



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*



Agribusiness
and Economics
Research Unit

A Lincoln University Research Centre.
New Zealand's specialist land-based university.

The Land and the Brand

Caroline Saunders, Paul Dalziel,
Meike Guenther, John Saunders
and Paul Rutherford

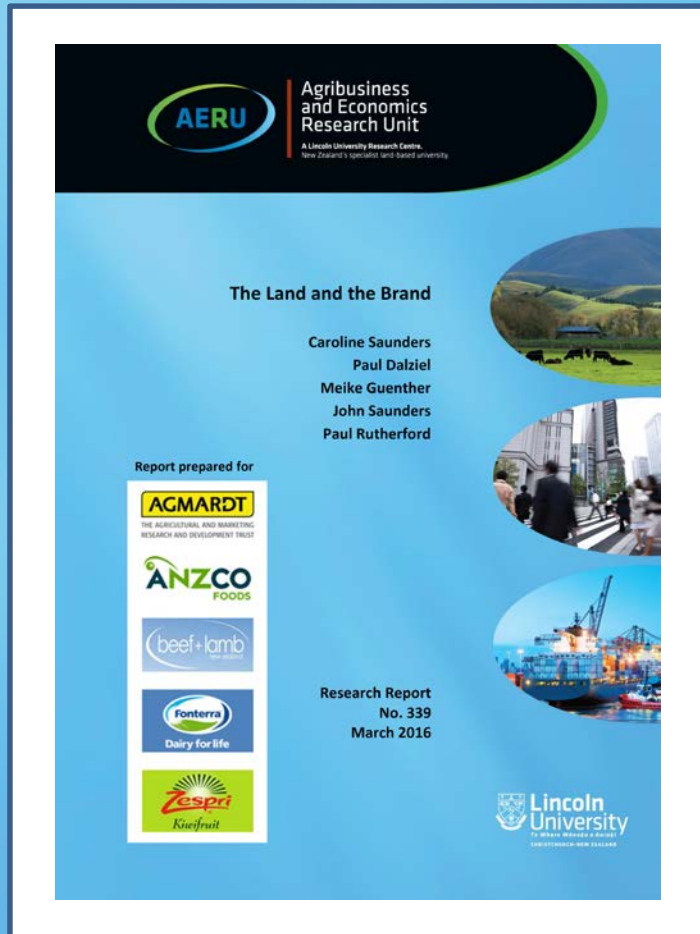


**Lincoln
University**
Te Whare Wānaka o Aoraki
CHRISTCHURCH • NEW ZEALAND

The Land and the Brand Report

The report was written during 2015 and launched with the support of the Advisory Board at the Ministry for Primary Industries on 15 March 2016.

I am grateful to my four AERU co-authors: Professor Paul Dalziel, Meike Guenther, John Saunders and Paul Rutherford.



Agribusiness
and Economics
Research Unit

A Lincoln University Research Centre,
New Zealand's specialist land-based university



The Land and the Brand Project



The AERU is very grateful for financial support from five private sector sponsors.

Lincoln University gave some funding to the project.

The AERU is also grateful to the advisory board for this project.



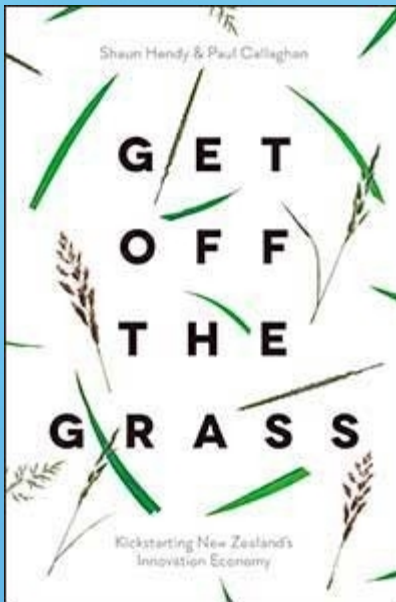
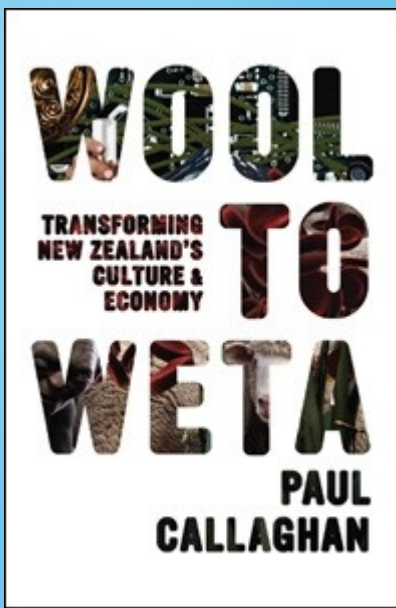
Agribusiness
and Economics
Research Unit

A Lincoln University Research Centre.
New Zealand's specialist land-based university



The Context for the Research

Two books by Sir Paul Callaghan (2009) and by Professor Shaun Hendy with Callaghan (2013) have recently expressed the influential view that New Zealand's future economic prosperity requires it to move away from its strengths in the land-based sectors.

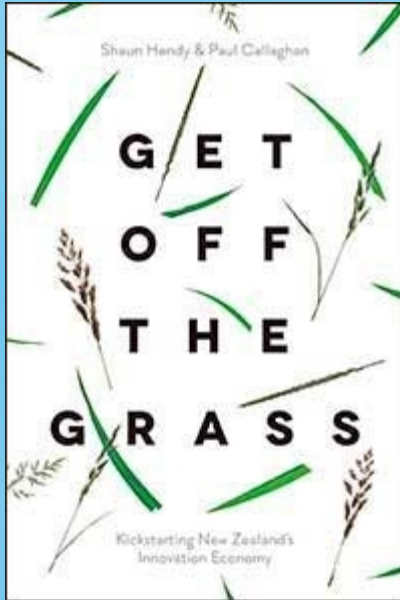


Agribusiness
and Economics
Research Unit

A Lincoln University Research Centre.
New Zealand's specialist land-based university



The Future of the Sector



New Zealand must take “deliberate steps to break economic dependence on the primary sector, in particular by investing in science and technology”.

(Hendy and Callaghan, 2013, pp. 15-16).

As if the primary sector's development has not relied on investment in science and technology!



Agribusiness
and Economics
Research Unit

A Lincoln University Research Centre.
New Zealand's specialist land-based university



Outline of the Presentation

The report has three parts:

1. Where We Are Today (Chapters 1 and 2)
2. How We Got Here (Chapter 3)
3. Where We Might Go Next (Chapters 4 to 6)

These define the three parts of this presentation before a final section on *The Land and the Brand*.



Agribusiness
and Economics
Research Unit

A Lincoln University Research Centre.
New Zealand's specialist land-based university





Agribusiness
and Economics
Research Unit

A Lincoln University Research Centre.
New Zealand's specialist land-based university.

Where we are today...



**Lincoln
University**
Te Whare Wānaka o Aoraki
CHRISTCHURCH • NEW ZEALAND

Key Message 1

Despite policies that have aimed to encourage other industries, the market strength of the agri-food sector in New Zealand is so great that its share of merchandise exports has continued to grow.

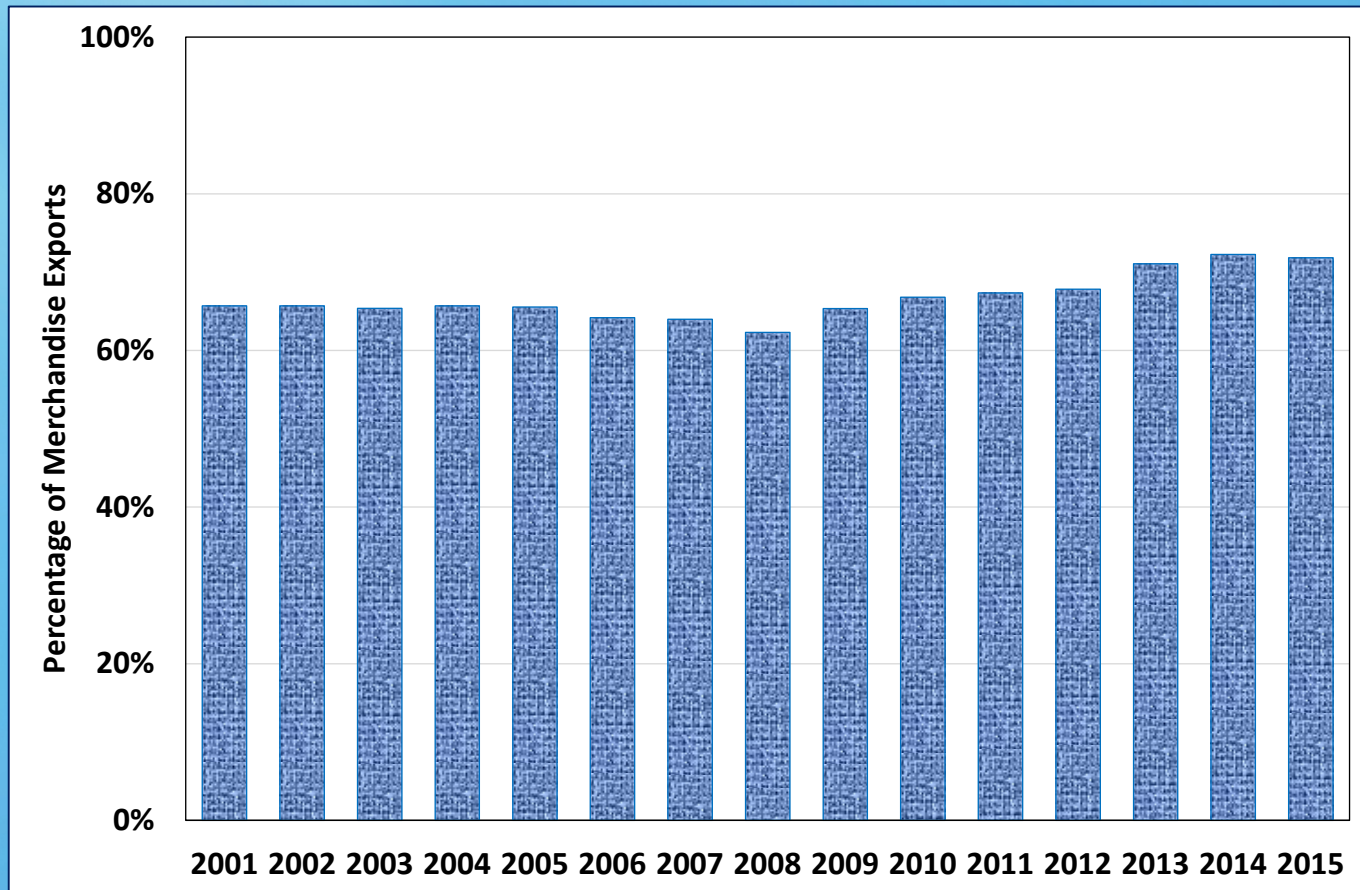


Agribusiness
and Economics
Research Unit

A Lincoln University Research Centre.
New Zealand's specialist land-based university



Figure 1-1: Agri-Food Share of Merchandise Exports, 2000-2015



Agricultural Exports Share of Total Exports

	2014	2015(prov)
Agriculture	60%	59%
Dairy	29%	24%
Meat	12%	14%



Agribusiness
and Economics
Research Unit

A Lincoln University Research Centre.
New Zealand's specialist land-based university



Key Message 2

The agri-food sector is much wider than production. It permeates across the whole economy.



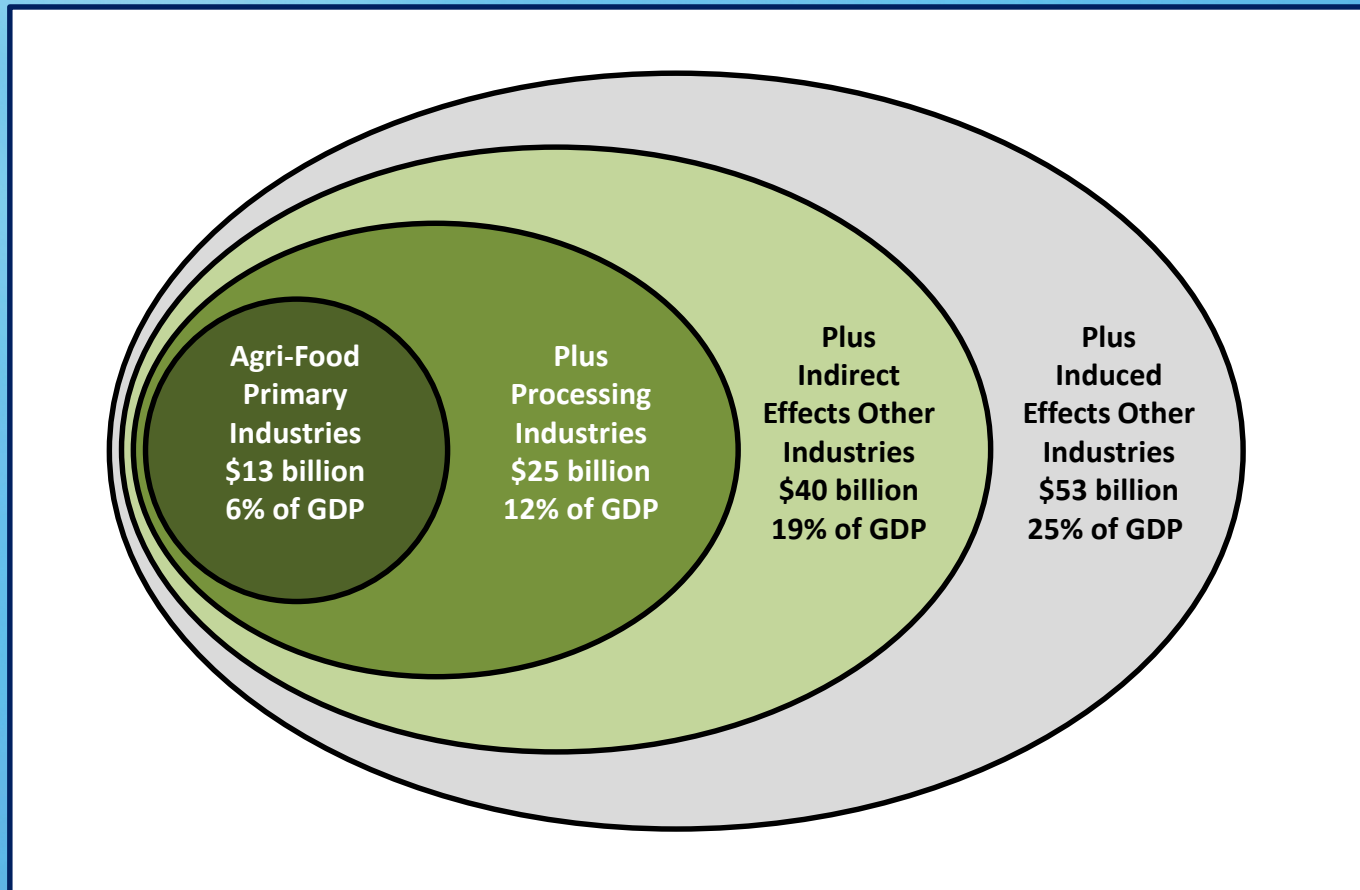
Agribusiness
and Economics
Research Unit

A Lincoln University Research Centre.
New Zealand's specialist land-based university



**Lincoln
University**
Te Whare Wānaka o Aoraki
CHRISTCHURCH • NEW ZEALAND

Figure 2-7: Contributions of the Agri-Food Sector to Gross Domestic Product, 2011/12



Key Message 4

Exports dominate the sales of the sector, which means we have to understand global agri-food value chains and the values of our distant customers.

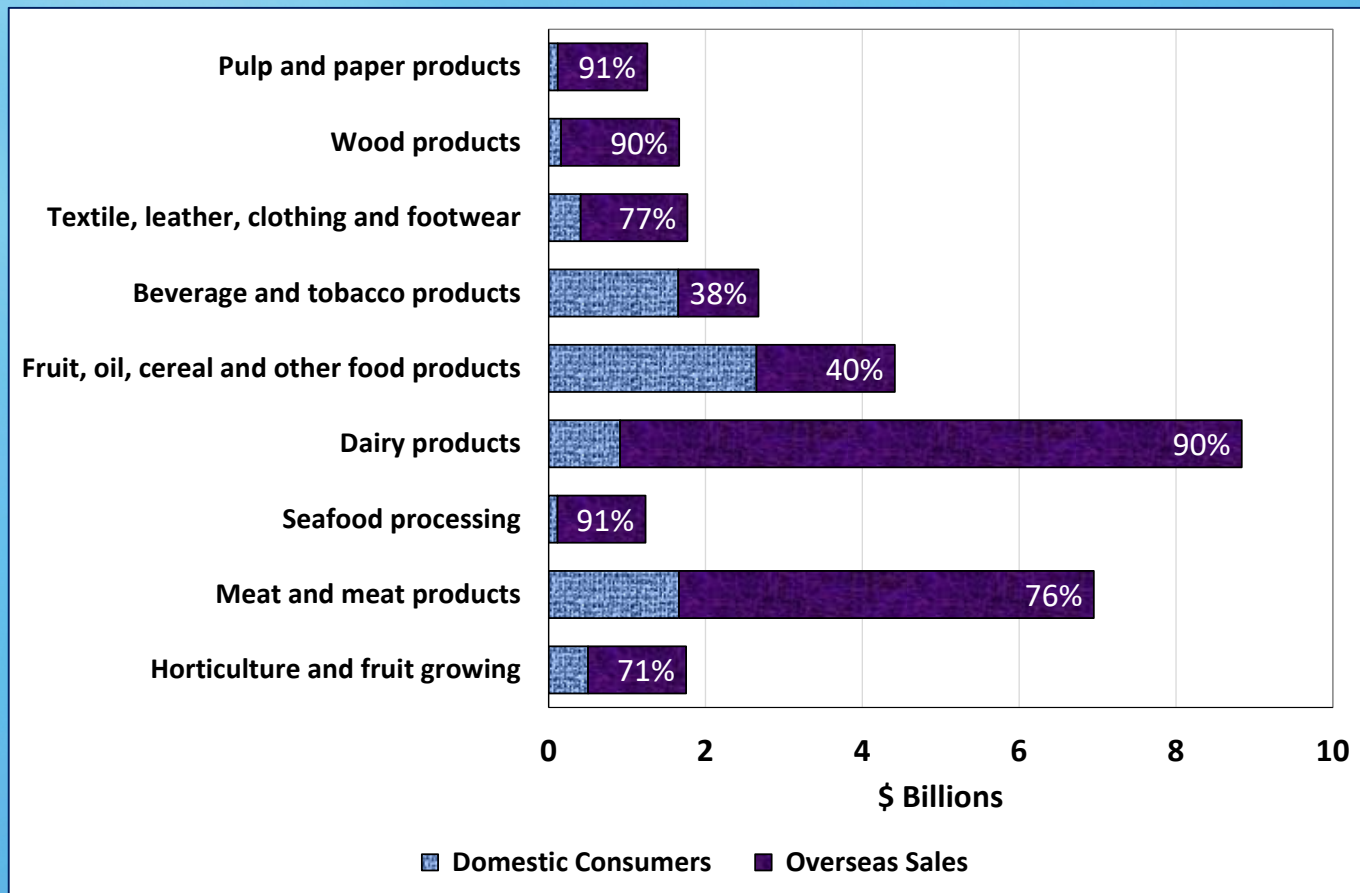


Agribusiness
and Economics
Research Unit

A Lincoln University Research Centre.
New Zealand's specialist land-based university



Figure 2-10: Source of Sales Revenue of the Agri-Food Industries, 2006/07



Value from the Brand

- Zespri earns twice the world market price for its labelled kiwifruit.
- Stanford Boot Camp: “New Zealand should earn 20% premium from its agri-food exports.”
- AERU research indicates overseas consumers are willing to pay a premium of:
 - 50% for NZ dairy and 24% for NZ lamb in China; and
 - 10% for NZ dairy and 20% for NZ lamb in India.



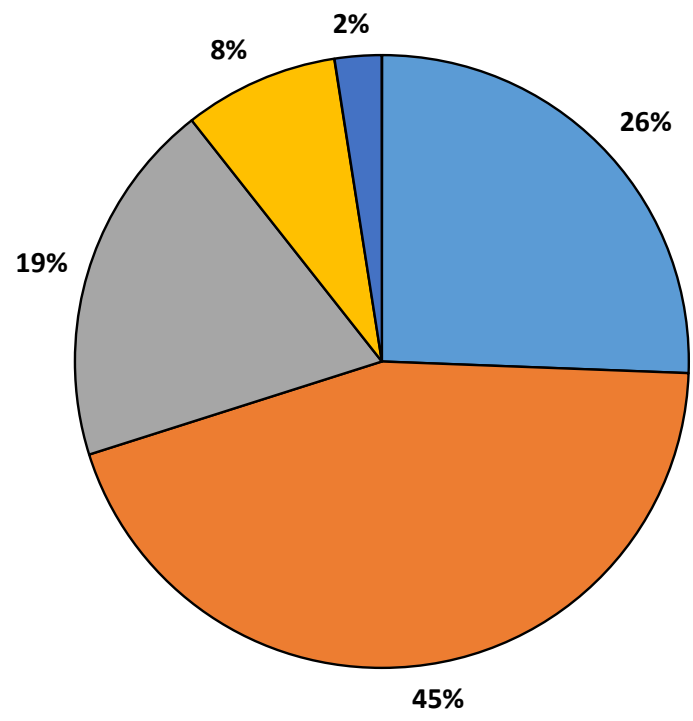
Agribusiness
and Economics
Research Unit

A Lincoln University Research Centre.
New Zealand's specialist land-based university



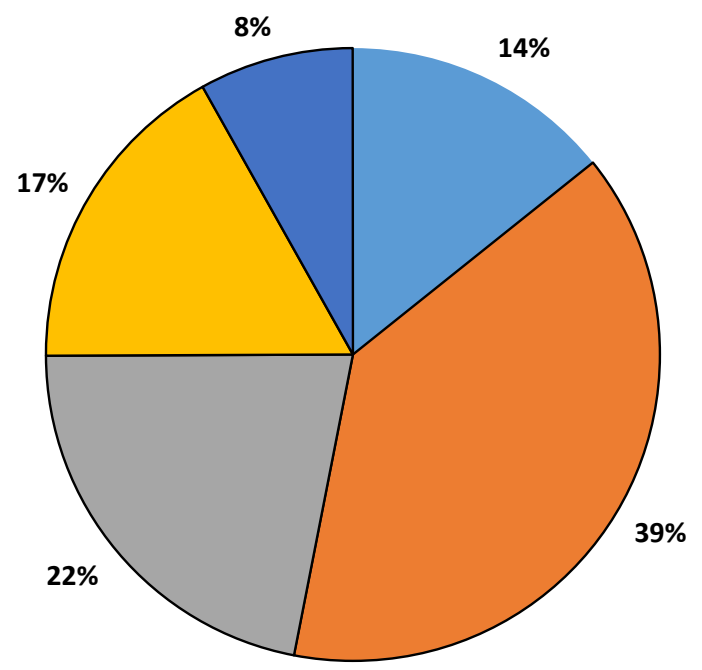
Figure 2-15: Distribution of Qualifications in Agri-Food Primary Industries, 2013

AGRI-FOOD PRIMARY INDUSTRIES



- None
- Level 1-3
- Level 4-6
- Bachelor
- Postgrad

TOTAL ALL INDUSTRIES



Key Message 6

The primary production and processing industries have impacts on the environment that can be measured and monitored.



Agribusiness
and Economics
Research Unit

A Lincoln University Research Centre.
New Zealand's specialist land-based university



Figure 2-19: River Condition Indicator Summary, 2013

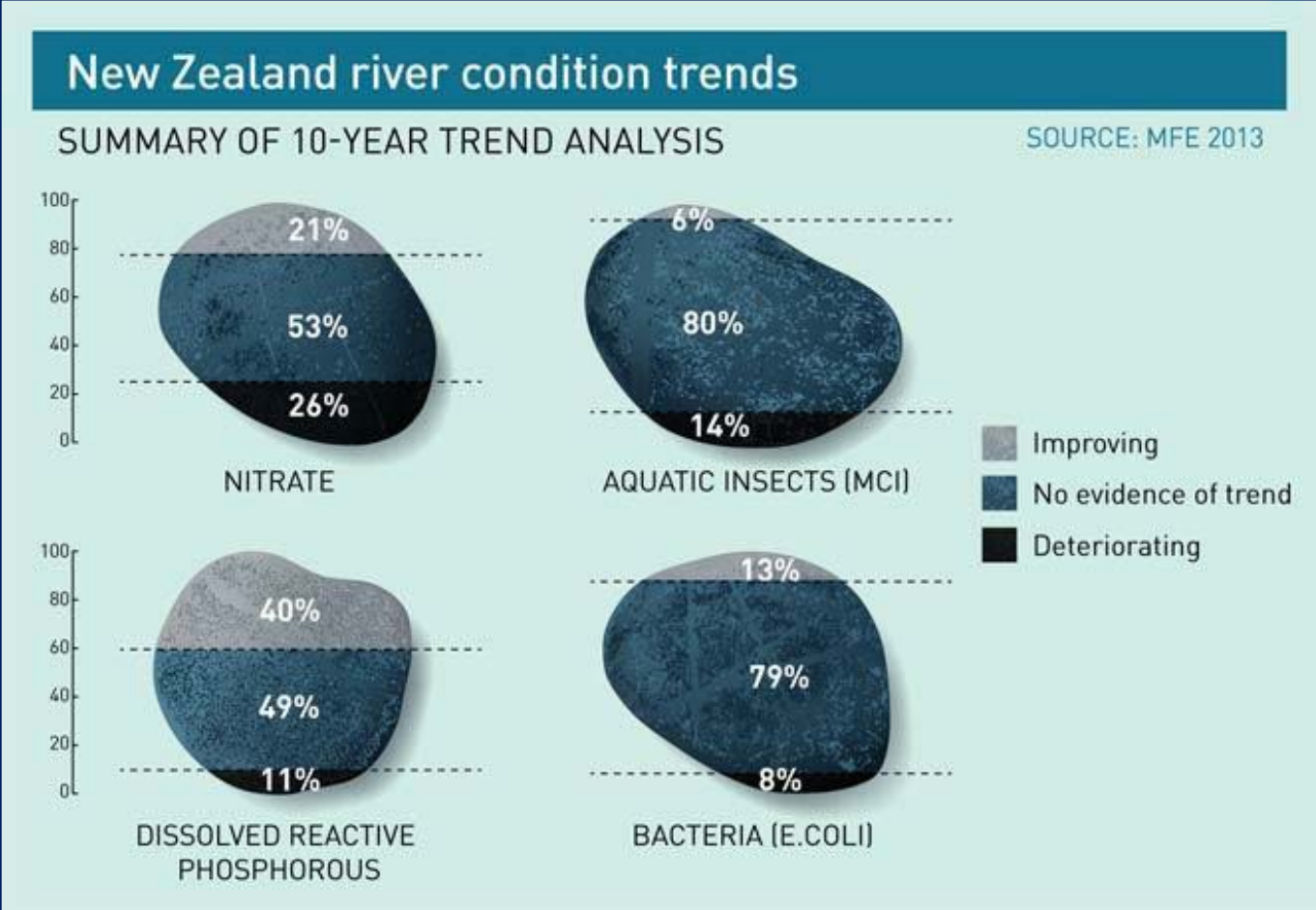
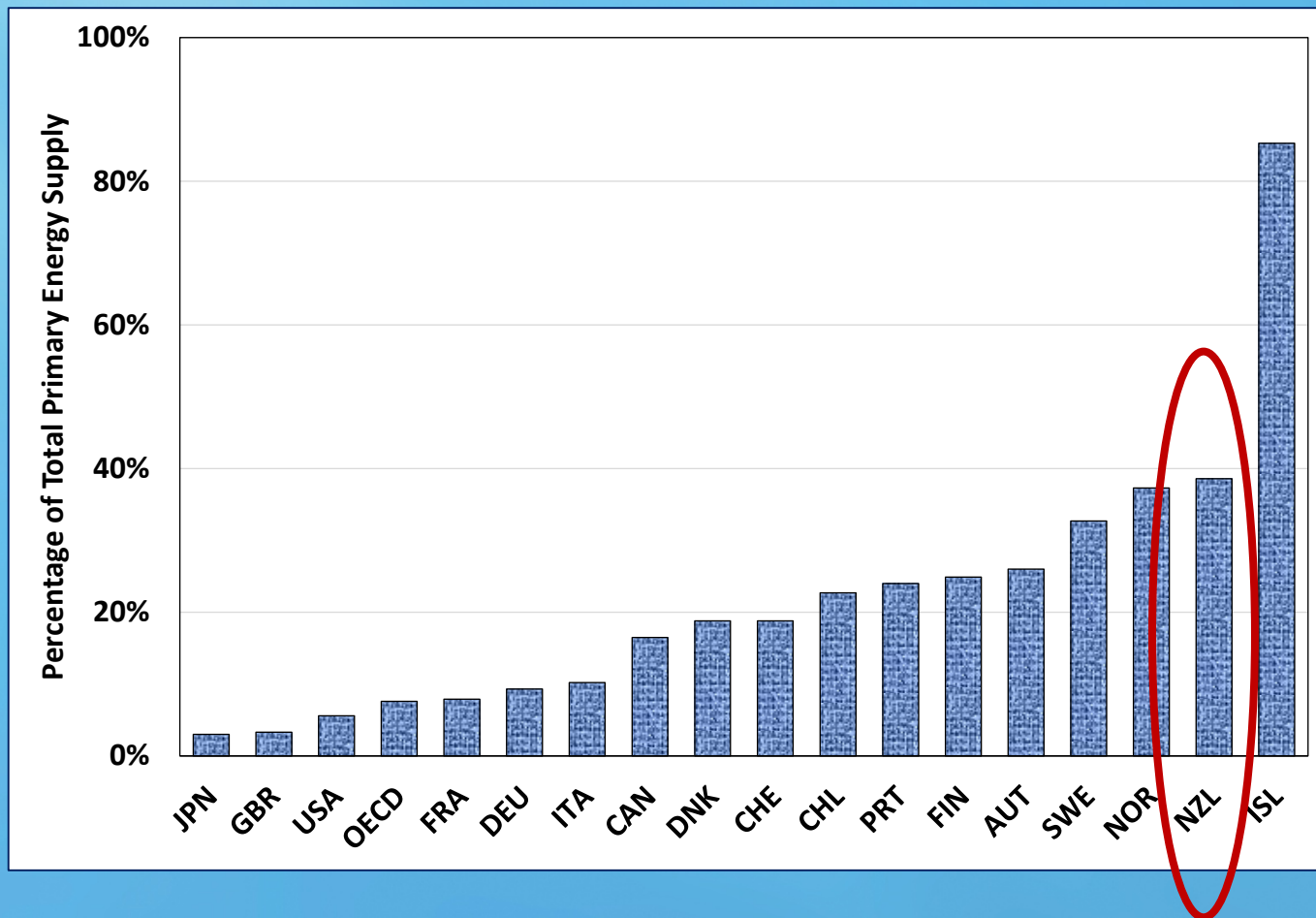


Figure 2-21: Contribution of Renewables to Energy Supply, OECD Countries, 2010



Key Message 7

The New Zealand agri-food industries have been successful because they have created additional value through the integration of:

- changes in international trade;
- developments in domestic industries and policies;
- innovations in science and technology; and
- creations of trusted commercial brands.



Agribusiness
and Economics
Research Unit

A Lincoln University Research Centre.
New Zealand's specialist land-based university



This has continued after the economic reforms

- Removal of all subsidies and move to user pays for public services.
- Development of brands such as Zespri kiwifruit, Kumanu lamb, Anlene milk, Villa Maria wine ...
- Changes in key international markets.
- Trade liberalisation and rise of bilateral and multilateral Free Trade Agreements involving New Zealand.

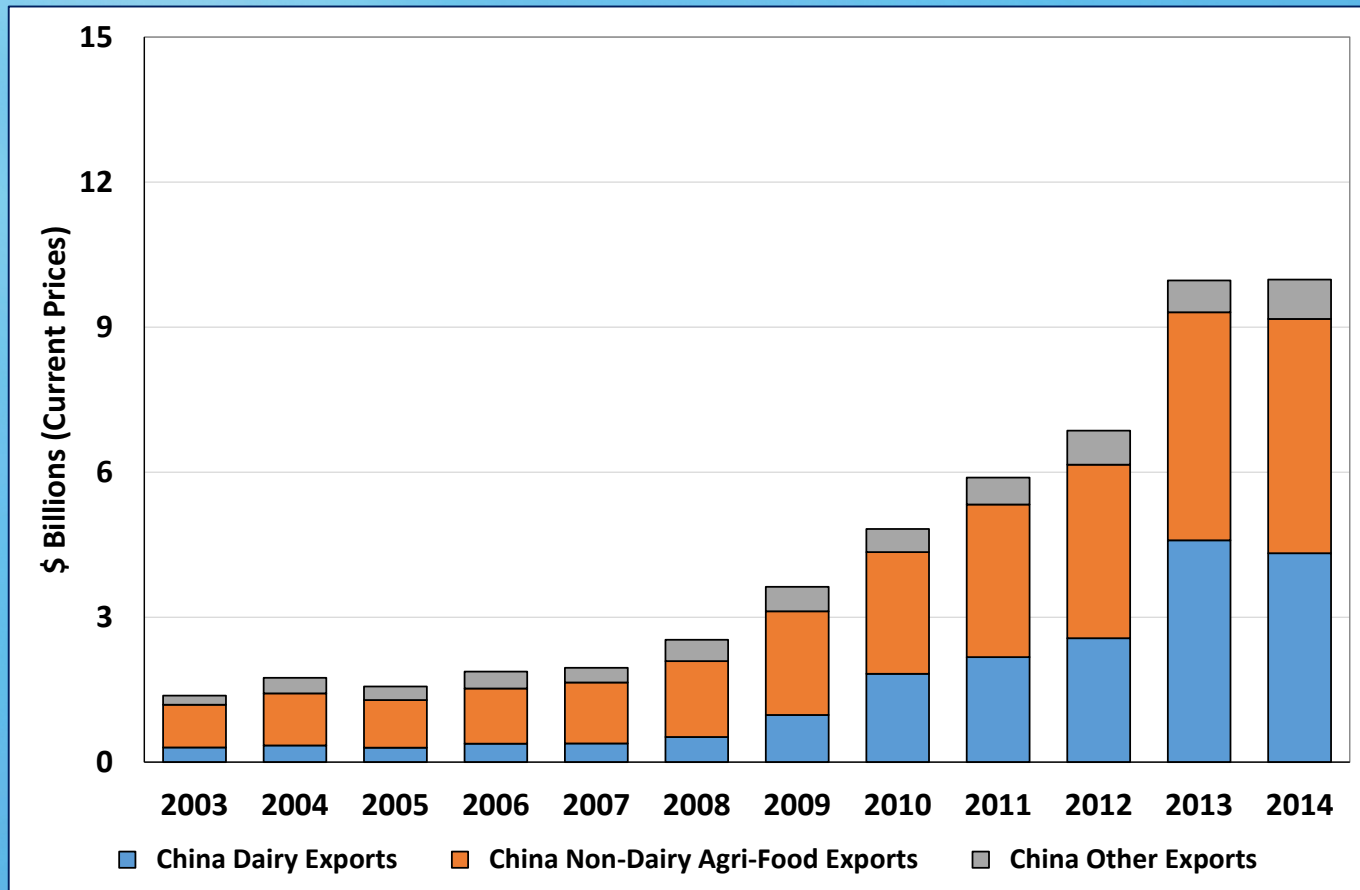


Agribusiness
and Economics
Research Unit

A Lincoln University Research Centre.
New Zealand's specialist land-based university



Figure 2-13: New Zealand Merchandise Exports to China, 2003-2014



Key Message 8

The possibilities of trade liberalization in agri-food products, together with the possibilities for capturing greater value through consumer targeting and sophisticated market segmentation, mean the potential of the agri-food sector is enormous.



Agribusiness
and Economics
Research Unit

A Lincoln University Research Centre.
New Zealand's specialist land-based university



Impact on producer returns for beef, sheep meat and dairy from base

Change	Dollar Value	Per Cent Increase
Reduction in tariffs of 25%	+ US \$ 953 million	+ 5.7 %
Price premium in 10 key markets of 20%	+ US \$ 2,221 million	+ 13.3 %
Free trade and price premium of 20%	+ US \$ 7,444 million	+ 44.5 %



Agribusiness
and Economics
Research Unit

A Lincoln University Research Centre.
New Zealand's specialist land-based university





Agribusiness
and Economics
Research Unit

A Lincoln University Research Centre.
New Zealand's specialist land-based university.

The Land and the Brand



**Lincoln
University**
Te Whare Wānaka o Aoraki
CHRISTCHURCH • NEW ZEALAND

The report identifies areas for further research:

- New Zealand's Economic Development Strategy;
- The Aotearoa New Zealand Agri-Food Story;
- Engagement with citizens;
- International trade modelling;
- Research on value chain opportunities; and
- Investments in science.



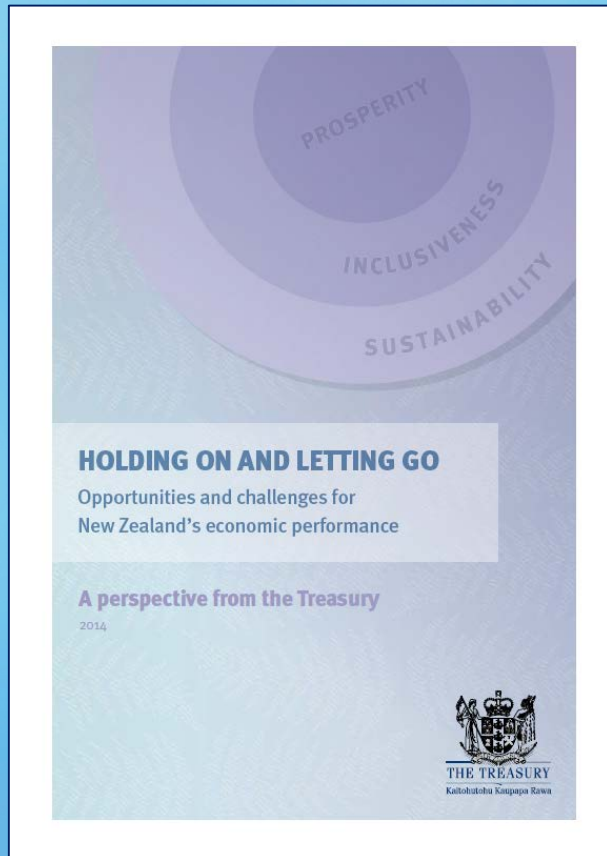
Agribusiness
and Economics
Research Unit

A Lincoln University Research Centre.
New Zealand's specialist land-based university



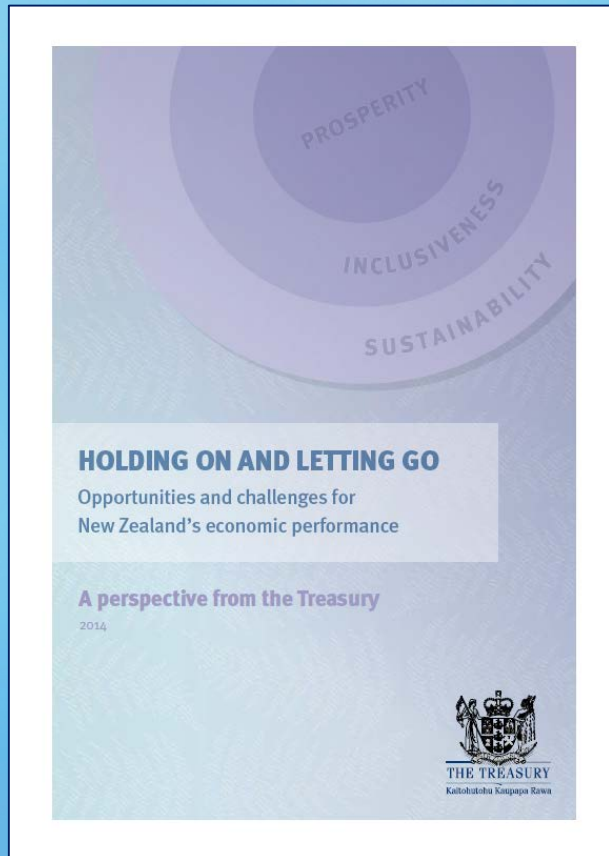
**Lincoln
University**
Te Whare Wānaka o Aoraki
CHRISTCHURCH • NEW ZEALAND

New Zealand's Economic Development Strategy



- Treasury is refreshing its thoughts on national strategy.
- Much of the thinking focuses on other small countries such as Ireland, Denmark Finland.
- New Zealand's small population and distant location mean we need a *New Zealand* strategy.

New Zealand's Economic Development Strategy



- Distance means we can't imitate countries that grew by participating in *manufacturing* global value chains.
- A New Zealand strategy has to focus on our natural capital and our human capital – *The Land and the Brand*.
- This is currently missing.

The Aotearoa New Zealand Agri-Food Story

- In the agri-food sector, “origin is more than ever an expression of quality and is crucial information for the consumer” (Futurebrand, 2015, p. 4).
- Further research should be directed at developing the New Zealand brand (backed by robust science) as a country of origin for quality food and beverages.



Agribusiness
and Economics
Research Unit

A Lincoln University Research Centre.
New Zealand's specialist land-based university



Engagement with Citizens

- Continued urbanisation and other demographic changes (plus the ongoing intensification of agriculture) can create a challenge to maintain what some call the 'social licence' to farm.
- There are also risks for biosecurity if the changing New Zealand population loses touch with rural realities.
- An annual citizens' survey would help with this.



Agribusiness
and Economics
Research Unit

A Lincoln University Research Centre.
New Zealand's specialist land-based university



International Trade Modelling

- Trade modelling can be used to identify and measure opportunities for increasing New Zealand producer returns through international trade liberalisation.
- Trade modelling can also be used to identify the benefits of spending resources on biosecurity to reduce the risks of losing key markets through an incursion.



Agribusiness
and Economics
Research Unit

A Lincoln University Research Centre.
New Zealand's specialist land-based university



Research on Value Chain Opportunities

- Research is required to identify and communicate the most successful examples of New Zealand led value chains, particularly at the level of brands (rather than industry).
- Detailed research is required on specific global value chains to identify opportunities for creating, communicating and capturing greater value from New Zealand's agri-food products.



Agribusiness
and Economics
Research Unit

A Lincoln University Research Centre.
New Zealand's specialist land-based university



Investments in science

- New Zealand taxpayers are funding very large amounts of investments in science for the agri-food sector.
- There is a need for more inter-disciplinary science to make step wise changes.
- The research must extend to Knowledge Intensive Business Services to increase value.
- Science must be integrated across the sectors.



Agribusiness
and Economics
Research Unit

A Lincoln University Research Centre.
New Zealand's specialist land-based university



Conclusion: The Land and the Brand

- The Agri-Food Sector of New Zealand is a sophisticated and integral part of our future.
- This sophistication need celebrating and encouraging.
- The diversity of the agri-food sector both between industries and within needs better recognition.
- The importance of eclectic skills across the whole sector to support this is vital.



Agribusiness
and Economics
Research Unit

A Lincoln University Research Centre.
New Zealand's specialist land-based university





From its opening in 1878, the institution that is now Lincoln University has contributed to these needs.
Questions or comments?



Agribusiness
and Economics
Research Unit

A Lincoln University Research Centre.
New Zealand's specialist land-based university

Source: Lincoln University Archives
Living Heritage: Tikaka Tōku Iho