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New Zealand Agricultural and  
Resource Economics Society (Inc.)

## **How can the primary sector lead us out of recession? ...constraints to and facilitators of growth**

**Dr Scott Champion**

CEO, Meat & Wool New Zealand Limited, Box 121, Wellington

**Paper presented at the 2010 NZARES Conference**

**Tahuna Conference Centre – Nelson, New Zealand. August 26-27, 2010.**

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The logo for Beef + Lamb New Zealand is contained within a white oval with a subtle drop shadow. The words "beef+lamb" are written in a lowercase, sans-serif font, with a plus sign between them. Below this, the words "new zealand" are written in a smaller, lowercase, sans-serif font.

beef+lamb  
new zealand

# How can the primary sector lead us out of recession?

...constraints to and facilitators of growth

NZARES Conference  
Thursday 26<sup>th</sup> August, 2010  
Dr Scott Champion, CEO

# Today's challenges...

- Farming challenges and regulation
  - Water
  - ETS
  - FX
- Global issues
  - Food security
- Maintaining competitive advantage for the sector
  - How should we approach global markets
  - How can we be profitable?
- Management systems and on-farm technology

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new zealand

**It's what we do...**

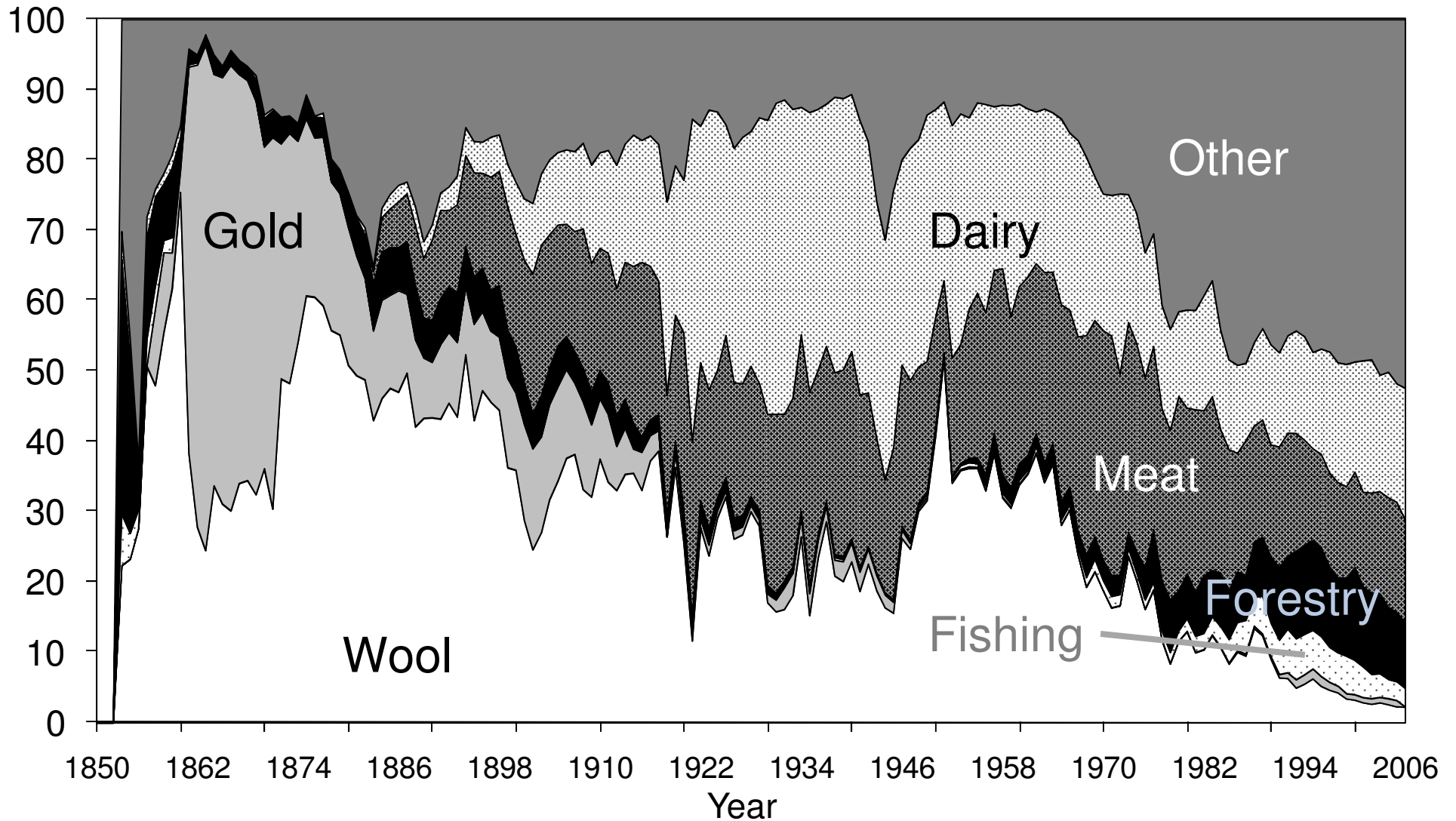
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**The numbers...**



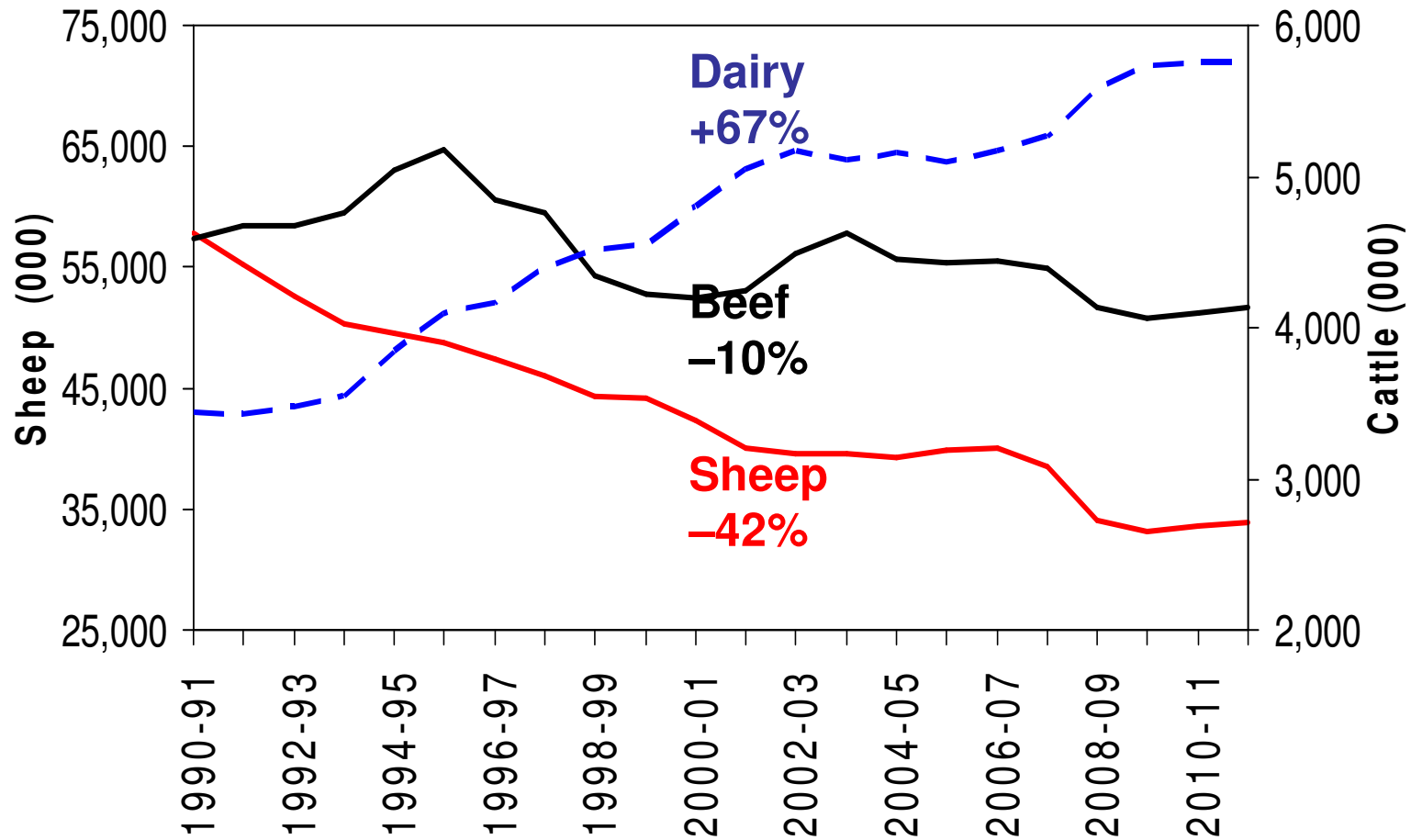
# NZ exports - 1850 to 2006 (% of value)



Source: Briggs, P. (2003 (updated 2007)) *Looking at the numbers: A view of New Zealand's economic history*, NZ Institute for Economic Research (Inc.), Wellington, New Zealand. [<http://www.nzier.org.nz/includes/download.aspx?ID=26893>]



# NZ Sheep and Cattle Numbers 1990-91 to 2011-12



Source: Meat & Wool New Zealand Economic Service  
Statistics New Zealand.

% change 1990 to 2011



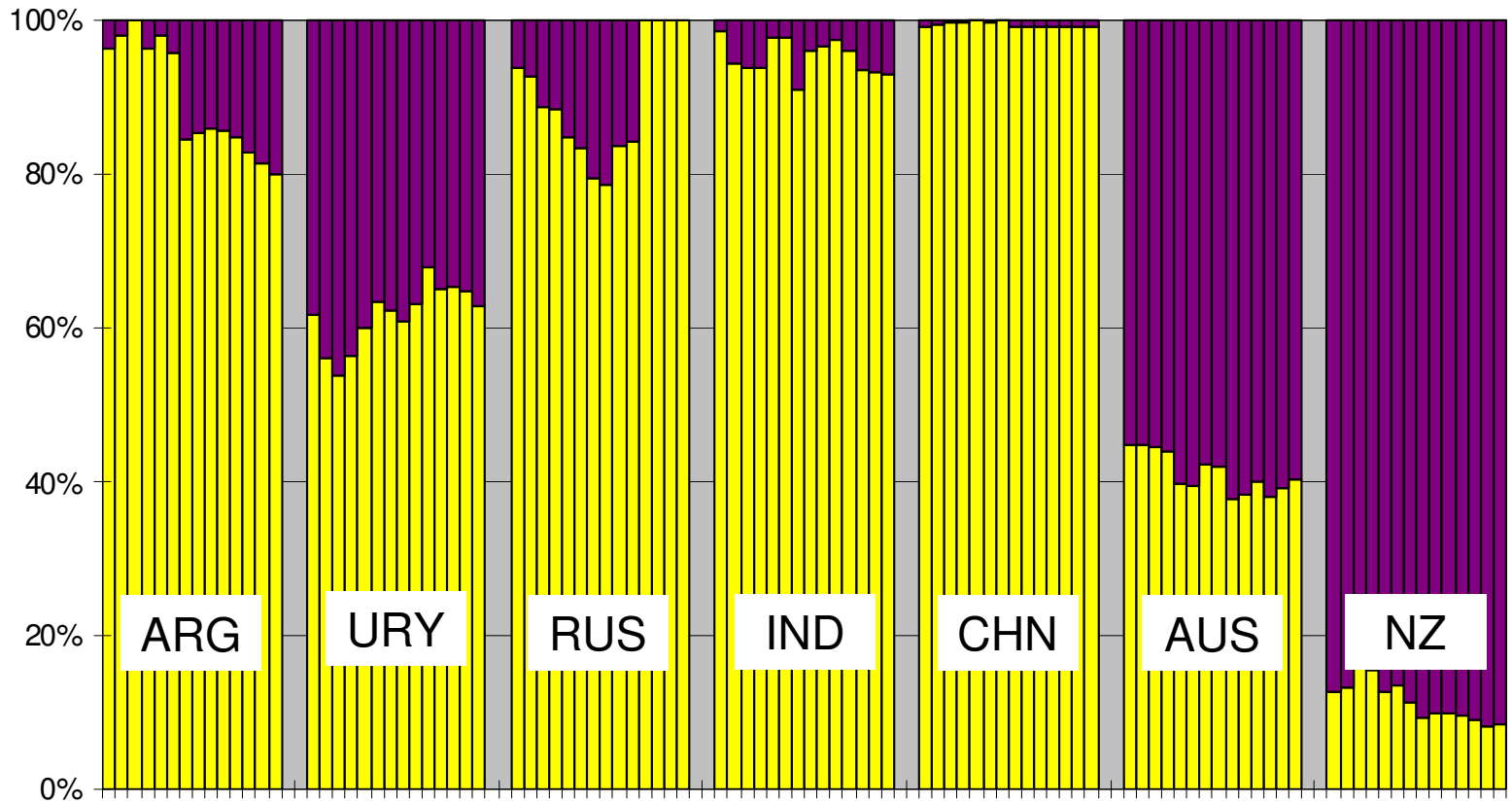
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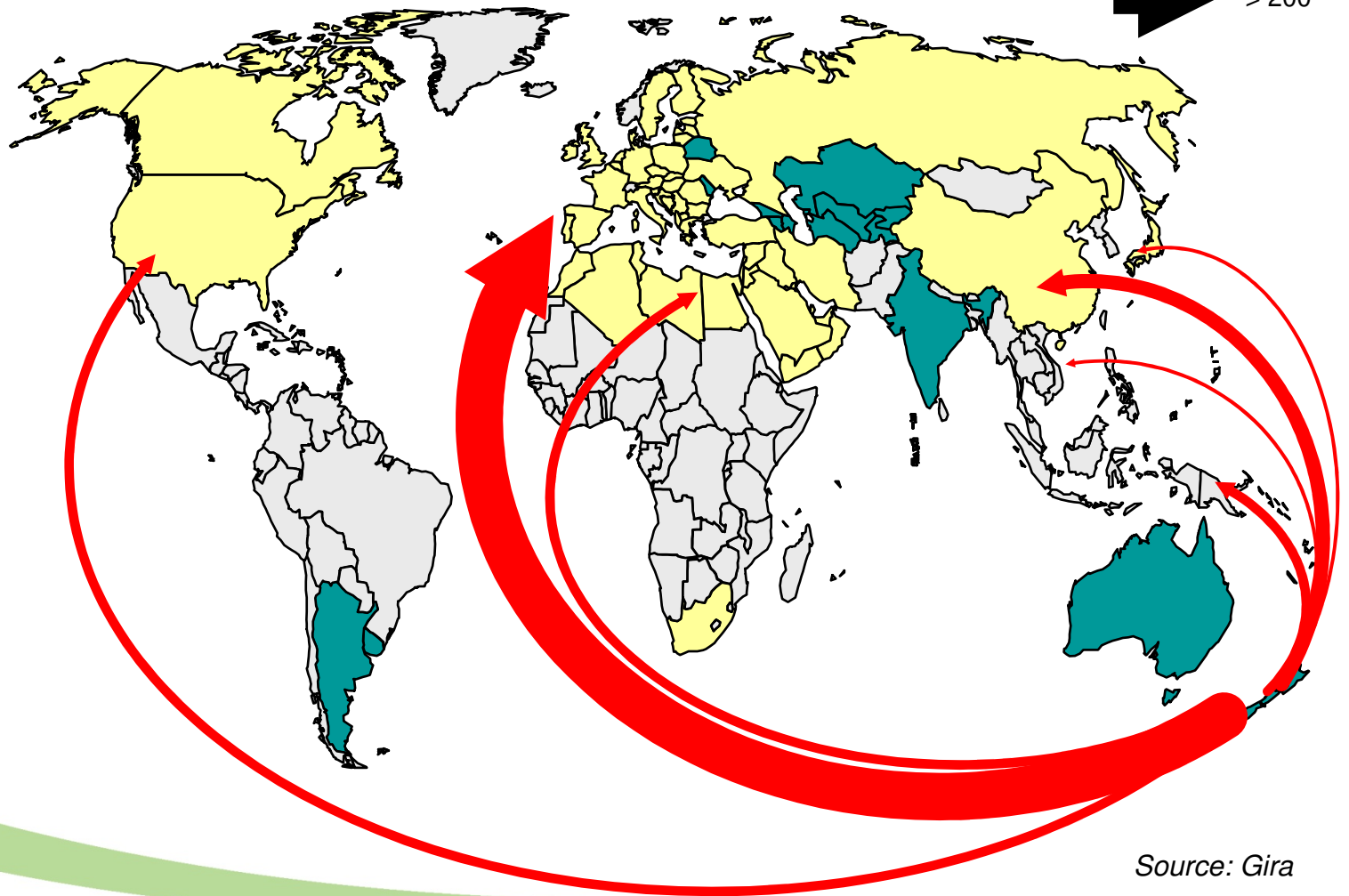
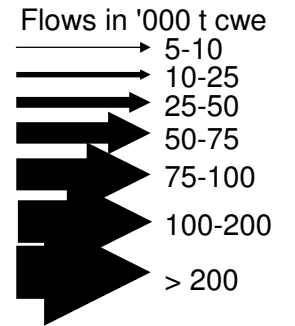
**Supply side...**

...we're export dependent

# Sheepmeat export dependence

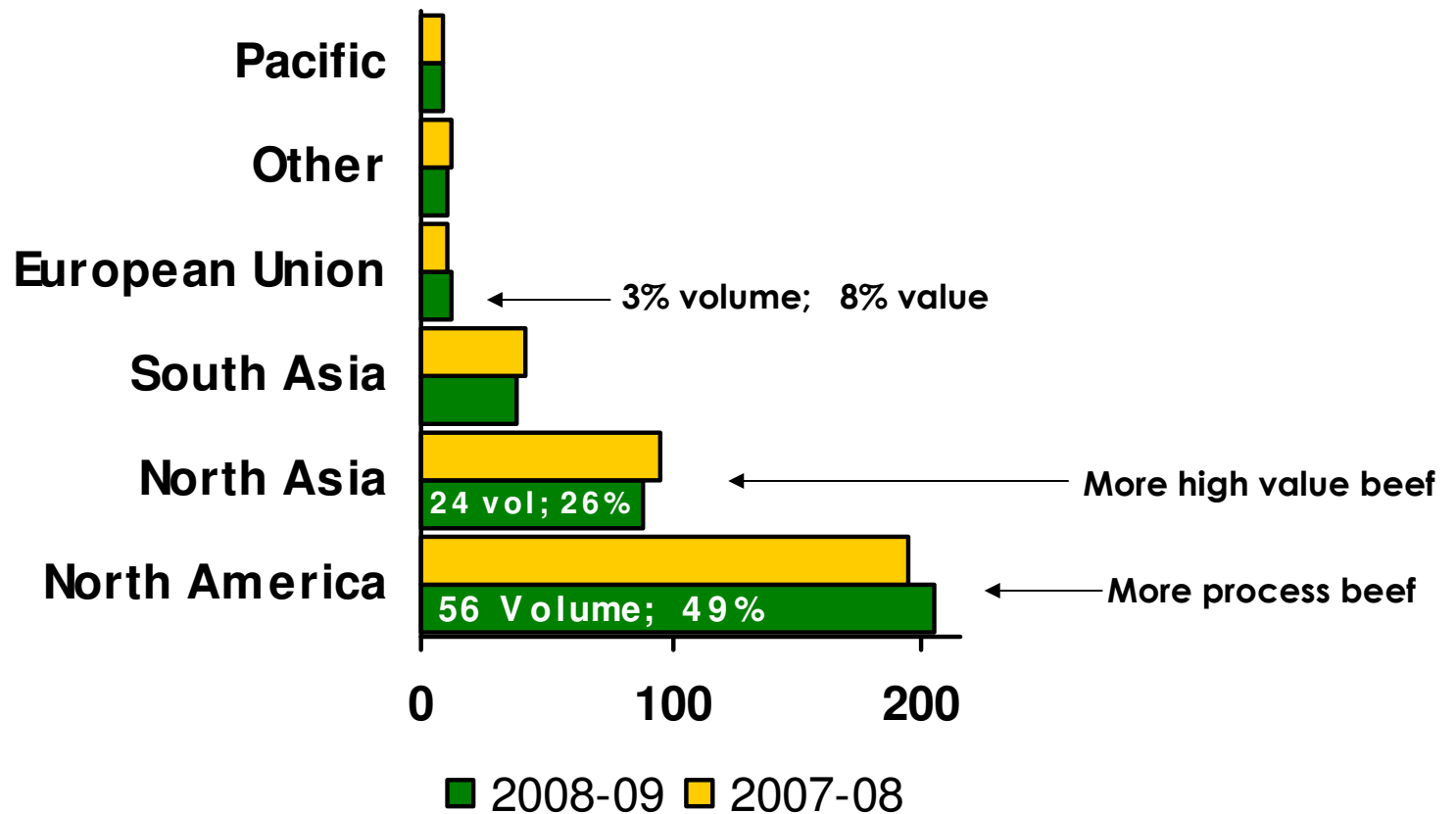


# Lamb exports



# Beef Exports

**2008-09 Beef and Veal Exports**  
 (000 Tonnes Shipped, September Year)



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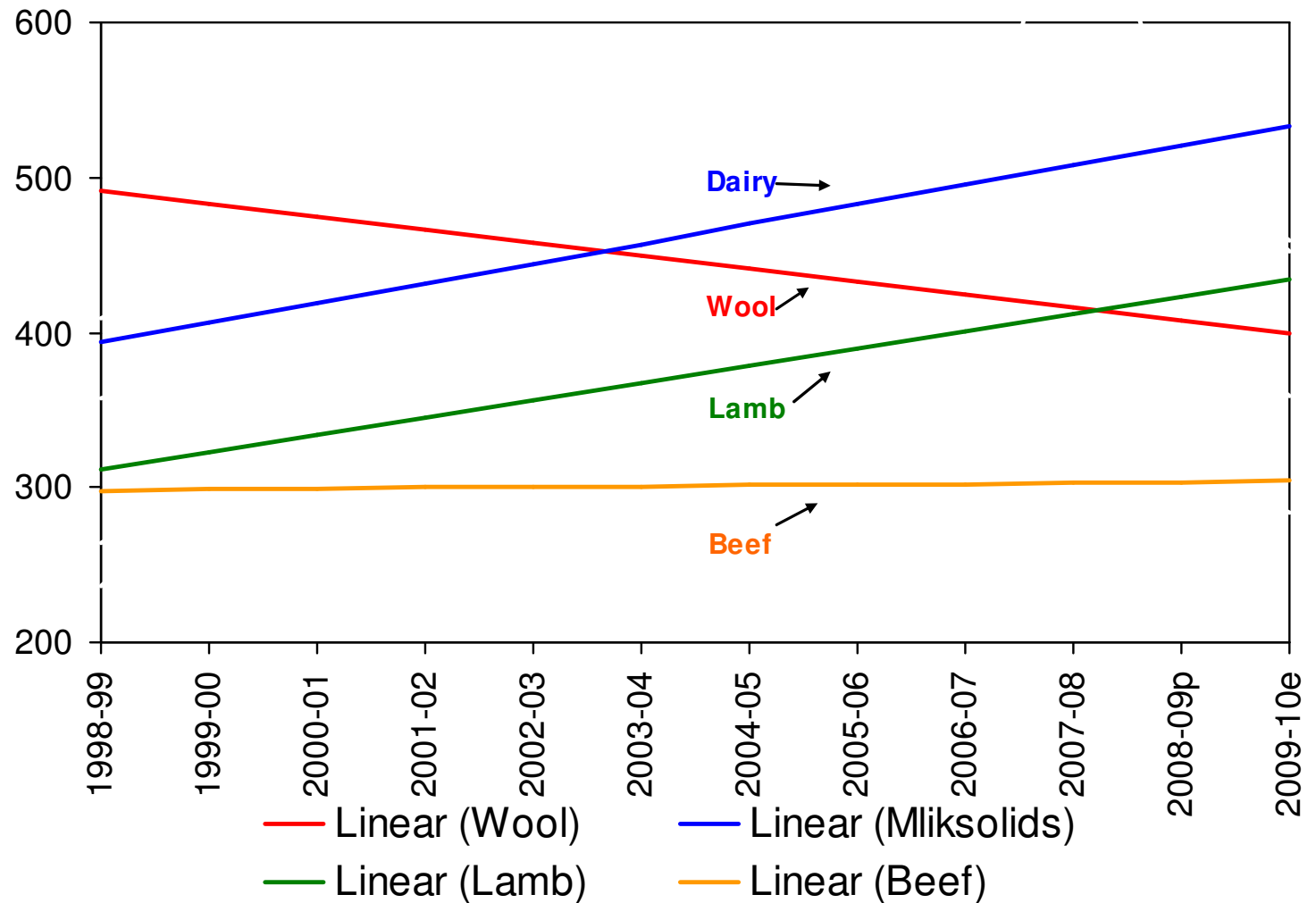
beef+lamb  
new zealand

**Profitability remains a challenge...**



# Wool Lamb, Beef and Milksolids

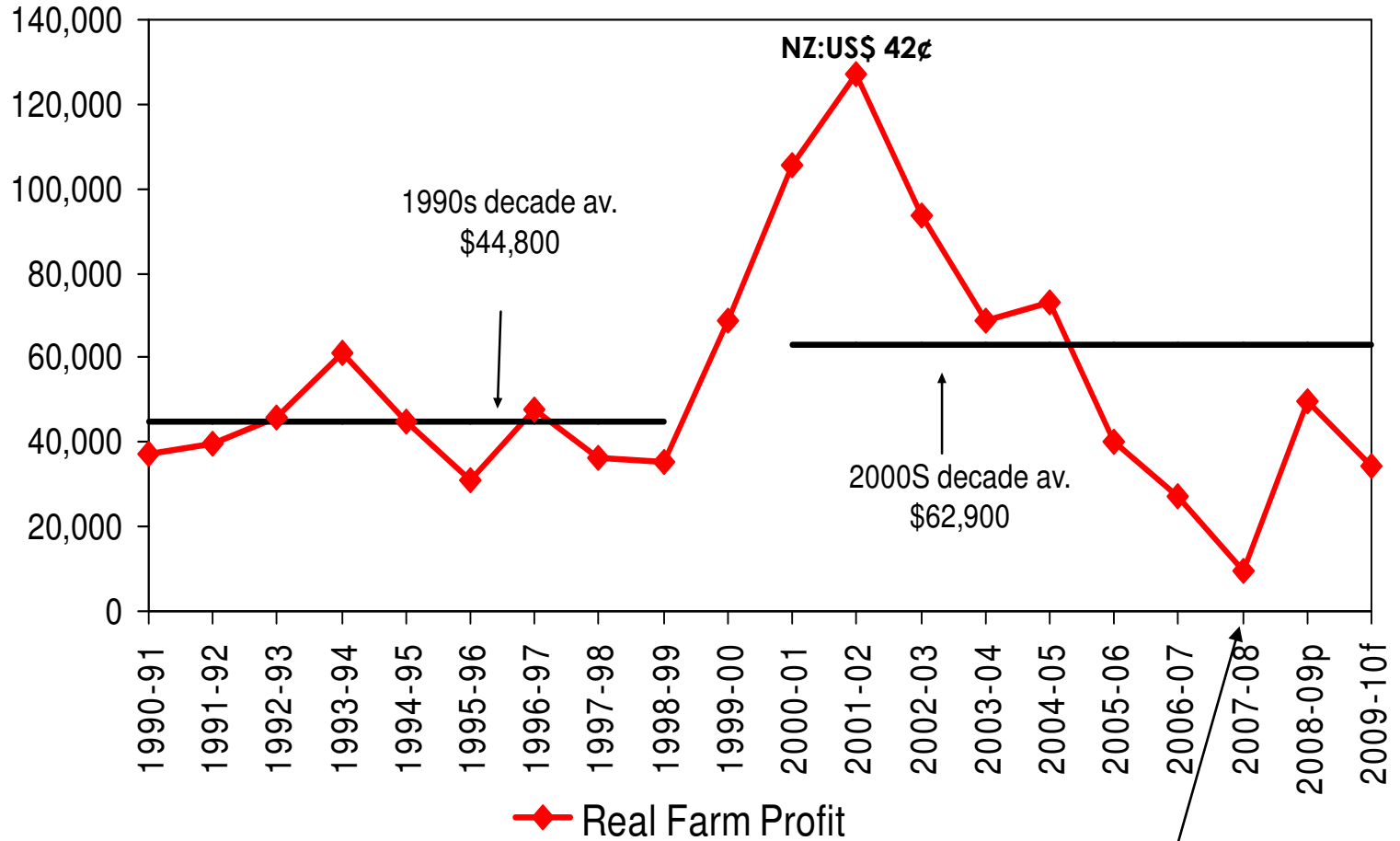
Farm price, ¢ per kg



Source: Beef + Lamb New Zealand Economic Service



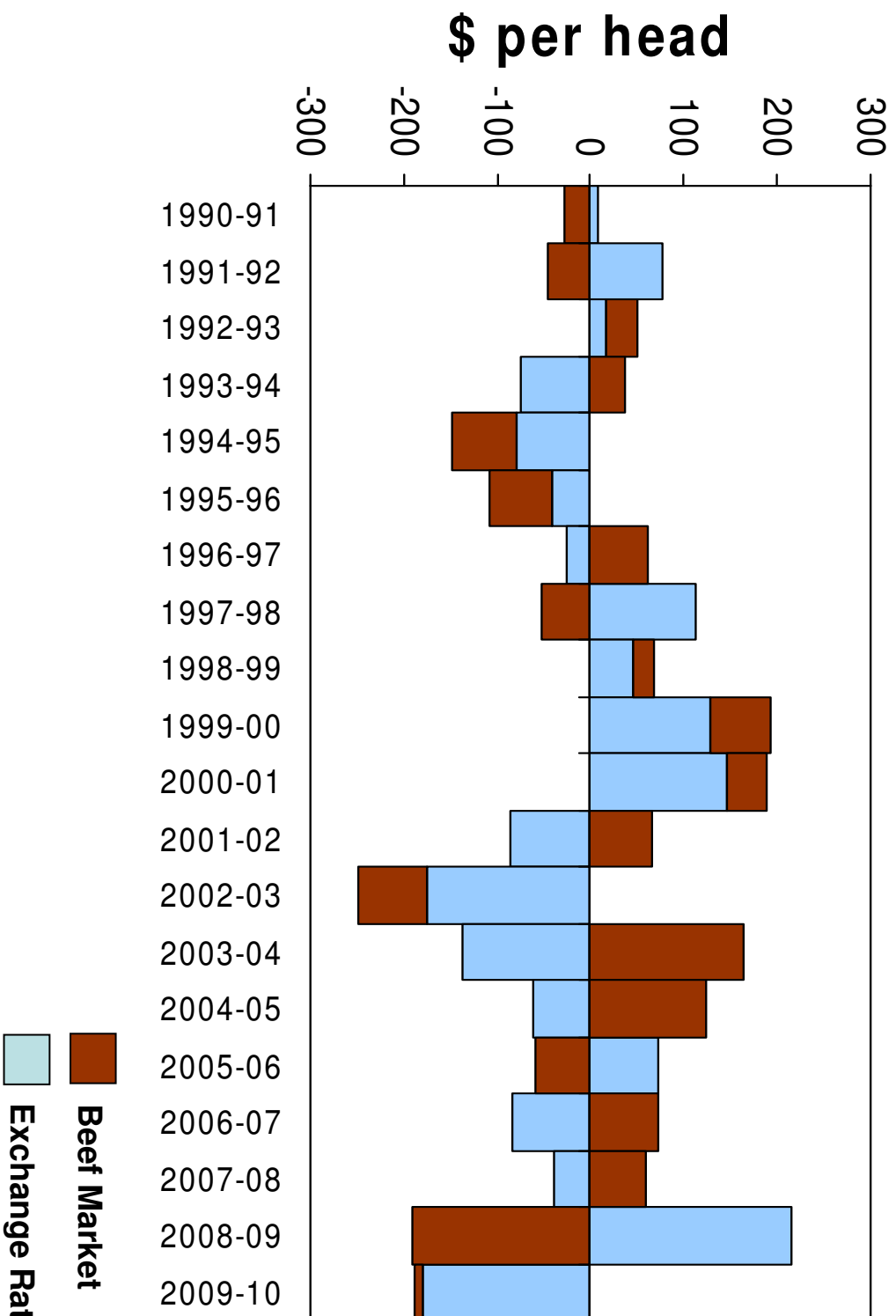
# Sheep & Beef Farm Profit before Tax (per Farm, constant 2004-05 \$s)



Source: Meat & Wool New Zealand Economic Service  
Sheep and Beef Farm Survey, All Classes Farm

**Lowest in 50 years**  
(NZ:US\$ 77¢)

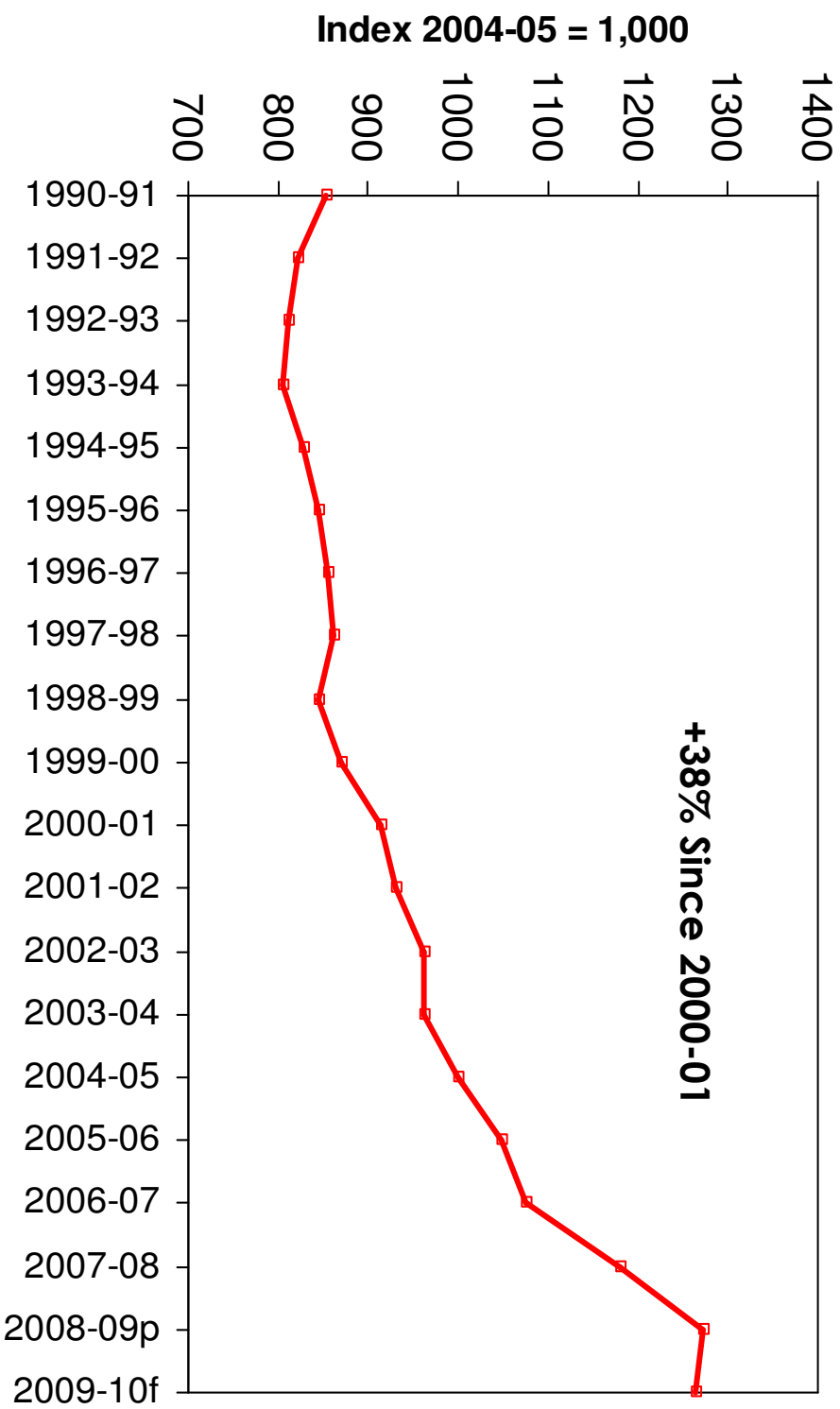
# Beef Market Change & FX Rate Effect



Source: Beef + Lamb New Zealand Economic Service



# Sheep & Beef On-farm Inflation



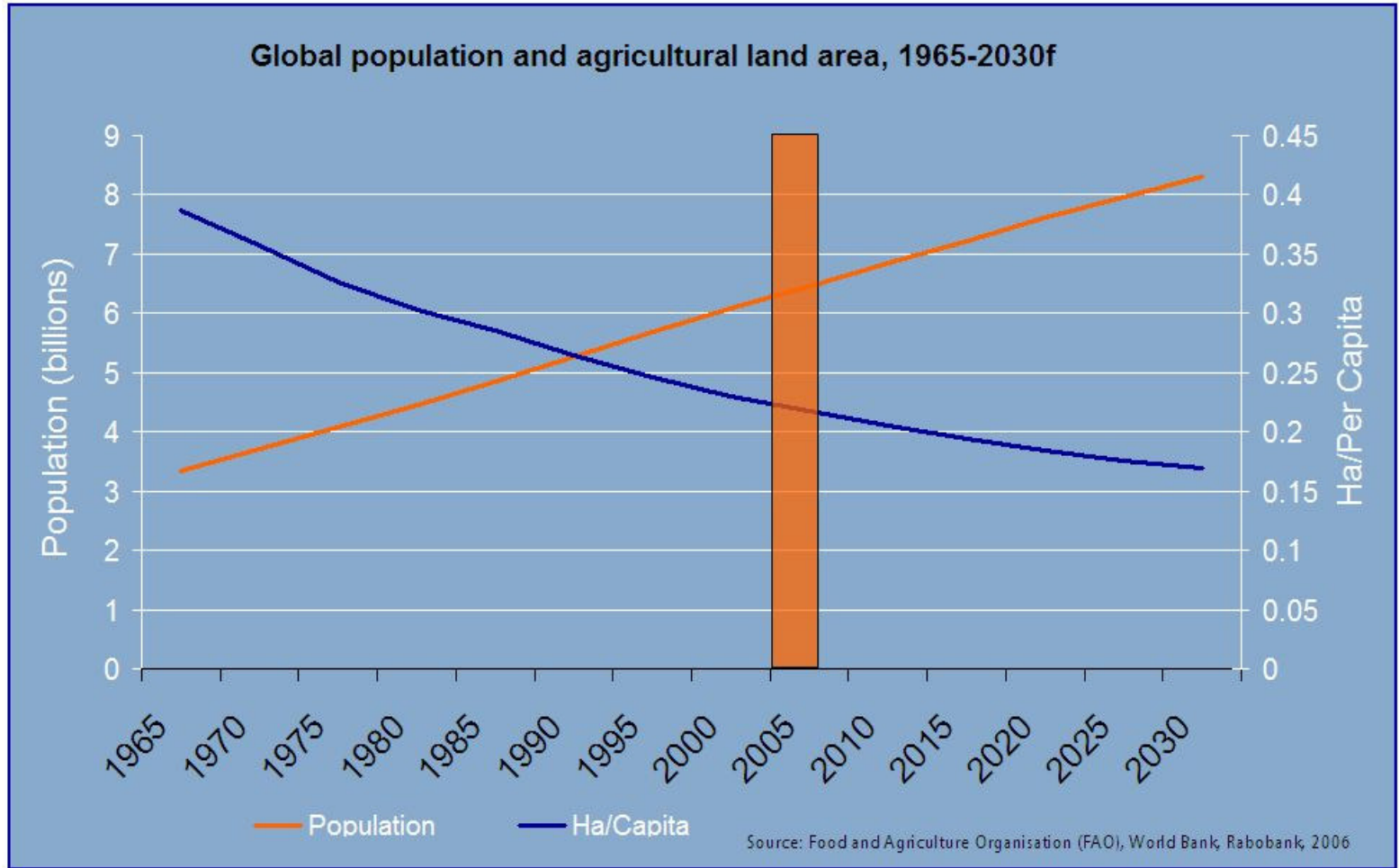
Source: Beef + Lamb New Zealand Economic Service

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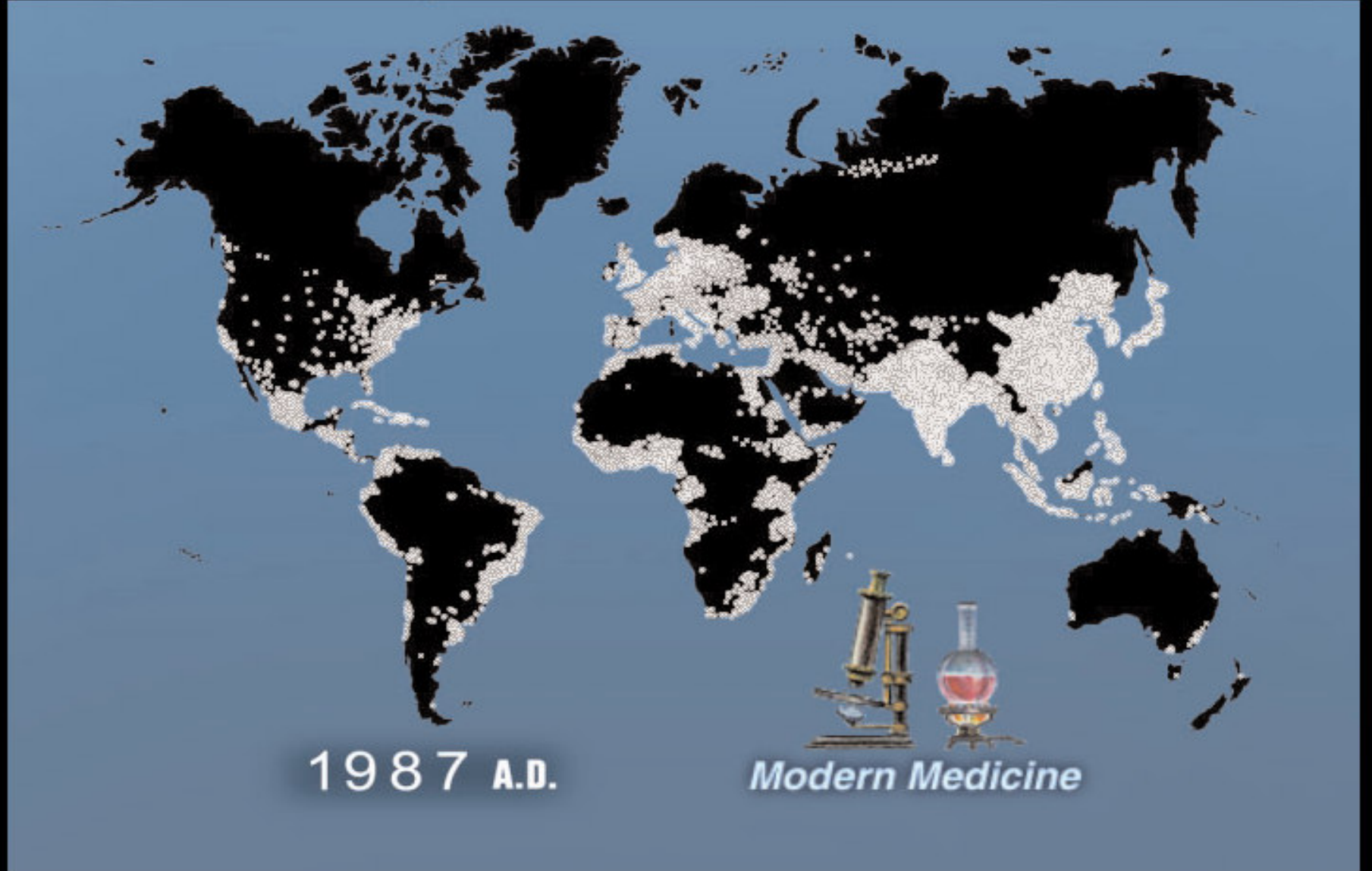
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new zealand

**The global production challenge...**

# Available Agricultural Land



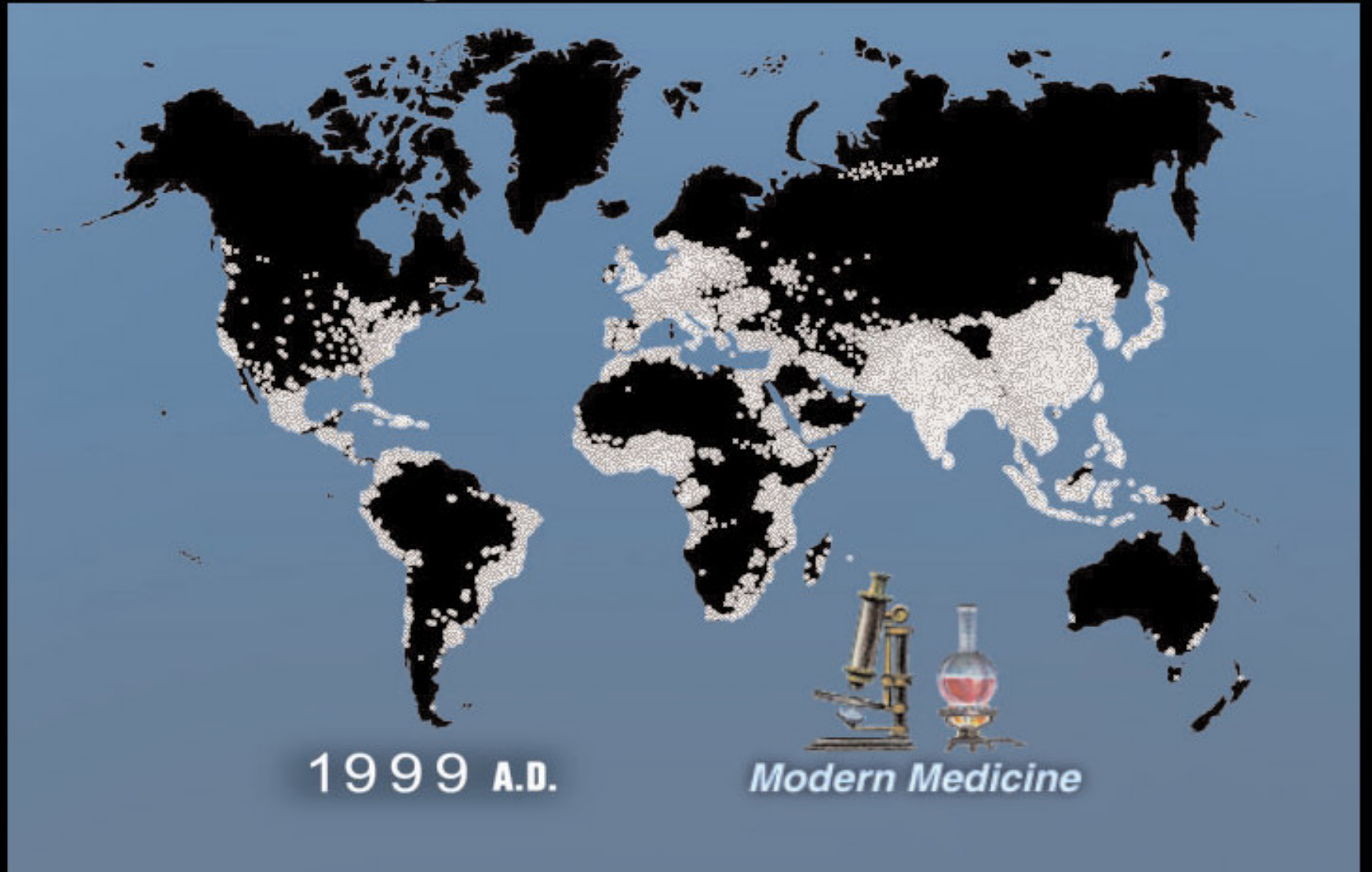
***Population: 5 Billion***



**1987 A.D.**

***Modern Medicine***

***Population: 6 Billion***



***Est. Population: 8 Billion***



**2030 A.D.**

***Information Age***

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beef+lamb  
new zealand

**...but we can't feed the world**

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beef + lamb  
new zealand

**...so what is our role and how can we  
capture the opportunity?**



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**...production efficiency will be critical in  
New Zealand and globally**

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beef + lamb  
new zealand

**...research development and extension  
are required to deliver solutions**



# Productivity Comparison

	1990-91	2008-09	← Drought Affected
Lambing Percentage (ewe)	101.6	113.2	Spring 2009 = 123.6%
Hogget lambs as % all lambs	-	2.5	
Average Lamb Wt (kg)	14.35	17.67	+23%
<b>Lamb sold kg/ewe</b>	<b>9.76</b>	<b>16.93</b>	+73%
Wool Sold kg/head	5.28	4.62	<i>Stocks held over from low price</i>
Average Steer Wt (kg)	297	305	+3%
Milksolids per cow (kg)	260	325e	+18%

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**Demand side...**

...what are consumers doing  
and thinking about?

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**...research development and extension  
are required to deliver solutions**

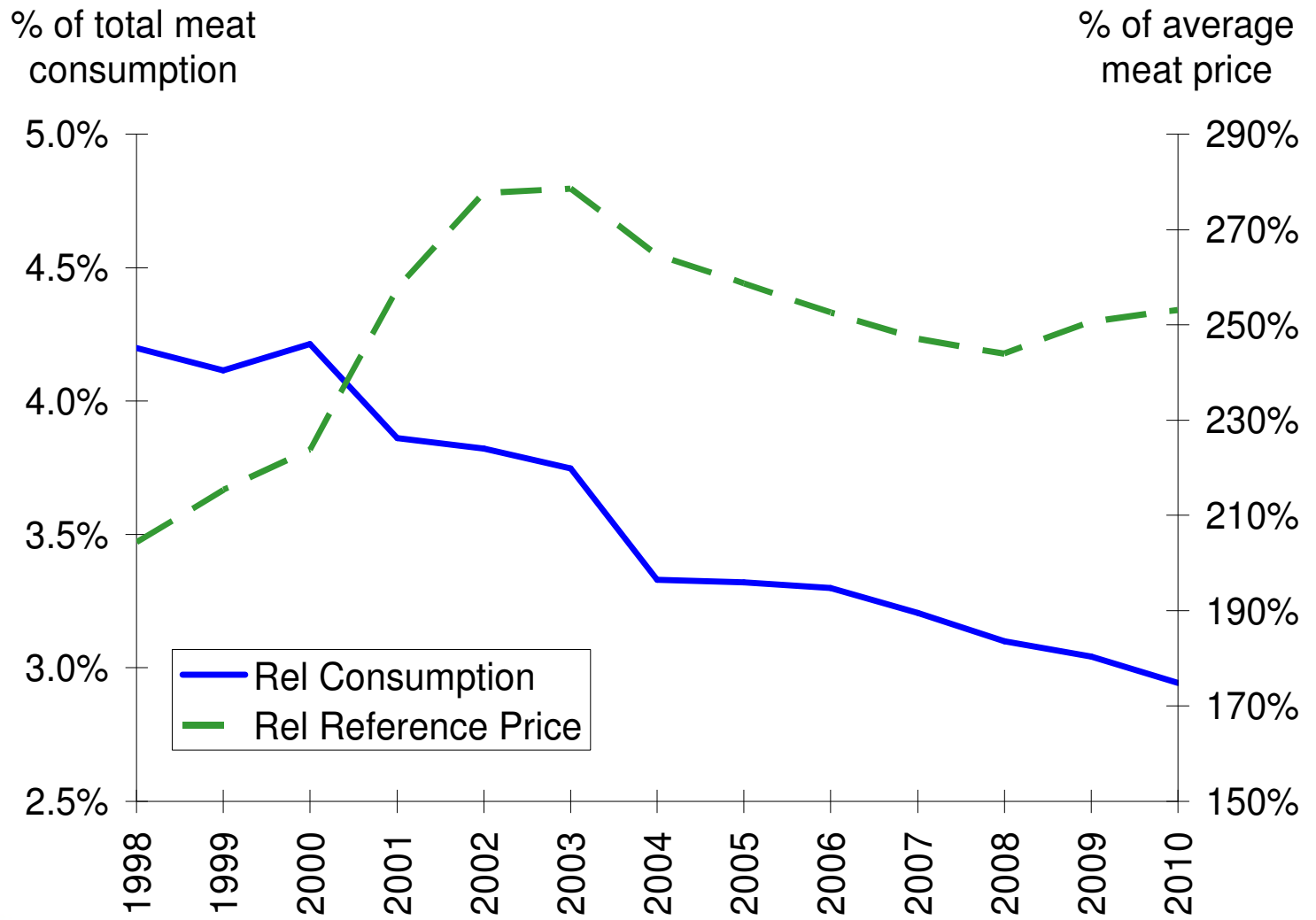
# Mega-trends - Threats

- Pressure from low-cost competitors
  - Australia, China, South America
- Lamb is expensive, niche protein





# EU Lamb Price & Consumption



Source: Gira



# Mega-trends - Threats

- Pressure from low-cost competitors
  - Australia, China, South America
- Lamb is expensive, niche protein
- Grass-fed beef is poorly understood at food service
- Product education is necessary for lamb and grass-fed beef
- Non-tariff trade barriers
- Danger of a declining category







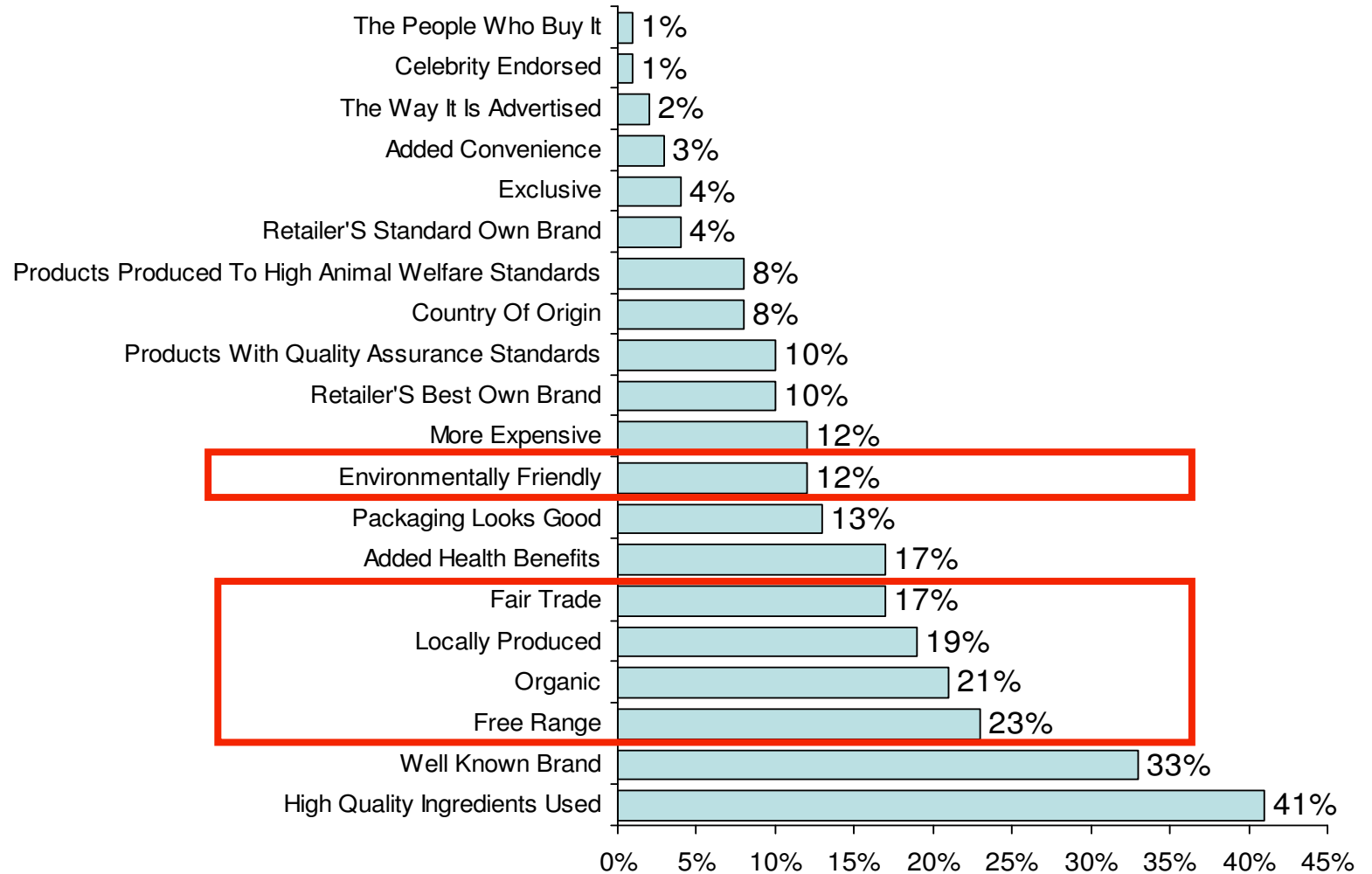
# Mega-trends - Opportunities

- Growth in no. of globally wealthy consumers
  - Demand
  - Product mix
- Health and wellbeing
- Food safety
- Budget v premium
- Provenance (origin)
  - Grass-fed, free range, natural
- Environmental and animal welfare concerns





# Premium attributes

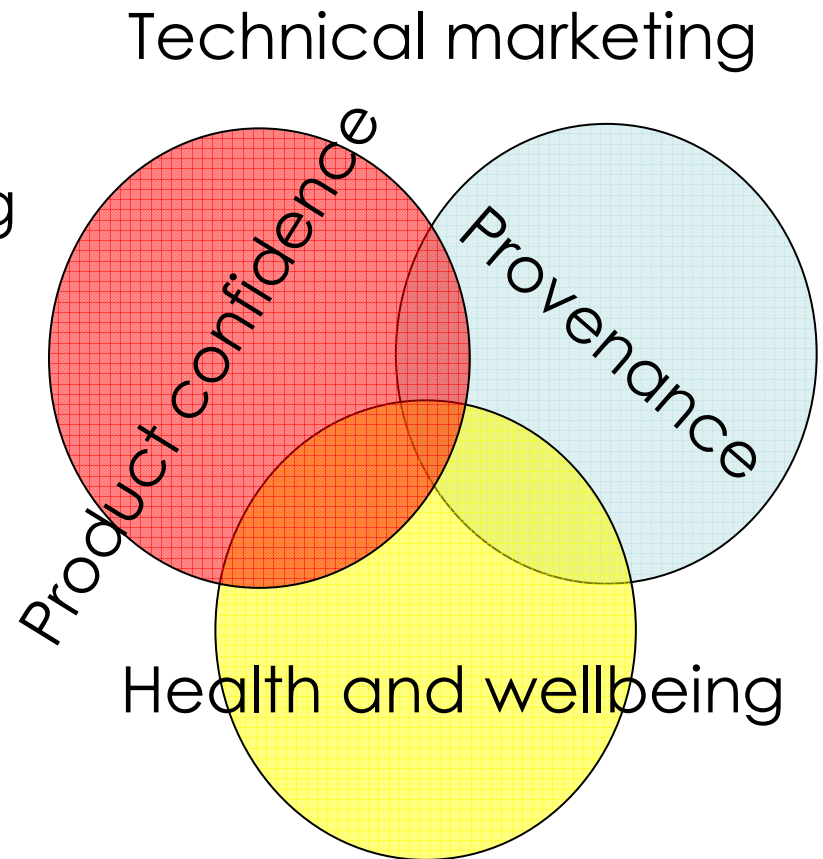


Thinking about food and drink products, which of the following would most make you think a product is a 'premium' product?

Source: IGD, UK

# Technical Marketing

- Product confidence
  - Food safety
  - Animal health
- Health and wellbeing
  - Nutrition
  - Lack of residues
  - Functional foods
- Provenance
  - NZ imagery
  - Environment
  - Animal welfare



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...how should the sector respond to the recession?

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...prepare for the future, address the  
issues and seize the opportunity



# A broad response

- Research, development and extension are critical...
- ...and must be coupled to targeted marketing
- Improved access to more markets
  - Red meat still one of the most protected products
  - Tariffs (Japan – 38.5%, Korea – 40%)
  - Technical barriers
- An integrated, strategic approach across the sector



# Conclusion

- The fundamentals are positive:
  - Growth of affluent consumers who want our products
  - We must seize the opportunity
- Marketing and market diversification important
- Technical information is key:
  - Product confidence, provenance and integrity, health & wellbeing
- Pastoral agriculture must stay focused:
  - Access to markets
  - Technology and productivity
  - Marketing



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