

2012

الله اعلم



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Hameed Al-Khalaf Trading & Transportation Group

P.O. Box 6305 Dammam 31442 - Office 6391256 - 6391654 - 6391522 / 6390754 - 6390566 - Fax 6391351

25 November 2012

Hon Murray McCully
Minister of Foreign Affairs
New Zealand Government
Private Bag 18041
Parliament Buildings
WELLINGTON 6160
NEW ZEALAND

Dear Minister McCully

Thank you for visiting us at our New Zealand farm, Matthews Station, last week. I enjoyed meeting with yourself and your team, and value your recognition of the Alkhalaif Group's contribution to the New Zealand agriculture sector and your personal commitment to forging a positive relationship with the Alkhalaif Group. I share your objective to develop a closer trade and investment relationship between New Zealand and the Kingdom of Saudi Arabia.

I formally confirm my agreement to both your offer of a capital contribution and a contribution for investment in research and development, as outlined in your letter of 12 November 2012; the research and development contribution will fund a special purpose partnership between the Alkhalaif Group and the New Zealand Government. In accepting your offer, I would like to take the opportunity to expand on some points we discussed that, I believe, could help with New Zealand's wider trade objectives in the Gulf region and in building the relationship between our two countries.

After first setting foot in this beautiful country of New Zealand, some 25 years ago, I quickly realised how complementary New Zealand and the Kingdom of Saudi Arabia are from a trade perspective, particularly in regard to the meat sector.

The Kingdom of Saudi Arabia has an enduring need for quality live sheep and sheep meats, for both internationally attended Islamic and cultural festivities, and routine Saudi Arabian consumption. In this regard, the Kingdom feels a keen sense of responsibility to ensure that both the nation's needs and those of the international Islamic pilgrims are met. I consider New Zealand and the ability of its farmers to be unequalled in terms of capability to help meet these needs.

I accept that resumption of the live sheep and cattle trade for slaughter is currently politically untenable in New Zealand and, while that remains the case, the initiative to export breeding sheep from New Zealand to the Kingdom of Saudi Arabia is a sensible alternative. However, as part of the spirit of our agreement, I think it will be of great assistance if New Zealand displays an understanding of and empathy for the Kingdom of Saudi Arabia's position and, consistent with your letter to me earlier in the year, retains an open mind and continues to seek ways to remove the current impediments to the trade. In particular, confirming New Zealand acceptance of deleting provisions in the MOU purporting to deal with issues past the point of disembarkation is a most important gesture, as already acknowledged by the Saudi Government.

I hope that one day the shifting sands of public perception, perhaps driven by advancement in animal transport technology and global animal welfare management capability, along with a strengthening of mutual trust between our countries, will enable the New Zealand live sheep trade for slaughter to resume.

Notwithstanding my comments above, our new special purpose partnership, with its overarching focus on assisting the Kingdom of Saudi Arabia's food security ambitions, has my absolute commitment. I see the key early steps as being:

- Livestock export/import protocols for breeding sheep and cattle (both beef and dairy) will need to be in place between New Zealand and the Kingdom of Saudi Arabia. This will include the MOU, zoosanitary certification and animal welfare export certification. I would appreciate your assistance in ensuring that New Zealand Government officials expedite this process with my management team.
- In the near future, members of the New Zealand team to visit the Kingdom of Saudi Arabia, spending time getting to know each other and learning about the entire supply chain from New Zealand farm to the Kingdom of Saudi Arabian consumer. When the breeding programme is underway in New Zealand, I would anticipate a reciprocal visit from my Saudi team to New Zealand. I believe that through knowledge gained during these visits, our joint teams will produce a cohesive programme for our mutual long-term benefit.
- I will once again ask Mr George Assay to work with your officials regarding:
 - arranging payment of the capital contribution, in the near future; and
 - the development of a plan for the special purpose partnership that delivers our joint objectives.
- The Alkhalf Group will begin planning for an export of pregnant sheep and cattle (beef and dairy) in 2013 to be shipped on our new ship, the Awassi Express, or similar vessel.

In regard to the New Zealand Government investment in the new special purpose partnership, I ask that you and I retain ultimate control of this expenditure and its allocation.

As discussed, you may soon be organising a visit to the Kingdom of Saudi Arabia through official Government channels. I extend a warm invitation for you to visit our farming business during your stay in the Kingdom and look forward to hosting you.

Kindest regards

Hmood Alkhalf
Group President

s 9(2)(a)

From: TND
Sent: Friday, 16 November 2012 12:04 p.m.
To: HARVEY, Martin (TND);
Subject: FW: FORMAL MESSAGE: SAUDI ARABIA: LIVE SHEEP: AL KHALAF PARTNERSHIP

[RESTRICTED]

s 9(2)(a)

Clerical Support Officer - Trade Negotiations Division
Ministry of Foreign Affairs and Trade.

From: MEA
Sent: Friday, 16 November 2012 11:47 a.m.
To: RIYADH
Cc: TND; DS APE; CEO; DS TEG; ECO; FM.MPI (Seemail); FM/NZTE (Seemail); FM.P/S MFA; FM.DPMC (FPA); STR
Subject: FORMAL MESSAGE: SAUDI ARABIA: LIVE SHEEP: AL KHALAF PARTNERSHIP

[RESTRICTED]

RESTRICTED

Handling Instructions:

MPI - for s 9(2)(a)
NZTE - for

Summary:

We are close to concluding a NZ\$10m partnership with Al Khalaf Group to support both an enhanced sheep breeding programme in New Zealand, and a farming facility in Saudi Arabia, based around the large-scale export of live sheep for breeding. We propose that this partnership sit, alongside other initiatives, under a bilateral Government-to-Government food security MoU. A zoosanitary protocol for the export of live sheep and cattle for reeding is also proposed.

Action:

2 Gratefully engage with Saudi authorities as outlined in para 8 and report reactions.

Report:

3 We (Matheson/Austin) met Al Khalaf regional representative George Assaf in Sydney on 29 October to discuss a revised proposal for a partnership between the New Zealand Government and Al Khalaf Group (Austin/Harris emails ref). We were upfront about the fact that there will not be a resumption of the live sheep for slaughter trade in the foreseeable future.

s 6(a)

s 9(2)(ba)

4 With the live sheep for slaughter door now clearly closed, Assaf had considered other ways in which to obtain a return on their New Zealand investment. Apparently briefed in advance by his New Zealand team, Assaf appeared attracted to a package comprising:

- "capitalisation" of the partnership of around NZ\$4m

- Procurement by the partnership of New Zealand services and technology of up to around NZ\$6m to support both an enhanced breeding programme in New Zealand and a facility currently under development in Saudi Arabia to receive breeding stock. Support to the latter could include the latest killing chain technology and possibly feed from Ethiopia.

5 It is proposed that the partnership sit under a wider food security MoU with Saudi Arabia. This MoU could then include other players such as SALIC and hopefully move the discussion context with the Saudis away from the negative of live sheep for slaughter and into a positive win/win food security space. A protocol for export of live sheep and cattle for breeding could come under the cover of this MoU.

6 The current draft protocol (sheep only), which applies OIE standards and does not seek additional impositions beyond disembarkation in Saudi Arabia, was considered acceptable by Assaf. The next step is for the competent authorities in New Zealand (MPI) and Saudi Arabia to initiate discussions on the requirements. In order to avoid any misalignment of expectations MPI will also communicate directly with Al Khalaf's representative to discuss the technical arrangements. These will include a number of elements such as:

- the length of voyage, timing of voyage, route, ship to be used, veterinarians and/or stockpersons accompanying;
- animal conditions such as livestock classes, ages, pregnancy status, methods of confirming stage of pregnancy, on-board feed;
- any pregnant sheep or cattle should not be in the last third of pregnancy;
- animals may not arrive into the Middle East during the Northern Hemisphere mid-summer.

These elements will be consistent with forthcoming changes to the Animal Welfare Act which will set regulations around the export of live animals. The changes do not alter policy but rather amend some mechanisms in relation to the trade.

6 Assaf explained that if the partnership could be agreed, Al Khalaf would be aiming to export annually a ship load of animals (mostly pregnant ewes, but possibly also cattle) from the Hawkes Bay to new facilities, currently under construction (not necessarily by Al Khalaf), in Saudi Arabia. He noted that New Zealand had recently exported "large numbers" of cattle and sheep to China and Mexico for similar breeding purposes (in 2010 New Zealand exported 377 live sheep and 26,540 live cattle – the last major shipment of sheep was in 2007 to Mexico). Al Khalaf currently have a purpose designed ship under construction in Singapore for the live animal trade.

s 9(2)(g)(i)

7 Mr McCully has written to Hmood Al Khalaf (Matheson/Harris email refers) outlining the proposed agreement. He has also accepted an invitation to meet him in the Hawke's Bay on 20 November. In addition to completing the deal, we anticipate this meeting will be an opportunity to remind Al Khalaf about our expectations in return.

s 6(a)
s 9(2)(j)

8 Now that we have some news to convey, we consider the time is right for you to engage with the Saudi authorities to:

- brief them on the positive discussions with Al Khalaf;
- determine their interest in a wider Government-to-Government food security MoU; and,
- propose that our competent authorities liaise on a zoosanitary protocol for the export of breeding animals from New Zealand to Saudi Arabia as a tool to enable the Al Khalaf partnership.

We leave it to you to determine the appropriate targets for your intervention. We will await with interest your report.

9 Assuming we can complete the arrangement with Al Khalaf, and the Saudi authorities respond positively to our proposals, our intention is that MFA travel to Riyadh early next year to confirm in person these arrangements. We would welcome your comment on this plan, including whether or not it is likely a MoU could be concluded in time for him to sign.

s 9(2)(a)

From: AUSTIN, Jonathan (MEA)
Sent: Friday, 16 November 2012 11:30 a.m.
To: 'Chris Carson'
Cc: MATHESON, Alex (MEA); Matthew Stone; IVESS, Richard (TND)
Subject: RE: Saudi Arabia: Live Sheep

Thanks Chris. This is helpful, including on the outcome of your meetings with Mr Carter. We will send the amended cable to Riyadh shortly.

While the letter to Al Khalaf has already been sent, we will incorporate the points below into Mr McCully's speaking notes for his meeting with Al Khalaf next week. Alex will also hand over a note to Assaf setting out the normal requirements as outlined below and note that MPI will be in touch with Awassi etc on the detail.

Thank you for your confirmation that MPI will meet the costs of negotiating the protocol.

Before we do anything else I think we need to step through:

- a) Mr McCully's meeting with Al Khalaf. We need to be sure we have a deal.
- b) Riyadh's engagement with the Saudi authorities. We need to be sure they are on board.

I suggest we should delay any technical engagement until we are comfortable on these points. Do you agree?

Cheers

Jonathan

Jonathan Austin
Manager, Middle East and Africa Division

New Zealand Ministry of Foreign Affairs and Trade
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Tel + 64 4 471 0000
Fax + 64 4 471 0001
www.mfat.govt.nz

From: Chris Carson [mailto:c Carson@ministryofforeignaffairs.govt.nz] s 9(2)(a)
Sent: Thursday, 15 November 2012 6:27 p.m.
To: AUSTIN, Jonathan (MEA)
Cc: MATHESON, Alex (MEA); Matthew Stone
Subject: RE: Saudi Arabia: Live Sheep

[SEEMAIL][RESTRICTED]

Jonathan/Alex,

Comments on the draft message attached.

This page is withheld under
s 6(a) and s 9(2)(g)(i)

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OFFICIAL INFORMATION ACT

From: AUSTIN, Jonathan (MEA) [mailto: [s9c2\(a\)](#)]
Sent: Thursday, 15 November 2012 2:33 p.m.
To: Chris Carson
Cc: MATHESON, Alex (MEA)
Subject: Saudi Arabia: Live Sheep

[SEEMAIL] [RESTRICTED]

Hi Chris

Thank you for the meeting on Tuesday. I promised to send you a draft of the cable we plan to send to Riyadh tomorrow. Apologies for the delay in doing so (I was on leave yesterday). Here it is.

Look forward to your confirmation that this is OK following your briefings to your DG/Minister.

Cheers

Jonathan

The remainder of this document is
out of scope

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OFFICIAL INFORMATION ACT



Office of Hon Murray McCully

Minister of Foreign Affairs
Minister for Sport and Recreation

12 NOV 2012

Mr Hmood Al Khalaf

' s9(2)(a)

SAUDI ARABIA

Dear Mr Al Khalaf

Greetings from New Zealand, and I trust that this letter finds you well.

When we last met we discussed how we can make progress on developing a partnership between the Al Khalaf Group and the New Zealand Government, as an important part of the New Zealand Government's desire to acknowledge the contribution of the Al Khalaf Group in the New Zealand agricultural sector and to develop a closer trade and investment relationship with the Kingdom of Saudi Arabia.

I asked my officials to begin a dialogue with your Australasian management, to begin fleshing out a partnership between the New Zealand Government and the Al Khalaf Group, focusing on improving food security in the Kingdom of Saudi Arabia, and utilising the investments of the Al Khalaf Group in New Zealand, and its knowledge and networks in Saudi Arabia.

My officials have worked with George Assaf, and members of your New Zealand team and associates, David Brownlieg, ' s9(2)(a) on developing the broad scope and model for such a partnership, which includes the following components:

- a NZ\$4 million capital contribution from the New Zealand Government to recognise the Al Khalaf Group's investment in the Awassi sheep breed to-date in New Zealand, and the expertise and customer networks that it will bring to the partnership;
- a NZ\$6 million contribution from the New Zealand Government to invest in the partnership, in particular in investing in research and development for the purpose of producing and exporting Awassi and New Zealand livestock for breeding and enhancing the supply of fresh meat to the Saudi market while promoting New Zealand red-meat technology and capability both in New Zealand and Saudi Arabia; and,
- I have instructed my officials to open a dialogue with their Saudi Arabian counterparts on the potential for a wider government-to-government food security partnership, which will include this proposal, and an arrangement to facilitate the export of animals for breeding purposes between New Zealand and Saudi Arabia.

If you agree to this broad proposal, I suggest that we ask our respective teams to begin work on the necessary details to get this partnership underway.

I understand that you will be in the Hawke's Bay for a few days from the 19th of November, I would like to accept your invitation to visit you at this time to formalise the beginning of what I am sure will be a productive and enduring partnership between the Al Khalaf Group, the New Zealand Government and the Kingdom of Saudi Arabia.

Kindest regards



Hon Murray McCully
Minister of Foreign Affairs

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OFFICIAL INFORMATION ACT

s 9(2)(a)

From: HARRIS, Rodney (RIY)
Sent: Sunday, 11 November 2012 3:30 a.m.
To: AUSTIN, Jonathan (MEA)
Cc: MUNRO, James (RIY)
Subject: RE: Saudi Arabia: Live Sheep

[RESTRICTED]

Hi Jonathan, thanks again for these docs.

Just re-reading the letter I had a suggestion: that in the letter first page fourth indent you insert "for breeding" after "arrangement to facilitate the export of animals".

This has been the main point of confusion and misunderstanding in MFA's letter earlier this year to al Khalaf (March).

say last para "I would like to accept your invitation to visit you on your farm to formalise", etc. you may also want to

I'm assuming this letter will be delivered via the Embassy. I think it's essential we continue to be the point of communication s 9(2)(g)(i)

Could we also please see a draft of the breeding protocol. I need to start getting my head round how it differs from what had been under negotiation. A commentary would be useful but not essential in this regard – and not if it delays getting us a draft. A technical question: can the export happen without a protocol?

Cheers, Rod

From: AUSTIN, Jonathan (MEA)
Sent: Sunday, 4 November 2012 10:10 p.m.
To: HARRIS, Rodney (RIY)
Subject: FW: Saudi Arabia: Live Sheep

[RESTRICTED]

Hi Rod

Attached FYI is a note we have sent up to MFA on the latest on live sheep. Will let you know how it plays (hopefully we'll be sending you some instructions this week).

s 6(a)

Cheers

Jonathan

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Deloitte

OFFER RELEASE

A draft blueprint for a sustainable
partnership between
NZ and Al Khalaf Group

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INFORMATION ACT

Understanding the opportunity for primary sector
joint ventures

In commercial confidence

An opportunity to partner

The New Zealand government recognises the value and commitment shown by Sheik Hmood Al Khalaf to New Zealand. Moreover, the recognition of the investments and advancements that could constitute Sheik Hmood Al Khalaf's contribution to form the potential partnership

The purpose of this document is to outline an initial opportunity for the partnership to build an integrated and sustainable across border breeding farming operation that supplies a best practice farm in Saudi Arabia. With an aim to:

Transform Sheik Hmood Al Khalaf's UNyDZeland investments and capabilities towards their integration with newly established best practice farm operations in the Kingdom of Saudi Arabia¹⁹

THE INVESTIGATION ACT

An approach to establish the partnership

The New Zealand government is proposing the partnership with Sheik Hmood Al Khalaf be developed in three stages, they are:

- 1 – to prepare a road map/blue print for agreement between the parties (this is the process we are currently in now)
- 2 – prepare a implementation plan for the agreed market led approach to be investigated.
- 3 – implementation.

The New Zealand government's high level value proposition for Sheik Hmood Al Khalaf covers several aspects:

- A willingness to invest to capitalise the partnership.
- A willingness to fund the development steps 1 and 2 of the proposed Partnership's roadmap (as outlined above).
- A willingness to ensure the partnership has access to the right skills and information.
- A willingness for Sheik Hmood Al Khalaf to own the farms outputs and lead the process/political engagement in Saudi Arabia.

New Zealand's government is ready to engage with Sheik Hmood Al Khalaf and his representatives to explore this opportunity and build a vertically integrated farming operation. To further aid the partnership process, New Zealand's government is willing to make a cash payment to capitalise the partnership to ensure it has sufficient financial resources to progress key initiatives.

Background & Recognising where you are today

Sheik Hmood Al Khalaf continues to show a commitment to New Zealand through investments in land, livestock breeding contracts with NZ farmers and local communities. These significant investments represent a sustained commitment over many years and an ongoing desire to build a prosperous business able to benefit both New Zealand and Saudi Arabia.

Sheik Hmood Al Khalaf has made significant progress in his selective breeding programmes to improve the genetics of their New Zealand flock. However, due to a lack of progress Awassi NZ has scaled back its breed operations to approximately 8,000 Awassi ewes and 500 stud rams. However, the Australian Pasian management and NZ partners of Al Khalaf report that restrictions on the live export of animals means the current farming operations are not realising their potential and experience sustained losses

The recent food crisis has elevated the issue of food security across the world. Many countries experienced shortages of food commodities and price surges. As a result of this countries are looking to both develop their domestic food production, and secure high quality and sustainable food imports.

Any proposed solution should provide a valid role & commercial opportunity for the past & current investment in NZ farms and Awassi genetics and have a strong livestock component to it. For example live export of breeding stock both sheep, cattle & dairy stock

Sheik Hmood Al Khalaf will be key in identifying & researching market opportunities in Saudi Arabia and elsewhere in Middle East and would like the first right of refusal on any commercial or other opportunities in Saudi Arabia that may arise out of any proposed solution (this may include leading the engagement at a political level).

In commercial confidence

Background - Recognising where we are today

New Zealand has an agriculturally based economy with proven world best practice capabilities and livestock. On this basis, the New Zealand government is seeking opportunities to enter into strategic partnerships that show case New Zealand's capabilities and further support friendly nations looking to establish long term relationships with the supply high quality products.

Sheik Hmood Al Khalaf and Saudi Arabia have been identified as potential partners to pilot a collaborative investment. New Zealand contribute to the security of the region, humanitarian good and contribute to food security on the region.

The New Zealand Government wishes to be actively involved in this partnership and will encourage and support New Zealand business bring their capabilities to the solution.



Food security committee: All signs indicate food crisis

RIYADH: WALEAA HAWAII

ARAB NEWS STAFF

The food security committee at the Riyadh Chamber of Commerce and Industry has stressed the importance of finding an economic commission with independent authority to manage the strategic stockpiling of essential food products. The entity, the committee indicated, should work to achieve an equilibrium between supply and demand, ensure a certain level of food security in the country, limit negative impacts resulting from price fluctuation, and ensure the continuous flow of food products to local markets.

The committee held a periodic meeting last week under the supervision of the head of the food security committee, Saad Al-Kharaf, who is also a board member of the chamber.

The committee recommended that the suggested commission be assigned with a number of missions, such as to build storage spaces for

essential products, prepare necessary researches and studies regarding the concept of strategic stockpiling, determine the surplus and deficit, and study the international stock market.

In anticipation of a food crisis, Al-Kharaf said the committee reviewed a few international changes that could predict a future food crisis. He said some countries suffered from the increase in the costs of local and international agriculture and food production as well as the decrease in international strategic food stockpiles recently due to aviation and climate conditions in the food-producing countries. Other countries producing strategic agricultural products, the committee pointed out, used those products to produce organic fuel, like corn.

On top of these global variables, the scarcity of water resources and dry desert climate of the Kingdom had resulted in the reduction of cultivated land and drop in agricultural production in general, while food demand had increased due to developing tourism.

In areas that lack

The food security committee meeting in Riyadh, recently. (SPA)

to the annual population growth by 7.9 percent. Al-Kharaf said the committee had previously adopted some solutions to face food crises and changes in product prices. "We support agricultural products that do not drain water. At the same time, we try to optimize the use of water through spending the agricultural products they need," he said, and the ideal way to water them, "is to find the best locations in the Kingdom for setting products, and develop new breeds with high qualities," he said. Al-Kharaf confirmed the need to speed up and activate the agricultural state plan, also recommended the activation of Custodian of the Two Holy Mosques King Abdulla's initiative for agricultural investment abroad.

The Periodical meeting also reviewed the continuous work to launch a national observatory for prices of food products, which will take place within the coming weeks.

ed to represent 2.9 percent of the GDP this year as compared to 2.7 percent in 2009.

"Tourism is the second largest provider of jobs, accounting for 26 percent

THE ACT

istent companies with government participation

Considering the needs of Saudi Arabia

In developing the partnership, we believe understanding the needs of the local market and opportunities to benefit the regions wider population is important. A Saudi example is:

King Abdullah's Initiative for Saudi Agricultural investment abroad: "a way of enhancing Saudi food security"

During the food crisis the Saudi government intervened to mitigate the direct and indirect impacts of the food crisis on its population. This included: increase wages and support payments, subsidising/fixing prices/lowering prices across numerous product groups and dropping input tariffs on selected goods. The Saudi government has identified that the annually compounding population growth will make any future food crisis significantly more expensive situation.

The strategy is to:

- I. Provide funds, credit and logistics to Saudi investors to invest abroad in agriculture and meet the Saudi needs for food and avoid future food crises.
- II. Establishing a strategic reserve for basic food commodities, to meet the Saudi needs for food and avoid future food crises.

Livestock is one of the targeted products, below are the programme's principles to safeguard Saudi food security:

- I. The Saudi private sector (not the Government) is the main investor.
- II. Investments in recipient countries are in long term.
- III. Investor's right to choose the cultivated crops.
- IV. Investor's right to export his produce to Saudi Arabia (some of the produce might be left for the local market)
- V. The targeted investment are for staple food products.

Approach

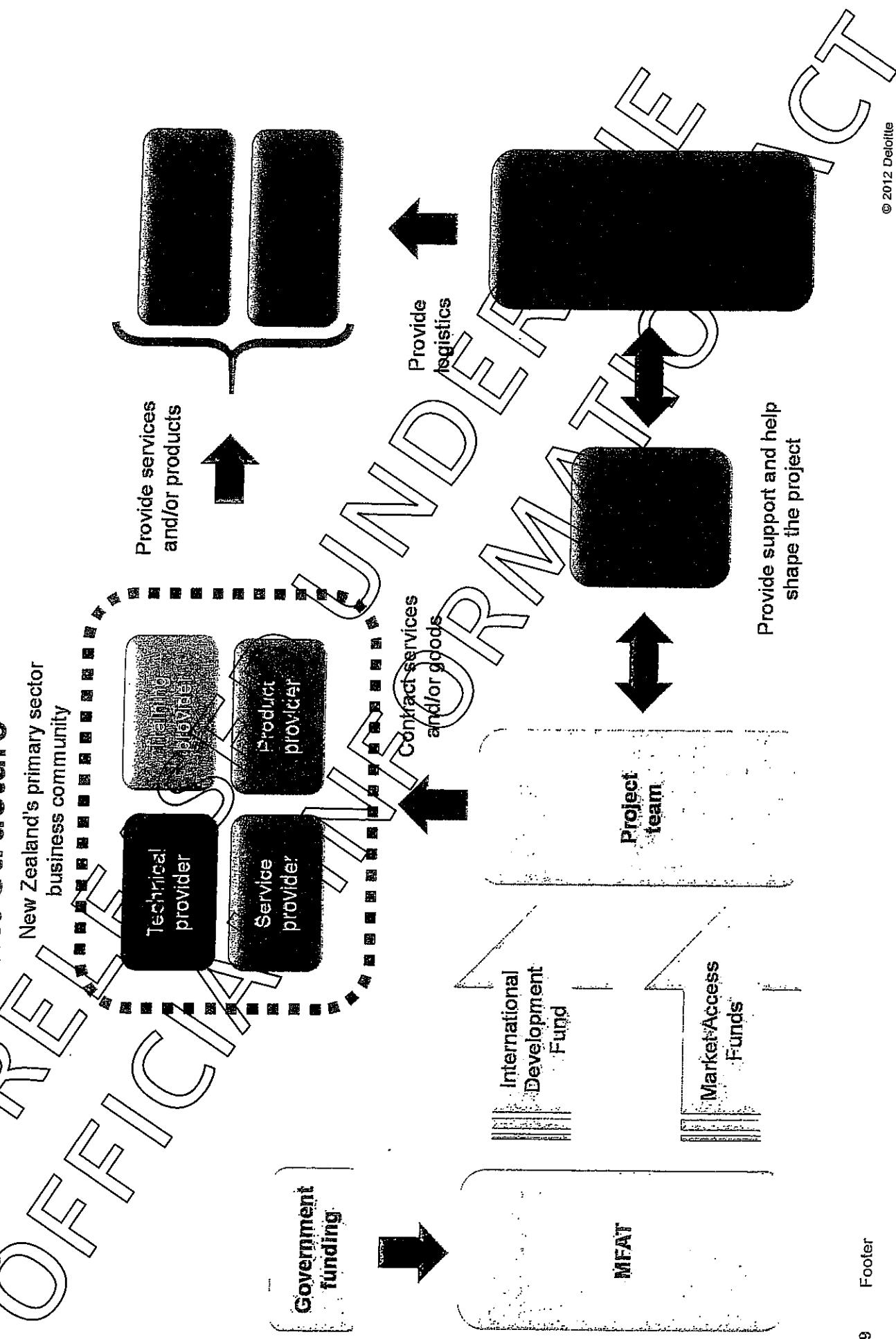
REFAA

The activities required to prepare the business case/implementation plan include, but are not limited to:

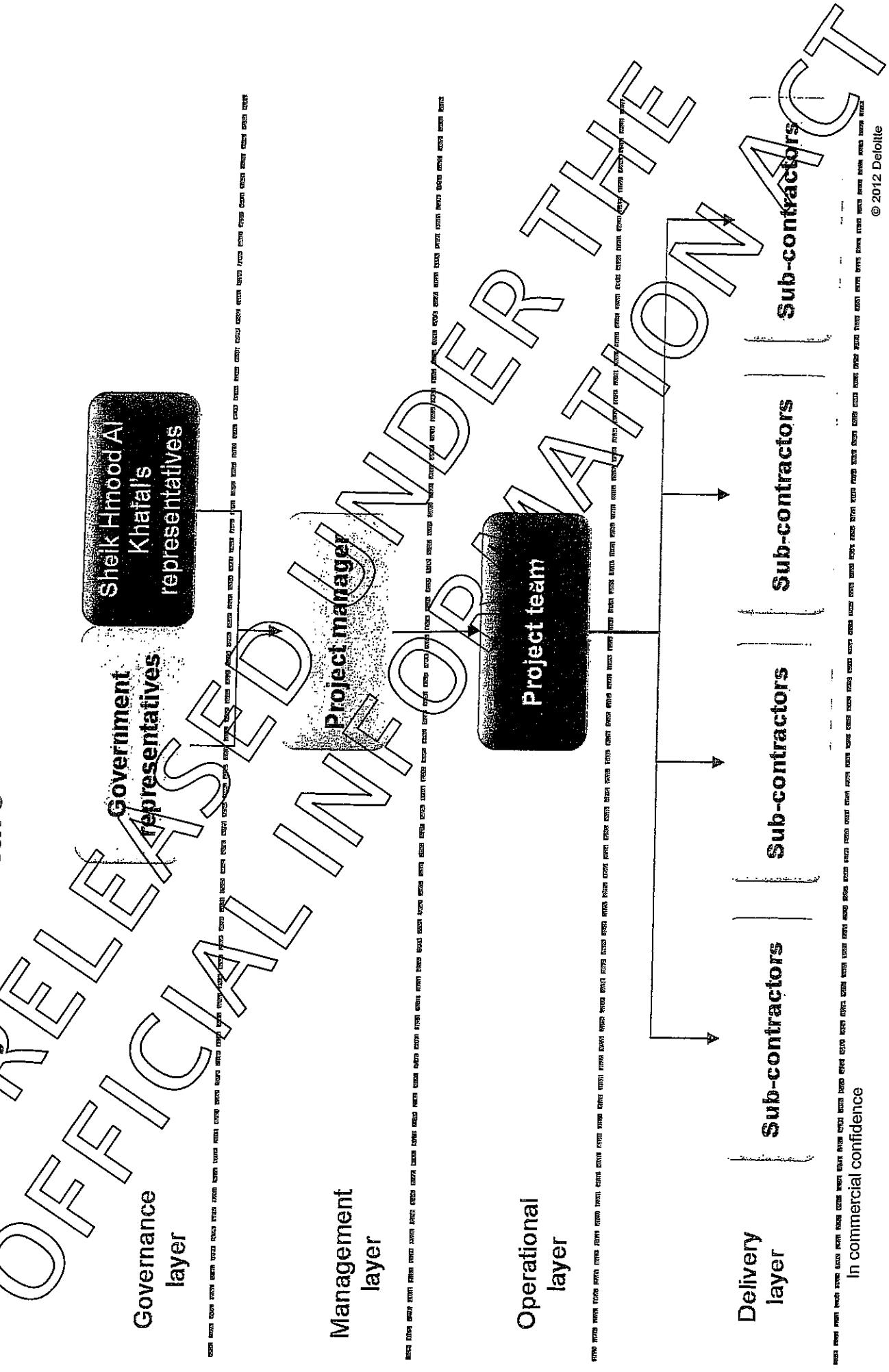
1. Designing a value chain to a scale that would provide a satisfactory return on investment, including what investments are required in New Zealand and in Saudi Arabia.
2. Working with Sheik Al Khalaf to investigate the market in Saudi Arabia and the need for red meat and how that contributes to the country's overall strategic objective of food security.
3. Identification and negotiation of the required inputs need to develop the Awassi supply chain, including people capabilities.
4. Developing a financial model to estimate the investment required and the possible returns.
5. Finalise the investment channels and how the New Zealand Government will best provide investment funds.
6. Preparation of an implementation plan.
7. Consult with relevant parties and officials.
8. Review and incorporate feedback to finalise the documentation (this will include an iterative process to negotiation of the draft business case with the respective parties to the venture, both in New Zealand and offshore).
9. Finalisation of the business case.

Proposed Investment Structure

New Zealand's primary sector business community

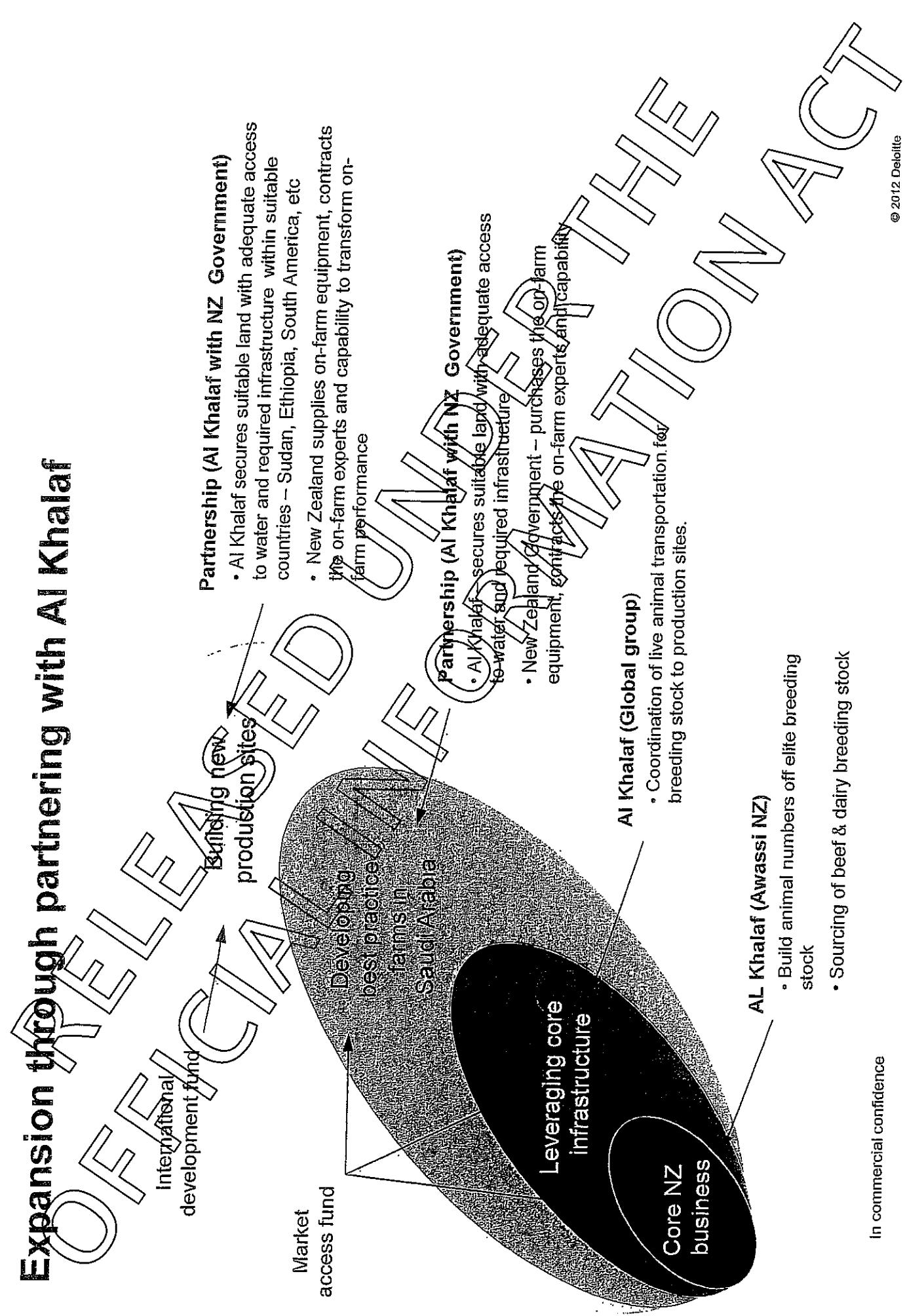


Proposed Project Structure



Expansion through partnering with Al Khalf

~ ~



In commercial confidence

Investing for the transfer of breeding stock, knowledge and capability from New Zealand (for sheep, beef and dairy farms)



Animal genetics

Building on Sheik Hamood Al Khalaf's existing breeding programme in New Zealand can provide the latest sheep and cattle phenotypic technologies (e.g. genetic material and/or analytics from

§ 9(2)(b)(ii)

Performance monitoring

New Zealand is investing heavily to develop farming systems and capabilities to capture data to inform on-farm decisions (e.g. performance measurement capability from

§ 9(2)(a)

Farm science

New Zealand has developed significant research capabilities to optimise farming systems - including animal health, feeds, equipment and farm design.

(e.g. laboratory to field expertise from

§ 9(2)(a), § 9(2)(b)(ii)

Agronomy & nutrition management

New Zealand has developed significant knowledge, systems specialist products and research capabilities to optimise feed growth (e.g. soil testing, mapping and forage breeding by

§ 9(2)(a), § 9(2)(b)(ii)



Investing for the transfer of breeding stock, knowledge and capability from New Zealand cont. (for sheep/beef and dairy farms)

Improved food security

The partnership will support the delivery a sustainable flow of stock to expand domestic and foreign farm production systems
(e.g. from stock firms like § 9 (2)(b)(i);
§ 9 (2)(c))

People capability

New Zealand can provide both practical experience and formal training for farmers/workers that can be taken back to Saudi Arabia (e.g. professional courses from farm advisors § 9 (2)(a);
§ 9 (2)(b)(i))

Assurance programmes

New Zealand has world leading expertise in all farm related activities
(e.g. audited programmes from companies like § 9 (2)(a);
§ 9 (2)(b)(i))

Irrigation systems

New Zealand has world leading expertise in automated irrigation systems to maximise feed production.
(e.g. expertise with centre pivots and waste systems like § 9 (2)(b)(i);
§ 9 (2)(c))



Initial thinking on the value proposition for Sheik Hmood Al Khalaf

The latest technology

New Zealand proposes to capitalise the partnership to access the latest technology and systems for the best practice:

- sheep beef farm
- dairy farm
- processing capability

Access to world class training

A formal exchange programme could be established to capture and deliver the on-farm capabilities from New Zealand back to Saudi Arabia.

Increased utilisation of assets

A formal partnership will allow the coordination of livestock through Sheik Hmood Al Khalaf's existing infrastructure to establish and grow the proposed farming operations.

New market opportunities

New Zealand is not seeking to market the farming outputs, allowing Sheik Hmood Al Khalaf to leverage New Zealand's investment to market any products to grow and target new markets.

Potential for further innovations

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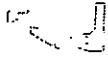
Diversification opportunities

Merino sheep are known as good milking sheep, a complementary farming system to the proposed breeding programme could be to collect and process the milk. New Zealand companies are world leaders in adding value to milk products - these include cheeses, milk powders and baby formulas.



Expansion of the business model

At the end of the pilot's investment Al Khalf may wish to expand the breeding programme to establish additional farming production sites within other regions of the world.



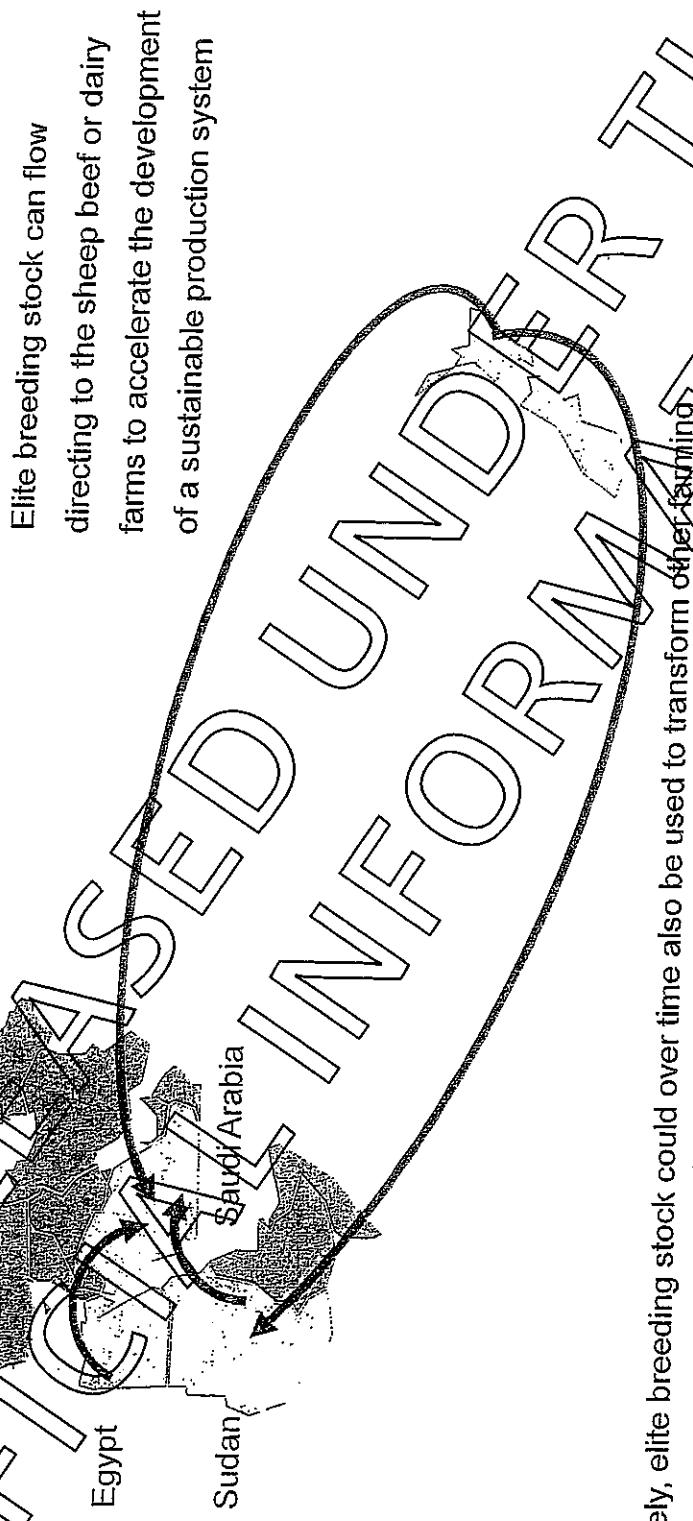
Reducing of green house gases

New Zealand is investing heavily in understanding the opportunities to reduce animal greenhouse gas emissions. Much of this research is still being undertaken. However once complete, this knowledge, management practices or genetics may be of interest to Sheikh Hmood Al Khalf.

UNLOCKING
THE
POWER OF
INNOVATION

Expansion of the business model – the ability to power up multiple farm production sites

Elite breeding stock can flow
directing to the sheep beef or dairy
farms to accelerate the development
of a sustainable production system

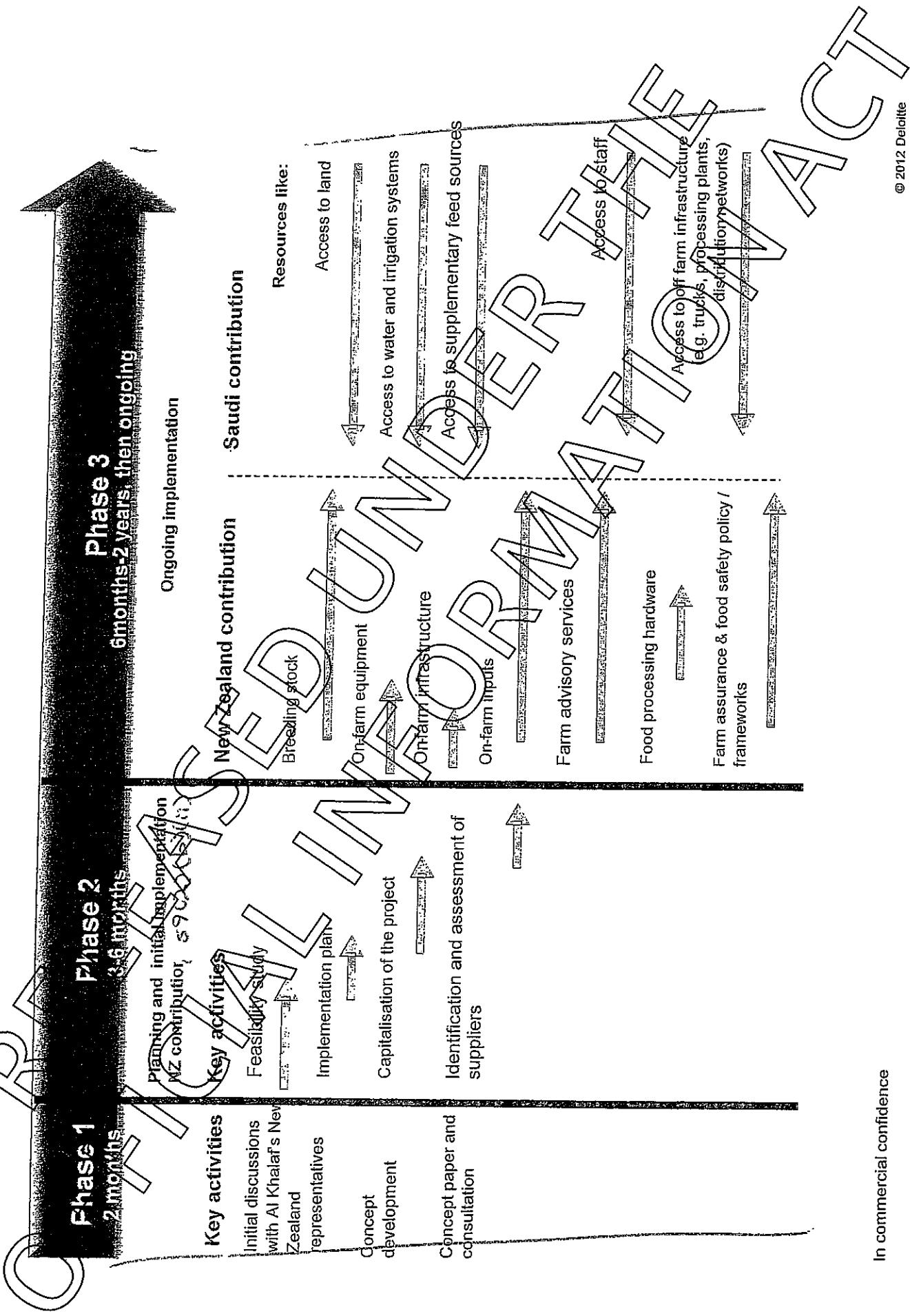


Or conversely, elite breeding stock could over time also be used to transform other farming operations to supply stock to Saudi Arabia. This aligns with King Abdullah's initiative for Saudi agricultural investment abroad where targeted countries for food supply include Egypt, Sudan and Ethiopia.

Moreover, both Sudan and Ethiopia can align with the New Zealand's government's aid programmes, such an alignment could represent an opportunity to leverage other government investments to accelerate additional production operations within the proposed partnership.

In commercial confidence

RELEASED INFORMATION ACT UNDER THE INFORMATION ACT



Appendix - New Zealand Capability (1)

Activity and providers*	Services to be provided	Government's value capture mechanism	Companies value capture mechanism
Contracting of technical services	Research & Development Core science Science application Farm advisors Famer educational courses Practical farm base skill training	Tax in the form of income tax and PAYE Short term Increased services revenues Long term Potential for IP licencing fees	
Purchase of farm inputs	Animal feed Animal health products Fertilisers Chemical sprays Building materials e.g. fencing material	Tax in the form of income tax Short term Increased product sales Long term Potential long term customer base	
			ACT

Appendix - New Zealand Capability (2)



Activity and providers*	Services able to be provided e.g.	Government's value capture mechanism	Companies value capture mechanism
Provision of on-farm equipment	Ear tags/EID tags Tag readers Scanners Scales	Tax in the form of income tax	Short term Increased product sales
Potential providers:			
§ 9(2)(a)			
§ 9(2)(b)(ii)	Sprayers Irrigators		Long term Potential long term customer base
Provision of on-farm and business systems			
Potential providers:			
§ 9(2)(a)			
§ 9(2)(b)(ii)			
Specialist systems – overseer, etc			
	§ 9(2)(b)(ii)		
Farm systems			
	§ 9(2)(b)(ii)		
Benchmarking systems –			
	§ 9(2)(b)(ii)		

In commercial confidence

ACT

UNDER
INFORMATION

ACT

ACT

ACT

ACT

ACT

Appendix New Zealand Capability (3)

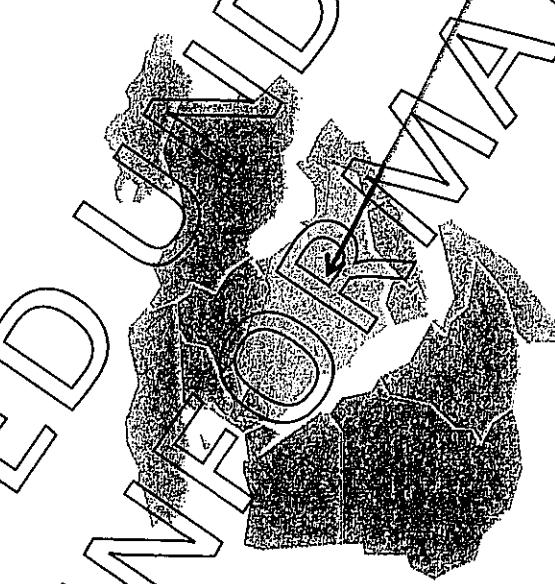
Activity and providers	Services able to be provided	Government's value capture mechanism	Companies value capture mechanism
Provision of phenotypic expertise			
Potential providers:			
§ 9(2)(a)	Access to central systems	Increased product sales, information sales and benchmarking services	
§ 9(2)(b)(ii)	Genetic testing	Tax in the form of income tax and PAYE	
	Genetic mapping		
			Long term
			Short term
			Potential long term customer base
Provide access to business and governance expertise			
Potential providers:			
§ 9(2)(a)	Access to integrated business systems	Increased services and product sales	
§ 9(2)(b)(ii)	Access to agribusiness experts	Tax in the form of income tax and PAYE	
	Access to business/ performance measurement frameworks		
			Long term
			Potential long term customer base

In commercial confidence

Deloitte

OFFICIAL RELEASE

Proposal for an ASX-Hub in Saudi Arabia



Card
Rev.
Date
Name

PROPOSED RELEASE OF OFFICIAL INFORMATION UNDER THE INFORMATION ACT

In Commercial Confidence

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Summit of Findings

Findings from technical visit

Key activities

3 areas for further consideration

3 areas of the G7

1.1 Key findings from the technical visit (1)

1. Sherymood Al Khalaf continues to show a commitment to New Zealand through investments in land, livestock breeding contracts with NZ farmers and local communities
2. Al Khalaf has a substantial business in Saudi Arabia to build a solution around
3. Al Khalaf wants to build a breeding farm in Saudi Arabia as a demonstration farm, using New Zealand technologies and IP and welcomes a proposal from NZ on how that may be achieved for the benefit of both countries
4. The NZ based technical experts identified a range of areas where NZ could assist Al Khalaf with building the demonstration farm. The components of a value chain were identified and documented
5. A demonstration farm, (well funded) could act as a show case of NZ technologies for the wider GCC market where GCC farmers could learn new skills and observe NZ systems and technologies in operation
6. It will cost approximately \$80m to establish a sustainable breeding operation
7. NZ's \$6m investment is invaluable to procure specialist expertise to make it a success
8. Al Khalaf are committed to a JV arrangement to build the demonstration farm and promote NZ capability and contribute to food security

② Key findings from the technical visit (2)

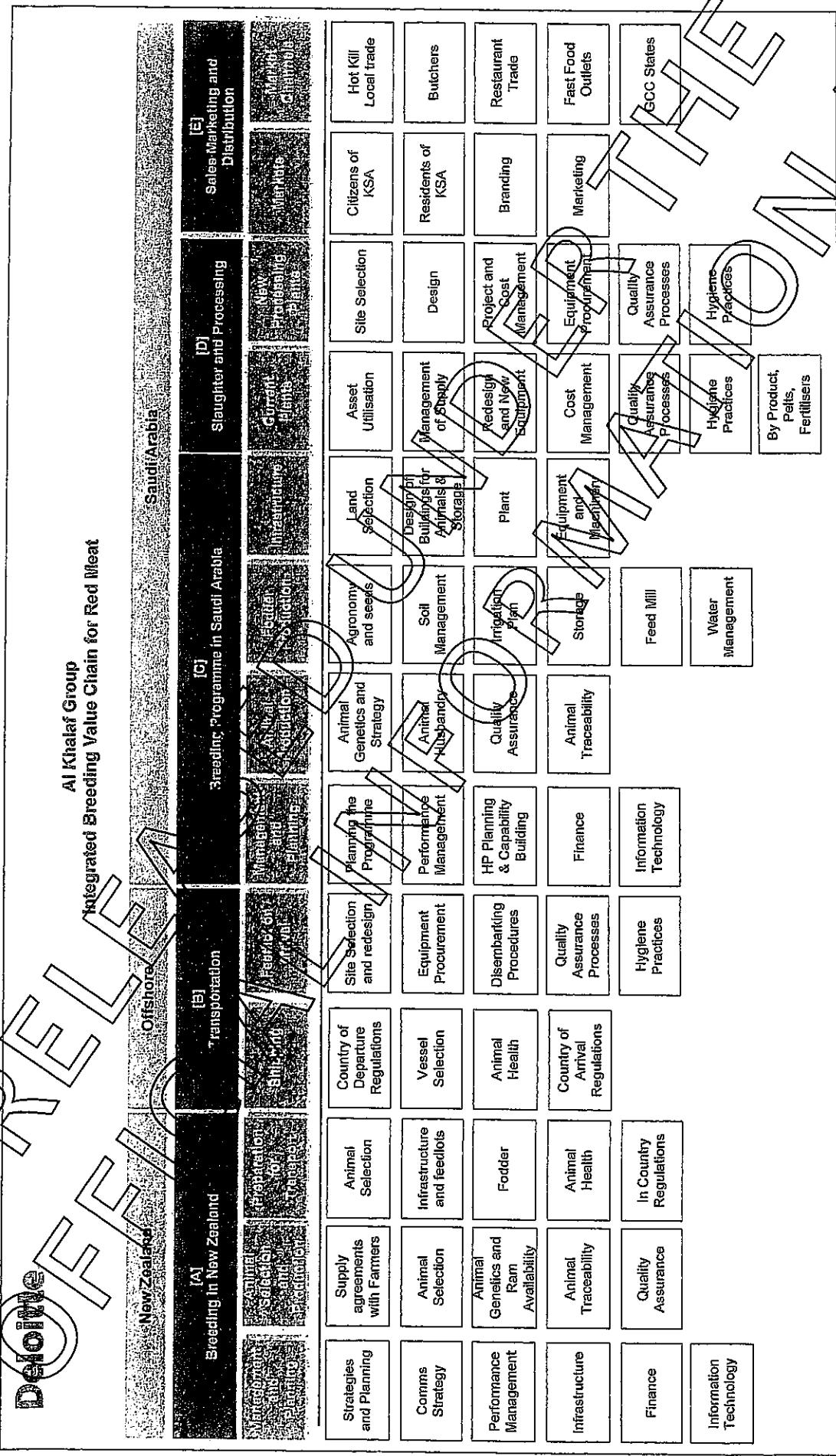
Technical team's key activities

1. Reviewed the current value chain and identified the strength and weaknesses
2. Identified where NZ could invest to build a value chain centred around a breeding farm (refer to value chain diagram)
 - [A] Breeding in NZ
 - [C] Breeding Programme in Saudi Arabia
 - [D] Slaughter and Processing
3. Acknowledged that sea transportation was not a core strength of NZ
4. Documented the proposed breeding value chain

Areas that require further consideration:

1. It was noted that Al Khataif was considering targeting the growing middle class in KSA and the GCC with their product. This would complement their existing value chains and provide a premium market return
2. That the NZ investment has to be part of a wider and comprehensive investment by Al Khataif – and that this business plan needs to be further documented – clearly showing how the NZ investment is best placed to support both parties wider objectives
3. That any programme has to be supported by an appropriate Governance framework

AI Khalaf Group Integrated Breeding Value Chain for Red Meat



2. The high level plan

1. The high level plan
2. What does success look like?
3. Timelines for first shipment
4. Where can NZ contribute?
5. Procurement strategy
6. Governance structure

2.1 The High level plan

The following is a summary of the plan. Further explanation of the plan is in subsequent slides.

1. A demonstration breeding farm will be established in Saudi Arabia that will show case NZ IP and contribute to food security
2. A protocol for shipping breeding stock is currently under discussion between the NZ and Saudi agriculture ministries
3. The Partnership will develop a business plan for the establishment of the demonstration breeding farm illustrating how it will target the market with a NZ/KSA product focussed on the growing middle class in KSA and the GCC
4. That plan will outline how NZ technology and IP will support the design, build and operations of the demonstration breeding farm
5. A governance structure will be established to support the development and execution of the Plan

② The ~~R~~^E level plan - What does success look like

Establishing a demonstration farm in Saudi Arabia: The NZ Agri Hub - key attributes

- The primary objective of the demonstration farm is to showcase a breeding and fattening unit that produces product to a market specification
- Al Khalaf will be seen as the driver of innovation in the red meat sector in its resolve to contribute to addressing food security risks in the GCC
- Visitor's to the demonstration farm will see NZ products and services in action
- The farm will:
 - Be designed around a combination of KSA and NZ on farm best practices
 - Utilise New Zealand technologies and better practices including genetics (animal and plant), farm management systems and farm equipment
 - Leverage off Al Khalaf's brand, investments and expertise in both markets

Desired outcome

- The programme supports Saudi Arabia's food security and safety objectives
- Al Khalaf has a new sustainable business that complements existing businesses
- A new, differentiated NZ/KSA product is produced to a market specification
- NZ brand awareness is built in KSA and complements our chilled and frozen trade
- NZ on farm capability, products and expertise are showcased in market generating repeat purchases

2.4 Investment – Where can NZ usefully contribute?

Support from NZ is critical to developing a sustainable breeding business with a differentiated product that meets a market specification.

An analysis of the future value chain and what New Zealand can offer has identified four main areas where assistance is required:

- Animal Performance and Management
- Technology and Equipment
- Management and Marketing

Al Khalaf intends to build a processing plant next to the demonstration farm once planning consent is given. They anticipate NZ expertise will be procured to design and build this facility.

More detailed confirmation of how the NZ funding is best allocated across the areas identified will be investigated with the respective technical expertise as part of the next steps.

The following slide further explains the types of products and services required from NZ.

Investment - Where can NZ usefully contribute?

Investment areas	Explanation
Agricultural production management	<p>This area focuses on the need to build breeding programme or research and application infrastructure to support genetics, animal health and breeding and animal welfare. Stakeholders will be compensated by a multi programme delivery of extreme environment A knowledge based model delivered through a support group.</p>
Technology and Equipment	<p>Access to enabling technology will depend on the necessary best practice elements of the demonstration farm. Any technology will need to be developed with the appropriate expertise, design, implementation and user of it to achieve the best outcomes on farm in South Africa.</p>
Agricultural technology	<p>Demonstrable technology developed between New Zealand and South Africa will be focused on developing sustainable business models. Sustainable business models will require rapid validation of new technologies over the longer term to beyond the project funding horizon.</p>
Management and Marketing	<p>Planning and procurement management, farm management, product development, market selection and contracting, marketing and branding.</p>

2.6.1 Procurement strategy

We need to procure NZ entities that satisfy Al Khalaf's best practice requirements, will assist in contributing to food security in the region, will lower long term risk and will further NZ's strategic objectives.

Criteria to be used in selecting a consortium lead and frequency potential consortium partners proposed in this EO	Weighting
Capacity and Credibility of the Supplier (as Lead Provider)	20%
Agribusiness/red-meat industry innovator, with proven capability to deliver and credibility in the New Zealand industry, and balance sheet to support on-going involvement in the agrihub.	30%
Capability and Commitment of the Supplier (as Lead Provider)	30%
Demonstrated business relationships in offshore agribusiness, or successful offshore agri business operations preferably in the Middle East, and Saudi Arabia in particular, or climatically similar areas.	20%
Industry knowledge, and networks of the Supplier (as Lead Provider)	20%
Proven ability to collaborate with value chain participants and contribute to a wider programme of work. Industry knowledge, and networks in the three key areas noted above under the 'potential focus areas' section.	20%
Proposed Methodology	20%
Proposed project plan, governance structure, milestones, performance measures, project outputs, response to proposed Funding Agreement and risk management processes.	20%
Total	100%

A key focus of the project is developing a high-value red-meat product for the Saudi market, focusing on the Awassi breed of sheep

Land and major infrastructure to support the breeding operation will be made available by the Saudi interests

The Saudi interests will assist with access to capability and people where required, and with the showcasing aspects of the project.

It is expected that successful delivery will involve a range of services and products, ranging from sourcing and installing New Zealand technology and equipment in Saudi Arabia, to research, design, training and consultancy services.

We are expecting the Lead Provider and consortia to demonstrate the most effective emphasis and programme of work within the identified potential areas of focus.

Al Khalaf Group Integrated Supply Chain for Red Meat

International Trade - Offshore

National Trade - Saudi Arabia

International Trade - Saudi Arabia

OFFICE
Breeding and Growing Out

Management and Planning

Strategies and Planning

Performance Management

Infrastructure

Finance

HP Planning & Capability Building

Information Technology

Quality Assurance

Hygiene Practices

Al Khalaf Process Map - Draft - April 20013.vsd

OFFICE
Transportation

Procurement

Animal Selection

Other Matters

Animal Selection

Finance

Supply Agreements

Country of Arrival Regulations

Cost Management

Quality Assurance Processes

Hygiene Practices

OFFICE
Feedlot

Slaughter and Processing

Current Plants

New Processing Plants

Site Selection

Asset Utilisation

Management of Supply

Project Management

Equipment Procurement

Marketing

Fast Food Outlets

OFFICE
Sales Marketing and Distribution

Markets

Market Channels

Citizens of KSA

Residents of KSA

Branding

Restaurant Trade

Hot Kill Local Trade

Butchers

ACC States

By Product Fertilizers

MacMASTER, Hamish (MEA)

From: _____
Sent: _____
To: _____
Subject: _____
Attachments: _____

s 9(2)(a)

Tuesday, 21 August 2012 5:44 p.m.

MacMASTER, Hamish (MEA)

Export protocols for sheep to KSA

RE: Letter to AlKhalaif; MPI-KSA_Arrangement_ Export_of_sheep_to_KSA_Rev 21 Aug 2012.doc

[SENSITIVE]

Hi Hamish

Further our conversation of last week where we discussed whether the sheep for breeding protocol, drafted by MPI could be converted to a general sheep for export protocol.

The attached e-mail from MPI s 9(2)(a), already forwarded to you, attaches the "protocol". I presume that this includes all three pages. The first two pages contain the standard zoosanitary certificate and the additional declarations (Country freedom, Farm of origin, Pre-export isolation and Testing, Inspection and Transportation) that would be applicable to both LS4B and LS4S. The third page (Export certification) is also applicable (i.e. change Sheep for Breeding to Sheep for Export) except that it does not mention guaranteed disembarkation regardless of the health status. (Required for export for slaughter)

In other words, to convert the MPI protocol for breeding to a protocol for export, just remove the phrase "for breeding" wherever it appears.

However, as we are both well aware, the major difference between export for breeding and export for slaughter is the CEPO and its associated requirements, which would be of particular concern if these went beyond guaranteed disembarkation.

s 9(2)(g)(i)

Arrangement (covers preparation in New Zealand through to disembarkation in the Kingdom of Saudi Arabia) I put together a while back covering the export of sheep from New Zealand to KSA.

Note that MPI anticipates that regarding the certificates for breeding, KSA may respond with either:

- a standard set of import requirements for breeding sheep, and/or
- a request for supporting information with respect to NZ health status, animal health programmes, and/or veterinary services.

Let me know if you require further clarification, discussion, etc.

Cheers

s 9(2)(a)

OFFICIAL

Commercial in Confidence

13 August 2012

LIVE SHEEP: THE WAY FORWARD – AUGUST 14 MEETING: BACKGROUND NOTE

Introduction

This note updates recent developments on the live sheep issue. Specifically it outlines recent discussions between MFAT and Al Khalaf Group of Companies, with a view towards developing an agribusiness partnership agreement between New Zealand and Al Khalaf Group focused on assisting Saudi Arabia with its food security goals.

Developing a partnership between New Zealand and the Al Khalaf Group.

2 On 23 July Hamish MacMaster and Alex Matheson met with George Assaf. ~~s 9(2)(a)~~

who were in New Zealand to visit their operations in the Hawke's Bay. The discussion lasted for 2 ½ hours, and centred on the background to the current situation and options for taking the relationship forward. While most of the conversation was taken up with Assaf explaining the history of Al Khalaf's relationship with and investment in New Zealand, Matheson explained that his remit was to progress discussions with Al Khalaf Group on behalf of MFA to develop a partnership based around New Zealand agribusiness and animal breeding technology and systems. ~~s 9(2)(a)~~

3 At the invitation of Assaf, Matheson spent a day and evening with the Assafs and their NZ-based Manager, ~~s 9(2)(a)~~ at their property in the Hawke's Bay on 27 July. A recurring theme during the day was the Group's disappointment at New Zealand's continued stance on not allowing live animals to be shipped to Saudi Arabia for slaughter. However, Assaf was keen to hear ideas about what a food-security partnership would look like. Assaf made it clear that his New Zealand business partners and trusted advisors would need to be involved in working up options for a revised New Zealand business model for the Group, as well as options for connecting the New Zealand operation to opportunities in Saudi Arabia.

4 During the day Special Envoy Matheson also met with David Brownrigg – a key consultant to the Group in New Zealand, and Matheson also spoke briefly to Hmood Al Khalaf who telephoned Assaf from Saudi Arabia over dinner.

Some of the important themes from the day's discussion included:

- While disappointed about continuation of the shipping ban, Assaf was complimentary about MFA's approach to the relationship, and the appointment of a dedicated resource to progress the partnership
- Each year the Group anticipates and prepares for the resumption of live sheep exports, leaving the business in an uncertain position year to year
- Assaf's view that the New Zealand operation

~~s 9(2)(b)(ii)~~

- Assaf's view that Al Khalaf wants to keep his New Zealand investments, is here for the long term, and is interested in what the details of a partnership would entail
- Assaf's view that Al Khalaf would expect the first iterations of the partnership to be tested and agreed with Assaf before taking this to Al Khalaf
- The group wants to minimise the capital required to convert the operations in New Zealand into a new business model
- Assaf's view that it was necessary for the New Zealand Government to make a "significant gesture" to Al Khalaf reflecting the years of alleged losses and uncertainty, and loss of goodwill
- The partnership arrangement must involve both a New Zealand and Saudi Arabia component
- Assaf's view that Al Khalaf might be motivated to assist Saudi rural farmers with developing more productive and sustainable agricultural techniques
- Assaf sees the proposed partnership with Al Khalaf ultimately and importantly benefiting both New Zealand and Saudi Arabia

Scoping the Partnership

5 The next step is for NZ officials to discuss and agree an approach and options with MFA, and then subject to the Minister's agreement, visit Assaf in Sydney to discuss these.

Phase One – completed by late August/early September 2012

6 It is proposed that an initial blueprint immediately be jointly developed outlining the potential components of a partnership and a revised business model for the Group's New Zealand operation. This will involve Al Khalaf's advisors from PGG Wrightson/Brownrigg Agriculture as above and will be led by ~~SAUL COOPER~~, a partner at Deloitte – who has extensive experience in Hawke's Bay farming, advising industry and government on the red meat sector in New Zealand, and has won and led several significant agribusiness projects in the GCC.

7 The blueprint components will include initial scoping of:

- A New Zealand/Saudi breeding venture (of Awassi, but also other breeds of sheep, and potentially cattle);
- Potential in-market investment, such as development of a Saudi pilot farm; and
- A model for supporting technology and IP transfer (for example animal performance, nutritional management, and production management)

Cost estimate for initial blueprint development is \$40K

Phase Two – completed by late September/early October 2012

8 Using the initial blueprint above, further develop the agreed options for progressing the partnership including commercial feasibility of preferred options, and a short-term remedial agreement with Al Khalaf.

- Commercial feasibility and business plan development estimate \$150K-\$200K
- Short term remedial agreement – to reflect initial capital required, costs involved to convert to new business model and expertise contributed in developing partnership (\$1.5m-\$2m)

Phase Three – following agreement on the partnership model above

9 Agreement and investment in the longer-term partnership, and linking this to official trade and food security discussions between Saudi Arabia and New Zealand.

Estimate of investment required \$5m-\$10m

Progressing the Issue with the Saudi authorities

10 Reaching agreement with the Saudi investors will be only one half of the equation in moving this issue into a more positive space with Saudi Arabia. At some point we need to raise the issue with the Saudi authorities to convince them of our intent to progress this issue with their investors in positive fashion and to reinforce the proposition that it is to our mutual advantage to look beyond the live sheep for slaughter issue to other options for deepening our cooperation in the food security sector. We know that the Al Khalaf Group is well connected in Riyadh and has been keeping the Saudi authorities informed with their take on developments around the live sheep issue. It is important that the authorities hear the New Zealand perspective as well.

11 Assuming that the Matheson discussions with Assaf and Co go well, are endorsed by Al Khalaf and reach some form of conclusion, this positive engagement with the investors would offer a natural peg, upon which to begin further dialogue with the Saudi government (1) briefing them as to where we are at on developing a partnership between New Zealand and the Al Khalaf Group and (2) presenting this partnership as a forerunner to a wider bilateral cooperation (para 9),
s 9(2)(j)

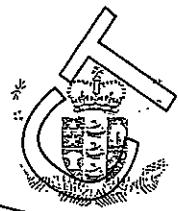
s 6(a)

Priority – Low

Security Level – In Confidence

Distribution
Minister
Minister's Advisor
Minister's Office

Ministry for Primary Industries
Manatū Ahu Matua



24 July 2012

Document Number:

B12-040

New Zealand – Saudi Arabia Relationship

Purpose:

This briefing notes the increased activity in the New Zealand – Saudi Arabia and New Zealand – Gulf Cooperation Council relationships and covers the two main issues, live sheep and food security cooperation, to be discussed in your meeting with HE Rodney Harris, New Zealand Ambassador in Riyadh, Saudi Arabia.

Minister	Action Required:	Minister's Deadline
Minister for Primary Industries	Note the contents of this brief	Before your meeting on 26 July <i>12:30pm</i>
Cc Associate Minister for Primary Industries		

MPI Officials Attending the Meeting
Chris Carson and *s 9(2)(a)*

Contact for telephone discussion (if required)

	Name	Position	Work	After Hours
Responsible Manager	Chris Carson	Director International Policy	<i>s 9(2)(a)</i>	<i>s 9(2)(a)</i>
Principal Author	<i>s 9(2)(a)</i>	Senior Policy Analyst	<i>s 9(2)(a)</i>	<i>s 9(2)(a)</i>

Key Messages

1. The New Zealand Ambassador in Riyadh, HE Rodney Harris, has requested this meeting with you to give you updates from the post on efforts to address the issue of live sheep exports and on views on a food security partnership with Saudi Arabia and the other Gulf countries.
2. Through the appointment of a Special Representative for Government Commercial Partnerships work is being undertaken in the region on food security partnerships. *Out of Scope* and is part of the broader NZ Inc. Strategy for the Gulf Cooperation Council. A joint venture for a sheep breeding programme is also being considered under this area.
3. You may wish to discuss the Government's position on live sheep exports for slaughter with the Ambassador.

RELEASED UNDER THE
FOIA
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Recommendations

4. MPI recommends that you note the contents of this brief.

DC

Chris Carson
Director International Policy
Policy

Hon David Carter
Minister for Primary Industries

26/7/2012

RELEASER
OFFICIAL INFORMATION ACT
UNDER THE
NOTED

Background

Introduction

5. ~~s 9(2)(j)~~

There are two specific areas that are of interest to the GCC: live sheep exports and food security.

6. The former, live sheep exports, ~~s 6(a)~~

The latter, food security, presents commercial and relationship benefits for New Zealand.

7. MPI is currently participating in the development of the NZ Inc Strategy for the GCC. The Strategy is likely to cover a number of angles including commodity and added-value food export ambitions.

Live sheep exports

8. In April of this year, you and Minister McCully agreed that two work streams be established as a pathway forward on the export of live sheep for slaughter issue. The first was for MPI officials to establish zoosanitary protocols for the export of live sheep for breeding to Saudi Arabia, and the second was the establishment of a joint venture working/steering committee for a sheep breeding operation in Saudi Arabia. MPI will work with and provide advice to the working/steering group which is being led by the Special Representative for Government-Commercial Partnerships, Alex Matheson – in line with broader government initiatives (see below). MPI has drafted a proposed export protocol for breeding sheep based OIE guidelines and has provided this to MFAT to initiate negotiations through formal meetings between MFAT (or a Minister) and Saudi Arabia.

9. Recent discussions with the Saudi Ministry of Foreign Affairs covered food security cooperation and the live sheep trade, and are reported in the attached Formal Message dated 27 June 2012 (see particularly paragraphs 10 and 16).

Food Security Cooperation

10. Minister McCully has recently circulated a paper to you and other Business Growth Agenda Ministers outlining a number of opportunities for (and constraints to) export growth. As well as targeting the high-value market in GCC, there is an opportunity to generate greater export value from New Zealand's service industries, including and perhaps particularly for the agribusiness sector.

11. Trade in agricultural goods, and the GCC's need to improve its access to nutrition, puts food security high on the agenda for engagement with the GCC. As such 'Food Security' is one of the goals being developed under the NZ Inc Strategy for the GCC. It will explore food trade to the region and the potential for a food security partnership. There is also scope for a government-private sector consortia approach that could provide services to the region based upon New Zealand's agricultural systems and knowledge.

¹ GCC: Saudi Arabia, Kuwait, Bahrain, Qatar, UAE, Oman



Office of Hon Murray McCully

Minister of Foreign Affairs

Minister for Sport and Recreation

Sent via dip bag

3/7/12

SAC(NZ)

Mr Hmood Al Khalaf
Group President
Al Khalaf Trading and Transportation Group

s9(2)(a)

Dear Mr Al Khalaf

Thank you for your letter of 9 April in which you conveyed the kind greetings of HE Dr Fahd Abdulrahman Balghunaim, Minister of Agriculture of the Kingdom of Saudi Arabia. Like His Excellency, I too firmly believe that opportunities exist to resolve the outstanding issues relating to your business to the mutual benefit of both our countries.

To this end I would like to take this opportunity to update you on the progress made so far at the New Zealand end:

- I have approved and will soon publicly announce, the appointment of Alex Matheson as our Special Representative for Government Commercial Partnerships. Part of Mr Matheson's role as Special Representative will be to represent New Zealand, along with our Embassy in Riyadh and officials from government departments in Wellington, at negotiations with your company on the possibility of a joint sheep breeding venture and other aspects of a future food security partnership.
- In the weeks ahead, a team from our newly formed Ministry of Primary Industries (formerly the Ministry of Agriculture and Forestry and the Ministry of Fisheries) will soon initiate discussions on zoosanitary matters with their counterparts in the Kingdom, with the aim of developing a veterinary protocol to allow the export of live animals for breeding purposes.

I look forward to further progress being made by our officials over the coming weeks and months, and hope to have the opportunity to visit the Kingdom again in the near future.

Yours sincerely

Hon Murray McCully
Minister of Foreign Affairs

MASTER, Hamish (MEA)

From: Matthew Stone *s 9(2)(a)*
Sent: Monday, 2 July 2012 5:56 p.m.
To:
Cc: Chris Carson; Tim Knox; *s 9(2)(a)*
Subject: RE: Letter to AlKhalaf
Attachments: OVIANIED SA 31 05 12.doc
Follow Up Flag: Follow up
Flag Status: Flagged

s 9(2)(a)

The most recent letter from your Minister to Mr Al Khalaf indicates NZ will soon initiate discussions on zoosanitary matters with Saudi counterparts with the aim of developing a veterinary protocol to allow breeding sheep exports.

Some weeks ago we proactively developed the attached draft protocol, with reference to the OIE WAHID country health status comparison function to identify potential diseases of concern, the OIE Code, and other NZ protocols.

We were envisaging that MFAT would lead the initial process of contact via the NZ Embassy. We suggest proactively providing this draft zoosanitary certificate for their comment as the most expeditious path forward. It is entirely possible that they will come back to us with either:

- a standard set of import requirements for breeding sheep, and/or
- a request for supporting information with respect to NZ health status, animal health programmes, and/or veterinary services.

If so, we can go from there.

If you would rather MPI went direct to the post, let me know the contact point.

Regards

Mat

Matthew Stone BVSc MVS MANZCVS | Director Animal and Animal Products | Standards Branch Ministry for Primary Industries | Pastoral House 28 The Terrace | PO Box 2526 | Wellington | New Zealand

Telephone: *s 9(2)(a)* | Facsimile: 64-4-894 0662 | Mobile: *s 9(2)(a)* | Web: www.mpi.govt.nz ----Original Message-----

From: Chris Carson
Sent: Monday, 2 July 2012 1:59 p.m.
To: Tim Knox; Matthew Stone
Cc:
Subject: FW: Letter to AlKhalaf

Hi,

Has anyone been in contact with

s 9(2)(a) on the live sheep protocol stuff yet?

Chris

----Original Message----

From: MacMASTER, Hamish (MEA) [mailto: *s 9(2)(a)*]
Sent: Monday, 2 July 2012 9:40 a.m.

Restricted

CAVEAT: NOT FOR CABLE EXCHANGE		OUR FILE:	SAU/NZ/1
HANDLING INSTRUCTIONS:	Out of scope	YOUR FILE:	

Summary

Out of scope

On the live sheep issue, we sense an MFA expectation that the matter will be progressed.

Action

For information.

Report

HoM and Second Secretary paid a call on 12 June on Dr Khalid Al-Jindan, Undersecretary for Bilateral Relations, Ministry of Foreign Affairs to update him on the NZ Inc GCC strategy

Out of scope

The remainder of this document is withheld under s 6(a), s 6(b), s 9(2)(ba) and out of scope