

1. FEEDBACK RESPONSES

The following questions and comments have been received as part of the feedback process for the Agrecovery Animal Health Product Stewardship Scheme development, with a particular focus on the 'AGRECOVERY ANIMAL HEALTH PRODUCT STEWARDSHIP SCHEME OVERVIEW – V1.0' document.

Answers provided are based on current information and planning.

Key Roles/Functions

'The AgRecovery Foundation Board will undertake the governance function of the scheme' - how is this board made up?

- The current composition of the Agrecovery board can be viewed at <https://agrecovery.co.nz/foundation/trustees/>
- It includes representatives from:
 - Federated Farmers
 - Horticulture New Zealand
 - Rural Contractors New Zealand
 - Local government
 - Dairy NZ
 - Animal and Plant Health NZ (APHNZ)
- As part of the move to be the Product Stewardship Organisation (PSO) the governance structure of Agrecovery will be reviewed as part of the process of developing new schemes. This may include governance/advisory subcommittees for each scheme, including Animal Health, to ensure effected stakeholders have input into the scheme designs.

Where does AgChem fit into this? Will they be completely separate? If so, why?

- The current core Agrecovery programmes, focused on agrichemicals and containers, will be separates schemes under the Agrecovery organisational structure.
- There will be economies of scale benefits and cooperation between the schemes, but they will be managed separately, with levies reflecting the actual costs associated with each waste stream scheme design.

Levies

Who is the brand owner? The manufacturer? The registrant? Some of these will be overseas companies – have they been contacted for feedback?

- The term 'brand owner' here may be read synonymously with 'levy payer'. It is whoever manufactures or first receives and sells the products in New Zealand. The definition here may need to be refined by the Advisory Group to ensure the most appropriate levy payer is identified.
- With imported products we anticipate it will be the Importer/Distributor operating in New Zealand that will be deemed the 'levy payer'.

How is a levy set for products that are secondary sorted and recycled in different ways and different costs?

- The General Guidelines for Product Stewardship Schemes for Priority Products Notice 2020 "The Full net costs for stewardship of priority products at end of life met by product or producer fees proportional to the producer's market share and ease of reuse or recyclability of their product."
- One of the most involved and challenging aspects of developing the scheme is developing a levy structure that fairly meets this guideline and sets a levy that reflects the "ease of reuse or recyclability of their product".
- Where secondary sorting is required, this will need to be broken down as a cost line item that will form part of the levy. The specific costs for recycling each product type will also be an item.

Fair levies - "will change several times in the initial phases" - to us this is not acceptable, and they should be locked in for at least a 12-month period, with a maximum cap on increases thereafter.

- Predictability and notice will be key factors in setting levies based on commercial requirements.
- It is probable, based on recent government advice, that levies will need to be set for an initial three-year period, then reviewed. This may mean levies are set higher initially to manage risk.
- There are no plans to 'cap' levies. They will be based on actual costs of product stewardship.

Who does the analysis of how a product can be recycled?

- Agrecovery, in consultation with the Animal Health Advisory Group, will undertake this work with appropriate external expert support.

What about new products? If we want to introduce a new product into the marketplace, we will have to be able to quickly work out the levies incurred so we can establish feasibility of the product. This process needs to be quick and easy.

- Agrecovery are currently working on the product criteria that will inform levy structure and levels.
- It is intended that this will be a predictable and clear process, but the complexity of the sector may mean that some refining will be required over time as new products appear or if the criteria does not provide clear guidance for existing products.

“Levies will be billed based on first sale and proportional to the users market share” how will you determine market share? Will this be based on units, weight?

- This will likely be determined on a product category basis, which will align with levy structures. For example, the total costs for a product category will be applied on a predetermined basis (e.g., per kg, per L, per unit) based on the data provided by brand owners for that product category.
- Overall scheme management and overhead costs will also need to be applied here. It is likely these will be applied based on the volumes and ease of recyclability of products.

How are levies calculated? E.g., some packaging are 20L barrels, some are 2mL ampoules.

- This will be determined based on product category and may be per mL, per L, per kg, per unit, or some other basis.

Confidentiality of sales data - what measures do Agrecovery have in place (internally and externally) to ensure all sales data for levies remains confidential?

- Agrecovery has extensive experience in handling sensitive data.
- The current voluntary accredited schemes operated by Agrecovery - for over fifteen years - rely on sales data declarations from participating brands.
- Agrecovery has built its IT system specifically to protect and manage data confidentiality.

How will Agrecovery ensure compliance from all relevant companies and all relevant products? How will this be communicated?

- Agrecovery will take all practicable steps to make applicable brand owners aware of the programme.
- It is understood that the Ministry for the Environment will be the compliance agency for regulated product stewardship schemes. Ensuring compliance with the relevant regulations under the Waste Minimisation Act will be their responsibility.
- Agrecovery – and presumably all participating brands – will monitor the market and bring to the attention of the Ministry any non-compliant products and/or brands.

How much warning will there be of the recycling status of an existing product and the levy costs? If a product's levies are very expensive and customers will no longer purchase it – we would need to phase out that product.

- Agrecovery are working diligently to determine the likely levy costs for products. The number and variability of products makes this a challenging task that will take some time to complete.
- Agrecovery is very mindful of applying a cost/benefit analysis to the imposition of levies on animal health products.
- As much notice as possible will be given as to levy amounts and how these will be applied. More clarity on this will be possible once the timeframes for regulation are confirmed by the Ministry.
- It is hoped that the levies on any product will not be prohibitive, but it is not impossible that the principles of product stewardship would seek to remove a product from the market if its packaging is particularly costly to dispose of.

Design and sales of products:

In our opinion it makes sense to design a stewardship scheme around "realistic recycling uptake" as opposed to taxing all products based on 100% recycling uptake.

- The concept of "taxing all products based on 100% recycling uptake" is not the basis for the scheme design.
- It would be more accurate to refer to the Guidelines description of "Full net costs for stewardship of priority products at end of life met by product or producer fees proportional to the producer's market share and ease of reuse or recyclability of their product." This is the basis for the scheme design.
- Some products will be deemed too difficult to be recycled and will need to be incinerated or disposed to landfill.

At what level of cost will it be decided a product is not recyclable? For example, a product costs \$5 but the recycling cost is \$20 and at that cost customers will not purchase it.

- Agrecovery will take a common-sense approach in its assessment of the costs and benefits to recycling animal health products.
- There is no set threshold here. Each product category will be analysed, and the optimum product stewardship outcome determined. Recycling is not an absolute goal.

"Initiatives to improve circular resource use, reusability, recyclability and new markets for the priority product." Further clarification is needed, what initiatives are being proposed and who will be paying for this.

- In terms of Animal Health, this is still in development. It is a founding objective for any product stewardship scheme and reflects the role of the scheme in not just accepting the current situation but also working towards improving the sector in terms of circularity.
- This will form part of Agrecovery's role as scheme manager and be funded through scheme levies.

I assume that the priorities for recycling will mean some products are focused on being recycled first. Will a timeline be given of this?

- This is correct and in development. This planning is the current priority for Agrecovery.

Use of products:

We don't feel that it's the role of Agrecovery to advise businesses on sustainable packaging design or collecting user feedback on design, nor is this part of the stated Act. This would be a waste of both time and money for all parties. There are stringent requirements from a quality and product protection perspective that still need to be upheld (regulatory requirements, product and packaging materials interactions, manufacturing engineering requirements etc.). Agrecovery will not have the knowledge to provide us with actionable design support, this requires very specific and narrow expertise across a wide range of specialties which we manage at a global level.

- The General Guidelines for Product Stewardship Schemes for Priority Products Notice 2020 dictates that a scheme will achieve the following:

- Continuous improvement in minimising waste and harm and maximising benefit from the priority product at end-of-life.
 - Increasing end-of-life management of the priority product higher up the waste hierarchy to support transition to a circular economy in New Zealand.
 - Investment in initiatives to improve circular resource use, reusability, recyclability and new markets for the priority product.
- Agrecovery will seek to give effect to these requirements in a reasonable and cost-effective manner as the scheme develops.
 - It is understood that the products that fall within the scheme are subject to specific requirements, and these will be taken into account in development activities.
 - The guidance Agrecovery provides will be about the learnings that come from operating the scheme and feedback on, for example, the types of plastic are easier to recycle.

Changes to packaging & container size of registered products can be difficult, as it often requires new stability work to be done – this incurs significant lab and registration costs. Will the ACVM help streamline and simplify changes to packaging regulation in order to help this process? I recommend that AgRecovery include ACVM in recommendations to manufacturers on future packaging requirements – some materials are considered to have superior shelf-life stability, others are unsuitable for packaging pharmaceuticals.

- Agrecovery will certainly seek expert advice, including from the Animal Health Advisory Group, before setting out any packaging design change recommendations in the future.

We agree that there will need to be clear labelling on what waste can and will be recycled as a part of this scheme as opposed to disposal. Changes to the artwork on our product packaging can take time, so please plan for a long lag period for implementation.

- This is understood and Agrecovery administers similar requirements within its existing programmes.
- It is understood that additional requirements apply to animal health products.

It remains unclear to us what products you are considering to be included in the Product Stewardship scheme? It is our understanding that all products are not required to be included from the start, so it would make sense to commence with a small, targeted group of products.

- Ultimately all products caught by the Priority Product declaration will be included, with an apparent focus on plastic packaging as advised by the Ministry.
- Agrecovery is working through product classification and prioritisation. This will guide the order in which products will be added to the scheme, based on the design of collection and disposal/recycling/reuse processes.
- Prioritisation will require the provision of comprehensive sales and product data from brand owners.

There are some products that are controlled drugs, e.g., methadone, how will these be handled? There are security risks and also responsibilities held by the veterinarian and distributors. Does the Ministry of Health need to know about AgRecovery?

- It is likely that certain product categories will require specialist advice and input. Agrecovery will ensure that appropriate agencies are consulted.
- Complex product of this nature may be deprioritised – and hence added to the scheme later – to allow for these issues to be worked through.

Waste drop-off:

More detail is needed on how the drop offs will work i.e., how many 'recycling' bins will be at each drop off point and how will you determine those categories (HDPE, LDPE, PET etc). How will you manage products with multiple packaging material types (most products)? How will human management at drop off be managed? Is there an expectation that our customers will provide this service? Who will pay for this?

- The exact specifications for drop-off are still being determined and will depend on a number of factors. There will be obvious space limitations for the number of receptacles that can be placed at allocation, and different locations will have different requirements.
- A key current need is to build an overall picture of all the products on the market, the sales volumes, the materials they contain and the amount of these, and the condition they are likely to be returned in (including any residue toxicity). Without this information, it is difficult to formulate an overall approach to drop-off services.
- It is likely that secondary sorting will be required which may involve the separation of individual product packaging into component parts if this is the most effective option.
- The scheme levies will cover all the costs incurred in managing drop-off facilities. We do anticipate that farmers, vet clinics and merchant stores will have roles to play in limiting the overall cost of the scheme.

Needing human management at the point of drop off as well as secondary hand sorting is risky. At some point, there will be a negative environmental return due increased GHG emissions due to the overall impact of moving waste around the country for sorting and then sending on to recyclers. How many secondary sorting facilities are you proposing? Where would these be located/staffed? Would this be managed by a contract agency?

- The environmental impact and footprint of all activities will be considered before finalising the channels for products. Life cycle analysis is a complex task but will be part of the 'sense checking' of scheme design.
- Carbon impact is a factor, but only one of several the scheme will consider as design criteria.
- The number and nature of secondary sorting facilities is not yet certain. It is likely that there will be at least one or two facilities in each of the North Island and South Island. Such facilities would be managed externally by a contracted third party.

We have concerns around the repeated mention of 'black box' for packaging that is unrecyclable or unsafe to use. Initially, this may be the destination for much of the packaging. Is there a limit to the amount of unrecyclable waste collected and who will be paying for this? There needs to be stringent restrictions on what qualifies as black box waste so that this doesn't become a dumping ground. Companies paying for packaging to be picked up and disposed of in landfill instead of going into the local landfill stream will have no environmental benefit and potentially increase transport emissions. Furthermore, what is the value of collecting waste with likely health safety risks into another waste stream as opposed to leaving it under the current safe management practices followed by vets and farmers. Additionally, if there are materials other than plastics that cannot be recycled, should we be providing a drop off point for those products? Farm plastics is the priority as stated in the Waste Minimisation Act 2008 (WMA).

- The need for clear criteria as to what is and is not recyclable is clear. We do not want to dispose of product that can be recycled, even it is moderately expensive. Nor do we want to try and recycle product where it is unsafe or clearly unreasonable to do so.
- Where it is more efficient to align with existing disposal/landfill systems, and this can be done within the guidelines and scheme requirements, the scheme would seek to do so.
- Plastics will indeed be the focus for the scheme.

Funding of 'black box'? Are companies being asked to subsidise poor recycling habits, and encourage free wastage dumping, as opposed to farmers paying to dump? In other words, how do you educate farmers the "black box" is only for vet meds? How is this managed?

- The scheme will be funded by levies, which are paid for by brand owners. These may be absorbed by brand owners or passed on to farmers. In either case, the intention is that the levies cover the costs of disposal of the products.
- Any receptacle made available for packaging will need to be carefully monitored to ensure it is only used for the intended products. This will be a key design requirement for drop-off facilities.

Will remote clinics be able to store a large amount of waste products to make transportation, especially specialist transportation, economical?

- This is a key question and will need to be factored into the scheme design. The intent is that a range of different drop-off points are provided and regularly cleared to avoid build-up of waste. This will be balanced with logistical requirements to avoid cost overruns.
- Agrecovery will work closely with potential drop-off points to ensure the systems in place will work well and not cause hassle for the hosts.

Sharps collection, we would challenge that no primary packaging in livestock contains sharps, therefore is there a need to provide an outlet for these specifically.

- The probable focus for the scheme, per indicated Ministry direction, will be plastics. Our hope in time is that the scheme can be expanded to cater to other material types, but plastics will be the initial focus.

Could some products go into existing consumer plastic recycle streams? E.g., vitamins.

- If this can be done and is agreed to by the processors of such wastes, then they could be included.

- Doing so may involve the payment of a fee to the processors to offset their costs, even if this is a local authority.

Could some dangerous products go into existing human health recycling/disposal streams, e.g., same active of drug used for anaesthesia in humans and animal medicine.

- Agrecovery has built a relationship with Sustainable Health Aotearoa and agreed to share information to help coordinate activities. This has already led to a system for recycling IV bags.

Waste collection:

‘Courier services’ and ‘specialist waste handlers will collect the waste. [We] have investigated this extensively with CIDRs (biohazard) and it was extremely expensive. Is the intended role of AgRecovery to only manage the scheme and no longer provide any logistics?’

- Agrecovery will be the scheme manager and will contract logistics services.
- Transparency is required here per the Guidelines: “Services (e.g., collection, sorting, material recovery and disposal) will be procured using transparent, non-discriminatory and competitive processes open to all competent entities whether existing, new entrant or social enterprise.”

Waste processing:

“Wastes are processed by companies that have equipment and expertise in preparing plastics and other materials for use in new products”. We currently have a well-established working relationship with Future Post and have recycled just under 17,000kgs of Teatseal (LDPE) with them in 2022 alone, we would propose that this programme continues with other animal health companies joining.

- Agrecovery is open to reviewing any existing arrangements and conducting appropriate due diligence to ensure they meet the requirements of the scheme, including cost effectiveness. Any such arrangements would have to be managed by Agrecovery to form part of the scheme.
- Agrecovery is familiar with FuturePost.

Targets/KPI’s:

Prioritising recycling opportunities with the lowest costs (where possible) should be one of the main development considerations. A target should be to provide safe product stewardship which meets the requirements of the act at lowest possible cost. If it is too expensive, we could see an exodus from the market.

- Cost effectiveness will certainly be a consideration, but not the only one.
- The Guidelines note that solutions must pursue “Continuous improvement in minimising waste and harm and maximising benefit from the priority product at end-of-life”, “Increasing end-of-life management of the priority product higher up the waste hierarchy to support transition to a circular

economy in New Zealand” and “Investment in initiatives to improve circular resource use, reusability, recyclability and new markets for the priority product”.

- These requirements indicate that it is not simply the lowest cost solution that should be the target, but the solution that delivers continually better product stewardship outcomes. Of course, cost effectiveness is a consideration here also.