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Disruptions hit processors



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DISRUPTED shipping schedules, labour shortages and dry conditions in parts of the country are starting to hamper meat processing capacity as the season reaches its peak.

The shortage of labour and a squeeze on cold storage space is limiting the ability of companies to work overtime and also forcing further reduced processing of cuts.

“In recent weeks we have seen multiple ports closed for periods of time, refusing container deliveries until vessels discharge and they have the opportunity to load out.”

Simon Limmer
Silver Fern Farms

“We have adjusted our cut mix in some plants to speed up product flow, but conversely this means we lose the higher-value small cuts, which will ultimately be reflected in the pricing schedule,” Silver Fern Farms chief executive Simon Limmer told shareholders in a newsletter.

AgriHQ analyst Nicola Dennis says a shortage of skilled workers means processors have had to stop producing premium-earning

boneless, tubed shoulders for Japan, instead selling bone-in shoulders to China at lower prices.

While AgriHQ senior analyst Mel Croad says dry conditions in parts of the North Island could create a problem in the future as farmers seek to offload stock.

At this stage, feed crops sown in spring, low stock numbers following last year's drought and a flush of grass following rain in December means Hawke's Bay is not yet facing a significant feed shortage.

Croad says staffing issues in processing plants have worsened since university students returned to study and from apple growers offering competitive rates this harvest.

In the season-to-date – October to early February – the South Island kill was 4.6% ahead and North Island lamb kill was 3% behind.

Nationally, the lamb kill was 40,000 higher than a year ago and the mutton kill 20.5% higher, at over 2.1 million.

Limmer says 85% of ships calling at NZ ports are off-schedule and delays of up to a week are common, prompting vessels to miss ports as they try to catch up.

An imminent resolution is unlikely.

In transit ports, Limmer says a third of containers are missing their scheduled connecting vessel, extending a product's journey, which may reduce its shelf life.

“In recent weeks we have seen multiple ports closed for periods of time, refusing container deliveries until vessels discharge and they have the opportunity to load out,” he said in his shareholders' letter.

China's main meat importing port Darian has been closed since mid-December, while rolling



NO END IN SIGHT: With exports delays being just one of many constraints, Silver Fern Farms chief executive Simon Limmer says a third of containers are missing their scheduled connecting vessel, extending a product's journey, which may reduce its shelf life.

industrial action across Australian ports is compounding delays.

“North American ports are heavily congested, and our own ports in NZ are overwhelmed with both inbound and outbound containers waiting for vessels,” he said.

Meat exporters face delays in the delivery of empty containers that are cleaned and approved for export due to a backlog at container-processing depots.

“The combination of these challenges make it difficult to build stability in our daily operational plans,” he said.

Alliance Group general manager of manufacturing Willie Wiese

says the season is progressing as normal.

“Despite the global supply chain issues caused by covid-19, our refrigerated and cool store capacity is generally satisfactory across our network and livestock processing is continuing as normal,” Wiese said.

BusinessDesk reports Lyttelton's container operations general manager Simon Munt as saying ships carrying imports are leaving Ports of Auckland 10-12 days behind schedule, and “it means they don't have time to call at Lyttelton” resulting in a 20% drop in ship visits.

Because Auckland is closer to

the nation's densest population, most ships will call at Auckland first to unload imports before filling their holds with New Zealand's exports.

“If we're getting fewer calls, there's less capacity to take volume out of Lyttelton” and that clogs up the supply chain back to the port's customers' warehouses.

A report by international ratings agency Fitch says a sharp rise in shipping rates has reached a point where they are unsustainable.

Shipping a 40-foot container from China to Europe or the US would have cost \$2700 a year ago, it now costs \$11,000 to Europe or \$5600 to the US' West Coast.

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