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The Land and the Brand

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



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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.



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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.



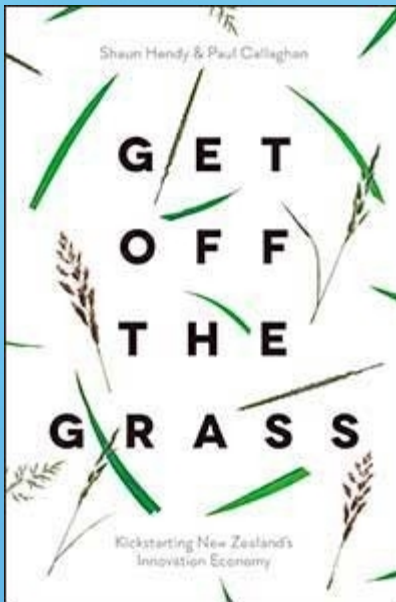
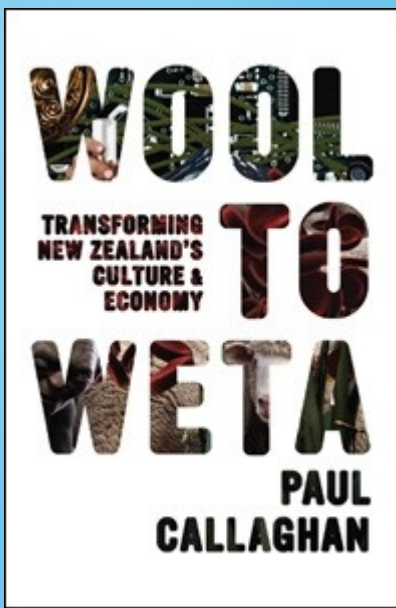
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The Context for the Research

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.



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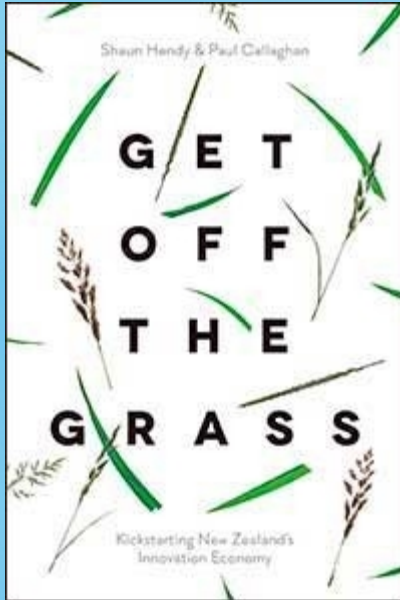


The Future of the Sector

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!



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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*.



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Where we are today...



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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.

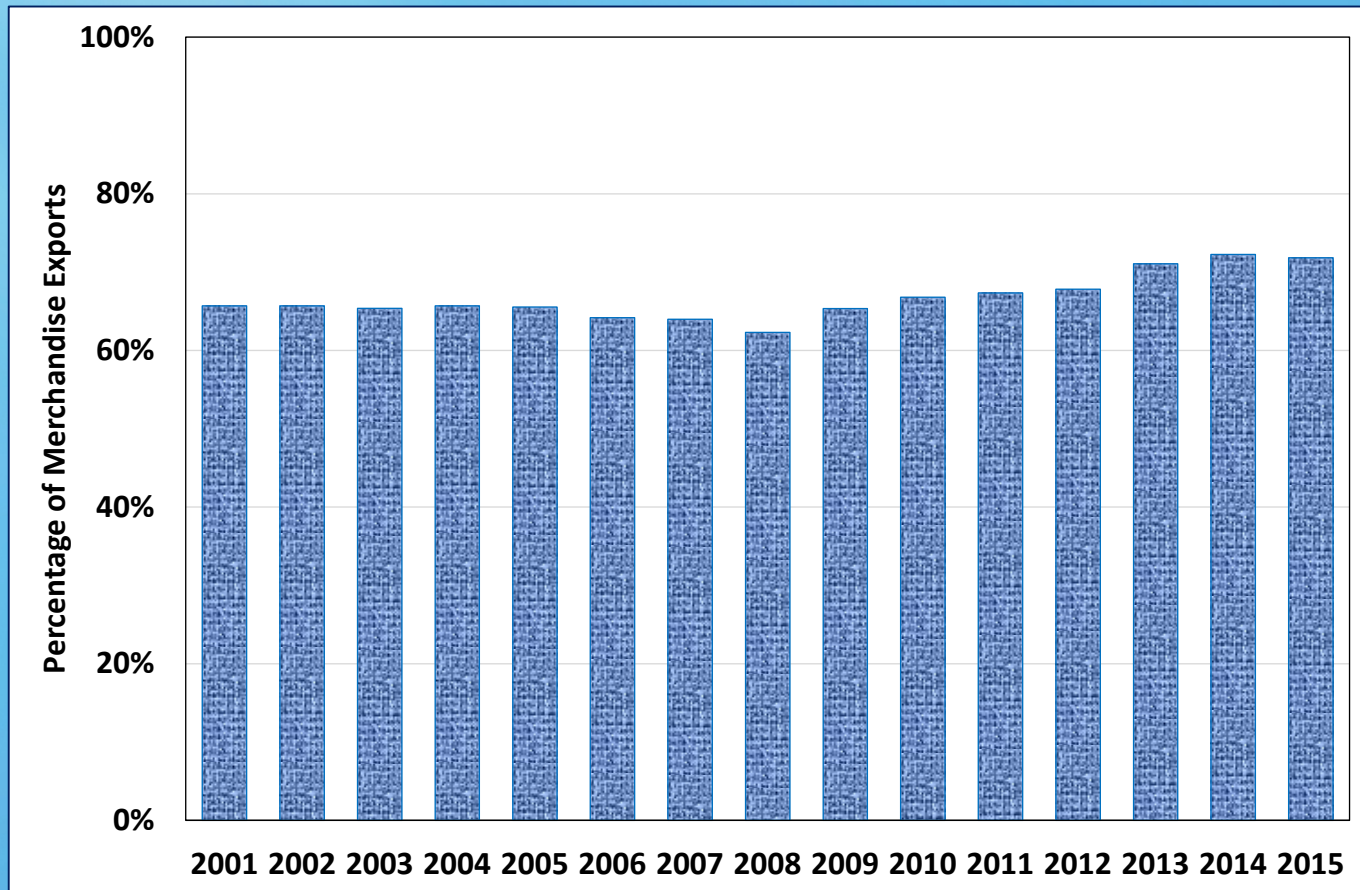


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Figure 1-1: Agri-Food Share of Merchandise Exports, 2000-2015



Agricultural Exports Share of Total Exports

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



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Key Message 2

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



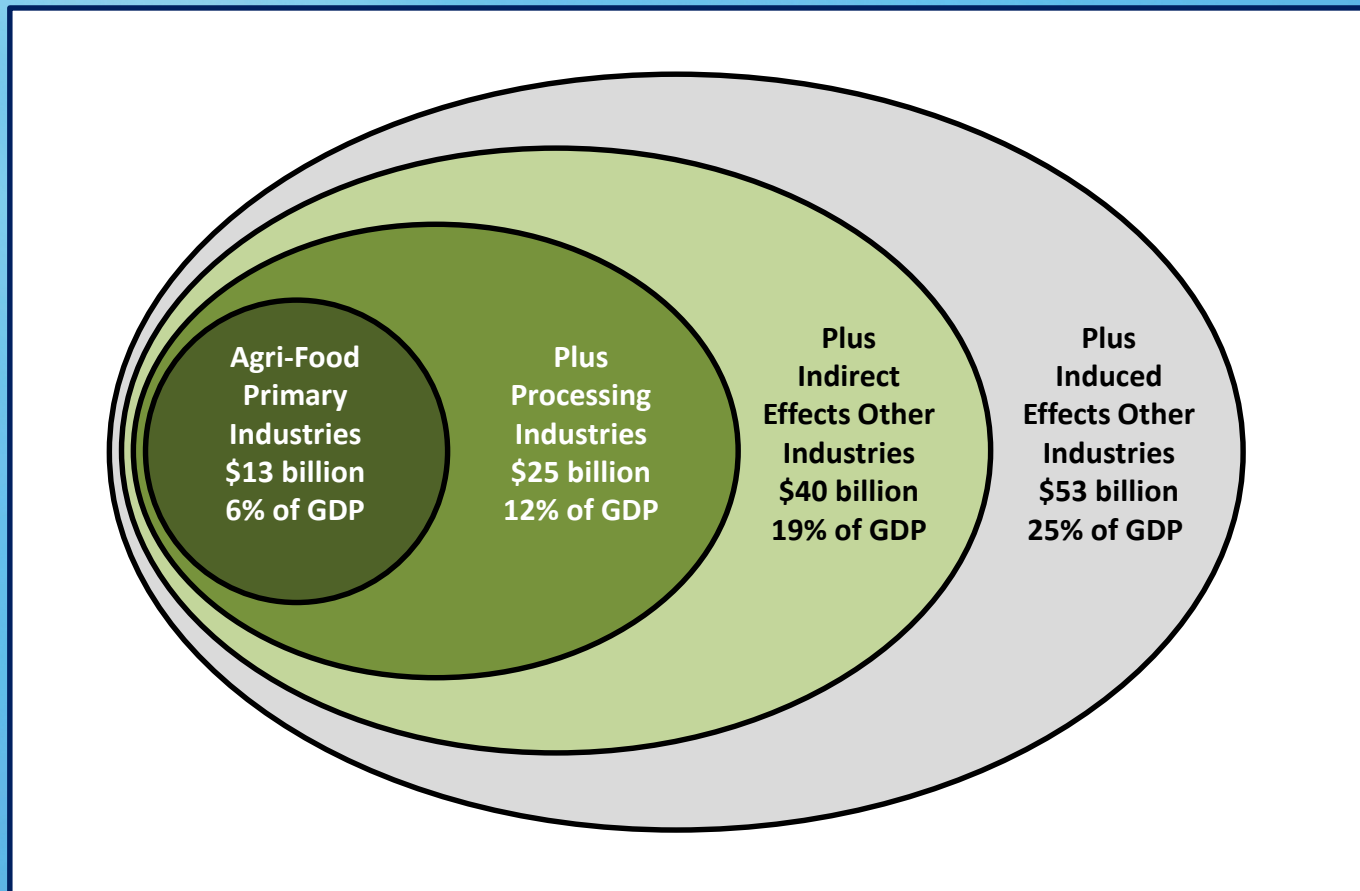
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Figure 2-7: Contributions of the Agri-Food Sector to Gross Domestic Product, 2011/12



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.

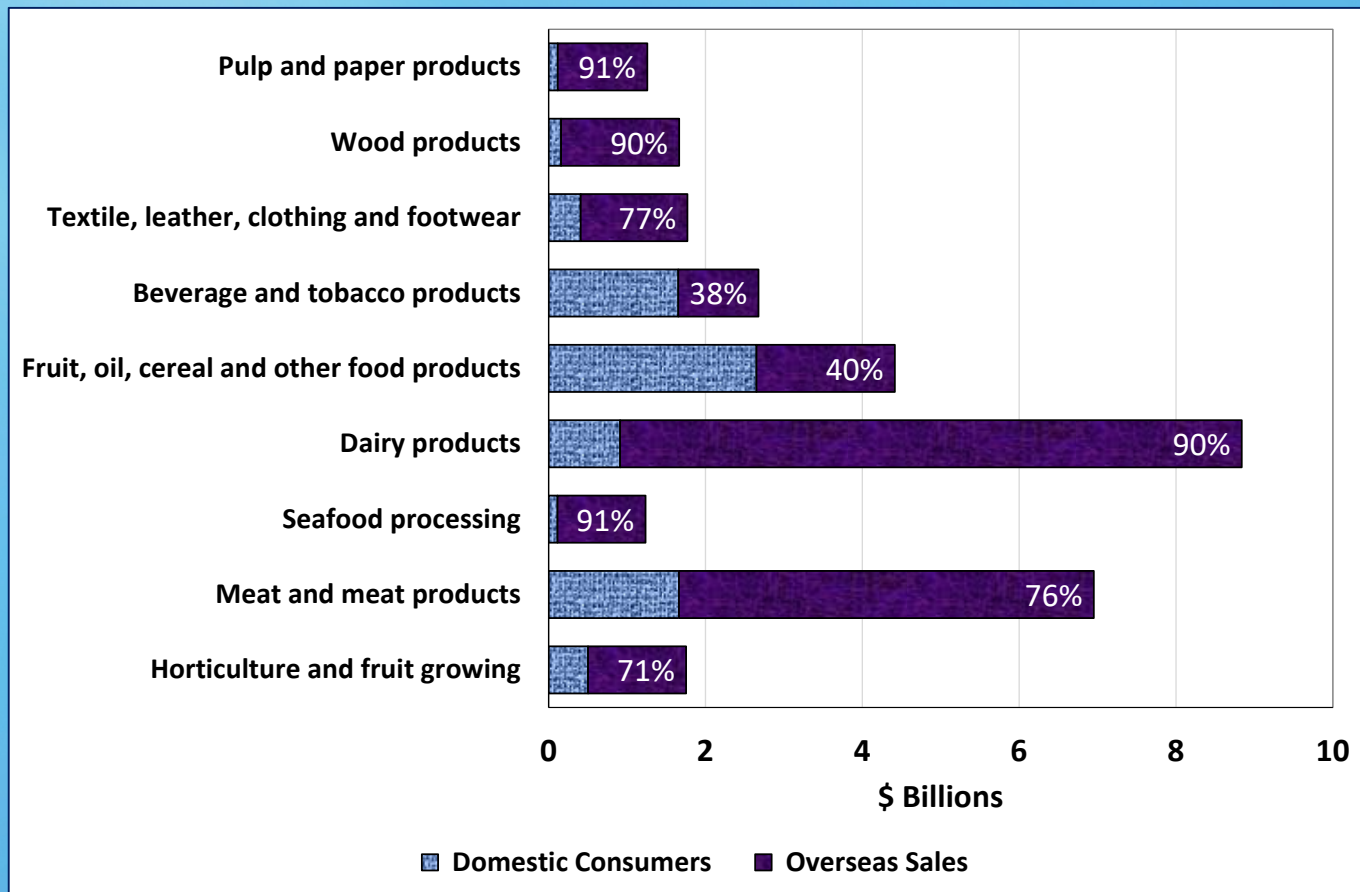


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Figure 2-10: Source of Sales Revenue of the Agri-Food Industries, 2006/07



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.



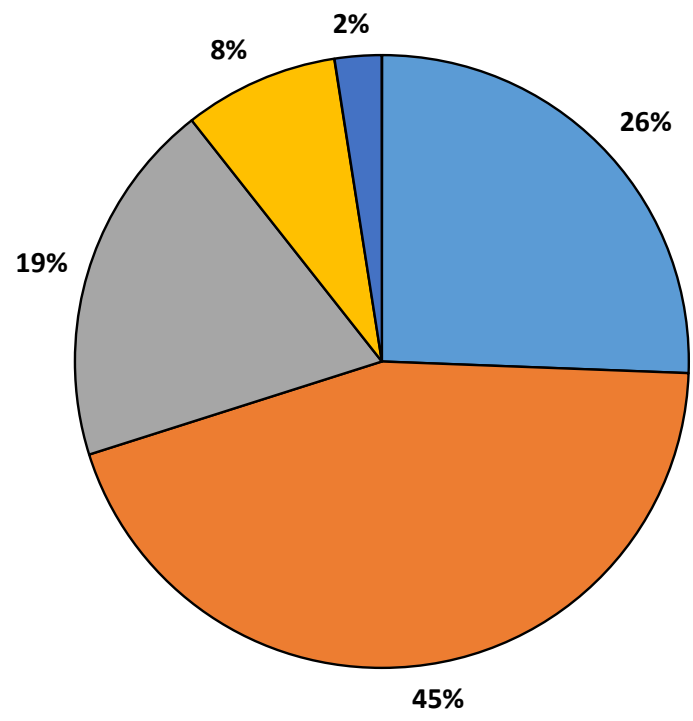
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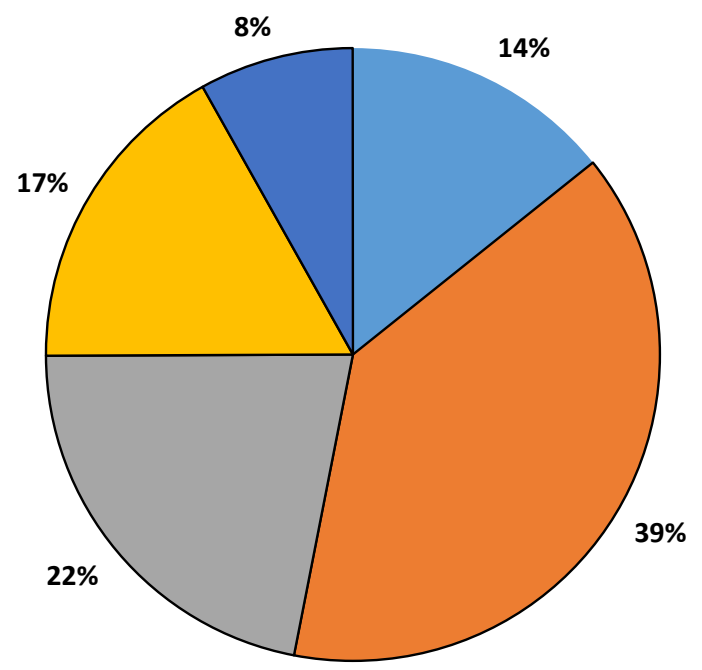
Figure 2-15: Distribution of Qualifications in Agri-Food Primary Industries, 2013

AGRI-FOOD PRIMARY INDUSTRIES



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

TOTAL ALL INDUSTRIES



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Key Message 6

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



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Figure 2-19: River Condition Indicator Summary, 2013

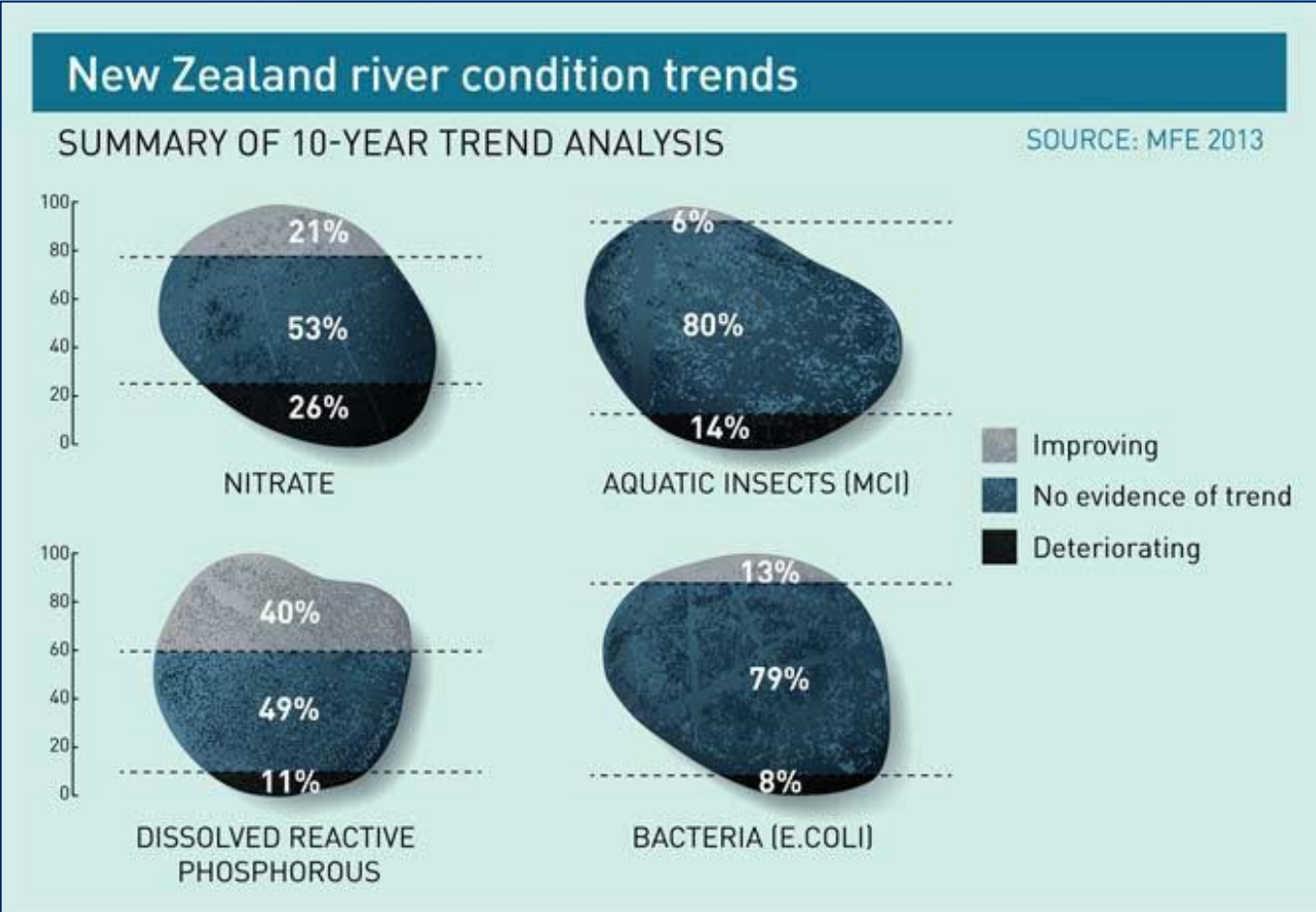
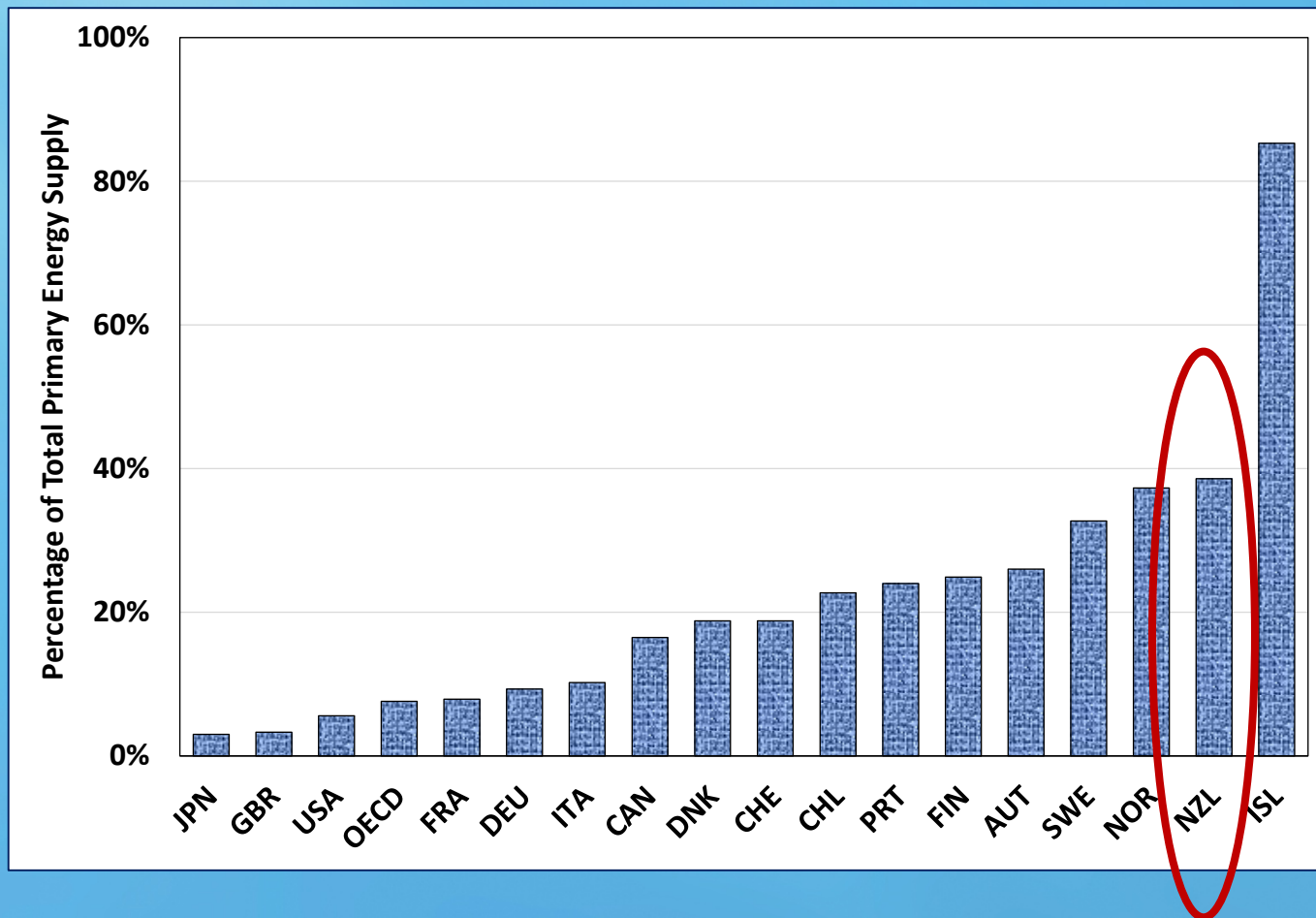


Figure 2-21: Contribution of Renewables to Energy Supply, OECD Countries, 2010



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.



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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.

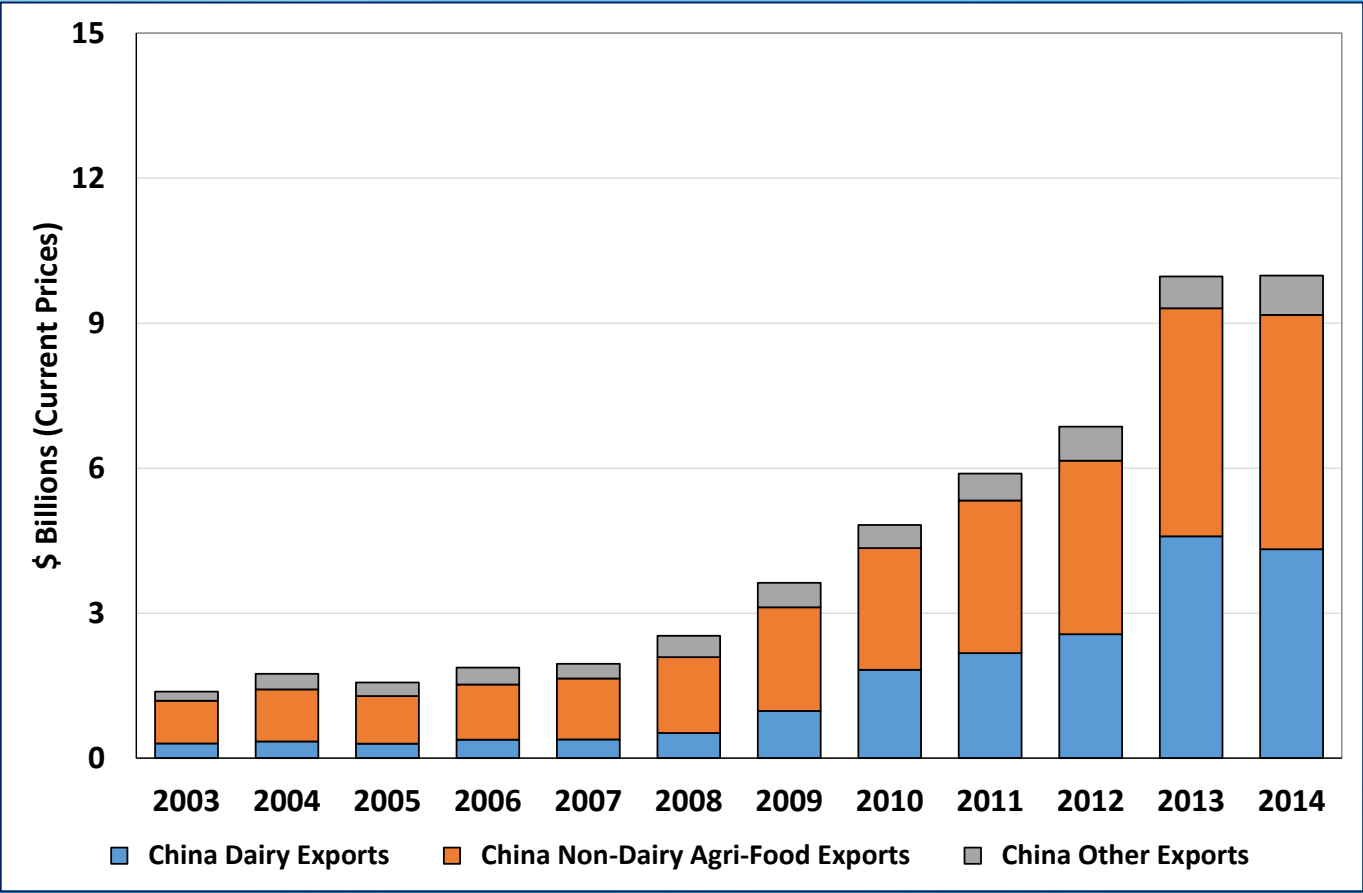


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Figure 2-13: New Zealand Merchandise Exports to China, 2003-2014



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.



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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 %



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The Land and the Brand



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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.



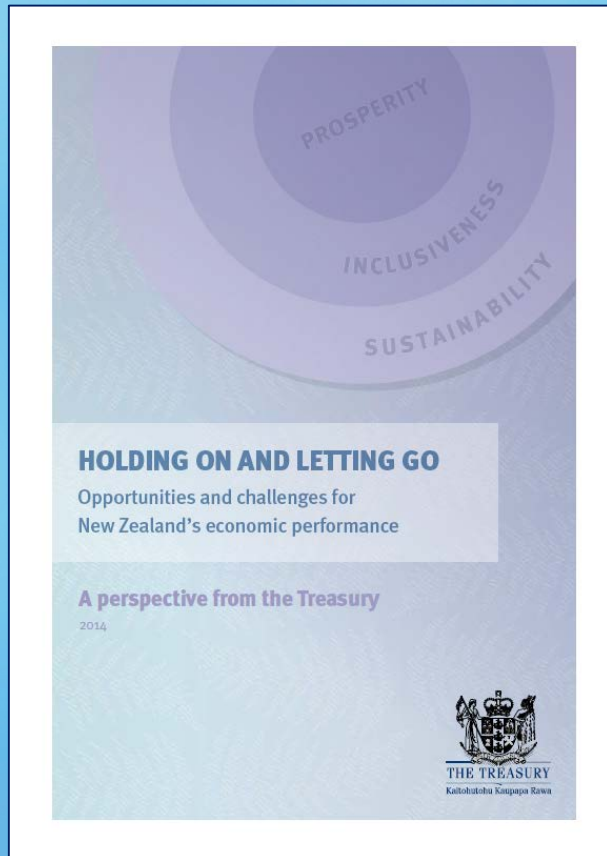
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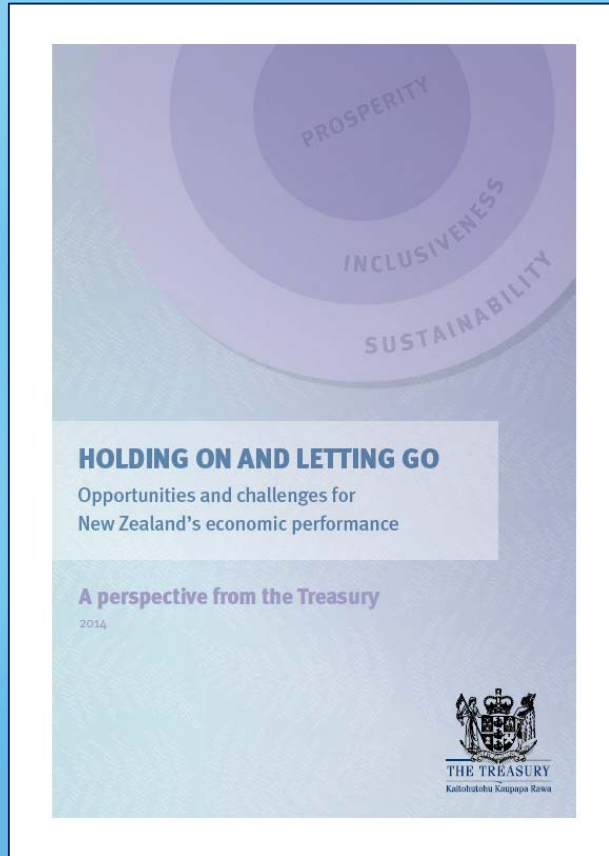
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New Zealand's Economic Development Strategy



- 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.



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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.



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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.



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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.



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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.



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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.



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



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Source: Lincoln University Archives
Living Heritage: Tikaka Tōku Iho