

AM20-0068

**Ministry for Primary Industries**  
Manatū Ahu Matua



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**Aide-memoire:**

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**To:** Hon Stuart Nash  
Minister of Fisheries

Hon Damien O'Connor  
Minister of Agriculture

Hon Shane Jones  
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**Date:** 7 February 2020

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**Coronavirus: Options for Government support to primary sectors**

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**Key Messages**

- MPI continues to monitor Novel Coronavirus as it unfolds and assess impacts on New Zealand primary sector trade. Most primary sectors (in particular forestry and seafood) are experiencing impacts to their trade with China (AM20-0062 refers).
- The situation is evolving daily. MPI is engaging with sector organisations to understand the immediate and potential medium-term impacts, and working with MBIE and other agencies to assess impacts and options for assistance.
- MPI has considerable response expertise, existing initiatives and relationships established to help the primary sectors respond to other pressures. This provides a strong foundation for developing tailored support to alleviate significantly impacted sectors and sub-sectors as required.
- MPI remains engaged with Government agencies including MFAT, NZTE, Customs and MBIE to ensure a more coordinated response and to provide the latest information to primary sector stakeholders.

- A key focus is identifying ways to support industry (such as providing information, directing them to available support, moving product to alternative markets where possible), and we are mindful of making decisions that set a precedent and carry a fiscal risk.

## Issue

1. This paper provides a high level outline of MPI's current response to Coronavirus and options for extending this if needed to provide tailored relief, and resilience support, to those affected by the economic impacts of Coronavirus.

## Current intelligence on trade developments

2. The following is a summary of trade impacts reported at MPI's meeting with industry, with other government agencies, on Wednesday 5 February. Overall, there is generalised concern about the impacts of the Coronavirus and the downstream effects for New Zealand producers and exporters but many are adopting a 'watch and see' approach. Next week, a clearer picture of continuing impacts is expected to emerge once the Chinese New Year holiday period has passed.

Industry	Status
Dairy	Relatively limited impact so far. This week's GDT drop is not unusual and more likely attributable to market dynamics other than the Coronavirus (including high inventory in stocks in China for Chinese New Year).
Forestry	<p>Significant impacts with supply chains disrupted and some forestry crews stood down in particular regions (Gisborne, Southland). This will have a flow on impact on domestic mills – in the short term increased logs will be available but as harvesting slows down supply will be constrained.</p> <p>Julie Collins leading contact with the forestry sector. MPI's Beijing post is looking specifically at forestry ports and for signals expected early next week as to whether Chinese mills are reopening or not. Transportation is an issue – 70% of ports have no trucking availability but trains are still running. No ports are closed but high inventory levels on wharves remain an issue.</p>
Horticulture	<p>As yet some limited impacts on supply chain, still high demand (though lots of shops in China are still closed). Some delays are occurring in payment processing, with localised impacts on particular exporters. Overall, market dynamics are complicated, with products being diverted into other markets.</p> <p>NZ-grown kiwifruit is not scheduled to arrive in China until April, and Zespri currently intends to deliver the season as planned.</p>

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<b>Meat/wool/deer</b>	<p>Some orders are being delayed and some companies are expecting challenges with payments. Exporters are redirecting product where necessary/possible. Some companies are still being asked by Chinese customers to send product (the ports are still open and China Customs (GACC) is prioritising food clearance).</p> <p>Federated Farmers report challenges with high stock levels on farms in dry regions and a possible need for supplementary feed. There is pressure on processors and cold storage facilities. MPI is watching this closely as, if prolonged, it could impact on animal welfare.</p> <p>Some slow-down in China food service demand for venison but a small market.</p>
<b>Seafood</b>	<p>Rock lobster industry is the hardest hit, and is working closely with Fisheries NZ to mitigate impacts. Australian estimate is at least 5-7 week disruption.</p> <p>The paua industry is not a cause for concern at this time. Some product from other markets has been redirected and is now competing with NZ product (e.g. Australian product competing with NZ product in Singapore and Malaysia).</p> <p>Impacts being felt for other products but relatively less significant than lobster.</p>

3. On 4 February MPI provided information on the current known impacts of Coronavirus on primary sector trade and MPI's response (AM20-0062 refers).
4. MPI has provided the Minister of Fisheries with additional advice on the specific impacts on the rock lobster industry (B20-0067). The Minister of Forestry has been briefed via 'sitreps' this week.

**MPI is responding and can do more if needed**

5. Potential assistance to the primary sectors falls broadly into four categories, each of which could be expanded or initiated if required:
  - i. Sharing information
  - ii. Support for mental health and wellbeing
  - iii. Tailored relief packages targeted at specific industry sub-sectors
  - iv. Direct financial assistance.

**i) Sharing information**

To date this includes:

- Exporter Regulatory Advisory Service (ERAS) advice including options for exporters to divert product to other markets and the applicable market access requirements. The ERAS helpline is able to provide information on Coronavirus trade impacts, and enquiry contact points within MPI.
- Information on the MPI website and through MPI social media channels, including information on the ERAS exporter helpline.
- Information for exporters via the NZTE web portal.

MPI is working to ensure exporters are provided with the latest information so they can implement their own contingency plans. On Wednesday 5 February MPI hosted a second teleconference with primary sector exporters and other government agencies to provide the latest information. A third meeting is scheduled for 12 February.

On 5 February, MPI chaired a meeting with forestry industry representatives on trade impacts.

The government could encourage banks to take a socially responsible and medium term view and share information on likely duration, impact, and pathway to business as usual. We note that where businesses are already under pressure from their bank for other reasons it is unlikely that this will offer respite, although other measures such as the Farm Debt Mediation Act will provide a mechanism to help farmers and their creditors work through debt issues when it comes into force on 1 July.

**ii) Mental health and wellbeing**

MPI is working with industry to ensure individuals and small businesses are aware of the support already available, for example through Work and Income, Inland Revenue, existing Rural Support Trust services and Federated Farmers' Member Employment Lawyer free service. Businesses under financial pressure are being encouraged to engage early with their accountants and other advisers.

Rural Support Trusts provide a range of funded and voluntary services. The recent increase in funding for financial and business planning advice for small businesses is not specific to Coronavirus but may enable a partial response where the impact of the outbreak has added to other pressures. In most regions Regional Advisory Groups are established to aid in well-being support alongside Rural Support Trust services.

In Gisborne, a primary industry group, focused on forestry, has been pulled together to identify those affected and provide advice on financials and how to get help and support for well-being. An 0800 number is being established for those concerned across primary industries and tourism.

The Guard Safety telephone support service is in place for fishers under pressure from change (initiated due to concerns about fisher wellbeing related to proposals for fisheries closures and restrictions to protect Maui dolphins, but not restricted to that source of pressure). Referrals can be made to mental health phone lines where applicable.

If further support is needed as the situation develops, the current initiatives could be refocused or extended as required. For example the Guard Safety concept could be extended to other sub-sectors affected by the economic impacts of Coronavirus, such as rock lobster fishers (annual catch entitlement holders) and forestry contractors. Rural Support Trust and other services could be extended.

**iii) Tailored relief for specific sub-sectors**

Tailored packages can be designed to respond to the needs of particular sub-sectors, where a particular issue is identified.

For example, the Minister of Fisheries announced earlier this week that a limited release of rock lobster back into the sea will be allowed. Fisheries New Zealand will work with the rock lobster industry to give effect to this decision. In addition, the Minister is considering allowing unused catch entitlements to be carried forward from the current fishing year (which ends on 31 March) to the next.

Initiatives such as the Gisborne 0800 number mentioned above could be expanded or mirrored in other regions to help local authorities and business owners assess impacts and respond to the particular challenges for their region. The government could also explore providing assistance to enable affected workers to be connected other employment. For example officials from the Wilding Conifer Programme are assessing the options and feasibility of using harvesting crews for wilding control activities – there could be some additional costs associated with this as it would be above existing programme activities.

**iv) Direct financial assistance**

There is a potential need to alleviate acute financial impact on affected individuals and businesses who could face significant impacts on their livelihood.

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Further analysis would be essential to ensure a consistent approach across the primary industries and other affected sectors such as tourism. Care is needed to minimise precedent risk and fiscal cost to the Crown and ensure consistency with New Zealand's obligations under the World Trade Organisation (WTO).

Note the nature of this event means it falls outside the scope of the Primary Sector Recovery Policy and the Adverse Event Contingency Fund.

6. Examples of the forms of assistance and support provided in response to earlier events are provided in **Appendix Three**.

**Frameworks are being developed to guide decisions on further relief**

7. A multi-agency Economic Advisory Group has been convened by the Treasury as a coordinating point for advising the Officials Committee for Domestic and External Security Coordination (ODESC) on the economic (and financial system) impacts of the coronavirus outbreak.
8. Specific to the primary sectors, the existing Primary Sector Recovery Policy provides a framework to guide government decisions on recovery assistance following adverse climatic events/ natural disasters ('adverse events') and biosecurity incursions affecting the primary sectors. While Coronavirus is outside of the policy's scope, its principles (Appendix Two) provide a useful framework to guide decisions on intervention in this situation. The Policy:
- is mindful of the Government making decisions that are precedent-setting and have greater fiscal risk;
  - helps to constrain Government spending by setting guidelines for on-farm recovery assistance;
  - provides stakeholders with confidence in managing their own risks and certainty that their risk management investments will not be undermined by ad hoc Government decisions; and
  - ensures the Government acts fairly to citizens in need.
9. Important considerations in determining whether and what type of support may be needed will include:
- The expected severity and duration of the impact, and where it falls across sectors and supply chains.
  - Whether and for whom the impact could be considered to fall within the scope of normal business risk.
  - Ability to manage risk, which varies between and within the sectors.
  - The likelihood that those affected will be able to put in place their own solutions.
  - Assistance already available through government policy settings.
  - Insurability of losses.
  - Consistency with New Zealand's obligations under the WTO.

**We are monitoring the banking sector's response**

10. MPI's initial analysis of banking sector commentary on the impacts of Coronavirus is as follows:
  - Banks see the outbreak as a short-term disruption to primarily trade and tourism in Asian markets
  - They are comparing this to Severe Acute Respiratory Syndrome (SARS), Middle East Respiratory Syndrome (MERS) and other past outbreaks to assess what the impacts might be.
  - Commodity price corrections (falls) are expected across the board and likely negative impacts to GDP in China resulting from business shutdowns, and reverberating across other Asian markets for Q1 2020.
  - They do (at this stage) expect a rapid recovery from Q2 onwards.
  - They see the rapid response from China to contain the virus as positive and likely to lessen the overall impact.
11. MPI considers NZ banks are not likely to change current client-focused business practices in the short term.
12. On Tuesday this week Westpac NZ stated it will discuss relief options to customers financially affected as the global outbreak of coronavirus squeezes local sectors. It indicated a range of possible support options for both business and personal customers including temporary overdrafts, suspension of principal loan payments and deferred payments on business credit cards.
13. Businesses reliant on Chinese New Year for trade (lobster and potentially cherries) are unlikely to recover losses in the short term. Banks have identified red meat as less affected to date, and dairy even less so, so at this stage banks are not seeing major risk from Coronavirus to client businesses in the primary sector.
14. More public information releases from banks are likely after this week's Global Dairy Trade (GDT) Auction. As expected, prices fell, with whole milk powder down 6.2%, skimmed milk powder down 4.2% while butter rose by 0.2%. Chinese buyers were active and commentators have received this result positively. We also note that the price drop is late in the season and unlikely to have a major impact on farmgate milk prices.
15. Where farm gate prices are impacted by falling commodity prices, this will flow on to cashflows and balance sheets which will compound issues for those already under pressure from high debt levels, drought, and other factors. It is important to note Coronavirus has happened at a time of strong dairy and red meat prices and a weaker NZ dollar.

**Next steps**

16. MPI will continue to engage with industry and assess the known and potential impacts of Coronavirus on different sectors under different scenarios for the containment/spread of the virus.
17. MPI will remain connected with MBIE, NZTE and other agencies to ensure a consistent and efficient government response. Other sectors, in particular tourism and international education, are facing some of the same issues as the primary sectors. MBIE is today providing the Prime Minister and other Ministers, including you, with an update on what is currently happening at this early stage of the event, and options for government response.

**Hon Stuart Nash**  
**Minister of Fisheries**  
Seen / Referred  
/ / 2020

**Hon Damien O'Connor**  
**Minister of Agriculture**  
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/ / 2020

**Hon Shane Jones**  
**Minister of Forestry**  
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## Appendix One: Talking Points - Coronavirus and the primary sectors

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### Situation overall

- Most primary sectors are feeling some effects from the Coronavirus including issues with supply chains, delayed payments, cancelled orders and cessation of some airfreight services.
- While there have been no changes in regulatory conditions (no border closures or additional requirements), sectors are experiencing impacts from supply-chain disruption and lower demand in China.
- These impacts are concentrated in forestry and fisheries at this time, which Ministers Nash and Jones can speak to.
- The severity of the situation for other sectors will depend on the duration of the Chinese response.
- Other than forestry and fisheries, we are watching closely the impact on the red meat sector, where we may see animals kept on farm for longer than intended – this may lead to a need for supplementary feed depending on location/weather.
- Horticulture is likely to be impacted if the slow-down continues far into March and April, given the season for exports opens in earnest shortly.
- We also need to be mindful of the availability of packaging supplies and containers available for use in New Zealand, given the lack of products being exported from China at this time.

### Additional information

- It is too soon to tell what the nature and extent of the impact on the economy will be.
- The primary sectors most acutely affected at this stage are the rock lobster industry (99% of its live lobster exports are to China), and the forestry logs sector.
- MPI is closely monitoring this rapidly evolving situation, and is in regular contact with primary sector exporters and industry organisations to report on the latest developments.
- To make sure exporters and others have the latest information, NZTE has set up a webpage at [www.nzte.govt.nz/coronavirus](http://www.nzte.govt.nz/coronavirus) and MPI's website is being regularly updated.

**Security Level – In confidence**

- The Minister of Fisheries has already announced urgent relief measures to allow for the limited release of live rock lobsters to the sea, provided survivability, welfare and biosecurity conditions are met.
- The Minister of Fisheries is also considering further options to alleviate economic impacts on the rock lobster industry, including allowing fishers to defer their catch of rock lobster to the next fishing year.
- The Government is looking at options to provide relief and resilience support to affected sectors, depending on the nature and severity of the impact. MPI is working closely with MBIE and other agencies on this.
- An 0800 number has been established for those concerned across the primary and tourism industries in Gisborne. Rural Support Trust services are another avenue of support for farmers.

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## Appendix Two: Principles of the Primary Sector Recovery Policy

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### The 12 guiding principles of the Primary Sector Recovery Policy

- i. The Crown is not the insurer of first or last resort;
- ii. The primary responsibility for risk management lies with individuals, local communities, local government and industry; and these groups must take all reasonable steps to mitigate and manage risks;
- iii. The Crown provides incentives for risk mitigation and management, so any recovery assistance is contingent upon the expectation that reasonable steps to manage and mitigate risks have been taken;
- iv. Assistance is aligned with Local Government, industry, and community group recovery; on-farm adverse events recovery policy; biosecurity compensation provisions under the Biosecurity Act 1993; the Government Industry Agreement for biosecurity readiness and response; and the Government's 1999 Recovery Plan for Natural Disasters and Emergencies within New Zealand;
- v. The Crown meets basic family welfare needs, if necessary, in a timely manner through appropriate and equitable measures;
- vi. Assistance is based on restoring community capacity for self-help and ensuring recovery occurs at optimal speed;
- vii. Recovery assistance is delivered efficiently and minimises the Crown's fiscal risk;
- viii. The Crown is seen to be acting fairly and reasonably to citizens in hardship while recognising the role of individuals, local communities, local government and industries during the recovery process;
- ix. Assistance is scalable and based on the economic, environmental and social impact on the wider community and whether the community has the capacity to cope, rather than focusing on recovery at an individual level;
- x. Biosecurity compensation is paid only for verifiable losses that were the direct result of the actions of the Crown, not the effect of the incursion, so that the recipients of compensation are no better or worse off than others who are not eligible for compensation;
- xi. Assistance does not interfere with current commercial solutions, i.e. private insurance, nor preclude the development of commercial solutions where they currently do not exist; and
- xii. Assistance is consistent with New Zealand's obligations under the World Trade Organisation (WTO).

**Appendix Three: Examples of current and previous assistance**

Example	Description
Guard Safety – Commercial Fishers 2019/20	An independent free support programme for commercial fishers under pressure from change. The programme is there to help with wellbeing and mental health and provides a telephone services. The programme is immediately available to fishers wanting to talk to someone.
Package of assistance – June 2015 (Taranaki and Horizons)	Range of support including funding for Rural Support Trust services, psychosocial support services, capability building/technology transfer, building business resilience, a Regional Rural Recovery Co-ordinator, regional council resilience activities and Rural Assistance payments in addition to disaster relief funding, cleanup and infrastructure repair.
Business support package – 2016 Kaikoura earthquake	Designed to support community recovery, rather than as a targeted fund for individual sectors or businesses. Can include wage subsidies and grants.
Relief fund package - paua fishers following the 2016 Kaikoura earthquake	<p>Relief package to support affected fishers after government used emergency measures to close the fishery following the Kaikoura earthquake.</p> <p>Option to provide pro-rated payments to reflect the proportion of unfished annual catch entitlements (ACE). ACE fishers voluntarily agreed to not fish a portion of their remaining ACE to help ensure future sustainability of the fisheries.</p>
Facilitation services – forestry 2003/4	With large numbers of forestry harvest gangs laid off (and a round of mill closures), MAF worked with MSD to establish hubs in the worst affected areas, to connect the affected workers with welfare, labour and recruitment staff.
Pastoral care (various responses)	Grants to help pastoral care providers support primary producers. Support has included financial advice, counselling, and welfare support through a Rural Support Trust.