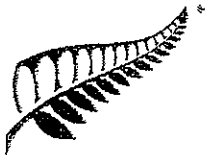


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NEW ZEALAND
FOREIGN AFFAIRS & TRADE

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-55-837

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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

Animal Performance and Management <ul style="list-style-type: none"> • Animal selection, husbandry, welfare, performance • Genetics • Infrastructure development (i.e. feedlots) 	<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>
Nutrition management <ul style="list-style-type: none"> • Nutrition formulations • Agronomy and seeds • Fodder production • Water management and irrigation 	<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>
Technology <ul style="list-style-type: none"> • Ear tags/EID tags • Tag readers • Scanners and scales • Sprayers • Fencing 	<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>
Management and Marketing <ul style="list-style-type: none"> • Planning and project management • Farm management • HR strategies and people development • Farmer selection and contracting • Marketing and branding 	<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 idea 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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OFFICIAL INFORMATION ACT

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

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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

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§ 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, § 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 disembarkation 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.

s 6(1a)
s 9(2)(ba)

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) (b)

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) (b)

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) (b a)

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 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 RY'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 ^{s 9(2)(a)} Director Market Access, accompanied by ^{s 9(2)(a)}, Policy Advisor/Translator in the Embassy met briefly with Assistant Minister of Agriculture of Animal Wealth and International Agreements, Dr ^{s 9(2)(a)}. 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)

s6(a)
s9(2)(ba)

Wider Issues

s6(a)
s9(2)(ba)

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

The remainder of this document is withheld under sections 6(a) + s9(2)(ba)



Procurement Plan

Engaging Deloitte to develop a business plan to inform the development of a NZ agribusiness hub in Saudi Arabia

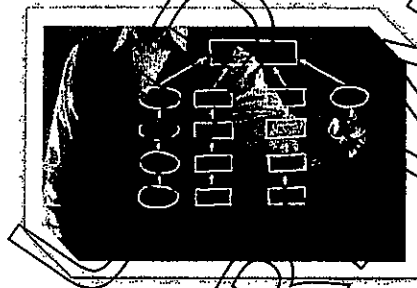


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Procurement Plan for: [Click here to enter text.](#)

Section One – Summary

Purpose

The purpose of this procurement plan is to document and seek approval for the engagement of Deloitte Consulting (led by *59(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 & Endorsements

Role	Name/Title	Signature
Initiator:	Alex Matheson - Special Envoy, Government Commercial Partnerships	
Endorsed by:	Peter Cooper - Divisional Manager Procurement	
Approver:	Chris Seed, Deputy Secretary	
PRO Endorsement:		

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 <u>Conflict of Interest Declarations</u> 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	

Procurement Plan for: Click here to enter text.

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 (PRO 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	

Procurement Plan for: [Click here to enter text.](#)

Statement of Work

PART ONE – STATEMENT OF WORK (MFAT to complete)	
PROJECT TITLE	
Contact Details:	Alex Matheson, Special envoy, Government Commercial Partnerships
Closing Date and Time:	Latest 30 June 2013
Project Outline:	As attached
Deliverables:	As attached
Specifications:	As attached
Timeframe:	April 2013- June 2013
Budget:	50K, plus expenses
Performance Measures:	MFAT acceptance of draft business plan
Reporting:	<p>On completion of the Project the supplier is to provide a report outlining:</p> <ol style="list-style-type: none"> 1. Compliance with the timeline, scope and the cost of the completed Services. 2. A breakdown of the cost for the completed Contract; and any recommendations for future projects.
General Comments:	NA

Procurement Plan for: Click here to enter text.

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 NZA in April 2013 Advisor Administrative Support s 9(2)(c)
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

s 9(2)(a)

Date

26 March 2013

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)(a)

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 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

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)
- Haulen 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.

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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.

s b(a)
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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); s 9(2)(a)

(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); s 9(2)(a) (investor and consultant working with the incoming Matheson-led agriculture delegation) and s 9(2)(a) (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 T +966 1 488 7988

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.



§ 9(2)(a)

From: Haylon Smith -AKL § 9(2)(a)
Sent: Sunday, 3 March 2013 10:27 p.m.
To: MATHESON, Alex (MEA)
Cc: AUSTIN, Jonathan (MEA); Clayton Kimpton -DXB § 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 § 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) § 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)(g) 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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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 Kilmington, 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.



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.

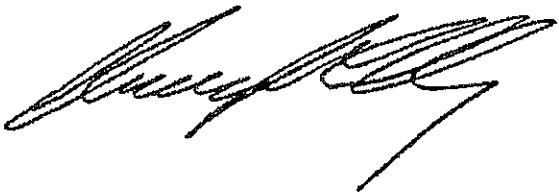
These discussions have also explored the opportunity for leading New Zealand agricultural service suppliers to transfer knowledge and technology to Saudi Arabia, providing a base from which future agricultural partnerships might flow. The New Zealand Government has agreed to commit up to NZ\$6 million 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