Planning and project management	
Farm management	
People development	
Farmers selection and contracting	
Marketing and branding	

## 2.6.1 Procurement strategy

We need to procure NZ entities that satisfy Al Khalaf's best practice requirements, will assist in contributing to food security in the region, will lower long term risk and will further NZ's strategic objectives.

Criteria to be used in selecting a consortium: lead and prequalify potential consortium partners proposed in this EOI	Weighting
Capacity and Credibility of the Supplier (as Lead Provider)	20%
Agribusiness/red-meat industry innovator, with proven capability to deliver and credibility in the New Zealand industry, and balance sheet to support on-going involvement in the agrihub.	30%
Capacity and Commitment of the Supplier (as Lead Provider)	30%
Demonstrated business relationships in offshore agribusiness, or successful offshore agri business operations preferably in the Middle East, and Saudi Arabia in particular, or climatically similar areas.	
Industry knowledge, and networks of the Supplier (as Lead Provider)	
Proven ability to collaborate with value chain participants and contribute to a wider programme of work. Industry knowledge, and networks in the three key areas noted above under the 'potential focus areas' section.	
Proposed Methodology	20%
Proposed project plan, governance structure, milestones, performance measures, project outputs, response to proposed Funding Agreement and risk management processes.	
Total	100%

## Assumptions

A key focus of the project is developing a high-value red-meat product for the Saudi market, focusing on the Awassi breed of sheep

Land and major infrastructure to support the breeding operation will be made available by the Saudi interests

The Saudi interests will assist with access to capability and people where required, and with the showcasing aspects of the project.

It is expected that successful delivery will involve a range of services and products, ranging from sourcing and installing New Zealand technology and equipment in Saudi Arabia, to research, design, training and consultancy services.

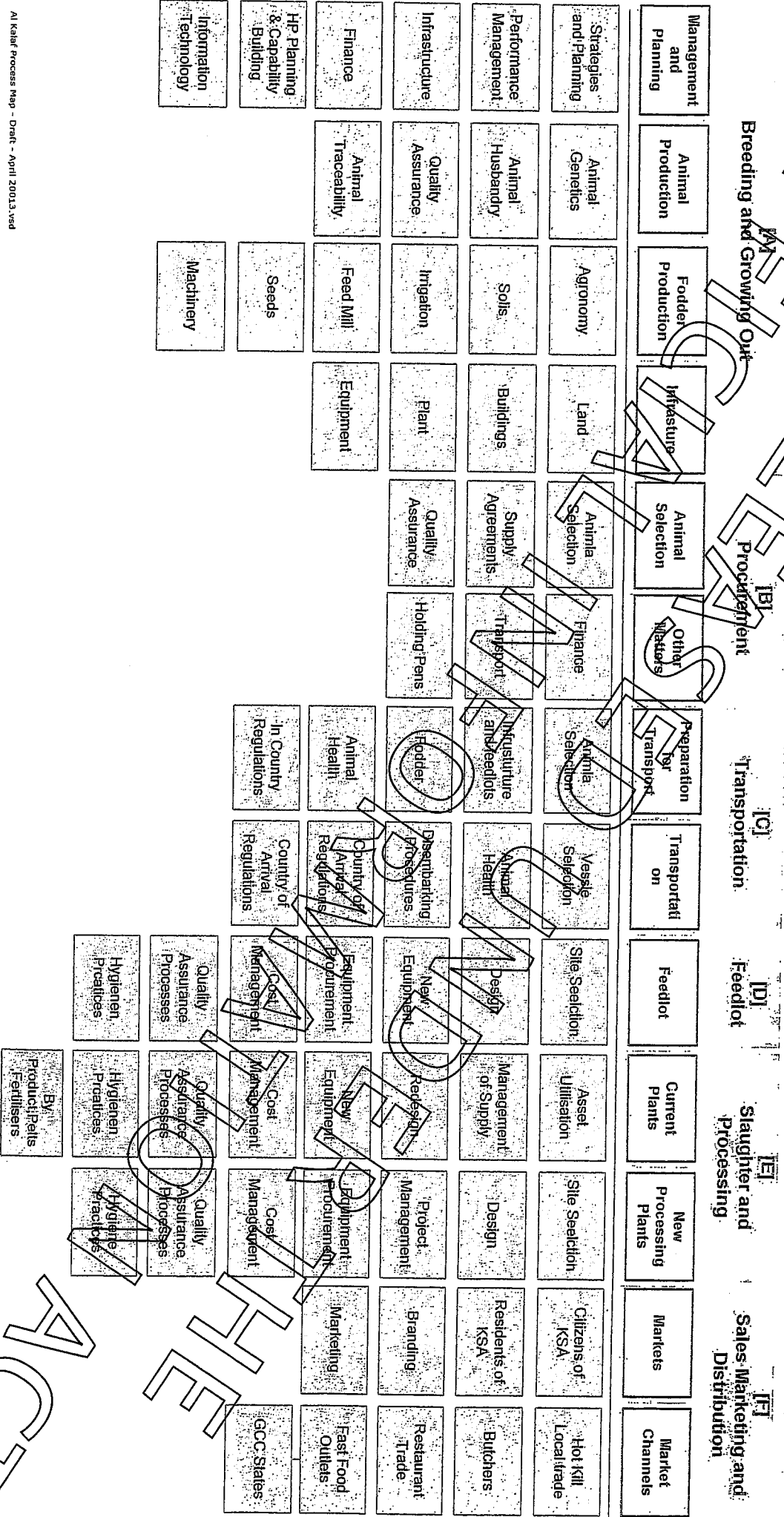
We are expecting the Lead Provider and consortia to demonstrate the most effective emphasis and programme of work within the identified potential areas of focus.

# Integrated Supply Chain for Red Meat

International Trade - Offshore

National Trade - Saudi Arabia

International Trade - Saudi Arabia



MacMASTER, Hamish (MEA)

59(2)(c)

From:

Sent:

To:

Subject:

Attachments:

RE: Letter to Alkhalef, MPI-KSA\_Arrangement\_Export\_of\_sheep\_to\_KSA\_Rev 21 Aug 2012.doc

[SENSITIVE]

Hi Hamish

Further our conversation of last week where we discussed whether the sheep for breeding protocol, drafted by MPI could be converted to a general sheep for export protocol.

The attached e-mail from MPI 59(2)(c)

includes all three pages. The first two pages contain the standard zoosanitary certificate and the additional declarations (Country freedom, Farm of origin, Pre-export isolation and Testing, Inspection and Transportation) that would be applicable to both LS4B and LS4S. The third page (Export certification) is also applicable (i.e. change Sheep for Breeding to Sheep for Export) except that it does not mention guaranteed disembarkation regardless of the health status. (Required for export for slaughter).

In other words, to convert the MPI protocol for breeding to a protocol for export, just remove the phrase "for breeding" wherever it appears.

However, as we are both well aware, the major difference between export for breeding and export for slaughter is the CEPO and its associated requirements, which would be of particular concern if these went beyond guaranteed disembarkation.

59(2)(g)(i)

Arrangement (covers preparation in New Zealand through to disembarkation in the Kingdom of Saudi Arabia) I put together a while back covering the export of sheep from New Zealand to KSA.

Note that MPI anticipates that regarding the certificates for breeding, KSA may respond with either:

- a standard set of import requirements for breeding sheep, and/or
- a request for supporting information with respect to NZ health status, animal health programmes, and/or veterinary services.

Let me know if you require further clarification, discussion, etc.

Cheers

59(2)(c)



## Commercial in Confidence

13 August 2012

## LIVE SHEEP: THE WAY FORWARD – AUGUST 14 MEETING: BACKGROUND NOTE

## Introduction

This note updates recent developments on the live sheep issue. Specifically it outlines recent discussions between MFAT and Al Khalaf Group of Companies, with a view towards developing an agribusiness partnership agreement between New Zealand and Al Khalaf Group focused on assisting Saudi Arabia with its food security goals.

## Developing a partnership between New Zealand and the Al Khalaf Group.

2 On 23 July Hamish MacMaster and Alex Matheson met with George Assaf, s 9(2)(a) who were in New Zealand to visit their operations in the Hawke's Bay. The discussion lasted for 2 ½ hours, and centred on the background to the current situation and options for taking the relationship forward. While most of the conversation was taken up with Assaf explaining the history of Al Khalaf's relationship with and investment in New Zealand, Matheson explained that his remit was to progress discussions with Al Khalaf Group on behalf of MFA to develop a partnership based around New Zealand agribusiness and animal breeding technology and systems. s 9(2)(a)

3 At the invitation of Assaf, Matheson spent a day and evening with the Assafs and their NZ-based Manager, s 9(2)(a) at their property in the Hawke's Bay on 27 July. A recurring theme during the day was the Group's disappointment at New Zealand's continued stance on not allowing live animals to be shipped to Saudi Arabia for slaughter. However, Assaf was keen to hear ideas about what a food-security partnership would look like. Assaf made it clear that his New Zealand business partners and trusted advisors would need to be involved in working up options for a revised New Zealand business model for the Group, as well as options for connecting the New Zealand operation to opportunities in Saudi Arabia.

4 During the day Special Envoy Matheson also met with David Brownrigg – a key consultant to the Group in New Zealand, and Matheson also spoke briefly to Hmood Al Khalaf who telephoned Assaf from Saudi Arabia over dinner.

Some of the important themes from the day's discussion included:

- While disappointed about continuation of the shipping ban, Assaf was complimentary about MFA's approach to the relationship, and the appointment of a dedicated resource to progress the partnership
- Each year the Group anticipates and prepares for the resumption of live sheep exports, leaving the business in an uncertain position year to year
- Assaf's view that the New Zealand operation, s 9(2)(b)(ii)

- Assaf's view that Al Khalaf wants to keep his New Zealand investments, is here for the long term, and is interested in what the details of a partnership would entail
- Assaf's view that Al Khalaf would expect the first iterations of the partnership to be tested and agreed with Assaf before taking this to Al Khalaf
- The group wants to minimise the capital required to convert the operations in New Zealand into a new business model
- Assaf's view that it was necessary for the New Zealand Government to make a "significant gesture" to Al Khalaf reflecting the years of alleged losses and uncertainty, and loss of goodwill
- The partnership arrangement must involve both a New Zealand and Saudi Arabia component
- Assaf's view that Al Khalaf might be motivated to assist Saudi rural farmers with developing more productive and sustainable agricultural techniques
- Assaf sees the proposed partnership with Al Khalaf ultimately and importantly benefiting both New Zealand and Saudi Arabia

### *Scoping the Partnership*

5 The next step is for NZ officials to discuss and agree an approach and options with MFA, and then subject to the Minister's agreement, visit Assaf in Sydney to discuss these.

*Phase One – completed by late August/early September 2012*

6 It is proposed that an initial blueprint immediately be jointly developed outlining the potential components of a partnership and a revised business model for the Group's New Zealand operation. This will involve Al Khalaf's advisors from PGG Wrightson/Brownrigg Agriculture as above and will be led by ~~3 (2) (1)~~, a partner at Deloitte – who has extensive experience in Hawke's Bay farming, advising industry and government on the red meat sector in New Zealand, and has won and led several significant agribusiness projects in the GCC.

7 The blueprint components will include initial scoping of:

- A New Zealand/Saudi breeding venture (of Awassi, but also other breeds of sheep, and potentially cattle);
- Potential in-market investment, such as development of a Saudi pilot farm; and
- A model for supporting technology and IP transfer (for example animal performance, nutritional management, and production management)

Cost estimate for initial blueprint development is \$40K

*Phase Two – completed by late September/early October 2012*

8 Using the initial blueprint above, further development the agreed options for progressing the partnership including commercial feasibility of preferred options, and a short-term remedial agreement with Al Khalaf.

- Commercial feasibility and business plan development estimate \$150K-\$200K
- Short term remedial agreement – to reflect initial capital required, costs involved to convert to new business model and expertise contributed in developing partnership (\$1.5m-\$2m)

*Phase Three – following agreement on the partnership model above*

9 Agreement and investment in the longer-term partnership, and linking this to official trade and food security discussions between Saudi Arabia and New Zealand.

Estimate of investment required \$5m-\$10m

***Progressing the Issue with the Saudi authorities***

10 Reaching agreement with the Saudi investors will be only one half of the equation in moving this issue into a more positive space with Saudi Arabia. At some point we need to raise the issue with the Saudi authorities to convince them of our intent to progress this issue with their investors in positive fashion and to reinforce the proposition that it is to our mutual advantage to look beyond the live sheep for slaughter issue to other options for deepening our cooperation in the food security sector. We know that the Al Khalaf Group is well connected in Riyadh and has been keeping the Saudi authorities informed with their take on developments around the live sheep issue. It is important that the authorities hear the New Zealand perspective as well.

11 Assuming that the Matheson discussions with Assaf and Co go well, are endorsed by Al Khalaf and reach some form of conclusion, this positive engagement with the investors would offer a natural peg, upon which to begin further dialogue with the Saudi government (1) briefing them as to where we are at on developing a partnership between New Zealand and the Al Khalaf Group and (2) presenting this partnership as a forerunner to a wider bilateral cooperation (para 9),

s 9(2)(j)

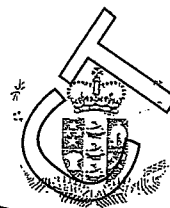
s 6(a)

Priority – Low

Security Level – In Confidence

distribution
Minister
Minister's Advisor
Minister's Office

Ministry for Primary Industries  
Manatū Ahu Matua



24 July 2012

Document Number: B12-040

## New Zealand – Saudi Arabia Relationship

### Purpose:

This briefing notes the increased activity in the New Zealand – Saudi Arabia and New Zealand – Gulf Cooperation Council relationships and covers the two main issues, live sheep and food security cooperation, to be discussed in your meeting with HE Rodney Harris, New Zealand Ambassador in Riyadh, Saudi Arabia.

Minister	Action Required:	Minister's Deadline
Minister for Primary Industries	Note the contents of this brief	Before your meeting on 26 July 12.30pm
Cc Associate Minister for Primary Industries		

### MPI Officials Attending the Meeting

Chris Carson and s 9(2)(a)

Contact for telephone discussion (if required)

	Name	Position	Work	After Hours
Responsible Manager	Chris Carson	Director International Policy	s 9(2)(a)	s 9(2)(a)
Principal Author	s 9(2)(a)	Senior Policy Analyst	s 9(2)(a)	s 9(2)(a)

## Key Messages

1. The New Zealand Ambassador in Riyadh, HE Rodney Harris, has requested this meeting with you to give you updates from the post on efforts to address the issue of live sheep exports and on views on a food security partnership with Saudi Arabia and the other Gulf countries.
2. Through the appointment of a Special Representative for Government-Commercial Partnerships work is being undertaken in the region on food security partnerships. *Out of Scope* and is part of the broader NZ Inc. Strategy for the Gulf Cooperation Council. A joint venture for a sheep breeding programme is also being considered under this area.
3. You may wish to discuss the Government's position on live sheep exports for slaughter with the Ambassador.

Recommendations

4. MPI recommends that you note the contents of this brief.



Chris Carson  
Director International Policy  
Policy

Hon David Carter  
Minister for Primary Industries

26 / 7 / 2012

Noted

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OFFICIAL INFORMATION ACT

## Background

### Introduction

#### 5. s 9(2)(j)

There are two specific areas that are of interest to the GCC: live sheep exports and food security.

#### 6. The former, live sheep exports, s 6(a)

The latter, food security, presents commercial and relationship benefits for New Zealand.

#### 7. MPI is currently participating in the development of the NZ Inc Strategy for the GCC. The Strategy is likely to cover a number of angles including commodity and added-value food export ambitions.

### Live sheep exports

8. In April of this year, you and Minister McCully agreed that two work streams be established as a pathway forward on the export of live sheep for slaughter issue. The first was for MPI officials to establish zoosanitary protocols for the export of live sheep for breeding to Saudi Arabia, and the second was the establishment of a joint venture working/steering committee for a sheep breeding operation in Saudi Arabia. MPI will work with and provide advice to this working/steering group which is being led by the Special Representative for Government-Commercial Partnerships, Alex Matheson – in line with broader government initiatives (see below). MPI has drafted a proposed export protocol for breeding sheep based OIE guidelines and has provided this to MFAT to initiate negotiations through formal meetings between MFAT (or a Minister) and Saudi Arabia.

9. Recent discussions with the Saudi Ministry of Foreign Affairs covered food security cooperation and the live sheep trade, and are reported in the attached Formal Message dated 27 June 2012 (see particularly paragraphs 10 and 16).

### Food Security Cooperation

10. Minister McCully has recently circulated a paper to you and other Business Growth Agenda Ministers outlining a number of opportunities for (and constraints to) export growth. As well as targeting the high-value market in GCC, there is an opportunity to generate greater export value from New Zealand's service industries, including and perhaps particularly for the agribusiness sector.

11. Trade in agricultural goods, and the GCC's need to improve its access to nutrition, puts food security high on the agenda for engagement with the GCC. As such 'Food Security' is one of the goals being developed under the NZ Inc Strategy for the GCC. It will explore food trade to the region and the potential for a food security partnership. There is also scope for a government-private sector consortia approach that could provide services to the region based upon New Zealand's agricultural systems and knowledge.

<sup>1</sup> GCC: Saudi Arabia, Kuwait, Bahrain, Qatar, UAE, Oman



# Office of Hon Murray McCully

Minister of Foreign Affairs

Minister for Sport and Recreation

Sent via dip bag

3/7/12

SAC/R12/1

Mr Hmood Al Khalaf  
Group President  
Al Khalaf Trading and Transportation Group

s9(2)(a)

Dear Mr Al Khalaf

Thank you for your letter of 9 April in which you conveyed the kind greetings of HE Dr Fahd Abdulrahman Balghunaim, Minister of Agriculture of the Kingdom of Saudi Arabia. Like His Excellency, I too firmly believe that opportunities exist to resolve the outstanding issues relating to your business to the mutual benefit of both our countries.

To this end I would like to take this opportunity to update you on the progress made so far at the New Zealand end:

- I have approved, and will soon publicly announce, the appointment of Alex Matheson as our Special Representative for Government Commercial Partnerships. Part of Mr Matheson's role as Special Representative will be to represent New Zealand, along with our Embassy in Riyadh and officials from government departments in Wellington, at negotiations with your company on the possibility of a joint sheep breeding venture and other aspects of a future food security partnership.
- In the weeks ahead, a team from our newly formed Ministry of Primary Industries (formerly the Ministry of Agriculture and Forestry and the Ministry of Fisheries) will soon initiate discussions on zoosanitary matters with their counterparts in the Kingdom, with the aim of developing a veterinary protocol to allow the export of live animals for breeding purposes.

I look forward to further progress being made by our officials over the coming weeks and months, and hope to have the opportunity to visit the Kingdom again in the near future.

Yours sincerely

Hon Murray McCully  
Minister of Foreign Affairs



MASTER, Hamish (MEA)

**From:** Matthew Stone s9(2)(a)  
**Sent:** Monday, 2 July 2012 5:56 p.m.  
**To:**  
**Cc:** Chris Carson; Tim Knox; s9(2)(a)  
**Subject:** RE: Letter to AlKhalaf  
**Attachments:** OVIANIED SA 31 05 12.doc  
**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

s9(2)(a)

The most recent letter from your Minister to Mr Al Khalaf indicates NZ will soon initiate discussions on zoosanitary matters with Saudi counterparts with the aim of developing a veterinary protocol to allow breeding sheep exports.

Some weeks ago we proactively developed the attached draft protocol, with reference to the OIE WAHID country health status comparison function to identify potential diseases of concern, the OIE Code, and other NZ protocols.

We were envisaging that MFAT would lead the initial process of contact via the NZ Embassy. We suggest proactively providing this draft zoosanitary certificate for their comment as the most expeditious path forward. It is entirely possible that they will come back to us with either:

- a standard set of import requirements for breeding sheep, and/or
- a request for supporting information with respect to NZ health status, animal health programmes, and/or veterinary services.

If so, we can go from there.

If you would rather MPI went direct to the post, let me know the contact point.

Regards

Mat

Matthew Stone BVSc MVS MANZCVS | Director Animal and Animal Products | Standards Branch Ministry for Primary Industries | Pastoral House 23 The Terrace | PO Box 2526 | Wellington | New Zealand

Telephone: s9(2)(a) | Facsimile: 64-4-884 0662 | Mobile: s9(2)(a) | Web: [www.mpi.govt.nz](http://www.mpi.govt.nz) -----Original Message-----

**From:** Chris Carson  
**Sent:** Monday, 2 July 2012 1:59 p.m.  
**To:** Tim Knox; Matthew Stone  
**Cc:** s9(2)(a)  
**Subject:** FW: Letter to AlKhalaf

Hi,

Has anyone been in contact with s9(2)(a) on the live sheep protocol stuff yet?

Chris

-----Original Message-----

**From:** MacMASTER, Hamish (MEA) [mailto:s9(2)(a)]  
**Sent:** Monday, 2 July 2012 9:40 a.m.

Restricted

CAVEAT: NOT FOR CABLE EXCHANGE		OUR FILE:	SAU/NZ/5/1
HANDLING INSTRUCTIONS:	out of scope	YOUR FILE:	

Summary

Out of scope

On the live sheep issue, we sense an MFA expectation that the matter will be progressed.

Action

For information.

Report

HoM and Second Secretary paid a call on 12 June on Dr Khalid Al-Jindan, Undersecretary for Bilateral Relations, Ministry of Foreign Affairs to update him on the NZ Inc GCC strategy

Out of scope

The remainder of this document is withheld under  
s 6(a), s 6(b), s 9(2)(ba) and out of scope

MacMASTER, Hamish (MEA)

From: s 9(2)(a) - Private Secretary to Hon Tim Groser  
Sent: Tuesday, 29 May 2012 3:55 a.m.  
To: MacMASTER, Hamish (MEA)  
Subject: Re: Saudi Arabia: Live Sheep : Al\_Khalaf\_letter\_from\_MFA\_-\_May\_2012 (2)

Thanks for that Hamish. If you are able, I wouldn't go any further until you have discussed with Mo

s 9(2)(g)(c)

s 9(2)(a)

s 9(2)(a)

From: MacMASTER, Hamish (MEA) [mailto: s 9(2)(a)]  
Sent: Monday, May 28, 2012 02:35 PM  
To: s 9(2)(a) - Private Secretary to Hon Tim Groser  
Subject: Saudi Arabia: Live Sheep : Al\_Khalaf\_letter\_from\_MFA\_-\_May\_2012 (2)

[SEBMAIL] [RESTRICTED]

Hi

s 9(2)(a)

To update you on where we are presently at on the live sheep issue:

- We have finalised a Letter of Appointment for Alex Matheson as Special Envoy for Government-Commercial Partnerships. Part of Alex's role will of course be to front the negotiations with Saudi investors on the joint venture idea. Work on his Contract has begun.
- Work is progressing on the Protocol for the export of live sheep for breeding. In essence this would entail MFAT / MPI working on a veterinary protocol for the export of live sheep for breeding,

- As I understand it, it was agreed by Ministers that the negotiations around the breeding protocol would be overseen by Minister Groser and a meeting is in the process of being arranged between officials and the Minister upon his return from Europe in mid-June.

Given the length of time since the investors were in New Zealand, we believe it would be prudent to send a short letter of acknowledgement from Minister McCully, responding to their April acknowledgement of the Minister's letter and advising them of developments at this end. We intend to seek Mr McCully's agreement to this letter this week in our weekly issues meeting. I would be grateful if you could let me know if there are any concerns with this course of action from your perspective.

Best regards

Hamish



MINISTRY OF  
FOREIGN AFFAIRS & TRADE  
MANATŪ AORERE



19 April 2012

SAU/NZ/1

Minister of Foreign Affairs

For consideration by 27 April 2012

► Minister for Primary Industries

For consideration by 27 April 2012

## LIVE SHEEP – UPDATE

**Submission:** Issues

**Purpose:** The purpose of this submission is to seek your approval to the proposed pathway towards resolving the Saudi live sheep issue.

**Comments:**

### Recommended referrals

Prime Minister	For information
Minister of Trade	For information
Associate Minister for Primary Industries	For information

### Contacts

Hamish MacMaster	Director	Middle East and Africa Division
Chris Carson	Director	International Policy MAF

s 9(2)(a)

Minister's Office Comments

Signed / Referred

Date: \_\_\_\_ / \_\_\_\_ / \_\_\_\_

### Key points

- Following your (MFA) discussions last month with the principal Saudi sheep investor, Hmood Al Khalaf, officials from MFAT and MAF have been working on a pathway forward for the live sheep issue.
- Officials now propose to begin a number of work streams required to give effect to our commitments made to Al Khalaf. As part of this, it is also proposed to set up a working/steering group, consisting of specialist subject and regional experts to implement the joint venture element of the work streams. The work streams are, in brief:
  - The establishment of protocols for the export to Saudi Arabia of live sheep for breeding
  - The establishment of a joint venture sheep breeding operation in Saudi Arabia
  - Finding an appropriate mechanism to meet Al Khalaf's concern for "compensation" (possibly through the joint venture)

s 6 (a)

- It is proposed that the Joint Venture Working Group and the team negotiating animal health protocols be kept separate and at 'arm's length'. This will keep those involved in working on the government-to-government arrangements separate from those working on providing technical, commercial and farm management advice, to avoid any real or perceived conflict of interest;
- Your agreement is sought for this Joint Venture working/steering group to be overseen by a Special Representative or Special Envoy for Food Security Issues. This role could desirably be recruited in consultation with key industry stakeholders, for instance the Meat Industry Association (MIA). Potential candidates would include

s 9 (2) (a)

There are also ex MAF/NZFSA officials who may also be appropriate.

- Proposed next steps are:

s 6 (a)

despatching small delegations to the Kingdom of Saudi Arabia, as appropriate, including the possibility of a visit by MFA this year, to signal our good faith to the Saudi sheep investors - and to scope, plan and execute the agreed work streams;

- putting in place a New Zealand entity which would operate as the joint venture partner (with consideration being given to whether Mr Al Khalaf be invited to be part of this entity) and identifying and approaching an appropriate KSA partner.
- funding the above work streams from an expanded Trade Access Support Programme (TASP) given development assistance funding will not likely be available for Saudi Arabia; and seeking approval for a new funding allocation to the New Zealand side of the joint venture breeding operation (i.e. as a means of dealing with Al Khalaf's compensation request).

### Recommendations

It is recommended that you:

1. Approve the establishment of a Joint Venture working/steering committee, to be fronted by a Special Envoy, and with MAF / MFAT involvement. Yes / No
2. Agree to officials consulting with the Meat Industry Association and Beef and Lamb New Zealand to identify suitable persons for the role of Special Envoy, and to sound out potential candidates. Yes / No
3. Agree to officials approaching the Saudi government in order to discuss the proposed solution to the live sheep for slaughter issue; involving the establishment of a joint venture to export breeding stock to KSA and the conclusion of associated veterinary arrangements for breeding animals; and Yes / No
4. Agree that the cost of establishing veterinary protocols to enable the export of sheep for breeding to Saudi Arabia; and also the <sup>s 6(a)</sup> (if agreed), should to the extent possible be met from within the existing \$450,000 annual allocation to the Trade Access Support Programme. Yes / No

- |    |  |          |
|----|--|----------|
| 5. | Agree to officials proposing a Cabinet submission to cover the funding of the potential New Zealand contribution to a joint venture breeding operation in the KSA as a means of securing Mr Al Khalaf's cooperation. | Yes / No |
| 6. | Agree that officials investigate the possibility of a visit by MFA to Riyadh to reinforce to the Saudi authorities that New Zealand has begun a process of constructive bilateral engagement on this issue.          | Yes / No |

Hamish MacMaster  
for Secretary of Foreign Affairs and Trade

Chris Carson  
for Director-General MAF

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OFFICIAL INFORMATION ACT

## REPORT

Since your (MFA) meeting last month with key Saudi sheep investor, Khmood Al Khalaf, you have written to Mr Al Khalaf re-iterating the key areas of discussion and follow-up action. Our Embassy in Riyadh reports that the letter was well received.

s6(a)

Meanwhile, Saudi investors have continued to press on particular two aspects:

- the negotiation of an Arrangement on the trade in live sheep for slaughter, removing the contentious elements of extraterritoriality from the previous drafts;
- their strong desire to see a trial shipment (for slaughter) to prove the animal health and welfare levels of their vessels.

s6(a)

Against this background, your agreement is sought to progress the various work streams in the manner suggested below:

### *i. Establishment of veterinary protocols for the export of breeding animals*

3 Officials believe that if supported by Saudi Veterinary Services, animal health protocols for the export of live sheep for breeding should be able to be agreed in a relatively short period. It is probable the focus would be on transport by air shipment given the likely small numbers involved. This work is normally cost recovered from exporters to cover MAF's staff and other costs. In this case, however, it should be possible to secure funding from the Trade Access Support Programme to cover these costs. An exchange of letters to put in place the necessary technical framework for the breeding programme may also be required for the breeding programme work to proceed.

### *ii. Food Security Partnership and the joint venture*

4 A small technical team (the working/steering group) is being assembled to address the range of complex commercial issues around the proposed venture. This will be in part informed by the nature of Al Khalaf's existing holdings in Saudi Arabia –

s6(a)



5 We envisage that the technical team would include:

- a specialist on irrigation and grass or crop production (on the assumption being that feed would be grown *in situ* as opposed to being imported);
- a specialist on animal management in hot climates, especially around housing requirements;
- and a specialist in processing and marketing in the region;
- MAF and MFAT (TND / MEA) officials as required;

and would be fronted by:

- a Special Representative or Special Envoy, should Ministers wish to appoint one.

6 Several potential candidates who may be suitable to undertake the Special Representative/Envoy role suggest themselves. This role requires a combination of knowledge of the New Zealand meat industry with a background in international relationships. Potential candidates include:

s9(2)(a)

7 The technical team (or 'working/steering group') (Para 5) would scope a possible venture - including investment needs and commercial viability - before consulting again with Ministers and opening negotiations with Al Khalaf.

s 6(a)

s 6(a)

14 Given this divergence of views, officials are seeking advice as to which course of action is preferred by Ministers.

The remainder of this document is withheld under s 9(2)(a)

Hamood Al-Khalaf Trading & Transportation Group

Date: 9/4/2012

The Honourable Murray McCully, Minister of Foreign Affairs of the New Zealand Government

We received your letter and were pleased of your desire to resolve the outstanding areas between your esteemed government and me relating to my business in your country and to solving the problems that delayed the signing of a Memorandum of Understanding between the Saudi Government and your esteemed Government, as well as to the partnership in the breeding venture in Saudi Arabia.

Your Honourable: I handed a copy of your letter to HE Dr Fahd Abdulrahman Balghunaim, Minister of Agriculture, and he was pleased of its content. He asked me to convey to you his greetings and said that all doors are open to any understanding in the interest of the two brotherly countries.

We thank you and appreciate your care for the interest of both countries. We also thank your Ambassador Hamish MacMaster

Best regards

Hamood Al-Ali Al-Khalaf

(Signature and Date)

التاريخ : ١٦/٤/٩٠م

صاحب السيادة حوري بك علي وادب . خارجية . حكومة نيوزلندا . المحترم

تحية عليية وبعد

استلمنا خطابكم وسرنا رغبة معاليكم في حل المجالات الخلافية بيني وبين حكومتكم الموقرة حول مشروعي لديكم وكذلك حل المشاكل التي أشرت فوق في إتفاقية التفاهم بين حكومة المملكة العربية السعودية وبين حكومتكم الموقرة وكذلك الشراكات بخصوص مشروح الإنجاب بالسعودية .

معالي الوزير : لقد إطلع معالي وزير الزراعة الدكتور فهد عبد الرحمن بالغنيم على خطابكم وسلمته نسخة منه وقد سره ما ذكرته وأخبرني أن أنقل لك تحياته وكذلك يقول جميع الأبواب مفتوحة لأي تفاهم فيه مصلحة البلدين الشقيقين .

شاكرين وتقديرين لكم إهتمامكم في مصلحة البلدين وكذلك الشكر على وصول لسفيركم

حامد ش ماكماستر ودمتم سالامين .

عبد الله بن عبد الله

١٤٣٧

**MacMASTER, Hamish (MEA)**

**From:** RIYADH  
**Sent:** Sunday, 1 April 2012 12:26 a.m.  
**To:** ...WLN MEA NZEO; ...WLN TND NZEO  
**Cc:** ...WLN DS AMAG NZEO; ...WLN PATP NZEO; FM.P/S Agriculture; FM.P/S MFA;  
FM.P/S Trade; FM.MAF (Seemail); ...RIY NZEO  
**Subject:** FORMAL MESSAGE: MEETING WITH HMOOD AL-KHALAF

[RESTRICTED]

CAVEAT:	NZEO	OUR FILE:	SAU/NZ/1/7
HANDLING INSTRUCTIONS:	MAF : Carson	YOUR FILE:	

**Summary**

meets with Hmood Al-Khalaf to deliver letter from Minister McCully. Al-Khalaf welcomes the letter, along with its contents. He also appreciates the opportunities to meet the Minister during his recent visit s 6(a)  
We took from his comments also that he feels that a pathway forward has been identified. s 6(a)

We suggest that the time has come to consider re-engaging with the Saudi Government over how to move the issue forward. We also suggest that this engagement could be most effective at ministerial level.

**Action**

**MEA:**

Otherwise for information. s 6(a)

**Report**

MacMaster/Kelly/Harris emails refer.

As instructed, we (HOM/DHOM) met on Wednesday 28 March with Mr Hmood Al-Khalaf at the Residence to pass over the letter from Minister McCully which set out the New Zealand understanding on possible next steps in addressing issues related to Al-Khalaf's New Zealand investments.

3 Al-Khalaf spoke warmly of the recent visit to New Zealand and the two meetings with Minister McCully.

s 6(a)

we handed over the MFA letter, plus the Embassy's Arabic translation (with the agreed correction: copy actually handed across is attached, with translation). s 6(a)

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under 56(a)

RELEASED UNDER THE  
OFFICIAL INFORMATION ACT

This page is withheld  
under s.6(a)



Office of Hon Murray McCully

Minister of Foreign Affairs

Minister for Sport and

Mr Hmood Al Khalaf  
Group President  
Al Khalaf Group

s9(2)(a)

SAUDI ARABIA

Dear Mr Khalaf

Thank you very much for making time available for the constructive and positive meetings we had recently in Wellington and Auckland. I greatly enjoyed meeting with you and your colleagues. I now wish to take the opportunity to reiterate the key areas that we discussed and for which we agreed that there would be follow up action.

First I want to reiterate my strong sense of regret that we have had to deal with the saga of misunderstandings and disappointments that have characterised your relationship with the New Zealand Government in recent years. I hope I have made clear my own determination to ensure that your involvement in New Zealand is more straightforward in future.

In that spirit I have attempted to be very clear about the challenges associated with applying to export sheep for slaughter under the existing Customs Export Prohibition Order. I have explained the political context and the likelihood that the political situation will remain difficult.

You on the other hand have made it clear that you wish to "leave the door open" to future shipments, should the political situation change. While the Government will need to consider the CEPO when it expires, and the Parliament may consider the question when new Animal Welfare legislation is introduced in 2013, we agreed that we should chart a pathway forward on the basis that the current difficulties will continue.

We proceeded to examine two further matters; first the need to complete a memorandum of understanding in relation to the trade in live sheep - not just for Saudi Arabia but for Gulf countries generally, and second we discussed the possible shape of a partnership that might enable the successful development of a food security partnership regardless of the current difficulties.

s6(a)



piece of architecture

sb(a) We agreed with your assertion and commit to proceeding accordingly. I have asked officials to progress this matter.

Second, you expressed strong objection to the extraterritorial aspects of the existing draft, i.e. the provisions that extend past disembarkation. After careful consideration, I agree to recommend to colleagues that we should modify the MOU by deleting provisions purporting to deal with issues past the point of disembarkation.

You have outlined the safeguards and prohibitions that operate in Saudi Arabia which would render extraterritorial provisions redundant. New Zealand recognises those Saudi safeguards. I suggest that it will be useful to exchange letters at some point recording the Saudi safeguards and New Zealand's respect for those safeguards.

The steps I have outlined above will "keep the door open" as we agreed, and put in place a MOU on terms that meet the concerns expressed by you and your Government.

Turning to the overriding question of a food security partnership, I want to acknowledge the strong sense of disappointment you expressed to me that you have been denied an opportunity to bring to fruition the food export partnership you have always intended. I am, however, heartened to hear of your commitment to growing the relationship between our two countries notwithstanding recent challenges. I share your view that our two countries are natural and logical food security partners, and would like to progress our discussions regarding practical ways of moving forward.

While there will be other initiatives we may wish to pursue in partnership, our immediate focus has been on the prospect of exporting live sheep from your New Zealand farms for breeding purposes in Saudi Arabia. This would establish a basis for a farming operation in Saudi Arabia, operating in tandem with your Hawkes Bay property. The New Zealand Government would support the venture with technical expertise and other support services.

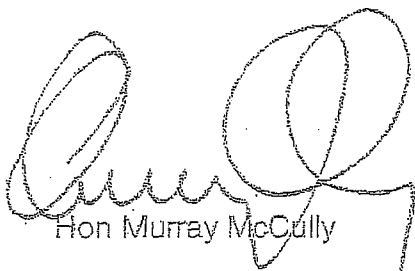
The export of sheep for breeding purposes can be accommodated relatively easily under existing regulations. New Zealand officials stand ready to assist with the zoosanitary certification and animal welfare export certification that would be required.

That leaves a range of complex commercial issues to be addressed including the size of any shipment or shipments, ways of ensuring such a shipment is commercially viable, the scale of the Saudi operation, and the technical and other support services to be provided by New Zealand.

I have asked Ambassador Hamish MacMaster to assemble a small team of relevant officials to address these issues. It is likely that I will appoint a special representative to complete the discussions. I confirm that they are ready to meet with your representatives at your convenience.

Finally, may I again thank you for our constructive discussions. I hope that over the coming weeks we can give shape to a partnership that meets your original ambitions of a strong food security partnership between our countries under the umbrella of a completed Free Trade Agreement with the Gulf Cooperation Council.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Murray McCully', written over a large, faint, diagonal watermark.

Hon Murray McCully

Minister of Foreign Affairs

Warm regards

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OFFICIAL INFORMATION ACT

8/8/12

SAU/NZ/1

Report of the meeting between the Minister of Foreign Affairs

and

Hmood A Al Khalaf Group of Companies

Auckland

5 March 2012

1. Personnel present

New Zealand

Hon J McCully

H MacMaster

s 9(2)(a)

Minister of Foreign Affairs

Director, MFA, MFAT

Senior Specialist, TND, MFAT

s 9(2)(a)

Hmood A. Al Khalaf Group of Companies

Hmood Al-Ali Al-Khalaf

George Assaf

David Brownrigg

Group President

CEO Australasia Division

Brownrigg Agriculture

2. Report

The Minister welcomed the Al-Khalaf group to New Zealand and immediately gave them the opportunity to voice their concern relating to the ongoing export of livestock to Saudi Arabia (KSA).

2. George Assaf, the CEO of the Australasia Division of the Hmood A. Al Khalaf Group of Companies outlined this concern as being:

i) Live sheep for slaughter (LS4S)

LS4S was the preferred situation. Assaf questioned as to why the Arrangement between KSA and New Zealand covering the export of sheep for slaughter had not been completed. (Trade had stopped in 2003.) He said that it was better to have some sheep being exported, even on a trial basis under very strict conditions (e.g. age, transport).

ii) Live sheep for breeding (LS4B)

Assaf noted that anyone could export LS4B.

s 6(a)

3. The Minister said that he understood their preferred option (LS4S) and understood that they wanted to leave that option open. He said that the Al Khalaf Group may wish New Zealand to continue to explore ways for progressing the LS4S option and that he was happy to agree to that.

#### MoU

4. Assaf stated the Saudi side wanted to continue work on and conclude the MOU (Arrangement) suspended in 2007. The suspension of talks on this document had been taken very hard in Riyadh. He went on to assure the Minister that Al Khalaf Group had put in the necessary infrastructure to support the export of live animals from quarantine stations to the most modern ship on the planet. The MOU was a necessary building block.

5. The Minister noted that the Minister of Agriculture may have a different view regarding the export of LS4S. He said that could the parties in principle agree that there be an MoU. Such an MoU could mirror the Australian situation and not include extraterritoriality. He understood the desire that issues be treated up to the point of disembarkation. Assaf agreed and said that they did not want any interference after landing, i.e. they did not want a third party looking over their shoulder. He said that every abattoir was government owned and that people were no longer allowed to kill animals domestically. For countries not to trust their system (i.e. landed sheep to slaughter) upset the KSA.

6. Brownrigg again raised the issue of the CEPO. The Minister repeated his earlier advice based on his discussions with MAF CE and Minister of Agriculture and acknowledged it was the right of the Saudi investors to submit an application for the export of live sheep for slaughter, but gave his honest assessment that it would be difficult to get approval for this. The decision would be that of MAF CE. Were the Govt to attempt to change the CEPO this would be a public process and could well spark a political debate that would see the opposition commit to return the CEPO to its original state when next in office.

7. The Minister said that the MoU needed to be in place so parliament could debate the export of LS4S when the bill was being discussed. The framework for export would need to be in place. He said that under the political climate it would be difficult to change the conditions of the CEPO, but the MoU could be addressed. He reiterated that he understood the desire to "keep the door open".

[Comment:

59(2)(g)(i)  
56(a)

8. Hmood Al Khalaf spoke (through Assaf). Points included:

- He thanked the Minister for his time and the Minister's frankness and openness
- He said that he would back up anything that was good for New Zealand
- He had been investing a great deal in the LS4S trade for some time
- The KSA government had a high regard for New Zealand, e.g. the way in which the KSA students were treated.

• The Saudi side considered their meetings in New Zealand to have been helpful in addressing the issues. If New Zealand wanted the FTA, the 6 Gulf countries would deliver as long as New Zealand didn't interfere with the countries' territoriality.

9 Assaf commented that the six GCC countries believed that countries like New Zealand had an obligation to supply meat and this sentiment was growing stronger. At the recent GCC meeting there had been a pledge to work more closely together on this and other issues, reflected in the proposed name change from a 'Cooperation' Council to a 'United' Council.

10. The Minister said that New Zealand officials would now go away and consider in detail the questions and respond promptly.

*Joint Farming Operation / Live Sheep for Breeding (LS4B)*

11. The Minister also raised the issue of NZ supporting a joint farming operation in Saudi Arabia. This operation would work in tandem with the Saudis retaining their farming interests in the Hawkes Bay. Assaf commented this would be a big project and there was much to research before it could get off the ground including whether the animals would survive in the new climatic conditions. That said, he believed the project had great potential and, if successful, would be of major benefit to both countries. He would want to see though the issue of the MOU worked through in parallel order to that of the farming venture. The issue of compensation would therefore be less costly.

12. The Minister noted that he would not want any (financial) contributions to be treated as compensation as this would involve a plethora of lawyers and bureaucrats. Rather he would prefer an investment in a partnership to achieve the objective that could have been achieved by exporting LS4S. The goals would still be the same from the viewpoint of food security partnership but now we would try a different delivery method (LS4B). The Minister noted that both countries would be investing in a partnership that would help to expedite the FTA. He said the FTA required the input from business people to put the "meat on the bones"

*Satellite farms in developing countries?*

13. There was some discussion concerning using developing (viz. African) countries as satellite farms. The Minister said that New Zealand was keen to work in partnership with the KSA in African countries using New Zealand expertise and KSA funding to complement.

56 (a)

Assaf noted that the KSA Minister of Ag had also been visiting Uruguay, Brazil and Argentina and developing relations with those countries.

14. The Minister noted that the AANZFTA had been ratified and that as part of that New Zealand would be assisting the developing ASEAN countries through the Overseas Development programme. Assaf noted that New Zealand expertise could assist with production system in KSA. He said that Al Khalaf had been involved for 12 years with slaughter houses and had just been given permission for a breeding programme (by the KSA cabinet).

*Further actions*

15. The Minister acknowledged that the ball was in New Zealand's court with respect to:

- i) The MOU issue with respect to keeping the door open
- ii) Partnership – needed further discussion as to how to make the situation work.

16. Assaf noted that they were still in a difficult situation and they needed to know where they stood. It could be another 2-3 years before another decision was made and they needed to know for planning purposes, where to from here. A year's notice was required before any shipment.

17. The Minister said New Zealand would get back to them regarding the memorandum and timeline for the legislation (review of the Animal Welfare Act). Keeping the door open was the best approach in the short term. He suggested a step-by-step approach, i.e.

- i) Assaf wished to protect the right to export (LS4S). There would be a process as described.
- ii) New Zealand would get back to them with a firm response on the MoU – addressing the areas of concern.
- iii) On the basis that nothing may change even when the new legislation is addressed by parliament, he would want to progress the partnership with KSA to ship breeding ewes, etc.

18. The Minister went on to note the commercial issues around the partnership needed to be addressed. This would involve both MFAT (TND, MEA) and the Ministry of Agriculture. Assaf noted that much of the planning work would need to be done in New Zealand and transferred to KSA.

19. Brownrigg raised the need to be able to fill the ship (approx. 59(2)(b)) to ship animals to KSA) and wondered whether dairy heifers could be shipped as well. There was also the notion of sending wethers as part of the shipment (accompanying breeding ewes) as a "trial". Commercially a buffer was needed (i.e. more animals than could be shipped) as inadvertently, some were refused export (due to physical shortcomings, possible disease problems, etc) and the boat needed to be filled. Without the trial Assaf stressed there would be too much risk for the investors, more so than they were prepared to carry. The Minister agreed this was one of the commercial issues that needed to be sorted out.

20. Al Khalaf said that the main thing was to start immediately. He was sick of telling people that "he didn't know". He needed to rebuild the trust of the farmers as well as for planning purposes. The Minister said that the NZG also needed to know. It was uniquely positioned to be involved in the GCC food security programme. He said that he would be in contact with the Al Khalaf group within the next two weeks to establish a process to move forward.

21. Al Khalaf noted that what could be good for the NZG in the Gulf would be a bit of positive publicity to the effect that the NZG was considering the options surrounding the export of live sheep to the Gulf. Assaf thanked the Minister (and officials) on behalf of the Al Khalaf group and expressed his appreciation for the very frank and honest manner that the Minister had approached the meeting. He said that: "it was the first time that someone had listened with both their ears and heart open"

22. The Minister thanked the Al Khalaf group for making time available and hoped for a positive outcome. He would make sure that there was a small group of officials that would be mandated to progress the issue.

Follow-up actions for MFAT (with MAF)

1. Resurrect the MoU and develop a draft based on the Australian model, i.e. guaranteeing offloading regardless of status and requiring, but NOT (NZG) auditing the systems in KSA.
2. Develop a trial that would involve a shipment (10-15k) that would test the system through to slaughter to ensure that the animal welfare aspects are covered. If satisfied that the system was in place the NZG could then in the revised MOU require assurances from the KSA that the sheep would be part of that slaughter pathway.
3. Live sheep for breeding - Joint venture (development of the LS4B project)
4. Financing the JV.

MacMASTER, Hamish (MEA)

From: MacMASTER, Hamish (MEA)  
Sent: Thursday, 1 March 2012 5:16 p.m.  
To: s9(2)(a) Private Secretary to Hon Murray McCully  
Cc: WALKER, David (DS AMAG); KELLY, Clare (TND); ARMSTRONG, Wade (PATP); s9(2)  
Subject: SAUDI ARABIA: LIVE SHEEP ISSUE: CONVERSATION WITH AL KHALAF

s9(2)(a)

I spoke to Hmood Al Khalaf, George Assaf and David Brownrigg again this afternoon about the live sheep issue. The conversation gave a further indication of Saudi thinking.

Al Khalaf began by asking that his gratitude be conveyed to the Minister for his time and attention to the issue. He wanted to include his awassi as part of any future food security arrangement and hoped the NZ Govt would assist him to eliminate the obstacles to his project. His project was the result of a 20 year vision. Preliminaries aside, he stated his preferred option was to work with the NZ Govt to export the awassi for slaughter.

#### SAUDI OPTION A & PREFERRED OPTION: CONTINUE TO SEEK LIVE SHEEP FOR SLAUGHTER

Brownrigg and Assaf then joined in to say they had studied the CEPO in depth and could not see any obstacle to lodging an application for export. I recounted the Minister's advice on this, stressing it was their right to do so, but it was difficult to see how this would take the matter forward. Al Khalaf said the starting point of any conversation would be to dig down on why the MAF CE would take a negative view on granting an exemption for the export of live sheep for slaughter. The question they would ask again would be: were the obstacles really that great to the export of live animals for slaughter that they could not be overcome?

#### SAUDI OPTION B: EXPORT OF LIVE SHEEP FOR BREEDING, SMALL SCIENTIFIC TRIAL FOR SLAUGHTER AND FINANCIAL COMPENSATION

I commented that Assaf had earlier raised the option of whether NZ would be agreeable to a shipment of live sheep to Saudi Arabia for breeding purpose. The CEPO did not apply to breeding stock and initial indications were that there were no particular impediments with the export of breeding stock directly to Saudi Arabia. Assaf responded by noting that were the option of animals for slaughter be closed to them, they would focus on the Minister's point about making good on their investments.

In addition to shipping breeding stock, the Saudi investors wondered whether there would be scope for a small niche for export of around 5000-10,000 animals for 'scientific trial' and then slaughter. Assaf remarked the scientific trials would be part of a wider food security pact and entail small scientifically controlled trials ending with the animals being slaughtered.

I commented about the difficulty in seeking export approval of the animals in the trial going to slaughter and the required statement of intent. Moving on to the idea of satellite farms, I asked whether there was any possibility of these farms being located anywhere else other than in Saudi Arabia? Al Khalaf responded in earlier terms stating that the risk s9(2)(b)(ii) ruled out alternative locations. The breeding stock would have to go to farms in the Kingdom.

Given the cost of establishing farms in the Kingdom and re-orientating their operation to breeding purposes, Assaf said the investors would be seeking financial compensation for the eight years they have been unable to export. The compensation would be around \$15 a head. At three shipments a year, 60,000 sheep per shipment, this would amount to around NZ\$24 million dollars.

The Saudis would look to retain their Hawkes Bays farms to feed breeding stock to their Saudi satellite.



## SAUDI OPTION C: EXPORT OF LIVE SHEEP FOR BREEDING AND FINANCIAL COMPENSATION

If the Saudis were not allowed to undertake any scientific trial leading to slaughter and only export a shipment of animals for breeding purpose, Assaf remarked they would be seeking compensation greater than \$24 million.

Assaf said they were happy to come to Auckland to meet with the Minister at 10 o'clock Monday 5 March. He would need to cancel a number of meetings so would appreciate confirmation by Friday morning.

He saw the conversation running along the following lines:

- thanking the Minister for his involvement
- re-stating the Saudi preference for export of live animals for slaughter
- focusing on what future co-operation might look like.

Hamish MacMaster

Cc: KELLY, Clare (TND); s9(2)(a)  
Subject: FW: Meeting with MAF

[SEEM 'L] [RESTRICTED]

Hi s9(2)(a)

This looks promising and a basis for moving forward. I would agree with Clare that we should try to involve MAF in the next meeting. I am going to ring Assaf / Al Khalaf this afternoon to enquire whether they would be available to meet the Minister on Monday morning in Auckland. Can you let me know any preferred time / venue?

Cheers

Hamish

From: KELLY, Clare (TND)  
Sent: Wednesday, 29 February 2012 11:16 a.m.  
To: MacMASTER, Hamish (MEA); WALKER, David (DS AMAG)  
Cc: s9(2)(a) ARMSTRONG, Wade (RATP)  
Subject: Meeting with MAF

[RESTRICTED]

s9(2)(a) and I met with Chris Carson yesterday to talk about the proposal from Hmood Al-Khalaf that he export an Awassi flock to Saudi Arabia for breeding rather than slaughter. Chris confirmed the following:

- That he could see no particular problem with the export of breeding stock directly to KSA. Matt Stone, Director, MAF Animal and animal Products has recently confirmed that there is no problem from the voyage perspective with Ethiopia, therefore it seems unlikely that there would be concerns about length of voyage to nearby KSA;
- Such exports would require an AWEC application only. The application would be assessed on the basis of detailed information that Al-Khalaf would need to supply on conditions on ship and disembarkation to quarantine facilities. Further, the statutory declaration about end use would need to be given and the nature of the shipment would be taken into account in assessing its veracity – i.e. a very high proportion of ewes with a few rams, rather than a shipment of wethers, would support a declared end purpose of breeding;
- There would need to be an import protocol in place between in NZ and KSA to take care of zoosanitary issues. There is already one in place for livestock for slaughter (LS4S), but not breeding (LS4B). Chris does not foresee problems, but flagged that we have a few diseases that are of concern to other countries and we'd have to ensure that KSA did not share those concerns;
- Beyond this, MAF would be unlikely to see a need for any sort of arrangement supporting the trade.
- If MFAT wished to wrap it up in some sort of agricultural cooperation agreement as a side letter to the FTA, that was our call and the funding would have to come from us. In that case, there is of course livestock and pasture management expertise that NZ Inc. can offer KSA. Also MAF could contribute to the effort by starting the necessary work asap; i.e. getting us the recently revised AWEC conditions, supplying a draft zoosanitary agreement and waiving the fees it normally charges for this work and making Matt Stone available as necessary to travel to KSA to put the MAF side of things into place.

Obviously a more detailed discussion with MAF will be necessary soon. Perhaps if the Minister meets with Al-Khalaf again before he leaves, Matt Stone or Chris Carson or both should be present, to ensure Al-Khalaf is fully across the details of what would be required from him.

Clare Kelly  
Deputy Director, Goods  
Trade Negotiations Division

SAU/MZ/1

Note for File

LIVE SHEEP MEETING WITH HMOOD AL KHALAF & GEORGE ASSAF

16:00, 27 February 2012

Present: Minister McCully, David Walker (DS AMAG), Hamish MacMaster (MEA), Clare Kelly (TND), s9(2)(a) (PS to Minister), Hmood Al-Khalaf, George Assaf, David Brownrigg

Minute

The Minister began by making some general observations. Looking back over the history of this issue over the past 10 years and for a variety of reasons such as NZ agencies not talking to each other and changes in the political landscape, the conclusion he would draw if he were in Saudi shoes would be the investors had been misled. Their expectation would have been that they would be able to export, but along the way the political landscape shifted. This was unsatisfactory for the NZ Govt and unsatisfactory for the investor. The Saudi Minister had expressed his strong feeling over the matter to him. The Minister rejected any suggestion that the issue had been driven by an anti-Islamic sentiment. Having promised Minister Balghunain, he would deal with the issue frankly, Mr McCully said he wanted a frank and honest discussion with the Saudi businessmen. Noting that they were in New Zealand until 7 March, the Minister said were progress to be achieved today, both sides could return to the issue before Al Khalaf's departure.

2 Mr McCully recalled that following their earlier meeting, he had met with the NZ Minister of Agriculture and MAF CE to discuss the Customs Export Prohibition Order (CEPO). The Minister noted that the MAF CE made his decision on approvals for export independently from Ministers and the bar was set very high for such approvals to be granted. The conclusion he had come to was that, while not impossible, it would be very difficult to get an exemption for the export of live sheep for slaughter. There was a very high chance that any application would be turned down. The Minister stressed however that it was the investors right to lodge an application and have it subject to judicial review. The Minister noted that were the Govt to attempt to change the CEPO this would be a public process and could well spark a political debate that would see the opposition commit to return the CEPO to its original state when next in office. Mr McCully believed this would not take the matter forward.

3 Mr McCully noted that he had been considering ways of achieving some form of greater cooperation with the GCC in the area of food security. While the amount of agricultural land was finite, the demand for food would double in the near future. NZ had to become better at using its IP in food production. This had led the Minister to discuss s 6(a) the possibility of a formal food security arrangement. He had also discussed with governments

s 6(a) see what export opportunities New Zealand would have with governments in geographical proximity to the Gulf. The Minister wanted to stress that NZ was keen for the Saudis to retain their farming interests in New Zealand. Against this background we wanted to explore how we could progress this matter further.

4 The Minister commented that we were now at the point of wanting to firm our plan to provide agricultural IP under food security partnerships with the GCC and attract investors from that region. Our concept was very much a commercial one. We would conclude an arrangement between governments and then leave it to commercial interests to take matters forward. The Minister then outlined his concept of possible satellite breeding farms off shore and the possibility of IDG involvement in their setup. He acknowledged the unfortunate history surrounding the Al Khalaf operation in New Zealand and stressed his desire to help put things right. Were there to be interest on the Saudi side in the concept, he would be happy to shape the proposal further into something that could meet all our objectives.

5 In response Al Khalaf thanked the NZ Govt / people for all the support he had received over the years. He invested all over the world but felt very secure when he came to New Zealand. He also expressed his gratitude as a Saudi citizen for the visa free access and the hospitality shown to the Saudi students. Why had he chosen NZ? He was driven by market forces. Many NZ farmers had supported him, but also on animal health issues he felt safer here s 9(2)(ba)

Al Khalaf went on to detail some of the history of the awassi brand: NZ had 70 million sheep when he had come to the country in 1989. He had started with the awassi in 1995 when trials had demonstrated they could be transported with minimal mortality. Now New Zealand was down to 30 million sheep and this hurt him. Al Khalaf could have kept this number up if New Zealand had wished it.

6 Al Khalaf thanked the Minister for his frankness and said he wanted to ask one question: had the ban on live exports brought any national benefit for New Zealand? The Minister acknowledged that the ban had not brought a benefit as defined by Al Khalaf, instead it had addressed a pressing political issue. Assaf observed that the Saudi side were investors not politicians: the fact that they had stayed and continued to pay for 10 years derived from their love of New Zealand. Al Khalaf had bought up the assets of other Saudi investors that had left. He asked whether it would be of benefit that the Saudis establish a lobby group in support of live animal exports, to which the Minister responded that it was the Saudis right to run a public relations campaign. Assaf acknowledged the attractiveness of the satellite farm model and commented that this in Saudi eyes was what they had developed already in New Zealand.

7 The Minister commented that the Saudi side had done nothing wrong. Someone had shifted the goal posts. Brownrigg observed that former Deputy PM Anderton had acknowledged that the Saudi investors had been done an injustice and asked whether all NZ political parties could come to a compromise over this issue. The Minister repeated his earlier observation that if this issue opened up to political debate, certain political parties would commit to returning the CEPO to its original form and no progress would have been made. He repeated though his earlier advice that it was the right of the investors to go to the Courts. Al Khalaf responded that he was a businessman. Going to court was the last option, "even if a law firm advised I had a 90% chance of winning. Under our culture when someone opens a door to you for many years, you do not take them to court at the end of your stay."

8 Al Khalaf then offered to put forward a proposal if NZ wished to hear it. He wondered whether NZ would be agreeable to a shipment of live sheep to Saudi Arabia for breeding purpose. The CEPO did not apply for breeding stock. Kelly commented the intended purpose for which the

animals were to be used was what determined the status of the animals. There was no precise definition for the length of time devoted to breeding and MAF would need to be consulted on the proposal. The Minister acknowledged that different procedures applied for breeding purposes. In terms of establishing satellite farms in Saudi Arabia he commented that there would be issues around the suitability of any IDG assistance.

9 Assaf commented the Saudi side felt victimised over this issue.

The Minister commented the proposal for breeding was something that would naturally fit into his Food Arrangement proposal. He found this argument to be compelling. Al Khalaf reiterated that the Saudi side would like to see a solution around exporting animals for breeding purposes to Saudi. They were not ruling out a wider longer term cooperation / partnership on satellite farms with NZ in third countries,

10 The Minister said he was pleased to have had this discussion early on in the Saudi visit. We would now reflect on what had been raised and come back to the investors prior to their departure. He wanted to make sure there was a process in place that would bring some certainty to their future operation. If there was interest on the part of Al Khalaf in the idea of exporting animals as breeding stock to a satellite farm in Saudi Arabia the Minister invited the investors to the possibility of further discussions later in their visit. Mr McCully said he was keen to explore this proposal in greater depth with the Saudi side when he returned to New Zealand the following week.

ENDS

MacMASTER, Hamish (MEA)

From: s9(2)(a)  
Sent: Friday, 24 February 2012 9:43 a.m.  
To: MacMASTER, Hamish (MEA)  
Subject: Saudi Visitors  
Attachments: s9(2)(b)(i)

Hamish

Out of scope

I have attached a briefing paper on food security. This paper is designed for the whole of the GCC but the discussions we hold with George and Hamoud on Sunday will be around just Saudi food security and based on King Abdullah's food security strategies (attached).

They will be meeting with Laurium Asset Management ( s9(2)(a) ), NZ Private Office ( s9(2)(a) ) and Agricultural Estates ( s9(2)(a) ).

1. Laurium Asset Management: is the main company which will oversee GCC FDI. It has been the main driver of this FTA completion as the FTA is a key part to the seeding of one of their funds.
2. NZ Private Office: This entity owns the relationships with parties and is co-ordinating the whole package of FTA commercial projects which includes items outside food security.
3. Agricultural Estates: is the company which will implement the agricultural aspect of the FTA initiatives (satellite farms, agricultural commodities, consultancy) Ag Estates is the architect of the satellite farms and has developed an Agricultural Partnership proposal joining a number of NZ farming organisations (including Awasssi farms) together to develop product for Saudi – food security
4. NZ Commodities Exchange: will develop the agricultural commodities trading, fertiliser, oil and gas trading. These form a key part of the food for oil agreement (food security / energy security)

Despite the above, Sunday is designed as an informal group of meetings held outside boardrooms. I expect that George and Hamoud will take up our offers unless things go not so well in Wgtn. I would anticipate that after the Wgtn meeting there could be a spike in the amount of discussions and activity required to ensure we get full acceptance and the message is sent back to Saudi that things have been patched up.

The above companies are ready to work closely with MFAT to ensure that we get an agreement to ratify this FTA.

Please call if you have any questions.

Regards

Graeme Leversha  
Laurium Asset Management



PO Box 89 345  
Newmarket, Auckland  
New Zealand  
[www.Lauriumasset.com](http://www.Lauriumasset.com)

s9(2)(a)

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The remainder of this document is  
withheld under s9(2)(b)(i)

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Page 1 of 5

→ MEA

MINISTRY OF  
FOREIGN AFFAIRS & TRADE

195 Lambton Quay  
Private Bag 18 901  
Wellington 5045  
New Zealand

64 4 439 8000  
64 4 472 9596

24 February 2012

500/NZ/1

Minister of Foreign Affairs

for action by 27 February 2012

LIVE SHEEP: MEETING WITH HMOOD AL KHALAF & GEORGE ASSAF

Submission: Briefing for call

Purpose: You are meeting with Saudi sheep farm investor Mr Hmood Al Ali Al Khalaf and his local representative Mr George Assaf at 4.00pm on Monday, 27 February 2012 in Wellington.

Comments: To discuss proposal to resolve the live sheep issue.

Recommended Referrals

➤ Minister of Trade

for information by 27 February 2012

Contacts

Hamish MacMaster Director, Middle East and Africa Division

s 9(2)(a)

Paul Foster-Bell Deputy Director, Middle East and Africa Division

s 9(2)(a)

Minister's Office Comments

Al Khalaf is considering proposals as a way forward. MEAT/MAF also looking at what is possible around shipment of breeding stock to Saudi Arabia.

Signed/Referred

Date 28/2/12



### Outcomes sought

You are scheduled to meet with Saudi sheep farm investor Mr Humood Al Ali Al Khalaf and his Australasian representative, Mr George Assaf, at 4.00pm on Monday, 27 February 2012. Both Al Khalaf and Assaf are flying to New Zealand to visit Al Khalaf's farms, following a stop-off in Singapore en route to inspect their recently commissioned animal transport ship.

2 This meeting offers an excellent opportunity to assess, first hand, the attitudes of Saudi Arabian investors in *awassi* sheep farms to possible solutions to the live sheep for slaughter export issue

Awareness of these attitudes will help inform our approach for addressing the issue in Saudi Arabia and with the other GCC states.

s9(2)(j)

3 You have indicated that the proposal to be put to Al Khalaf should be framed in terms of a possible NZ-GCC Food Security Arrangement. You have already discussed food security issues, both in your recent visit to the Gulf - with Qatari and Kuwaiti ministers - in January, and, more generally, in your call on the GCC Secretary-General in Riyadh in April last year. Feedback to date from the Qatari and Kuwaiti governments and the GCC Secretariat has been quite clear - a food security partnership is something which regional players would have an interest in progressing

s6(a)

4 Such an arrangement would aim to put in place the necessary governmental support (including, potentially, through use of official development assistance) - as well as the technical framework - to make possible the establishment of a third country breeding colony for Al Khalaf's stock.

5 If accepting of the proposal, one element that it would be useful to determine in your conversation with Al Khalaf is if the proposal would be best presented to GCC/Saudi authorities and investors by HGM Riyadh, rather than private sector actors such as Al Khalaf.

6 Mr Al Khalaf may, of course, reject this proposal outright. He might insist that his interest remains solely in securing the ability to ship live *awassi* sheep directly to Saudi Arabia and the Gulf for slaughter. Should this prove to be the case, we would suggest that you consider enquiring in general terms as to whether Mr Khalaf will be seeking compensation for his inability to capitalise on the investment.

7

s9(2)(g)(i)

s6(a)

s9(2)(j)

RESTRICTED

LIVE SHEEP:

Page 3 of 5

#### Members Present

- Hamish MacMaster, Director, Middle East and Africa, MFAT
- Paul Foster-Bell, Deputy Director, Middle East and Africa Division, MFAT
- Clare Kelly, Deputy Director, Trade Negotiations Division, MFAT
- Richard Ivess, Senior Specialist (Sanitary), Trade Negotiations Division, MFAT

#### Attachments

- Discussion points
- Food Security Arrangement proposal document

Hamish MacMaster  
for Secretary of Foreign Affairs and Trade

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RESTRICTED  
LIVE SHEEP:

Page 4 of 5

Issues for discussion

- You may have heard from Mir Assaf that we are looking to identify an alternative to exporting live sheep for slaughter from New Zealand, given the opposition of the public of New Zealand to live shipment.
- We acknowledge that our relations with GCC countries are affected by the ban on live sheep exports, but I believe security of supply can be achieved in other ways.
- I recognise that this is not what you want to hear. But I know you have made a longstanding contribution to bilateral relations between our two countries.
- One option we are considering would involve assisting you to send breeding stock from your properties to Ethiopia, which already exports around 500,000 sheep and goats annually - mainly to the Middle East and especially Saudi Arabia.
- The important question is whether you would wish to be involved in sending part of your flock for breeding initially, and thereafter selling germplasm? I would be interested in your views as to whether this would be commercially viable.
- We see a long term supply arrangement from a neighbouring country as the only way in which New Zealand can be involved in live sheep exports to the Gulf.

56(a)

- The NZ Government would leave all transport arrangements for initial shipment to the shipper/exporters, from whom it would buy a small initial breeding flock. For animal welfare reasons my officials would need to visit Djibouti to examine disembarkation arrangements, and onward transport.

59(2)(g)(i)

The remainder of this document is withheld  
under 59(2)(g)(i)

Note for file:  
Meeting with Minister – Live Sheep / Al Khalaf Visit

16:30, 14 February 2012

Present: Minister McCully, Hamish MacMaster (MEA), s 9(2)(a) (MEA)  
Clare Kelly (TND), Richard Ivess (TND), s 9(2)(a) (PS to Minister)

Minute

MacMaster began by advising the Minister that the principal Saudi investor Hmood Al Khalaf together with the CEO of the Al Khalaf (Australia/NZ) group of companies, George Assaf will be coming to Auckland via Singapore (where he would inspect the transport ship which he would use for any shipments of sheep) on Sunday 26 February and expressed an interest in meeting with the Minister. HM advised that Al Khalaf would likely also meet Graeme Leversha and Michelle Boag in Auckland before driving down to the Hawkes Bay on 27 February to see his farms. The trip had now been extended until 7 March (with same planned arrival date), so indications were there would be plenty of time to put forward the proposal on live sheep exports / food security arrangement, then follow up on this once Al Khalaf had considered the proposal.

2 The Minister responded that he had read the paper on the approach proposed for the Al Khalaf visit, and emphasised that care would need to be taken in some regards. In particular, the Minister noted anything the government does – regardless of the connections or knowledge of those in the private sector who may be seeking to bid in this process – would need to be transparent and contestable – and any private benefit should be incidental. 'No-one should get the inside running' he added.

3 The Minister queried the focus of the paper on a GCC-NZ food security agreement, and asked whether we would be better to negotiate with individual countries. Clare Kelly suggested that the proposed approach, of a side letter on food security to the existing NZ-GCC FTA, would fit well with the context of the original agreement. HM added that the issue of live sheep had now spread well beyond just Saudi, and included all Gulf States. The Minister agreed with this observation,

out of scope

4 The Minister then asked what assets Al Khalaf actually had in NZ. HM replied that current value was unclear but some earlier estimates of the Al Khalaf farms were valued at around NZ\$11m – but that figure excluded the lost opportunity costs of tying up that investment, etc. The Minister re-affirmed his view that the paper was 'on the right track' and that 'we want to be in a place where we can do live sheep exports (for breeding) within the region – so we'll commit some funding to make it possible: because we want to keep your investment in NZ'. This approach should test whether Al Khalaf does want to stay or 'pack up his bags' – and that he saw the NZ link/brand being important in Al Khalaf's planning. HM concurred and commented that Al Khalaf seemed well disposed towards NZ and officials were hopeful he'd be prepared to consider our proposal.

5 The Minister said we should proceed on the basis that he would want to talk with Al Khalaf – in Wellington. If we invest cash into this, due process would need to be followed – e.g. Cabinet sign off. We may also be able to exert some effort to get others (companies / countries) into this trade once it starts. The Minister said he would make time available for a meeting with Mr Al Khalaf, and recommended that he see Minister Groser and possibly the PM (if a solution has been identified) too. MAF were concerned that we were creating a 'back door' for live sheep exports for slaughter – we have to be clear this is not the case. Any Al Khalaf work would be part of 'a wider context'.

6 HM observed that current trade through Djibouti to the Gulf region was huge and it was not unlikely Al Khalaf would already have linkages between Ethiopia and Saudi Arabia.

Out of scope

7

s6(a)

8 The meeting ended with the Minister tasking MEA/TND to take the ideas in the paper forwarded and arrange meetings with Al Khalaf and Assaf.

ENDS



MINISTRY OF  
FOREIGN AFFAIRS & TRADE  
MANATŪ AORERE

13 February 2012

► Minister of Foreign Affairs

for action by 18 February 2012

### Live Sheep Issue – Visit of Al Khalaf

Submission Issues

Purpose To brief you on upcoming visit of Hmood Al Ali Al Khalaf from 20–22 February and seek your agreement on arrangements for meetings.

Comments -

### Recommended referrals

Minister of Trade

for information by 18 February 2012

Minister of Agriculture

for information by 18 February 2012

Prime Minister

for information by 18 February 2012

### Contact details

NAME	ROLE	DIVISION	WORK PHONE	MOBILE PHONE
Hamish MacMaster	Director	MEA		59(2)(c)
Wade Armstrong	Principal Advisor	Trade Policy		

Minister's Office comments

Signed / Referred

Date: \_\_\_\_ / \_\_\_\_ / \_\_\_\_

## Key points

- 1 Saudi Arabian sheep investor Hmood Al-Ali Al Khalaf is intending to visit New Zealand 20-22 February.
- 2 This seems to us to be a timely opportunity to explore issues around live sheep for slaughter exports, including proposals for establishing potential third country breeding colonies with Mr Al Khalaf.
- 3 Further advice about the costs and commercial viability of such proposals will be needed prior to any potential meeting.

## Recommendations

It is recommended that you:

- |   |  |          |
|---|--|----------|
| 1 | Note the visit of Mr Al Khalaf.  | Yes / No |
| 2 | Agree that a meeting be arranged for the Saudi visitor,<br>I <b>s9(2)(g)(i)</b> , to explore solutions to the export<br>of live sheep for slaughter issue, <b>s9(2)(j)</b> |          |
| 3 | Agree that officials will discuss with you prior to this visit proposals<br>that could be put to Al Khalaf.  | Yes / No |

Hamish MacMaster  
for Secretary of Foreign Affairs and Trade

## Report

We have it on good authority that the principal Saudi Arabian sheep investor, Hmood Al Ali Al Khalaf, is intending to visit New Zealand 20 - 22 February. His business colleague, CEO of Al Khalaf Group of Companies (Australia), George Assaf, is also planning on visiting New Zealand at this time. Their visit to New Zealand, if confirmed, offers an excellent opportunity to explore with them - at the highest level - ways of alleviating Al Khalaf's commercial concerns over the cessation of live sheep exports for slaughter and the transferring of our livestock breeding expertise offshore.

2 It appears that Mr Graeme Leversha has been in regular contact with Mr Assaf so presumably Al Khalaf has been briefed though Assaf on the offshore livestock breeding proposal, with production units possibly situated in Africa. We do not know to what degree of detail or on what terms this proposal has been put to Al Khalaf. If it has been raised we can assume that it would lead to Mr Al Khalaf questioning as to how his interests are going to be taken into account; this may explain the timing of his visit.

3 Mr Al Khalaf has extensive experience in the livestock trade and shipping, and the proposal to export breeding stock (and subsequently genetic material) to a satellite farming operation, say in Ethiopia (a country which is already a significant supplier to Gulf consumers) is an option on which his views may be of value. The stance adopted to it by the existing investors in New Zealand, notably Mr Al Khalaf, would likely be a key element in the Saudi response to the scheme.

s 9(2)(b)(i)

4 We are unaware of whether Al Khalaf ships ply the route between Djibouti and the Gulf. The Saudi investor may be attracted to the proposal were the ongoing availability of breeding stock to the project be assured. In the longer term, the profitability of the project would likely be enhanced were genetic material gradually to replace the stock. That would assist with any animal welfare concerns, which may exist over the extended transport envisaged by the scheme.

5

s 9(2)(b)(i)

In short, Al Khalaf will want to secure a clear idea as to who will set this arrangement up, what the risks are and who will underwrite them.

6 Attached is a 2010 cable from our Embassy in Riyadh that gives a sense of Al Khalaf's longstanding friendship with New Zealand and his honourable approach to doing business with us.

s 6(a)

s 9(2)(g)(i)



MacMASTER, Hamish (MEA)

From: MacMASTER, Hamish (MEA)  
Sent: Tuesday, 17 January 2012 4:43 p.m.  
To: ARMSTRONG, Wade (PATP)  
Cc: KELLY, Clare (TND)  
Subject: Export of Live Animals

Hi Wade / Clare,

Thanks for all your help. Attached for your consideration are some suggested talking points

Will be in touch tomorrow morning - 8.30 ? The meeting with the Minister is at 10 am

Regards

Hamish

C GCC Countries

s6(a)

- We are actively considering ways of transferring our livestock breeding expertise offshore.
- One possible avenue we are exploring is the possibility of satellite sheep farms in third countries near to end markets but with suitable transport networks and climatic and environmental conditions.
- These farms would be established with government assistance and entail the export of breeding stock to these farms.
- Such a solution would feed into a possible food security arrangement with GCC countries and would be of benefit to all GCC countries.
- We have an open mind as to where we intend to establish these farms. s6(a) is one possibility with the right geography and proximity to market and I intend to investigate this possibility on my forthcoming visit there.

C s6(a)

out of scope

s6(a)

MacMASTER, Hamish (MEA)

From: KELLY, Clare (TND)  
Sent: Tuesday, 17 January 2012 1:07 p.m.  
To: s9(2)(a) (TND); MacMASTER, Hamish (MEA)  
Cc: s9(2)(a) (LGL/TLU); ARMSTRONG, Wade (PATP); s9(2)(a)  
BAILEY, Jan (TND); FYFE, Nigel (TND)  
Subject: FW: FTA Investment Chapter - GCC  
Attachments: Leversha FN.doc

[RESTRICTED]

Thanks s9(2)(a) for the useful note. Hamish - FYI.

From: s9(2)(a) (TND) s9(2)(a)  
Sent: Tuesday, 17 January 2012 12:52 p.m.  
To: s9(2)(a) ARMSTRONG, Wade (PATP); KELLY, Clare (TND) s9(2)(a)  
s9(2)(a); FYFE, Nigel (TND)  
Cc: s9(2)(a)  
Subject: RE: FTA Investment Chapter - GCC

[RESTRICTED]

Hi s9(2)(a) and others

FYI, I contacted Mr Leversha on Friday to discuss his specific queries on investment. I've dealt with him in the GCC FTA process, during his tenure with the Middle East Business Council

out of scope

Mr Leversha was far more interested in the issue of live sheep. For obvious reasons, this is not something I engaged substantively on,

s9(2)(g)(i) See rough file not

attached.

s9(2)(a)

The remainder of this document is  
out of scope

17 January 2012

NOTE FOR FILE

DISCUSSION WITH GRAEME LEVERSHA, LARIUM ASSET MANAGEMENT

We were contacted via email by Graeme Leversha of Larium Asset Management regarding the status of the GCC-NZ FTA and in particular the outcome on investment (see Annex for text of email). At the request of Warren Fraser Deputy Director (TLN), I contacted Mr Leversha to discuss his queries given my responsibilities for GCC investment issues. I have prepared this note to highlight the specific remarks he has made with regarding the current bilateral issue over "live sheep" between New Zealand and Saudi Arabia.

[I had several discussions with Mr Leversha during the GCC FTA negotiations in 2009, in his then capacity as Director of the New Zealand Middle East Business Council and as director of Larium Asset Management (where he was working to establish a GCC based private equity fund to invest in NZ agriculture).]

At the outset, Mr Leversha stated that he was acutely aware of the current "live sheep" issue Saudi Arabia <sup>s9(2)(j)</sup> and noted that he and former National Party President Michelle Boag had been working with Minister McCully to resolve it, and that a solution was imminent

<sup>s9(2)(j)</sup> He explained that Larium Asset Management was working towards a range of commercial agreements that he had hoped could be signed in parallel with the GCC-NZ FTA. Mr Leversha did not provide any specific details on the commercial "work around" that would unlock the process (nor did I seek it). I did query however if he had been in contact with officials on any process, and he indicated that he had some discussions with Rod Harris and Malcolm Milne but was largely bypassing officials and engaging primarily with the Minister. It also appears from his remarks that he is raising expectations in the industry and with Saudi investors that this issue is one that can and will be easily resolved.

While I did not engage substantively on this issue (reiterating my brief and seeking to deflect the discussions to any investment specific questions he may have), I noted our obvious desire in getting the deal across the line, but noted

that there were complex and sensitive domestic and political issues that would need to be worked through (seeking to dampen expectations).

out of scope

s 9(2)(a)  
TND

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s9(2)(a)

**From:** RIYADH  
**Sent:** Wednesday, 16 November 2011 3:27 a.m.  
**To:** MEA  
**Cc:**

**Subject:** FORMAL MESSAGE: QATAR ACCREDITATION VISIT 30 OCTOBER - 3 NOVEMBER  
PART III: BILATERAL RELATIONSHIP & INVESTMENT OPPORTUNITIES

[SEEMAIL] [RESTRICTED]

s9(2)(a)

CAVEAT:		OUR FILE:	QAT/NZ/2/3
HANDLING INSTRUCTIONS:	<b>Singapore:</b> <b>MED:</b> <b>NZTE:</b>  <b>MAF:</b>  <b>London:</b>	YOUR FILE:	

### Summary

Accreditation visit to Doha indicates potential of bilateral relationship not only in food security,

out of scope

We receive a blunt message that the perception of NZ as a reliable investment partner with an investor-friendly regulatory environment has been tarnished by our live animal export restrictions and the damage done to the Saudi investor concerned.

s6(a)

Out of scope

### Action

out of scope

### Report

Pages 2 to 5 are withheld under s6(a), s9(2)(ba) and out of scope

Brownrigg Agriculture Group Ltd  
PO Box 1142  
First Floor, Farming House, 211 Market St South,  
Hastings, New Zealand  
Telephone: (06) 878 7189  
Facsimile: (06) 878 1534

**BROWNRIGG  
AGRICULTURE**  
www.brownrigg.co.nz

2 November 2011

Hon. Murray McCully MP  
Minister of Foreign Affairs  
E: m.mccully@ministers.govt.nz

Dear Minister McCully

I write to you on behalf of Hmood Alali Alkhalaf and George Assaf of Awassi New Zealand Ltd.

Firstly, Hmood and George extend congratulations on New Zealand winning the Rugby World Cup.

Thank you for meeting George Assaf and myself in Auckland on 18 October 2011 to discuss trade between New Zealand and the Middle East and, in particular, the resumption of a specialized live export sheep trade with the Kingdom of Saudi Arabia.

As outlined at the meeting, Hmood Alali Alkhalaf has been working patiently with the New Zealand Government for the last seven years towards resumption of the sheep trade. He is now deeply concerned that, despite repeated Government assurances that progress towards resumption of the trade was continuing, this has now stalled. He feels that if this is the case then he would have no option but to seek commercial redress, as indeed has been suggested by your Government as a last resort option for him.

In the course of our discussions with Government Ministers and Government officials we have agreed to significant amendments to live export trade protocols to ensure that the trade reaches the very high animal welfare standards that New Zealand requires eg:

- No live export of cattle to the Middle East for slaughter.
- No live export of young, ie under 8-months of age, New Zealand breed lambs.
- Live export trade to be limited to the Awassi breed and older New Zealand breed sheep.
- Use of only the more modern, spacious, animal and environmentally friendly, live export carriers.

We understand from you that the New Zealand Government is formulating a package of initiatives around trade with the Middle East that addresses the Gulf regions interest in food security and New Zealand agricultural IP, along with the more traditional exports.

Thank you for your undertaking to look seriously at resolving the live export trade impasse as part of a wider Gulf trade solution.

**MacMASTER, Hamish (MEA)**

**From:** ARMSTRONG, Wade (PATP)  
**Sent:** Thursday, 13 October 2011 2:21 p.m.  
**To:** MacMASTER, Hamish (MEA)  
**Subject:** FW: Saudi Arabia: Live Sheep: feedback from John's mtg with MFA

[SEEMAIL] [RESTRICTED]

Hamish

I understand Clare cd not find you earlier. I just wanted to let you know that

we have prepared some draft talking points that his office could put to him before he sees **Leversha** next week (as Paula reports). That may be subject to confirmation since email says he is seeing **Assaf and Brownrigg**.

In either event the question is basically the same, whether it is put to **Leversha** or to Al Khalafs agents, namely - would your principal, Al Khalaf, be interested in a proposal to take his Awassi flock to a third country? - as part of a wider move between NZ and Saudi Arabia to finalise a bilateral Ag Coopn Arrangement which could have far-reaching mutual benefits (?) in ag science and innovation. I am not here next week, nor is Richard. So Clare will have the joy with you of liaising on this, and Crawford is across the issue.

**From:** (Inet) s9(2)(g)(i) - Private Secretary to Hon Tim Groser  
**Sent:** Thursday, 13 October 2011 10:53 a.m. s9(2)(a)  
**To:** MacMASTER, Hamish (MEA)  
**Cc:** ARMSTRONG, Wade (PATP); KELLY, Clare (TND); ARMSTRONG, Wade (PATP); WALKER, David (DS AMAG); FALCONER, Crawford (DS TEG); (Inet) s9(2)(g)(i) - Private Secretary to Hon Tim Groser  
**Subject:** RE: Saudi Arabia: Live Sheep: feedback from John's mtg with MFA

Thanks s9(2)(a) that accords with the conversation I had with MFA immediately prior to your meeting, which triggered me to get John A to raise it directly. Re the meeting with the investor- George Assaf through David Brownrigg of Brownrigg Agriculture, Hastings- the meeting is not yet scheduled but MFA is looking to have it next Tuesday if scheduling permits.

I mentioned that the information gap might be what was impeding officials' ability to provide useful inputs- i.e. if MFA thought the paper was not as helpful as he had been hoping it would be, could we get the officials in to see him so they could get to grips with where he was at in his thinking- which after this morning, I think is several steps ahead. He wasn't keen on a meeting but we might be able to get one after he has met with Assaf.

I also suggested that perhaps an official could be present in his meeting with Assaf and Brownrigg next week- s9(2)(g)(i) I will ask for a read-out- which might be direct to John or, ideally, via a meeting with relevant officials.

Re the sub- I took the paper down to Groser's office yesterday with suggestion that it be for concurrence not only information- happy to sort that out at this end with s9(2)(a) but future papers = joint.

Anyway- will feed in info as it comes to hand- and if others could do the same that would be useful.

Thanks,

s9(2)(c)

**From:**  
**Sent:** Thursday, 13 October 2011 10:11 am

s9(2)(a)



**To:** MacMASTER, Hamish (MEA)

**Cc:** ARMSTRONG, Wade (PATP); KELLY, Clare (TND); ARMSTRONG, Wade (PATP); WALKER, David (DS AMAC); FALCONER, Crawford (DS TEG); I *59(2)(a) PSec Groser*; *59(2)(a) PSec McCully*

**Subject:** Saudi Arabia: Live Sheep: feedback from John's mtg with MFA

[SEEMAIL] [RESTRICTED]

[RESTRICTED]

Hi Hamish,

The Minister had seen your sub this morning, and he had a discussion with John about it this morning.

Apparently Graeme Leversha rang John Allen last week (I didn't know that until this morning): GL said he was aware John Allen was no longer intending to meet the investor. GL's view was that the investors were perturbed by that. John clarified: Mai Chen had approached John suggesting the mtg; John said he would reflect; he had consulted Ministers and it was agreed the issue needed to be addressed at the political level in the first instance. John thought Mai Chen had conveyed that to the investor, but perhaps given GL's reaction she had not.

Mr McCully intends to meet Graeme Leversha next week (I don't know where or when - but *59(2)(a)* do you think it might be possible to find out? it would obviously be helpful to have someone in the room or get feedback somehow). The Minister said it would be important to distinguish between the political architecture of any solution (ie his food security agreement concept) and any commercial deals that were developed under it. He did not find MFAT's paper helpful in that respect. He thought the idea still needed to be pursued, as a result of which the investor would either say to his Minister "there's a (commercial) way through this on the table for me, so please look positively at any (political) proposal that comes your way": or he would say "this does not take us forward". We would not find out until the ideas were tested, and we had to make the investor want this as a solution.

Next steps, then (in the Minister's mind) is us continuing to work up the food security idea, and him talking to Graeme Leversha. It is not clear to me whether he intends to involve Mr Groser in that conversation, nor how we'll get feedback (John is unlikely to see the Minister again until after the RWC final).

One last thing- in retrospect, I think also the paper should probably have gone to both Ministers directly, rather than MoT being 2nd on the list.

*59(2)(a)*

**From:** MacMASTER, Hamish (MEA)

**Sent:** Friday, 7 October 2011 4:42 p.m.

**To:** WALKER, David (DS AMAC); FALCONER, Crawford (DS TEG)

**Cc:** ARMSTRONG, Wade (PATP); KELLY, Clare (TND); ARMSTRONG, Wade (PATP); CRAWLEY, Anthe (MEA); *59(2)(a)* ALLEN, John (CEO)

**Subject:** Saudi Arabia: Live Sheep submission

[RESTRICTED]

Hi David / Crawford,

The attached draft submission has been prepared in response to the Minister's desire to engage with the Saudis on food security, including the proposal (Leversha) to export sheep to a third country for breeding purposes. It follows consultation between MEA and TND and we are in agreement on the text. Given the sensitivity of the issue and the necessity of securing MFA / MoT agreement in the first instance, we have deliberately limited referral to just those two Ministers. Unless we hear to the contrary, MEA plans to forward the submission Monday afternoon.

Regards

Hamish.

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WLN-62638971

7/10/11



MINISTRY OF  
**FOREIGN AFFAIRS & TRADE**  
MANATŪ AORERE

12 October 2011

SAU/12/1

Minister of Foreign Affairs

For action by 21 October 2011

**SAUDI ARABIA: FOOD SECURITY: A POSSIBLE APPROACH**

**Submission:** Issues

**Purpose:** To consider options for possible ways forward on the live sheep issue with Saudi Arabia, including the proposal for a food security agreement.

**Comments:**

**Recommended Referrals**

Minister of Trade

For information by 21 October 2011

**Contacts**

Hamish MacMaster Director, Middle East and Africa  
Division  
Principal Trade Policy Adviser

(wk)

(wk)

s 9(2)(a)

**Minister's Office Comments**

Signed / Referred

Date: \_\_\_/\_\_\_/\_\_\_

## Saudi Arabia: Food Security: A Possible Approach

### Key Points

### Recommendations

It is recommended that you:

- 1 Note that the proposal for a food security agreement with Saudi Arabia is unlikely to address the range of Saudi concerns affecting bilateral relations, arising principally from the live sheep issue, but nonetheless warrants cautious exploration. Yes / No

- 2 Yes / No

- 3 Yes / No

- 4 Agree that the main elements of any such alternative, for initial consultation and Saudi stakeholder response, would include (a) a long-term partnership on food issues, comprising joint policy, RST and investment cooperation aimed at supporting Saudi food security objectives; (b) raising Saudi awareness in MAF's recently-developed halal export Notice as evidence of New Zealand's commitment to providing a reliable supply of halal product; Yes / No

- 5 Note however that the suggestion of facilitating live sheep shipments of breeding stock to Saudi Arabia or to third countries is likely to raise a number of practical, including zoosanitary difficulties and may draw adverse comment. Yes / No

- 6 Agree that as a first step, the Riyadh Embassy approach the concerned investor in Saudi Arabia to obtain his initial response, after which you would decide on next steps. This might include a subsequent approach to the Saudi Ministry of Agriculture (ideally at Ministerial level). Yes / No

## Saudi Arabia: Food Security: A Possible Approach

- 7      Note that if this approach bears fruit, NZ should commence planning for a visit by a suitably senior Government Minister to Saudi Arabia early in 2012 to convey personally a concrete food security partnership proposal, to set down a pathway for proposed food security and agricultural cooperation, and to discuss how this might be sequenced with progress towards conclusion (signature and ratification) of the FTA.      Yes / No

Hamish MacMaster  
for Secretary of Foreign Affairs and Trade

## Saudi Arabia: Food Security: A Possible Approach

### Summary

This submission examines the proposal for a food security agreement with Saudi Arabia as a potential means addressing the issue of live sheep exports currently impacting on bilateral relations and hence more widely with GCC members.

2 A particular element of this proposal is the recent suggestion from a New Zealand investor that the domestic Awassi flock be moved offshore as a possible step towards a resolution of the issue. While an offer to conclude a cooperative arrangement on food security including this specific element may assist in fostering some political goodwill, [ s 9(2)(j) ]

[ s 6(a) ]

3 This submission outlines these issues and considerations which may impact on the situation in the period ahead, for example the as yet unpublished Australian Farmer report into livestock exports. This is expected to recommend revised requirements for sheep exports to Saudi Arabia comparable to those which New Zealand had proposed prior to the cessation of negotiations on shipment conditions with Saudi Arabia.

### Report

4 The Saudis have made it clear that a failure to resolve the bilateral live sheep issue to their satisfaction will [ s 9(2)(j) ]

but will impact negatively on the overall bilateral relationship. Contagion from this issue could also negatively affect our relationship with other Gulf States. To prevent this damage [ s 9(2)(j) ] the onus is on New Zealand to address this issue. You have requested that in an effort to move matters forward, officials give thought to some form of food security partnership with the Kingdom as an alternative to resumption of sheep exports.

More broadly, Saudi Arabia – in common with all other Gulf States - has deep concerns over securing its food supply longer term and is especially sensitive to export prohibitions imposed by other countries.

## Saudi Arabia: Food Security: A Possible Approach

A recent conversation with a senior GCC official indicated that the GCC has identified food security as one of nine key challenges which the GCC must address. Any solution to the current problem will have to address these various concerns and perceptions.

8 It is clear that the concerned investor – Hmood Al-Khalaf – has substantive and diversified business interests in New Zealand, Australia and other locations.

He needs to become a part of any solution. To date, there has been no direct discussion between officials and Al-Khalaf on whether there is in fact any alternative that may alleviate his commercial concerns

**A resumption of the trade?**

## Saudi Arabia: Food Security: A Possible Approach

S6(a)

11 Saudi Arabia, while keen to see New Zealand return to the trade, has taken steps to diversify its importation of live-sheep exports. Australia has continued to export, but its share has diminished due to price. Saudi importers are now sourcing sheep from a wide range of places, meet an ever-growing demand.

S9(2)(g)(i)

Something less than a resumption of full trade?

S6(a)

14 An alternative such as a Food Security Initiative (outlined below) is most likely to receive a hearing if it is put forward as an option on which we are genuinely consulting, as part of a broader exploration of all the possibilities, including resumption of the trade. [

S6(a)

]



## **Saudi Arabia: Food Security: A Possible Approach**

### **Possible content of a Food Security Initiative**

15 What might a Food Security Initiative look like and how should the idea be taken forward?

16 MAF and other sectoral expertise would be needed in shaping a Food Security Initiative and costing its implementation, but in broad terms we suggest it might have four main elements: (a) the brokering of agricultural investment partnerships (New Zealand expertise, Saudi finance) in and outside of Saudi Arabia in areas of core interest to them, including livestock breeding. This could include a solid commitment of New Zealand public sector IP and technology transfer; (b) agricultural policy cooperation with a well resourced mechanism to ensure it actually happens; (c) agricultural/biotech RST cooperation and joint research; and, possibly, (d) facilitation of export of livestock for breeding and assistance to the Saudi investors with setting up an enhanced breeding programme.

17 Regarding the New Zealand private sector interest in (d), it may be that the export for breeding of the Awassi stock in New Zealand to a third country location (where we understand Al-Khalaf has operations) could be a part of the broader food security/agricultural cooperation solution. However to do so might require an exemption from current export restrictions, depending on the intermediate country. There would be no guarantees that a third country location could be found offering the same animal health status as New Zealand

56 (a)

Further, it is by no means certain that this would allay domestic concerns around the welfare of exported stock, as New Zealand would lose its means to control the conditions under which such stock were transported and eventually slaughtered.

out of scope

[ 56(a)

19 A successful Food Security Initiative could have benefits for the New Zealand agricultural and science sectors and the broader New Zealand economy. Indeed, conversations have begun with the GCC around a joint New Zealand-GCC programme in this area (which could be supplemented by specific bilateral programmes). We might well be able to indicate this initiative

## Saudi Arabia: Food Security: A Possible Approach

could in time yield more sheep (and other agricultural benefits) than simply resuming the trade. It could, for example, extend to dairy cooperation and breeding. However, it would have to be demonstrably realistic, i.e. able to yield plausible outcomes and have a strong commitment of technical and financial support from the New Zealand Government. How this could fit in with MAF resources and priorities has yet to be examined.

### *Process*

20 The history of negotiation on the export of sheep for slaughter is one of less than optimal management by different parts of the New Zealand Government and Saudi concerns have been exacerbated by perceptions of prevarication and mixed messages. This has damaged credibility and left us facing a significant trust deficit with the world's leading Islamic nation. It is clear that moving forward the Government must speak with one voice and act decisively and quickly. Any proposals or messages need to be presented by senior Ministers to demonstrate to Saudi Arabia the political commitment of the New Zealand Government to the process.

21 We suggest, therefore, the need for a graduated and well thought-through approach to putting up an alternative for consideration. As a first step, it may be fruitful to 'test the water' with the concerned Saudi investor, although to do so would doubtless require quite a specific description of what was intended. Al Khalaf's response would shape the next steps. This might include a subsequent approach to the Saudi Ministry of Agriculture (ideally at Ministerial level) to sound out their views – so long as we are confident we have sufficient whole of Government to resource and carry it forward. This might be followed, all going well, by a scoping visit by the Special Agricultural Trade Envoy to develop an in-depth understanding. We suggest this sequence because any visit will require Saudi MAF cooperation.

22 If this process leads to an in-principle agreement to a Food Security Initiative, it may be appropriate for a senior Minister to then travel to Saudi Arabia to put a formal detailed proposal on the table. Balghunaim can be convinced to lead a delegation to JMC talks due in New Zealand next year, it could assist such a process.

59(2)(j)

59(2)(j)



3 March 2011

SAU/NZ/1

Minister of Foreign Affairs

For action by 7 March 2011

### VISIT TO SAUDI ARABIA - LIVE SHEEP TRADE

**Submission:** Issues

**Purpose:** To provide you with a suggested line on the live sheep issue which is the purpose of your proposed visit to Saudi Arabia 19-20 March. Full briefing will be provided on this issue and the bilateral relationship.

**Comments:** No media comment is required.

### Recommended Referrals

Prime Minister

For concurrence by 7 March 2011

Deputy Prime Minister

For concurrence by 7 March 2011

Minister of Trade

For concurrence by 7 March 2011

Minister of Agriculture

For concurrence by 7 March 2011

### Contacts

Hamish MacMaster Director, Middle East and Africa Division

s9(2)(a) (wk) s9(2)(c) (hm) >

~~Wade Allison~~ Principal Trade Policy Adviser

s9(2)(c) (wk)

### Minister's Office Comments

Signed / Referred

Date: \_\_/\_\_/\_\_

## Visit to Saudi Arabia - Live Sheep Trade

### Key Points

You are scheduled to visit Saudi Arabia 19-20 March to explain the New Zealand position on live sheep exports.

<sup>s6(a) + s9(2)(j)</sup>  
This issue has the potential to impact negatively on our bilateral relationship with Saudi Arabia, New Zealand's largest market in the Middle East. The key issues are:

- Saudi Arabia is seeking a resumption of the live sheep for slaughter trade to serve the Haj pilgrimage. New Zealand shipments were discontinued in 2003 following publicity over the large number of deaths on a consignment from Australia.

- <sup>s6(a) + s9(2)(ba)</sup>  
<sup>s6(a), s9(2)(j), s9(2)(ba)</sup>  
The live sheep trade is an extremely sensitive domestic issue in New Zealand, mainly for animal welfare reasons. It is one of the leading subjects of letters to Agriculture Minister Carter. In 2003 MAF opened negotiation on an arrangement covering the trade in live sheep as the basis of resuming the trade, but progress has been stalled in part due to the introduction of new requirements which have led to a Saudi sense of having been misled.

<sup>s9(2)(g)(i)</sup>  
The live sheep issue continues to be regularly raised with the New Zealand Embassy in Riyadh by the Saudi Government.

<sup>s6(a) + s9(2)(j)</sup> not to respond soon runs the risk of giving personal insult to senior Saudi figures as well as impact negatively on other areas of the bilateral relationship, <sup>s6(a)</sup>

Accordingly, a visit to Saudi Arabia by you would demonstrate to the Saudis a commitment on the part of the New Zealand government to (1) address their concerns on this issue at the highest political level. (2) explain the political realities in New Zealand with respect to the live export situation (3)

<sup>s6(a)</sup>

## Visit to Saudi Arabia - Live Sheep Trade

s6(a)

• s6(a), s9(2)(g)(i)

- The Saudi investors in New Zealand are well connected in Saudi Arabia and have over the years assisted in developing bilateral relations.

s6(a), s9(2)(g)(i)

### Recommendations

It is recommended that you:

- 1 **Note** the urgent need to engage at the highest political level with Saudi Arabia on the issue of live sheep exports. Yes / No

- 2 **Agree** to visit Saudi Arabia to convey the government's decision not to resume the trade. Yes / No

s6(a), s9(2)(g)(i)

s6(a)  
s9(2)(g)(i)

- 3 Yes / No

s6(a), s9(2)(g)(i)

s6(a)  
s9(2)(g)(i)

- 4 **Note** the following suggested talking points for the proposed discussion in Riyadh. Yes / No

Hamish MacMaster  
Director, Middle East and Africa Division

Annex A

Draft Talking Points

As a major agricultural trader we have a strong interest in meeting the import needs of countries around the world.

We also enjoy a strong positive relationship with the Gulf countries. In particular our relations with Saudi Arabia extend over a range of fields and we have shown that we can work together successfully across different areas. We regard the bilateral relationship with Saudi Arabia as one of our most important in the Middle East region. New Zealand has been working steadily towards developing our engagement with the Kingdom and the other states of the Gulf Cooperation Council (GCC) for some time. The growth in Saudi students in New Zealand combined with the opening of the Saudi Arabian Consulate-General in Auckland in early 2010 are recent significant steps forward in our relationship.

However there is one aspect of our relations that is proving challenging to address and very frustrating for my Government. That is the issue of the export of live sheep for slaughter – we need to talk in depth about this.

We are fully aware of the history of this trade and very sensitive to the long involvement in the trade of investors whom we know are good friends of New Zealand, who have dealt over the years with many New Zealand Ministers. We are concerned for them.

After the issue arose, my Government revisited the history of our dealings – both on the trade and specifically, the draft Arrangement.

We have since discussed the issue among Ministers. What I will say to you reflects those high level discussions.

I anticipate that what I have to say will not be to your liking. Our government has reached the conclusion that, while we fully appreciate the importance of the trade, the political atmosphere in New Zealand is such that **no New Zealand government could consider readily the restoration of the trade**. You will be aware from the long discussion of the Arrangement – 2004-2009 that there have been underlying political concerns – I am now being frank in explaining this to you.

s6(a), s9(2)(g)(i)

s6(a), s9(2)(g)

I emphasise that the decision is simply a reflection of the attitudes and political realities in New Zealand.

s6(a), s9(2)(g)(i)

We wish to be open with you. I am open to fuller dialogue if you wish to seek more information.

I will now be talking to your investors on behalf of the New Zealand Government. We have an obligation to be equally open with them so I will tell them what I have told you.

s6(a), s9(2)(g)(i)  
discussion on the options they might prefer. They are welcome and respected members of the New Zealand farming community. They have many friends in New Zealand. We would hope that their Awassi stock will continue to be part of our processed meat industry. We recognise the time and cost of their investment

s6(a), s9(2)(g)(i)

<sup>1</sup> There was only one NZ shipment of sheep for slaughter per annum for the years 2000 – 2003, although the export trade reached a peak in 1990 with 1.5 million sheep exported.

Questions and Answers

Q. What exactly do people object to?

b6(a)  
b7(c)(1)(2)

Remainder of document  
(page 3-4) withheld under  
sections b6(a), b7(c)(1)(2).

RELEASED UNDER THE  
OFFICIAL INFORMATION ACT



From: s9(2)(a)  
Sent: Thursday, 1 September 2011 3:08 p.m.  
To: s9(2)(a)  
Cc:  
Subject: FW: GCC FTA - Moving Forward  
Attachments: 2622841-v1-Draft\_letter\_-\_JA\_to\_Leversha\_re\_LS48.doc

[IN CONFIDENCE]

Hi

Attached is MEATND's considered response for John to Mr Leversha's email below.

Happy to discuss,

From: Laurium House  
Sent: Monday, 22 August 2011 1:18 p.m.  
To: ALLEN, John (CEO)

Subject: GCC FTA - Moving Forward

Commercial and in Confidence

Dear John Allen

We have been working hard behind the scenes to find a solution

The following offers a workable and commercial solution to the live sheep export problem enabling the Saudi's and NZ to complete the FTA

The solution involves:

1. Exporting live sheep for breeding purpose to satellite farms based in Malaysia and Sudan.
2. That flock is used as breeding stock and its offspring is exported to the GCC as live exports.
3. NZ export the initial base flock, then on an annual basis, export to top up breeding stock on satellite farms
4. Agricultural Estates Limited would manage the whole process (Ag Estates is a sister company of Laurium Asset Management)
5. Breeding technology, tracking, artificial insemination, nutrition .... can be managed by NZ experts through Agricultural Estates.
6. Agricultural Estates will enter into JV agreement with Awassi Land Holdings Corp. (The Saudi company who purchased farms in NZ for live sheep exports).
7. Directors of Agricultural Estates have a close working relationship with the project manager of the Awassi Land Holdings sheep programme.
8. Base stock will come from contract farmers in the Hawkes Bay and Canterbury as well as Awassi Land Holdings farms.
9. Agricultural Estates will work with overseas partners to develop the Malaysian and Sudanese farms.
  1. The programme in Malaysia will use the contacts Agricultural Estates has developed with the dairy project they are currently undertaking.
  2. The Sudanese programme will be with partners from Saudi, Qatar and Sudan. These

partners come through an Associate of Laurium Asset Management. They have big tracts of land that they are keen to develop into productive agricultural plots as a food security solution for both Africa and the Middle East.

3. There could be opportunities for satellite farms elsewhere. The Saudi's may be able to suggest some farm partners?
10. Funding options for the project can be addressed by Awassi, Ag Estates, Sudan partners, the Saudi's, Qatar, or the Fund.


I am comfortable that this offers a real solution to the GCC FTA impasse and indeed offers a good opportunity for all parties to develop their businesses based on NZ's agricultural expertise. The Saudi's get their live sheep, Awassi gets its business up and running, Agricultural Estates gets to grow its global agricultural consultancy business, Malaysia and Sudan get an increase in agricultural output (for both domestic and export purposes), NZ increases its reputation for agricultural expertise (without the live sheep exports for slaughter), Laurium Asset Management gets a seed investor(s) for its fund (refer to email below), Wellington gets credit for negotiating a FTA with the GCC, and we all get greater levels of trade and investment, with its associated benefits.

What we would like to understand is the level of interest from Wellington in embarking down this path. Bob Wilton and myself from Laurium Asset Management are willing to meet up with you and other parties to progress this matter. Further, Will Wilson a Director of Agricultural Estates could be part of the conversation as he will lead the sheep programme and could provide some in-depth technical direction.

This is a simple and elegant solution to the FTA impasse but it requires a great deal of work yet to finalise some of the detail. Laurium Asset Management and Agricultural Estates are ready to work with you on these details.

Regards

Graeme Leversha  
Laurium Asset Management



PO Box 29 345  
Newmarket, Auckland  
New Zealand  
[www.Lauriumasset.com](http://www.Lauriumasset.com)

*"A regional leader in the alternative asset class by delivering risk-controlled solutions and best-practice performance, service and support to institutional clients".*

**From:** Laurium House [mailto:laurium@clear.net.nz]

**Sent:** day, 12 August 2011 2:37 p.m.

**To:** 'ALLEN, John (CEO)'

**Cc:**

**Subject:** GCC FTA - Moving Forward

59(2)(a)

Dear John Allen

Thank-you for your time discussing the impasse we are at with the GCC FTA. The following outlines some of the key issues and some suggested courses of action:

1. The GCC FTA is currently being negotiated. There are some problems with Saudi parties around the approval of live sheep exports.
2. Laurium Asset Management (LAM) wishes to play an active part in a solution. We can contribute by providing a commercial slant to the solution.
  - a. Our proposal has two main objectives:
    - i. Complete and sign the GCC / NZ Free Trade Agreement as per substantially negotiated.
    - ii. Demonstrate a desire to enter into long-term trade and investment relationships on the basis of mutual need and benefit.

Complete and sign the GCC / NZ Free Trade Agreement as per substantially negotiated.

1. In order to complete the FTA we need to come to a solution to the live sheep export issue. There are two paths.
  - a. Agree to live sheep exports.
    - i. LAM can work with partners in Saudi and undertake a JV abattoir to give MAF comfort that animal welfare is of the highest order. We could also undertake a more broader JV to ensure the whole supply chain is at a level that is acceptable to MAF.
    - ii. The Saudis view on this is that their abattoirs all meet international standards so do not need our input.
    - iii. Whilst we would rather not do this we may need to compromise in order to come to an agreement.
  - b. Take live sheep exports off the table
    - i. This may be done by removing Awassi Land Holdings from the equation. LAM could buy out the Awassi Land Holdings Limited whom hold NZ farms in Hawkes Bay and Canterbury. These farms were bought specifically for/ and with approval, to undertake live exports. LAM would see this as a cost of securing the cornerstone investors and securing the FTA.
    - ii. Further, we can offer Awassi the option to export animals from these farms to Malaysia (for breeding purposes) and then work with them to develop a sheep rearing and exporting business from Malaysia. Malaysia - as it is a Muslim country and is a base for Agricultural Estates (sister company to Laurium Asset Management). This demonstrates a willingness to help Saudi with the live sheep trade (although in a different country)
    - iii. The Saudis view on this would be the FTA should be completely free and therefore live sheep exports should be part of it. Have we given them sufficient grounds to make a compromise?
2. There are some other issues around the relationship with Saudi and NZ which will require some attending too.
  - a. We have spoken about these and whilst we agree that they are small issues individually, in total they have contributed to a souring in the relationship between Saudi and NZ.
  - b. There will be some work required by Wgtn to smooth things over. This may involve a high level visit to Saudi providing a strong signal that we are very willing to enter into the

agreement.

- c. There is some comforting that we will need to provide their representative in Auckland.
  - d. LAM is willing to play a part in improving this relationship in any way it can.
3. I understand that we are in a situation that does not necessarily have a simple solution. All parties I have talked to, on both sides, concur there are strong benefits to concluding a FTA. We just need to find a solution to the issues listed here. It is our view that the solution includes a commercial component.

Demonstrate a desire to enter into long-term trade and investment relationships on the basis of mutual need and benefit.

4. Laurium Asset Management has recognised some cornerstone investors from Saudi, who are interested in a long-term investment in our food and agricultural sector as a food security solution. They are not keen to progress until we get resolution to the FTA impasse.
- a. LAM – Agricultural Strategies Fund represents an agricultural exposure developed within an institutional framework building on New Zealand's natural agricultural capabilities and offering a food security solution by developing long-term trade relationships based on mutual need and benefit. The result will be the formation of a consolidated New Zealand premium food group.
    - i. This fund represents a clear signal that we are interested in entering into long term trade and investment relationships.
  - b. Trading Company. A JV GCC / New Zealand Trading Company will be established. This is an integrated supply chain manager focusing on sourcing, marketing and delivery of goods and services from the GCC to New Zealand and vice versa.
    - i. The Trading Company's objective will be to help the development of trade between the two regions and it will offer sourcing and distribution opportunities to commercial enterprises in both regions.

Moving Forward.

My view is that we get a number of parties around the table and negotiate a solution with some of the commercial inputs from above. The first step would be to undertake this with the NZ parties only and then take it to Saudi. Taking no action at this stage would see a continued deterioration in our relationship with the whole ME.

These are my suggestions to help move things along. There may be many derivatives of the above that could eventuate. Laurium Asset Management offers to play a part in the talks and provide a commercial basis so we can get this FTA over the line. If we can agree we will develop NZ trade and investment with a whole new region who have food security issues that NZ can provide a solution too.

Regards

Graeme Leversha  
Laurium Asset Management

PO Box 99 345, Newmarket, Auckland

2 August 2011

LGL/BTE/FTA/GCC/LEG

DS TEG

EXPORT OF LIVE SHEEP

This page is withheld under  
s 9(2)(h), s 6(a), s 9(2)(j).

Pages 2 to 19 are withheld  
for the same reasons.

C11000066-RIY

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NZ EYES ONLY, NOT FOR CABLE EXCHANGE

Your Reference:

Our Reference: SAU/NZ/2/3

FROM: Riyadh

C11000066- 02/05/2011 11:40

RIY

a.m. RIY

TO: Wellington

Priority

CC:

MFAT: MEA, TND, UNHC, LGL, PATP,  
CEO, EUR, DS AMAG, DS TEG,  
DS MLG

AGENCIES: SEEMail:

Manual:

P/S MFA, P/S Trade, PMC [FRA]

ATTACHMENTS: 0040841.01.doc

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#### SAUDI ARABIA; VISIT OF MINISTER MCCULLY: 22-23 APRIL

##### Summary

Timely visit by Foreign Minister to Saudi Arabia emphasises the value that both countries derive from the relationship, especially around education

directly with the new GCC Secretary-General is a major plus, particularly as we seek to engage more closely with the GCC (and the OIC) around the Security Council campaign.

and Minister makes a pitch for a closer strategic dialogue. \*The visit also confirms worst fears that the live-sheep

issue is a major risk factor in the relationship with Saudi Arabia [ conclusion, ]

##### Message

##### Action

For information. MFA has seen this report.

##### Report

2 Foreign Minister McCully visited Saudi Arabia from 22-23 April 2011. This was only the second visit of a New Zealand Foreign Minister to the Kingdom within the past decade and the Minister was well received by his Saudi hosts. Minister McCully met with his

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RESTRICTED

3/06/2011

Page 1 of 10

counterpart, Prince Saud Al-Faisal, HRH Prince Salman, the Governor of Riyadh, the Minister of Agriculture, Dr Balghunaim and the new Secretary-General of the Gulf Cooperation Council (GCC). Coming on the heels of the successful visit of Minister Brownlee, Minister McCully was able to strongly reinforce the commitment of the New Zealand government to the bilateral relationship. The programme was compact but targeted at the core areas of current focus for New Zealand and organisationally the Saudis came to the party (not always the case for visits to the Kingdom).

3 Bilaterally the messaging from the Saudis was clear. New Zealand is a valued partner and friend; *out of scope* there are significant opportunities to expand relations; the live sheep issue is a problem that is preventing the both sides from fully capitalising on these opportunities and there needs to be a more frequent level of ministerial engagement to add impetus to the relationship. The Minister was also able to traverse a range of regional matters of interest to New Zealand. *out of scope*

4 The visit reconfirmed that the live sheep issue is a significant risk factor for New Zealand that threatens to degrade other aspects of the bilateral relationship. Offence has clearly been caused. *s9(2)(g)* *s 6(a)*

*out of scope*

*out of scope*

Min' ter of Agriculture HE Dr Fahd bin Abdulrahman bin Sulaiman Balghunaim

7 MFA's meeting with Minister Balghunaim (attended by the Saudi Ambassador to Australia who had returned specifically for the visit), three hours after arrival in Riyadh, started well, with a broad-ranging discussion on the food security and water management challenges facing Saudi Arabia.

8 The discussion inevitably turned to live-sheep exports, the major outstanding irritant in the bilateral relationship.

9 Minister McCully began the discussion by traversing his own understanding of the issue and how it had impacted on the bilateral relationship with Saudi Arabia and on our FTA aspirations with the GCC.

MFA suggested that both sides moved forward in an atmosphere of openness and trust. A greater level of dialogue was required. New Zealand did not yet have a proposal for Saudi Arabia on the issue, as the matter was still with senior Ministers and was likely to remain that way for the remainder of 2011. But this visit should be seen as a commitment from the current government to seek a pathway forward and rebuild trust and confidence. The outcome may not be as Saudi Arabia is seeking, but the broader relationship must be maintained.



s6(a)

11 Minister Balghunaim commented that the Saudi investor who had been consistently encouraged by the New Zealand government over a period of years, had lost a substantial amount of money over this

s6(a)

s6(a)

out of scope

The remainder of this document is withheld under 56 (a) and out of scope.

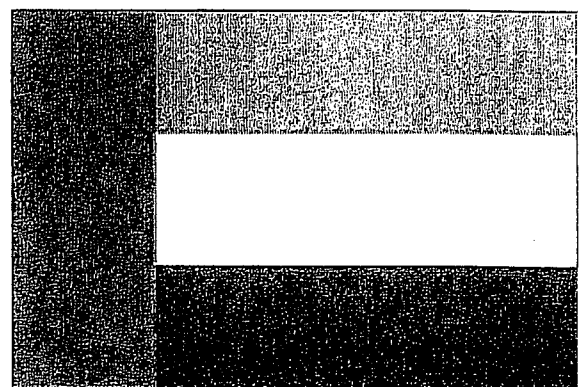
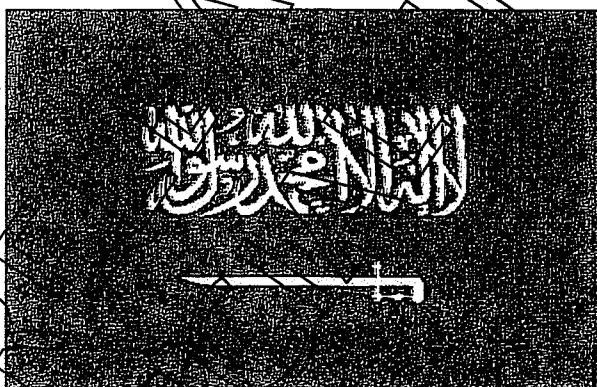
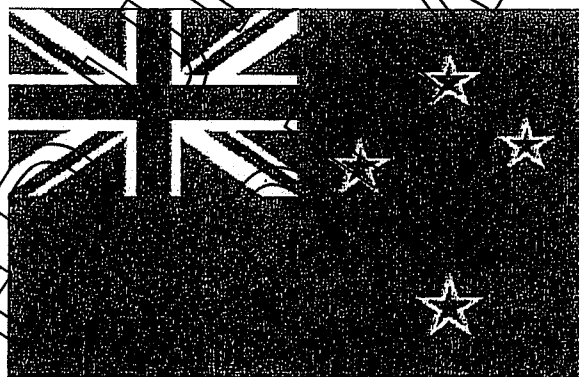
**Visit by the Honourable  
Murray McCully**

to

**Abu Dhabi, United Arab Emirates  
19 April 2011**

and

**Riyadh, Kingdom of Saudi Arabia  
23-24 April 2011**



MINISTRY OF  
**FOREIGN AFFAIRS & TRADE**  
MANATŪ AORERE

## Saudi Arabia

### Overview

Your visit to Saudi Arabia from 22-24 April is only the second by a New Zealand Foreign Minister in the past decade and the 7<sup>th</sup> Ministerial visit during the same period. Minister Brownlee was in Riyadh for two days in late February, but his visit was curtailed by the earthquake in Christchurch. Your timely visit will further reinforce in Saudi eyes the commitment of the New Zealand government to the bilateral relationship. This is important to further our ambitions here and develop a broader constituency of support for New Zealand outside of the New Zealand-Gulf Cooperation Council FTA. Saudi Arabia places great store on frequent, personal, high-level contact: something that New Zealand has not always achieved in Saudi Arabia in the past.

2 The primary aim of the visit is to address the live sheep issue which is an obstacle to the bilateral relationship

89(2)(j)

3 Your programme includes calls on key Government Ministers, including Foreign Affairs and Agriculture, to support the core objectives of the visit.

out of scope

out of scope

out of scope

Pages 27 and 28 are out of scope

### Key Objectives

The principal purpose in visiting Saudi Arabia is to engage with senior Saudi Ministers on outstanding matters related to the live sheep trade. Outside of this focus, there are additional targeted high level calls and engagements to address the broader bilateral objectives of your visit. These objectives are:

To explore possible solutions to break the impasse on live sheep;

## The Export Trade In Live Sheep For Slaughter

### Overview

1. Demand for live sheep imports by Saudi Arabia and the Middle East is generally high and primarily stems from religious and cultural preferences for freshly slaughtered meat. Despite investment in intensive breeding units, domestic production in the Middle East is limited and unable to satisfy demand. Demand for live sheep is principally met through imports from Australia, North Africa and Iran.
2. The principal method of selling live sheep in the Middle East is in the traditional market place, where animals are sold and slaughtered in full view of the client (not in a commercial slaughterhouse) without pre-slaughter stunning. However Saudi Arabia has commercial abattoirs (one at least built by a New Zealand company) and there is a regulation (Circular Note 10484) that states: "...to restrict the slaughtering only to the municipal slaughterhouses, to intensify the control on the slaughtering and to abide by implementing this order with no exception."

### New Zealand Exports

3. New Zealand's live sheep trade commenced during the 1980s, reaching its peak in the 1990s when over one million sheep were exported annually to the Middle East for slaughter. During the 1990s, lamb prices were extremely low and the live export trade offered a significant alternative market for New Zealand exporters. By 2000, the trade had dwindled to an average of one shipment per year of approximately 40,000 animals per consignment. New Zealand stopped livestock exports to Saudi Arabia following the 2003 *MV Cormo Express* incident when a consignment of sheep from Australia was rejected by Saudi Arabian officials over alleged disease concerns. The New Zealand government of the time specified that exports would not resume until an arrangement that could provide confidence in animal welfare issues was in place. Since 2004 we have been negotiating towards an arrangement with Saudi Arabia which focuses on animal welfare provisions that would apply if the export of live sheep for slaughter were to recommence.

### Customs Exports Prohibition Order

4. In 2006, Cabinet directed MAF to review the policy on the export of livestock for slaughter. This review was undertaken to give the Government greater ability to manage the risks to New Zealand's

reputation as a responsible exporter of agricultural products resulting from the export of livestock for slaughter<sup>1</sup> and to alleviate the potential for a consumer backlash against New Zealand products. Following the review, the Customs Export Prohibition (Livestock for Slaughter) Order 2007 (CEPO) was put in place to prohibit the export of livestock for slaughter from New Zealand. It was reviewed in December 2010 and extended for a further three years (2013). The CEPO applies to all exports of live cattle, sheep, deer and goats for slaughter regardless of the country of destination and the size of the shipment. The prohibition is not absolute<sup>2</sup> and individual consignments may be approved by the Director-General of MAF. There have been no applications for the export of livestock for slaughter to any country since the CEPO was put in place.

5. The Director-General of MAF outlined the matters that may be taken into account in considering any application for the approval of any consignment. These include the importing country having requirements in place that meet the World Animal Health Organisation (OIE) guidelines for the slaughter and transport of animals, pre-shipment audit of facilities, and any other matter that may be considered relevant, such as arrangements for the transport and unloading of stock (thus reducing the risks in this area). In negotiating with Saudi Arabia, New Zealand has added conditions beyond the guidelines of the World Organisation for Animal Health (OIE).

#### *Risks of trade in live sheep for slaughter*

6.

out of scope

#### *Value of agricultural trade*

7. The Middle East is a major market for the New Zealand meat industry. The GCC is our fourth largest regional market by value for sheepmeat

<sup>1</sup> A key driver for the review was the growing discomfort over the handling and slaughter methods of some other countries, which differ significantly from those practiced in New Zealand (for example, large scale slaughter without prior stunning).

after the European Union, United States and Asia. New Zealand sheepmeat exports to the GCC in 2008-09 totalled NZ\$141 million. In 2010 New Zealand's total exports to Saudi Arabia were worth NZ\$615.5 million. Frozen and chilled sheepmeat exports accounted for NZ\$110.2 million or 18% of all our exports to Saudi Arabia. (Beef was an extra \$10.1million)

8. Overall, New Zealand's agricultural exports in 2010 were valued at NZ\$23.9 billion (or 54.9% of New Zealand's global exports). Meat exports were NZ\$5.1 billion of which sheepmeat was NZ\$2.7 billion. (The total export of live animals, except horses, in 2006 prior to the CEPO was valued at NZ\$49 million, mostly the export of animals for breeding, not slaughter. While this would be larger if the sheep trade to Saudi Arabia were to resume, it is likely to remain negligible.)

9

out of scope

10.

out of scope

#### Negotiations with Saudi Arabia

11. New Zealand began negotiating with Saudi Arabia in 2004 towards an arrangement focusing on animal welfare provisions that would apply if the export of live sheep for slaughter were to recommence. Negotiations were put on hold in 2006 pending New Zealand's review of livestock export policies, resuming in January 2008.



12. Negotiations highlighted some significant areas where New Zealand and Saudi Arabia were struggling to find agreement, including:

a.

b.

c.

S6(a)

Trade Negotiations Division

March 2011

Pages 65 to 104 are out of scope

F

SAU/NZ/1/2

Talking points for Telephone Call to  
Sheik Abdullah bin Zayed Al Nahyan,  
Minister of Foreign Affairs, United Arab Emirates and  
Chair of the Gulf Cooperation Council

Live Sheep Issue

s6(a)  
s9(a)(i)

SAU, NZ/1/2

## Visit of Hon Gerry Brownlee to Saudi Arabia and Kuwait

20-27 February 2011

### Export of Live Sheep to KSA for Slaughter

#### Key points

- Saudi Arabia is seeking a resumption of the live sheep for slaughter trade to serve the Haj pilgrimage. New Zealand shipments were discontinued in 2003 following publicity over the large number of deaths on a consignment from Australia. Australia, however, continues to export significant numbers (3.5 million p.a.) of live sheep to Saudi Arabia, which Riyadh in turn feels, provides a basis for New Zealand to lift its ban.
- The live sheep trade is an extremely sensitive domestic issue in New Zealand, mainly for animal welfare reasons. It is one of the leading subjects of letters to Agriculture Minister Carter. In 2003 MAF opened negotiation on an arrangement covering the trade in live sheep as the basis of resuming the trade, but progress has been stalled in part due to the introduction of new requirements which have led to a Saudi sense of having been misled.

#### New Zealand Talking points

- I am aware of the issue but it is not in my direct area of responsibility

The government is studying the issue, which of course attracts a lot of political attention within the New Zealand context

We will be taking full account not only of our positive relationship with Saudi Arabia but of a range of factors within the domestic political environment where the issue of live sheep exports for slaughter requires the most careful consideration.

## Background

2. New Zealand's policy approach to the live sheep trade with Saudi Arabia has evolved since 1991, when animal health issues emerged. The trade reached a peak of 1.5 million animals in 1990. The initial focus was on ensuring live sheep exports would not be turned away by unreasonable Saudi veterinary requirements. In the early 2000s the idea of negotiating a bilateral Arrangement to govern the trade was raised and discussions began on a text. Trade dwindled to no more than one shipment per year (c.70,000 sheep) in 2000, 2001, 2002.

3. Two Saudi investors in New Zealand (George Assaf and Hmood Al-Khalaf) have spent significant sums developing farms to produce a specific breed of sheep (Awassi) for live export to the Middle East. They have repeatedly indicated they want a resumption of the trade. They have significant high-level access to the highest levels of the Saudi Government, and both investors are very-well informed of current Saudi positions on this issue.

56(a)  
Trade Negotiations/Middle East and Africa Divisions, Ministry of Foreign Affairs and Trade  
February 2011

C11000016-RIY

CONFIDENTIAL  
NZ EYES ONLY

FILE COPY

Your Reference:

Our Reference: SAU/NZ/1/9/2

FROM: Riyadh

C11000016-RIY 13/02/2011 04:00 p.m. RIY

TO: Wellington

CC:

Routine

Routine

S9(2)(a)

MFAT: TND, AMER, AUS, CEO, DS AMAG,  
DS APEG, DS TEG, ECO, EUR, LGL,  
MEA, PATP, SEA

AGENCIES: SEEMail:  
Manual:

S9(2)(a)

ATTACHMENTS: 0039780.01.doc; Letter from Al Khalaf 5 February 2011.pdf

LIVE SHEEP: CONVERSATIONS WITH AL-KHALAF (SAUDI INVESTOR) AND GCC  
SECRETARIAT

Summary

Saudi investor Al-Khalaf considers little in substance to have resulted from his recent visit to New Zealand, and sends a third letter, this time to the Ambassador, reiterating his concerns in familiar terms. Ministry of Agriculture official who was present for this chance conversation confirms that Minister Balgumaim continues to follow the issue closely

Which ever approach to the live sheep issue is considered best, we would encourage early ministerial engagement, ideally a visit, to address any potential misconception that NZ is not taking Saudi concerns seriously.

Pages 2 to 5 are withheld under  
S6(a)

Report

14/02/2011

NZ EYES ONLY  
CONFIDENTIAL

Page 1 of 5

Hamood Al-Khalaf Trading & Transportation Group

Date: 3 February 2011 [received in the Embassy by email and fax late on 5 February 2011]

H E the Ambassador of the New Zealand Government

We would like to advise you that Awassi Express Ship needs only a little more time to be ready for work. This ship is typical for the transport of livestock and is designed for long distance. One of the priorities of this ship is to transport what the Kingdom and the Gulf countries need from New Zealand in terms of livestock including the Awassi from our project since 1995.

We've already sent through the embassy a letter to the New Zealand Prime Minister asking him to allow us to export livestock to the Kingdom as before.

You know our losses that have resulted from stopping the export of livestock, especially the Awassi sheep that require careful treatment, the cost of which is higher than the cost of the local sheep, and which are of a type which bear the travel and hot weather.

During our last visit to New Zealand and our meeting with Honourable Minister of Trade who welcomed us in his residence for more than one hour, we did not get from the Minister a clear answer, although he assured us of his great sympathy, and the Foreign Minister's, for our legitimate case which has not been treated fairly by the New Zealand Government as he said. He does not believe at the present time that his Government would allow exporting livestock for slaughter.

It is difficult to understand how your wise Government withdrew its decision to ban the Honourable Jewish community in New Zealand from slaughtering without an electric shock, in response to purely religious needs, requirements and privacies, while it is not ready to allow us and the six Gulf States [i.e., we assume, allow export for slaughter without pre-stunning - Ed] for the same reasons.

We would like to renew our appeal to you and to your wise Government's Prime Minister to take a fair look at our legitimate case and to give us a clear and explicit answer to our previous letters because our company in New Zealand and in the Kingdom of Saudi Arabia is exposed to large losses as a result of the embargo imposed by your fair Government on the shipment of livestock for slaughter since 2003.

Thank you and we appreciate your interest for the benefit of both countries and peoples.

Hamood Al-Ali Al-Khalaf

للتجارة والنقل



As received by fax.

مجموعة حمود الخلف

س.ت. ٢٠٠٣/٠٠٢٩ - رقم العضوية ٢١٣٦

Hamood Al-Khalaf Trading & Transportation Group

C.R. 2050002779 - C. C. No. 2136

التاريخ: ٢٠١١/١٢

سعادة المكرم سفير حكومة نيوزلندا المحترم

تحية طيبة وبعد ،،

نفيد سعادتك أن الباكسة حواسي إكسبريس باقي عليها القليل وتكون جاهزة للعمل وهذه الباكسة هي نموذجية لنقل المواشي الحية وصنعت للمسافات البعيدة ومن أولويات هذه الباكسة هي نقل ما تحتاجه المملكة ودول الخليج من المواشي النيوزلندية وفيها العواسي من مشروعات القائمة منذ عام ١٩٩٥م ونحن سبق أن تقدمنا عن طريق السفارة بخطاب لرئيس وزراء نيوزلندا لنناشده السماح لنا بتصدير المواشي الحية إلى المملكة مثل السابق ولا يخفى عليكم ما لحق بنا من خسائر نتيجة إيقاف تصدير المواشي الحية وبالذات الفهم العواسي التي تحتاج إلى عناية وكلفتها أعلى من كلفة الأغنام المحلية وهي من الفصائل التي تتحمل السفر والأجواء الحارة .

أنه أثناء زيارتنا الأخيرة لنيوزلندا واجتماعنا مع معالي وزير التجارة الذي بدوره استقبلنا في منزله على مدى أكثر من ساعة ولم نحصل منه على جواب واضح ، رغم أنه أكد لنا تعلقه الكبير هو ومعالي وزير الخارجية مع قضيتنا المحقة التي لم تعامل بعقل من قبل الحكومة النيوزلندية كما قال معاليه وهو لا يعتقد في الوقت الحاضر أن حكومته ستسمح بتصدير المواشي الحية للتصدير ، إنهم من الغرب لهم كيف أن حكومتكم الحكيمة تراجعت عن قرارها بمنع الجالية اليهودية الكريمة في نيوزلندا بالنزح دون الصق الكهربائي وذلك احتراماً لحاجات ومتطلبات وخصوصيات دينية بحثة وأنها ليست مستعدة بالسماح لنا ولدول الخليج الست للأسباب ذاتها .

إننا نجد فدائنا لسعادتك ونناشد رئيس وزراء حكومتكم الحكيمة أن ينظر إلى قضيتنا المحقة نظرة عادلة ويعطينا جواباً واضحاً وصريحاً على خطاباتنا السابقة لأن شركتنا في نيوزلندا وفي المملكة العربية السعودية تتعرض لخسائر كبيرة من جراء الحظر المفروض من قبل حكومتكم الحكيمة على شحن المواشي الحية للنزح منذ عام ٢٠٠٣م .

شاكرين ومقدرين إهتمامكم في مصلحة البلدين والشعبين والله ولي التوفيق .

حمود الطي الخلف

SAU/NE/1/2

(MEA)

**From:** (PATP)  
**Sent:** Thursday, 13 January 2011 9:32 a.m.  
**To:** (TND); (TND); (LGL/TLU)  
**Cc:** (MEA); (MEA)  
**Subject:** FW: Telcon George Assaf / planned meeting with Mr Groser Thursday 13 January @ 1500

[SEEMAIL] [RESTRICTED]

FYI

I spoke to ~~SAU/NE/1/2~~ ChCh) early this morning. He had not seen this on his blackberry so I have re-sent it to him. He had spoken to last evening.

S6(a)

said that TG had approved the submission ( and possibly had talked to McCully about it) . He wondered whether the meeting with Assaf might have been set up at TG's initiative. We agreed that he would look at the email ( assuming that it now comes to his blackberry) and he will consider whether he needs to call TG and/or fwd it to him.

2. We also agreed that we shld try for a 15 minute meeting with TG next tuesday - which may be difficult since it is cabinet day and he flies out that evening.

**From:** (RIY)  
**Sent:** Thursday, 13 January 2011 3:27 a.m.  
**To:** (PATP); (MEA)  
**Cc:** (MEA); (LGL/TLU); (TND)  
**Subject:** Telcon George Assaf / planned meeting with Mr Groser Thursday 13 January @ 1500

S9(2)(a)

[SEEMAIL] [RESTRICTED]

Mr Assaf (mob ~~SAU/NE/1/2~~) called me today from his home in the Hawkes Bay to advise that he and Mr Al-Khalaf, accompanied by David Brownrigg, are meeting with Mr Groser tomorrow at his home in Auckland at 3pm, and wanting to touch base before he did so. our brief telcon refers.

S9(2)(a)

Asked whether there were any updates on live sheep, I advised simply that Mr Khalaf's letter of 4 December, in translation, had been passed back soon after this date to the PM's office and that Mr Groser would almost certainly have seen a copy. In the context of certain points made by Mr Assaf below I suggested that Mr Groser's availability to meet indicated the level of seriousness he accorded to the issue. Otherwise I did not engage. This is the second substantive conversation I've had with Mr Assaf since starting the posting.

S6(a)

S6(a)

S6(a)



s 6(a)

I would add that I've had the issue raised, sometimes quite obliquely and in every case politely, in three quite disparate contexts in the past 3 weeks: an intro call  
a dinner

and an intro call

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s 6(a)

s 6(a)

From: s9(2)(a) (RIY)  
 Sent: Thursday, 13 January 2011 3:36 a.m.  
 To: s9(2)(a) (PATP); s9(2)(a) (MEA)  
 Cc: s9(2)(a) (MEA); s9(2)(a) (LGL/TLU); s9(2)(a) (TND)  
 Subject: RE: Telcon George Assaf / planned meeting with Mr Groser Thursday 13 January @ 1500

[SEEMAIL] [RESTRICTED]

Apologies, I should have added that Mr Assaf said that Mr Brownrigg "may bring some solutions to the meeting - we've done a lot of thinking about how to move forward", which took account of the related political sensitivities.

s6(a)

From: s9(2)(a) (RIY)  
 Sent: Wednesday, 12 January 2011 5:27 p.m.  
 To: s9(2)(a) (PATP); s9(2)(a) (MEA)  
 Cc: s9(2)(a) (MEA); s9(2)(a) (LGL/TLU); s9(2)(a) (TND)  
 Subject: Telcon George Assaf / planned meeting with Mr Groser Thursday 13 January @ 1500

9(2)(a)

[SEEMAIL] [RESTRICTED]

Remainder of document  
 duplicated (2 pages)

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9/2

RESTRICTED

MINISTRY OF  
FOREIGN AFFAIRS & TRADE

195 Lambton Quay  
Private Bag 18 901  
Wellington 5045  
New Zealand

64 4 439 8000  
64 4 472 9596

16 December 2010

SAUMZ/2 and SAUMZ/4/2

Minister of Trade

For action by 24 December 2010

SAUDI ARABIA: STOCKTAKE OF THE BILATERAL RELATIONSHIP

**Submission:** Issues

**Purpose:** To provide Ministers with an update on the current challenges in the relationship with Saudi Arabia and to canvass options for progressing potential solutions to these issues.

**Comments:** No publicity is planned.

**Recommended Referrals**

Minister of Foreign Affairs

For concurrence by 24 December 2010

Prime Minister

For concurrence by 24 December 2010

Minister of Agriculture

For concurrence by 24 December 2010

**Contacts**

Hamish MacMaster Director: Middle East and Africa Division S9(2)(a) (wk)

**Minister's Office Comments**

Signed / Referred

Date: 19/12/10

PM's comment: "Noted"

TL 1/2

## Saudi Arabia: Key Elements of the bilateral arrangement

### Key Points

The bilateral relationship with Saudi Arabia is one of our most important in the Middle East region. Saudi Arabia's role as a global energy supplier, leader of Islamic theology and a member of the G20 means there are an increasing number of countries courting it. New Zealand has been working steadily towards developing our engagement with Saudi Arabia and the states of the Gulf Cooperation Council (GCC) for some time.

•

•

•

We are continuing to see economic benefits from the relationship. New Zealand exports have increased by 33 per cent over the past five years with exports growing from \$392.8 million in 2006 to \$533.3 million in 2010. The export potential remains strong in services such as construction and education.

•

However at the present time there are challenges in our relations with Saudi Arabia, notably the current difficulties in relation to live sheep exports to Saudi Arabia for slaughter;

While each issue is separate in nature, they are collectively serving to inhibit the full potential of the relationship.

Uncertainty over the New Zealand policy in relation to live sheep exports to Saudi Arabia is negatively impacting and if not well managed, could have worrying spill-over effects on our broader regional economic interests.

out of scope

Saudi Arabia: Key Elements of the bilateral arrangement

- Ministers have proposed that as a first option to resolve the issue, New Zealand should propose a solution to the live sheep issue.

SL(a)

- Timing is becoming more important. It is now over 7 months since the live sheep issue was raised in Riyadh by the Saudi Minister of Agriculture. Any further significant delay could lead to drift in the relationship, both with Saudi Arabia and with the broader GCC.

**Recommendations**

It is recommended that you:

1 Yes / No

out of scope

2 Yes / No

out of scope

3 Yes / No

SL(a)

4 Note that while officials have identified risks for New Zealand the essence in responding to Saudi concerns around this issue;

SL(a)

Yes/No

5 Agree that, notwithstanding the identified risks, officials should identify the earliest possible opportunity in the first quarter of the new year for a New Zealand Minister to meet Saudi Arabian either during a trip to the Gulf, or in the margins of another event and revert to you in January with some options;

SL(a)

Yes/No

RESTRICTED

Saudi Arabia: Key Elements of the bilateral arrangement

- 6 Agree that officials should commence work to more clearly define the scope <sup>SL(a)</sup> meeting between New Zealand and Saudi Ministers; Yes/No
- 7 Agree that officials should in parallel draft substantive responses to correspondence received by Ministers from Saudi exporters on the live sheep issue. Yes/No

Hamish MacMaster  
for Secretary of Foreign Affairs and Trade

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## Saudi Arabia: Key Elements of the bilateral arrangement

### port

1. New Zealand has been working steadily towards developing our engagement with Saudi Arabia and the states of the GCC for a number of years.

2. The GCC region already is an increasingly important contributor to New Zealand's economic prosperity; it is currently our 5<sup>th</sup> largest bilateral trading partner and major energy supplier. Saudi Arabia remains one of New Zealand's top 20 goods trade partners and one of our most significant in the Middle East. Total bilateral trade for the year to June 2010 grew to NZ\$778 million. The balance was firmly in New Zealand's favour (New Zealand exports of NZ\$ 512 million and imports of NZ\$ 265 million). Services exports to Saudi Arabia also continue to grow strongly with opportunities in services sectors like construction and education.

3. Saudi Arabia (and the GCC region) will remain an engine for global growth in the coming decade. The governments of the region have significant reform and expenditure plans, including areas where New Zealand holds comparative advantages (education, public service reform, agriculture).

Saudi Arabia's role as a global energy supplier, leader of Islamic theology, member of the G20 and the most influential member of the GCC means there are an increasing number of countries courting it. It also means that fractures in the relationship with Saudi Arabia carry potentially wider ramifications for New Zealand's regional interests.

4. At the present time there are challenges in our relations with Saudi Arabia;

the unresolved issue of live sheep exports to Saudi Arabia for slaughter;

Taken together these three issues risk causing further damage to our relations with the key state of the GCC

SA(2)Cj)



Saudi Arabia: Key Elements of the bilateral arrangement

out of scope

out of scope

Trade: ~~SA(2)(j)~~ Live Sheep

8. The unresolved issues concerning the New Zealand view towards the export of sheep for slaughter ~~SA(2)(j)~~

The conditions, which New Zealand seeks to place on the live sheep trade are still under discussion and do not appear to be acceptable to the KSA. Accordingly, Ministers have decided to approach the government of Saudi Arabia to examine ~~SA(2)(j)~~ solution,

~~SA(2)(j)~~ In assessing the possible Saudi reaction to such an approach, officials would note the following points.

~~SA(2)(j)~~

~~SA(2)(j)~~

Saudi Arabia: Key Elements of the bilateral arrangement

In a worst-case scenario  
may pose a number of potential adverse risks for New Zealand. These might  
include:

s 6(a)  
s 9(2)(d)  
s 9(2)(g)(i)

s 9(2)(d)

Saudi Arabia: Key Elements of the bilateral arrangement

11. The risks identified notwithstanding, the need to take action in response to Saudi concerns expressed by both exporters and officials is becoming urgent. It is now over 7 months since the live sheep issue was raised in Riyadh by the Saudi Minister of Agriculture and subsequently by the Saudi exporters via a letter to the PM. Any further significant delay could lead to drift in the relationship, both with Saudi Arabia and with the broader GCC.

12. *s 6(a)* Officials propose to identify the earliest possible opportunity in the first quarter of next year for a New Zealand Minister to meet with a Saudi counterpart *s 6(a)* and to revert to you with some potential options in January. *s 6(a)*

As arrangements for a meeting with Saudi Ministers firm up, officials will draft substantive responses to correspondence received by the Prime Minister from Saudi exporters.

*Out of scope*

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## Saudi Arabia: Key Elements of the bilateral arrangement

*out of scope*

### *Next steps*

#### *Live sheep issue*

17. Officials would recommend that any approach to the Saudis over the live sheep issue be led at Ministerial level. While it was intended that Minister McCully would engage on the matter with his Saudi counterpart in New York in September, a meeting did not prove possible. Consideration is now being given to alternative options, given that it is over 6 months since you last spoke with the Saudi Minister of Agriculture about the issue in Riyadh. It is understood that you have a potential window for visiting the Kingdom in early 2011. Officials would recommend that this timing be given serious consideration to demonstrate a commitment on the part of the New Zealand government to address Saudi reservations.

### Consultation with external agencies (if required)

**UNOFFICIAL TRANSLATION**

Date: 4/12/2010

HE Ambassador of New Zealand to the Kingdom of Saudi Arabia

We have read in the local and international newspapers that your Government has approved the request of Jewish New Zealand nationals to slaughter livestock and birds according to their beliefs, religion and customs. However, we are Muslims and investors in Northern and Southern New Zealand and we have a very important project for New Zealand's future and farmers, which is to breed Awasi sheep. The New Zealand government and people understand that the purpose of this project is to export livestock, however the following caught my attention:

- 1- Allowing Jews in New Zealand to slaughter animals according to their religion's teachings and principles.
- 2- Our company requests that livestock be transported on special carriers just like any other country in the world for slaughtering inside KSA or the GCC States which follow the Islamic religion and its teachings and apply the Islamic slaughtering method. All these countries are members in the Human Rights organisations, world animal welfare organisations, the United Nations and religious organisations. Therefore, I kindly ask you to forward our point of view to your Government from which we're still awaiting an official response after the request we've addressed to the Prime Minister in May of this year to be allowed to export livestock as we successfully used to do in the past years. We hope that your wise government respects our freedom of religion and the sovereignty of our country. Your cooperation is highly appreciated.

Hmood Al Khalaf  
Chief of Al Khalaf group

A copy to be sent to George Assaf

لِبَحْارَةِ وَالنَّوَلِبِ



مُسْتَعْمَلِ الْعَالِي الْخَالِفِ

HMOOD AL ALI AL KHALAF TRADING & TRANSPORTATION EST.

C.R. 2050002779

سَرْهَرَسِي

١٤٨٨٧٩١٤ : عَمَلِي

التاريخ : ٢٠١٠/١٢/٤ م

سعادة المكرم سفير حكومة نيوزلندا بالمملكة العربية السعودية المحترم

تحية طيبة ، وبعد

بلغنا وقرأنا بالصحف المحلية والعالمية أن حكومتكم الرشيدة وافقت على طلب مواطنيها من الجالية اليهودية في نيوزلندا ما يحتاجونه من المواشي والطيور وغيرها على طريقة ما يملئهم دينهم وعاداتهم وهذه الموافقة هي داخل نيوزلندا ، ونحن مسلمين ومستثمرين في نيوزلندا بشقيها الشمالي والجنوبي ولدينا مشروع مهم لمستقبل نيوزلندا ومزارعها الا وهو انتاج العواشي والمكشوم لدى الحكومة النيوزلندية والشعب جميعهم ان هذا المشروع الغرض من اقامته هو تصدير المواشي الحية والذي لفت انتباهي ما يلي :

- ١/ السماح للجالية اليهودية داخل نيوزلندا بالتدريج حسب اصول وتعاليم الجالية اليهودية الكريمة
- ٢/ شركتنا تطلب تصدير المواشي الحية على ناقلات مخصصة للمواشي مثل اي دولة في العالم لنبحها داخل المملكة العربية السعودية او دول الخليج وجميعها تدين بين الاسلام وبين تعاليم شرعية سطوية في طريقة التدريج دينيا وكذلك لها عادات وقوانين منذ خلقت السماوات والارض . وجميع هذه الدول اعضاء فاعلين في منظمات حقوق الانسان ومنظمات الرفق بالحيوان العالمية وكذلك في الأمم المتحدة وكذلك إحترام الأديان ، لذا أرجو من سعادتكم نقل وجهة نظرنا لحكومتم التي لا نزال ننتظر جواباً رسمياً منها وجهناه الى سيادة رئيس وزراءكم الكريم في شهر مايو من هذه السنة بالسماح لنا بتصدير المواشي الحية كما كنا نقوم به بنجاح تام في الأعوام السابقة ونتمنى على حكومتكم الحكيمة ان تحترم حرية معتقداتنا الدينية وسيادة بلدنا . شاكرين ومقدرين تعاونكم في مصلحة بلدينا ودمتم سالمين ،،،،

رئيس مجموعة الخلف

صورة لجورج عساف

حمود بن علي الخلف

s 9(2)(a)

5/12/12  
s 9(2)(a)

**From:** KELLY, Clare (TND)  
**Sent:** Friday, 29 October 2010 11:18 a.m.  
**To:** (MEATP); (MEAT);  
**Cc:** (TND); .... (Inet)  
**Subject:** RE: Sherwin meeting with Balgunaim: Comments by 1030 please

[SEEMAIL] [RESTRICTED]

s 9(2)(a)

After a conversation with ... we've agreed to we'll advise ... that MS make a very bland response along the lines suggested by

s 6(a)

**From:** .... (Inet)  
**Sent:** Friday, 29 October 2010 10:14 a.m.  
**To:** (TND); (PATP); (MEAT);  
**Cc:** (MEAT) (TND) s 9(2)(a)  
**Subject:** Re: Sherwin meeting with Balgunaim: Comments by 1030 please

s 9(2)(a)

I don't think MoT will be at all comfortable with this.

s 6(a)

**From:** (TND)  
**To:** s 9(2)(a)

**Cc:**  
**Sent:** Fri Oct 29 09:47:32 2010  
**Subject:** Sherwin meeting with Balgunaim: Comments by 1030 please

[SEEMAIL] [RESTRICTED]

s 9(2)(a)

is happy for M. Sherwin not to discuss ... with Balguniam but wants some line to give him that follows on from his (Murray's) last contact with him. I propose the following:

s 6(a)

Anything else we could or should say?

s 9(2)(a)

I want to be briefed by phone on this - once I have your tick off, I'll call him.

Clare Kelly  
Deputy Director (Goods)  
Trade Negotiations Division  
Ministry of Foreign Affairs and Trade  
Tel: .  
Fax: + 64 4 439 8522  
Mob:

s 9(2)(a)

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s9(2)(a)

SAC (b)(2)

From: s9(2)(a)

Sent: Monday, 13 September 2010 9:15 a.m.

To: MacMASTER, Hamish (MEA); ARMSTRONG, Wade (PATR)

Cc: s9(2)(a)

Subject: Telcon with George Assaf

Attachments: Telcon HOM with Assaf 12 Sept 10.doc

[RESTRICTED]

Self explanatory. s9(2)(ba)

Regards,

s9(2)(a)

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File note of telcon HOM/George Assaf 12 September 2010

Summary

was committed to the country

(b) he continued to want the best for NZ and

Report

I rang back George Assaf today following his attempt to contact me on Wednesday 8 September

This was our first contact. During a lengthy conversation which went back and forth over the topic headings below and in which I asked a few questions but mainly listened, Assaf made a number of points in familiar terms about the history of his investment and reliance on alleged NZG undertakings etc. These points are not repeated here; I only note what to me was new information.

s 9(2)(ba)

2 Assaf was seeking an update on Wellington deliberations. I explained that I was not in a position to indicate what these were or next steps might be but could assure him that his concerns were receiving close and high level attention. s 9(2)(g)(i)

I encouraged him to stay in touch and to call on me when next in Riyadh (probably in the next few months). s 9(2)(b)

The Australian and wider trade

s 9(2)(b)(ii)

Effect of "ban" on business; prospect of limited shipments; modern transportation

s 9(2)(b)(ii)

Gulf perceptions of "ban"

s 6(a)

s 9(2)(a)

s 9(2)(b)(i)

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s9(2)(a)

(MEA)

From: s9(2)(a) TND)  
 Sent: Monday, 13 September 2010 3:49 p.m.  
 To: s9(2)(a) (MIN)  
 Cc: (TND); ARMSTRONG, Wade (PATP); s9(2)(a) (MEA);  
 MacMASTER, Hamish (MEA); s9(2)(a) (MIN)  
 Subject: RE: Live Sheep: Additional Information  
 Attachments: 2446857-v1-Answers\_to\_questions\_(s9(2)(a)) - 13 September 2010.doc

[SEEMAIL] [SENSITIVE]

Hi s9(2)(a)

Attached are the "answers". Do you also want a copy of the Draft Arrangement?

Cheers

s9(2)(a)

From: s9(2)(a) (MIN)  
 Sent: Monday, 13 September 2010 12:11 pm  
 To: ARMSTRONG, Wade (PATP); KELLY, Clare (TND); s9(2)(a) (TND); s9(2)(a)  
 (MEA); MacMASTER, Hamish (MEA)  
 Cc: s9(2)(a) (MIN)  
 Subject: Live Sheep: Additional Information

Wade

I had a quick chat to McCully this morning ahead of this evening's meeting on live sheep. In advance of this meeting he has requested an outline of the steps required to resume the trade. Most of this work has been done already in the attached note but he had a few additional specific questions, some of which I know we have covered off already. Could you please update the attached note to also cover these points.

- The Customs Export Prohibition Order is set to expire on 20 December 2010 - what does this mean and should we be taking advantage of this?
- What does the MoU look like and what is its current status
- How could the extraterritorial aspects be managed?
- What would be the timing of the first shipment? Hajj 2012?
- How big would the first shipment be and where would the sheep come from (e.g. do the current interested partners have the numbers to fill a shipment?)

s6(a)

If the team can have a revised note across by 4pm that would be grand. Sorry about the quick turnaround.

Thanks

s9(2)(a)

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Answers to questions ( s 9(2)(a) ) – 13 September 2010)

- 1 The Customs Export Prohibition Order is set to expire on 20 December 2010 - what does this mean and should we be taking advantage of this?
- The Customs Export Prohibition (Livestock for Slaughter) Order 2007 prohibits the export of cattle, deer, goats and sheep for slaughter, except:
    - “(a) with the consent of the Director-General (DG) of the Ministry of Agriculture and Forestry (MAF); and
    - (b) subject to any conditions specified by him or her that are not inconsistent with the prohibition.”
  - As well as an export consent (from the CEPO), livestock exported for slaughter from New Zealand also requires an animal welfare export certificate (AWEC) as set out under the Animal Welfare Act 1999. The D-G MAF assesses applications on a case-by-case basis. Section 43 of the Animal Welfare Act specifies the conditions that the D-G MAF must consider when assessing whether an AWEC should be granted. The D-G may consent to the AWEC subject to the imposition one or more of the conditions specified in section 45 of the Act, which include conditions (covering preparation and transport) requiring<sup>1</sup>:
    - That the livestock are fit and healthy for the journey; and
    - that the ship or aircraft and other relevant aspects of the export comply, as appropriate, with the MAF sea transport standards or the IATA Live Animals Regulations;
  - The CEPO is currently the mechanism whereby the D-G MAF may “impose” requirements (in order to gain an export consent) upon an importing country, covering disembarkation and post-disembarkation conditions. While not specified in the CEPO, such conditions could include such requirements as illustrated on the MAF website, i.e.
    - The export is for slaughter of livestock in commercial slaughter houses;
    - The importing country has requirements in place that meet the World Organisation for Animal Health (OIE) *Guidelines for the slaughter of animals*;<sup>2</sup>
    - The importing country has requirements in place that meet the OIE’s *Guidelines for the transport of Animals by land, Sea and Air*, in relation to the unloading and post-journey handling and transport of livestock;
    - A pre-shipment audit of slaughter facilities by inspectors nominated by MAF, and carried out at the exporter’s expense, demonstrates compliance with the above requirements;

<sup>1</sup> Animal Welfare Export Certificates – [http:// www.biosecurity.govt.nz/regs/animal -welfare/stds/awecs](http://www.biosecurity.govt.nz/regs/animal-welfare/stds/awecs)

<sup>2</sup> OIE Guidelines do not require mandatory pre-slaughter stunning but do identify technical guidelines on stunning methods if chosen.

- The D-G MAF may require a bilateral arrangement to be in place to support the requirements of importing countries set out above.
  - Because the Animal Welfare Act is currently under review, it is highly likely that MAF will request the "roll-over" of the CEPO without amendment. It remains to be seen if MAF will seek to have the "illustrated" requirements of the CEPO transferred into a new Animal Welfare Act.
2. What does the MoU look like and what is its current status?

3. How could the extraterritorial aspects be managed?

4. What would be the timing of the first shipment? Hajj 2012?

5. How big would the first shipment be and where would the sheep come from? (e.g. do the current interested partners have the numbers to fill a shipment?).

We would need to confirm from which part of New Zealand most of the sheep would be sourced.

s 9(2)(a)

(MEA)

SA-102/1/2

From:

Sent: Saturday, 11 September 2010 5:22 a.m.

To: (MEA)

Cc: (RIY); (MEA); (PATP)

Subject: RE: MOT interview with today

UNCLASSIFIED

From:

[mailto:

s 9(2)(a)

Sent: Thursday, 9 September 2010 6:54 p.m.

To: (DS TEG);

(FTU);

(FTU);

(FTU);

(PATP);

(MEA)

Cc: (PDO)

Subject: MOT interview with Nigel Stirling today

Here's a summary of comments made by Mr Groser to s 9(2)(a) (Radio NZ) over the phone at lunchtime today.

This was a wide-ranging interview on FTA progress, focusing on TPP, Korea and then GCC (live sheep). And it went too long for an interview for radio - maybe 20 minutes. Impossible to know what will get played on air and I don't know when. I didn't hear questions. But most are obvious from the context

Pages 2 to 4 are out of scope



s9(2)(a)

From: (MEA)  
Sent: Friday, 10 September 2010 4:51 p.m.  
To: (RIY)  
Cc: (MEA)  
Subject: RE: Call from George Assaf

[SENSITIVE]

Thanks

s9(2)(a)

s6(a)

cheers

s9(2)(a)

From: (RIY)  
Sent: Thursday, 9 September 2010 2:55 a.m.  
To: (MEA)  
Cc: (MEA)  
Subject: Call from George Assaf

[SENSITIVE]

Courtesy tel call from GA today (from Hawkes Bay)

s6(a)

s9(2)(a) Do you know how much he knows about most recent machinations in Wellington?

I can read a reply on orange though the office closes till Monday.

s9(2)(a)

(MEA)

From: (TND)  
 Sent: Thursday, 2 September 2010 11:37 a.m.  
 To: (RIY)  
 Cc: CLARKE-WATSON, Jeremy (MEA)  
 Subject: RE: Live sheep/visit by DHOM Peter Noble from 8-10 Sept

[RESTRICTED]

Hi

s 9(2)(a)  
 has brought me into the loop and forwarded me your e-mail.

I have copied info from advice I sent the minister's office on the regulations that need to be met for export (emphases are mine), which include the criteria that the D-G MAF may consider when giving an export consent to the CEPO.

Please let me know if the following is what you want.

Cheers

s 9(2)(a)

### New Zealand's Regulation of Live Animal Exports

A person or entity considering exporting live animals from New Zealand must meet three legislative requirements. These are:

i) **The Animal Products Act 1999**

All commercial exporters of live animals must be registered under the Act. Export requirements (zoosanitary) are issued by notice under section 60.

ii) **The Animal Welfare Act 1999**

An animal welfare export certificate (AWEC) is required (unless there is an exemption). Exporting without an AWEC where one is required is an offence under the Act.

iii) **Declaration as to purpose of export**

Applicants wishing to export live cattle, deer, sheep or goats, for any purpose must provide MAF a declaration sworn under the Oaths and Declarations Act 1957 as to the intended end use of the animals (immediate slaughter, fattening and subsequent slaughter, breeding or other use).

The export of livestock (sheep, cattle, deer and goats) for slaughter (whether immediately or in several years time[1]) is prohibited (**Customs and Excise Act 1996 - Customs Export Prohibition (Livestock for Slaughter) Order 2007**), "unless the risks to New Zealand's trade reputation can be adequately managed"[2]. The Director-General of MAF may approve individual consignments on a case-by-case basis ("consent to export") if judged that the risks can be adequately managed. Factors the D-G MAF may take into account when considering an exemption to the CEPO include (emphases added):

The export is for slaughter of livestock in commercial slaughter houses;

The importing country has requirements in place that meet the World Organisation for Animal Health (OIE) Guidelines for the slaughter of animals;

- Cattle exported for slaughter must be stunned prior to slaughter in accordance with any of the methods described in the *Guidelines*;
- The importing country has requirements in place that meet the *OIE's Guidelines for the transport of Animals by land, Sea and Air*, in relation to the unloading and post-journey handling and transport of livestock;
- A pre-shipment audit of slaughter facilities by inspectors nominated by MAF, and carried out at the exporter's expense, demonstrates compliance with the above requirements; and
- Any other matter the D-G MAF considers necessary to manage the risks to New Zealand's reputation as a responsible exporter of agricultural products

The D-G MAF *may require a bilateral arrangement* to be in place to support the requirements of importing countries set out above. As well as the above legislative requirements, there are a number of Standards for transporting livestock that must be met.

[1] MAF Guide to Exporting Animals

[2] MAFBNZ – Tighter controls on animal exports for slaughter.

<http://www.biosecurity.govt.nz/commercial-exports/animal-exports/export-livestock-slaughter>

s9(2)(a)

**From:** (RIY)

**Sent:** Wednesday, 1 September 2010 4:56 p.m.

**To:** s9(2)(a) (MEA)

**Subject:** RE: Live sheep/visit by DHOM Peter Noble from 8-10 Sept

[RESTRICTED]

Yes, please send thru those papers today so I can discuss with Peter before he leaves tonight - that would be great.

The admin guidelines were guidelines as to how to administer the export restriction (some would say prohibition, but it isn't) in the CEPO. So they're not at all the same thing. The best way to get hold of them would probably be an innocent inquiry by to someone he knows in MAF at a level below Chris. Not that Chris would necessarily have any problem with it. Presumably you've seen the CEPO itself.

s9(2)(a)

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s 9(2)(a)

(MEA)

**From:** (PATP)  
**Sent:** Monday, 23 August 2010 8:55 a.m.  
**To:** (TND); (TND);  
(MEA)  
**Subject:** FW: Live Sheep: Recommendations for Oral Item

[SEEMAIL] [RESTRICTED]

SA 6/21/12

s 9(2)(a)

(MEA)

s 6(a)

**From:** (PATP)  
**Sent:** Friday, 20 August 2010 12:47 p.m.  
**To:**  
**Cc:** (MEA); (MEA); (TND);  
(TND)  
**Subject:** FW: Live Sheep: Recommendations for Oral Item

s 9(2)(a)

[SEEMAIL] [RESTRICTED]

s 9(2)(a)

s 6(a)

s 6(a)

s 9(2)(a)(i)

**From:** [mailto:  
**Sent:** Thursday, 19 August 2010 5:52 p.m.  
**To:**  
**Subject:** Live Sheep: Recommendations for Oral Item

s 9(2)(a)

[SEEMAIL] [RESTRICTED]

s 9(2)(a)

A request has been made to the PM for the issue of live sheep to be raised as an oral item at Cabinet on Monday. Below are some draft recommendations prepared by Mr McCully on live sheep.

s 9(2)(a)

s 9(2)(a)

s 6(a)

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**From:**

**Sent:** Thursday, 19 August 2010 3:46 p.m.

**To:** (PATP); (TND); (MEA)

**Subject:** Urgent Live Sheep Recommendations

**Importance:** High

- please see below. This is MFA's redraft which I have been over with to correct some technical terms while preserving the substance as close as possible to the Minister's intention. Can you see anything that requires technical correction or, for that matter, any really glaring problems? Might be quicker to discuss on phone. I then need to show Groser and needs to give a copy to Carter office  
many thanks

**From:**

**Sent:** Thursday, 19 August 2010 3:44 pm

**To:**

**Subject:** Live Sheep Recommendations

[SEEMAIL] [RESTRICTED]

- as discussed here are the draft recommendations prepared by Mr McCully.

Cabinet:

out of scope

**From:** (PATP)  
**Sent:** Thursday, 19 August 2010 8:22 a.m.  
**To:**  
**Cc:** (MEA); (TND); (TND)  
**Subject:** RE: live sheep

[SEEMAIL] [RESTRICTED]

Looks fine -one minor typo para c. "exported from Australia"

**From:** [mailto:]  
**Sent:** Wednesday, 18 August 2010 6:26 p.m.  
**To:** (PATP)  
**Cc:** (MIN); .. (MEA)  
**Subject:** live sheep  
**Importance:** High

[SEEMAIL] [RESTRICTED]

I paste below a draft of the "one pager" requested by MFA. This follows a discussion with aimed at giving effect to the discussion that took place earlier today. I wanted you to review it before I hand it to MOT. (NB: I haven't made reference to CEP expiry in December because it will happen anyway. Do we need really need to include that at this point?)

If we can get expeditiously through the agenda for tomorrow's weekly MFAT officials meeting with MOT (9am-10am) then it might be possible to discuss this with him directly. Once he is satisfied with a draft, we can send it to MFA. We will need to move reasonably quickly tomorrow.

CABINET

Page 2 is withheld under s 9(2)(j)(i), s 6(a),

s9(2)(a)

From: (MEA)  
 Sent: Tuesday, 17 August 2010 12:10 p.m.  
 To: (PATP); (TND); (MEA);  
 Subject: RE: GCC

[CONFIDENTIAL]

Hi

s9(2)(a)

and I were in Minister Groser's office yesterday for a meeting with  
 r had left the Minister wanted to discuss a number of other issues, including live sheep.

He made the following points

- The GCC was one of his leading priorities, not just for seeing the FTA completed, but also to ensure that the relationship with Saudi Arabia was brought back into a stronger position
- the Gulf visit in April, s6(a), had been important in deepening his understanding of the opportunities and challenges facing NZ firms. The FTA was a crucial part of supporting trade expansion in the region
- 
- he would be further discussing this issue with Mr McCully over the coming days, but a solution that allowed for limited and focused trade was of interest
- Putting this to the Saudis was also an important part of the process to ensure NZ was seen to be taking their concerns on board
- advice would need to be provided to Ministers in due course which set out in "very clear and precise language" (his words) the potential choices facing the government on this issue
- an essential part of a forward process, if progress could be made, was MFAT leading the process, with MAF input, of negotiation on completing the MOA with Saudi Ag authorities
- both MFA and MOT are available to travel to Riyadh as envoys of the PM should an option for a solution be identified
- the PM would then potentially consider a visit to the Gulf if it was to witness the signing of the FTA

Cheers

s9(2)(a)

From: (PATP)  
 Sent: Tuesday, 17 August 2010 8:10 a.m.  
 To: (MEA); (TND);  
 Subject: RE: GCC

[UNCLASSIFIED]

Sorry but have a speaking engagement in auckland tomorrow.

From: [mailto:  
 Sent: Monday, 16 August 2010 5:58 p.m.  
 To: (PATP); (MEA); (TND);

24/08/2010



(MEA)  
Subject: GCC

s 9(2)(a)

- Mr Groser is meeting at 1130 on Wednesday with Mr McCully to discuss a couple of trade issues and would be grateful if you were available for that meeting. Are you available at that time?

s 9(2)(a)

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(MEA)

From: (TND)  
 Sent: Tuesday, 3 August 2010 4:36 p.m.  
 To: (TND); (MEA); (TPLU)  
 Subject: FW: Live Sheep

[SEEMAIL] [RESTRICTED]

Where things now stand, following yesterday's meeting. MAF has now been briefed.

From: (PATP)  
 Sent: Tuesday 3 August 2010 4:19 p.m.  
 To: (MIN)  
 Cc: (MIN); (TND)  
 Subject: RE: Live Sheep

[SEEMAIL] [RESTRICTED]

Thanks for yr summary record. I have amended a couple of minor points but it is fine. (I have done a slightly fuller note on the conversation -below- which can be attached to yours if you wish - and feel free to amend it).

2.

Mr McCully and Mr Groser led off the meeting, the former noting the broad importance of finding agreement if possible on a course of action or at least of identifying alternative courses of action and their respective consequences; and Mr Groser outlining the broad choice was either finding a sophisticated fix f on live sheep with the consequent impact on development of relations with the Gulf, and the opportunities NZ firms were already pursuing successfully. He noted the CEPO provisions and the history of the bilateral MOU negotiation. All three ministers agreed that the negotiation had been dilatory and likely perceived by Saudi Arabia as not conducted in good faith or even as duplicitous.

3. Mr Groser said that protests generally did not arise so strongly over live shipments of breeding stock (Mr Carter: "depends on how many and how long a journey").

Mr McCully said that the issue would need to be "front-footed" during his forthcoming visit to the Gulf. Others agreed, Mr Carter wondering if it was possible to quantify the risk to NZ trade (as part of preparation).

Live trade for many farmers could well be a potentially important opportunity over time. Trade could be restricted to Awassi sheep -at least half breed. Getting sufficient numbers would take time so a shipment of 15-25,000 sheep might be possible in 2012. This would be under QIE standards for live shipments.

Ministers were supportive of this 'clever' approach, Mr Carter also noting that we would need an unqualified Saudi commitment to accept the sheep upon arrival.

This would need to be done on the basis of a timetable that "worked for us" say 2012 shipment.

Looking at next steps Mr McCully indicated that an oral item on the issue and this meeting would be taken to Cabinet (he saw no need for a paper at this point).

7. Mr McCully then concluded, saying that NZ needed to protect its wider trading interests as an exporter around the world; and including in the developing Gulf markets. To this end it might have to do a few things more around the live sheep trade. Mr Carter agreed, while repeating that the potential risk should not be underestimated.

**From:** (MIN) [mailto: @parliament.govt.nz]  
**Sent:** Monday, 2 August 2010 1:42 p.m.  
**To:** (PATP)  
**Subject:** Live Sheep

[SEEMAIL] [RESTRICTED]

I didn't take detailed notes on this morning's meeting but here is a quick report looking at the conclusions rather than a detailed who said what. In terms of follow-up I think we have a clear direction but there is still plenty of work required to flesh out the strategy. Please feel free to edit this report as necessary before disseminating further.

Ministers McCully, Groser and Carter met with industry reps to discuss the possibility of resuming live sheep exports to KSA.

Ministers required this information, and especially the views of industry, in order to inform what will be a tricky political decision. While the position of the industry is an important part of the decision it is not the only factor Ministers will need to take into account.

While the industry reps saw some risk they also saw the strategic benefit in ensuring an improvement to our overall trading relationship with the GCC. NZ farmers had a long-term interest in selling more meat into the region.

Ministers wanted to go on the front foot and decide a course of action within the next 6 weeks - 2 months. Delaying too long could close off options it was not in New Zealand's interests to leave the live sheep issue hanging.

In making such a decision Ministers would need a clear understanding of the timings for each step of the process, from re-engagement with KSA through to delivery of the first shipment.

The conclusion, was to propose the resumption of live sheep exports subject to restrictions.

- Awassi sheep only, at least half-bred (on the grounds that they are better suited for long sea journeys)
- Trial period of 12 months (one shipment)
- OIE guidelines for transportation

- • KSA must accept sheep on arrival

Resting the arrangement to Awassi sheep would probably limit the numbers at least for the first shipment to below 25,000, less than the amount required to fill a ship. Ministers would be looking for a solution whereby the first shipment does not take place until 2012.

59(2)(i)

All this still leaves Ministers with a difficult political decision to make. They will need to weigh up the risks.

56(a)

The next step is an oral item for Cabinet setting out the background to problem and detailing the proposed course of action.

59(2)(ba)

59(2)(b)(ii)

59(2)(a)

(MEA)

SA-12/1/2

From: TND)  
Sent: Friday, 30 July 2010 5:02 p.m.  
To: (MIN)  
Cc: parliament.govt.nz: (PATRY)  
(MIN) (MEA) (TND)  
(MÉA); (TPLU)

Attachments: 2396282-v2-Australia\_Live\_Sheep\_Trade\_\_Lessons\_for\_NZ.doc; 2416126-v1-Actions\_required\_to\_enable\_live\_sheep\_exports.doc

[SEEMAIL] [IN CONFIDENCE]

Afternoon

Please find attached the two background papers for the Ministers' meeting on Monday morning.

Best regards

sg(2)(a)  
Senior Specialist (SPS)  
Trade Negotiations Division  
Ministry of Foreign Affairs and Trade  
Wellington  
New Zealand

DDI:  
e-mail:

**Actions to be undertaken to enable a consignment of sheep to be exported to KSA for slaughter**

Note: The following points have NOT been discussed with MAF and should be treated as indicative only. They assume a situation where industry supports the resumption of live sheep exports and both industry and government are committed to developing the underpinnings of the trade, including but not limited to any necessary new regulations, infrastructural improvements and public awareness campaigns.

**1 Completion of the: "Arrangement on the Trade in Live Sheep between the Kingdom of Saudi Arabia and the Government of New Zealand"**

The negotiation of an Arrangement, covering the conditions of export (i.e. pre-export (on-farm) activities in New Zealand, transport (loading, shipping, disembarkation), and post entry activities (holding, transport, delivery into slaughterhouses) would be a condition of any approval given by the D-G MAF for an export consent under the Customs and Excise Act 1996 - Customs Export Prohibition (livestock for Slaughter) Order 2007. (The export of livestock for slaughter is currently prohibited under the CEPO)

Completion of such an Arrangement would require:

- Initial senior contact with KSA to explore the feasibility of an arrangement on a trial basis (with assurances regarding the GCC FTA entry into force)
- Technical meetings between New Zealand (MAF/MFAT) and the KSA (Ministries of Agriculture, and Municipal Affairs) to confirm the terms of the Arrangement (i.e. what elements could be implemented) and to negotiate post-entry requirements up to, but not including, slaughter.
- Successful desk audit (International third party, e.g. OIE) of the system (pre-export through to slaughter) including the competent authorities (ability to control/ensure compliance with specifications) – i.e. thus providing independent quality assurance.
- Consultation - Because of the wide interest the resumption of trade would generate, it is very likely that the NZ Govt would wish to consult with interested parties (incl. NGOs) in order to explain and justify the conditions of, and compliance with, the Arrangement.

**2 Conditions**

*56(a)*  
New Zealand would need some very tight controls over the whole system to ensure there was no failure, or contingencies in place should there be so. Such conditions could include:

- Assurances from the KSA government (and importers) that the components of the Arrangement under its jurisdiction would be met, including any necessary investments in infrastructure. Further, it would have to be clearly understood by the KSA that any

Australia's MOUs impose conditions only to the point of disembarkation

CONFIDENTIAL

2

5(a)

- Trial shipment(s) – The first shipment be sent on a trial basis (possibly with independent auditors) to ensure the system, as documented is correctly implemented. Any major non-compliance would result in suspension of the trade.

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OFFICIAL INFORMATION ACT

RELEASED UNDER THE  
OFFICIAL INFORMATION ACT

Pages 1 to 6 withheld under  
s6(a) and out of scope



out of scope

### **The Australian Experience: Lessons for New Zealand?**

There are fundamental differences in New Zealand and Australia's circumstances:

*New Zealand's sheep industry has always been dominated by meat rather than livestock exports.*

Even pre-*Cormo Express*, livestock exports were a small (albeit useful) part of the sector. Since the halt on exports of live sheep for slaughter in 2003 following the *Cormo Express* incident, New Zealand's lamb and sheep export industry has been

almost entirely based on sheepmeat. Sheepmeat exports in 2009 totalled NZ\$2.8 billion, of which NZ\$1.8 billion went to the EU (NZ\$ 723 million to the UK alone). Exports to the US were NZ\$229 million. Saudi Arabia was New Zealand's eighth largest market at NZ\$97 million.

***New Zealand industry has not supported a resumption of the trade***

Livestock exports are now a substantial contributor to the Australian meat export industry and indeed the Australia economy and are valued accordingly by the agriculture sector. To date, the New Zealand processing industry has been opposed to a resumption of the livestock for slaughter trade, in the interests of maximising throughput in New Zealand slaughterhouses.

We are not aware of the views of sheep producers (other than Mr Assaf) on resuming the trade.

***New Zealand's livestock export infrastructure does not match Australia's***

MFAT is not competent to assess the capacity of the industry to resume live sheep exports, but we believe we are on safe ground in stating that considerable preparation, planning and investment would be required before New Zealand could resume live sheep exports without an unacceptable level of political and economic risk.

***The tyranny of distance***

Australia's hotter, drier climate is far more like that of Saudi Arabia than New Zealand's and its sheep are accordingly presumed to suffer less on long voyages. It is a fact that the distance to Middle Eastern markets is much shorter from Western Australia than from New Zealand, so some animal welfare issues associated with distance may be more easily resolved by Australia exporters.

## Some Conclusions

The Australia experience does allow us to draw some conclusions about the likely elements of a successful resumption of live sheep exports from New Zealand.

- **Dialogue with industry will be critical**

There will need to be dialogue with industry and understanding of the potential benefits the government sees from possible resumption of the trade.

- **NGO reaction will be immediate and strong; wider public reaction will be mixed**

It is likely that there will be an immediate reaction from PETA and WSPA opposing any resumption of trade, especially as both have claimed victory for "halting" it. As WSPA has New Zealand-based affiliates, it is likely to conduct direct action within New Zealand.

Domestic reaction is likely to be split between initial concern for animal welfare and international reputation and longer term considerations of potential economic gains.

- **Negotiation of a robust NZ/KSA Arrangement will be critical**

If we move ahead with negotiation of a bilateral Arrangement on conditions for live sheep export, the negotiation will have to be conducted from the New Zealand end by a team of MAF and MFAT officials. The Arrangement should ensure that live sheep exported from New Zealand to KSA follow the same pathway to slaughter and capitalise on the post-disembarkation arrangements developed by the Australian live sheep export industry. This would include guaranteed unloading regardless of the health status of the flock into facilities designed for the handling, holding and slaughter of large sheep numbers. (This could be supported by incorporating the KSA Ministry of Municipal Affairs, Department of Slaughterhouses' Circular Notes into the Arrangement). Any pre-shipment audit of the system (including competent authorities) could possibly include a representative from the NZ SPCA (which is WSPA affiliated).

- **A risk management and public communication strategy will be critical**

A detailed communication strategy would need to be developed by government and industry to support the resumed trade, setting out the actions taken by government and industry to ensure animal welfare and rebut NGO contentions.

- **A trial shipment may be a way forward**

Conditions and requirements (e.g. mandatory off-loading) have improved since the *Corrino Express* incident in 2003. If NZ MAF is satisfied that the conditions and requirements of the Arrangement could be met, the first shipment should be sent as a

trial to test/check the complete system, including the on-farm, pre-export requirements in New Zealand, loading, shipping, disembarkation, holding, transport and delivery to approved slaughter premises, up to but not including slaughter.

Trade Negotiations Division  
July 2010

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OFFICIAL INFORMATION ACT

Page 11 is withheld under s6(a)

### Annex B: New Zealand's Regulation of Live Animal Exports

A person or entity considering exporting live animals from New Zealand must meet three legislative requirements. These are:

i) The Animal Products Act 1999

All commercial exporters of live animals must be registered under the Act. Export requirements (zoosanitary) are issued by notice under section 60.

ii) The Animal Welfare Act 1999

An animal welfare export certificate (AWEC) is required (unless there is an exemption). Exporting without an AWEC where one is required is an offence under the Act.

iii) Declaration as to purpose of export

Applicants wishing to export live cattle, deer, sheep or goats, for any purpose must provide MAF a declaration sworn under the Oaths and Declarations Act 1957 as to the intended end use of the animals (immediate slaughter, fattening and subsequent slaughter, breeding or other use).

The export of livestock (sheep, cattle, deer and goats) for slaughter (whether immediately or in several years time<sup>4</sup>) is prohibited (Customs and Excise Act 1996 - Customs Export Prohibition (Livestock for Slaughter) Order 2007), "unless the risks to New Zealand's trade reputation can be adequately managed"<sup>5</sup>. The Director-General of MAF may approve individual consignments on a case-by-case basis ("consent to export") if judged that the risks can be adequately managed. Factors the D-G MAF may take into account when considering an exemption to the CEPO include (emphases added):

- The export is for slaughter of livestock in commercial slaughter houses;
- The importing country has requirements in place that meet the World Organisation for Animal Health (OIE Guidelines for the slaughter of animals);
- Cattle exported for slaughter must be stunned prior to slaughter in accordance with any of the methods described in the *Guidelines*;
- The importing country has requirements in place that meet the OIE's Guidelines for the transport of Animals by land, Sea and Air, in relation to the unloading and post-journey handling and transport of livestock;
- A pre-shipment audit of slaughter facilities by inspectors nominated by MAF, and carried out at the exporter's expense, demonstrates compliance with the above requirements; and

<sup>4</sup> MAF Guide to Exporting Animals

<sup>5</sup> MAFBNZ – Tighter controls on animal exports for slaughter.

<http://www.biosecurity.govt.nz/commercial-exports/animal-exports/export-livestock-slaughter>

- Any other matter the D-G MAF considers necessary to manage the risks to New Zealand's reputation as a responsible exporter of agricultural products

The D-G MAF *may require a bilateral arrangement* to be in place to support the requirements of importing countries set out above. As well as the above legislative requirements, there are a number of Standards for transporting livestock that must be met.

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OFFICIAL INFORMATION ACT

C10000088-RIY

RESTRICTED  
NOT FOR CABLE EXCHANGE

FILE COPY

Yo Reference:

Our Reference: GLE/NZ/2/3, SAUNZ/19/2

FROM: Riyadh

C10000088-RIY 13/07/2010 04:34  
p.m. RIY

TO: Wellington

Routine

CC: Canberra, MEA Posts, Singapore, The Hague

Routine

MFAT: MEA, ISED, AUS, FTU, DSP4, TND, DSP5, TPLU, CEO, PATP, DSP2, Asia-S, ENV

AGENCIES: SEEMail:

P/S Assoc Min Defence, Defence MOD (Sec Def, Dep Sec P&P, IDR), NZTE

Manual:

P/S MFA, PMC [FRA DESG], P/S Defence, Defence HQNZDF (CDF, VCDF, AC SCI, DSC, IDR), Police NZ

P/S Agriculture, P/S MDAC, P/S Trade, MAF Policy (Carson), MAF Biosecurity; NZTE/Investment, P/S PMO

S9(2)(a)

RE (C10000082-RIY): VISIT TO GULF SAUDI ARABIA: MINISTER OF FOREIGN AFFAIRS: LIVE ANIMAL TRADE

### Summary

shares New Zealand eagerness to resolve bilateral live animal trade for slaughter issue, but sees the ball firmly in New Zealand's court.

out of scope

### Message

### Action

For information.

out of scope

### Report

2 Ambassador made a farewell call on Saudi Minister of Agriculture Dr Fahad Balghunaim in Riyadh on 10 July. Minister had his key senior officials present including

S9(2)(a)

Pages 2 & 3 are withheld under s6(a) and out of scope



## Office of the Prime Minister

Prime Minister  
Minister of Tourism

Ministerial Services  
Minister in Charge of the  
NZ Security Intelligence Service  
Minister Responsible for the GCSB

24 June 2010

Mr Hmood Alali Alkhalaf  
Hmood Alali Alkhalaf Trading and Transportation Est.

§ 9(2)(a)  
KINGDOM OF SAUDI ARABIA

Dear Hmood Alali Alkhalaf

Thank you for your letter of 21 May 2010 to Prime Minister John Key regarding the export of live sheep to the Kingdom of Saudi Arabia. This comprehensively outlined your interests in the consideration of the issue by New Zealand.

I would like to assure you that the Prime Minister is looking closely, in conjunction with other senior government Ministers, at the range of complex issues you raise in your letter. You can expect a fuller response to your questions in due course.

Yours sincerely

§ 9(2)(a)

Foreign Policy Advisor to the Prime Minister





MINISTRY OF  
**FOREIGN AFFAIRS & TRADE**  
MANATŪ AORERE

18 June 2010

Minister of Foreign Affairs  
Minister of Trade

SAUNZ/1/2

For action by 30 June 2010

For action by 30 June 2010

**LIVE SHEEP EXPORTS: POLICY OPTIONS**

**Submission:** Issues

**Purpose:** To outline policy options and seek Ministerial guidance in relation to live sheep exports from New Zealand to the Kingdom of Saudi Arabia.

sq(2)(j)

**Comments:** No publicity is planned at this time.

**Recommended Referrals**

Prime Minister  
Minister of Agriculture

For concurrence by 5 July 2010  
For concurrence by 5 July 2010

**Contacts**

Wade Armstrong      Principal Advisor Trade Policy

(wk)

(hm)

sq(2)(a)

**Minister's Office Comments**

Signed / Referred

Date: \_\_/\_\_/\_\_

## Live Sheep Exports: Policy Options

s 6(a)  
s 9(2)(j)

- MFAT considers that two options exist for progressing this issue in an expeditious manner.
- 

### Recommendations

It is recommended that you:

- 1 ~~Note~~ that MFAT recommends that Option B is the preferred course of action for progressing the live sheep for export issue Yes / No
- 2 ~~Agree~~ that in taking forward the development of this approach, consultation will be carried out at senior levels with the meat industry to ascertain their views on the proposed course of action. Yes / No

## Live Sheep Exports: Policy Options

- 3 **Agree** that subsequent to the outcomes of consultation with industry, officials will return to Ministers with a strategy for engaging with the Government of Saudi Arabia on this issue Yes / No

sa(2)(j)

4

Yes / No

sb(a)

- 5 **Agree** that officials develop a communications strategy for use in New Zealand and externally to explain the New Zealand position and to mitigate risk from action by animal welfare and consumer groups. Yes / No

Crawford Falconer  
for Secretary of Foreign Affairs and  
Trade

port

s6(a)

s6(a)

3 MFAT considers that in the circumstances  
two potential options exist when considering this issue.

s6(a)

Both options do carry risks for  
New Zealand, which we have outlined below.

s6(a)

## Live Sheep Exports: Policy Options

s6(a)

s6(a)

6 **Option B:** This would involve New Zealand seeking to complete the negotiation of the MOU with Saudi Arabia and seek to start a limited commercially-viable annual shipment of (65,000) live sheep for the Haj pilgrimage.

It would also carry domestic political risk, although if New Zealand was able to secure high-quality commitments from Saudi Arabia on transport, unloading and commercial slaughter, this may serve to alleviate these concerns.

7 Over the last two years the Government has received a high number of letters about the possible resumption of live sheep exports, from within New Zealand and abroad. Much of the issue's profile can be attributed to international form letter-writing campaigns organised by People for the Ethical Treatment of Animals (PETA) and World Society for the Protection of Animals (WSPA). The following is a breakdown of where the approximately 13,100 letters or emails have been received:

### Correspondence received on live sheep issues from 2007 – present

Prime Minister	10861*	*this includes 6306 "campaign" letters
Minister of Agriculture	902	
Embassy in Washington	80	

## Live Sheep Exports: Policy Options

Embassy in The Hague	520	
Embassy in Stockholm	1	
High Commission in London	450	
High Commission in Ottawa	290	

8 MFAT considers that opposition from animal welfare and consumer groups could be mitigated through a well managed onshore and offshore communications and outreach strategy. Such a strategy would need to emphasise the conditions that had been agreed at all stages of the process and that New Zealand and Saudi Arabia were actively working to minimise animal welfare concerns. This could be portrayed positively by both sides and would be appreciated in the wider Islamic world.

9 It is therefore the view of MFAT that **Option B** presents the preferable foreign policy course of action. It will allow us further time to work with Saudi Arabia on securing a world leading agreement on live sheep exports,

Consultation with external agencies (if required)

You. reference: ~~GCC/NZ/11~~;  
~~SAU/NZ/119/2~~

Our Reference: *SA 121/1/2*

FROM: Wellington (TND)

C10002851-  
WLN

04/06/2010 03:57 p.m.

TO: Wellington, Riyadh

WLN  
Routine

CC:

MFAT: MEA, LGL, TPLU, CEO, DSP2,  
PATP, FTU, DSP4

AGENCIES: SEEMail:

Manual:

P/S Trade  
P/S MFAP/S Agriculture, MAF Policy (Carson),  
PMC [FPA], P/S PMC*SA(2)(a)*

*SA(2)(a) SA(2)(i)*  
KHALAF AND ASSAF

: GCC-NZ FTA: MEETING WITH AL-

**Summary**

- Many thanks for your comprehensive message covering your meeting with Al-Khalaf and Assaf
- We are now focusing on next steps, including potential options for further action for consideration by Ministers.
- 

**Message**

2. Many thanks for your comprehensive and timely message.

3. It is clear that your meeting with Al-Khalaf and Assaf has laid some important foundations in terms of restoring the relationship with these investors, and also, we hope, with the KSA government, to a more normal footing.

4. We are now focusing on next steps. TND/MEA are working on a paper of potential options for further action for our Ministers to consider in discussing the issue further with Cabinet colleagues.

SAU. NZ 1 C

(MEA)

From: (EUR)  
 Sent: Monday, 31 May 2010 11:59 a.m.  
 To: (EUR); (MEA)  
 Subject: P2

[UNCLASSIFIED]

Was a quick roundtable this morning chaired by *sq(2)(a)* Main points were:

- **live animal trade:** principal conversation was on live animal trade and issues with Saudi Arabia (KSA).
  - the prominence of this issue had increased as a result of RIY's cable over the weekend on KSA views and the letter from a significant Saudi investor (in the NZ sheep trade) to the PM outlining his concerns with how NZ has handled this issue over the last 12 years.

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- it was also noted that this issue was likely to go into the media very soon as *sq(2)(a)* was looking to do a media piece on the live animal trade and its connection to the conclusion of the G22 FTA - Clare said she was suggesting that Mr Groser and Mr Carter's office coordinate on which Minister

out of scope

Page 2 is out of scope



C10000066-RIY

RESTRICTED  
NZ EYES ONLY, NOT FOR CABLE EXCHANGE

SA-102/1/2  
GCC/NZ/1/1; SAU/NZ/1/0/2

Your Reference:

Our Reference: GCC/NZ/1/1; SAU/NZ/1/0/2

FROM: Riyadh

C10000066-RIY 31/05/2010 12:03 a.m.  
RIY

TO: Wellington

Priority

CC: Moscow

Routine

MFAT: TND, MEA, LGL, TPLU, CEO,  
DSP2, PATP, FTU, DSP4

AGENCIES: SEEMail:

Manual:

P/S Trade

P/S Agriculture, MAF Policy

( ), P/S MFA

PMC (FPA), P/S PMO

S9(2)(a)

S9(2)(a)

ATTACHMENTS: 0037194.01.doc; 0037301.01.doc; Al-Khalaf letter of 21 May to PM.pdf;  
Brownrigg letter of 24 September 2009 to Minister of Agriculture.pdf

Special Delivery Instructions: MOSCOW: ATTENTION MINISTER GROSER

S6(a) S9(2)(j)

: MEETING WITH AL-KHALAF AND ASSAF

### Summary

Riyadh and GCC capitals are viewing this as a litmus test of the relationship – one being watched at the highest levels of Government (possibly even by the King and Crown Prince). Saudi investors have written a last appeal letter to the Prime Minister inviting him to intervene on the issue. Their letter notes an increasing sense of injustice and frustration, of the New Zealand government acting in bad faith; of being stringed along for 7 years and incurring significant losses while a phantom MoU negotiation was undertaken; of having their positions misrepresented; of being denigrated by animal welfare groups; of having lost faith in the New Zealand Ministry of Agriculture; of watching goal posts being moved regularly; and seeing their investments in New Zealand stagnate and decline. They raise serious allegations about New Zealand imposing conditions in the negotiations that are questionable under international law

S9(2)(j)

Message

Action

NZ EYES ONLY, NOT FOR CABLE EXCHANGE  
RESTRICTED

31/05/2010

Page 1 of 11

Wellington : For reflection in deciding upon next steps including a draft reply to Al-K...  
letter to the PM.

## Report

Your C10-2637 and C10-2598, our C10-61 and Singapore's C10-55 refer.

2 Ambassador accompanied by DHOM met with Saudi Arabian sheep investor Hmood Al-Ali Al-Khalaf and the CEO of Alkhalaf Group of Companies Australasia, George Assaf in Riyadh on 26 May 2010.

3

We stressed that we had no mandate to offer or propose solutions, or to signal any change, now or in the future, in New Zealand's policy on the export of live sheep for slaughter. Nor could we give them any comfort that New Zealand would compromise on strict animal welfare provisions or conditions of trade. What we were offering was an opportunity to Al Khalaf and Assaf to present their case, in confidence, in their own words and in a neutral environment. We promised to faithfully convey their representations to New Zealand ministers.

4 Having obtained acceptance on the parameters for discussion, we allowed our interlocutors to make most of the running - which they appreciated - simply to tell their story in their own words, their concerns and any ideas for moving forward if possible. They took full advantage and spoke at length,

Pages 3 to 11 are withheld under s 6(c)

(MEA)

From: (TND)  
 Sent: Thursday, 27 May 2010 9:36 a.m.  
 To: (TND); (FTU)  
 Cc: (MEA); (TND)  
 Subject: FW: Live Sheep - Meeting with Saudi Investors  
 Importance: High

[SEEMAIL] [RESTRICTED]

Please see below message.

has passed this on to the Minister and Crawford in Paris, also to MEA and PM's office.

is doing an article on how live sheep is holding up the FTA and wants Ministerial comment -  
 square this away.

I will keep in touch with about next steps.

From (RIY)  
 Sent: Thursday, 27 May 2010 4:13 a.m.  
 To: (PATP); (TND);  
 Cc: (MEA); (MEA); (RIY);  
 Subject: Live Sheep - Meeting with Saudi Investors  
 Importance: High

[SEEMAIL] [RESTRICTED]

[Please treat as NZ-EYES-ONLY]

Just a quick note to confirm that I met with Saudi sheep investors Hmood Al-Khalaf and George Assaf in Riyadh today.

Much to ponder and digest from 3.5 hour gathering. We will get a cable to you by your Monday morning.

In brief:

Page 2 is withheld under s 6(a) and s 9(2)(a)

(MEA)

**From:** (MIN) [mailto: ]@parliament.govt.nz

**Sent:** Wednesday, 26 May 2010 11:29 a.m.

**To:** (TND)

**Cc:** (MIN);  
(TND);

(MIN); (PATP);

(MEA); (MEA);

**Subject:** RE: Live Sheep

*out of scope*

Please keep us/MFA in the loop as matters develop. It seems the next step will be lunch and we will await the report on that.

Cheers

*S9(2)(a)*

**From:** (TND) [mailto: ]@mfat.govt.nz

**Sent:** Wednesday, 26 May 2010 11:11 am

**To:** (MIN)

**Cc:** Re: (MIN);

(TND); (MIN);

**Subject:** FW: Live Sheep

(PATP);  
(MEA)

*S9(2)(a)*

MEA;

[SEEMAIL] [IN CONFIDENCE]

On 21st May, we (TND/MEA) sent you the informal briefing note we produced for our meeting with Mr Groser, specifically so Mr McCully would receive the same information on live sheep that Mr Groser had, under cover of an explanatory email stating who produced the briefing, for what purpose and which invited you to contact us if you had any further questions. I attach a copy of this email and note for your reference. It seems that Mr McCully has received a briefing from Mr Carter on the briefing we provided to Mr Groser on the 20th and copied to you on the 21st.

*out of scope*

Deputy Director (Goods)  
Trade Negotiations Division  
Ministry of Foreign Affairs and Trade  
Tel: +  
Fax: +  
Mob: +

**From:** (MIN) [mailto: ]@parliament.govt.nz

**Sent:** Wednesday, 26 May 2010 10:36 a.m.

**To:** (PATP);

(TND)

**Cc:** (MIN);

(RIY);

(MEA);

(TND);

(MIN);

(MEA)

*S9(2)(a)*

**Subject:** GCC: Live Sheep

[seemail][in confidence]

Minister has received a briefing from Minister Carter on the GCC Live Sheep issue

59(2)(g)(i)

Although this is primarily a trade issue for Mr Groser, Mr Groser has encouraged Mr McCully to make an early visit to the GCC - in part to contribute to the effort to sort this problem out. There are also clearly bilateral political issues in play. For these reasons Mr McCully would like to be kept abreast of developments and proposals.

The briefing in question is not on letterhead. It appears to have been drafted by MAF and has the document number 2368346. It relates to how to address Al-Khalaf.

I suggest the best way to deal with this is for you to prepare a note for Mr McCully, drawing on existing material, which sets out the current state of play and future strategy. This need not be in the form of a submission. We could supplement this if necessary by a discussion at an MEAT Issues meeting with the Minister.

Thanks

59(2)(a)

out of scope

Foreign Affairs Senior Advisor  
Office of Hon Murray McCully, Minister of Foreign Affairs  
Parliament Buildings, Wellington, New Zealand  
+ (office) + (mobile)

59(2)(a)

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RESTRICTED

C10002637-WLN

Yc...eference:

Our Reference:

FROM: Wellington (TND) C10002637-WLN 25/05/2010 06:01 p.m.  
TO: Riyadh Priority  
CC: Wellington Priority  
MFAT: MEA, LGL, TPLU, CEO,  
DSP2  
AGENCIES: SEEMail: s9(2)(a)  
Manual: MAF Policy ( ), P/S Agriculture, P/S Trade, P/S MFA

ATTACHMENTS: WELLINGTON\_n2372303\_y2\_Live\_sheep\_to\_KSA\_Revised\_talking\_points\_f  
\_25\_May\_2010.DOC

s9(2)(j)

**Summary**

- We have reconsidered the talking points attached to C10-2598-WLN of 24 May 2010
- An amended version dated 25 May is attached

**Message**

Our C10-2598-W:LN and s9(2)(a) email of 24 May refer.

2 Following further discussion in Wellington the talking points attached to our C10-2598 have been amended (attached - 25 May 2010).

RESTRICTED

REVISED TALKING POINTS FOR AL KHALAF  
(25 May 2010)

In terms of any approach to Al-Khalaf the following points could be made.

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sb(a)

sb(a)

sb(a)

(MEA)

**From:** (PATP)  
**Sent:** Tuesday, 25 May 2010 9:19 a.m.  
**To:** (TND)  
**Cc:** (TND); (MEA); (MIN)  
**Subject:** RE: Live sheep exports - Note for MOT  
**Importance:** High

[SEEMAIL] [RESTRICTED]

**From:** (TND)  
**Sent:** Tuesday, 25 May 2010 9:05 a.m.  
**To:** (PATP)  
**Cc:** (TND)  
**Subject:** FW: Live sheep exports - Note for MOT

[SEEMAIL] [RESTRICTED]

Hi

Cheers

**From:** (PATP)  
**Sent:** Tuesday, 25 May 2010 8:34 a.m.  
**To:** (TND); (TND)  
**Subject:** FW: Live sheep exports - Note for MOT

[SEEMAIL] [RESTRICTED]

Was the merlin not cleared with MAF???

**From:** (RIY)  
**Sent:** Monday, 24 May 2010 6:31 p.m.



**To:** (PATP)  
**Cc:** (MEA); (TND); (TND);  
 (MEA); (MIN)  
**Subject:** RE: RE: Live sheep exports - Note for MOT

[SEEMAIL] [RESTRICTED]

Thanks

C10-2598 received at post.

Will await your further joint instructions. We have 48 hours before the scheduled meeting with Al-Khalaf and Assaf at 1130 on Wednesday 26 May (KSA time).

**From:** [mailto: @maf.govt.nz]  
**Sent:** Monday, 24 May 2010 9:12 a.m.  
**To:** (RIY); (PATP)  
**Cc:** (MEA); (TND); (TND);  
 (MEA); (MIN)  
**Subject:** RE: RE: Live sheep exports - Note for MOT

I understand that a cable was being prepared in Wellington today on this issue. It hasn't got to MAF for clearance yet, but in case it gets to you today could you please put it on hold.

**From:** (RIY) [mailto: i@mfat.govt.nz]  
**Sent:** Sunday, 23 May 2010 1:48 a.m.  
**To:** (PATP)  
**Cc:** (MEA); (TND) (TND);  
 (MEA); (MIN)  
**Subject:** [Requires Classification] RE: Live sheep exports - Note for MOT  
**Importance:** High

sg(2)(a)

[SEEMAIL] [RESTRICTED]

Thanks for attached note which is very timely as we have only just agreed to a revised timing for a 'first' meeting with Hmood Al-Khalaf and George Assaf on Wednesday 26 May. Will study the note as requested and resort with any comments presently.

out of scope

**From:** (PATP)  
**Sent:** Friday, 21 May 2010 3:19 a.m.  
**To:** (RIY)  
**Cc:** (MEA); (TND); (TND);

sg(2)(a)

(MEA); '(MIN)'  
**Subj** FW: Live sheep exports - Note for MOT

sq(2)(a)

[SEEMAIL] [RESTRICTED]

Herewith the latest paper which we and MAF have jointly produced (with sq(2)(a) 'doing a great job, with input from on the timeline at Annex A). You will note the draft Talking Points for your discussion with Al Khalaf, whenever it takes place.

2 If you can add to or correct the paper -

sb(a)

trade - then please feel free to let us know. We and MAF are both finding gaps in the files.

3. The Minister is comfortable with the paper and specifically with the Talking points for your meeting with Al Khalaf.

sb(a)

sb(a)

5. We will need to put this policy approach into a merlin next week but wanted to get this off to you meantime

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The Ministry of Agriculture and Forestry accepts no responsibility for changes made to this email or to any attachments after transmission from the office.

RESTRICTED

C10002598-WLN

Your Reference:

Our Reference: SA21/21/2

FROM: Wellington (TND)  
TO: Riyadh  
CC: Wellington  
MFAT: TND, MEA, LGL, TPLU, CEO,  
DSP2  
AGENCIES: SEEMail:  
Manual:

C10002598-WLN

24/05/2010 02:19 p.m.

Routine

Routine

MAF Policy (s9(2)(a)), P/S Agriculture, P/S Trade

ATTACHMENTS: WELLINGTON\_n2372303\_v1\_Live\_sheep\_to\_KSA\_Revised\_talking\_points\_fc\_24\_May\_2010.doc

(s9(2)(j))

REVISED TALKING POINTS FOR AL KHALAF

Summary

- Officials have consulted Minister Groser (20 May) on the next steps (s9(2)(j))
- 
- The Minister has agreed with revised talking points (attached). (s6(a))
- We leave it to you to judge the exact terms on which you approach Al Khalaf.

Message

Armstrong/Matheson e-mail of 21 May refers

2 As you know, following Minister Groser's meeting with Saudi Agriculture Minister, Dr Balghunaim, we have consulted him [MOT] on the next steps (s6(a))

(s6(a))

Page 2 is withheld under s6(a)

RESTRICTED

**REVISED TALKING POINTS FOR AL KHALAF  
(24 May 2010)**

In terms of any approach to Al-Khalaf the following points could be made.

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OFFICIAL INFORMATION ACT

Page 2 is withheld under s6(a)

(MEA)

From: (TND)  
 Sent: Friday, 21 May 2010 1:18 p.m.  
 To: (TND)  
 Cc: (MEA)  
 Subject: FW: MFAT Meeting with MoT: Agenda Items Please

[IN CONFIDENCE]

Useful summary from Wade for the files.

From: (PATP)  
 Sent: Friday, 21 May 2010 10:51 a.m.  
 To: (CEO Office)  
 Cc: (CEO), (DSP2), (TND)  
 Subject: RE: MFAT Meeting with MoT: Agenda Items Please

[IN CONFIDENCE]

We met with Mr Groser yesterday to discuss the live sheep issue, having previously passed him earlier this week a paper - forwarded separately to you - setting out the result of our research into a) the Al Khalaf operation in NZ and b) the timeline of dealings with Saudi Arabia on live sheep, since 1991.

4. Next steps: to sound out Al Khalaf. If positive, probable need to seek Ministerial approval for follow-up with S.A. Ag Minister.

From: (CEO Office)  
 Sent: Wednesday, 19 May 2010 7:27 p.m.  
 To: (PATP)  
 Subject: FW: MFAT Meeting with MoT: Agenda Items Please

SL(a)

out of scope

RELEASED UNDER THE  
OFFICIAL INFORMATION ACT

Pages 2 <sup>to</sup> 4 ~~out~~ of scope

**CLAF E-WATSON, Jeremy (MEA)**

**From:** ARMSTRONG, Wade (PATP)  
**Sent:** Friday, 21 May 2010 12:19 p.m.  
**To:** MATHESON, Trevor (RIY)  
**Cc:** MacMASTER, Hamish (MEA); KELLY, Clare (TND);  
 (MEA); 'Chris Carson' (MIN); (TND);  
**Subject:** FW: GCC: Live sheep exports - Note for MOT  
**Attachments:** 2368346-v1-GCC\_Live\_Sheep\_Exports.doc

[SEEMAIL] [RESTRICTED]

Trevor

Herewith the latest paper which we and MAF have jointly produced (with Richard Ivess' doing a great job, with input from Jeremy on the timeline at Annex A). You will note the draft Talking Points for your discussion with Al Khalaf, whenever it takes place.

2. If you can add to or correct the paper

then please feel free to let us know. We and MAF are both finding gaps in the files.

3. The Minister is comfortable with the paper and specifically with the Talking points for your meeting with Al Khalaf.

5. We will need to put this policy approach into a merlin next week but wanted to get this off to you meantime

RESTRICTED

Minister

GCC: LIVE SHEEP EXPORTS

In view of the problem with Al-Khalaf,

– we have been researching  
further information on; (a) Al-Khalaf's operation in New Zealand,

(b) what has been communicated  
officially to Al-Khalaf over the years about the scope for his operation here to  
export live sheep,

Introduction

sb(a)

RESTRICTED



s6(a)

Background: Policy Development and Commitments

4 MFAT and MAF officials have conducted an initial examination of files dealing with Al-Khalaf's engagement with New Zealand and the history of New Zealand live sheep exports to Saudi Arabia. This is a major task, the key events are summarised in the attached timeline (Annex A) which presents an initial, possibly incomplete, picture of how policy developed since 1991.

5 What emerges from the files are the following key points.

•

s6(a)

s6(a)

s6(a)

s6(a)

Pages 3 and 4 withheld  
under ~~§ 6(a)~~, § 9(2)(b)(ii)  
and § 9(2)(a)

s6(a)  
s(a)(2)(b)(ii)  
s9(2)(a)

#### Public focus on Animal Welfare

16 Over the last two years the Government has received a high number of letters about the possible resumption of live sheep exports, from within New Zealand and abroad. Several posts in Europe and the Americas have received correspondence originating from their countries of accreditations. Much of the issue's profile can be attributed to international letter-writing campaigns organised by People for the Ethical Treatment of Animals (PETA) and World Society for the Protection of Animals (WSPA), in response to a perception that the government was about to remove the export prohibition order.

17 The following is a breakdown of where the approximately 13,100 letters or emails have been received:

#### **Prime Minister's office**

2008-9: 5,750 letters and emails from individuals received and answered; 75 not answered, 31 transferred for reply

"Campaign" emails and letters received during same period: 4,551

2010: 4 letters and emails from individuals received and answered

"Campaign" emails and letters received during same period: 556

#### **Minister of Agriculture**

March 2007 - present: 902 letters/emails answered

**Posts**

The Hague: 520  
London: 450  
Ottawa: 290  
Washington: 80  
Stockholm: 1

Conclusion

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b6(a)

b6(a)

b6(a)

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OFFICIAL INFORMATION ACT

Pages 7 to 28 withheld under

s. 6(a)

206510.

SA-102/112

**Live Sheep Exports to Saudi Arabia:**

This note covers a review of the Middle East and Africa Division (MEA) files pertaining to live sheep, dating back to 1988.

S6(a), S9(2)(a)

This page is withheld under  
S6(a)

Pages 2 to 4 are withheld under  
S6(a).

S 9(2)(a)

SA 1/12/1/2

**From:**  
**Sent:** Monday, 10 May 2010 4:00 p.m.  
**To:** / (MEA)  
**Subject:** FW: Contact with Hmood Al-Khalaf  
**Importance:** High

[SEEMAIL] [RESTRICTED]

Are you filing all this stuff? We should keep a pretty rigorous record

**From:** (RIY)  
**Sent:** Thursday, 6 May 2010 1:01 a.m.  
**To:** (PATP); (SIN); (LGL/TLU);  
 (DSP2)  
**Cc:** (TND);  
 (MEA); (MEA); (RIY); (CEO); (DSP4);

**Subject:** RE: Contact with Hmood Al-Khalaf  
**Importance:** High

[SEEMAIL] [RESTRICTED]

S 9(2)(a)

please convey to MoT

FYI - I've readily agreed to a request from Hmood Al-Khalaf to postpone our lunch at the Residence on 8 May to a date to be set later in the month. Al-Khalaf would like to be accompanied by the group's ANZ business manager, George Assaf.

S 6(a)

Al-Khalaf will advise presently when he expects Assaf to return to KSA. We have indicated a willingness to reschedule the meeting to any date/time before 13 May or after 19 May since I will be on leave outside of KSA on 13-19 May inclusive.

S 9(2)(a)

**From:** (RIY)  
**Sent:** Tuesday, 4 May 2010 4:26 p.m.  
**To:** (SIN); (LGL/TLU);  
 (DSP2)  
**Cc:** (MEA); (MEA); (RIY); (CEO); (DSP4);

**Subject:** Contact with Hmood Al-Khalaf  
**Importance:** High

[SEEMAIL] [RESTRICTED]

telecon of today's date and earlier emails (not to all) refer. "We leave it to your discretion to advise others including MAF officials and advisers of the contents of this message/attachment".

S 9(2)(g)(i)

I phoned Hmood in Damman today to thank him for attending the reception at the residence on 25 April and noting his b informal discussions with the minister in the margins of the reception and the separate RCCI-hosted business seminar event earlier that day. I also acknowledged receipt of his address to the RCCI, doubling as a letter to the minister (English translation attached).

I told Hmood that as there was insufficient time on 25 April for other than a brief and informal discussion of his concerns, I would welcome an early opportunity to meet with him and discuss in confidence his concerns in more detail. I emphasised that I had no instructions to offer solutions or a way forward, but would be more than happy to act as a sounding board. Hmood responded positively noting that he welcomed the approach, was keen to meet and explain his side of the story.

Ascertaining that he would be in Riyadh next week, I invited him to lunch at the residence on Saturday 8 May. I extended the invitation to include a colleague of his choice and/or a translator, as his English is limited. He appreciated the offer. I also informed him that my DHOM S 9(2)(a) and 2nd Secretary S 9(2)(a) would also likely attend the lunch but otherwise it would be a small grouping of no more than six and he would be able to speak in full confidence at the residence. Any information related to his business ventures in NZ would be treated strictly commercial-in-confidence. Hmood readily accepted the invitation on this basis.

We will report after the lunch.

S 9(2)(a)



s9(2)(a)

(MEA)

5/5/10 11:12

From: s9(2)(a)

Sent: Wednesday, 5 May 2010 11:32 a.m.

To: s9(2)(a) (PATP);

(LGL/TLU)

Cc: s9(2)(a) (TPLU);

(LGL/TLU);

(MEA);

(MEA);

(TND)

Subject: RE: Sheep language - proposed line for GCC FTA NZ delegation members

s9(2)(a)

[SEEMAIL] [RESTRICTED]

I think it would be useful to have at least something for people to say - I've had to comment (in very vague terms)

s6(a)

From: (PATP)

Sent: Wednesday, 5 May 2010 11:16 a.m.

To: (LGL/TLU)

Cc: s9(2)(a) (TPLU); s9(2)(a) (FTU);

s9(2)(a) (LGL/TLU);

s9(2)(a)

(MEA); (MEA); (TND)

Subject: RE: Sheep language - proposed line for GCC FTA NZ delegation members

[SEEMAIL] [RESTRICTED]

s9(2)(a)

Can you wait on please - there is a current discussion between Minister's office ; MAF and some others about a media line on this issue. So that will provide the basis for any comment.

I am not convinced that we need to circulate a statement, rather than having comment come from (or referring enquiries to) the Minister's office

From: (LGL/TLU)

Sent: Wednesday, 5 May 2010 9:59 a.m.

To: (PATP)

Cc: s9(2)(a) (TPLU); s9(2)(a) (FTU);

s9(2)(a) (LGL/TLU);

s9(2)(a)

(MEA); (MEA); (TND)

Subject: Sheep language - proposed line for GCC FTA NZ delegation members

[SEEMAIL] [RESTRICTED]

s6(a)

**From:** (ME)  
**Sent:** Tuesday, 4 May 2010 5:26 p.m.  
**To:** (TDI);  
**Cc:** (LGL/TLU)  
**Subject:** RE: Sheep language

[SEEMAIL] [RESTRICTED]

Thanks

**From:** (PLU)  
**Sent:** Tuesday, 4 May 2010 4:58 p.m.  
**To:** (ME);  
**Cc:** (PATP)  
**Subject:** RE: Sheep language  
**Importance:** High

[SEEMAIL] [RESTRICTED]

Hi team MEA - as was discussed yesterday at P2, below is the draft line proposed for comment which addresses the sheep issue if raised. Subject to comments from (ME), this is where our thinking has got to.

FYI - once we have input from MAF we will provide final proposed line.

**From:** (PATP)  
**Sent:** Tuesday, 4 May 2010 12:50 p.m.  
**To:** (TPLU)  
**Cc:**  
**Subject:** RE: Sheep language

s 9(2)(a)

[SEEMAIL] [RESTRICTED]

I wd prefer to set aside linkage. So perhaps something along the following lines:

**From:** (TPLU)  
**Sent:** Tuesday, 4 May 2010 12:24 p.m.  
**To:** (PATP)  
**Cc:**  
**Subject:** Sheep language

s 9(2)(a)

[SEEMAIL] [RESTRICTED]

Hi - as discussed yesterday draft language as a started for 10:

s 6(a)

s 9(2)(a)  
Manager  
Trade Policy Liaison Unit  
Ministry of Foreign Affairs and Trade | Manatu Aorere  
195 Lambton Quay  
Wellington, New Zealand  
Tel: +  
Mb: +  
Fax: +

s 9(2)(a)

SA 1/2/12

From:

Sent: Wednesday, 5 May 2010 1:41 p.m.

To:

(TPI II); (TND); (ME); (LGL/TLU); (LGL/TLU);

Cc:

(PATP); (RIY); (RIY); (RM)

Subject: RE: GCC FTA/ Live Sheep

thanks

Personally, I think that MoT has already covered off directly with Ministers that he will lead on this issue. But in touch with ' anyway.

From:

(TPI II)

Sent: Wednesday, 5 May 2010 1:29 pm

To:

(TND);

(LGL/TLU);

Cc:

(PATP);

Subject: GCC FTA/ Live Sheep

Importance: High

[SEEMAIL] [RESTRICTED]

Please find below the approved line that has been cleared by Min Groser's office relating to the FTA and the live sheep issue which will be drawn on in an "if asked" scenario by the Minister.

With respect to any media enquiries, Minister Groser's office is keen that there be one spokesperson on this and that any enquiries should go through to his office through his Press Sec

Minister Carter's office also have the above lines. However, in view of his responsibilities on policy on live sheep exports, MAF have provided him with some slightly altered lines which essentially mirror the above.

s 6(a)

If there are any enquiries regarding the above please approach me for liaison with Minister Croser's office.

-----  
**Manager**  
Trade Policy Liaison Unit  
Ministry of Foreign Affairs and Trade: Manatu Aorere  
195 Lambton Quay  
Wellington, New Zealand  
Tel: +  
Mb: +  
Fax: +

s 9(2)(a)

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39(2)(a)

From: (MEA) 59(2)(a)  
 Sent: Tuesday, 4 May 2010 5:41 p.m.  
 To: (MEA)  
 Subject: FW: Minister of Trade's Visit to the Gulf: New Zealand-GCC Free Trade Agreement  
 Importance: High  
 Attachments: File Note.DOC

[SEEMAIL] [RESTRICTED]

This is on a very narrow loop.

From: (RIY) 59(2)(a)  
 Sent: Tuesday, 4 May 2010 5:37 p.m.  
 To: (MEA)  
 Cc: (RIY)  
 Subject: FW: Minister of Trade's Visit to the Gulf: New Zealand-GCC Free Trade Agreement  
 Importance: High

[SEEMAIL] [RESTRICTED]

FYI too

From: (RIY) 59(2)(a)  
 Sent: Monday, 3 May 2010 7:45 p.m.  
 To: (SIN); (TND); (CEO)  
 Cc: (TND); (DSP2); (PATP); (CEO)  
 Office); (LGL/TLU); (RIY)  
 Subject: RE: Minister of Trade's Visit to the Gulf: New Zealand-GCC Free Trade Agreement  
 Importance: High

[SEEMAIL] [RESTRICTED]

Please find attached the separate file note on the meeting of 24 April. We understand the Minister wants to limit distribution initially to above addressees only and that he wishes to use the note to brief the PM and ministerial colleagues accordingly, but would like a copy given to Mr McCully asap.

From: (RIY) 59(2)(a)  
 Sent: Monday, 3 May 2010 4:43 p.m.  
 To: (SIN); (TND); (CEO);  
 Cc: (TND); (DSP2); (PATP); (CEO)  
 Office); (LGL/TLU);  
 Subject: RE: Minister of Trade's Visit to the Gulf: New Zealand-GCC Free Trade Agreement  
 Importance: High

[SEEMAIL] [RESTRICTED]

59(2)(a)

Just seen cable (C10-55).

56(a)

s6(a)

Trevor

**From:**  
**Sent:** Monday, 3 May 2010 8:45 a.m.  
**To:** (SIN); (TND); (CEO); (RIY); i  
**Cc:** el (TND); (DSP2); (PATP); C p (CEO)  
 Office); (RIY); (LGL/TLU);  
**Subject:** RE: Urgent info request

s9(2)(a)

s9(2)(a)

thanks for the draft. Mr Groser hasn't seen it but he won't get the chance to do so anyway before he departs for China on Wednesday evening. I suggest this be sent asap (subject to any amendments suggested by Trevor), not least because Mr McCully is holding tomorrow his weekly meeting with officials and will want to have a report back on the visit and the state of play with the FTA etc. s9(2)(a)

I don't expect that he has had - or will have - the chance to brief Mr McCully personally before then, so best to let the cable go overnight Wellington time if possible.

s6(a)

thanks

s9(2)(a)

s6(a)

s6(a)

s 9(2)(a)

SA 1/12/11/2

**From:** ARMSTRONG, Wade (PATP)

**Sent:** Monday, 3 May 2010 4:43 p.m.

**To:** HARRIS, Stephen (MFA); HAMILTON, Peter (DSP4); TROUP, George (EUR); MacMASTER, Hamish (MEA); s 9(2)(a) (MEA)

**Cc:** KELLY, Clare (TND); s 9(2)(a) (TND); HARRIS, Rodney (LGL/TLU); s 9(2)(a) (MIN)

**Subject:** RE: MOT visit/live sheep issue follow-up

[SEEMAIL] [RESTRICTED]

s 6(a)

**From:** HARRIS, Stephen (MEA)

**Sent:** Monday, 3 May 2010 1:31 p.m.

**To:** HAMILTON, Peter (DSP4); ARMSTRONG, Wade (PATP); TROUP, George (EUR); MacMASTER, Hamish (MEA); s 9(2)(a) (MEA)

**Subject:** MOT visit/live sheep issue follow-up

[SEEMAIL] [RESTRICTED]

Peter

s 9(2)(a) and Matt Crawford briefed Wade, Chris Carson, Clare Fearnley and me further at the end of P2 today. I needed to leave for another meeting before the discussion was over, but my understanding of next steps was as follows. No doubt you will discuss with Martin Harvey in Singapore. Wade, please correct me if I have not conveyed the full picture.

s 6(a)



Stephen

**From:** HAMILTON, Peter (DSP4)  
**Sent:** Monday, 3 May 2010 11:02 a.m.  
**To:** HARRIS, Stephen (MEA); MacMASTER, Hamish (MEA); TROUP, George (EUR)  
**Subject:** RE: Urgent info request - report on MOT visit/live sheep issue

[SEEMAIL] [RESTRICTED]

Hello Stephen

For some reason, I didn't not see the paper prepared by Wade on the live sheep trade issue but I have two immediate concerns

I will be interested in Hamish's perspective when he gets back. Am copying this to George as acting DSP4.

peter

**From:** HARRIS, Rodney (LGL/TLU) [mailto:Rodney.Harris@mfat.govt.nz]  
**Sent:** Monday, 3 May 2010 8:25 a.m.  
**To:** HARRIS, Stephen (MEA); HAMILTON, Peter (DSP4)  
**Subject:** FW: Urgent info request - report on MOT visit/live sheep issue

[SEEMAIL] [RESTRICTED]

~~The~~ remainder of this document is  
out of scope

*[New Zealand Embassy – Riyadh official translation of a presentation made in Arabic to the Riyadh Chamber of Commerce and Industry in Riyadh on Sunday, 25 April 2010 by Hmood Al-Ali Al-Khalaf and handed to the Minister of Trade afterwards for his information and consideration]*

**Hmood Al-Ali Al-Khalaf Trading & Transportation Est.**

Date: 21 April 2010

s 9(2)(a)

, head of the Riyadh Chamber of Commerce

New Zealand Minister of Trade

Ladies and gentlemen,

This is to advise you that I am one of the businessmen who breed and import livestock and in 1988 I started exporting livestock in coordination with important New Zealand companies such as EL GALING and MANZ international. Once I became acquainted with the New Zealand government and people, and received all their support, the company invested in a project in 1995, encouraged by the New Zealand government, to breed and freight sheep live to the Kingdom and the rest of the Gulf States. The project cost was USD 45 million, in addition to the cost of building a ship to transport the livestock according to the requirements and conditions of OIE which exceeded the cost of USD 70 million.

We have bought and leased many farms all over New Zealand to achieve the largest project of animal breeding in the world, which could result in large revenues for both countries. And we started producing and exporting to the Kingdom until 2003 when the new Zealand government prevented us from exporting our products and local sheep under the pretext of organizing and preparing a memorandum of understanding with the Ministry of Agriculture of the Kingdom of Saudi Arabia.

In late 2007, having waited so long and sustained large amounts of money, the New Zealand Ministry of Agriculture advised that the memorandum was ready to be signed and that we could proceed to contract farmers to procure animals and freight livestock. A few weeks before the freight date, the agreement was suspended and we were forbidden from completing any freight. A new team was assigned by the New Zealand Ministry of Agriculture and they decided to stop livestock freight to the Middle East and the Gulf States under the pretext the animals would be subjected to mistreatment before they were slaughtered.

The Director General of the Ministry of Agriculture has alone been given exceptional authority that enable him to allow trade to start based on what he sees as appropriate and within certain conditions. Most of the conditions are possible but some are unachievable and totally different from what has been

previously agreed in the memorandum of understanding between the Saudi and New Zealand governments.

Honourable Minister,

During the period in which we have shipped more than six million local New Zealand sheep and the products of the same project to the Kingdom (i.e. from 1988 until 2003), we did not experience any problems. I have not been refused any shipment and we were not given any warning that the requirements of the New Zealand government will become unachievable. The speech of the New Zealand Minister of Agriculture regarding these requirements has confirmed this when he said: **The level of the conditions that I am going to impose will be very high to the extent that I think the Kingdom of Saudi Arabia will be unable to achieve [them].** This speech is totally different from the previous attitudes of the New Zealand government. They used to always encourage us to invest in the shipment of livestock saying that the conditions would be the same as those of the Australian government.

We have always shipped according to the conditions of the International Animal Welfare Organisation (OIE) and we voluntarily reduced numbers by 15 % to ensure the wellbeing of the sheep until the New Zealand government decided to stop shipping of livestock in the year 2003.

Our company has shipped livestock from all over the world, including Australia, without any problems.

Hon Minister of Trade, Excellency, members of the delegation:

Last August, the New Zealand Minister of Agriculture stated on the government television channel in New Zealand (TVNZ1): **As a Minister, I don't like this trade to come back and it will not come back.** Furthermore, the office of the Director General of the Ministry of Agriculture in New Zealand has confirmed to us many times that **the statement of the Minister put an end to any deliberation or discussion of this subject.**

Since your honourable government has put an end to this subject through the Honourable Minister of Agriculture, so why do you proceed with discussions with the Saudi government? Is this the right way to begin a free trade agreement between the two countries?

Honourable Minister,

The Kingdom of Saudi Arabia is very well known for its Islamic position and its Islamic Holy Cities of Makkah and Medina and is the direction to which Muslims all around the world are aiming for pilgrimage and for the achievement of their religious duties including the sacrifice of sheep that should be alive, and we expect you to understand this situation. Furthermore, the New Zealand and Saudi governments are active members in the International Animal Welfare

Organisation (OIE). Consequently, they should abide by all the conditions of the Organisation.

Thank you for your attendance and for the attendance of everybody. I appreciate it. Peace be on you (Assalamu alaykum wa rahmatullah wa barakatuh).

Presented [on 25 April] by / one of the Saudi investors in your country, New Zealand.

Signature

[Hmood Al-Ali Al-Khalaf Est.]

RELEASED UNDER THE  
OFFICIAL INFORMATION ACT

HARRIS, Stephen (MEA)

From: s 9(2)(a) (MIN) - Private Secretary to Hon. Sir Groser

Sent: Wednesday, 17 March 2010 1:23 p.m.

To: KELLY, Clare (TND); s 9(2)(a) (TND); s 9(2)(a) (MEA)

Cc: FALCONER, Crawford (DSP2); ARMSTRONG, Wade (PATP); MacMASTER, Hamish (MEA);  
HARRIS, Stephen (MEA); HARRIS, Rodney (LGL/TLU); FEARNLEY, Clare (LGL/TLU)

Subject: Carter-Brownrigg meeting on live sheep

s 6(1)(a)

s 6(1)(a)

Page 2 is withheld under s 6(1)(a) and s 9(2)(a)



<b>MAF (Policy)</b>	<b>Distribution</b>
Briefing for the Minister of Agriculture	Minister
File Ref: fcs.maf.govt.nz/webtop/drl/objectId/090101b380556c9e	
MGG No: B09-553	Minister's Advisor
Drafted by: <u>sq(2)(a)</u>	Minister's Office
Checked by:	
Cleared by: Chris Carson	
Date Sent:	

## BRIEFING FOR MEETING WITH DAVID BROWNRIGG

Date:	12 March 2010	Priority:	Medium
Endorsement & Security Level:	Restricted	Document Number:	B09-553

### Action sought

Minister	Action sought	Deadline
Minister of Agriculture	Note the contents of this brief.	17 March 2010 at 8.00am
MAF Officials attending the meeting:	<u>sq(2)(a)</u> will attend this meeting.	

Does the paper have financial implications?		No	
Risks	<u>sq(2)(a)</u>	Level of Risk	Medium

### Ministry Contacts

	Name	Position	First Contact	Telephone (work)	Telephone (after hours)
Responsible Manager	Chris Carson	Director, International Policy	✓		
Principal Author	<u>sq(2)(a)</u>	Policy Analyst			N/A



## BRIEFING FOR MEETING WITH DAVID BROWNRIGG

### Purpose

1. This brief provides you with information for your upcoming meeting with David Brownrigg to discuss the issue of live sheep exports to Saudi Arabia at 8:00 am on 17 March 2010.

### Key Points

2. David Brownrigg has requested a meeting with you to discuss the issue of live sheep exports to Saudi Arabia. The meeting is scheduled to take place 8.00am, 17 March 2010.
3. Mr Brownrigg will likely seek an update on the latest developments on a bilateral arrangement between New Zealand and Saudi Arabia at this meeting.
4. sb(a)
5. sb(a)
6. sb(a)
7. sb(a)
8. Talking points for this meeting can be found on page 6 of this brief.

## Recommendations

9. We recommend that you **note** the contents of this brief.

Noted

Chris Carson  
Director  
International Policy

Hon David Carter  
Minister of Agriculture

/ / 2010



## BACKGROUND AND ANALYSIS

### Background

10. Since 2004, New Zealand has been negotiating towards a bilateral Arrangement with Saudi Arabia to re-open the way for the export of live sheep for slaughter.
11. Mr Brownrigg has been involved in a breeding programme with Saudi businessmen, Hmood Alali Alkhalaf and George Assaf, which aims to export fat-tail Awassi sheep to Saudi Arabia. Mr Brownrigg and his partners have been following the negotiation of the bilateral arrangement very closely, in anticipation of the trade recommencing.

12.

13.

14.

15.

16.

17.

s6(a)

s6(a)

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OFFICIAL INFORMATION ACT

Pages 5 and 6 withheld  
under s.6(1)

C10000012-RIY

RESTRICTED  
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FILE COPY

Your Reference:

Our Reference: SAU/NZ/1/9/2

FROM: Riyadh  
TO: Beijing  
CC: Wellington  
MFAT: TND, MEA, LGL, FTU, PATP,  
DSP4, CEO  
AGENCIES: SEEMail:  
Manual:

C10000012-RIY 02/02/2010 08:38 a.m. RIY

Routine

Routine

Special Delivery Instructions: PLEASE PASS TO P/S TRADE

FW (C10000009-RIY): SAUDI ARABIA: LIVE SHEEP EXPORTS: CALL ON MINISTER OF AGRICULTURE

Summary

Copy of a report for Minister Groser's information on discussions with the Saudi Minister of Agriculture (Balghunaim) on New Zealand's live sheep for slaughter export trade.

Message

RESTRICTED

NOT FOR CABLE EXCHANGE

Your Reference: SAU/NZ/1/2

Our Reference: SAU/NZ/1/9/2

FROM: Riyadh  
TO: Wellington  
CC: MEA Posts, Singapore,  
Canberra  
MFAT: TND, MEA, LGL, FTU,  
PATP, SMG  
AGENCIES: SEEMail:

C10000009-RIY 27/01/2010 02:29 p.m. RIY

Routine

Routine

Manual: P/S Trade, P/S MFA, MAF Biosecurity s9(a) Carson), P/S  
Agriculture

SAUDI ARABIA: LIVE SHEEP EXPORTS: CALL ON MINISTER OF AGRICULTURE

Summary

Message

Action

To note.

s6(a)

Report

Ambassador and DHOM met with Saudi Minister of Agriculture H.E Dr Fahad Bin Abdul-Rahman Balghunaim on 24 January 2010 to discuss the possible visit of the Minister of Trade to Saudi Arabia in April 2010. At the conclusion of the meeting Ambassador took the opportunity to raise the issue of live sheep exports.

s6(a)

Page 3 is withheld under s6(a)

2009

SAU/NZ/1/2

HARRIS, Stephen (MEA)

From: s 9(2)(a)

@parliament.govt.nz

Sent: Friday, 18 December 2009 4:10 p.m.

To: HARRIS, Stephen (MEA)

Cc: s 9(2)(a) (MIN); s 9(2)(a) (MIN); MacMASTER, Hamish (MEA); KELLY, Clare (TND); IVESS, Richard (TND); HARRIS, Rodney (LGL/TLU); MATHESON, Trevor (RIY); NOBLE, Peter (RIY)

Subject: RE: Live sheep: Ministers' consultation

[SEEMAIL] [RESTRICTED]

Thanks Stephen for following this up.

s 9(2)(g)(i)

After reading the cable report on the meeting in Rome,

s 6(a)

If Mr Groser

has a different view about that though, then I'll be in touch.

As you've reflected below, there are a number of issues at present that raise both animal welfare and trade/foreign policy concerns:

s 9(2)(g)(i)

Happy to discuss further if need be  
cheers

s 9(2)(a)

From: HARRIS, Stephen (MEA)

Sent: Friday, 18 December 2009 9:01 a.m.

To: MacMASTER, Hamish (MEA); KELLY, Clare (TND); IVESS, Richard (TND); (MEA); HARRIS, Rodney (LGL/TLU)

Cc: s 9(2)(a) (MIN); MATHESON, Trevor (RIY); NOBLE, Peter (RIY)

Subject: Live sheep: Ministers' consultation

s 9(2)(g)

[RESTRICTED]

Clare

In brief:

- says Mr Groser is aware of the need for Riyadh to keep abreast of the Saudi govt position on the MoU process and benchmarks
- noted the strength of NZ domestic sentiment around animal welfare issues generally.

feel free to correct this record if I have misconstrued what you said.

Stephen

"The information contained in this email message is intended only for the addressee and is not necessarily the official view or communication of the Ministry. If you are not the intended recipient you must not use, disclose, copy or distribute this message or the information in it. If you have received this message in error, please email or telephone the sender immediately."

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S 6(a)

S 6(a)

S 9(2)(g)(i)

HARRIS, Stephen (MEA)

From: HARRIS, Stephen (MEA)

Sent: Wednesday, 16 December 2009 8:20 a.m.

To: (MIN); KELLY, Clare (TND); s 9(2)(a) (MEA)

Cc: MacMASTER, Hamish (MEA); s 9(2)(a) (MIN); s 9(2)(a) (MEA)

Subject: Live sheep

Categories: [SEEMAIL] [RESTRICTED]

[SEEMAIL] [RESTRICTED]

out of scope

From our side it would be useful to know:

- Whether Ministers Carter, McCully and Groser have met to discuss this issue, and if so what the outcome was;

•

•

•

- What MAF or Mr Carter's Office is telling Mr Assad (?), the Hawkes Bay farmer wanting to resume the live sheep exports;

•

out of scope

s 6(a)

out of scope.

Stephen

s 9(2)(a)

absence.

may have discussed this with you after

note went up last week, but just to note in his

out of scope.



HARRIS, Stephen (MEA)

**From:** HARRIS, Stephen (MEA)  
**Sent:** Wednesday, 16 December 2009 9:23 a.m.  
**To:** s 9(2)(a)  
**Cc:** MacMASTER, Hamish (MEA)  
**Subject:** Live Sheep Exports: Internal briefing update  
**Categories:** [RESTRICTED]  
**Attachments:** WELLINGTON\_n2284543\_v1\_Live\_Sheep\_Exports\_\_internal\_briefing\_update.doc

[RESTRICTED]

With apologies for the oversight, I've trawled back through the email traffic and it s 9(2)(a) was sent to Mr McCully's Office (on Jonathan's request) but not as far as I can tell cc'ed to you. s 9(2)(a) has also been kept in the loop, but I can't determine whether he has seen this brief, which includes IND input.

Also from the email traffic, I'm copying to you some useful feedback on the issue from Riyadh, and a recent comment from MAF ( s 9(2)(a) ) on the extra hurdle Mr Carter established in his discussion with his Saudi counterpart in Rome on preconditions for recommencing the live sheep trade.

In a nutshell, the issue is:

- NZ has a MoU negotiation underway with Saudi Arabia, in which very high animal welfare requirements have been set by us as preconditions.
- These requirements are such that it is unlikely the Saudis will be willing to meet them;

S 6(a)

- stunning as a further precondition - "agreed"

S 6(a)

s 9(2)(g)(i)

- Mr Carter is under some domestic pressure, including from the animal welfare lobby, to state categorically the live sheep trade will not resume on his watch. He has said so in two media interviews,

S 6(a)

s 9(2)(g)(i)

S 6(a)

s 9(2)(j)

005

Stephen

Stephen Harris  
 Deputy Director  
 Middle East and Africa Division  
 Ministry of Foreign Affairs and Trade  
 Tel. +64 6 324 8600

s 9(2)(a)

**From:** s 9(2)(a) (RIY)  
**Sent:** Monday, 7 December 2009 4:11 a.m.

To: **S 9(2)(a)** (TND)

Cc: KELLY, Clare (TND); SINCLAIR, Mark (FTU); **S 9(2)(a)** (TND); FEARNLEY, Clare (LGL/TLU); **S 9(2)(a)** (LGL/TLU); MacMASTER, Hamish (MEA); HARRIS, Stephen (MEA); MATHESON, Trevor (RIY); **S 9(2)(a)** (LGL/TLU); **S 9(2)(a)** (MEA)

Subject: RE: Draft letters on Live Sheep arrangement for comment

[RESTRICTED]

The revised draft of letter with Rod's amendment is fine with us.

A comment on the extract of **S 9(2)(a)** separate email below concerning pre slaughter stunning.

**S 6(a)**

**S 9(2)(g)(i)**

**S 9(2)(a)**

From: .

Sent: Monday, 30 November 2009 11:21 a.m.

To: **S 9(2)(a)** (MEA)

Cc: Chris Carson, **S 9(2)(a)**

Subject: RE: Live sheep

Sensitivity: Confidential

Hello **S 9(2)(a)**

**S 6(a)**

**S 9(2)(g)(i)**

Your Reference:

Our Reference:

FROM: Wellington (UNHC)

C09005994 09/12/2009 12:35  
WLN p.m. WLN

out of scope

MINISTER OF AGRICULTURE BILATERAL MEETINGS DURING WORLD FOOD  
SUMMIT ON FOOD SECURITY, ROME, NOVEMBER 2009Summary

In margins of Food Security Summit in Rome Minister of Agriculture met with counterparts from Saudi Arabia, *out of scope.*  
these meetings. This message reports briefly on

MessageAction

For information.

Report

Our C09-160 also refers.

2 In the margins of the World Summit on Food Security in Rome (16-18 November 2009) Minister of Agriculture Hon David Carter had a series of meetings with counterpart Ministers of Agriculture. Because meetings were short (less than half an hour) and invariably also covered the Global Alliance (for which Simon Upton and S902)(a) were present) a full range of bilateral issues was not canvassed. This message briefly reports on each of the meetings.

*out of scope*

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OFFICIAL INFORMATION ACT

Page 2 & 3 are out of scope.

out of scope

Saudi Arabia

b(6)(a)

out of scope

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OFFICIAL INFORMATION ACT

RELEASED UNDER THE  
OFFICIAL INFORMATION ACT

page 5 is out of scope

S 9 (2) (a)

(MEA)

SAC/102/1/2

From: S 9 (2) (a) (TND)  
Sent: Monday, 7 December 2009 6:09 p.m.  
To: S 9 (2) (a) @parliament.govt.nz  
Cc: SINCLAIR, Mark (FTU); MacMASTER, Hamish (MEA); HARRIS, Stephen (MEA);  
S 9 (2) (a) (MEA); HARRIS, Rodney (LSU/TU),  
Subject: FW: Live Sheep brief  
Importance: High  
Attachments:

[RESTRICTED]

Good afternoon S 9 (2) (a)

Please find attached the draft brief on live sheep exports prepared for you by the MEAT Middle East and Africa Division. We have considered it here in the Trade Negotiations Division and have no further comments.

Best regards

S 9 (2) (a)

Senior Specialist (SPS)  
Trade Negotiations Division  
Ministry of Foreign Affairs and Trade  
Wellington  
New Zealand

DDI:  
e-mail: S 9 (2) (a)

## Background Briefing Notes:

### Live Sheep Exports to Saudi Arabia.

#### Key Points

- The issue of live sheep exports has been an ongoing issue in the bilateral relationship. Officials have been considering the possibility of an MOU during 2009.
- Minister Carter met with his Saudi counterpart in Rome on the margins of the FAO on 17 November. In this meeting, Minister Carter and Minister Balghunaim both set out the respective New Zealand and Saudi positions.
- these conditions were not acceptable to Saudi Arabia. The Saudi side therefore saw no basis to resume trade at the current time.

Comment from the Embassy in Riyadh



### Background

- New Zealand and Saudi Arabia have been negotiating an MOU for some time on the possible resumption of trade in live sheep for slaughter.
- The position of the Minister of Agriculture, David Carter made his opposition to the trade known during a TVNZ programme on 16 August, in which he commented that he would not say exports could never happen as "in ten or fifteen years time there might be another government that's more willing for this trade", but he implied that it was unlikely to occur while he was Minister. This was followed by an interview with Radio New Zealand on 17 August. In this he reaffirmed that the live sheep trade with Saudi Arabia was unlikely to resume.

s 6(a)

Minister Carter met with his Saudi counterpart in Rome on the margins of the FAO on 17 November. In this meeting, Minister Carter and Minister Balghunaim both set out the respective New Zealand and Saudi

positions.

S 6(a)  
S 9(2)(b)

The Saudi side therefore saw no basis to resume trade at the current time.

- On 3 December, MAF contacted MFAT regarding the proposed letter from Minister Carter to Minister Balghunaim.

#### Next steps

- 
- We ask the post in Riyadh to proceed as per their suggestion – ie seeking a meeting with Minister Balghunaim in which they could look to seek an update on the Saudi position.

Middle East and Africa Division  
Ministry of Foreign Affairs and Trade

7 December 2009

009000101-RIY

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FILE COPY

You. Reference: SAU/NZ/1/2

Our Reference: SAU/NZ/1/9/2

FROM: Riyadh

009000101-RIY 11/11/2009 05:00 p.m.

TO: Wellington

CC: MEA Posts, Canberra,  
Rome, Singapore

RIY  
Routine  
Routine

MFAT: MEA, LGL, TND, DSP4,  
SMG, TPLU, FTU

AGENCIES: SEEMail:

Manual: MAF Biosecurity (Owen), P/S Agriculture, P/S Trade, P/S  
MFA, PMC [FPA]

ATTACHMENTS: 0034921.01.doc

Special Delivery Instructions: SINGAPORE: PLEASE PASS TO P/S TRADE

RE (009000818-WLN): DRAFT ARRANGEMENT ON THE TRADE IN LIVE SHEEP  
BETWEEN THE GOVERNMENT OF SAUDI ARABIA AND THE GOVERNMENT OF  
NEW ZEALAND

### Summary

Saudi Ministry of Agriculture has responded to our February 2009 draft of the  
Arrangement on the Trade in Live Sheep.

Message

Action Required

s6(a); s9(2)(h)

s6(a)

**Report**

Post has received the attached Note from the Ministry of Foreign Affairs containing comments from the Saudi Ministry of Agriculture in response to our Note of 1 March 2009 where we provided an updated and annotated draft (20/2/09) of the Arrangement on the Trade in Live Sheep and the New Zealand Ministry of Agriculture Guidelines to Exporters seeking an exemption under the prohibition on exports of livestock for slaughter.

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OFFICIAL INFORMATION ACT

Brownrigg Agriculture Ltd  
PO Box 1142  
First Floor, Farming House, 211 Market St South,  
Hastings, New Zealand  
Telephone:  
Facsimile:  
Mobile:

S 9 (2) (a)

**BROWNRIGG  
AGRICULTURE**

www.brownrigg.co.nz

24 September 2009

Hon. David Carter  
Minister of Agriculture  
Freepost Parliament  
Private Bag 18 888, Parliament Buildings  
Wellington 6160

Email: [d.carter@ministers.govt.nz](mailto:d.carter@ministers.govt.nz)

Dear David

**Re: Live Export Trade**

It was good to meet you by chance in Napier on Wednesday 19 August at the County Hotel and thank you for the opportunity to discuss latest developments on the live export trade, particularly regarding Awassi sheep to Saudi Arabia.

As conveyed, I was disappointed about the uncertainty that some of your recent comments have introduced regarding the opening of the Saudi trade, but was pleased to hear that negotiations continue albeit at a very slow pace.

The purpose of this letter is to seek clarification as to what the evolving position of the New Zealand Government means for our trading partner in Saudi Arabia, Hmood Alali Alkhalaf Trading and Transportation Est (HAATT), parent of Awassi New Zealand Ltd.

I will briefly explain where Brownrigg Agriculture fits in here. We have no financial interest in Awassi New Zealand but our association dates back to the early 1990s when we supplied some of our sheep for live export. In the intervening period Brownrigg Agriculture has grown to become one of the largest individual farming company suppliers to the meat processing sector in New Zealand. In recent years, when Awassi New Zealand felt they had improved the Awassi genetics to the point where breeding could be expanded, we have assisted them through our associate business Challenge Livestock Partnership with the breeding of Awassi-cross lambs. This has been achieved by contracting with Farmers in both the North and South Islands and has seen over 50,000 Awassi sired lambs bred over the last two years in anticipation of the trade resuming. However due to delays in getting live export to Saudi approved the majority of these lambs have been sold to New Zealand Meat Processing Companies.

The primary focus of Awassi New Zealand continues to be the genetic improvement of the Awassi breed to suit New Zealand conditions and the multiplication of elite genetics through embryo transfer to the point where rams are available to produce sufficient F1 Awassi progeny for at least one live export, per annum, by sea.

As I will go on to outline I believe Awassi New Zealand has an exemplary record of business dealings in New Zealand. They have invested substantially in the Awassi breed, targeting primarily the high value niche market live export trade. I would like to help clarify for Awassi New Zealand exactly where the New Zealand Government stands on the matter; I understand this to be:

- The New Zealand Government allows, in principle, export of sheep to Saudi Arabia providing certain conditions are met, ie as per AWEC guidelines issued under the Customs Export Prohibition (Livestock for slaughter) Order 2007 and still awaiting final ratification following industry consultation.
- A pre-condition for live sheep exports to resume is the finalisation of a Memorandum of Understanding between the New Zealand and Saudi Arabian governments. New Zealand is continuing negotiations with the Saudi Government in good faith on the MoU.

Please confirm that this is the current position of the New Zealand Government, or advise if otherwise.

I want to be able to assure Awassi New Zealand that a fair process is being followed and that New Zealand is committed to making progress towards a resolution.

As a large farming business, with a keen interest in seeing New Zealand's reputation and success as an agricultural exporting nation flourish, I would like to provide a perspective on key issues relating to the Awassi live export trade.

#### **Impact on New Zealand Sheep Industry**

I believe assertions that the Awassi trade would be a backward step and result in unfair competition with New Zealand Meat Processing Companies are at odds with reality. Live exports provided important competition in the early 1990s, when the meat processing sector was delivering very low returns to farmers, and were clearly a catalyst for driving improvement within New Zealand in the intervening period. Further, Awassi is a high value, niche market product and breeding for live export could open the door for development of a carcass/chilled trade (this requires higher purity sheep with a larger "fat tail"). As the Sheep Industry competes as a land use option going forward, niche high value live export is complementary and consistent with growing a strong Sheep Industry.

#### **Welfare**

Achieving high welfare standards is an imperative for livestock production and, as such, is more of an opportunity than a threat for New Zealand. If we accept, as I believe we need to because it is a fundamental tenet of New Zealand economy, that the domestication, farming and handling of livestock for human consumption is not inherently cruel then live export is not, by definition, cruel.

As with all livestock production systems, the key is management through having quality systems in place. In New Zealand we have a record of continuous improvement in livestock welfare, including live export, and we need to continue the momentum. I believe our target should be to show leadership in animal welfare. Any other strategy is inconsistent with the reality that we are a nation built on livestock and exporting; to preclude any livestock related trade, providing it can be well managed, could lead to all sorts of constraints against our National interest.

With regard to the welfare issue I will look at three aspects pertaining to the live export trade:

- Within New Zealand:

I will not elaborate here because I think it is a given that this can be managed to a high standard.

- Sea Transport:

Similarly, I believe the track record of New Zealand combined with improved purpose-built ships displays that this aspect can be well managed. In this regard, I am privy to information that the Awassi New Zealand parent company, (HAATI) is currently commissioning a purpose-built livestock vessel to the value of some \$100m that will encompass state-of-the-art features in terms of livestock care, comfort, risk management, and environmental sustainability, eg onboard desalination plants.

- Arrival and Within Saudi:

We face conflicting assertions here and it is vital that we quickly establish the facts and a basis for moving forward before New Zealand's reputation is tarnished by us acting in a way that could be construed as condescending and hypocritical.

Saudi Arabia is a member of OIE (World Organisation for Animal Health) and I understand has appropriate legislation in place regarding handling, transport, feeding and slaughter of livestock. However there are unsubstantiated reports of instances of animal cruelty. We need to find a professional way forward here; to establish whether such instances are routine, or isolated and the exception (as might occur through ignorance or human frailty in any livestock farming nation). MAF visits to the market in earlier years were extensive and provided satisfactory assurance. Conditions have likely improved since then and we simply need to find out to our own satisfaction. In this regard, it would seem appropriate for a MAF/ Ministerial/ Industry visit to be undertaken in the near future so that facts can be determined and protocols agreed. If successful you would then be in a position to give definitive assurances re treatment of animals on arrival.

As signatories of OIE and nations with a strong history in livestock farming, I suggest that New Zealand and Saudi Arabia have much in common in regard to working together on animal welfare improvements, in the face of the more extreme elements of the animal welfare lobby who appear to be in opposition to livestock farming per se.

#### Equity for Awassi New Zealand

I have observed the Awassi New Zealand business practices, over a long period, and believe that there are matters of principle and fairness in the way New Zealand should handle matters with this company. Awassi New Zealand is currently working at industry level in what I believe is a reasoned way, showing patience combined with tenacity. The company proposes exporting only Awassi sheep and mature New Zealand-bred sheep, ie as distinct from the live export trade in the early 1990s there is no proposal to ship young New Zealand bred lambs (this is now prohibited) and neither is there the intention to supply the annual Hajj trade but rather the commercial retail trade. The company is not seeking any special treatment but I believe that official New Zealand undertakings/ assurances over time mean New Zealand has a duty towards Awassi New Zealand. I will list some items that I think are relevant here:



- New Zealand's approval of the initial importation of Awassi genetics.
- Awassi New Zealand has, over time, purchased four farm properties in New Zealand along with multiple leasehold properties. Ownership of three farm properties is currently retained. All of these purchases required New Zealand Overseas Investment Commission approval and this was given on the basis that these farms would be used for investment and development of the Awassi sheep for live export.
- One of their properties is in the South Island and is configured as a specialist feedlot/preconditioning farm for live export sheep. The late Hon. John Falloon gave strong encouragement to Awassi New Zealand to purchase this farm so that preconditioning facilities remained available in the South Island. Awassi New Zealand makes this facility available to competitors.
- Awassi New Zealand has cooperated fully with New Zealand authorities and has assisted with the hosting of Saudi dignitaries on several occasions. Further, I have observed that Awassi New Zealand has used these hosting opportunities to promote wider New Zealand farm produce, including having Meat Processing Companies' representatives in attendance.
- Investment in genetic development. Several million dollars have been expended over the last 14 years in utilising animal breeding technologies and New Zealand veterinary services, involving some 35,000 artificial inseminations over one two-week period and a large number of embryo transfer procedures. To the best of my knowledge this represents the largest individual sheep-breeding initiative ever undertaken in New Zealand and, indeed, the world. The benefits to the local veterinary fraternity are significant and ongoing.
- I have observed Awassi New Zealand integrate very well with the local community; they have made extensive use of local service providers in the areas of professional services, agricultural consultancy etc, along with becoming involved in a range of sponsorship programs.
- MAF/Government support over the years. MAF/Government has engaged constructively with Awassi New Zealand over the years towards the mutual goal of high value exports. This has included visits to Saudi Arabia, cooperation on protocols and, in very recent years, advice that there was nothing standing in the way of reinstating the trade.
- Awassi New Zealand has acted consistently as "the farmers' friend" in New Zealand and takes particular interest in ensuring that dealings are beneficial for New Zealand farmers. I can certainly endorse this in our capacity as coordinator of the accelerated breeding programme in recent years which has involved contracting with many farmers.
- Awassi New Zealand has over time conducted live sheep shipping trials under NZ MAF direction and at Awassi New Zealand cost. Further, Awassi New Zealand has commissioned research in New Zealand around multiple aspects of the Awassi breed and completed trial slaughter and processing with a view to developing a slaughter trade alongside live export.

Given this history I believe that New Zealand needs to make every effort to work towards allowing a limited live export sheep trade with Saudi Arabia on the basis that high standards of animal welfare are met. The fact that this could be predominantly Awassi and older New Zealand sheep would contain it as a low risk niche trade that is complementary with strengthening the overall New Zealand sheep industry.

**In Conclusion**

I support the robust process around reopening of the Saudi trade and adoption of industry best practice at every step of the way. With your help I wish to confirm to Awwas New Zealand that the process New Zealand is going through to reinstate the trade in some form has high integrity and clear goals, has no preconceived outcomes from a New Zealand perspective, and that New Zealand will work constructively with the Saudi Arabian authorities towards a resolution.

Yours sincerely

David Brownrigg

cc Craig Foss, MP

SAH/NC/1/2

(MEA)

**From:** (MEA)  
**Sent:** Wednesday, 19 August 2009 2:56 p.m.  
**To:** ; 'Chris Carson' s 9(2)(a)  
**Cc:** HARRIS, Stephen (MEA); (TND); KELLY, Clare (TND)  
**Subject:** FW: Transcript of Minister Carter interview on breakfast radio this morning...  
**Categories:** [SEEMAIL] [RESTRICTED]

[SEEMAIL] [RESTRICTED]

s 9(2)(a)

As discussed we have not had a response directly to the outgoing cable (C09-3935). However post has replied to our main concerns (see Peter Noble's reply below - Peter is the Deputy Head of Mission in Riyadh) following the Minister's interview and the Sunday Programme. Post feels comfortable with the situation and very able to defend any issues that the Saudi counterparts might raise, although post does not expect a proactive response from the Saudi MoA at this point.

A good outcome so far

s 9(2)(a)

**From:** HARRIS, Stephen (MEA)  
**Sent:** Tuesday, 18 August 2009 11:59 a.m.  
**To:** s 9(2)(a) (RIY) s 9(2)(a)  
**Cc:** MATHESON, Trevor (RIY); (MEA)  
**Subject:** RE: Transcript of Minister Carter interview on breakfast radio this morning...

[RESTRICTED]

s 9(2)(g)(i)

Stephen

**From:** NOBLE, Peter (RIY)  
**Sent:** Monday, 17 August 2009 6:43 p.m.  
**To:** HARRIS, Stephen (MEA)  
**Cc:** MATHESON, Trevor (RIY)  
**Subject:** RE: Transcript of Minister Carter interview on breakfast radio this morning...

[RESTRICTED]

s 9(2)(g)(i)

**From:** HARRIS, Stephen (MEA)  
**Sent:** Monday, 17 August 2009 5:17 a.m.  
**To:** S9(2)(a) (RIY); BEAGLEHOLE, Charlotte (CBA)  
**Cc:** MacMASTER, Hamish (MEA); VITALIS, Vangelis (CBA); HAMILTON, Peter (DSP4); S9(2)(a) (MEA); (PDO); S9(2)(a) (MIN)  
**Subject:** FW: Transcript of Minister Carter interview on breakfast radio this morning..

[UNCLASSIFIED]

Further to my last email, Hon David Carter has made another media interview on the subject of live sheep. The comments we were concerned might be used in his TV interview on the Sunday programme have made it to air on this morning's Radiolive breakfast show.

I have cut and pasted below the relevant excerpts from the transcript.

MARCUS LUSH: You said never say never last night. The exporters also had a letter from MAF indicating live exports would be possible soon. Are you hedging your bets or are the animal welfare people actually setting the agenda here?

DAVID CARTER: You can never say never as to what might happen in five, 10, 15 or 20 years time but as far as I'm concerned, the standards required for safe transportation of these animals and, more importantly, the treatment of animals when they arrive at this destination means the standards that I would impose are so high that I simply do not think Saudi Arabia would be able to meet those standards. ...

....at this stage the negotiations with Saudi are proceeding very, very slowly and unless we can be completely satisfied on a number of those conditions that I've mentioned, this trade simply is unlikely to happen....

MARCUS LUSH: So you're saying it's extremely unlikely, almost no chance whatsoever for live exports of sheep to go to Saudi Arabia.

DAVID CARTER: Yes, I am.

Your Reference:

Our Reference: SAU/NZ/1/2

FROM: Wellington (MEA)

C09003935-WLN

17/08/2009 06:42 p.m.

TO: Riyadh

Priority

out of scope

ATTACHMENTS: WELLINGTON\_n2221449\_v1\_Radiolive\_interview\_with\_David\_Carter.doc;  
WELLINGTON\_n2221467\_v1\_live\_sheep\_Saudi\_Fed\_Farmers\_media\_release

LIVE SHEEP EXPORTS: SUNDAY PROGRAMMESummary

TVNZ ran its Sunday programme on 16 August featuring the Australian live animal (sheep) export trade to Saudi Arabia. The programme also focused on the possibility of New Zealand resuming the trade. As well as those opposed to Australia's trade, proponents of restarting the trade from New Zealand appeared on the programme. The Minister of Agriculture, Hon David Carter also appeared. He was further interviewed on Radiolive this morning (17 August)

S 6(a)

The programme is likely to be on the TVNZ website soon: [www.tvnz.co.nz/sunday-news](http://www.tvnz.co.nz/sunday-news). We have attached a transcript of the Radiolive interview and a media release by Federated Farmers.

MessageAction

S 6(a)

Other trade posts: Please report any media coverage on this issue.

Message

On 1. August 2009 TVNZ's Sunday programme screened a story about live sheep exports to Saudi Arabia. The programme focused on the Australian live animal (sheep) export trade to Saudi Arabia. It also covered implicitly the bilateral arrangement New Zealand has been negotiating with Saudi Arabia on the export of live sheep for slaughter and the possibilities for New Zealand resuming the trade.

2 The programme started with some rather emotive language – calling the live sheep trade the “eternal demand” (quoting George Assaf) and “hot meat”, and at various times included footage of sheep being stuffed in the boots of cars and dragged by the leg to slaughter, along with photos of mortalities on ships, including the *Cormo Express*.

3 As well as those opposed to Australia's trade (animal welfare groups, unions, a vet who had travelled on earlier Australian shipments, and a New Zealand vet (s9(2)(a) by phone from, perhaps, Saudi Arabia)), proponents of restarting the trade from New Zealand (George Assaf – a breeder of Awassi sheep in Hawkes Bay, and s9(2)(a) – an exporter/shipper) appeared on the programme.

4 The story looked at the existing Australian animal export business, which is said to be valued at close to a billion dollars per annum. The Sunday programme went on board one of the animal carriers in Australia and spoke to the shippers/exporters. George Assaf – co-owner of Awassi NZ Ltd spoke of his investment in New Zealand and the potential benefits of having the live sheep trade out of New Zealand re-opened. Mr Assaf made claims, based on a MAF email, that he was led to believe the negotiations between Saudi Arabia and New Zealand were near completion. Comment: An email sent from MAF on 17 February 2009 to David Brownrigg of Awassi NZ Ltd stated that “While I am aware that this [resumption of trade unlikely in the next 2-3 months] is less than likely to be welcome news, be assured that both sides are keen to proceed as quickly as possible, complete negotiations in good faith and resume the trade”. This tied in with a quote used on the programme from Agriculture Minister David Carter (recorded in the House in February 2009) that there were potential opportunities in the trade. Since that time there has been some evolution in the tenor of public comment by the government, but it has always been the case that there was no set timetable for the completion of the negotiations and the trade would not commence unless New Zealand was totally satisfied that the highest [appropriate] animal welfare standards can be met.]

5 Sunday also spoke to s9(2)(a) from “Animals Australia” one of the animal welfare groups opposing the live animal trade.

6 Agriculture Minister, David Carter, was interviewed by TVNZ's Sunday Programme and made it clear that prospective exporters were more confident than he was about the trade restarting and that he would not risk damage to New Zealand's reputation and the standard of living of New Zealanders for what would be small scale live sheep exports. He said that he would not say exports could never happen as “in ten or fifteen years time there might be another government that's, more willing for this trade”, but he implied that it was unlikely to occur while he was Minister.

7 George Assaf ended the programme saying that he was very confident the trade could restart and he “believes in the new government” and he “can wait” – he said the government had never indicated it would say “no” to the trade.

8 During the programme specific concerns were raised by the interviewer (John Hudson, TVNZ) about the way animals may be treated once they arrive in Saudi Arabia. In response George Assaf implied that the New Zealand demand for a guarantee that sheep be killed in commercial premises was unreasonable – he said that a non-commercial kill was happening in New Zealand as well and questioned how can anyone guarantee such a provision. He called for a look at the bigger picture and the positive part that the trade could play.

9 The Minister, David Carter, was also interviewed on Radiolive this morning (17 August) where he reaffirmed that the live sheep trade with Saudi Arabia was unlikely to resume, stating "as far as I'm concerned, the standards required for safe transportation of these animals and, more importantly, the treatment of animals when they arrive at this destination means the standards that I would impose are so high that I simply do not think Saudi Arabia would be able to meet those standards." The Minister went on to note that "...at this stage the negotiations with Saudi are proceeding very, very slowly and unless we can be completely satisfied on a number of those conditions that I've mentioned, this trade simply is unlikely to happen."

Comment

S 6(a)

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OFFICIAL INFORMATION ACT



3/2/02/1/2

(MEA) s 9(2)(a)

From: @maf.govt.nz  
 Sent: Friday, 14 August 2009 10:05 a.m.  
 To: s 9(2)(a) (MEA)  
 Subject: FW: Key Messages Comms - Live Sheep Exports\_3.doc  
 Attachments: Key Messages Comms - Live Sheep Exports\_3.doc

FYI

From: Chris Carson  
 Sent: Thursday, 13 August 2009 3:10 p.m.  
 To: s 9(2)(a)  
 Subject: FW: Key Messages Comms - Live Sheep Exports\_3.doc

From: Chris Carson  
 Sent: Monday, 3 August 2009 10:54 a.m.  
 To: (MIN)' s 9(2)(a)  
 Cc: 'Thomas Pryor (MIN)';  
 Subject: Key Messages Comms - Live Sheep Exports\_3.doc

<<Key Messages Comms - Live Sheep Exports\_3.doc>>  
 [seemail]

s 6(a) + s 9(2)(j)

Happy to discuss.

Chris

14/08/2009

Chris Carson  
Director, International Policy  
Ministry of Agriculture and Forestry  
New Zealand  
Ph; , Mobile

S9(2)(a)

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(MEA)

From: HARRIS, Stephen (MEA)  
Sent: Friday, 14 August 2009 1:40 p.m. s 9(2)(a)  
To: (MIN); (MIN); (MIN); s 9(2)(a)  
RIY, KELLY, Clare (TND); HARRIS, Rodney (LG/TLU);  
(FTU); 1 (CBA); MacMASTER, Hamish (MEA); HAMILTON, Peter (USP4)  
Cc: s 9(2)(a) (MEA)  
Subject: FW: David Carter interview on live sheep to Saudi Arabia, Sunday 16 August: Bilateral implications  
Attachments: Refused under s 18(d)

[SEEMAIL] [RESTRICTED]

s 9(2)(a)

s 6(a)

s 9(2)(a)

s 9(2)(g)(i)

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Regards

Stephen

14/08/2009

s9 (2)(a)

(MIN)

SAC/NE/1/2

From: (MIN)  
Sent: Thursday, 6 August 2009 4:26 pm  
To: MacMASTER, Hamish (MEA); 'ARMSTRONG, Wade (PATP)'; 'FALCONER, Crawford (DSP2)'  
Cc: MATHESON, Trevor (RIY)  
Subject: live sheep interview

I have a copy of the transcript from Mr Carter's interview yesterday with the 'Sunday' programme. I will give copies for you to Hamish when he is over here for a meeting at 4:30pm.

The interview transcript begins with a reference to George Assaf who I'm told farms on the East Coast and is interested in a resumption of the live trade. The show is likely to include him being interviewed on camera.

I'm told that the piece will air on the 'Sunday' programme not before 16 August (ie, at least over a week away) so some time to consider any response that may be necessary once it screens

RELEASED UNDER THE OFFICIAL INFORMATION ACT

S9 (2) (a)  
(MEA)

14/08/2009  
SAC/12/1/2

From: HARRIS, Stephen (MEA)

Sent: Monday, 3 August 2009 5:55 p.m.

To: KELLY, Clare (TND); HARRIS, Rodney (LGL/TLU); CRAWFORD, Matt (TPIU); MacMASTER, Hamish (MEA); S9(2)(a) (MEA); MINY

Subject: Call on Agriculture Minister

S9(2)(a)

[SEEMAIL] [RESTRICTED]

Kia ora tatou

A quick record of the call Trevor Matheson made on the Agriculture Minister, Hon David Carter, today. Chris Carson from MAF plus the Minister's press secretary, and political adviser, were also part of the discussion.

S9(2)(a)

Matheson told DC there had been no progress on the live sheep issue since the two had last discussed it in May, ie the Saudis had yet to respond to the requirements NZ had stipulated for a MOLI.

S9(2)(a)

S9(2)(j)

S 6(a)

The meeting concluded on this note.

Stephen

14/08/2009

1 (MEA) s 9(2) (a)

From: s9(2)(a) (RIY)  
Sent: Monday, 27 July 2009 6:48 p.m.  
To: (MEA) s 9(2)(a)  
Cc: HARRIS, Stephen (MEA); (LGL/TLU); MATHESON, Trevor (RIY);  
(TND); (MEA); Chris Carson; s 9(2)(a)  
Subject: RE: Saudi live sheep MOU negotiations & Sunday coverage of the live sheep trade  
Attachments: Refused under s 18(e)

[SEEMAIL] [RESTRICTED]

Hi s 9(2)(a)

s 9(2)(a)

Regards

s 9(2)(a)

From: s 9(2)(a) [mailto:s 9(2)(a)@maf.govt.nz]  
Sent: Monday, 27 July 2009 3:14 a.m.  
To: (RIY); s 9(2)(a)  
Cc: HARRIS, Stephen (MEA); s 9(2)(a) (LGL/TLU); MATHESON, Trevor (RIY);  
(MEA); Chris Carson;  
Subject: Saudi live sheep MOU negotiations & Sunday coverage of the live sheep trade

Hello Peter and s 9(2)(a)  
Thank you for forwarding the email below, which I note and will forward to the MAF vets for comment.

s 6(a)

S 9(2)(g)(i)

Thanks

S 9(2)(a)

From:

S 9(2)(a)

Sent: Friday, 24 July 2009 10:05 am

To:

(MIN)

Cc:

S 9(2)(a)

Subject: Sunday programme request for interview with David Carter re: Live Sheep Exports

Good morning

S 9(2)(a)

As I mentioned on the phone yesterday TVNZ's "Sunday" programme is preparing a story about live sheep exports to Saudi Arabia. The story is scheduled to screen Sunday fortnight.

The programme will look at the existing Australian animal export business now worth in excess of a billion dollars annually.

We have been on board one of the animal carriers in Australia and spoken to the shippers, exporters and Livecorp - the Government/export organisation which oversees Australia's live animal export development.

We have also spoken to Mr George Assaf, a co-owner of Awassi NZ Ltd, about his bid to have the live sheep trade out of New Zealand re-opened. Mr Assaf has shown us the Awassi sheep he is breeding in the Hawkes Bay especially for the Middle Eastern live animal trade.

"Sunday" has spoken to ~~S 9(2)(a)~~ from "Animals Australia" one of the animal welfare groups opposing the live animal trade claiming that it is cruel to the animals and damages Australia's international reputation. We have also interviewed S 9(2)(a) from the West Australia Meatworkers Union who believes live animal exports have been partially responsible for the closure of 155 Australian abattoirs resulting in the loss of some 40 thousand jobs.

Clearly a re-opening of the trade with Saudi would require the approval of the New Zealand and Saudi Governments. We understand a memorandum of understanding has been proposed which if agreed would see a resumption of trade.

It is this memorandum and its implications that we want to discuss with Mr Carter.

Ideally we would like to interview Mr Carter next week. We would need half an hour with the minister if we could get access to an office where we could set up first.

I hope this is enough information for you. If you need to discuss this proposal further please let me know.

Regards

S 9(2)(a)

Correspondent

Sunday

4/08/2009



S9(2)(a)

**From:** NOBLE, Peter (RIY) [mailto:Peter.Noble@mfat.govt.nz]  
**Sent:** Saturday, 25 July 2009 6:19 p.m.  
**To:**  
**Cc:** S9(2)(a)  
**Subject:** FW: RE: Saudi live sheep MOU negotiations

[UNCLASSIFIED]

**From:** @extra.co.nz] S9(2)(a)  
**Sent:** Thursday, 23 July 2009 1:19 a.m.  
**To:** NOBLE, Peter (RIY)  
**Subject:** RE: RE: Saudi live sheep MOU negotiations

Peter,

I note that in previous correspondence with the Saudi Asst Deputy Minister for Animal Resources (25<sup>th</sup> October 2008) that it is stated under No 3 on page 2.

*"Vaccination against Clostridium (Annex 1 c) : New Zealand accepts the intention of Saudi Arabia to ensure that sheep are free from clostridial disease. There are clostridial vaccines available for clostridium perfringens Type D but the vaccines are not, to New Zealand's knowledge defined further by strain type. New Zealand suggests that it is not possible for manufacturers to include all 'strains' of these species that have ever been subtyped by scientists. We would suggest that if further specification is required that Saudi Arabia should specify which commercial vaccine they wish us to use"*

I note that Schering Plough Coopers vaccine Covexin 10 a Prescription Animal Remedy contains inactivated toxoids for Clostridium perfringens Type A, B, C and D. See [http://www.spah.co.nz/hot\\_topics.html?id=475&archive=y](http://www.spah.co.nz/hot_topics.html?id=475&archive=y)

This information should be appreciated by the Saudi Ministry.

Regards,

S9(2)(a)

From: RIY) [mailto: @mfat.govt.nz]  
 Sent: Tuesday, 21 July 2009 6:38 p.m.  
 To: i@maf.govt.nz S 9(2)(a)  
 Cc:  
 Subject: RE: RE: Saudi live sheep MOU negotiations

[UNCLASSIFIED]

S 9(2)(a)  
 for comment as appropriate.

S 9(2)(a)  
 From:  
 Sent: Tuesday, 21 July 2009 4:03 a.m.  
 To: S 9(2)(a) (RIY)  
 Subject: RE: RE: Saudi live sheep MOU negotiations

S 9(2)(a)

Thanks for the response. I am trying to put together information to move the process along past the rather glacial rate that seems to be the situation at present.

We require a translation of the Decree, as relevant information for the NZ Minister of Agriculture. I would have thought that the NZ Embassy and the NZ Ministry of Foreign Affairs and Trade, which has responsibilities for the catalysis of trade could have been helpful in this regard.

There seems to be so much suspicion around the development of this MOU, and a possible resumption of trade that good information as to the present day situation in the Kingdom is valuable. Thus I again ask if it is possible for you, and or your commercial attaché to obtain a copy of the decree. The reason we wanted the translation from a third party rather than getting it done ourselves was that it might be more credible in the eyes of the ministry bureaucrats.

Comments please.

Thankyou

S 9(2)(a)

From: S 9(2)(a) (RIY) S 9(2)(a)  
 Sent: Monday, 20 July 2009 8:31 p.m.  
 To:  
 Cc: @maf.govt.nz S 9(2)(a)  
 Subject: RE: RE: Saudi live sheep MOU negotiations

[UNCLASSIFIED]

s 9(2)(a)

As indicated in my previous email, the decree could feature in the process as it moves along. Given that we have yet to discuss the potential operation of the trade with the Saudis I think it is premature to speculate on just what may or may not be put in place, and I am not proposing to obtain a copy of the decree at this time. The Embassy does not provide translation services (even on a payment basis), but I would be happy to make it available to you if and when we obtain and translate it. You may of course wish to obtain a copy before that time and have it commercially translated.

The Embassy has nothing more to say on the matter and I would be grateful if could direct all further enquiries and comment to [redacted] as the contact point.

Regards

s 9(2)(a)

s 9(2)(a)

From: s 9(2)(a)

Sent: Monday, 20 July 2009 10:06 a.m.

To: s 9(2)(a) (RIY)

Subject: RE: RE: Saudi live sheep MOU negotiations

s 9(2)(a)

Thanks for the response. I have asked [redacted] the questions as you suggest. It is clear however that MAF do not have a translation, as they have advised that it is our responsibility to get a translation if we wish.

It seems to me that the detail of the Royal Decree as it relates to the slaughter of sheep in the Kingdom and how that is administered within the Kingdom is important for the operation of the trade if it can be managed to start again. Clearly the Saudis will not find acceptable to have NZ inspectors on the case at all times, and

s 9(2)(g)(i)

Is it possible for the Embassy to obtain a copy of the decree, and for the Arabic speaking commercial attaché (I assume you have the skills within the Embassy), to provide a translation of the parts within that relate to the management of sheep, and their welfare through to the time of slaughter.

If this service has a cost to Awassi NZ Ltd., then I would appreciate if you could advise this before we commit to the expenditure. Thankyou for your assistance.

Regards,

s 9(2)(a)

s 9(2)(a)

From: s 9(2)(a) (RIY) s 9(2)(a)

Sent: Saturday, 18 July 2009 11:50 p.m.

To:

s 9(2)(a)

Cc: J. @maf.govt.nz  
Subject: RE: RE: Saudi live sheep MOU negotiations

[UNCLASSIFIED]

S 9 (2) (a)

Hello

I think you should direct your question to For the Embassy's part we are aware of the decree, but do not have a copy of it. It has not featured in the negotiations to date, but could do so when we get into further discussions.

S 9 (2) (a)

<http://www.eset.com>

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Information from ESET Smart Security, version of virus signature database 4259  
(20090719)

The message was checked by ESET Smart Security.

<http://www.eset.com>

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Information from ESET Smart Security, version of virus signature database 4262  
(20090720)

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The remainder of this document is out of scope

4/08/2009

(MEA)

From: (RIY) s 9(2)(a)  
 Sent: Wednesday, 22 July 2009 6:08 p.m.  
 To: (MEA)  
 Cc: HARRIS, Stephen (MEA); (MEA); (LGL/TLU);  
 (TND); MATHESON, Trevor (RIY); (MEA)  
 Subject: RE: Saudi live sheep MOU negotiations

[SEEMAIL] [RESTRICTED]

s 9(2)(g)(c)

From: @maf.govt.nz  
 Sent: Wednesday, 22 July 2009 12:28 a.m.  
 To: (RIY); (MEA)  
 Cc: HARRIS, Stephen (MEA); (MEA); (LGL/TLU); (TND);  
 MATHESON, Trevor (RIY); (MEA)  
 Subject: RE: FW: RE: Saudi live sheep MOU negotiations

Hi Peter

I completely and fully support your approach and will be taking firm steer as contact for industry; Awassi NZ included. I agree that the Embassy has been more than helpful in its responses to and that it is time to redirect all enquiries back to me.

s 9(2)(a)

Please also accept my assurance that I have every confidence in the Embassy in its role in the negotiations. Minister Carter has briefed and I believe that there is clear understanding of the negotiating brief by all parties.

out of scope.

[SEEMAIL]  
 Thanks

s 9(2)(a)

From: s 9(2)(a) @maf.govt.nz  
 Sent: Tuesday, 21 July 2009 6:57 p.m.  
 To: (MEA);  
 Cc: HARRIS, Stephen (MEA); (MEA); (LGL/TLU); (TND);  
 MATHESON, Trevor (RIY)  
 Subject: [Requires Classification] FW: RE: Saudi live sheep MOU negotiations

[SEEMAIL] [RESTRICTED]

As discussed in my previous email, I am now referring all emails to . I don't want to continue an endless cycle of emails where has ignored previous advice (e.g. very clear email of 9 July) or is using convoluted logic as per below:

s 9(2)(a)

- The rate may be slow, . Each country is proceeding carefully. This may not please industry, but we are aware of their drivers and have made them aware of ours.
- I doubt requiring the translation for the NZ Minister of Agriculture is relevant or our responsibility.
- We have already defined the limits of helpful.
- There is no suspicion around the MOU. It is a sensitive issue, requiring care from both parties.
- There is no reason why a commercial translation would not be credible.

s 9(2)(a)

SAC/NZ/1/2

(MEA) s9(2)(a)

From: (MEA)  
 Sent: Tuesday, 5 May 2009 12:35 p.m.  
 To: HAMILTON, Peter (DSP4)  
 Cc: DUNN, Darryl (MEA); s9(2)(a) (LGL/TLU); ARMSTRONG, Wade (DSP2); HARRIS, Stephen (MEA); s9(2)(a) (TND); MATHESON, Trevor (RM); s9(2)(a) (MIN); HARRIS, Rodney (LGL/ILU); s9(2)(a) (TND); GRAHAM, Catherine (TND)  
 Subject: RE: live sheep trade: Saudi Arabia  
 Categories: [SEEMAIL] [RESTRICTED]

[SEEMAIL] [RESTRICTED]

out of scope.

I was briefed by Trevor this morning on his discussion with David Carter. The following are the main points from his discussion:

s6(a) + s9(2)(g)(c)

s6(a)

s9(2)(a)

From: HAMILTON, Peter (DSP4)  
 Sent: Tuesday, 5 May 2009 12:16 p.m.  
 To: s9(2)(a) (MEA)  
 Cc: DUNN, Darryl (MEA)  
 Subject: RE: live sheep trade: Saudi Arabia

[SEEMAIL] [RESTRICTED]

s9(2)(a)

Thanks, can MEA debrief me on this too please.

5/05/2009

From: (MEA)  
Sent: Tuesday, 5 May 2009 12:06 p.m.  
To: s9(2)(a) (RIY); (RIY)  
Cc: MATHESON, Trevor (RIY); DUNN, Darryl (MEA);  
ARMSTRONG, Wade (DSP2); HAMILTON, Peter (DSP4);  
HARRIS, Rodney (LGL/TLU)  
Subject: live sheep trade: Saudi Arabia

(TND);

(TND);

(TND);

(LGL/TLU)

[SEEMAIL] [RESTRICTED]

cheers

s 6(a)

s 9(2)(g)(c)

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SAU/22/1/2

(MEA)

**From:** (MEA)  
**Sent:** Friday, 1 May 2009 10:22 a.m.  
**To:** (RIY); (TND); (LGL/TLU); s9(2)(a) (RIY); (TND);  
**Cc:** MATHESON, Trevor (RIY); DUNN, Darryl (MEA); HARRIS, Rodney (LGL/TLU)  
**Subject:** FW: Saudi MOU: live sheep  
**Sensitivity:** Confidential  
**Categories:** [SEEMAIL] [RESTRICTED]

[SEEMAIL] [RESTRICTED]

just fyi

s9(2)(a)

**From:** s9(2)(a) @maf.govt.nz  
**Sent:** Friday, 1 May 2009 9:57 a.m.  
**To:** (MEA); Chris Carson;  
**Subject:** Saudi MOU  
**Sensitivity:** Confidential

Good morning

George Assaf, Director of Awassi MZ, rang me late on Wednesday offering information on the likely Saudi response to the Saudi/MZ bilateral Arrangement. While thanking him for the information, I have advised that until we receive a response through official channels, that no action can be taken. I have NOT offered George a response on the matters, preferring to receive the information and comment on process being followed. I enquired whether he was monitoring the NZ situation and pointed out that Minister Carter is under considerable pressure of opinion from animal welfare interests.

s6(a)  
s9(2)(ba)



[Seemail]  
Thanks

Project Manager  
Project Office  
MAFBNZ  
P O Box 2526  
Wellington  
Phone:  
email: @maf.govt.nz

s 9(2)(a)

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5/1/2009 12:12

(MEA)

From: s9(2)(a)  
Sent: Friday, 1 May 2009 12:15 p.m.  
To: (MEA)  
Subject: FYI FW: George Assaf comments on Saudi MOU  
Sensitivity: Confidential

[Seemail]

From:  
Sent: Friday, 1 May 2009 12:14 p.m.  
To:  
Cc:  
Subject: George Assaf comments on Saudi MOU  
Sensitivity: Confidential

Hi

Thanks

From:  
Sent: Friday, 1 May 2009 9:57 a.m.

Pages 2 and 3 released in  
earlier email chain

1/05/2009

Your Reference:

Our Reference: TND/NZE/8/2

FROM: Wellington (TND)  
TO: The Hague, Trade  
Posts

C09001911-WLN 29/04/2009 05:49 p.m. WLN  
Priority

S 9(2)(a)

ATTACHMENTS: Minister Carter Live Sheep Exports 20090324.doc; Ministerial Letter  
MAF Live Sheep Exports.doc

## EXPORT OF LIVE ANIMALS - NEW ZEALAND'S CURRENT POSITION

### Summary

- The Hague's C09000064 (not to all) refers
- Posts are receiving messages from concerned persons/NGOs based on the mistaken impression that the long distance transport of live sheep for slaughter from New Zealand to Saudi Arabia has resumed or is about to resume
- Ministers in New Zealand are also directly receiving similar messages
- The export of live animals from New Zealand to Saudi Arabia is **NOT** about to resume. However investigations to secure conditions under which trade may possibly resume are ongoing.
- We attach material that should form the basis for replying to enquiries and letters received.

### Message

### Action

Posts to note and draw upon background material as appropriate.  
*out of scope.*

### Report

2 Posts and Ministers are receiving messages from concerned persons/organisations who are under the mistaken impression that the long distance

trade of live sheep for slaughter from New Zealand to Saudi Arabia trade has resumed.

3 The export of live animals from New Zealand to Saudi Arabia is NOT about to resume. However investigations to secure conditions under which trade may possibly resume are ongoing.

4 The attached Ministerial response and press release outlines New Zealand's current position. Main points contained in the response are:

- New Zealand stopped livestock exports to Saudi Arabia following the 2003 *Cormo Express* incident where there was a delay in offloading live sheep from Australia to Saudi Arabia, resulting in a high death toll.
- The export of live sheep for slaughter will not resume unless strict animal welfare standards are met and New Zealand's reputation as a responsible exporter of agricultural products is able to be maintained.
- Since 2004, New Zealand has been negotiating towards a bilateral Arrangement with Saudi Arabia to potentially re-open the way for the export of live sheep for slaughter.
- The aim of the Arrangement is to establish clear veterinary, transportation, quarantine and arrival processing guidelines, in order to ensure the welfare of animals. This includes specific provision to guarantee the offloading of sheep and restricting trade to commercial slaughter houses. In addition, New Zealand proposes requirements on both itself and Saudi Arabia to abide by guidelines for the slaughter and transport of animals and killing of animals for disease control purposes agreed by the World Animal Health Organisation (both New Zealand and Saudi Arabia are members).
- Negotiations are continuing, but there is no set timetable for completion. Note also that the conclusion of any bilateral Arrangement would not automatically herald the resumption of trade. The 2007 Customs Export Prohibition (Livestock for Slaughter) Order requires an exemption from the Director-General of MAF for trade to take place, and Animal Welfare Act requirements also need to be met.

Comment:

5 It appears that New Zealand is being singled out at this point largely because of misleading media reporting. The trade has not resumed and there is no time line for it to resume. This is clear from the Minister's statements and comments but is not being picked up. The perception that trade has recommenced is also being contrasted with the favourable NGO attention New Zealand received when the CEPO was put in place in 2007. Nonetheless we wish to correct any mistaken perceptions relating to New Zealand's position as soon as possible.

SAC/102/1/2

(MEA)

§ 9(2)(a)

**From:** DUNN, Darryl (MEA)  
**Sent:** Thursday, 9 April 2009 2:48 p.m.  
**To:** MATHESON, Trevor (RIY)  
**Cc:** (MEA)  
**Subject:** FW: [SEC=RESTRICTED]Live Sheep

[RESTRICTED]

**From:** ARMSTRONG, Wade (DSP2)  
**Sent:** Wednesday, 8 April 2009 10:45 p.m.  
**To:** HAMILTON, Peter (DSP4)  
**Cc:** DUNN, Darryl (MEA);  
**Subject:** [SEC=RESTRICTED]Live Sheep

(TND);

(TND)

[RESTRICTED]

Peter,

§ 6(a)

SAU/NZ/1/2

RESTRICTED

FILE COPY

C09000818-WLN

Your Reference: SAU/NZ/1/9/2

Our Reference: SAU/NZ/1/2

FROM: Wellington (MEA)  
TO: Riyadh

C09000818-WLN

27/02/2009 02:38 p.m.

Routine

S9(2)(a)

ATTACHMENTS: WELLINGTON\_n2120966\_v1\_SAU\_Draft\_Arrangement\_on\_the\_Trade\_of\_live\_annotated\_with\_comments.doc;  
WELLINGTON\_n2120976\_v1\_CEPO\_Guidelines\_for\_DG\_Decision-making.doc

RE (C09000014-RIY): RE (C08005061-WLN): DRAFT ARRANGEMENT ON THE TRADE IN LIVE SHEEP BETWEEN THE GOVERNMENT OF SAUDI ARABIA AND THE GOVERNMENT OF NEW ZEALAND

### Summary

We attach for on-passing to the Saudi Ministry of Agriculture negotiating team an annotated draft of the Arrangement on the Trade in Live Sheep between the Government of the Kingdom of Saudi Arabia (KSA) and the Government of New Zealand. We attach also for on-passing Guidelines to Exporters seeking an exemption under the prohibition on exports of livestock for slaughter.

### Message

C090000452-WLN refers.

### Action

Please pass attached documents to the Saudi Ministry of Agriculture negotiation team for their information prior to DHOM S9(2)(a) return to Post and recommencement of negotiations.

### Report

2 Attached is an annotated draft of the Arrangement on the Trade in Live Sheep between the Government of the Kingdom of Saudi Arabia and the Government of New Zealand and the MAF Guidelines to Exporters seeking an exemption under the prohibition on exports of livestock for slaughter. Grateful if Post could pass copies of the attached documents to the Saudi Ministry of Agriculture negotiating team for their information to enable a speedy resumption of negotiations once DHOM returns to Post.

S9(2)(a)

27/02/2009

RESTRICTED

Page 1 of 2

S 9 (2)(a)

3 We include an annotated copy of the revised Draft Arrangement on behalf of MAF Biosecurity ( ). It is hoped that giving the Saudi side a chance to see New Zealand's thinking on the various issues of contention prior to the resumption of negotiations will enable a speedy conclusion to the Arrangement.

S 9 (2)(a)

RELEASED UNDER THE  
OFFICIAL INFORMATION ACT

Your Reference:

Our Reference: SAU/NZ/1/9/2

FROM: Riyadh

C09000014-RIY 20/01/2009 08:21 p.m.

Manual: MAF Biosecurity (Owen, Birnie, Goff), P/S Trade, P/S  
Agriculture, P/S Biosecurity, NZTE (Rickan)

ATTACHMENTS: 0031856.01.doc

RE (C08005061-WLN): DRAFT ARRANGEMENT ON THE TRADE IN LIVE SHEEP  
BETWEEN THE GOVERNMENT OF SAUDI ARABIA AND THE GOVERNMENT OF  
NEW ZEALAND:

### Summary

Discussions have now taken place between the Post, on New Zealand's behalf, and the Saudi Ministry of Agriculture on the Draft Arrangement on the Trade in Live Sheep.

### Message

### Action Required

MAF, in conjunction with MFAT, to provide comment and guidance as requested.

### Report

As directed (your C08005061 of 14 October 2008 refers), Post has formally conveyed the redraft of the Draft Arrangement on the Trade in Live Sheep between the Government of the Kingdom of Saudi Arabia and the Government of New Zealand, along with comments, to the Saudi Ministry of Agriculture (MOA).

The Remainder of this document is withheld



From: s 9(2)(a) @maf.govt.nz  
 Sent: Thursday, 8 January 2009 11:54 a.m.  
 To: DUNN, Darryl (MEA); MEA; s 9(2)(a) (RIY)  
 Cc: Chris Carson;  
 Subject: FW: saudi brief- feedback  
 Importance: High  
 Sensitivity: Confidential  
 Attachments: B08-363\_Live Sheep Trade Agreement with Saudi Arabia\_OwenJ\_4.doc

Good morning

You will be pleased to know that we have approval from the Minister to continue with negotiations on live sheep trade Arrangement with Saudi.

I have attached the briefing paper for Peter's information, should he wish to view it, along with others who will not yet have seen it.

Peter, could you please copy into emails on the outcome of the meeting on 13 January as I will be away on leave. I can pick this up again on 26 January, but if urgent action is required in the intervening period, can likely re-assign as need be.

[SEEMAIL][RESTRICTED]

Thank you

From: : (MIN) [mailto: @parliament.govt.nz]  
 Sent: Thursday, 8 January 2009 10:44 a.m.  
 To:  
 Subject: saudi brief- feedback

Some feedback for you. Minister Carter rang to say he received the Saudi brief, spoke with Murray last night, and feels that everything is under control. Out of scope.

Private Secretary - Biosecurity & Animal Welfare  
 Office of Hon David Carter, M.P.  
 Parliament Buildings  
 Wellington

Ph:  
 Cell:  
 Fax:

[2.parliament.govt.nz](mailto:2.parliament.govt.nz)

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The Ministry of Agriculture and Forestry accepts no responsibility for changes made to this email or to any attachments after transmission from the office.

52/k3/1/c

# BRIEF ON LIVE SHEEP TRADE AGREEMENT WITH SAUDI ARABIA

Date:	7 January 2008 <del>2009</del>	Priority:	High
Security Level:	In confidence	Document Number:	B 08-363

## Action sought

Minister	Action sought	Deadline
Minister of Agriculture	Note that Saudi Arabia has indicated willingness to conclude a trade agreement for live sheep for slaughter.	9 January 2009

Does the paper have financial implications?			No
Risks	Agreement to trade has potential to:	Level of Risk	Medium
	<ul style="list-style-type: none"> <li>draw criticism from animal welfare interest groups and benefit NZ trading interests</li> </ul>		

## Ministry Contacts

	Name	Position	First Contact	Telephone	
				(work)	(after hours)
Responsible Manager	Douglas Birnie	Acting Deputy Director-General Biosecurity New Zealand	V		
Principal Author		Senior Policy Analyst Biosecurity New Zealand			

39(2)(a)

59(2)(i)

## BRIEF ON LIVE SHEEP TRADE AGREEMENT WITH SAUDI ARABIA

### Purpose

1. This brief updates you on developments with negotiations on a bilateral trade agreement on live sheep for export for slaughter to the Kingdom of Saudi Arabia.

### Key Points

2. Since 2004, New Zealand has been negotiating towards a bilateral Arrangement with Saudi Arabia to re-open the way for the export of live sheep for slaughter. The aim of the Arrangement is to establish clear veterinary, transportation, quarantine and arrival processing guidelines, in order to ensure the welfare of animals up to the point of unloading and allow trade in live sheep to resume. Trade was suspended in 2003 following an incident where there was a delay in offloading live sheep from Australia to Saudi Arabia, resulting in a high death toll and international media attention (the *Cormo Express* incident).
3. In 2007, Cabinet directed MAF to review the policy on the export of livestock for slaughter. Following this, the Customs Export Prohibition (Livestock for Slaughter) Prohibition Order 2007 (CEPO) was put in place to prohibit the export of livestock for slaughter from New Zealand. The CEPO applies to all exports of cattle, sheep, deer and goats for slaughter regardless of the country of destination and the size of the shipment.
4. The prohibition is not absolute and individual consignments may be approved by the Director-General of MAF. There have been no applications for export of livestock for slaughter to any country since the CEPO was put in place. There is, however, a group of exporters, including Awassi New Zealand, keenly interested in resuming the trade in live sheep for slaughter to Saudi Arabia, with view to trade recommencing in 2009. Their trade interests are managed by David Brownrigg of Brownrigg Agriculture.
5. In guidelines to exporters, the Director-General of MAF outlined the matters that may be taken into account in considering any application for the approval of any consignment. These include the importing country having requirements in place that meet the World Animal Health Organisation (OIE) guidelines for the slaughter and transport of animals, pre-shipment audit of facilities, and any other matter that may be considered relevant such as whether or not there is an Arrangement for the transport and unloading of stock (thus reducing the risks in this area).
6. The current negotiations with Saudi Arabia to put in place an Arrangement resumed in January 2008 and fit within these guidelines. The proposed Arrangement includes specific provisions to guarantee the offloading of sheep (and avoiding the risk of a repeat of the *Cormo Express* incident). In addition trade is restricted to supply of commercial slaughter houses to preclude the

possibility of animals being sold to private individuals who may operate outside the accepted OIE guidelines for their handling and slaughter. Under the proposed Arrangement both countries acknowledge the benefits and duties as members of the OIE and agree to abide by its guidelines for the slaughter and transport of animals and killing of animals for disease control purposes.

7. In July 2008, the Hon Jim Anderton, in his capacity as Minister of Agriculture, met with HE Dr Fahd bin Abdylrahman bin Sulaman Balghunaim, at which time resumption of the trade was discussed. In concluding these discussions, HE Dr Balghunaim indicated he was willing to continue negotiations and that reaching an agreement may be possible.
8. Saudi Arabia has now responded to a revised draft Arrangement which was sent to them following the meeting and has verbally indicated that it wishes to proceed with the agreement. Changes, if any, are likely to be minor. The next negotiating meeting between officials is scheduled for 13 January 2009. This meeting has the potential to agree on the document and arrange for its official signing. Following normal protocol, the New Zealand Ambassador to Saudi Arabia, Dr Trevor Matheson, would have authority to sign on behalf of the New Zealand Government.
9. Once signed, the Agreement would open the way for the resumption of trade in live sheep for slaughter. Exporters would plan to resume the trade in March-May 2009. Benefits are expected to sheep breeders and exporters, including those specifically breeding Awassi cross-bred sheep for this purpose. Resuming the trade is expected to have wider trade benefits with the region, noting that New Zealand is currently negotiating a free trade Agreement with the Gulf Cooperation Council which is currently chaired by Saudi Arabia.
10. On the other hand, resumption of trade is likely to draw criticism from animal welfare groups, particularly those concerned with the long distance transport of animals.

#### Recommendations

7. We recommend that you:

- a) note the contents of this brief; and
- b) agree with New Zealand continuing negotiations

noted

agreed / not agreed

5902)(a)  
Senior Policy Analyst  
Policy & Risk

Hon David Carter  
Minister for Biosecurity  
/ /2009

2008

Your Reference:

Our Reference:

FROM: Wellington (MEA)  
TO: Riyadh  
CC: Wellington

C08005061-WLN

14/10/2008 0

Routine

Routine

*Out of scope*

ATTACHMENTS: WELLINGTON\_n2043378\_v1\_CLEAN\_SAU\_NZ\_Understanding\_for\_the\_exp  
WELLINGTON\_n2046351\_v1\_SAU-NZ\_Live\_Sheep\_Arrangement\_Negotia

DRAFT ARRANGEMENT ON THE TRADE IN LIVE SHEEP BETWEEN THE  
GOVERNMENT OF SAUDI ARABIA AND THE GOVERNMENT OF NEW ZEALAND:

Summary

We enclose the MAF and MFAT approved redraft of the Draft Arrangement on the Trade in Live Sheep between the Government of the Kingdom of Saudi Arabia and the Government of New Zealand. The Draft Arrangement is to be progressed with the Saudi Ministry of Agriculture. Once agreement in principle on the wording of the Draft is achieved it is to be reverted back to Ministry of Foreign Affairs and Trade, Wellington for clearance prior to final signature.

Message

Action

Grateful if post progress with Saudi Ministry of Agriculture on the Draft Arrangement.

Report

Our C08008598 refers.

2 Attached is the text of an approved Draft Arrangement for the Trade in Live Sheep between the Ministry of Agriculture of the Kingdom of Saudi Arabia and the Ministry of Agriculture and Forestry (MAF) of New Zealand. The draft has been approved by both MAF and Ministry of Foreign Affairs and Trade (MFAT).

3 Accompanying the draft is a negotiation brief that sets out some of the background to the Arrangement and provides guidance in relation to amendments. Please review this carefully and revert if you require clarification on any matter prior to recommencing discussions with the Saudi Ministry of Agriculture. You should already

have a copy of the Draft Agreement that retains MFAT and MAF comments and track changes for your reference (Email **s9(2)(a)** 02/10/08 refers).

4 Once agreement in principle is reached on the Draft Arrangement, it should be reverted back for MFAT and MAF approval (including Ministerial approval) prior to signature.

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10 JUL 2012

## CUSTOMS EXPORT PROHIBITION ORDER CONFIRMED

The export of livestock (sheep, cattle, deer and goats) for slaughter is prohibited unless the risks to New Zealand's trade reputation can be adequately managed. This decision has been made following a recent review by the Government of New Zealand's live export policies.

The Customs Exports Prohibition (Livestock for Slaughter) Order 2007 has been put in place to implement this change in policy. While the Order prohibits all exports of livestock for slaughter, this is not absolute. Individual consignments may be approved on a case-by-case basis at the discretion of the Director-General of Agriculture and Forestry. Approval may only be granted if the Director-General judges that the risks can be adequately managed.

The Customs Exports Prohibition (Livestock for Slaughter) Order 2007 is an interim measure. Over the medium term, the Government intends to implement this change in policy through amendments to primary legislation.

### Factors the Director-General of MAF may take into account in considering applications for an exemption

The Director-General of MAF may take the following factors into account when considering any applications for an exemption to a Customs Export Prohibition Order, noting that applications will be considered on a case-by-case basis:

- the export is for slaughter of livestock in commercial slaughter houses;
- the importing country has requirements in place that meet the World Organisation for Animal Health *Guidelines for the Slaughter of Animals*;
- cattle exported for slaughter must be stunned prior to slaughter in accordance with any of the methods described in the *Guidelines*;
- the importing country has requirements in place that meet the World Organisation for Animal Health *Guidelines for the Transport of Animals by Land, Sea and Air*, in relation to the unloading and post-journey handling and transport of livestock;
- a pre-shipment audit of slaughter facilities by inspectors nominated by MAF, and carried out at the exporters' expense, demonstrates compliance with the above requirements; and
- any other matter the Director General of MAF considers necessary to manage the risks to New Zealand's reputation as a responsible exporter of agricultural products.

Exporters are also required to provide an affidavit as to the purpose of export for all livestock exports.

The Director-General may review the factors he or she considers relevant at any time, taking into account such matters as the experience from past trade.

The Director-General may require a bilateral arrangement to be in place to support the requirements of importing countries set out above, along with any other requirements he or she believes are necessary to maintain New Zealand's reputation as a responsible exporter of agricultural products. In deciding whether to require a bilateral arrangement, the Director-General could take into account relevant experience with exporting livestock to that country.

Exporters will also, in accordance with the requirements of the Animal Welfare Act 1999, need to satisfy the Director-General as to the conditions for transport of livestock up until the



point of disembarkation. Where livestock are being transported by sea this may include a requirement that a MAF-accredited veterinarian accompany the shipment, experienced stockmen are on board and provision is made for rapid disembarkation and, if required, quarantine.

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## GUIDE TO EXPORTING LIVE ANIMALS

### 1. Introduction

Any person considering exporting live animals from New Zealand to any overseas country needs to note that there are three sources of legal requirements that must be met. These are:

### 2. The Animal Products Act 1999 – Export requirements issued by notice under section 60.

Export Requirements issued under the Animal Products Act are the result of Government to Government negotiations to determine the needs of the importing country, as accepted by New Zealand, and the means by which New Zealand can demonstrate those needs have been met. While every effort is made by MAF to ensure these Notices reflect the current requirements, that is not always the case and the situation may be substantially changed at any time with very little notice or no notice at all. Those considering exporting live animals are advised to make enquires before making any financial commitments.

More details on export requirements under the Animal Products Act can be found at: <http://www.biosecurity.govt.nz/commercial-exports/animal-exports/export-requirements>

### 3. The Animal Welfare Act 1999 – An animal welfare export certificate is required unless there is an exemption in place. Exporting without a certificate, when one is required, is an offence.

The Animal Welfare Act is concerned with the welfare of the animals to which the export applies all the way through the process until the animals are landed on the ground in the country of destination. Animals being exported from New Zealand require an animal welfare export certificate to ensure animals travel and arrive in good health. The Director-General of Agriculture and Forestry, in granting an animal welfare export certificate, may impose conditions on that certificate. Some animals may be exempt from the need for an animal welfare export certificate where the risk to their welfare is considered low. More details on exemptions can be found at: <http://www.biosecurity.govt.nz/exports/animals/awec-exempt.htm>.

#### 3.1 Declaration as to purpose of export

Applicants wishing to export live cattle, deer, sheep or goats for any purpose must also provide MAF a declaration sworn under the Oaths and Declarations Act 1957, as to the intended end-use of the animals (immediate slaughter, fattening and subsequent slaughter, breeding, or other use).

The animal welfare export certificate application form and declaration form are available on the MAF website at: <http://staging.biosecurity.govt.nz/commercial-exports/animal-exports/animal-welfare-export-certificates-awecs>

Applications for an animal welfare export certificate and the signed declaration, together with the prescribed fee, must be received at MAF at least 20 working days before the intended departure date of the animals.

### 3.2 Late applications

The Director-General of MAF may accept an animal welfare export certificate application and declaration made less than 20 working days before the intended departure date of the animals, but only if he is satisfied that unforeseen or unusual circumstances prevented the application from being made in the prescribed time. The existence of any such circumstances should be fully detailed, in writing, when any late application is made. Applicants are to note that the later the application the more the possibility that it will not be processed in time for the planned shipment to occur.

### 3.3 Incomplete applications

Where any application or supporting declaration is incorrect or incomplete, the Director-General of MAF may require an applicant to remedy the deficiencies. The deficiencies must be remedied, to the Director-General's satisfaction, at least 20 working days before the intended departure date of the animals. If deficiencies are not remedied by this time, the Director-General may deal with the application only if he is satisfied that there is sufficient time to give it proper consideration before the intended departure of the animals.

### 4. Customs and Excise Act 1996 – Customs Export Prohibition (Livestock for Slaughter) Order 2007 (Applicable only to cattle, deer, goats and sheep being exported for slaughter)

This requirement is new and comes into force on 21 December 2007. It applies to any cattle, sheep, goats and deer that are for export to any country for the purposes of slaughter. Where the prime purpose of the export is slaughter, whether immediately or in several years time, the animals cannot be exported unless an exemption from the prohibition on export is granted by the Director-General of Agriculture and Forestry. This is known as "consent to export".

The consent to export document must be presented to the New Zealand Customs Service at the time the export entry is lodged. Information on the New Zealand Customs Service's requirements for the export of goods is available at:  
<http://www.customs.govt.nz/exporters/default.htm>

5/10/12/1/1/2

# BRIEF ON SAUDI ARABIA – NEW ZEALAND LIVE SHEEP TRADE AGREEMENT

Date:	4 July 2008	Priority:	High
Security Level:	In confidence	Document Number:	B

## Action sought

Minister	Action sought	Deadline
Minister of Agriculture	Agree to the negotiating position for live sheep trade with Saudi Arabia and advise Minister of Trade	10 July 2008

Does the paper have financial implications?			No
Risks	Policy decisions may have trade impacts or affect New Zealand's reputation	Level of Risk	Medium

## Ministry Contacts

	Name	Position	First Contact	Telephone (work)	(after hours)
Responsible Manager	Peter Thompson	Acting Assistant Director-General Biosecurity New Zealand	V	5 9(2)(a)	5 9(2)(a)
Principal Author	5 9(2)(a)	Senior Policy Analyst Biosecurity New Zealand		5 9(2)(a)	

## BRIEF ON SAUDI ARABIA – NEW ZEALAND LIVE SHEEP TRADE AGREEMENT

### Purpose

- 1) This brief sets out New Zealand's negotiating position on the live sheep trade with Saudi Arabia for your agreement with the Minister of Trade. The Saudi-Arabian Minister of Agriculture is to meet with you and your colleague, Hon Phil Goff, on 14 or 15 July and has placed the matter on the agenda for the Joint Ministerial Commission meeting on 15 July.

### Key Points

- 2) The Customs Export Prohibition (Livestock for Slaughter) Order (the Order) was put in place in December 2007 to prohibit the export of livestock for slaughter from New Zealand. While the Order prohibits all exports of livestock for slaughter, this is not absolute. Individual consignments may be approved on a case-by-case basis at the discretion of the Director-General of the Ministry of Agriculture and Forestry. Approval would only be granted if the Director-General judges the risks can be adequately managed.
- 3) Documentation of agreed risk management protocols in bilateral arrangements between trading partners are recognised as a useful risk mitigation tool. To this end, negotiations resumed with Saudi Arabia in January 2008 to agree details of such an arrangement to support the trade. Negotiations had been placed on hold during the review of export of livestock for slaughter and which resulted in the Order being put in place.
- 4) Saudi Arabia responded to New Zealand's proposal for an amended arrangement in May 2008. At that time it requested a number of further changes which are acceptable to MAF and raised questions about other matters. New Zealand responded in June 2008 and since that time Saudi has placed the matter on the agenda for the forthcoming Joint Ministerial Commission meeting on 15 July. The matter may also be discussed separately with Ministers in the lead up to the Commission meeting.
- 5) Matters on which New Zealand has responded affirmatively to Saudi and which we expect will be accepted are:
  - a) Timing of inspection of sheep after docking; and
  - b) Vaccination for *Clostridium*.

- b) agree in principle the negotiating position on the matters listed above with the implication that we may not be able to reach agreement on all matters to conclude and arrangement;

agreed / not agreed

- c) agree that if Saudi Arabia will not accept the New Zealand position on the matters discussed above, officials should cease any further negotiation of the proposed bilateral arrangement; and

agreed / not agreed

- d) agree to refer the attached paper to the Hon Phil Goff, Minister of Trade for his consideration.

[ The paper has yet to be attached as is essentially a letter duplicating the information contained in the above brief. It will be added once we have agreed the text of the brief.]

agreed / not agreed

Peter Thompson  
Acting Assistant Director-General  
Biosecurity New Zealand

Hon Jim Anderton  
Minister of Agriculture  
/ /2007

The original document is  
3 pages not 5.

Lat

C07004791-WLN

SENSITIVE  
NOT FOR CABLE EXCHANGE

FILE COPY

You. Reference:

Our Reference:

FROM: Wellington (TND)

C07004791-WLN 21/12/2007 09:58 a.m. WLN

Routine

Out of scope

LIVESTOCK EXPORTS FOR SLAUGHTER: COMMUNICATIONS ON DECISION AND  
BILATERAL ARRANGEMENT

Summary

We agree with Post's proposed approach to advise the Saudis of the decision reached on the review along with next steps on re-engaging on the bilateral arrangement.

Message

Action

Post to advise Saudis on next steps for the bilateral arrangement along the lines suggested in our para 4.

Report

Our C07004692 of 18 December and various s 9(2)(a) emails also refer.

2 Our thanks for your advice regarding re-engagement with the Saudis on recent decisions around livestock exports for slaughter.

Out of scope

3 As you know, we have been giving thought to re-engagement with Saudi Arabia on the bilateral arrangement which has been on hold due to the policy review. With a decision now reached on the review and with the imposition of the Customs Export Prohibition (Livestock for Slaughter) Order on 21 December, we are looking to re-invigorate negotiations on the arrangement. As you will be aware, the action on the arrangement currently lies with us. We will need to review the arrangement and revert with advice to the Saudis on it and any proposed changes that we wish to make. We have received advice from the Ministry of Agriculture and Forestry (Sherwin, O'Neil) that the arrangement should be finalised along the lines that was originally intended. This will obviously assist us in moving forward.

NOT FOR CABLE EXCHANGE  
SENSITIVE

21/12/2007

Page 1 of 2



4 We agree with your proposal to advise the Saudis (by letter from Ambassador or Charge d'Affaires to Minister of Agriculture) both of the decision and of next steps in the arrangement process at the same time. In terms of the arrangement, we would suggest that you note that as a final decision has now been made on the review, New Zealand is looking to recommence negotiations on the bilateral arrangement. We will look to formally respond to Saudi Arabia early in the New Year on the basis of the previous draft we received.

5 We leave it to your judgement as to how best to convey and articulate the message in our para 4 to the Saudis.

6 For your information, we would note that there is an exporter interested in trying to export to Saudi around March 2008. This tight timing will obviously present some challenges in concluding a bilateral arrangement, even one which is nearing the end of the road.

Message ends

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PCO-12781/4

Drafted by S 9(2)(a)

**IN CONFIDENCE**

**Customs Export Prohibition (Livestock for Slaughter) Order 2007**

Governor-General

**Order in Council**

At Wellington this                      day of                      2007

Present:

in Council

Pursuant to section 56 of the Customs and Excise Act 1996, His Excellency the Governor-General, acting on the advice and with the consent of the Executive Council, and being of the opinion that the prohibition effected by this order is necessary in the public interest, makes the following order.

**Contents**

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2	Commencement	2
3	Interpretation	2
4	Export of livestock for slaughter prohibited	2

---

**Order**

- Title**  
This order is the Customs Export Prohibition (Livestock for Slaughter) Order 2007.

**2 Commencement**

This order comes into force on 21 December 2007.

**3 Interpretation**

In this order,—

**Director-General** means the chief executive of the Ministry of Agriculture and Forestry

**livestock** means any cattle, deer, goats, or sheep.

**4 Export of livestock for slaughter prohibited**

The export of livestock for slaughter is prohibited, except—

- (a) with the consent of the Director-General; and
- (b) subject to any conditions specified by him or her that are not inconsistent with this prohibition.

Clerk of the Executive Council.

**Explanatory note**

*This note is not part of the order, but is intended to indicate its general effect.*

This order, which comes into force on 21 December 2007, prohibits the export of cattle, deer, goats, and sheep for slaughter, unless with the consent of the chief executive of the Ministry of Agriculture and Forestry (the **Director-General**) and subject to any conditions, not inconsistent with the prohibition, that he or she specifies.

Under section 56(5)(b) of the Customs and Excise Act 1996, this order expires on the close of 31 December 2008 except so far as it is expressly confirmed by Act of Parliament passed before that date. Even if confirmed completely in that way, under section 57 of that Act, this order expires on the close of 20 December 2010 unless it is sooner revoked or extended for a further period of up to 3 years.

**Customs Export Prohibition (Livestock for  
Slaughter) Order 2007**

---

Issued under the authority of the Acts and Regulations Publication Act 1989.

Date of notification in *Gazette*:

This order is administered by the New Zealand Customs Service.

---

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OFFICIAL INFORMATION ACT



Commercial: In Confidence

## Cabinet External Relations and Defence Committee

ERD Min (07) 9/2

Copy Number: 3

### Minute of Decision

*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

### Policy Review of New Zealand's Requirements for Export of Livestock for Slaughter

On 12 December 2007, the Cabinet External Relations and Defence Committee (ERD):

- 1 noted that in October 2007, the Cabinet External Relations and Defence Committee:
  - 1.1 agreed in principle that controls on the export of livestock for slaughter are in the public interest;
  - 1.2 agreed in principle to put a Customs Export Prohibition Order in place;
  - 1.3 directed the Ministry of Agriculture and Forestry to consult with exporters of livestock and industry groups on the findings of the review and options for implementation, and report to the Cabinet External Relations and Defence Committee by 12 December 2007;

[ERD Min (07) 7/1]

- 2 noted that exporters, industry groups, selected trading partners and other parties have been consulted and that this consultation included seeking comment on the possible factors to be taken into account by the Director-General of the Ministry of Agriculture and Forestry (MAF) in assessing any applications for exemptions to a Customs Export Prohibition Order;
- 3 noted that there was general support for the government's decision to place tighter controls on the export of livestock for slaughter, but that some adjustments have been made to the proposed draft exemption factors as a result of stakeholder submissions;
- 4 confirmed the in-principle decisions in paragraphs 1.1 and 1.2 above;
- 5 agreed that the Director-General of MAF may take the following factors into account when considering any application for an exemption to a Customs Export Prohibition Order:
  - 5.1 the export is for slaughter of livestock in commercial slaughter houses;
  - 5.2 the Director-General is satisfied that the importing country has requirements in place that meet the World Organisation for Animal Health *Guidelines for the Slaughter of Animals*;

- 5.3 cattle exported for slaughter must be stunned prior to slaughter in accordance with any of the methods described in the Guidelines;
- 5.4 the Director-General is satisfied that the importing country has requirements in place that meet the World Organisation for Animal Health *Guidelines for the Transport of Animals by Land, Sea and Air*, in relation to the unloading and post-journey handling and transport of livestock;
- 5.5 a pre-shipment audit of slaughter facilities by inspectors nominated by MAF, and carried out at the exporters' expense, demonstrates compliance with the above requirements;
- 5.6 any other matter the Director General of MAF considers necessary to manage the risk to New Zealand's reputation as a responsible exporter of agricultural products;
- 6 agreed that:
- 6.1 the Director-General MAF may require a bilateral arrangement be in place to support the requirements of importing countries set out above, along with any other requirements he or she believes are necessary to maintain New Zealand's reputation as a responsible exporter of agricultural products;
- 6.2 in deciding whether to require a bilateral arrangement the Director-General could take into account relevant experience with exporting livestock to that country;
- 6.3 the Director-General may review the factors he or she considers relevant for consideration at any time, taking into account such matters as the experience from past trade;
- 7 noted that the Customs Export Prohibition (Livestock for Slaughter) Order 2007 prohibits the export of cattle, deer, goats, and sheep for slaughter, unless with the consent of the chief executive of the Ministry of Agriculture and Forestry and subject to any conditions that he or she specifies;
- 8 noted that the order is an interim measure until such time as amendments can be made to primary legislation;
- 9 authorised the submission to the Executive Council of the Customs Export Prohibition (Livestock for Slaughter) Order 2007 [PCO 12781/4];
- 10 agreed to waive the 28-day rule for the Customs Exports Prohibition (Livestock for Slaughter) Order 2007 to enable the Order to come into effect on 21 December 2007.

s 9(2)(a)

Secretary

Reference: ERD (07) 36

Copies to: (see over)

[Not relevant to request]



RELEASED UNDER THE  
OFFICIAL INFORMATION ACT

Chair  
Cabinet External Relations and Defence Committee

## POLICY REVIEW OF NEW ZEALAND'S REQUIREMENTS FOR EXPORT OF LIVESTOCK FOR SLAUGHTER

### Proposal

1. This submission summarises the outcomes of consultation with exporters of livestock and industry groups on the findings of the review of exports of livestock for slaughter. It proposes that Cabinet agrees to put in place the Customs Export Prohibition (Livestock for Slaughter) Order 2007 as an interim measure until such time as amendments can be made to primary legislation. It further proposes that the normal 28 day rule applying to new regulations be waived so that the Order may come into effect on 21 December 2007.

### Executive Summary

2. At its meeting on 23 October 2007 Cabinet agreed in principle to put a Customs Export Prohibition Order in place restricting the export of livestock for slaughter as an interim measure until such time as amendments can be made to primary legislation. The in principle decision was subject to the outcome of consultation with exporters of livestock and industry groups.
3. Current legislation does not allow the treatment of New Zealand livestock in an importing country to be considered when an animal welfare export certificate is issued. There could be significant public concern and possible international consumer reaction if exports of livestock for slaughter were to recommence from New Zealand to countries that have slaughter or handling practices that are significantly at variance to those used in New Zealand. New Zealand's reputation and the integrity of our agricultural export system are at risk.
4. As directed by Cabinet, the Ministry of Agriculture and Forestry (MAF) has consulted with exporters of livestock and industry groups. A total of 41 submissions were received from industry groups, the New Zealand Veterinary Association, animal welfare advocacy groups, the National Animal Welfare Advisory Committee and Sue Kedgley, MP. The majority of submitters, including key exporters and industry groups, supported the Government's decision to place tighter controls on the export of livestock for slaughter.
5. The Ministry of Foreign Affairs and Trade has also advised selected trading partners. Reaction has been mixed.

s 6(a), s 6(b)(i)



6. It is proposed that the Cabinet authorise the submission of the Customs Export Prohibition (Livestock for Slaughter) Order 2007 to the Executive Council for the Order to come into effect on 21 December 2007. The Order would prohibit the export of sheep, cattle, deer and goats for slaughter, and give the Director-General MAF discretion to approve individual consignments on a case-by-case basis in circumstances where he or she considers the risks can be adequately managed.
7. Consultation was also carried out on factors the Director-General might take into account when considering exemption applications. The proposed factors were generally agreed as being pertinent to the exercise of the discretion, except for a proposed requirement relating to the pre-slaughter stunning of livestock in the importing country. The New Zealand Veterinary Association and the National Animal Welfare Advisory Committee supported this proposal. The majority of exporters did not, pointing out that New Zealand could be accused of a double standard in that it permits shechita (Jewish) slaughter and non-commercial home-kill, neither of which involve a pre-slaughter stun requirement. Shechita slaughter of sheep, goats and poultry is permitted without requirements for stunning. Shechita slaughter of deer is permitted with a post-cut stun.
8. On balance, and taking into account the differing animal welfare concerns between cattle and other livestock, it is proposed that the pre-slaughter stun requirement be applicable to cattle only.
9. In light of the above, the Director-General of MAF may take the following factors into account when considering any applications for an exemption:
  - the export is for slaughter of livestock in commercial slaughter houses;
  - the importing country complies with the World Organisation for Animal Health *Guidelines for the Slaughter of Animals*;
  - cattle must be stunned prior to slaughter;
  - the importing country complies with the World Organisation for Animal Health *Guidelines for the Transport of Animals by Land, Sea and Air*, in relation to the unloading and post-journey handling and transport of livestock;
  - a pre-shipment audit of slaughter facilities demonstrates compliance with the above requirements; and
  - any other matter the Director-General of MAF considers necessary.
10. Exporters may also be required to provide an affidavit as to the purpose of export for all livestock exports, and satisfy the Director-General of MAF as to the conditions for international transport of livestock up until the point of disembarkation.

#### Background

#### Customs Export Prohibition Order

11. At its meeting on 23 October Cabinet, acting on the advice of Cabinet External Relations and Defence Committee, agreed in principle:
  - that controls on the export of livestock for slaughter is in the public interest;

- to put a Customs Export Prohibition Order in place in the interim, prohibiting the export of sheep, cattle, deer and goats for slaughter and giving the Director-General of MAF the discretion to approve individual consignments on a case-by-case basis in circumstances where the risks can be adequately managed subject to a report on the outcome of consultation on the matter;
- to direct the MAF to consult with exporters of livestock and industry groups on the findings of the review and options for implementation, and report to the Cabinet External Relations and Defence Committee by 12 December 2007.

12. On 5 November 2007 the Minister of Agriculture wrote to the Director-General of MAF instructing MAF to work with the New Zealand Customs Service and Parliamentary Counsel to prepare a draft Order so that it would be available for consideration by the External Relations and Defence Committee on 12 December and Cabinet and the Executive Council on 17 December 2007.

#### *Control on export of Livestock for Slaughter*

13. Current legislation does not allow the Director-General of MAF to consider how New Zealand livestock may be treated in an importing country when issuing an animal welfare export certificate, such as the manner in which the livestock are handled and subsequently slaughtered.
14. There is potential for significant public concern and possible international consumer reaction if exports of livestock for slaughter were to recommence from New Zealand to countries that have different slaughter or handling practices which are significantly at variance to those used in New Zealand.
15. New Zealand's reputation and economic risks at stake include:
- New Zealand's reputation as a "clean, green" and humane sustainable exporter and promoter of animal welfare; and
  - the integrity of our agricultural export system under which exports valued at \$18.3 billion were exported in 2006. Even a small decline in trade due to European Union consumer resistance to New Zealand agricultural exports would have a greater negative impact on the New Zealand economy than the lost revenue from restricting livestock exports for slaughter.
16. Cabinet also noted that restrictions on exports of livestock for slaughter would themselves entail international legal, commercial and diplomatic risks.

s 6(a), s 9(2)(g)(i)

17. s 6(a), s 9(2)(g)(i), s 9(2)(h)

s 6(a)

s 9(2)(g)(i)

18. On 23 October 2007 Cabinet considered these risks and agreed to prohibit exports of sheep, cattle, deer and goats for slaughter with exemptions where the reputational risks to New Zealand outlined in paragraph 15 above can be managed to an acceptable level. Cabinet noted that an amendment to primary legislation offers the best long term solution. It agreed in principle that, as an interim measure until primary legislation can be amended and, subject to report back on the outcome of consultation with exporters of livestock and industry groups, a Customs Export Prohibition Order should be put in place.
19. The Customs Export Prohibition Order would prohibit the export of sheep, cattle, deer and goats for slaughter, and give the Director-General MAF discretion to approve individual consignments on a case-by-case basis in circumstances where he or she considers the risks can be adequately managed.
20. None of the restrictions will apply to exports of livestock for breeding or other purposes and this trade may continue. Exporters will, however, be required to declare the purpose of export at the time of making an application.
21. As directed by Cabinet, MAF has consulted with exporters of livestock and industry groups on the findings of the review and the proposal to implement restrictions through a Customs Export Prohibition Order. Consultation meetings were also held with exporters and industry groups in Hamilton and Christchurch on 20 and 29 November and feedback from these meetings has been included in the summary of consultation below.
22. The Ministry of Foreign Affairs and Trade has advised selected trading partners, including Saudi Arabia, that a review has been undertaken and of the options for implementation and allowed them an opportunity to comment. Reactions from trading partners are also presented below.

#### Outcome of Public Consultation

23. Submissions were received from exporters of livestock, sheep breeders, Meat Industry Association, Deer Industry New Zealand, the New Zealand Veterinary Association, animal welfare advocacy groups, the National Animal Welfare Advisory Committee and Sue Kedgley, Member of Parliament. A total of 41 submissions were received.

24. Comment was received on:

- i. the decision to place tighter controls on the trade;
- ii. the international transport of livestock; and
- iii. the factors the Director-General of MAF may take into account in considering any application for an exemption to a Customs Export Prohibition Order.

25. The majority of submitters, including key exporters and industry groups, supported the Government's decision to place tighter controls on the export of livestock for slaughter, although certain exporters considered they should be exempted. Animal welfare advocacy groups variously preferred either that the trade in livestock for slaughter be prohibited without exemptions, or that livestock exports for any purpose be prohibited.

26. Many submitters commented on conditions for international transport of livestock. There were a variety of views ranging from suggestions that requirements should be tightened to provide better animal welfare protections, to views that existing requirements are adequate.

27. With regard to exemption factors, key exporters and industry groups supported adherence to the World Organisation for Animal Health guidelines for slaughter and for transport by land, sea and air. There was general support for pre-shipment audit of slaughter facilities and the requirement to provide an affidavit as to the purpose of export. One key exporter of livestock considered that pre-shipment audit of slaughter facilities should be limited to cases where animals are slaughtered within six months of departure from New Zealand. Some other exporters suggested that export for fattening and subsequent slaughter should be excluded regardless of the length of time until slaughter takes place.

28. Some submitters, including the New Zealand Veterinary Association and the National Animal Welfare Advisory Committee, supported the additional requirement for pre-slaughter stunning of all livestock. The majority of exporters of livestock and sheep breeders did not support making pre-slaughter stunning a necessary requirement. The key issues raised by exporters were:

- a perception that this would represent a double standard in that New Zealand permits shechita (Jewish) slaughter and non-commercial home-kill, neither of which involve a pre-slaughter stun requirement;
- slaughter without stunning is permitted under the World Organisation for Animal Health guidelines;
- unilateral decision making by New Zealand is not appropriate, particularly as New Zealand is a member of the World Organisation for Animal Health.

29. No submitters raised objections to the proposed requirement that exporters be required to provide an affidavit as to the purpose of export for all livestock exports.

## Response to issues raised in submissions

### *Decision to place tighter controls on the trade*

30. Cabinet has already considered the need to place tighter controls on the trade and agreed to prohibit exports of sheep, cattle, deer and goats for slaughter, with exemptions where the risks can be managed to an acceptable level.

### *International transport*

31. Cabinet has excluded consideration of transport to the point of disembarkation as any risks associated with this are being managed already under existing mechanisms in the Animal Welfare Act. [CAB Min (07) 38/3]. The Minister of Agriculture has requested that the National Animal Welfare Advisory Committee develop a code of welfare for international transport of livestock to mitigate any residual risk associated with this aspect of the trade.

### *Factors for the Director-General to consider in processing any exemption application*

#### World Organisation for Animal Health (OIE) Guidelines and pre-shipment auditing of slaughter facilities

32. It is noted that there is general support for tying exemption decisions to compliance with World Organisation for Animal Health Guidelines, and it is intended that this be confirmed as a factor the Director-General may take into account when considering exemption applications.
33. It is noted that there is also general support for pre-shipment auditing of slaughter facilities in the importing country and it is intended that this too be confirmed as a factor the Director-General may take into account. The process and timing of pre-shipment audits would be decided on a case-by-case basis.

#### Possible additional requirement of pre-slaughter stunning of livestock

34. The prevailing international view, which is subscribed to by the New Zealand National Animal Welfare Advisory Committee, is that conscious animals are likely to experience an unreasonable level of pain during the cut to the neck. The impacts on cattle are worse than on other livestock because of the additional time it takes for loss of consciousness to occur.
35. The Minister of Agriculture is considering issuing a draft commercial slaughter code of welfare that would require all large mammals and poultry being commercially slaughtered in New Zealand to be stunned prior to slaughter. An exemption is proposed for shechita (Jewish) slaughter whereby no pre-slaughter stun would be required, though cattle would need to be stunned within 5 seconds following the throat cut. Non-commercial slaughter (i.e. "home-kill") is not covered by the draft code, and therefore home-kill can also occur without a pre-slaughter stun.

36. The World Organisation for Animal Health *Guidelines for the Slaughter of Animals* does not require pre-slaughter stunning. It does, however, include guidance on suitable methods should pre-slaughter stunning be used. As they are guidelines, not mandatory requirements, there is nothing to preclude New Zealand adopting more restrictive measures.

37. The proposal to add an additional requirement for pre-slaughter stunning of exported animals would appear to be at odds with the permissive approach taken to shechita and home-kill slaughter in New Zealand.

s 9(2)(g)(i)

38. On balance, and taking into account the differing animal welfare concerns between cattle and other livestock, it is proposed that the pre-slaughter stun requirement be limited to cattle only.

#### Submitters' proposed exclusions

39. It is considered that all exporters should be treated equally, and that there should be no general exclusions from the Customs Export Prohibition Order.

40. With regard to exports for fattening and subsequent slaughter, it is considered that the length of time to slaughter is not a relevant consideration.

#### Declaration of purpose of export

41. It is noted that there is general support for a declaration, and it is intended that this be confirmed as a factor the Director-General may take into account when considering exemption applications.

#### Proposed factors for exemption

42. In light of the above, the Director-General of MAF may take the following factors into account when considering any applications for an exemption to a Customs Export Prohibition Order:

- the export is for slaughter of livestock in commercial slaughter houses;
- that the importing country has requirements in place that meet the World Organisation for Animal Health *Guidelines for the Slaughter of Animals*
- cattle exported for slaughter must be stunned prior to slaughter in accordance with any of the methods described in the Guidelines;
- that the importing country has requirements in place that meet the World Organisation for Animal Health *Guidelines for the Transport of Animals by Land, Sea and Air*, in relation to the unloading and post-journey handling and transport of livestock;
- a pre-shipment audit of slaughter facilities by inspectors nominated by MAF, and carried out at the exporters' expense, demonstrates compliance with the above requirements; and
- any other matter the Director General of MAF considers necessary to manage the risks to New Zealand's reputation as a responsible exporter of agricultural products.

43. Exporters may also be required to provide an affidavit as to the purpose of export for all livestock exports.
44. The Director-General of MAF may review the factors he or she considers relevant for consideration at any time, taking into account such matters as the experience from past trade, at which time further consultation may be undertaken with affected parties.
45. It is important from the perspective of relations with trading partners and exporters, as well as in the interests of transparency and predictability, to provide some guidance in a formal document as to the factors that the Director-General of MAF will take into account in deciding whether to grant an exemption. It is intended that MAF will prepare such a document as advice to trading partners and exporters following Cabinet's decision. In addition, the Director-General should provide any applicant with reasons in the event of deciding not to grant an exemption.
46. The Director-General may require a bilateral arrangement be in place to support the requirements of importing countries set out above, along with any other requirements he or she believes are necessary to maintain New Zealand's reputation as a responsible exporter of agricultural products. In deciding whether to require a bilateral arrangement, the Director-General could take into account relevant experience with exporting livestock to that country.

#### **Additional Animal Welfare Act requirements**

47. Exporters would also, in accordance with the requirements of the Animal Welfare Act 1999, need to satisfy the Director-General of MAF as to the conditions for international transport of livestock up until the point of disembarkation. Where livestock are being transported by sea this may include a requirement that a MAF-accredited veterinarian accompany the shipment, experienced stockmen are on board and provision are made for rapid disembarkation and, if required, quarantine.

#### **Advice from trading partners**

48. As agreed by Cabinet, the Ministry of Foreign Affairs and Trade advised a number of trading partners including Saudi Arabia, of the fact that a review has been undertaken and the options for implementation. Reaction has been mixed.

49. s 6(a), s 6(b)(i)



50 s 6(a), s 6(b)(i)

51.

#### **Amendments to Primary Legislation**

52. At its meeting on 23 October Cabinet noted that an amendment to primary legislation offers a long term solution by restricting trade conditionally, with discretion exercised by the appropriate Minister, or unconditionally. Review of primary legislation will commence in 2008 with view to bringing proposals before Cabinet for subsequent consideration.

#### **Economic and Regulatory Impact**

53. In 2006, New Zealand exported \$18.3 billion of agricultural exports. The export of meat was generally valued at NZ\$4.7 billion (14.27%), sheep meat alone accounted for NZ\$2.4 billion. Even a 10% decline in the value of sheep meat exports to the European Union alone (the most vulnerable market) would have a greater negative impact on the New Zealand economy than the lost revenue from restricting exports of livestock for slaughter. Other markets may be affected.

54. A regulatory impact statement was prepared and submitted as part of Cabinet's consideration of the matter on 23 October 2007 [CAB Min (07) 38/3].

#### **Customs Export Prohibition Order 2007 – Public Interest**

55. Section 56 of the Customs and Excise Act 1996 provides that if the Governor-General considers a prohibition is necessary in the public interest, the Governor-General may, by Order in Council, prohibit the exportation from New Zealand of any specified goods, or classes of goods.



56. We are satisfied that the Customs Export Prohibition (Livestock for Slaughter) Order 2007 is in the public interest of New Zealand as the Animal Products Act 1999 and the Animal Welfare Act 1999 do not provide for consideration of issues relating to the treatment of livestock in the importing country, including in relation to handling and slaughter practices. Currently providing exporters meet the requirements of the legislation and satisfy the Director-General of MAF as to the conditions for international transport of livestock up to the point of disembarkation, the export may proceed.

57. On balance, the Government has decided that the benefits to New Zealand's trade to be gained by restricting exports of livestock for slaughter with exemptions outweigh the international legal, commercial or diplomatic risks of imposing such restrictions [CAB Min (07) 7/1]. The export of livestock for slaughter could result in a number of negative impacts that could adversely affect New Zealand's reputation and economic interests as stated in paragraph 15 above.

#### Timing and 28 Day Rule

58. It is recommended that the Order come into effect on 21 December 2007.

59. An exemption to the 28-day rule is required to prevent persons from exporting livestock for slaughter after the Government has announced the decision to prohibit their exports.  
s 9(2)(g)(i)

#### Compliance

60. Compliance is assumed as listed below:

a. Principles of the Treaty of Waitangi	Not applicable
b. The New Zealand Bill of Rights Act 1990	Not applicable
c. Human Rights Act 1993	Complies
d. The principles and guidelines set out in the Privacy Act 1993	Not applicable
e. Relevant international standards and obligations	Consistent with earlier advice provided to Cabinet, s 6(a), s 9(2)(g)(i), s 9(2)(h)
f. The Legislation Advisory Committee Guidelines: Guidelines on Process and Content of Legislation	Complies

### **Regulations Review Committee**

61. It is not considered that there are any grounds for the Regulations Review Committee to draw the Customs Export Prohibition (Livestock for Slaughter) Order 2007 to the attention of the House under Standing Order 315.

### **Certification by Parliamentary Counsel**

62. Parliamentary Counsel has certified the Customs Export Prohibition (Livestock for Slaughter) Order 2007 for submission to Cabinet.

### **Regulatory Impact Analysis**

63. A regulatory impact statement was prepared in accordance with the necessary requirements and submitted with the paper to the Cabinet/External Relations and Defence Committee [CAB Min (07) 38/3 refers].

### **Publicity**

64. The Minister of Agriculture will issue a press statement after the Customs Export Prohibition (Livestock for Slaughter) Order 2007 has been approved by the Executive Council. There are advantages in making the announcement early in the week of 17 December to ensure that exporters are aware of the decision prior to the Christmas break. MAF will advise exporters and others who made submissions of the Cabinet decision following your announcement.

### **Consultation**

65. The following departments have been consulted in the preparation of this paper (however, the urgent timeframes meant there was limited time for agencies to engage): Ministry of Foreign Affairs and Trade, New Zealand Food Safety Authority, Ministry of Economic Development, Treasury and Department of Prime Minister and Cabinet.

### **Financial implications**

66. There are no financial implications; all costs of implementation can be met from within existing budget.

### **Legislative implications**

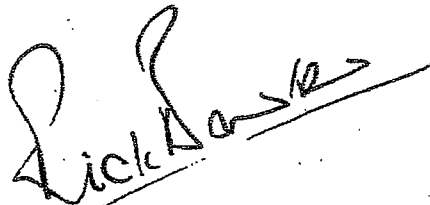
67. Adoption of this paper will result in the recommendation of a Customs Export Prohibition Order to be approved by the Governor-General by Order-in-Council.

## Recommendations

68. We recommend that you:

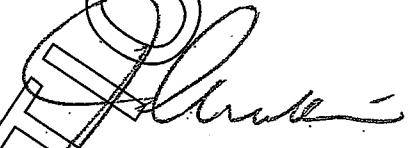
1. note that exporters, industry groups, selected trading partners and other parties have been consulted about how the Government's decision to prohibit exports of livestock for slaughter, with exemptions where the risks can be managed to an acceptable level, could be implemented;
2. note that this consultation included seeking comment on the possible factors to be taken into account by the Director-General of the Ministry of Agriculture and Forestry in assessing any applications for exemptions to a Customs Export Prohibition Order;
3. note that there was general support for the Government's decision to place tighter controls on the export of livestock for slaughter, but that some adjustments have been made to the proposed draft exemption factors as a result of stakeholder submissions;
4. note that the Director-General of MAF may take the following factors into account when considering any application for an exemption to a Customs Export Prohibition Order:
  - i. the export is for slaughter of livestock in commercial slaughter houses;
  - ii. the Director-General is satisfied that the importing country has requirements in place that meet the World Organisation for Animal Health *Guidelines for the Slaughter of Animals*;
  - iii. cattle exported for slaughter must be stunned prior to slaughter in accordance with any of the methods described in the Guidelines;
  - iv. the Director-General is satisfied that the importing country has requirements in place that meet the World Organisation for Animal Health *Guidelines for the Transport of Animals by Land, Sea and Air*, in relation to the unloading and post-journey handling and transport of livestock;
  - v. a pre-shipment audit of slaughter facilities by inspectors nominated by MAF, and carried out at the exporters' expense, demonstrates compliance with the above requirements; and
  - vi. any other matter the Director General of MAF considers necessary to manage the risks to New Zealand's reputation as a responsible exporter of agricultural products;
  - vii. the Director-General MAF may require a bilateral arrangement be in place to support the requirements of importing countries set out above, along with any other requirements he or she believes are necessary to maintain New Zealand's reputation as a responsible exporter of agricultural products. In deciding whether to require a bilateral arrangement, the Director-General could take into account relevant experience with exporting livestock to that country; and
  - viii. the Director-General may review the factors he or she considers relevant for consideration at any time, taking into account such matters as the experience from past trade;
5. note that the Customs Export Prohibition (Livestock for Slaughter) Order 2007 is an interim measure until such time as amendments can be made to primary legislation;

6. authorise the submission of the Customs Export Prohibition (Livestock for Slaughter) Order 2007 to the Executive Council; and
7. agree to an exemption to the 28-day rule for the Customs Export Prohibition (Livestock for Slaughter) Order 2007 to enable the Order to come into effect on 21 December 2007.



Hon Rick Barker  
Acting Minister of Customs

03-12-07



Hon Jim Anderton  
Minister of Agriculture

3/12/07

SM/02/1/2  
21 Nov 07

## CRITERIA FOR EXEMPTIONS TO CUSTOMS EXPORT PROHIBITION ORDER LIVESTOCK EXPORTS FOR SLAUGHTER

### Background

The Government has agreed in principle to put in place a Customs Export Prohibition Order prohibiting the export of sheep, cattle, deer and goats for slaughter, and giving the Director-General of the Ministry of Agriculture and Forestry (MAF) the discretion to approve individual consignments on a case-by-case basis in circumstances where the risks can be adequately managed. This decision is subject to the outcome of consultation with exporters of livestock and industry groups.

### Proposed Customs Export Prohibition Order exemption criteria

MAF has given consideration to the criteria that the Director-General may take into account in considering any application for an exemption to a Customs Export Prohibition Order, should one be put in place, and invites comments by 26 November 2007. It is proposed that an exemption could be approved where:

- the Director-General is satisfied that the importing country has requirements which are equivalent to the World Organisation for Animal Health (OIE) *Guidelines for the Slaughter of Animals* with an additional requirement that livestock be stunned prior to slaughter in accordance with any of the methods described in the Guidelines;
- the Director-General is satisfied that the importing country has requirements which are equivalent to the OIE *Guidelines for the Transport of Animals by Land, Sea and Air*, in relation to the unloading and post-journey handling and transport of livestock;
- a pre-shipment audit of slaughter facilities by inspectors nominated by MAF, and carried out at the exporters' expense, demonstrates compliance with the above Guidelines; and that exporters would need to
- provide an affidavit as to the purpose of export for all livestock exports.

A copy of the OIE *Guidelines for the Slaughter of Animals* and the *Guidelines for the Transport of Animals by Land, Sea and Air* can be obtained from:  
[http://www.oie.int/eng/normes/mcode/en\\_titre\\_3.7.htm](http://www.oie.int/eng/normes/mcode/en_titre_3.7.htm).

In addition, the Director-General of MAF may require a country-to-country bilateral arrangement be in place to support the requirements of importing countries set out above, along with any other requirements he believes are necessary to maintain New Zealand's reputation as a responsible exporter of agricultural products and promoter of enhanced animal welfare. In deciding whether to require a bilateral arrangement, the Director-General could take into account relevant experience with exporting livestock to that country.

### Additional Animal Welfare Act requirements

Exporters would also, in accordance with the requirements of the *Animal Welfare Act 1999*, need to satisfy the Director-General of MAF as to the conditions for international transport of livestock up to the point of disembarkation. Where livestock are being transported by sea this may include a requirement that a MAF-accredited veterinarian accompany the shipment, experienced stockmen are on board and provisions are made for rapid disembarkation and, if required, quarantine.

Comments on the proposed criteria by which applications for exemptions to a Customs Export Prohibition Order may be considered should be sent by 26 November 2007 to:

s 9(2)(a)

Ministry of Agriculture and Forestry  
Biosecurity New Zealand  
P O Box 2526  
Wellington

s 9(2)(a)

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NEW ZEALAND EMBASSY

PO BOX 94397  
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SAUDI ARABIA

File Ref: SAU/NZ/1/9/2

## FACSIMILE MESSAGE

DATE: 18 November 2007

TO: WELLINGTON

RPTD: CANBERRA

FROM: Trevor Matheson  
Ambassador.

MFAT: MEA, FTAM, TND, DSP2  
DSP5, DSP7, PATP

PRECEDENCE: Routine

PRECEDENCE: Routine

PAGE 1 OF: 2

MAF Biosecurity (Birnie,

MAF Policy (Carson,

NZ Food Safety (Zohrab)

SUBJ: SAUDI ARABIA/NEW ZEALAND: EXPORT OF LIVESTOCK  
FOR SLAUGHTER

Further to our C07003898 of 5 November, we attach for information a letter dated 17 November from Hmood Al Ali Al Khalaf Trading & Transportation Est. of Damman expressing concern about the possible prohibition on the export of livestock for slaughter from New Zealand. The letter seeks the continuation of the New Zealand - Saudi Arabia live export trade and notes that the company will be lodging a comprehensive submission with MAF before the 26 November deadline for receipt of comments. Relevant members of the visiting NZ FTA team have been provided with copies of the letter.

We have yet to receive any feedback on the live animal trade issue from the Saudi Ministry of Agriculture or other potentially affected interested parties in the GCC region, but will alert you if and when we receive any comments.

27751

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سفارة نيوزيلندا - الرياض

ص ب : ٤٤٣٩٧ الرياض ١١٦٩٣ - المملكة العربية السعودية

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لبنان والتجارة



مؤسسة همدان للتجارة والنقل

# HMOOD AL ALI AL KHALAF TRADING & TRANSPORTATION EST.

C.R. 2050002779

His Excellency, Mr. Jim Howell  
Ambassador of New Zealand,  
Riyadh, The Royal Kingdom of Saudi Arabia

17<sup>th</sup> November 2007

Subject [LIVESTOCK EXPORT FOR SLAUGHTER]

Dear Mr. Howell,

I write to express concern about information that I have received from our Company in New Zealand regarding the possible prohibition of livestock export for slaughter.

We have previously received assurance from the New Zealand Authorities that there was nothing standing in the way of finalizing a Government to Government MOU to enable the trade to resume.

Our Company has invested heavily in the importation of live sheep from New Zealand, with several million imported over the last twenty years. In the course of this business we have invested in New Zealand Farms, Feedlot, Animal Welfare Research and Development, Awassi Sheep Breeding Programs, and worked closely with New Zealand farmers for contract and supply.

Please note that our New Zealand group of companies (Awassi NZ Limited - Hmood Al Khalaf Trading and Transportation NZ Limited - Awassi NZ Landholding Limited), along with our New Zealand coordinating company, Challenge Livestock Partnership, will be lodging comprehensive submission to meet the deadline due on the 26<sup>th</sup> November 2007 as set by MAF to the New Zealand Government on the matter.

We endorse these submissions and seek the continuation of the New Zealand - Saudi live export trade, for which our company has proven capability to manage to a high standard.

Could you please your Excellency pass our concern to the appropriate authorities in the Ministries of Trade, Foreign Affairs and Agriculture and Forestry.

Yours Faithfully,  
Hmood Al Ali Al Khalaf  
Chairman, Hmood Al Ali Al Khalaf Trading and Transportation Est.



C07000146-RIY

RESTRICTED  
NOT FOR CABLE EXCHANGE

FILE COPY

Your Reference:

Our Reference:

FROM: Riyadh

C07000146-RIY 05/11/2007 05:08 p.m.

TO: Wellington

RIY

Routine

CC:

MFAT:

*Out of scope*

AGENCIES:

SAUDI ARABIA: CALL ON MINISTER OF AGRICULTURE: JMC AND LIVESTOCK  
EXPORTS FOR SLAUGHTER

Summary

s6(a)  
s9(2)(ba)

Message

Report

Ambassador called 4 November on the Saudi Minister of Agriculture, HE Dr Fahad Bin Abdulrahman Bin Suleiman Balghunaim. Dr s9(2)(a) (Deputy Minister for Agricultural Research and Development Affairs), Eng. s9(2)(a) (Assistant Deputy Minister for Animal Resources), s9(2)(a) (Director of the Foreign Relations and International Cooperation Department) and the Assistant Deputy Minister for Fisheries (who's name we did not catch) sat in on the meeting. DHOM accompanied the Ambassador.

Joint Ministerial Commission

6/11/2007

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Page 1 of 5

56(a)

OBTAINED UNDER THE  
OFFICIAL INFORMATION ACT**Export of Livestock for Slaughter**

4 With the Minister clearly pleased to receive the JMC invitation, Ambassador said he now wished to turn to the second message – to convey personally to Minister Balghunaim the outcomes of a review of New Zealand's policy for the export of livestock for slaughter (sheep, cattle, deer and goats), and the implications for Saudi Arabia. Drawing on generic messages in Wellington's C07003709 of 24 October and handing Minister Balghunaim a copy of Mr Anderton's media statement of the same date, Ambassador took the Minister and his officials through the background to the review, our motivations in conducting the review, the conclusion we had reached – that tighter controls on the export of New Zealand livestock is necessary, and our proposed solution (subject to Cabinet approval) to put in place as an interim measure a Customs Export Prohibition Order (CEPO).

5 Ambassador stressed our actions were universal. The interim CEPO would apply to all countries. No single country or region was being targeted. The Order would only apply to exports of livestock intended for slaughter. Exports of livestock for breeding or other purposes would be permitted to continue unaffected. Our actions were proportionate to the level of risk identified. The Order would allow under certain circumstances for the possibility of individual export consignments being approved on a case-by-case basis. At the same time we were keen to obtain thoughts and comments from trading partners, in particular Saudi Arabia, on their reaction to the review findings and proposed CEPO by 26 November, so this could appropriately inform the Cabinet decision-making process in Wellington.

6 Turning specifically to bilateral trade with Saudi Arabia, Ambassador conveyed the country-specific messages inscribed in Wellington's refel of 24 October drawing particularly attention to our wish to work collaboratively with Saudi authorities in managing this issue, inviting the Ministry of Agriculture to provide any relevant information including on animal welfare that might be relevant in New Zealand taking an informed decision on the CEPO, and noting our willingness to consider this issue as an agenda item for next year's JMC.

s b(a)

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OFFICIAL INFORMATION ACT

Pages 4 to 5 are withheld under s b(a)

C07000392-CBA

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FILE COPY

Your Reference:

Our Reference:

FROM: Canberra

C07000392-CBA 05/11/2007 12:36 p.m.

TO: Wellington

CBA  
Routine

Out of scope

RE (C07003709-WLN): LIVESTOCK EXPORTS FOR SLAUGHTER: POLICY REVIEW  
OUTCOMES AND ADVICE TO TRADING PARTNERS

Summary

We advise Australian contacts of the proposed changes to New Zealand's policy on the export of livestock for slaughter.

s 6(a)

Message

Action Required

For information.

Report

2 Your C07003709 of 24 October and telecons/emails s 9(2)(a) refer. As requested, we have advised relevant DAFF and DFAT officials (s 9(2)(a), Executive Manager, Technical Market Access, DAFF and s 9(2)(a), Assistant Secretary, Trade Development Division, DFAT) about the proposed changes to New Zealand's policy on the export of livestock for slaughter.

s 6(a)  
s 9(2)(a)

Pages 2 and 3 are withheld under s 6(a) and s 9(2)(ba)

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5/11/2007

Page 1 of 3

Your Reference:

Our Reference:

FROM: Wellington (TND) C07003709-WLN 24/10/2007 02:44 p.m.  
TO: Riyadh, s 9(2)(a) WLN Priority

ATTACHMENTS: 1280211.03.doc; 1280667.01.doc

LIVESTOCK EXPORTS FOR SLAUGHTER: POLICY REVIEW OUTCOMES AND  
ADVICE TO TRADING PARTNERSSummary

Following a review of New Zealand's policy for exports of livestock (sheep, cattle, deer and goats) for slaughter, Cabinet has agreed that further restrictions on the export of livestock for slaughter is in the public interest and decided in principle to put in place a Customs Export Prohibition Order in the interim while longer term options are pursued. None of the proposed restrictions will apply to exports of livestock for breeding or other purposes and this trade will be able to continue unaffected. We seek posts' assistance in advising selected trading partners that a review has been undertaken and its outcomes, the options for implementation and to provide them with an opportunity to comment if they wish.

MessageAction

As per our para 9, grateful if action posts could draw on the key messages in the attachment to our message and approach the following trading partners: **Saudi Arabia**, **Out of scope**. For other posts, while we do not wish you to approach your host country or countries of accreditation, you may use the generic key messages in the attachment on an 'if approached' basis.

Report

At the direction of Cabinet, officials reviewed New Zealand's policy for exports of livestock for slaughter. Livestock in this case are sheep, cattle, deer and goats. The policy was reviewed to ascertain whether it provides the government with the ability to manage the risks to New Zealand as a responsible exporter of agricultural products resulting from the export of livestock for

slaughter. Officials concluded that the status quo does not provide a means to manage the risk to New Zealand as a responsible exporter of agricultural products. Cabinet has agreed that further restrictions on the export of livestock for slaughter is in the public interest and decided in principle to put in place a Customs Export Prohibition Order in the interim while longer term options are pursued. The Minister of Agriculture has also issued a press release on this issue which is attached for posts' information.

### The review

2 The purpose of the review was to address concerns about the pre-slaughter handling practices and slaughter methods in some importing countries and the potential impact on New Zealand's reputation as a responsible exporter of agricultural products, along with any economic consequences resulting from an adverse event. It was concluded that the status quo may not provide a means to manage the risk to New Zealand as a responsible exporter of agricultural products.

3 The current legislation does not provide for consideration of issues relating to the treatment of livestock in the importing country, including in relation to handling and slaughter practices. Providing exporters meet the requirements of the Animal Products Act and the Animal Welfare Act, and satisfy the Director-General of the Ministry of Agriculture and Forestry as to the conditions for international transport of livestock up to the point of disembarkation, the export may proceed.

### Risks

4 Taking action to change these requirements carries positive and negative risk. The export of livestock for slaughter could result in a number of negative impacts that could adversely affect New Zealand's reputation and economic interests. Interests at stake include:

- New Zealand's reputation as a "clean, green" and humane sustainable exporter and promoter of animal welfare; and
- the integrity of our agricultural exports which are valued at \$18.3 billion per annum.

s 6(a)

s 9(2)(d)

5 Conversely, the imposition of any further restrictions on exports of livestock for slaughter will itself entail international legal, commercial and diplomatic risks.

s 6(a)

s 9(2)(g)(i)

### Conclusions

6 The Government has made the judgement that the benefits to New Zealand's trade to be gained by restricting exports of livestock for slaughter with exemptions outweigh the international legal, commercial and diplomatic risks of imposing such restrictions. Accordingly, the Government has:

agreed to prohibit exports of sheep, cattle, deer and goats for slaughter, with exemptions where the risks can be managed to an acceptable level;

\* agreed in principle that controls on the export of livestock for slaughter is in the public interest and as interim measure, to use a Customs Export Prohibition Order to prohibit their export with a discretion to approve individual consignments on a case-by-case basis in circumstances where the Director-General of MAF judges that the risks can be adequately managed;

\* noted that none of the restrictions proposed will apply to exports of livestock for breeding or other purposes and that this trade can continue unaffected;

#### Advice to trading partners

7 We are aware that the imposition of restrictions on livestock exports for slaughter is likely to have an impact on New Zealand's bilateral relationships and in particular with the Kingdom of Saudi Arabia with whom we have been negotiating a bilateral arrangement to facilitate the resumption of trade in sheep for slaughter. Any adverse effects on the Saudi-New Zealand bilateral economic relationship could in turn have wider implications for regional political and economic relationships,

s9(2)(j)

8 We wish, therefore, to be proactive in managing the risk to and impact on bilateral relationships with trading partners who either are or are likely to be affected by the Government's decision. We have been directed to advise them of the fact that a review has been undertaken, the options for implementation, and allow them an opportunity to comment if they wish. We are required to report back to Cabinet by 12 December 2007. Additionally, MAF will be consulting with exporters of livestock and industry groups.

9 Grateful if action posts could draw on the key messages in the attachment to our message and approach the following trading partners: Saudi Arabia, *out of scope*. For other posts, while we do not/wish you to approach your host country or countries of accreditation, you may use the generic key messages in the attachment on an 'if approached' basis

*Out of scope*

11 As we are required to report back to Cabinet by 12 December 2007, we would be grateful for any reporting on reactions from trading partners by 26 November. If trading partners wish to provide any comment, we will also need to receive this by 26 November.

Message ends

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## REVIEW OF NEW ZEALAND'S POLICY FOR THE EXPORT OF LIVESTOCK FOR SLAUGHTER

### Generic messages

- New Zealand has reviewed its policy for exports of livestock for slaughter. Livestock in this case are sheep, cattle, deer and goats.
- The motivation for this review was concerns around the risks and potential impact on our reputation as an exporter along with any economic consequences if something was to go wrong with this trade. It has been concluded that the status quo does not provide sufficient ability for the Government to manage the risks associated with this trade to New Zealand.
- The New Zealand Government has agreed that tighter controls on the export of livestock for slaughter are necessary. It is proposed that in the longer-term, this may be able to be achieved through an amendment to legislation.
- In the interim, however, a legal instrument called a Customs Exports Prohibition Order will, in principle, be used to manage the trade. While, the Order would put in place a prohibition on all exports of livestock for slaughter, it would also provide for the possibility of individual consignments being approved on a case-by-case basis.
- Such approval would be at the discretion of the Director-General of New Zealand's Ministry of Agriculture and Forestry and would be granted in circumstances where the Director-General judges that the risks could be adequately managed.
- This Order would only apply to exports of livestock intended for slaughter. Exports of livestock for breeding or other purposes would be permitted to continue unaffected.
- We would welcome any thoughts or comments you might like to share on this with us.

### Country-specific messages

#### Saudi Arabia

- Grateful for support of Saudi Ministry of Agriculture in carrying out negotiations to date on the bilateral Arrangement on the Trade in Live Animals. We apologise for the delay in providing New Zealand's response to KSA's comments on the draft text dated 14 June 2006.

The proposed CEPO means that approval of any future livestock exports to the KSA under the provisions of the Arrangement would be subject to further case-by-case assessment of the welfare risks.

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2

- In the interests of assisting New Zealand authorities to carry out these assessments, New Zealand would be very grateful to receive any information the MOA can provide on animal welfare regulations governing the treatment of livestock for slaughter in KSA. New Zealand would be happy to have discussions on or share information regarding our respective policies regarding animal welfare.

s 6(a)

s 9(2)(ba)

- We look forward to hosting the next round of the Saudi/NZ JMC in 2008, and would be pleased to formally discuss this issue further in that context.
- New Zealand proposes that negotiations towards the conclusion of the Arrangement be deferred in the meantime.

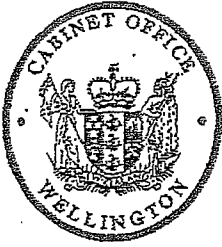
If implications for/of the FTA are raised:

s 6(a)

s 9(2)(j)

out of scope

Page 3 is out of scope



Commercial: In Confidence

## Cabinet External Relations and Defence Committee

ERD Min (07) 7/1

Copy Number: 0

### Minute of Decision

*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

### New Zealand's Requirements for Livestock Exported for Slaughter

On 17 October 2007, the Cabinet External Relations and Defence Committee (ERD):

- 1 noted that there is currently no legal mechanism to prevent livestock exports for slaughter based on the treatment of animals in the importing country, providing exporters meet the requirements of the Animal Welfare Act 1999 and satisfy the Director-General of the Ministry of Agriculture and Forestry as to the conditions for international transport of animals up to the point of disembarkation;
- 2 noted that there would potentially be significant public concern and possible international consumer reaction if exports of livestock for slaughter were to recommence from New Zealand to countries that do not practise pre-slaughter stunning of animals, or where other handling practices are significantly different to those used in New Zealand;
- 3 noted that restrictions on exports of livestock for slaughter would themselves entail international legal, commercial and diplomatic risks, including impact on:
  - 3.1 s 6(a), s 9(2)(g)(i)
  - 3.2 s 6(a), s 9(2)(j)
- 4 noted that there are three options:
  - 4.1 prohibit exports of sheep, cattle, deer and goats for slaughter outright;
  - 4.2 prohibit exports of sheep, cattle, deer and goats for slaughter, with exemptions where the risks can be managed to an acceptable level;
  - 4.3 retain the status quo whereby sheep, cattle, deer and goats are allowed to be exported without consideration of their treatment in the importing country;
- 5 noted that officials do not support the option in paragraph 4.1;
- 6 noted that a judgement is required as to whether benefits to New Zealand's trade to be gained by restricting exports of livestock for slaughter with exemptions outweigh the international legal, commercial and diplomatic risks of imposing such restrictions;

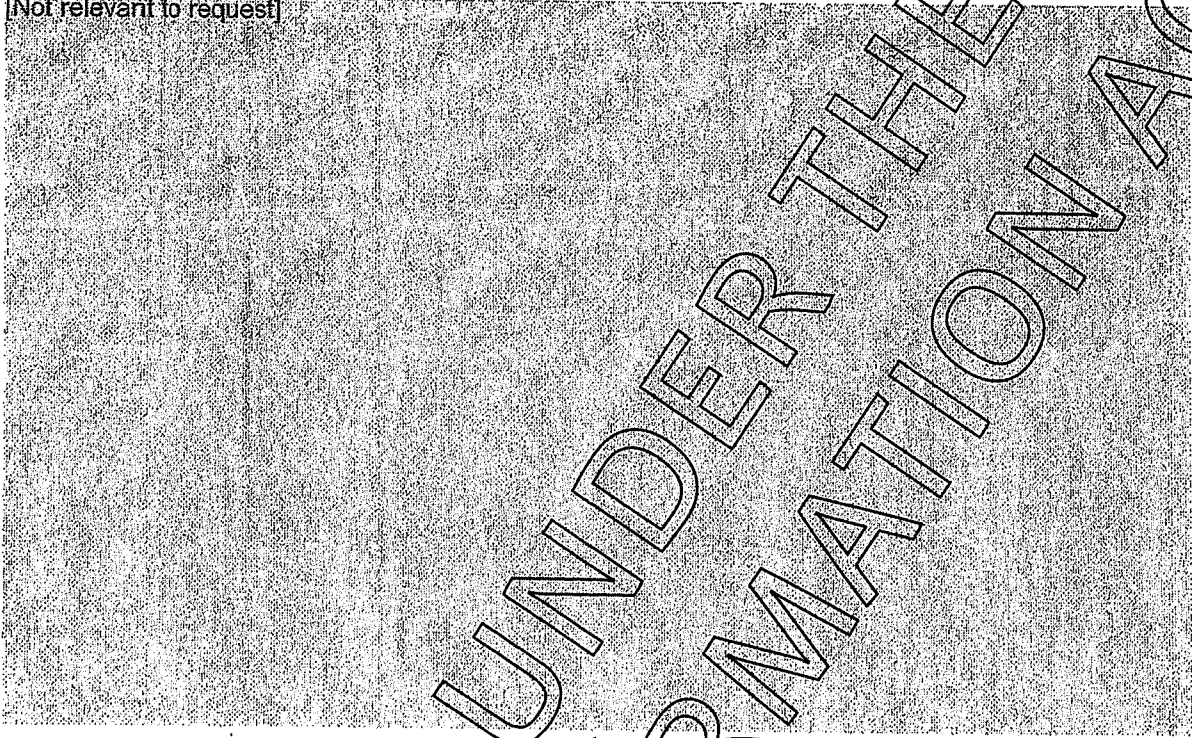
- 7 agreed to prohibit exports of sheep, cattle, deer and goats for slaughter, with exemptions where the risks can be managed to an acceptable level;
- 8 noted that an amendment to primary legislation offers a long term solution by restricting trade conditionally, with discretion exercised by the appropriate Minister, or unconditionally;
- 9 directed officials from the Ministry of Agriculture and Forestry, the Ministry of Foreign Affairs and Trade, New Zealand Customs Service and New Zealand Food Safety Authority to develop these proposals further and report to the Cabinet External Relations and Defence Committee with a proposal for legislative amendment by 30 March 2008;
- 10 agreed in principle:
  - 10.1 that controls on the export of livestock for slaughter is in the public interest;
  - 10.2 to put a Customs Export Prohibition Order in place in the interim, prohibiting the exports of sheep, cattle, deer and goats for slaughter and giving the Director-General of the Ministry of Agriculture and Forestry the discretion to approve individual consignments on a case-by-case basis in circumstances where the risks can be adequately managed;subject to the report in paragraph 13 below,
- 11 noted that none of the restrictions proposed will apply to exports of livestock for breeding or other purposes and that this trade can continue unaffected;
- 12 directed the Ministry of Foreign Affairs and Trade to advise trading partners, including Saudi Arabia, of the fact that a review has been undertaken and of the options for implementation, and allow them an opportunity to comment if they wish;
- 13 directed the Ministry of Agriculture and Forestry to consult with exporters of livestock and industry groups on the findings of the review and options for implementation, and report to the Cabinet External Relations and Defence Committee by 12 December 2007.

s 9(2)(a)

for Secretary of the Cabinet

Copies to: (see over)

[Not relevant to request]



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OFFICIAL INFORMATION ACT

## Cabinet Paper for ERD – Briefing for CEO

Title of Cabinet paper	Policy review of New Zealand's requirements for livestock exported for slaughter
Lead division(s)/ group(s)/ agency	<p>The MFAT division(s), NZAID group(s) and officer(s), or government agency(ies) responsible for drafting or coordinating comment on this paper are:</p> <ul style="list-style-type: none"> <li>MAF paper with TND (s9(2)(a)) and TLU (s9(2)(a)) coordinating the Ministry's input into the policy review and paper.</li> </ul>
Key issues	<p>The paper's key issue(s) are:</p> <ul style="list-style-type: none"> <li>There are concerns around risks to New Zealand's reputation and the consequential effects an adverse event associated with the export of livestock for slaughter.</li> <li>Officials concluded that the status quo may not provide a means to manage these risks to New Zealand as a responsible exporter of agricultural products.</li> <li>Preferred option to manage this risk is an amendment to primary legislation; however, this is a longer term solution.</li> <li>In the interim, should Ministers wish to manage the risk, it would be necessary to put in place a Customs Export Prohibition Order or CEPO.</li> <li>The CEPO would prohibit the export of livestock for slaughter but would contain a discretion for the Director-General of MAF to approve exports where he deemed that the risk could be managed.</li> </ul> <p>It is proposed that officials consult both domestically and with selected trading partners on the outcomes of the review and provide the opportunity for comment.</p>
Consultation	<p>The key departments and/or groups consulted in preparing this paper are:</p> <ul style="list-style-type: none"> <li>consulted with MFAT, NZFSA, DPMC, Customs, MED and The Treasury</li> <li>within MFAT (TND ( ), TLU ( ), MEA ( ), FTAM ( )</li> </ul> <p>s 9(2)(a)</p>

Views

s 9(2)(g)(i)

IN CONFIDENCE

MFAT's views are

- We consider that there are clear foreign and trade policy risks associated with placing further restrictions on trade.
- From the perspective of our bilateral relationship with Saudi Arabia, there is a clear preference not to place any further restrictions on trade.
- Prior to the review, we had also been working to negotiate a bilateral arrangement with Saudi Arabia (s 6(a)) to manage the identified risks associated with ensuring that consignments of livestock would be able to be unloaded on reaching the port of destination without delay. The review has directly impacted on progress with concluding these negotiations.

Risks

Actual or potential risks identified in relation to the policy proposal are:

- There are legal and trade policy risks associated with imposing restrictions placed on the export of livestock for slaughter. Such restrictions could:

s 9(2)(h)

s 9(2)(d)

s 6(a)

s 9(2)(g)(i)

To be completed by the CEO:

Oral briefing

Oral briefing required?

Yes

☐

No

☐

Chair  
Cabinet External Relations and Defence Committee

## POLICY REVIEW OF NEW ZEALAND'S REQUIREMENTS FOR LIVESTOCK EXPORTED FOR SLAUGHTER

### Proposal

1. The paper proposes that Cabinet agree to either:
  - i. prohibit the export of livestock for slaughter, with exemptions where the risks can be managed to an acceptable level and, if so, provide direction to officials to achieve this;
  - or
  - ii. continue the status quo whereby livestock are allowed to be exported without consideration of their treatment in the importing country.

### Executive Summary

2. At the direction of Cabinet, officials have reviewed New Zealand's requirements for exports of livestock for slaughter. It is concluded that the status quo may not provide a means to manage the risk to New Zealand as a responsible exporter of agricultural products. Livestock in this case are sheep, cattle, deer and goats.
3. The current legislation does not provide for consideration of issues relating to the treatment of livestock in the importing country, including in relation to handling and slaughter practices. Providing exporters meet the requirements of the Animal Products Act and the Animal Welfare Act, and satisfy the Director-General of the Ministry of Agriculture and Forestry as to the conditions for international transport of livestock up to the point of disembarkation, the export may proceed.
4. Taking action to change these requirements carries positive and negative risk. The export of livestock for slaughter could result in a number of negative impacts that could adversely affect New Zealand's reputation and economic interests. Interests at stake include:
  - New Zealand's reputation as a "clean, green" and humane sustainable exporter and promoter of animal welfare; and
  - the integrity of our agricultural exports which are valued at \$18.3 billion per annum. Even a small decline in trade due to European Union consumer resistance to New Zealand agricultural exports would have a greater negative impact on the New Zealand economy than the lost revenue from restricting livestock exports for slaughter.

5. Conversely, the imposition of any further restrictions on exports of livestock for slaughter would itself entail international legal, commercial and diplomatic risks. s 6(a), s 9(2)(g)(i), s 9(2)(h)

s 6(a)

s 9(2)(g)(i)

6. If Cabinet decides to adopt more restrictive requirements for the export of livestock for slaughter, there are a number of implementation options. The preferred option is to amend primary legislation. While an absolute prohibition of exports of livestock for slaughter is possible, this is not recommended as it would be unnecessarily restrictive and removes trade opportunities with countries and in circumstances where the risks are low and the trade can be adequately managed. Officials consider that any restriction on trade should be subject to exemptions. Officials could be directed to further investigate the mechanisms for implementation and to report back with a proposal for legislative amendment by 30 March 2008.
7. If Cabinet wishes to restrict the trade with early effect, an interim regime would be desirable while changes to primary legislation are progressed. This could be achieved via a Customs Export Prohibition Order implemented early in 2008 s 6(a)
8. Officials recommend that any decision to adopt more restrictive export requirements be consulted with affected parties to mitigate the risk of domestic legal challenge. Affected parties would include exporters of livestock for slaughter and industry groups (Meat Industry Association and Meat and Wool New Zealand Limited) as well as representatives of farmers involved in the production of livestock for slaughter (Federated Farmers of New Zealand Incorporated). Consultation will allow affected parties to express their views and for these to be taken into account. In this event, it is proposed that officials be directed to report back by 12 December 2007 to allow Cabinet External Relations and Defence Committee (ERD) to consider the outcome of consultation.
9. At the same time, officials would also recommend that trading partners, Saudi Arabia in particular, be advised that a review has been undertaken and be given the opportunity to comment.



## Background

10. In August 2006, I directed officials to review government policy on the export of livestock for slaughter. The purpose of the review was to address concerns about the pre-slaughter handling practices and slaughter methods in some importing countries and the potential impact on New Zealand's reputation as a responsible exporter of agricultural products, along with any economic consequences resulting from an adverse event.
11. On 13 August 2007, Cabinet directed officials to report back to ERD by March 2008 on the outcome of the initial stages of the review. Cabinet also invited me, in consultation with the Minister of Trade, to provide a paper to the ERD by 22 August 2007 on how affected exports would be dealt with during the period of the review and a possible communications strategy regarding the review [CAB Min (07) 29/2A refers].
12. Officials concluded that the work required for the initial paper to ERD would comprise a significant proportion of the total work for the review and that by giving the review work a high priority the full review could be completed by October 2007. Taking this into account, Cabinet directed officials to complete the review and report to ERD by 17 October 2007 [CAB Min (07) 33/3A refers]. The review was undertaken in the context of developing this report-back to ERD and this paper represents the product of the review.

## Current policy and reasons for concern

### *Existing Legislation*

13. New Zealand's current policy for the export of livestock is reflected in the Animal Products Act 1999 and the Animal Welfare Act 1999.
14. The Animal Products Act provides for the regulation of all products derived from animals and the export of those products. The scope also covers trade in livestock including their export. The object of the Animal Products Act is to minimise and manage risks to human and animal health arising from the production and processing of animal material and products by instituting measures that ensure so far as is practicable that all traded animal products are fit for their intended purpose. It also facilitates the entry of animal material and products into overseas markets by providing the controls and mechanisms needed to safeguard official assurances for entry into those markets. It does not fit with the purposes of the Act to prohibit, restrict, or control exports of livestock for other reasons such as animal welfare.
15. The Animal Products Act includes a requirement that exporters of animal material and products must be registered, with certain exceptions. Exporters have a duty to comply with any standards and specifications issued under the Act and, as such, these must fall within the object and purposes of the Act.

16. Under the Animal Welfare Act it is an offence to export an animal without an animal welfare export certificate except where exempted by Gazette notice, or where the animal is exported under the Wildlife Act 1953 (which covers native species and many species established in the wild) or the Wild Animal Control Act 1977 (which covers wild animals such as wild deer and possum).

17. Under the Animal Welfare Act:

- (i) the Director-General of the Ministry of Agriculture and Forestry may only take into account matters related to the transport of animals *up to the point of disembarkation*;
- (ii) the Director-General may not take into account the treatment of animals in the importing countries including in relation to handling and slaughter practices;
- (iii) exporters are not required to specify the purpose of export (i.e. for breeding, for slaughter); and
- (iv) once an exporter satisfies the Director-General that the requirements of the Act have been met, the Director-General must issue an Animal Welfare Export Certificate and the export may then proceed.

18. The Animal Welfare Act does not provide for the ability to consider issues related to the treatment of livestock in the importing country. Providing exporters meet the requirements of the Animal Welfare Act and satisfy the Director-General of the Ministry of Agriculture and Forestry as to the conditions for international transport of livestock up to the point of disembarkation, the export may proceed.

19. The current policy was reviewed to ascertain whether it provides the government with the ability to manage the risks to New Zealand as a responsible exporter of agricultural products resulting from the export of livestock for slaughter.

20. The current legislation does not provide for the management of risks once livestock have disembarked, such as the manner in which the livestock are handled and subsequently slaughtered e.g. without stunning. While there are risks simply from the export trade recommencing, the risk to New Zealand would be magnified should it become involved in an adverse event such as the *Cormo Express* incident in 2003, where a shipment of Australian sheep was unable to unload in the destination country; or media coverage of the conditions faced by animals in some markets, similar to the 2005 Australian *60 Minutes* programme on the treatment of livestock in Egypt after their transportation from Australia.

21. The review identified that the current policy may not provide a means to manage the risk to New Zealand as a responsible exporter of agricultural products, and any economic consequences resulting from an adverse event. Officials determined that the export of livestock for slaughter could result in a number of negative impacts that could adversely affect New Zealand's reputation and economic interests, although the likelihood of these impacts occurring was unable to be determined. Interests at stake include:

- *New Zealand's international reputation* as a "clean, green" and humane sustainable exporter and a promoter of animal welfare. Studies indicate that New Zealand would lose its edge in overseas marketing should this reputation be tarnished; and
- *the integrity of our agricultural exports* valued at NZ\$18.3 billion per annum; the export of meat generally is valued at NZ\$4.7 billion (14.27%), sheep meat alone accounts for NZ\$2.4 billion. Even a 10% (\$9150 million per annum) decline in the value of sheep meat exports to the European Union alone (the most vulnerable market) would have a greater negative impact on the New Zealand economy than the lost revenue from restricting exports of live animals for slaughter. Other markets could also be affected. The total export of livestock in 2006 was valued at NZ\$49 million (0.26% of total exports), most of which comes from the export of animals for breeding, not for slaughter. While this could be larger if the sheep trade to Saudi Arabia were to resume, it is likely to remain negligible (e.g. one or two shipments per year valued at approximately NZ\$4.8 million each and some export of cattle for slaughter).

22. It should be noted that in assessing the risks, it was difficult to determine the likelihood of an adverse event occurring. Australia, which exports some two to three million sheep a year to Saudi Arabia, has not had a repeat of the 2003 *Cormo Express* affair. There has however been media exposure of handling and slaughter practices in countries that do not practice pre-slaughter stunning in 2005 and 2007. In addition, a global campaign against the long distance transportation of livestock for slaughter is scheduled to be launched in early 2008 by the World Society for the Protection of Animals. Given the difficulty in determining the likelihood of an adverse event, it is a question of whether, in light of the significant consequences associated with an adverse event, it is necessary to impose additional restrictive measures on the trade to reduce the probability of an adverse event occurring.

23. Should Cabinet decide to adopt more restrictive measures on livestock exports, officials recommend that the measures need only apply to livestock exports for slaughter. Export of livestock for breeding and other purposes comprise most of New Zealand's trade in exports of livestock and usually involve high value animals that are well treated during transportation and on arrival. Such trade was worth \$94 million in 2006. Few problems have been identified with this trade and it should not be further restricted.

#### International legal and policy risks

24. s 6(a), s 9(2)(g)(i), s 9(2)(h)

s 6(a), s 9(2)(g)(i), s 9(2)(i)

25 s 6(a), s 9(2)(g)(i)

26 s 6(a), s 9(2)(g)(i)

27. Saudi Arabia is by far New Zealand's largest market in the Middle East, with exports of all products to June 2007 worth \$436.8 million. There has been investment (in land and New Zealand-based breeding programmes) in New Zealand from Saudi Arabia with the express purpose of exporting shipments of live Awassi sheep from New Zealand to Saudi Arabia. The trade had a declared worth of \$2.7 million in 2002 and \$3.7 million in 2003 but is estimated to be worth more in the future as these sheep have been specifically bred for the Saudi market.

s 6(a)

28. A bilateral Arrangement has also been under negotiation to allow for the resumption of live sheep exports on a commercial basis, and the Saudis have received good-faith assurances from New Zealand to this end. The imposition of restrictive measures which adversely impacted on the success of the Awassi New Zealand project would have implications related to the attractiveness of New Zealand as a secure environment for investment, and failure to negotiate the reinstatement of the live sheep trade could result in some negative political fallout with Saudi Arabia.

s 6(a)

s 9(2)(i)

### Domestic economic considerations

30. If New Zealand restricts exports of livestock for slaughter there will be a loss of business opportunity for some potential future exporters. There may also be additional requirements to be met, or a delay, before existing trade can resume depending on the mechanism of implementation that is chosen.
31. There is some interest in exports of livestock for slaughter with a confirmed expression of interest from one exporter to export sheep to Saudi Arabia in 2008. As noted above, one exporter has, over recent years, invested in breeding programmes specifically in order to serve that market with the expectation that trade would resume. Should Cabinet decide to adopt more restrictive requirements for the export of livestock for slaughter, this trade would likely be restricted by decisions arising from the review unless assurances were received that the trade did not pose undue risk.

### Options for more restrictions on exports of livestock for slaughter

32. There are two possible options to better manage the risks associated with the export of livestock, should Ministers wish to pursue them. The options are:
- i. prohibit exports of livestock for slaughter outright;
  - or
  - ii. restrict exports of livestock for slaughter, with exemptions where the risks can be managed to an acceptable level.

### Evaluation of options should Ministers decide to further restrict the trade.

34. *Option i:* officials advise against adoption of an outright prohibition as it is unnecessarily restrictive. It does not allow exports to countries in circumstances where the risks can be adequately mitigated. It would, for example, prohibit the current trade in cattle for fattening and slaughter for the production of Kobe beef to Japan. This trade has been undertaken for a number of years and the risk arising is considered negligible.
35. *Option ii:* this is officials preferred option. If Ministers choose this option then exports could take place for species, purposes or in circumstances where the Minister of Agriculture considers that there are no significant animal welfare risks.

### Mechanisms for implementing more restrictive measures for the export of livestock for slaughter

36. If Ministers wish to either prohibit or restrict the export of livestock for slaughter, officials recommend the new policy be implemented via an amendment to primary legislation.

37. Should Ministers decide to adopt an outright prohibition (option i), then it could be given effect under several pieces of legislation, including the Animal Welfare Act and the Customs and Excise Act. A number of ancillary considerations would need to be taken into account, including the extent to which it fits with the purpose of the legislation and administrative provisions.
38. There are a number of possible means of effecting partial restrictions on export of livestock for slaughter (option ii). The easiest of these to implement would be to prohibit all exports of livestock for slaughter, with exemptions where the risks can be adequately managed. Exemptions could include export:
- to countries where the Minister of Agriculture believes there are no significant animal welfare risks; and
  - under bilateral arrangements or other mechanisms covering post-arrival animal welfare considerations and slaughter practices.
39. An exception for export under a bilateral arrangement has parallels with the approach taken by Australia. Development of a bilateral arrangement is also the approach currently being used by New Zealand in its negotiations with Saudi Arabia for the export of sheep (and possibly other livestock in the future) for slaughter. However, under this option, the bilateral arrangement would also need to be extended by agreement with the importing country to include livestock handling and slaughter practices after their arrival.
40. Taking such an approach could preclude existing and future trade in the short term, for example, pending the negotiation of a bilateral arrangement. In further developing this option, officials would seek to identify how it can be implemented to cause minimum disruption to existing trade where there are no concerns about post arrival treatment and slaughter, possibly by Gazetting exemptions to the prohibition.
41. Exporters are currently not required to advise the purpose for which livestock are being exported. To manage livestock exports for slaughter through legislation, it would be necessary to obtain this information from exporters either as part of the documentation requirements or by way of statutory declaration.
42. It would be advisable to ensure that, if adopted, a restriction could be supported by reference to relevant international guidelines such as those promulgated by the World Organisation for Animal Health (OIE) and domestic New Zealand practices, noting that a new code of welfare for commercial slaughter is expected to be issued in 2008.
43. A number of other mechanisms for legislative implementation of this option were considered and have been set aside. The possible options were assessed against a number of criteria to determine whether the option mitigates the risk to an acceptable level. The criteria used were a strategic fit with the purpose of the review, net benefit, commercial impact, regulatory impact, feasibility, resources required to implement the option, barriers to success, transparency of the desired outcome, and consistency with New Zealand's international obligations and current trade policy settings. Annex 1 provides an analysis of the alternative options against the criteria.

44. In conclusion, if Cabinet decides to adopt more restrictive requirements for the export of livestock for slaughter, it is proposed that officials be directed to further develop proposals to amend primary legislation, in particular the option of prohibiting all livestock exports in the first instance, subject to specified exemptions or circumstances in which the Minister of Agriculture is satisfied that the risks can be adequately managed.

#### *Interim measures*

45. Should Cabinet decide to adopt more restrictive requirements, and given the likely delay in effecting change in primary legislation, consideration has been given to interim measures. Two options were identified: use of a Customs Export Prohibition Order to restrict trade and negotiation of a voluntary moratorium with exporters.

#### *Customs Export Prohibition Order*

46. Under Section 56 of the Customs and Excise Act 1996, if the Governor-General considers prohibition is necessary in the public interest, the Governor-General may by Order in Council prohibit the exportation of any product from New Zealand, in this case livestock for slaughter. A prohibition may be general or limited to export to a specified place or by or to a specified person or class of persons. Whether general or limited, a prohibition may be absolute or conditional. The reasons why a prohibition order on the export of livestock for slaughter is necessary in the public interest are set out in paragraph 22.
47. If approval is given to introduce a Customs Export Prohibition Order, it should prohibit the export of livestock for slaughter except with the consent of the Director-General of the Ministry of Agriculture and Forestry. This will give the Director-General the discretion to approve individual consignments on a case by case basis.
48. In exercising his discretion, the Director-General could allow trade in circumstances he believed did not pose undue risk using criteria similar to those proposed if a decision is made to amend primary legislation. As the criteria for exempting, or not exempting, exports of livestock for slaughter would not be specified in the Order in Council, there may be an opportunity for legal challenge of decisions.

#### *Voluntary Moratorium*

49. A voluntary moratorium could be negotiated between government and exporters of livestock to allow time for government to review options for managing the export of livestock for slaughter and to implement the outcomes of the review.
50. While some exporters of livestock for slaughter may agree to a moratorium, it is unlikely to be acceptable to all. Legal action is currently being pursued by Redex New Zealand Limited in an effort to overturn the Director-General of the Ministry of Agriculture and Forestry's decision to decline to issue an Animal Welfare Export Certificate for export of cattle for slaughter to Korea and it would seem unlikely that this exporter would agree to a voluntary moratorium.

51. In conclusion it is proposed that, should Cabinet decide to adopt more restrictive requirements for the export of livestock for slaughter, it also agree in principle that:
- a Customs Export Prohibition Order is necessary in the public interest; and
  - a Customs Export Prohibition Order is the preferred interim solution; and
  - it review its decision once the outcome of consultation with affected parties is known.

#### Future consultation with affected parties

52. If Cabinet decided to adopt more restrictive requirements, government should consult with affected exporters of livestock for slaughter on how requirements should be implemented. Consultation is preferable in order to mitigate the risks of legal challenge of decisions made without affected parties having had the right to be heard.
53. The number of exporters actively pursuing livestock exports for slaughter is few, although should the trade resume other potential exporters may emerge depending on the profitability in specific markets. One existing exporter periodically exports feeder and slaughter cattle to Japan for the production of Kobe beef; another potential exporter has applied and been declined an Animal Welfare Export Certificate for the export of cattle for slaughter to Korea on the basis of concerns about potential delays in disembarkation of cattle; and two further potential exporters have made written and verbal approaches about the export of sheep for slaughter to Saudi Arabia and Australia.
54. Officials recommend that consultation also be undertaken with industry groups (e.g. Meat Industry Association and Meat and Wool New Zealand Limited) and representatives of farmers (e.g. Federated Farmers of New Zealand Incorporated). Farmers may be directly affected if part or all of their production has been geared to producing livestock to be exported for slaughter. This would include any stock that has been bred or cross-bred for export, or fed and managed to specialist requirements of the export market, such as for production of Kobe beef or fat-tailed lambs. Even those not actively involved in the trade could be indirectly affected if an option to sell livestock is removed as a result of the review. There are indications that industry and some farmers' groups are likely to support measures taken to restrict trade in order to protect New Zealand's reputation as a responsible agricultural exporter overall.
55. It is recommended that trading partners, Saudi Arabia in particular, be advised that a review has been undertaken and be given the opportunity to comment. In doing so, it would be necessary to take into account the possibility of a negative reaction to this advice as well as the implications for the negotiation of the bilateral arrangement.

#### Consultation

56. The following departments have been consulted in the development of this paper and concur with its recommendations: Ministry of Agriculture and Forestry, Ministry of Foreign Affairs and Trade, New Zealand Customs Service, New Zealand Food Safety Authority, Ministry of Economic Development, Treasury and the Department of Prime Minister and Cabinet.



### Process following consideration of this paper

57. If Cabinet decides to adopt more restrictive requirements for the export of livestock for slaughter and agrees in principle to a Customs Export Prohibition Order as an interim measure, a process and possible timetable for the next steps would be:

October 2007  
November 2007

Cabinet decision  
Consultation with affected parties completed; trade partners advised

December 2007

Cabinet agrees to enact Customs Export Prohibition Order

March 2008

Customs Export Prohibition Order takes effect

March 2008

ERD / Cabinet considers preferred options for amendment of primary legislation

April 2008

Law drafting begins; priority decided by Government.

### Financial Implications

58. There are no financial implications; all costs of the review, its implementation and consultation with affected parties can be accommodated within budget.

### Human Rights Implications

59. The review of policy and its implementation are consistent with the Human Rights Act 1993.

### Legislative Implications

60. Consideration of the recommendations has no legislative impact. Implementation of decisions may result in changes to primary or secondary legislation.

### Regulatory Impact Analysis

61. The Ministry of Agriculture and Forestry confirms that the principles of the Code of Good Regulatory practice and the regulatory impact analysis requirements have been complied with. A Regulatory Impact Statement (RIS) was prepared and the Regulatory Impact Analysis Unit considers the RIS and the regulatory impact analysis to be adequate given the decisions being sought from Cabinet. Following the next steps recommended by officials, all the regulatory impact analysis requirements should be met. The RIS was circulated with the draft Cabinet paper for departmental consultation.

## Recommendations

62. It is recommended that you:

1. note that there is currently no legal mechanism to prevent livestock exports for slaughter based on the treatment of animals in the importing country, providing exporters meet the requirements of the Animal Welfare Act and satisfy the Director-General of the Ministry of Agriculture and Forestry as to the conditions for international transport of animals up to the point of disembarkation;
2. note that there would potentially be significant public concern and possible international consumer reaction if exports of livestock for slaughter were to recommence from New Zealand to countries that do not practise pre-slaughter stunning of animals or where other handling practices are significantly different to those used in New Zealand;
3. note that restrictions on exports of livestock for slaughter would themselves entail international legal, commercial and diplomatic risks, including impact on:

- i. s 6(a), s 9(2)(g)(i)
- ii. s 6(a), s 9(2)(i)

4. note that there are three options:
  - i. prohibit exports of sheep, cattle, deer and goats for slaughter outright;
  - ii. prohibit exports of sheep, cattle, deer and goats for slaughter, with exemptions where the risks can be managed to an acceptable level; or
  - iii. status quo whereby decisions on the export of sheep, cattle, deer and goats are allowed to be exported without consideration of their treatment in the importing country.
5. note that officials do not support option i and would need to report back on its implementation should Ministers choose it.
6. note that a judgement is required as to whether benefits to New Zealand's trade to be gained by restricting exports of livestock for slaughter with exemptions outweigh the international legal, commercial and diplomatic risks of imposing such restrictions.

7. agree to

EITHER

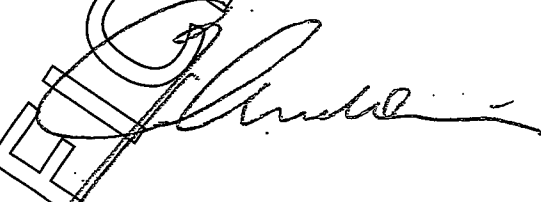
- i. prohibit exports of sheep, cattle, deer and goats for slaughter, with exemptions where the risks can be managed to an acceptable level;

OR

- ii. continue the status quo whereby decisions on the export of sheep, cattle, deer and goats are allowed to be exported without consideration of their treatment in the importing country.

AND should Ministers agree to recommendation 7(i):

8. note that an amendment to primary legislation offers a long term solution by restricting trade conditionally, with discretion exercised by the appropriate Minister, or unconditionally;
9. direct officials from the Ministry of Agriculture and Forestry, the Ministry of Foreign Affairs and Trade, New Zealand Customs Service and New Zealand Food Safety Authority to develop these proposals further and report back with a proposal for legislative amendment by 30 March 2008;
10. agree in principle that controls on the export of livestock for slaughter is in the public interest and to put a Customs Export Prohibition Order in place in the interim, prohibiting the exports of sheep, cattle, deer and goats for slaughter and giving the Director-General of the Ministry of Agriculture and Forestry the discretion to approve individual consignments on a case-by-case basis in circumstances where the risks can be adequately managed;
11. note that none of the restrictions proposed will apply to exports of livestock for breeding or other purposes and that this trade can continue unaffected;
12. direct the Ministry of Foreign Affairs and Trade to advise trading partners including Saudi Arabia of the fact that a review has been undertaken and of the options for implementation, and allow them an opportunity to comment if they wish; and
13. direct the Ministry of Agriculture and Forestry to consult with exporters of livestock and industry groups on the options for implementation of the findings of the review and report back by 12 December 2007.

  
Hon Jim Anderton  
Minister of Agriculture

10 / 10 / 2007

## Annex 1: Rejected options for restricting trade in exports of livestock for slaughter

A number of options for amending primary legislation under existing or new legislation were considered in the review. Those options which have been considered and rejected are listed below, along with the reasons for doing so.

*Regulated moratorium:* This option was assessed as having a moderate to high level of fit with most criteria. It requires a moderate level of resources to implement and is unlikely to be achieved in a short time frame. A Customs Export Prohibition Order is an existing mechanism that fills the same purposes, provides a good fit with the strategic direction of the review and can be more easily implemented. *Conclusion:* This option is not worthy of further consideration.

*Permitting livestock exports for slaughter subject to specified exceptions:* This option has a high level of fit with most criteria. It requires a moderate level of resources to implement and is unlikely to be achieved in a short time frame. It could be administratively difficult to prevent an exporter from circumventing specified exemptions by providing false information or by on-selling stock in the importing country. To reduce this problem it would be necessary for the permit system to allow the decision-maker to take previous actions into account when considering approving future consignments. The alternative of prohibiting exports of livestock for slaughter subject to exemptions or in circumstances where the decision-maker considers that the risks can be adequately managed is considered more effective and administratively efficient.

*Overseas market access requirement, emergency regulated control scheme or regulations under the Animal Products Act 1999:* This option was assessed as having moderate fit with several criteria. However, it scores low on feasibility as it is inconsistent with the objectives of the Animal Products Act, is inconsistent with the scheme of the Act and, further, there is no emergency situation. *Conclusion:* This option is not worthy of further consideration.

*Licensing of exporters:* This option has a moderate level of fit with most criteria. It does not, however, fit well with the strategic purpose of the review, has low transparency with the desired outcome, and adds a high level of regulatory impact. Cabinet Economic Development Committee rejected this option when considering the Animal Welfare Bill in 1998 in favour of a certification scheme for each export consignment, unless exempted. Reasons include the need to consider the characteristics of each consignment, the mode of transport and related matters. These reasons are still valid. *Conclusion:* This option is not considered worthy of further consideration.

*Export duties:* This option was assessed as having a low level of fit with most criteria. In particular it has a low level of fit with its ability to meet the strategic purpose of the review. It is inconsistent with other government strategic objectives in relation to trade. *Conclusion:* This option is not considered worthy of further consideration.

## Regulatory Impact Statement

### Executive summary

The export of livestock for slaughter to countries where pre-slaughter handling practices and slaughter methods of livestock may differ significantly from those practiced in New Zealand may adversely affect New Zealand's reputation as a responsible exporter of agricultural products. If a decision is made to adopt more restrictive requirements for the export of livestock for slaughter, there are a number of options for its implementation. The preferred option is to amend primary legislation to prohibit exports of livestock for slaughter, with exemptions where the risks can be managed to an acceptable level. A Customs Export Prohibition Order is proposed as an interim measure to protect New Zealand from immediate and potentially irreversible risks. Under the preferred option, the government would have greater ability to manage the risks to New Zealand's reputation as a responsible exporter of agricultural products resulting from the export of livestock for slaughter. Conversely, the imposition of any further restrictions on exports of livestock for slaughter could itself entail international legal, commercial and diplomatic risks.

### Adequacy statement

The Regulatory Impact Analysis Unit has reviewed this regulatory impact statement and considers it to be adequate according to the adequacy criteria, given the decisions being sought from Cabinet.

### Status quo and problem

New Zealand's current policy for the export of livestock (cattle, sheep, goats and deer) is reflected in the *Animal Products Act 1999* and the *Animal Welfare Act 1999*.

The *Animal Products Act* provides for the regulation of all products derived from animals and the export of these products. The scope also covers trade in livestock including their export. The object of the *Animal Products Act* is to minimise and manage risks to human and animal health arising from the production and processing of animal material and products by instituting measures that ensure so far as is practicable that all traded animal products are fit for their intended purpose. It also facilitates the entry of animal material and products into overseas markets by providing the controls and mechanisms needed to safeguard official assurances for entry into those markets. It does not fit with the purposes of the Act to prohibit, restrict, or control exports of livestock for other reasons such as animal welfare.

The *Animal Products Act* includes a requirement that exporters of animal material and products must be registered, with certain exceptions. Exporters have a duty to comply with any standards and specifications issued under the Act and, as such, these must fall within the object and purposes of the Act.

Under the *Animal Welfare Act* it is an offence to export an animal without an animal welfare export certificate (AWEC) except where exempted by Gazette notice, or where the animal is exported under Department of Conservation legislation. Under the Act:

the Director-General (the DG) of the Ministry of Agriculture and Forestry may only take into account matters related to the transport of animals *up to the point of disembarkation*;

- the DG may not take into account the treatment of animals in the importing countries including in relation to handling and slaughter practices;
- exporters are not required to specify the purpose of export (i.e. for breeding, for slaughter); and
- once an exporter satisfies the DG that the requirements of the Act have been met, the DG must issue an AWEC and the export may then proceed.

The current legislation does not provide for the ability to consider issues related to the treatment of livestock in the importing country. Providing exporters meet the requirements of the Animal Products Act and the Animal Welfare Act, and satisfy the Director-General of the Ministry of Agriculture and Forestry as to the conditions for international transport of livestock up to the point of disembarkation, the export may proceed.

Concerns over the export of livestock for slaughter arise primarily from the pre-slaughter handling and slaughter methods of some other countries, which differ significantly from those practised in New Zealand (for example, commercial slaughter without prior stunning). The export of live cattle for slaughter is of particular concern. There is scientific evidence that it can take up to 90 seconds for cattle which have not been stunned to become unconscious after their throats are cut. Sheep are also an issue of concern, particularly in relation to pre-slaughter handling practices. Footage of pre-slaughter handling of cattle and sheep exported for slaughter to the Middle East, aired on Australian television in 2005 and in New Zealand in 2007, showed cattle having tendons slashed and eyes gouged, and sheep being confined in car boots.

New Zealand has not exported live cattle for slaughter except to countries that practise pre-slaughter stunning following concerns from a previous Minister of Agriculture. It has also not exported live sheep for slaughter since 2003 following an incident involving a high death toll and international media attention as a result of delayed offloading of live sheep from Australia to Saudi Arabia (the *Cormo Express* incident). There is interest in trade in cattle for slaughter from a number of countries (including Saudi Arabia, Egypt, the Republic of Korea, Malaysia and Russia).

s 6(a)

There are potential risks in resuming trade in livestock for slaughter on the basis of the current legislative framework, including increased public outrage and possible international commercial reactions arising from animal welfare concerns about the treatment of New Zealand animals on their arrival in some destination countries. This risk would be magnified should there be any problems with the trade or adverse publicity.

Animal welfare is a developing international concern and various markets have threatened to boycott various agricultural products from countries that tolerate low animal welfare standards. New Zealand's mainstream trade in agricultural products could be negatively affected, and may be subject to reduced prices in some key markets, if the export of livestock for slaughter were to resume. The key features of New Zealand's trade in agricultural products are:

- agricultural exports in 2006 were valued at NZ\$18.3 billion. Meat exports represent a significant portion of this, generating NZ\$4.7 billion in export earnings (14.27% total exports) with sheep meat alone accounting for NZ\$2.4 billion; and
- the value of livestock exports for slaughter is economically insignificant by comparison. The total export of livestock in 2006 was valued at NZ\$49 million (0.26% of total exports) most of which comes from the export of animals for breeding, not slaughter.

s 6(a)

Any consumer boycott would be most likely to come from the European Union and American markets where agricultural exports totaled NZ\$3.9 billion and NZ\$2.6 billion respectively. A decline in the value of exports as small as 10% in the European Union sheep meat export alone (the most vulnerable single market) would reduce New Zealand revenue by about NZ\$150 million per year and could adversely impact the New Zealand economy. This impact is likely to be greater than any lost revenue from stopping the export of livestock for slaughter.

Losses could escalate if major international retail chains adopt a boycott on sales or a labeling programme on New Zealand agricultural products. Supermarket chains in the United Kingdom, such as Tesco, are demanding more in terms of the environmental and social integrity in the produce they retail. There is increasing demand for farm assurance schemes and product traceability, and animal welfare concerns are becoming particularly prominent. The risk would be magnified should New Zealand be involved in an incident such as the *Cormo Express* or an expose of the conditions faced by animals in some markets.

More broadly, resuming trade in livestock for slaughter could damage New Zealand's clean, green and 100% pure reputation, of which animal welfare is a part. While potential losses are difficult to quantify, studies have indicated that they could be significant, potentially up to NZ\$500 million for the dairy industry and up to NZ\$1 billion for tourism.

#### Objective

To manage the risks to New Zealand's reputation as a responsible exporter of agricultural products resulting from the export of livestock for slaughter.

#### Alternative options

##### *Outright prohibition*

Should Ministers decide to adopt an outright prohibition on livestock exports for slaughter, it could be given effect under several pieces of legislation, including the Animal Welfare Act and the Customs and Excise Act 1996. Regardless, a number of ancillary considerations would need to be taken into account, including the extent to which it fits with the purpose of the legislation and administrative provisions.

An outright prohibition does not provide the Minister of Agriculture with discretion to allow export to countries or in circumstances where the risks can be adequately mitigated. It would, for example, prohibit the current trade in cattle for fattening and slaughter for the production of Kobe beef to Japan. This trade has been undertaken for a number of years and the risk arising is considered negligible.

While an outright prohibition on livestock exports for slaughter is possible, it is considered to be more trade restrictive than necessary and is not the preferred option. If applied, it would prevent trade to established markets not currently of concern.

#### *Voluntary moratorium*

A voluntary moratorium could be negotiated between government and exporters of livestock as an interim measure to allow time for government to review options and implement outcomes of the review, should it decide to adopt more restrictive requirements for the export of livestock for slaughter.

While some exporters of livestock for slaughter may agree to a moratorium, it is considered very unlikely to be acceptable to all. The negotiation of a voluntary moratorium as an interim measure is therefore not considered viable.

#### **Preferred option – prohibition with exemptions**

If a decision is made to adopt more restrictive requirements for the export of livestock for slaughter there are a number of options for its implementation and the costs and benefits are similar for each. The preferred option is to amend primary legislation to prohibit exports of livestock for slaughter in the first instance, with exemptions where the risks can be managed to an acceptable level. Exemptions could include export:

- to countries where the Minister of Agriculture believes there are no significant animal welfare risks; and
- under bilateral arrangements or other mechanisms covering post-arrival animal welfare considerations and slaughter practices.

Should a decision be made to adopt more restrictive requirements for the export of livestock for slaughter, it is recommended that officials be directed to further develop proposals for legislative amendment and report back to Cabinet by 30 March 2008. This is the shortest timeframe possible for the review, with enactment of amending legislation to follow in accordance with the Parliamentary timetable.

Given the likely delay in effecting change in primary legislation, a Customs Export Prohibition Order is proposed as an interim measure to protect New Zealand from immediate and potentially irreversible risks. Under the Customs and Excise Act, if the Governor-General considers prohibition is necessary in the public interest, the Governor-General may by Order in Council prohibit the exportation of any product from New Zealand, in this case livestock for slaughter. A Customs Export Prohibition Order could prohibit the export of livestock for slaughter except with the consent of the Director-General of Ministry of Agriculture and Forestry. This would give the Director-General the discretion to approve



individual consignments on a case by case basis. In exercising his discretion, the Director-General could allow trade in circumstances he believed did not pose undue risk using criteria similar to those proposed if a decision is made to amend primary legislation.

#### *Impact on government*

Under the preferred option, the government would have greater ability to manage the risks to New Zealand's reputation as a responsible exporter of agricultural products resulting from the export of livestock for slaughter. Conversely, the risks of implementing the preferred option include:

- s 6(a), s 9(2)(g)(i), s 9(2)(j)

- s 6(a), s 9(2)(g)(i)

- s 6(a), s 9(2)(j)

Officials believe that, overall, there is a significantly greater risk in maintaining the current regulatory framework than there is in restricting the trade.

A Customs Export Prohibition Order is unlikely to generate any significant additional costs to government. Any additional costs would be met primarily by the Ministry of Agriculture and Forestry and would be met within existing budget. Minor additional costs borne by New Zealand Customs would also be met within existing budget.

#### *Impact on industry*

A small number of exporters have expressed interest in exporting livestock for slaughter and believe that it would provide returns greater than alternate options, i.e. slaughter of the animals in New Zealand. Livestock exports for slaughter represent an alternative market for farmers when prices for other products are depressed.

One exporter in particular has established a breeding programme over a number of years specifically designed to service the Saudi Arabian live export market. These exports would be unlikely to be able to proceed.

Early indications are that industry would support restrictions on livestock exports for slaughter in order to protect New Zealand's reputation as a responsible exporter of agricultural products. Supermarket chains in the United Kingdom, such as Tesco, are demanding more in terms of the environmental and social integrity in the produce they retail. There is increasing demand for farm assurance schemes and product traceability, and animal welfare concerns are becoming particularly prominent. New Zealand's reputation must be kept intact to ensure access to some of our key markets.

### *Impact on society*

The preferred option is likely to satisfy New Zealanders that animal welfare concerns for livestock exported for slaughter have been better taken into account. Advice from the Australian Department of Agriculture, Fisheries and Forestry indicates that thousands of Australians objected to television footage of cattle slaughter and pre-slaughter handling practices in the Middle East in 2005, as well as pre-slaughter handling practices for sheep. A similar reaction could be expected in New Zealand if exports were to resume.

### **Implementation and Review**

A Customs Export Prohibition Order made by the Governor-General by Order in Council can be put into effect almost immediately and may be in effect for up to three years. At the end of this period the Governor-General may choose to extend the Order for another three years. There is no restriction on the number of times an Order in Council may be renewed; however, it is our intention that the Customs Export Prohibition Order will only be in place as long as it takes to amend current legislation.

### **Consultation**

#### *Stakeholder consultation*

The review of livestock exported for slaughter is an in house review and will proceed without announcement. Once Cabinet has had the opportunity to consider the outcomes of the review and made its decisions on how the export of livestock should be dealt with there will be consultation with affected parties on its implementation.

#### *Government department/agency consultation*

The following agencies have been consulted on the review of livestock exports for slaughter: the Department of Prime Minister and Cabinet, the Treasury, the Ministry of Economic Development, the Ministry of Foreign Affairs and Trade, New Zealand Customs, the Ministry of Agriculture and Forestry and the New Zealand Food Safety Authority.

5 Aug 2007/1/2

s 9(2)(a) (MEA)

**From:** DUNN, Darryl (MEA)  
**Sent:** Wednesday, 26 September 2007 4:32 p.m.  
**To:** (TND)  
**Cc:** (LGL/TLU); (MEA)  
**Subject:** RE: For comment - draft Cabinet paper on policy review of NZ's requirements for livestock exported for slaughter  
**Categories:** [RESTRICTED]

**Classification:** [RESTRICTED]

**From:** SINCLAIR, Mark (TND)  
**Sent:** Wednesday, 26 September 2007 4:18 p.m.  
**To:** DUNN, Darryl (MEA); (MEA)  
**Cc:** (LGL/TLU)  
**Subject:** FW: For comment - draft Cabinet paper on policy review of NZ's requirements for livestock exported for slaughter

**Classification:** [RESTRICTED]

Here's what we would propose to send across to MAF as the consolidated MFAT proposals.

**From:** s 9(2)(a) (TND)  
**Sent:** Wednesday, 26 September 2007 4:12 p.m.  
**To:** SINCLAIR, Mark (TND)  
**Subject:** FW: For comment - draft Cabinet paper on policy review of NZ's requirements for livestock exported for slaughter

**Classification:** [RESTRICTED]

In terms of you going back to MEA re their additions, I've made only minor changes.

s 9(2)(a)

Cheers, s 9(2)(a)

From: (MEA)  
Sent: Wednesday, 26 September 2007 3:19 p.m.  
To: DUNN, Darryl (MEA); (TND)  
Cc: (MEA); (LGL/TLU); SINCLAIR, Mark (TND);  
(LGL/TLU)  
Subject: RE: For comment - draft Cabinet paper on policy review of NZ's requirements for livestock exported for slaughter

Classification: [RESTRICTED]

s 9(2)(a)

s 9(2)(g)(i)

Cheers

From: DUNN, Darryl (MEA)  
Sent: Wednesday, 26 September 2007 3:15 p.m.  
To: (TND)  
Cc: (MEA); (MEA); (LGL/TLU); SINCLAIR, Mark  
(TND); (LGL/TLU)  
Subject: RE: For comment - draft Cabinet paper on policy review of NZ's requirements for livestock exported for slaughter

Classification: [RESTRICTED]

s 9(2)(g)(i)

From: (TND)  
Sent: Wednesday, 26 September 2007 2:31 p.m.  
To: DUNN, Darryl (MEA); SINCLAIR, Mark (TND); (LGL/TLU)  
Cc: (MEA); (MEA); (LGL/TLU)  
Subject: RE: For comment - draft Cabinet paper on policy review of NZ's requirements for livestock exported for slaughter

Classification: [RESTRICTED]

s 9(2)(g)(i)



Commercial: In Confidence

# Cabinet

CAB Min (07) 33/3A

## Minute of Decision

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Minister of Agriculture

### Copies to:

Prime Minister  
Deputy Prime Minister  
Minister of Finance  
Hon. Jim Anderton  
Minister for Biosecurity  
Minister of Trade  
Minister for Food Safety  
Minister of Customs  
Secretary, ERD  
Secretary, POL

### Review of Livestock Exports for Slaughter: Variation to Work Programme

On 10 September 2007, following reference from the Cabinet Policy Committee, Cabinet:

1 noted that on 13 August 2007, Cabinet:

1.1 noted that the Minister of Agriculture has directed officials to review the policy on livestock exports for slaughter;

1.2 directed the Ministry of Agriculture and Forestry and the Ministry of Foreign Affairs and Trade to report to the Cabinet External Relations and Defence Committee (ERD) by March 2008 on the outcome of the initial stages of the review, including with recommendations on whether or not the views of external stakeholders should be sought;

1.3 invited the Minister of Agriculture, in consultation with the Minister of Trade, to provide an additional paper to ERD, by 22 August 2007 if possible, on:

1.3.1 how the export of livestock for slaughter will be dealt with during the period of review;

1.3.2 s 6(a)

[CAB Min (07) 29/2A]

- 2 noted that officials have considered the work programme arising from the decisions referred to above, and concluded that the work required for the initial paper to Cabinet would comprise a significant proportion of the total work for the review, and that by giving the review work a high priority the full review could be completed by early October 2007;
- 3 3.1 rescinded the decisions referred to in paragraphs 1.2 and 1.3; and instead  
3.2 directed officials to complete the review and report to ERD by 17 October 2007;
- 4 noted that the Minister of Agriculture does not intend to make any announcements concerning the review until the review is complete;
- 5 noted the advice of the Minister of Agriculture that:
- 5.1 any applications for the export of livestock for slaughter during the period of review would be handled under existing policy;
- 5.2 it is intended that consultation with exporters of live animals for slaughter be undertaken after the government has considered the review.

s 9(2)(a)

Secretary of the Cabinet

Reference: CAB (07) 439; POL Min (07) 20/11

*Secretary's Note: This minute replaces POL Min (07) 20/11. A Cabinet minute has been issued for this item as it involved rescinding earlier Cabinet decisions (see paragraph 3). Cabinet also added paragraph 5.*



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## Cabinet Policy Committee

POL Min (07) 20/11

Copy No: 15

### Minute of Decision

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### Review of Livestock Exports for Slaughter: Variation to Work Programme

On 5 September 2007, the Cabinet Policy Committee (POL):

1. noted that on 13 August 2007, Cabinet:
  - 1.1 noted that the Minister of Agriculture has directed officials to review the policy on livestock exports for slaughter;
  - 1.2 directed the Ministry of Agriculture and Forestry and the Ministry of Foreign Affairs and Trade to report to the Cabinet External Relations and Defence Committee (ERD) by March 2008 on the outcome of the initial stages of the review, including with recommendations on whether or not the views of external stakeholders should be sought;
  - 1.3 invited the Minister of Agriculture, in consultation with the Minister of Trade, to provide an additional paper to ERD, by 22 August 2007 if possible, on:
    - 1.3.1 how the export of livestock for slaughter will be dealt with during the period of review;
    - 1.3.2 s 6(a)
2. noted that officials have considered the work programme arising from the decisions referred to above, and concluded that the work required for the initial paper to Cabinet would comprise a significant proportion of the total work for the review, and that by giving the review work a high priority the full review could be completed by early October 2007;
3. agreed to recommend that Cabinet:
  - 3.1 rescind the decisions referred to in paragraphs 1.2 and 1.3; and instead
  - 3.2 direct officials to complete the review and report to ERD by 17 October 2007;

[CAB Min (07) 29/2A]

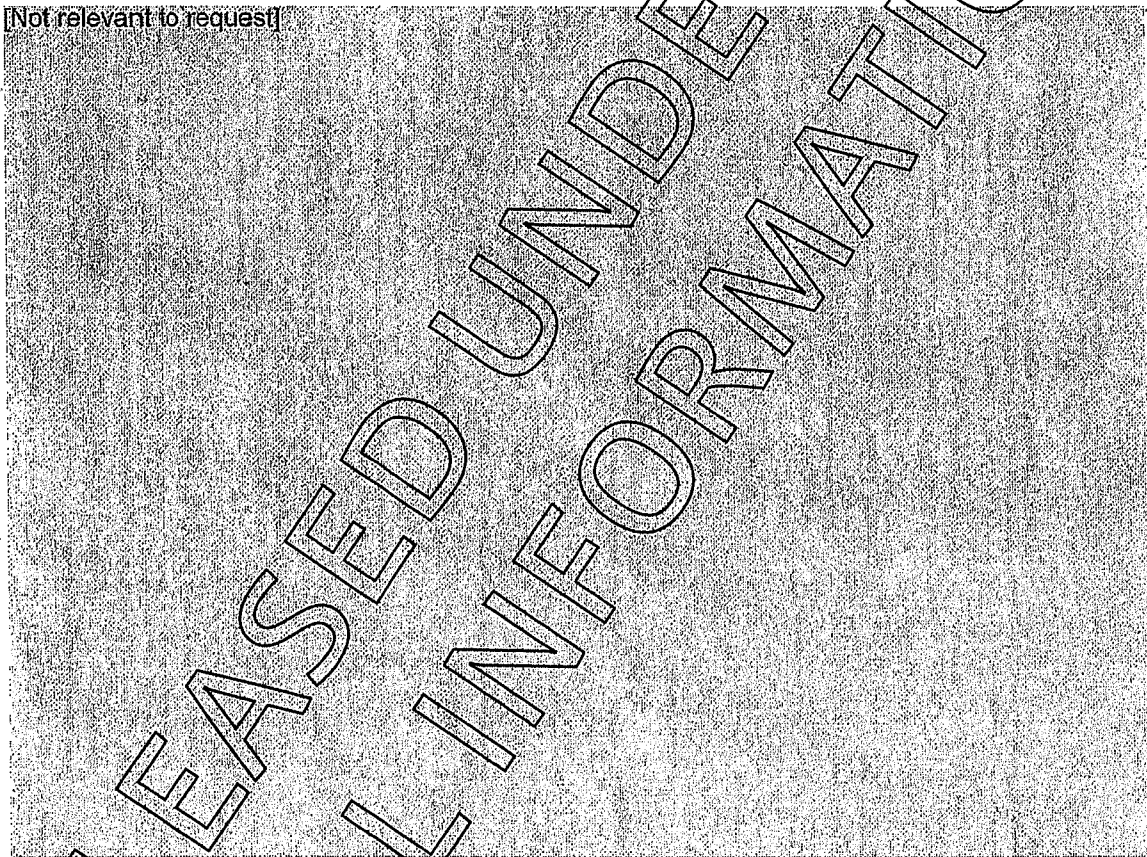
- 4 noted that the Minister of Agriculture does not intend to make any announcements concerning the review until the review is complete.

s 9(2)(a)

Secretary

Reference POL (07) 317

[Not relevant to request]





Chair  
Cabinet External Relations and Defence Committee

## REVIEW OF LIVESTOCK EXPORTS FOR SLAUGHTER - VARIATION TO WORK PROGRAMME

### Proposal

1. This paper proposes that the work programme for the live animal exports review be amended, so that the review is completed within a shorter timeframe, and separate advice on managing exports during the period of the review is not provided. The paper also proposes that no announcements about the review be made until the review is complete.

### Background

2. On 13 August 2007 Cabinet considered proposals relating to a review of New Zealand's policy on livestock exports for slaughter. Cabinet noted that I had directed officials to review the policy, and agreed that the review should take account of post-arrival animal welfare considerations. Cabinet also invited me, in consultation with the Minister of Trade, to provide an additional paper for the Cabinet External Relations and Defence Committee (ERD) by 22 August 2007 if possible, on:

- a. how the export of livestock for slaughter will be dealt with during the period of review; and

- b. s 6(a)

### Comment

#### Proposed Variation to Review Work Programme

- 3: Officials have considered the work programme arising from Cabinet's decision on 13 August 2007 and have commenced analysis of the options for managing exports during the period of the review. Officials have concluded that the work required for the initial paper to Cabinet would comprise a significant proportion of the total work for the review, and that by giving the review work a high priority the full review could be completed by early October 2007.

4. It therefore appears that the most sensible way forward with this work is for officials to carry out the review within the accelerated timeframe, and not develop separate

advice on interim measures for managing exports during the review period. I propose that Cabinet's decision on 13 August 2007 be amended accordingly.

#### Communications Issues

5. Given the short time frame for completion of the review, I do not intend to make any announcements until such time as Cabinet has had the opportunity to consider the outcomes of the review and make its decision on how the export of livestock should be dealt with in future. In the meantime, the status quo prevails. That is, should any exporter apply to export livestock for slaughter, the application will be considered under existing legislation and, providing that it meets the requirements of the Animal Welfare Act and satisfies the Director General of the Ministry of Agriculture and Forestry as to the conditions for international transport of animals up to the point of disembarkation, then the export may proceed.
6. Exporters of live sheep for slaughter to Saudi Arabia are aware that there are negotiations underway between New Zealand and Saudi Arabia in respect of an agreement to be reached over transportation and quarantine arrangements for livestock. They may not, however, be aware that should they choose to apply to export, that there is no legal mechanism to prevent livestock exports, given that they comply with the conditions set out in the Act.

s 6(a)

s 9(2)(h)

7.

#### Consultation

8. The following departments have been consulted on the proposals in this paper, and concur with them: Ministry of Foreign Affairs and Trade, New Zealand Food Safety Authority and the New Zealand Customs Service.

#### Financial Implications, Human Rights, Legislative Implications, Regulatory Impact Analysis.

9. This paper has no financial implications, contains no proposals that are inconsistent with the Human Rights Act or the New Zealand Bill of Rights Act, and has no legislative implications. A Regulatory Impact Statement is not required.

## Recommendations

10. I recommend that the Committee:

1. note that on 13 August 2007 Cabinet:

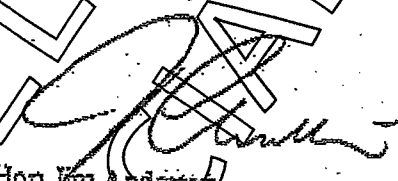
- 1.1 took decisions regarding a review of the policy on livestock exports for slaughter; and
- 1.2 directed the Ministry of Agriculture and Forestry and the Ministry of Foreign Affairs and Trade to report to ERD by March 2008 on the outcome of the initial stages of the review, including with recommendations on whether or not the views of external stakeholders should be sought; and
- 1.3 invited the Minister of Agriculture, in consultation with the Minister of Trade, to provide an additional paper for ERD by 22 August 2007 if possible, on:
  - i. how the export of livestock for slaughter will be dealt with during the period of review;
  - ii. a possible communications strategy regarding the review, including how to inform the government of Saudi Arabia that the review is to be undertaken;

2. note that officials have considered the work programme arising from Cabinet's decision, and concluded that the work required for the initial paper to Cabinet would comprise a significant proportion of the total work for the review, and that by giving the review work a high priority the full review could be completed by early October 2007;

3. agree to recommend that Cabinet:

- 3.1 rescind the decisions referred to in paragraphs 1.2 and 1.3; and instead
- 3.2 direct officials to complete the review and report to ERD by 17 October 2007.

4. note that I do not intend to make any announcements concerning the review until the review is complete.

  
Hon Jim Anderton  
Minister of Agriculture

50/18/07



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# Cabinet

CAB Min (07) 28/2A

## Minute of Decision

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Out of scope

### Livestock Exports for Slaughter and Arrangements for Live Sheep Exports for Slaughter to Saudi Arabia

On 13 August 2007, following reference from the Cabinet External Relations and Defence Committee (BERD), Cabinet:

- 1 noted that the Minister of Agriculture has directed officials to review the policy on livestock exports for slaughter;
- 2 noted that, since the 1980s, New Zealand has not exported live cattle for slaughter, except to countries that practise pre-slaughter stunning, and has also placed a temporary halt on the trade in live sheep for slaughter until such time as agreements are reached over transportation and quarantine arrangements for livestock;
- 3 noted that there is currently no legal mechanism to prevent livestock exports for slaughter based on the treatment of animals in the buying countries as long as the exports meet the requirements of the Animal Welfare Act 1999 and satisfy the Director-General of the Ministry of Agriculture and Forestry as to the conditions for international transport of animals up to the point of disembarkation;
- 4 noted that there potentially would be significant public concern (and possible international consumer reaction) if exports of animals for slaughter were to recommence from New Zealand to countries which do not practice pre-slaughter stunning of animals or where other handling practices are significantly different to those used in New Zealand;

5 noted that New Zealand is negotiating a bilateral Arrangement with Saudi Arabia with the expectation that the conclusion of the Arrangement will allow for the resumption of live sheep exports;

6 s 6(a)

s 9(2)(i)

7 noted that any outcome of a review of policy for live animal exports which resulted in trade restrictions being placed on the export of live animals

s 6(a), s 9(2)(g)(i), s 9(2)(h)

s 6(a), s 9(2)(g)(i)

and

8 invited the Minister of Agriculture to request the National Animal Welfare Advisory Committee to develop a code of welfare for the transportation of livestock for all purposes and accord it an appropriate priority;

9 agreed that the review noted in paragraph 1 above take account of post-arrival animal welfare considerations;

10 directed the Ministry of Agriculture and Forestry and the Ministry of Foreign Affairs and Trade to report to ERD by March 2008 on the outcome of the initial stages of the review, including with recommendations on whether or not the views of external stakeholders should be sought;

11 invited the Minister of Agriculture, in consultation with the Minister of Trade, to provide an additional paper for ERD by 22 August 2007 if possible, on:

11.1 how the export of livestock for slaughter will be dealt with during the period of review;

11.2 s 6(a)

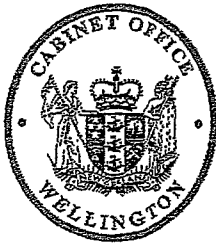
12 noted that no announcements on the review would be made before consideration of the report referred to in paragraph 11.

s 9(2)(a)

Secretary of the Cabinet

Reference: CAB (07) 363; ERD Min (07) 4/1

Secretary's note: This minute replaces ERD Min (07) 4/1. Cabinet deleted paragraph 10 of the ERD minute and added new paragraphs 11 and 12.



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## Cabinet External Relations and Defence Committee

ERD Min (07) 4/1

Copy Number: 12

### Minute of Decision

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### Livestock Exports for Slaughter and Arrangements for Live Sheep Exports for Slaughter to Saudi Arabia



On 8 August 2007, the Cabinet External Relations and Defence Committee (ERD):

- 1 noted that the Minister of Agriculture has directed officials to review the policy on livestock exports for slaughter;
- 2 noted that, since the 1980s, New Zealand has not exported live cattle for slaughter, except to countries that practise pre-slaughter stunning, and has also placed a temporary halt on the trade in live sheep for slaughter until such time as agreements are reached over transportation and quarantine arrangements for livestock;
- 3 noted that there is currently no legal mechanism to prevent livestock exports for slaughter based on the treatment of animals in the buying countries as long as the exports meet the requirements of the Animal Welfare Act 1999 and satisfy the Director-General of the Ministry of Agriculture and Forestry as to the conditions for international transport of animals up to the point of disembarkation;
- 4 noted that there potentially would be significant public concern (and possible international consumer reaction) if exports of animals for slaughter were to recommence from New Zealand to countries which do not practice pre-slaughter stunning of animals or where other handling practices are significantly different to those used in New Zealand;
- 5 noted that New Zealand is negotiating a bilateral Arrangement with Saudi Arabia with the expectation that the conclusion of the Arrangement will allow for the resumption of live sheep exports;

6

s.6(2)

s.9(2)(i)

- 7 noted that any outcome of a review of policy for live animal exports which resulted in trade restrictions being placed on the export of live animals  and 
- 8 invited the Minister of Agriculture to request the National Animal Welfare Advisory Committee to develop a code of welfare for the transportation of livestock for all purposes and accord it an appropriate priority;
- 9 agreed that the review noted in paragraph 1 above take account of post-arrival animal welfare considerations;
- 10 directed the Ministry of Foreign Affairs and Trade to inform Saudi Arabia that a review of policy for the export of livestock for slaughter is to be undertaken and will take into account post-arrival animal welfare considerations;
- 11 directed the Ministry of Agriculture and Forestry and the Ministry of Foreign Affairs and Trade to report to the Cabinet External Relations and Defence Committee by March 2008 on the outcome of the initial stages of the review, including with recommendations on whether or not the views of external stakeholders should be sought.

s 9(2)(a) 

Secretary

Reference: ERD (07) 14

[Not relevant to request] 



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Office of Minister of Agriculture  
Office of Minister of Trade

Chair  
Cabinet External Relations and Defence Committee

## **LIVESTOCK EXPORTS FOR SLAUGHTER AND ARRANGEMENTS FOR LIVE SHEEP EXPORTS FOR SLAUGHTER TO SAUDI ARABIA**

### **Proposal**

1. This paper seeks approval to undertake a review of New Zealand's policy on the export of livestock for slaughter and highlights associated issues relating to the current negotiations for a bilateral arrangement with Saudi Arabia on live sheep exports for slaughter.

### **Executive summary**

2. In August 2006, the Minister of Agriculture directed the Ministry of Agriculture and Forestry (MAF) to review its policy on livestock exports for slaughter. Concerns over the export of livestock for slaughter arise primarily from the pre-slaughter handling and slaughter methods of some other countries, which differ significantly from those practised in New Zealand (for example, commercial slaughter without prior stunning).
3. The export of live cattle for slaughter is of particular concern. There is scientific evidence that it can take up to 90 seconds for cattle which have not been stunned to become unconscious after their throats are cut. Sheep are also an issue of concern, particularly in relation to pre-slaughter handling practices. Footage of pre-slaughter handling of cattle and sheep exported for slaughter to the Middle East, aired on Australian television in 2005, showed cattle having tendons slashed and eyes gouged, and sheep being confined in car boots.
4. New Zealand has not exported live cattle for slaughter except to countries that practise pre-slaughter stunning following concerns from a previous Minister of Agriculture. It has also not exported live sheep for slaughter since 2003 following an incident involving a high death toll and international media attention as a result of delayed offloading of live sheep from Australia to Saudi Arabia (the *Cormo Express* incident).
5. Since 2004, New Zealand has been negotiating a bilateral Arrangement to support the resumption of trade in live sheep for slaughter with Saudi Arabia. This is based on a similar document which saw the successful reintroduction of exports from Australia, and is aimed at ensuring adequate transportation and unloading / quarantine procedures for live exports. However, the Arrangement does not set conditions for



post-arrival handling and slaughter methods. The initiative currently rests with New Zealand to take the next step in negotiations, but this has been delayed pending decisions regarding the review of live export policies. In March 2006, the Minister of Trade discussed the current Saudi draft of the Arrangement and indicated to the Saudi Arabian Minister of Agriculture that New Zealand had no objection to its conclusion, following further assessment of the text and a formal response from officials, as an instrument to facilitate the commercial trade of live animals. He expressed hope that the Arrangement would be finalised in the near future.

6. s 6(a), s 9(2)(g)(i), s 9(2)(j)

s 9(2)(j)

7. s 9(2)(j)

8. There are potential risks to New Zealand's international reputation and trade relationships whether or not a review of policy is undertaken, as well as domestic risks arising from the public reaction to the Government's decisions. On balance, the potential risk to the Government's and New Zealand's reputation is higher if a review is not undertaken. This is because:

a. there are risks of increased public outrage and international commercial reactions arising from any animal welfare concerns; and

b. s 6(a)

#### Background

#### *Reasons for concern about animal welfare*

9. Pre-slaughter handling practices and slaughter methods in some countries may differ significantly from those practised in New Zealand. Some countries may practise commercial slaughter without prior stunning and tendon cutting in cattle to immobilise animals before slaughter. These practices have raised concerns from the Minister of Agriculture, the Director-General of MAF and some key New Zealand stakeholders, such as the Meat Industry Association and Meat and Wool New Zealand Limited.

*Past and Current State of the export of cattle and sheep for slaughter: Live cattle for slaughter*

10. New Zealand currently has no trade in the export of cattle for immediate slaughter. Cattle shipments for fattening and slaughter have historically been restricted to countries that practice pre-slaughter stunning (i.e. Japan and Canada).
11. There is some current interest in trade in cattle for slaughter from a number of countries; including Saudi Arabia, Egypt, the Republic of Korea, Malaysia and Russia, but indications are that the level of trade is unlikely to be of economic significance. Slaughter practices in these countries vary and a number do not practise pre-slaughter stunning.
12. Cattle are exported in significant numbers for breeding, including periodic consignments to Mexico and China. This trade would not be affected by the proposed review.

*Live sheep for slaughter*

13. The live sheep trade commenced during the 1980s, reaching its peak in the 1990s when up to one million sheep were exported annually to the Middle East. During the 1990s, lamb prices were extremely low and the live export trade offered a significant alternative market. During this time MAF refined the standards for shipments which resulted in the reduction of mortality rates from an average of 2.74% per shipment between 1985 and 1989, to an average of 0.67% per shipment between 2000 and 2003. By 2000, the trade had dwindled to an average of one shipment per year of approximately 40,000 animals per consignment, largely for economic reasons.
14. In 2003, a shipment of 60,000 Australian sheep, travelling on the *Cormo Express* was rejected by the Saudi authorities. Several thousand sheep died due to heat stress as a result of extensive delays in their offloading, s 6(a)  
Australia immediately halted all shipments to Saudi Arabia and shipments have just resumed this year following the signing of a new Memorandum of Understanding (MOU) between Australia and Saudi Arabia which establishes procedures for ensuring acceptable welfare conditions in respect of the transportation and quarantine of livestock.
15. In November 2004, Saudi Agriculture Minister Balghanaim requested, in the context of the establishment of new quarantine facilities in Jeddah, New Zealand's cooperation to resume live sheep exports in time for the February 2005 Hajj. The then New Zealand Minister of Agriculture, Hon Jim Sutton, stated that an Arrangement, with terms similar to those agreed in the Australia / Saudi MOU on live shipments, would be necessary before the live trade could be resumed.
16. Trading partners, mostly from the Middle East, have continued to express interest in resuming trade of livestock for slaughter with New Zealand, but the extent of interest from New Zealand exporters is hard to gauge, given the halt on exports. However specific interest has been expressed for a number of years by a New Zealand based majority Saudi-owned company trading as Awassi New Zealand Limited, which has been operating a small breeding programme of Middle-East origin Awassi fat tailed

sheep in New Zealand with a view to establishing a niche market for the ongoing export of Awassi sheep for slaughter for the Saudi Arabia market.

17. Some 35,000 sheep have been exported to Mexico in the current year and future trade would not be affected by the proposed review.

*Current domestic standards for livestock welfare including slaughter*

18. The Animal Welfare Act 1999 (the Act) makes provision for the welfare of animals within New Zealand and the conditions for international transport of animals *up to the point of disembarkation*. Relevant provisions of the Act that apply to the export of livestock include:

- a requirement for an Animal Welfare Export Certificate on a consignment by consignment basis. In issuing an Animal Welfare Export Certificate the Director-General of MAF may take into account a range of matters related to the journey (section 43 and 45), but not the treatment of the animals after arrival;
- provision for the Director-General of MAF to publish guidelines for the issue of Animal Welfare Export Certificates (section 40);
- obligation on persons in charge of a vessel, aircraft, or ship in or on which an animal is being transported to ensure they attend properly to the welfare of animals being transported, including conditions of confinement (section 22 and 23); and
- provision for the Minister of Agriculture to issue codes of welfare recommended to him by the National Animal Welfare Advisory Committee (section 75). A code of welfare may relate to a species of animal or the transport of animals, among other matters.

19. The National Animal Welfare Advisory Committee is finalising a draft code of welfare for the commercial slaughter of animals in New Zealand for the Minister of Agriculture's consideration and approval. In the draft code, the National Animal Welfare Advisory Committee recommends as a minimum standard that all animals undergoing commercial slaughter be stunned prior to the throat cut. The code applies to primary processors, dual operator butchers, and home-kill service providers. The draft code provides for the continuation of Halal slaughter which requires that animals be alive when a cut to the throat is made. On commercial premises this is achieved by way of an electrical head-only stunning method, or percussive mushroom stun, that renders the animals only temporarily unconscious. The majority of slaughter premises in New Zealand that provide product for export use the Halal method for all animals slaughtered. The stun requirement does not apply to animals killed on farm for the farmer's own use, but even in these circumstances there are requirements to ensure that the suffering of animals is minimised.

20. A voluntary code of welfare is in place for the transport of sheep by sea. Codes of welfare are yet to be finalised for cattle and other methods of transport. The National Animal Welfare Advisory Committee plans to develop over the next three years a code of welfare for the transportation of animals by sea.

*Current situation for the negotiation of a bilateral Arrangement with Saudi Arabia*

21. Since 2004, negotiations have proceeded with Saudi Arabia towards a bilateral Arrangement on the export of live sheep, with the expectation that the conclusion of the Arrangement will allow for the resumption of live exports on a commercial basis. Like the Australian / Saudi MOU on which it is based, the Arrangement only covers transportation conditions for livestock and immediate post arrival quarantine and processing procedures, i.e. not the treatment of the animals beyond that point.

22.

s 6(a), s 9(2)(f)

23. It seems inappropriate to conclude the Arrangement now before the review is complete given that the policy basis for live sheep exports is under review. If the review were to result in a ban on live exports (of sheep) or additional requirements before export could occur, this would, in effect, require a post-facto revocation of the Arrangement framework and could therefore prompt questions about New Zealand's good faith as a negotiator and trading partner.

**Key drivers for the review**

24. In August 2006, the Minister of Agriculture asked MAF to review its policy on livestock exports for slaughter. The key drivers for a review of policy on the export of livestock for slaughter are:

- growing discomfort by the Minister of Agriculture, the Director-General of MAF (as the legal decision maker for Animal Welfare Export Certificates) and some key New Zealand stakeholders, such as the Meat Industry Association and Meat and Wool New Zealand Limited over the trade in live animals for slaughter to countries that do not practise pre-slaughter stunning;
- the current international climate. This includes, for example:
  - the Corno Express incident involving a shipment of sheep from Australia to Saudi Arabia in 2003, which led to Australia being targeted by the United States animal rights group People for the Ethical Treatment of Animals;
  - the Australian Department of Agriculture, Fisheries and Forestry has advised that thousands of Australians objected to television footage of cattle slaughter and pre-slaughter handling practices in the Middle East in 2005, as well as pre-slaughter handling practices for sheep;

- the World Society for the Protection of Animals is planning a global campaign in early 2008 against the transportation of live animals for slaughter across four key routes based on economic and animal welfare considerations. One of the proposed target routes will be Australia's live sheep trade to the Middle East.
- the need to ensure alignment with New Zealand's Animal Welfare and International Trade Strategy, noting that the draft strategy recognises that New Zealand's international animal welfare standing enhances opportunities for market success of New Zealand's agricultural exports;
- the need to clarify the legal basis, both domestic and internationally, for any restrictions on New Zealand's export of livestock for immediate slaughter; and
- at the same time, noting that live sheep exporting has been seen to be an alternative option for farmers during times of low international sheep meat prices.

#### **Foreign and trade policy considerations**

##### *Multilateral considerations*

25. s 6(a), s 9(2)(g)(i), s 9(2)(h)

26. s 6(a), s 9(2)(g)(i)

27. s 6(a), s 9(2)(g)(i), s 9(2)(h)

It will be important therefore to take due account of New Zealand's international obligations and of Government's trade policy objectives in the review.

*Saudi Arabia bilateral Arrangement and Gulf Co-operation Council* s 9(2)(j)

28. The Kingdom of Saudi Arabia is by far New Zealand's largest market in the Middle East, with exports in 2006 worth \$410.5 million.

s 6(a)



s 6(a)

s 6(a)

Substantial delays to the outcome of any review which resulted in restrictions placed on the export of live sheep could, therefore, negatively affect the bilateral relationship.

29. The success of the Awassi New Zealand project could also have bilateral implications, related to the attractiveness of New Zealand as a secure environment for investment. The investment (in land and New Zealand-based breeding programmes) was made with the express purpose of exporting shipments of live Awassi sheep from New Zealand to Saudi Arabia, although product from this exporter is currently being sold through other markets.
30. Saudi Arabia is also the political and economic leader of the GCC, which is a major export partner for New Zealand (the fifth most important destination for sheep meat exports for example).

s 9(2)(i)

#### Scope of the review

##### *Transportation of livestock*

31. Officials propose that long distance transportation of animals be excluded from the review. Instead officials recommend that the Minister of Agriculture should request that the National Animal Welfare Advisory Committee accord due priority to the development of a code of welfare for the transportation of livestock for export. The conditions for transportation of livestock can be regulated under the Animal Welfare Act. The National Animal Welfare Advisory Committee is already intending to develop a code of welfare for transportation of animals by sea over the next three years.

#### Nature of the Review

32. Officials recommend that, at least initially, the review would be carried out "in-house" within MAF and MFAT. Following an initial stage, Ministers would revert to Cabinet with recommendations, including whether or not the views of external stakeholders should be sought.

#### Consultation

33. The following departments have been consulted in the development of this paper and concur with its recommendations: Ministry of Foreign Affairs and Trade and the

Ministry of Agriculture and Forestry, Ministry of Economic Development, New Zealand Food Safety Authority, Treasury and the Department of Prime Minister and Cabinet.

#### Financial Implications

34. There are no financial implications; all the costs of a possible review of policy and negotiation of the bilateral Arrangement can be accommodated within budget.

#### Human Rights Implications

35. The possible review of policy and negotiation of a bilateral Arrangement are consistent with the Human Rights Act 1993.

#### Regulatory Impact Statement

36. A regulatory impact analysis will be prepared when Ministers report back to Cabinet with recommendations.

#### Recommendations

37. It is recommended that you:

- 1 note that the Minister of Agriculture has directed officials to review the policy on livestock exports for slaughter;
- 2 note that, since the 1980s, New Zealand has not exported live cattle for slaughter, except to countries that practise pre-slaughter stunning, and has also placed a temporary halt on the trade in live sheep for slaughter until such time as agreements are reached over transportation and quarantine arrangements for livestock;
- 3 note that there is currently no legal mechanism to prevent livestock exports for slaughter based on the treatment of animals in the buying countries as long as the exports meet the requirements of the Animal Welfare Act and satisfy the Director-General of the Ministry of Agriculture and Forestry as to the conditions for international transport of animals up to the point of disembarkation;
- 4 note that there would potentially be significant public concern (and possible international consumer reaction) if exports of animals for slaughter were to recommence from New Zealand to countries which do not practice pre-slaughter stunning of animals or where other handling practices are significantly different to those used in New Zealand;
- 5 note that New Zealand is negotiating a bilateral Arrangement with Saudi Arabia with the expectation that the conclusion of the Arrangement will allow for the resumption of live sheep exports;

6

s 6(a)

s 9(2)(f)

7

s 6(a), s 9(2)(g)(f), s 9(2)(h)

8

**invite** the Minister of Agriculture to request the National Animal Welfare Advisory Committee to take up development of a code of welfare for the transportation of livestock for all purposes and accord it an appropriate priority;

9

**agree** a review of the policy for the export of livestock for slaughter will be undertaken, taking account of post-arrival animal welfare considerations, by the Ministry of Agriculture and Forestry at the direction of the Minister of Agriculture; and

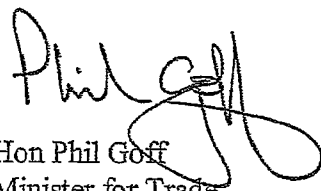
10

**direct** the Ministry of Foreign Affairs and Trade to inform Saudi Arabia that a review of policy for the export of livestock for slaughter is to be undertaken and will take into account post arrival animal welfare considerations; and

11

**direct** officials to report back with recommendations by March 2008, prior to any external consultation.

Hon Jim Anderton  
Minister of Agriculture

  
Hon Phil Goff  
Minister for Trade



6

s 6(a)

s 9(2)(i)

7

s 6(a), s 9(2)(g)(i), s 9(2)(h)

- 8 invite the Minister of Agriculture to request the National Animal Welfare Advisory Committee to take up development of a code of welfare for the transportation of livestock for all purposes and accord it an appropriate priority;
- 9 agree a review of the policy for the export of livestock for slaughter will be undertaken, taking account of post-arrival animal welfare considerations, by the Ministry of Agriculture and Forestry at the direction of the Minister of Agriculture; and
- 10 direct the Ministry of Foreign Affairs and Trade to inform Saudi Arabia that a review of policy for the export of livestock for slaughter is to be undertaken and will take into account post arrival animal welfare considerations; and
- 11 direct officials to report back with recommendations by March 2008, prior to any external consultation.

Hon Jim Anderton  
Minister of Agriculture

Hon Phil Goff  
Minister for Trade

30/7/07

SAL/N2/1/2

## Challenge Livestock Partnership

2 July 2007

Mr Murray Sherwin  
Director General of Agriculture  
Ministry of Agriculture & Forestry  
PO Box 2526  
WELLINGTON

Dear Murray

### Re: Export of Sheep to Saudi Arabia

I write to you on behalf of Challenge Livestock Partnership (CLP), a joint venture between Brownrigg Agriculture and Challenge Livestock. CLP's primary business is the export of dairy heifers to Mexico and Central America.

As briefly discussed with you at the Primary Industry Leaders' Forum, we have been in discussions with s9(2)(a) of MAF Biosecurity NZ since late 2006 regarding the export of sheep to Saudi. We were advised at the outset that a Government to Government MOU, guaranteeing off-loading of sheep in all circumstances and in line with that agreed between Australia and Saudi, was being finalised and that this would enable shipping to proceed. Initially this was portrayed as a formality but despite the frequent requests we have made to Wayne over the last 10 months, to ascertain the status of the MOU, there has been no clarification. Finally, just before his departure from MAF, Wayne suggested that I take up the matter with you.

The brief background of the proposed shipment is as follows:

The company we are dealing with, Hmood Alali Alkhalaf Trading and Transportation Est (HAATT), was active in the early 1990s when significant numbers were being exported from New Zealand and at that stage, with the assistance of Dr Jock Allison, they imported Awassi fat tail sheep genetics to New Zealand. In the subsequent period they have developed a nucleus flock on properties they own in Hawke's Bay. The investment in the Awassi sheep programme over the years has been substantial. A few years back a Saudi Government delegation visited Mathews Station in Hawke's Bay where the flock is farmed. In 2006 HAATT approached us about assisting with multiplication of the Awassi flock with a view to producing sufficient Awassi sheep to fill a part shipment; the balance to be made up with young adult New Zealand sheep (2th - 6th).

We contacted MAF Biosecurity to progress the shipping plans and were informed that, while there was documentation to be finalised, there were no "show stoppers". Accordingly we advanced discussions with the Saudi company to the point where a Proforma Invoice was signed in March of this year for a combined shipment of Awassi and New Zealand sheep of some 60,000 head for export in March/April 2008. This enabled us to commence the breeding programme and with the assistance of Rissington Breedline in Hawke's Bay and AgFirst Consultants in Otago, we have joined 35,000 ewes on 26 farms in the past mating season. We need to now start putting together the balance of sheep required for the shipment. We have asked HAATT to hold off arranging an import permit until we get the green light from your Ministry but, having advised some time ago that the hold up was only a procedural matter, it is now becoming an embarrassment.

You mentioned some concerns about the live export trade and we understand those concerns, however on balance we believe that the New Zealand record stands up well. In our wider farming group we have completed some 30 successful live export consignments over the last 10 years. In so doing we have built up specialist capability in this area and developed a strong working relationship with all associated authorities.

You mentioned to me the matter of treatment of sheep in the Saudi market and I raised this with HAATT. They inform that an Australian Industry delegation has visited Saudi in recent months, conducting a full inspection, and were well satisfied with feeding and husbandry, transport and slaughter practices.

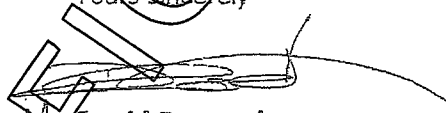
As New Zealand farmers, our attraction to the Awassi market is that it is a high value niche market. HAATT have been very helpful in getting the project underway, guaranteeing a fixed price to New Zealand farmers, which has gone down well in the current environment, and also assisting with funding of a New Zealand slaughter and processing trial. In parallel to the live export market we have begun these trials with a view to developing an export meat business as a complementary enterprise over time.

In summary, there has been significant investment leading up to the present point in the Awassi integrated supply business. We need urgent clarification from your Ministry in regards to what is required to enable the planned shipment to proceed.

59(2)(a)

I have copied this letter to \_\_\_\_\_ replacement, \_\_\_\_\_, and will contact him this week to update him on the matter.

Yours sincerely

  
David Brownrigg

For Challenge Livestock Partnership

cc: 59(2)(a)

SAM 1/2/1/1

s 9(2)(a) (MEA)

**From:** (CEO Office)  
**Sent:** Wednesday, 27 June 2007 12:29 p.m.  
**To:** (LGL/TLU); (MEA); TRAINOR, Mark (TND); HARVEY  
 Martin (FTAM); (FTAM)  
**Cc:** SINCLAIR, Mark (TND); RIDINGS, Penelope (LGL/TLU); (MEA);  
 (DSP2); (ISED); DRAPER, Simon (CEO Office)  
**Subject:** RE: Live exports: Goff/Anderton meeting; GCC; interfaith  
**Categories:** [RESTRICTED]

**Classification:** [RESTRICTED]

Hi,

s 6(a)  
 s 9(2)(g)(i)

s 9(2)(a)

Policy Officer  
 Office of the Chief Executive (Secretary of Foreign Affairs and Trade)  
 Ministry of Foreign Affairs and Trade | Manatu Aorere  
 195 Lambton Quay  
 Wellington, New Zealand  
 Tel: 04-499-9999

s 9(2)(a)

**From:** (LGL/TLU)  
**Sent:** Wednesday, 27 June 2007 10:01 a.m.  
**To:** (MEA); TRAINOR, Mark (TND)  
**Cc:** SINCLAIR, Mark (TND); RIDINGS, Penelope (LGL/TLU); (CEO Office);  
 (MEA)  
**Subject:** RE: Live exports: Goff/Anderton meeting

s 9(2)(a)

**Classification:** [RESTRICTED]

Hi folks - a very quick readout on yesterday's meeting with Ministers:

s9(2)(a)

**From:** (MEA)  
**Sent:** Monday, 25 June 2007 11:14 a.m.  
**To:** SINCLAIR, Mark (TND); TRAINOR, Mark (TND)  
(LGL/TLU)  
**Cc:** (CEO Office); (MEA)  
**Subject:** Live exports: Goff/Anderton meeting

**Classification:** [UNCLASSIFIED]

s9(2)(a)

(LGL/TLU); RIDINGS, Penelope

Out of Scope

s9(2)(a)

s9(2)(a)  
fax +64 4 439 8521

MINISTRY OF

**FOREIGN AFFAIRS & TRADE**

MANATU AORERE

**BRIEF ON LIVESTOCK EXPORTS FOR SLAUGHTER AND  
ARRANGEMENTS FOR LIVE SHEEP FOR SLAUGHTER TO SAUDI  
ARABIA**

Date:	22 June 2007	Priority:	High
Security Level:	In confidence	Document Number:	B 680

**Action sought**

Minister	Action sought	Deadline
Minister of Agriculture	Agree to send the attached paper to Cabinet External Relations and Defence Committee	3:30 p.m. 26 June
Minister of Trade	Agree to send the attached paper to Cabinet External Relations and Defence Committee	3:30 p.m. 26 June

Does the paper have financial implications?			No
Risks	Policy decisions may have trade impacts or affect New Zealand's reputation	Level of Risk	Medium

**Ministry Contacts**

	Name	Position	First Contact	Telephone (work) (after hours)	
Responsible Manager	Barry O'Neil	Assistant Director-General Biosecurity New Zealand	✓		
Principal Author		Senior Policy Analyst Biosecurity New Zealand			
Principal Author		Specialist Sanitary and Phytosanitary Negotiator Ministry of Foreign Affairs and Trade			

59(2)(a)

# BRIEF ON LIVESTOCK EXPORTS FOR SLAUGHTER AND ARRANGEMENTS FOR LIVE SHEEP FOR SLAUGHTER TO SAUDI ARABIA

## Purpose

1. This brief updates you on the views of the Ministries of Agriculture and Forestry (MAF) and Foreign Affairs and Trade (MFAT) on the potential review of policy on the export of livestock for slaughter and the preferred approach to current negotiations for a bilateral Arrangement with Saudi Arabia on live sheep exports for slaughter.

## Key Points

2. The Prime Minister has requested that Cabinet External Relations and Defence Committee consider whether or not a review of policy on the export of live animals for slaughter should be undertaken, and the preferred approach to current negotiations for a bilateral arrangement with Saudi Arabia on exports of live sheep for slaughter.
3. The attached draft Cabinet paper sets out the issues, options and implications of any review and the bilateral negotiations. The draft Cabinet paper also considers how best to review the standards for transportation of livestock, and recommends that the Minister of Agriculture request the National Animal Welfare Advisory Committee to take up development of a code of welfare on this issue, and accord it an appropriate priority.
4. There are potential risks to New Zealand's international reputation and trade relationships for both undertaking a review and not undertaking a review.

s6(a)

s9(2)(j)

s6(a)

s 6(a)

s 9(2)(g)

### Recommendations

7. We recommend that you:

a) note the contents of this brief; and

noted

b) agree to refer the attached paper to Cabinet External Relations and Defence Committee for its consideration.

agreed / not agreed

Barry O'Neil  
Assistant Director-General  
Biosecurity New Zealand

Hon Jim Anderton  
Minister of Agriculture  
/ /2007

Mark Sinclair  
Director, Trade Negotiations Division  
Ministry of Foreign Affairs and Trade

Hon Phil Goff  
Minister for Trade  
/ /2007

Pages 4 to 14 are withheld  
under s 9(2)(g)(i)



344/N2/11

Agenda Item:

Date of Meeting: 1 June 2007

Title: Livestock Exports Review and Arrangements of Live Sheep Export for Slaughter to Saudi Arabia

Author: s 9(2)(a)

SLT Sponsor: Barry O'Neill

**Summary:**

The purpose of this paper is to:

1. Agree a scope for the review of policy on the export of livestock;
2. Agree a negotiating position with Ministry of Foreign Affairs and Trade on how best to manage trade implications.

**Recommendation:**

It is recommended that you:

- a. Agree that the review of policy will focus on post-arrival animal welfare considerations arising from the export of sheep and cattle for slaughter;
- b. Agree that the review will take into account New Zealand's obligations under World Trade Organisation Agreements, trade policy considerations and the provisions of the Animal Welfare Act 1999; and

EITHER:

- c. Agree to the continuation of negotiating of a bilateral Arrangement with Saudi Arabia on live sheep exports, with a clause to take into account the outcomes of the policy review; and
- d. Note that these agreements meet many of MFAT's concerns and commence negotiations with it on that basis;

OR:

- f. **Agree** that the review should agree without constraints on the outcomes,  
and
- g. **Agree** to advise the Saudi Arabian authorities that a comprehensive  
review is underway.

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OFFICIAL INFORMATION ACT

RESTRICTED

14 May 2007

SAU/NZ/1/2

Minister of Trade

For action by 21 May 2007

### SAUDI ARABIA: ARRANGEMENT ON LIVE SHEEP EXPORTS

**Submission:** Issues

**Purpose:** To seek guidance on an approach to current negotiations for an Arrangement on exports of live sheep from New Zealand to Saudi Arabia, in the context of the Biosecurity New Zealand review of live animal export policies.

**Comments:** As live exports are a sensitive issue in New Zealand, media attention can be expected from any substantive development or change of policy.

#### Recommended Referrals

Minister of Agriculture

For information by 21 May 2007

Prime Minister

For information by 21 May 2007

Minister of Foreign Affairs

For information by 21 May 2007

#### Contacts

Darryl Dunn

Director, Middle East and Africa Division

s 9(2)(a) (wk)

s 9(2)(a) (wk)

Policy Officer, Middle East and Africa Division

(wk)

#### Minister's Office Comments

Signed / Noted / Referred / Agreed / Approved

Date: 18/5/07

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SAUDI ARABIA: ARRANGEMENT ON LIVE SHEEP EXPORTS

Key Points

Since 2004, New Zealand has been negotiating towards a bilateral Arrangement with Saudi Arabia to re-open the way for the export of live animals for slaughter. The aim of the Arrangement is to establish clear veterinary, transportation, quarantine and arrival processing guidelines, in order to ensure the welfare of livestock and allow trade (particularly in live sheep) to resume following suspension at the time of the Corno Express incident.

- The import of live sheep is an important domestic imperative in Saudi Arabia, and an area in which New Zealand is increasingly being called on to provide assistance. Since the 1980s New Zealand has enjoyed direct investment from Saudi Arabia in the form of a breeding programme with the express purpose of establishing a niche market for live sheep exports from New Zealand.

• is concern about the risk of negative fallout for New Zealand from any of these eventualities

Recommendations

It is recommended that you:

- 1 Note that an Arrangement on animal welfare and quarantine underpinning the planned resumption of the export of livestock to Saudi Arabia for slaughter has been under negotiation since 2004; Yes / No
- 2 Note that Biosecurity New Zealand (BNZ) has recently commenced a review of post-arrival animal welfare considerations for the export of cattle and sheep for slaughter, which is not expected to report until May 2008; Yes / No

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SAUDI ARABIA: ARRANGEMENT ON LIVE SHEEP EXPORTS

s 6(a)

4

s 9(2)(j)

Yes / No

5

s 9(2)(g)(i)

Yes / No

6

Agree that the Arrangement negotiations should in the meantime be concluded expeditiously, and New Zealand should seek to include a review clause in the Arrangement to take account of any relevant outcomes of the BNZ review of live animal exports as in recommendation 5 above; and

Yes / No

7

Note that if recommendations 5 and 6 above are not agreeable, officials would propose in any case to disclose the fact of the review and its possible outcomes to the Saudis, with possible consequences for the discontinuation of Arrangement negotiations.

Yes / No

Darryl Dunn  
for Secretary of Foreign Affairs And Trade

RESTRICTED

SAUDI ARABIA: ARRANGEMENT ON LIVE SHEEP EXPORTS

Report

The ready supply of live animals (particularly sheep and cattle) is a domestic imperative in Saudi Arabia, with livestock imported for milk as well as slaughter as part of the religious rituals associated with the annual Hajj. New Zealand has had a long association with the live sheep export trade. The mid-1980s saw significant expansion: the trade grew from about 416,000 in 1986 to over one million sheep in 1988/89 - to a number of countries, mainly in the Middle East. In 1990, the New Zealand trade became more focused on Saudi Arabia, as New Zealand moved to fill a gap created when Australia withdrew from the market (for the next six years), following a number of disputes and issues over animal health standards.

2 The New Zealand trade ran into problems when a 1990 shipment on the *Cormo Express* suffered a 12 percent mortality which was followed in the same year by a shipment rejected on health grounds (albeit questionable). As a consequence, New Zealand temporarily suspended its live sheep trade with Saudi Arabia. Until recently, however, these were the only major direct setbacks the New Zealand trade had suffered.

3 From the late 1990s, shipments dwindled to one a year, (approximately 40,000 sheep) due to a combination of economic factors, falling New Zealand sheep numbers, higher costs from New Zealand and the age restriction with regard to lambs. Deaths on these shipments remained consistently below 0.5 percent.

4 Since 1989, a majority Saudi-owned company trading as *Awassi NZ Land Holdings Limited* has been operating a breeding programme of Middle East-origin Awassi fat-tailed sheep in New Zealand, with a view to establishing a niche market for the ongoing export of live Awassi sheep to Saudi Arabia.

5 The Australia-Saudi Arabia trade ran aground in 2003 when a shipment of more than 50,000 sheep aboard the *Cormo Express* was rejected by the Saudis s 6(a) taking months to resolve and resulting in the death of large numbers of animals. At the time of this incident, New Zealand also suspended approval for the export of sheep to Saudi Arabia because of the lack of contingency plans if the Saudis treated a New Zealand shipment in the same way as the *Cormo Express*. The MAF Director General described this as an "unacceptable animal welfare risk", and until the risks were addressed, MAF would not issue export certificates for live sheep shipments to member countries of the Gulf Cooperation Council.

6 *Awassi NZ's* application to export shipments of up to 65,000 sheep has been placed on hold until such time that MAF can be satisfied that there are sufficient additional safeguards in place to protect the welfare of livestock, including through reduction of the risk of any future shipments being rejected.

7 Due to interest from exporters, including *Awassi NZ*, New Zealand has been seeking since 2004 to establish a firm footing on which to continue exports of live sheep (and other livestock) to Saudi Arabia.

s 6(a), s 9(2)(ba)

The then New Zealand Minister of Agriculture agreed that an Arrangement with terms similar to those agreed in the Australia/Saudi MOU on live shipments would be necessary before the live trade could be resumed. These terms include provisions governing transportation conditions for livestock and post arrival quarantine and processing procedures. Since this time, negotiations have proceeded in good faith with the

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SAUDI ARABIA: ARRANGEMENT ON LIVE SHEEP EXPORTS

ex. station that the conclusion of the Arrangement will allow for the resumption of live exports.

8 In October 2005 the Saudi Ministry of Agriculture submitted a draft

s6(a)

s9(2)(g)(i)

s6(a)

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OFFICIAL INFORMATION ACT

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14 May 2007

Minister of Trade

SAU/NZ/1/2

For action by 21 May 2007

## SAUDI ARABIA: ARRANGEMENT ON LIVE SHEEP EXPORTS

**Submission:** Issues

**Purpose:** To seek guidance on an approach to current negotiations for an Arrangement on exports of live sheep from New Zealand to Saudi Arabia, in the context of the Biosecurity New Zealand review of live animal export policies.

**Comments:** As live exports are a sensitive issue in New Zealand, media attention can be expected from any substantive development or change of policy.

### Recommended Referrals

Minister of Agriculture

Prime Minister

Minister of Foreign Affairs

For information by 21 May 2007

For information by 21 May 2007

For information by 21 May 2007

### Contacts

Darryl Dunn

Director, Middle East and Africa Division

Policy Officer, Middle East and Africa Division

(wk)

(wk)

s 9(2)(a)

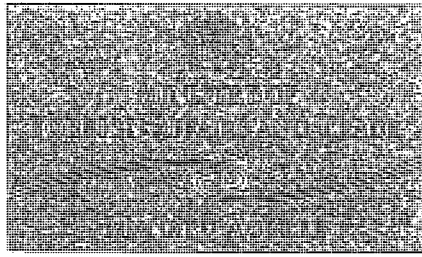
### Minister's Office Comments

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Date: /



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14 May 2007

SAU/MZ/1/2

Minister of Trade

For action by 21 May 2007

## SAUDI ARABIA: ARRANGEMENT ON LIVE SHEEP EXPORTS

**Submission:** Issues  
**Purpose:** To seek guidance on an approach to current negotiations for an Arrangement on exports of live sheep from New Zealand to Saudi Arabia, in the context of the Biosecurity New Zealand review of live animal export policies.

**Comments:** As live exports are a sensitive issue in New Zealand, media attention can be expected from any substantive development or change of policy.

### Recommended Referrals

Minister of Agriculture	For information by 21 May 2007
Prime Minister	For information by 21 May 2007
Minister of Foreign Affairs	For information by 21 May 2007

### Contacts

Darryl Dunn	Director, Middle East and Africa Division	(wk)
	Policy Officer, Middle East and Africa Division	(wk)

### Minister's Office Comments

Signed / Noted / Referred / Agreed / Approved

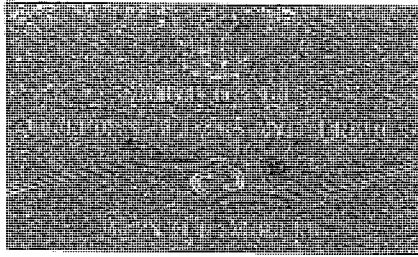
Date: 6 / 5 / 07

s. 9(2)(a)

*I think this  
needs to come  
up to cabinet  
quickly  
done*

*Heather  
19/5/07*

RESTRICTED



→ MEA

14 May 2007

SAU/NZ/1/2

Minister of Trade

For action by 21 May 2007

### SAUDI ARABIA: ARRANGEMENT ON LIVE SHEEP EXPORTS

**Submission:** Issues

**Purpose:** To seek guidance on an approach to current negotiations for an Arrangement on exports of live sheep from New Zealand to Saudi Arabia, in the context of the Biosecurity New Zealand review of live animal export policies.

**Comments:** As live exports are a sensitive issue in New Zealand, media attention can be expected from any substantive development or change of policy.

#### Recommended Referrals

Minister of Agriculture

For information by 21 May 2007

Prime Minister

For information by 21 May 2007

Minister of Foreign Affairs

For information by 21 May 2007

#### Contacts

Darryl Dunn

Director, Middle East and Africa Division

(wk)

Policy Officer, Middle East and Africa Division

(wk)

#### Minister's Office Comments

Signed / Noted / Referred / Agreed / Approved

Date: 16 / 5 / 07

s 9(2)(a)

Agenda Item:

Date of Meeting: 8 May 2007

Title: Scope of Livestock Exports Review

s 9(2)(a)

Author:

SPS Sponsor: Barry O'Neil

**Summary:**

The purpose of this paper is to:

3. Clarify, seek agreement on the scope of, and initiate the review.

**Recommendation:**

It is recommended that the SPS Forum:

1. Notes that subsequent to its decision, in March 2007, that the review focus on the export of live cattle for slaughter, there has been further discussion at a senior level within MAF, and with MFAT, on whether or not the review should also include the export of live sheep for slaughter and pregnant heifers for breeding;
2. Notes that concerns have been expressed around both (i) the transportation of animals; and (ii) their treatment post-arrival in the importing country;
3. Notes that the question of the scope of the review has been returned to the SPS Forum for clarification;
4. Notes that there are existing legal mechanisms under the Animal Welfare Act 1999 that cover (i) (the transportation of animals), but no legal mechanisms currently covering (ii) (their post-arrival treatment in the importing country);
5. Agrees that the review should focus on (ii) – specifically, on post-arrival animal welfare considerations arising from the export of cattle and sheep for slaughter;
6. Agrees that options developed for consideration by the SPS Forum and submission to Ministers, if agreed, should include legally compliant tools to address these concerns;

7. Agrees that compliance with New Zealand's World Trade Organization SPS obligations and the implications for the memorandum of understanding on the export of live sheep for slaughter being negotiated with Saudi Arabia also need to be addressed as part of the review;
8. Requests that the review team initiate the review and report back with findings and options for consultation for decision by the SPS Forum in September/October 2007.

## Background

1. Since this review was requested by the Minister of Agriculture, in August 2006, there have been protracted discussions over its scope. When the SPS Forum met in March 2007, it agreed, in line with a recommendation by the review team, that the scope of the review should be the export of live cattle for slaughter.

2.

3. The matter has been returned for the SPS Forum to clarify and seek agreement on the scope of the review.

## Discussion

### *Current position on the export on cattle and sheep*

4. New Zealand currently has no trade in the export of cattle for slaughter, as the result of a *de facto* ban on live cattle exports since the late 1980s. This was a decision taken by the then-Minister of Agriculture, based on the unacceptability of slaughter methods which did not include pre-slaughter stunning.

5. New Zealand has not exported any sheep for slaughter since 2003, primarily because buoyant prices for chilled and frozen meat have resulted in the lack of an economic imperative. Different animal welfare considerations apply to sheep compared to cattle, in relation to slaughter without stunning, while the same considerations apply to pre-slaughter handling practices in some countries.

6. New Zealand exported substantial volumes of pregnant heifers for breeding during 2005 and 2006. New Zealand also exports animals for fattening and subsequent slaughter overseas.

### *Drivers for the review*

The remainder of this document is withheld under s6(a)

C07000001-RIY

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FILE COPY

Your Reference:

Our Reference: SAU/NZ/1/8/2

FROM: Riyadh

C07000001-RIY 28/03/2007 05:36 p.m.

TO: Wellington

RIY

Routine

Out of scope

SAUDI ARABIA/NEW ZEALAND: LIVE EXPORTS: QUESTIONS ON SCOPE - SHEEP & SAUDI ARABIA

Summary

s6(a)

Message

Action Required

s6(a)

s 9(2)(g)(i)

Pages 2 to 3 are withheld under s6(a),  
s 9(2)(g)(i)

8421 12/1/02

s 9(2)(a) (MEA)

From: (RIY)  
Sent: Saturday, 24 March 2007 11:22 p.m.  
To: RIY; (MEA); DUNN, Darryl (MEA)  
Cc: (MEA)  
Subject: RE: Live animal exports review - change in scope  
Categories: [SEEMAIL], [SEEMAIL], [SEEMAIL] [RESTRICTED]  
Titus Classification: [SEEMAIL] [RESTRICTED]

Classification: [SEEMAIL] [RESTRICTED]

s 6(a)  
s 9(2)(g)(i)

From: (RIY)  
Sent: Saturday, 24 March 2007 6:59 a.m.  
To: (MEA)  
Cc: (MEA); Jim (RIY)  
Subject: RE: Live animal exports review - change in scope  
Classification: [SEEMAIL] [RESTRICTED]

s 9(2)(a)

s 6(a)

Pages 2 to 4 are withheld under s 6(a)  
and 9(2)(g)(i)