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

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Paper presented at the 2010 NZARES Conference  

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NZARES Conference
Thursday 26th 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
It’s what we do...
The numbers...
NZ exports -1850 to 2006 (% of value)

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

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

% change 1990 to 2011

- Sheep: -42%
- Beef: -10%
- Dairy: +67%
Supply side...

...we’re export dependent
Sheepmeat export dependence

Source: Gira
Lamb exports

Flows in '000 t cwe
- 5-10
- 10-25
- 25-50
- 50-75
- 75-100
- 100-200
- > 200

Source: Gira
Beef Exports

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

- North America: 56 Volume; 49%
  - More process beef

- North Asia: 24 Volume; 26%
  - More high value beef

- South Asia: 10 Volume; 3%
  - 3% volume; 8% value

- European Union: 2 Volume; 0%

- Other: 0 Volume; 0%

- Pacific: 0 Volume; 0%

Source: Beef + Lamb New Zealand Economic Service
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)

1990s decade av. $44,800

2000s decade av. $62,900

Lowest in 50 years (NZ:US$ 77¢)

Source: Meat & Wool New Zealand Economic Service Sheep and Beef Farm Survey, All Classes Farm
Beef Market Change & FX Rate Effect

Source: Beef + Lamb New Zealand Economic Service
Sheep & Beef On-farm Inflation

Index 2004-05 = 1,000

Source: Beef + Lamb New Zealand Economic Service
The global production challenge...
Available Agricultural Land

Global population and agricultural land area, 1965-2030f

Source: Food and Agriculture Organisation (FAO), World Bank, Rabobank, 2006
Population: 5 Billion

1987 A.D.

Modern Medicine
Population: 6 Billion

1999 A.D.  Modern Medicine
Est. Population: 8 Billion

2030 A.D.

Information Age
...but we can’t feed the world
...so what is our role and how can we capture the opportunity?
...production efficiency will be critical in New Zealand and globally
...research development and extension are required to deliver solutions
# Productivity Comparison

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

...what are consumers doing and thinking about?
...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

% of total meat consumption

% of average meat price

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