Agribusiness Agenda 2020

Agenda Voices - Listening to diverse perspectives

June 2020

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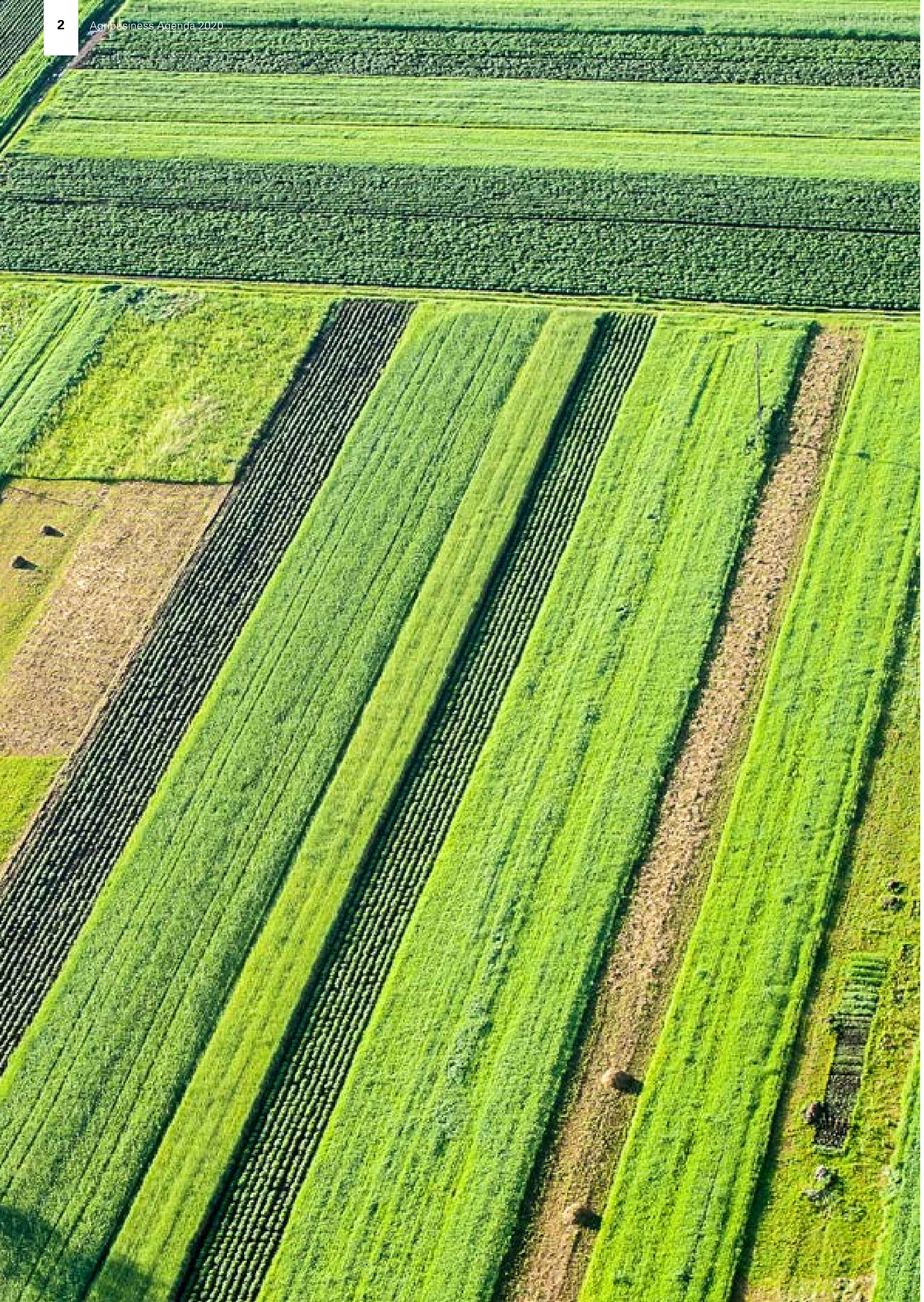


Voice of The Minister

Hon. Damien O'Connor

Minister of Agriculture, Biosecurity, Food Safety and Rural Communities. Damien is also Minister of State for Trade and Export Growth, New Zealand.

The COVID-19 virus is a once-in-a-century public health, social and economic shock. Like all countries, New Zealand will take time to recover and the immediate future across the economy, including the primary sector, looks different now to what it did at the beginning of 2020. However, ultimately New Zealand's goal does not change and in fact there is now more opportunity, and need, to accelerate our shift to a more productive, sustainable and inclusive primary sector, based on selling high-quality, high-value products to the most discerning customers in world.

COVID-19 necessitated a robust and rapid public health response and New Zealanders faced limitations as we implemented tight lockdown rules under Alert Level 4, on 25 March 2020. Deemed an essential service, most food producers were supported to continue operating under Alert Levels 3 and 4, and farmers, growers and other businesses have shown remarkable resilience in continuing to feed both New Zealand and consumers around the world. That is despite having to do so while dealing with social distancing requirements, reduced processing capacity, disrupted supply chains, and for many, an unprecedented drought.

The economic impact of the virus and resultant containment measures will be felt around the world, with the International Monetary Fund forecasting an average GDP reduction of 3 per cent, and with developed nations being affected comparatively more deeply. This will put pressure on the incomes of our target customers and consumers internationally, so we will need to work even hard to maintain close connections with markets, and deliver what consumers value.

But, we have a strong base from which we look to rebuild. We have observed continued demand for New Zealand's primary products, with a focus on foods that are regarded as safe, or have health and immune boosting elements to them, such as honey and fresh fruit.

Export revenue for the year ending June 2020 remains on track to exceed revenue from the previous 12 months across all primary sectors, except forestry and seafood. These two sectors were impacted more by the economic shut-down in China. Despite the challenges, over the 26 March to 27 April 2020 period, primary sector export revenue was up 4% on the same period last year, with strong growth from dairy and kiwifruit.

Despite such uncertain times, there is a degree of stability in the high ranking issues in the KPMG Agribusiness Agenda, with a strong biosecurity system continuing to be the highest priority. Issues related to rural connectivity, quality trade arrangements and telling the New Zealand primary sectors story through provenance also continue to be flagged as priorities by industry.

The report also highlights a range of other Government priorities such as supporting the sector to attract and retain New Zealanders into rewarding careers. As part of the COVID-19 recovery investment the Government announced additional funding of $25.3 million to support the attraction and training of people displaced from other sectors into primary sector jobs. Not only is this a great opportunity for the food and fibres sector to support a wider New Zealand recovery, but also an opportunity to address long standing skills gaps by attracting new enthusiasm and expertise.

An accelerated transformation of the food and fibres sector benefits all New Zealanders, especially now that it will lead our economic recovery. I am pleased that since the publication of the 2019 Agribusiness Agenda, the Primary Sector Council has developed a vision and strategy with the primary sector, Fit for a Better World. This is the first time that the primary industries have come together to articulate a pan-sector aspiration and produce a strategy for what the sector wants to be and where it needs to head.

The Government is developing a plan to respond the Primary Sector Council's vision and strategy, which will bring together measures that will accelerate the economic potential of the primary sector out to 2030 and beyond.

Voice of the Editor:

Disruption requires leaders to listen and act on diverse perspectives

Disruption is not new.

The history books are littered with organisations that have failed because they didn't respond to fundamental shifts in their markets that are obvious in hindsight. These companies were very successful and led by experienced and extremely capable executives; think Kodak, Nokia, Borders and Blockbuster amongst many others. When you read these cases today, you read about slow motion train wrecks and are left asking how these obvious disruptions could have been missed by world class leadership teams and top shelf boards.

Some of these disruptions took years to unfold. Evidence suggests the speed at which organisations are being disrupted is greater today than at any time in modern history.

What has altered in the last few years is the speed at which entrepreneurs can initiate change. The emergence of platforms like Google, AirB&B and Alibaba has provided tools that allow organisations to integrate existing products and services in innovative ways to meet the needs of specific target consumers. As a consequence, every organisation is facing a trifecta of disruptors – consumers having the opportunity to access existing products and services in different ways, new products and services being launched to consumers and changes in regulation to reflect changes in societal values.

Organisations have become used to change. They have built capability to handle continuous change. Then the Covid-19 pandemic came along and forced every country, every organisation, every person to respond instantly to fundamental change in every aspect of everyday life.

In the spirit of disruption, we had already planned to shake up this year's KPMG Agribusiness Agenda having released our tenth anniversary edition last year.

I had indicated to my colleagues that I was looking to them to get more involved in the preparation of the report if we were to keep producing it. We also recognised that we had become comfortable with the Agenda process and that if we kept producing the report in the same way as we had always done it would become stale for us, and most importantly, for those that use the report. Having been persuaded that the Agenda should be retained, we designed a very different premise for this report, **Agenda Voices**, which we are pleased to be able to share with you in the 2020 KPMG Agribusiness Agenda.

While we had planned to do things differently this year, the journey to produce this Agenda has been very different to the one we had planned as we, like every organisation, have had to pivot in response to the lockdown. The most obvious pivot being the Agenda Supplement, the Now Normal Future, which we released in early May. Our team, who I had challenged to take a lead in preparing this Agenda, have collected and narrated the voices of New Zealand's food and fibre sector to write a report that provides timely insights on the wider spectrum of opinion surrounding the industry as it starts its to lead New Zealand out of these difficult economic times.

What are Agenda Voices

Past Agribusiness Agendas have provided a single perspective of the opportunities and challenges facing the sector, one we have gathered by talking to a range of sector leaders, who now comprise the Leaders' Voice in this year's Agenda. We got some great feedback on the report in preparing last year's publication; one item that resonated with me was that we were missing the diversity of opinion that exists across the sector by amalgamating all our contributors into a single narrative. It was this that gave rise to the concept of Agenda Voices; utilising the talented people across our agri-food team to collect and narrate the views of different communities within the food and fibre sector to explore the diversity of views that exist across the industry.

This report includes six primary voices, which have been gathered from conversations with participants from across the food and fibre sector. In each case we have discussed perceptions around what success for the industry would look like in 2040 and what actions need to be taken today to set us on a course towards this success. We have supplemented these primary voices with six case studies, which we have used to incorporate further voices into the Agenda. This Agenda provides a wide diversity of perspectives about the future of the industry and actions that can be taken to realise these futures.

Welcoming diversity of thought

In recent weeks, the Black Lives Matter movement has painted a very clear picture for the world about what it is like to live in a society where too many of the people and the voices around the tables of influence look and sound the same. The message has been clear; lack of diversity has meant that opportunity for some has come at the expense of opportunity and hope for many. Research tells us organisations or communities that fail to encourage diversity shape environments where people become disinterested, uncommitted and ultimately, they disengage and detach.

We were lucky to have Dr Anita Sands present to the KPMG Partners' Conference earlier this year. Dr Sands is a director on a number of Silicon Valley tech company boards and a researcher and speaker on organisational culture and leadership. She made the point to our partners that although we had recognised that diversity is necessary within our organisation, like many leaders, we had been very quick to narrow the aperture on diversity to gender, race or sexuality (measurable attributes) rather than focusing on fostering cognitive diversity; the ability of people to think differently to others due to their age, background and life experiences.

Diversity of thought relies on people having the confidence to bring their real selves to the table. While diversity and inclusion are critical in enabling this, they are not sufficient. Leaders also need to ensure that they provide nurture environments where people feel connected, feel like they belong. Places where there is no delta between their home self and their work self. When this is achieved the energy a person needs to mask their real self can be deployed in creative and productive ways so that a their full potential is be realised.

No individual, executive team or board has all the answers on how to respond in our current environment. There is no playbook you can take off the shelf. As we noted in the Now Normal Future, a key way to address the lack of precedent is ensuring that leaders seek as many diverse inputs as possible as they work to shape their responses to the new opportunities that the pandemic has created. As Dr Sands puts it, our role as leaders is always to open doors to a future that we or our teams cannot imagine.

In these unprecedented times, the leader's ability to unlock doors and attract diverse perspectives to envisage the opportunities behind them is more important than it has ever been.

When you look more deeply at the companies that have experienced their 'Kodak moment', a question that consistently comes to mind is, did these companies fail because of a lack of leadership, or because of the way they did leadership? As a result of years of success, leadership in these organisations was not about opening doors and envisaging new futures, it was about governance, process and bureaucracy that was designed to preserve success by reducing risk. The leadership cultures within these organisations, created for valid reasons, ultimately made the pivots that they needed to make impossible.

History tells us that organisations prosper when leaders recognise that they don't have all the answers, and work to cultivate a culture where people are comfortable helping them to understand the world as it really is rather than how they believe it should be.

While the opportunity for New Zealand's food and fibre sector is greater than it has ever been, the issues raised by the diverse voices featured in this Agenda mean now more than ever we need leaders to listen and act on these diverse opinions. The annual priorities survey indicates that the agenda of issues facing leaders across the sector remains extensive, with much work still be done:

– **In addressing environmental challenges** – although concerns around the zero-carbon legislation have dissipated this year with the evolution of the government industry partnership, He Waka Eke Noa, the conversation has evolved to how land is used in the long term, particularly in relation to the role that regenerative agriculture will play in the sector's future. While our voices are unanimous in that we must farm within the limits of our land and water into the future, there remains much to be done in translating this aspiration into practical and economically sustainable steps that will enable us to regenerate our environment in a way that creates a unique point of difference for New Zealand's food and fibre sector.

– **In empowering people** – the pandemic has refocused attention on the people challenges the sector faces. While part of the response to these challenges will undoubtedly be automating some of the more physical roles, for the sector to thrive there is a need to recruit, educate and retain a new generation of talent to enable organisations to capitalise on the opportunities inherent in the global agri-food system. Whether this is seeking a new type of scientist with the ability to not only do the science but communicate what they are doing and explain why, or developing a deliberate, multifaceted and long-term programme to engage with young Māori people, the need to act differently to empower our people must be a priority.

– **In committing to a digital future** – another feature of the pandemic has been the rapid speed at which we have integrated new technologies into our day to day lives to enable us to function. Digitalisation was already coming to the agri-food sector and the events of the last few months will see the speed of

transition accelerate, however there remains challenges to unlocking its full potential. For many in the sector, access to high-speed connectivity that enables effective use of new tools remains a constraint, however the elephant in need of addressing is data interoperability. We maximise the value of insights from our data by connecting it with a range of other datasets; until we learn to share data, we will never fully realise the benefits technology can deliver.

– **In strengthening communities** – fundamentally our food and fibre sector exists to grow food to nourish our people and to create wealth for our society; it should directly and indirectly benefit all New Zealanders. A notable feature of this year's Agenda is the consistent message that the sector will only be successful if our communities also thrive. As we emerge from the pandemic, the view was expressed strongly that New Zealand needs a comprehensive national food strategy, addressing all aspects of our food system, from how and where food is grown, through processing, distribution and access, health consequences, export sales and, ultimately, to how coproducts and waste are managed. The message has been clear that such an endeavour would be politically challenging, but it no longer makes sense for the developed nation that is most reliant on food and fibre to generate its wealth, not to have an overarching food strategy.

– **In confronting the tough problems** – while significant strides have been taken towards a broad vision for the sector, there remains major differences of opinion which require strong leadership to navigate. Whether it is initiating a conversation around the use of genetic technologies, such as gene editing within our production systems, or addressing skeletons that still exist within our production systems (the management of bobby calves and the quality of our fresh water being obvious examples), we need leaders that are prepared to confront and address these problems rather than letting them continue to fester. With people more open to change, now is the time to lean into these challenges and have these difficult conversations. The other tough issue to crack is the lack of scale our companies have in international markets - seeking ways we can collaboratively maximise our impact in markets is critical to long term success.

– **In building trust and creating consensus** – the comparative success New Zealand has had in responding to Covid-19 has helped us stand out as a relatively safe country in a dangerous world. We have always had a reputation as a high integrity producer of food products but now we need to ensure that we back the perceptions current and future consumers have of our country with the substance needed to ensure those perceptions are tangible. Defining the standards that we produce to and, when appropriate, verifying the data that demonstrates our performance against those standards is critical in positioning ourselves as a trusted producer of food. We also need to ensure we utilise our global standing to protect international institutions that benefit all, for instance the rules-based trading system, so they are strengthened rather than sacrificed in a rush to localisation and isolationism.

Those leaders that create a culture that welcomes and values knowledge and insight wherever it comes from, will feel more comfortable confronting these issues and making brave and bold decisions as they plot their new reality after the pandemic. They will, as a consequence, provide their organisations with the best opportunity to succeed.

In these unprecedented times, businesses that are too cautious are more likely to wither and die Their timid responce will likely reflect an organisational culture that fails to enable them to read the world in front of them as it is, rather than as they believe it should be. We were told by Charles O'Reilly of the Stanford Business School during Te Hono last year, that culture is everything for organisations. It is not an input like marketing, innovation or human resources, it is the core of the organisation. At times of great change, a leader's highest priority must be protecting their organisation's culture so that everybody feels like they own the direction of travel, the challenges that need to be overcome and see an opportunity to contribute. If leaders can ensure people feel like they belong, the organisation will benefit from the full potential of its team.

This Agenda is not a report about what has happened over the last few months or about how we recover from the immediate aftermath of the pandemic. There has already been plenty written on these topics. This report provides diverse voices about what our new, resilient future could look like and what we need to do to move towards it.

We plan to continue to collaborate with those in our food and fibre sector that aspire to create a resilient, prosperous future for all New Zealanders, today, tomorrow and for generations to come.

Ian Proudfoot
National Industry Leader – Agri-Food
KPMG New Zealand

Global Head of Agribusiness,
KPMG International

The year in review

JUN 2019

- Reserve Bank numbers show an increase of 270 percent in New Zealand's total farm debt over the past 20-year period, reaching $62.8billion. New legislation requires creditors to provide mediation to farmers.
- Voice-activated drive-throughs and robotic deep-fryers are launched by McDonald's Corp to streamline the menu and speed up service.
- Amazon invests USD$575m into Deliveroo, one of Europe's largest food delivery businesses.
- Livestock Improvement Corporation (LIC) moves to the Main Board of the NZX with a market capitalisation of approximately NZ$109m.

JUL 2019

- The 'Primary Sector Climate Change Commitment' is released in a document developed through collaboration across the whole primary sector.
- The global market for plant-based food reached a value of USD$4.5B after an 11% growth in sales from the previous year. Plant-based Yoghurt and plant-based meat are two of the highest growth categories at 39% and 37% respectively.
- US Agritech company Perfect Day sold out of their lab-grown dairy ice cream within hours, after launching 1000 limited edition three-packs of one-pint tubs at USD$60 for the pack.
- PepsiCo acquires one of South Africa's largest branded food and beverage producer and distributors 'Pioneer Foods' for USD$1.7B

AUG 2019

- The Impossible Whopper, a plant-based burger supplied by Impossible Foods is launched in Burger King' stores across its 7,200 locations in the US.
- The United Nation's Intergovernmental Panel on Climate Change report that food scarcity will increase alongside grocery prices while nutrition decreases as a result of the climate crisis.
- New Zealand Wine export value hits a record NZD$1.83B, with a retail value of NZD$7B sold around the world over the last financial year. US continues as New Zealand's largest wine market, with over NZD$550m in exports.

SEP 2019

- The New Zealand Government releases its consultation document on Action for Healthy Waterways, proposing new requirements to improve the environmental performance of the country's freshwater assets.
- The primary sector total exports reach NZD$46.4B for the financial year, 80% of the country's total goods exports ($58.3B). Horticulture posts the largest increase at 13.7% growth to $6.1B
- Bee Vectoring Technologies International (BVT) receive EPA regulatory approval for the use of bees as a herbicide delivery mechanism targeted at commercial crops in the US.

OCT 2019

- The group 'Emerging Scientists for Climate Action' comprised of over 150 young scientists pen an open later to The Green Party, urging them to back an overhaul of outdated gene-editing laws.
- A New Zealand survey with over 1000 participants finds that one in three kiwis are consciously limiting their meat consumption.
- Rare Harvest Manuka Honey from Ahipara, Northland sells for $2700 per jar at Harrods in London.
- In a world first, Aleph Farms creates meat in space. The 'space beef' creation involved 3D printing of muscle tissue aboard the International Space Station.

NOV 2019

- New Zealand passes law to transition the country to net-zero carbon emissions by 2050, receiving cross-party support.
- The US becomes the only country of almost 200 to formally withdraw from the Paris Climate Agreement
- US Milk processor Dean Foods files for bankruptcy as it seeks to continue business operations and address debt obligations prior to selling the company.
- New Zealand and China upgrade their free trade agreement to include provisions that enable easier export into China, updated environmental standards, and preferential access for wood and paper trade.

DEC 2019

- New Zealand leaders take out both titles in the Trans-Tasman 2019 Rabobank Leadership Awards, Volker Kuntzsch (CEO, Sanford) and Mat Hocken (Director, Grassmere Dairy).
- The new vision for agriculture in New Zealand 'Fit For a Better World' is launched, following a two-year work programme led by the Primary Sector Council.
- Zespri release their red kiwifruit after successful completion of their breeding varieties programme in partnership with Plant and Food research.
- Following survey results that 60% of urban New Zealanders don't visit rural areas, the Open Farms initiative begins, a nationwide farm day on the 1st March each year.

JAN 2020

- As of the 31st January 2020, the United Kingdom formally completes BREXIT and leaves the European Union, with a withdrawal agreement in place.
- Food Standards Australia New Zealand (FSANZ) announces that it will implement stricter mandatory allergen labelling regulations across both Australia and New Zealand.
- Authorities in China grant a key trademark protection status to Zespri, with strengthened legal and administrative powers from the Shanghai Intellectual Property Bureau.

FEB 2020

- New Zealand dairy company Lewis Road Creamery signs a deal with Amazon-owned American supermarket chain Whole Foods in a deal worth up to NZD$8m in its first year.
- A UK plant-based food brand 'Strong Roots' develop a nicotine style 'meat patch' aimed at consumers struggling to reduce their meat intake.
- Fisheries New Zealand and the Department of Conservation placed radar detection tags on 20 albatrosses to use them as 'spies' for illegal fishing vessels in the Indian Ocean. Over 25% of vessels were found to be operating illegally

MAR 2020

- 'Avocadomilk' created by New Zealand chef Sachie Nomura is named the best health and wellness drink at the World Food Innovation Awards 2020.
- An initial NZD$12.1B package is announced by New Zealand's Finance Minister Grant Robertson to offset some of the impact of Covid19 pandemic, as it starts to materially reduce economic activity.
- An Energy Demonstration Farm has been developed in a partnership between Lincoln University and the Ministry for Primary Industries.
- Impossible foods reach a total funding of almost USD$1.3B after raising $500m in a Series F round.

ARP 2020

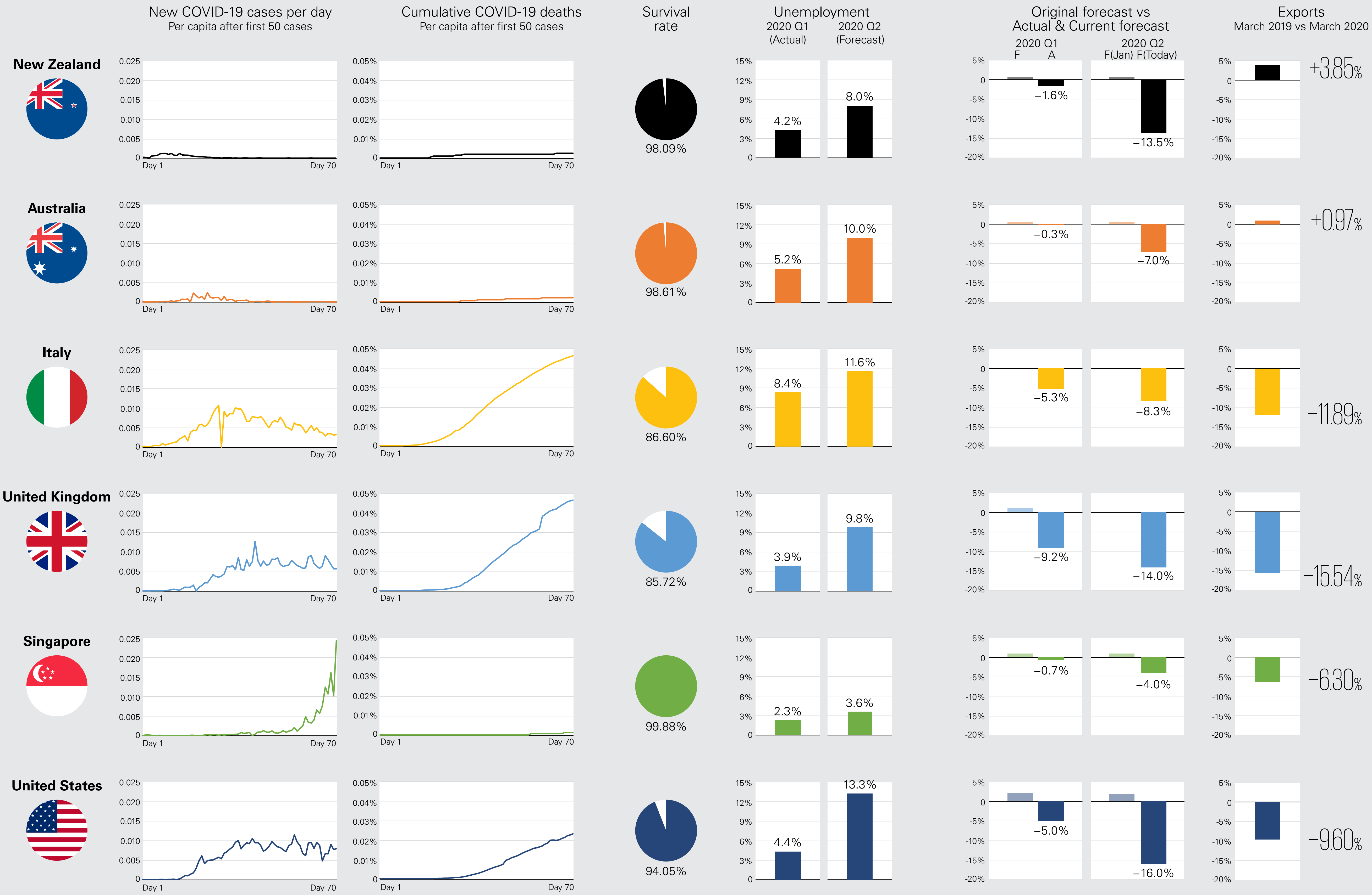
- A USD$19B relief programme is announced by President Donald Trump, to assist farmers mitigate the impact of COVID19.
- The annual Mystery Creek Fieldays is postponed indefinitely due to COVID19 restrictions, replaced with an online alternative for the 2020 event.
- A new charity 'Meat the Need' has been founded by farmers to donate produce to food banks across New Zealand, ensuring quality meat for vulnerable kiwis.
- New Zealand researchers make a breakthrough in hatchery technology for octopus aquaculture, improving hatching success from 10-40% to as high as 90%.

MAY 2020

- The Government has allocated NZD$19.3m for Primary sector training as part of its funding to attract and train recently unemployed New Zealanders.
- Robotics company Boston Dynamics have used a four-legged robot 'dog' to herd sheep in New Zealand.
- Scientists at the University of Montreal have developed an artificial tongue to test maple syrup, stating it could be used as a tool for other food and beverage items too.
- The Meat Industry Association have reported that monthly meat exports broke the $1 billion mark for the first time in March.

The first ten weeks

So how do you measure and compare in times of change and disruption? We decided to measure the disruption itself. Displayed are some key performance indicators and outcomes in relation to New Zealand's management of the COVID-19 pandemic in comparison to other OECD countries. This data focuses on performance over the first 70 days after a country had recorded 50 total COVID-19 cases. Countries used in the comparison are based on data availability, and comparisons are indications only due to differences in data reporting methods.



More signals of the Now Normal Future

Since we released The Now Normal Future report on the global food and fibre system post Covid-19 in May, we have continued tracking signals of change from around the world. This page summarises some of the interesting signals we have detected in recent weeks, and considers what they may mean.

Kick starting the hospitality sector quickly

In **AUSTRALIA**, wineries and breweries are providing targeted support to hospitality businesses to assist them to get back up and running. Support includes providing free replacement stock for product sold in the month following reopening, targeted point of sale promotional activities, time limited price cuts, extended credit terms and free servicing of beer lines. Initiatives highlight how important the on-premise business is to alcohol producers, it not only delivers volume, but also provides a channel to promote products to consumers and can have higher margins than retail. It is unclear how many more hospitality businesses will fail this year than usual but focusing on what can be done to help them reopen is a strategy being adopted by suppliers around the world to maximise the likelihood of their customers surviving.

Consumers seek confidence to leave their homes

Another initiative to support the hospitality sector restart is the free Covid Confident Accreditation Scheme launched in the **UK**, backed by the AA and 19 industry bodies. The scheme is designed to provide potential customers with the confidence that a business is safe to use, something that is critical to encouraging people out of their houses. The scheme offers an accreditation mark that businesses can use to demonstrate that they have the necessary health and safety measures in place when they reopen. This reinforces our view in the Now Normal report that initiatives are needed to enable people to feel safe in their environment, particularly where the impact of the pandemic has been significant.

Concerns over food safety intensify

A notable feature of recent months has been Covid-19 clusters that have emerged around food processing facilities **GLOBALLY**. These clusters have resulted in many facilities being closed, particularly abattoirs, with significant up and down stream impacts on farmers, retailers and consumers.

In the **US**, we observed the President use the Defense Production Act to order meat processing plants to stay open and keep supplying, even though they had confirmed virus clusters raising concerns about the safety of the food they are producing.

A recent virus outbreak in Beijing, **CHINA** is being linked to Xinfadi produce market (one of the largest in Northern China) where investigators believe a European strain of the virus could have been imported into China via fresh produce. These cases illustrate how important it is for producers to be able to provide assurance to consumers about the safety of the environment a product is produced in and the supply chain through which it has moved to reach them. The benefits of providing every product with a digital provenance footprint appear to be increasing daily.

Trade tensions escalate

In the aftermath of the pandemic we expect to see governments becoming more isolationist and willing to support local food producers to enhance domestic food resilience. One example of these actions which has attracted attention is the support given to potato growers in the **NETHERLANDS**, following the collapse in demand for fries as restaurants closed. It was reported that EUR650 million had been provided to growers to cover the shortfall in the price they received, sparking petitions to government here and in Australia to stop the dumping of cheap frozen European chips.

While the actual price subsidy Dutch growers received was less then reported and linked to a requirement to use the potatoes for stock feed or biogas, the outcry highlights the tension in global markets given the massive shifts in demand and the level of government intervention we are currently observing.

Other examples of support we have observed include proposed payments of EUR50 million to beef finishers in **IRELAND** to offset not only the price falls they have suffered as a result of Covid-19 but also Brexit. In **FRANCE** we have observed a scheme acquiring wine left unsold because of the pandemic, with a plan to turn the wine into hand sanitiser and ethanol.

Delivering to the needs of consumers

The trend to digitalisation of the food retail experience has continued unabated. An interesting development is the emergence of 'drive-through' Chippy in **BRITAIN**. Consumers have flocked back to fish and chips, the food that has seen the country through world wars, at the expense of more modern preferences like Indian and Chinese. The chip shops have developed digital ordering platforms and kerb side pick-up, meaning the length of the queue out of the shop door is no longer the primary measure of success.

The lockdown shifted the Melbourne Food and Wine Festival in **AUSTRALIA** online. Key festival events, including celebrity chef presentations, were transformed into digital events and attendees were offered the opportunity to order complimentary food experiences for home delivery to enjoy alongside the talks and demonstrations. This demonstrates how compelling food stories can still be told in the virtual world and, with planning, brought to life with tasting experiences.

That said, not everybody is rushing into digital. Comments from one of the world's largest luxury brands in **FRANCE** made it clear that the company has no plans to shift from its exclusive, personal service and start selling fashion and jewellery products online. They noted a belief that the luxury sector will feel the Covid-19 fall out for two years or more as it is so dependent on duty free sales connected with travel. Interestingly, they increased prices when Covid-19 lifted raw material costs. This suggests they believe demand for luxury products is price inelastic, with a sale being about more than the transaction or the product, it is about the whole experience, making the experience the area that needs innovation in the post pandemic period for premium producers.

A mass market food retailer in **ITALY**, in contrast to the luxury end of the market, has committed to no prices increases on food staples for the coming year to support their customers through the impending recession. Recognising the financial hardship that will be experienced as a result of Covid-19 and building this into product and brand strategies is becoming more urgent as the economic consequences of the lockdowns start to bite on economies around the world.

Creating new opportunities for food fraud

One unexpected consequence of the lockdown has been re-emergence of horsemeat in red meat supply chains in **EUROPE**. There have been shipments seized across the continent as criminal gangs have sought to take advantage of closed border checks and product shortages arising from industry shutdowns. Food fraud is a constant challenge globally. We did not expect the virus to create new opportunities for fraud, but it appears new loopholes have opened that the fraudsters have been quick to exploit. The need to support products with verifiable proof of provenance has become more urgent in an environment where food fraud is becoming more common.

The role of the food industry in community health is front and centre

The demands on social services around the world have grown exponentially due to the pandemic. Many people have drawn food support for the first time in their lives. The role that food plays in determining health outcomes has been long understood, but a recent article in **BRITAIN'S** influential British Medical Journal questioned whether portraying food producers as heroes of the crisis is really appropriate.

The article suggests the food industry should share the blame for the severity of the pandemic given how its actions in recent decades have contributed to rises in obesity and diabetes. The article highlights that obesity doubles the risk of suffering critical illness from the virus and argues that government responses to the pandemic must help people eat more healthily to reduce the risk to the community from future waves of Covid-19 or other epidemics. This type of commentary is likely to intensify focus on the need to develop comprehensive national food strategies or refine existing plans around the world.

Leaving the most vulnerable most exposed

The provision of low-cost food has meant producers **GLOBALLY** have relied extensively on low paid, migrant workers to reduce their costs of production. These workers often live in poor conditions where social distancing has been difficult, have limited legal protection and lack access to health care, which has meant they have been disproportionality impacted by the pandemic.

The pandemic has left the most vulnerable workers in the food supply chain most exposed and increased the likelihood of producers accidentally (or intentionally) engaging in modern slavery. This again increases the focus on the wider consequences of cheap food, but more practically means producers need to be more careful than ever in ensuring that they comply with not only legal, but also ethical expectations in how staff are engage with their people.

See 'The Now Normal' Future

Introducing Agenda Voices

What is success? What should the Food and Fibre Sector's 20-year goals be? And what action can be taken now to achieve success by 2040?

For the past 10 years, the KPMG Agribusiness Agenda has captured a range of opinions and ideas across the primary industries and consolidated these into a single voice.

Now for our 2020 Agenda, we have separated these unique perspectives, to identify the similarities and differences between different segments or 'voices' of the food and fibre sector.

Twelve distinct voices are captured in this document.

Six voices have been captured through a combination of questionnaires, one-on-one conversations and group discussions to identify their views on a future pathway for the food and fibre sector.

These voices are:

- **Emerging Leaders**
- **Farmers & Growers**
- **Capital Providers**
- **Educators & Scientists**
- **Māori**
- **Industry Leaders**

Six further voices are communicated through succinct case-study pieces add to the perspectives reflected in this Agenda.

These voices are:

- **Future**
- **Food Insecure**
- **Women Leaders**
- **Customer**
- **Entrepreneur**
- **Facilitator**

The priorities, ambitions and ideas of each voice are presented to identify areas of commonality and difference bought to the table by each perspective. By incorporating all twelve voices, we endeavor to establish the key themes defining the future of New Zealand's food and fibre sector. This combination of articulating both the differences and similarities between voices, allows us to provide a unique insight to the sector in a way we have never done before with the Agribusiness Agenda.

We have asked each of our voices to discuss their vision for the sector's success, while also exploring a more specific insight into the thoughts and ideas relevant to the group each voice is representing.

One thing that all twelve voices agreed, its that the success of New Zealand's primary industries will be achieved both through collaboration, and through supporting diverse opinions and ideas. We are proud to present a subset of the many diverse voices across our world class food and fibre sector, and to provide these in a single report for the benefit of all stakeholders across the food and fibre sector of New Zealand.

Millennial and female voices seek urgent action

The Agribusiness Leaders' Priority Survey has tracked the priorities of sector leaders over the last decade giving us clear signals on what is top of mind for those driving the future of New Zealand's food and fibre sectors. With a refreshed set of questions and Covid-19 disrupting every aspect of everyday life we awaited the results of the 2020 survey with great interest.

New questions have been introduced on today's key issues and other questions have been refined to align with how industry discussions and actions have evolved. As we designed the questions, we knew that every item was a high priority for some in the industry, so we were really interested to see how the new question set would affect the rankings and whether there would a change in the top priorities of industry leaders.

The other major change to the survey is the inclusion of two demographic questions. We asked contributors for their gender and their generation, to enable us to understand better how priorities are being shaped by different demographic groups within the industry. These identifiers have enabled us to bring a new level of insight to the priorities survey to help us better understand the voices of New Zealand's food and fibre sectors.

Survey methodology

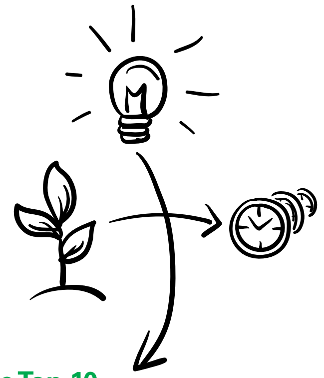
We once again used an online survey tool to obtain industry leaders' views on the most pressing priorities for New Zealand's food and fibre sectors. We asked contributors to rank a range of priority items on a scale of 1 to 10; with 1 being an item they considered to be of no priority for the industry, and 10 requiring immediate attention and action. We used a revised set of questions for 2020, thus not all questions are directly comparable to those used in 2019. We received over 90 responses which we were able to categorise into demographic groups using gender and generation identifiers. We have not reported any results for groups that had less than 10 contributors. As in previous years, the full survey results will be made available on the KPMG Agribusiness Agenda 2020 page on our website (kpmg.co.nz).

This years State of the Nation

It is no surprise in the midst of the most significant pandemic the world has faced in a century, that biosecurity retained the top ranking in the 2020 priorities survey. What was more surprising was that the other priorities making up the four highest ranked items were largely unchanged on 2019 (the only change being a swap between the second and third ranked priorities – high quality trade agreements and telling compelling provenance stories) given the range of new priority questions introduced into the survey including specific questions on climate change, water quality, nutritional insecurity and appropriately treating migrant labour.

The ability to gain a more granular understanding of the voices underlying the priority survey has shown us that our millennial and female contributors see industry priorities quite differently from the overall male voice that reflects 70% of contributors. The millennials placed significantly greater focus on alternative proteins and genetic technologies than other contributors. Our female contributors placed more priority on lifting the understanding between rural and urban communities and significantly lower priority on the need for high quality trade agreements than other contributors. We will explore these trends in more detail later in this section.

The average priority score for 2020 for all contributors was 7.26 out of 10. This is up 3.7% on the 7.00 reported in 2019, suggesting that the level of disruption we are facing from the pandemic has resulted in higher priorities being placed on many items. It is interesting that our millennial (7.45) and female (7.48) contributors both placed higher average scores on the priorities than the overall population indicating that they perceive the need for urgent action is greater than other leaders in the sector.



The Top 10

The overall Top 10 for 2020 includes three of the new questions in the survey on promoting career opportunities in the sector, strengthening public/ private R&D partnerships, and supporting land holders to change the use of their land when there are clear environmental benefits for the wider community. Reflecting the severe drought that has impacted much of the country in recent months, it is not surprising that the building of water infrastructure has seen its rank increase 10 places to equal ninth.

The priorities dropping out of the Top 10 in 2020 include:

- Imposing tougher penalties on those that fail to protect their animals (which fell from 6 to 12);
- Delivering R&D incentives (which was equal seventh last year but has been removed from the survey as the government has instituted the new R&D tax credit regime);
- Providing clear market signals to producers (which has fallen from 9 to 15 in this year's survey); and
- Entering into collaboration and cost sharing models under the Government Industry Agreement structure (which was tenth last year but has been removed from the survey as most industry organisations have now entered into GIA arrangements).

2020 RANK	2019 POSITION	ACTION	PRIORITY SCORE 2020 / 2019
1	1	World-class biosecurity	9.26 / 9.08
2	3	Sign high quality trade agreements	8.43 / 8.27
3	2	Create NZ provenance brands	8.21 / 8.38
4	4	Deliver equality in high speed rural broadband	8.11 / 8.08
5	NEW	Promoting opportunities for future leaders	7.99 / NEW
6	5	Food safety strategic importance	7.96 / 7.95
7	NEW	Accelerate R&D and Innovation	7.82 / NEW
8	=7	Deliver tailored products to the Market	7.72 / 7.89
=9	NEW	Support land use change for Environment	7.70 / NEW
=9	19	Invest in infrastructure / fresh water	7.70 / 7.28

See Full Priority results

Biosecurity – Top priority 10 years in a row

Not surprisingly, biosecurity was a top of mind matter raised in many conversations this year. The priority score increased 1.9% to 9.26 although this remains below its peak in 2018 at the height of the MBovis crisis. The impact that Covid-19 has had and will continue to have on people's lives and the economy has highlighted how exposed we are as a country to an incursion. The point was made by a number of contributors that it is critical that we take the learnings from the response to Covid-19 and ensure that these are incorporated into biosecurity incursion readiness plans.

While the year has passed without an incursion on the scale of MBovis, it does not mean the year has been incursion free. There are known threats that have tested our border controls during the year. Some of which, like the Brown Marmorated Stinkbug, have the potential to create significant environmental and economic damage if we drop our guard, something we can ill afford given the cost of the Covid-19 response. There was greater concern about the porous nature of our border this year. The point was made that we have opportunity to build back better border controls when we start to reopen our border and work on designing these should be underway now.

While Minister after Minister has declared biosecurity to be their top priority, the approach to biosecurity policy shifts with each new Minister. In light of Covid-19, the suggestion was made that biosecurity policy should be lifted out of the political arena and made an area where decisions are progressed on cross party consensus. This would mean we can make long term plans to ensure our border protection is world class, and our pre-incursion threat identification and planning is funded to minimise the risk of another major hit to the economy as we start to recover from the pandemic.

High quality trade agreements

With the seeds of a shift away from multilateral trade towards increased protectionism and nationalism having been planted over the last two years and given a major boost by Covid-19, there is palpable concern amongst many contributors about what might happen to the market

access we rely on to create wealth as an exporter of food and fibre products. The issues the Australian red meat and barley sectors are experiencing in relation to their market access into China, highlights how quickly political differences can become trade issues with massive financial consequences in the tense environment we currently live in (barley growers estimate the tariff imposed of their sector could cost A$1b this year).

Many contributors focused on the critical role the government plays in maintaining our market access and called for more resource to be directed towards both negotiating new access and ensuring issues arising with existing access are resolved quickly. However, it was also recognised that successful trade requires more than market access, it requires those involved to work with their in-market partners in a way that delivers some of the benefits of trading with New Zealand to the wider community. This could be through sharing IP and innovation, providing reliable supply or confidence about the attributes of our products. To secure our trading relationships into the future we have to think about them as long-term partnerships with a community rather than transactional acquaintances.

Telling our provenance stories

Retaining its place in the top three, telling our provenance stories to the world's most discerning customers in an engaging and compelling way, has taken on greater urgency in recent weeks as our ability to engage customers face to face in the foreseeable future has become restricted to Zoom or Skype. The inability to bring potential customers to New Zealand so they can experience our products in their natural environment or to visit consumers in market and introduce them to our products personally means we need to lift the game in how we utilise technology to gather insights and to tell our stories.

As highlighted in previous Agendas, we need to ensure the stories we share are truthful and beyond reproach. This means being clear about the standards we produce to and ensuring our performance against these standards is measured and verified so that data is available to back the attribute claims we make. Compelling stories are told so they resonate with the audience not the storyteller, which a number of contributors noted has challenged us in the past (we love to tell stories we want to hear). Now more then ever, we need to use technology to immerse consumers in the attributes of our products, so they understand why they are relevant and valuable to them, are clear on the value proposition and prepared to pay the premiums we seek.

Digital connectivity

The question on digital connectivity evolved in this year's survey from a question about supplying high speed broadband in rural areas to one about enabling equality in connection speed in rural and urban communities to allow equality of access of new and yet to emerge technologies. Despite (or maybe because of) this change, the priority retained the number four ranking which provides a strong indicator that the Rural Broadband Initiative is far from done.

Contributors noted that while farmers are used to and comfortable with isolation, the biggest challenge lockdown created for many has been in relation to connectivity; having the family working and schooling from home has highlighted clearly the differences in access in rural and urban areas. As more service providers move to exclusively digital models (an example being the banks removing cheques) this can have an unintended yet material impact on the lives of people in rural areas, creating communities of accidental digital laggards. As the government looks for shovel ready projects to lead the country's recovery from Covid-19, focusing on equal access to 5G connectivity is a good option to explore.

Accelerating innovation through public private R&D partnerships

One of the new priorities in this year's survey related to the need to enhance the innovation ecosystem through broad public private partnerships to fund and accelerate globally relevant food and fibre sector innovation. This replaced a number of other innovation questions. Given concerns expressed in the past about the reliance on the government to fund industry innovation and the heavy focus placed on domestic production systems, it was not surprising that this broader aspiration for a commercially lead, market connected innovation ecosystem was seen as a high priority by our contributors, ranking 7th overall.

The need to clearly define science priorities that create unique and differentiated products that appeal to the consumers we are targeting, while also assisting in responding to our environmental imperatives and investing behind these areas collaboratively has been raised with us in many forums in recent months. The challenge facing our contributors is stepping into this new collaborative innovation model that many seem to want.

Water makes a big come back in 2020

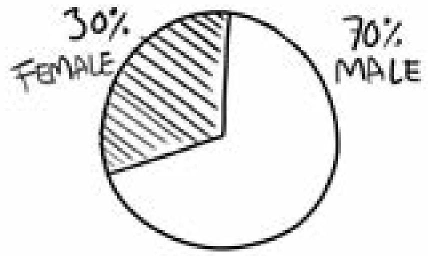
We got some feedback on last year's Agenda about the limited coverage it gave to water. The low coverage reflected frustration with regulatory processes and a loss of hope about getting the necessary RMA approvals to move water storage and distribution schemes forward. In our 2020 survey water has made a big come back with investment into infrastructure returning to the survey's Top 10 priorities and a new question on water quality being ranked 14th.

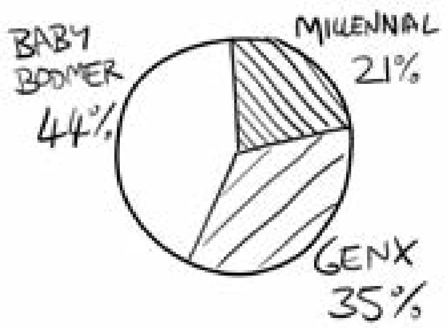
The fact that much of the country has again spent the summer in drought that is looking like dragging through winter has highlighted to many contributors that weather patterns that could be relied on the past to bring rain are changing. We need to invest now in infrastructure that will ensure water availability to provide resilience and confidence to our producers to grow their own businesses. Water infrastructure appears to offer a real opportunity for investment into intergenerational assets that will not only create jobs today but assist our economy and our environment in the future.

Breaking down the demographics of the Top 10

The inclusion of the demographic identifiers enables us to understand more about the differing views of constituencies within our contributor population.

The underlying demographics of our contributor population are unsurprisingly skewed towards male baby boomers, explaining why both the male and the baby boomer groups have 9 out of 10 consistent priorities with the overall ranking for all contributors. Interestingly the additional priority that the baby boomers ranked in their Top 10 was commencing a national conversation on GM and gene editing technologies, which was ranked at eight. For our male contributors, the additional priority in the Top 10 was utilising New Zealand IP to build global supply chains that deliver to customers 365 days a year. The Generation X contributors included two alternative priorities in their Top 10 ranking, most notably placing the high rank of four on imposing tough penalties on those that fail to meet animal welfare standards. They also gave a Top 10 priority on providing mechanisms that deliver clear market signals to producers. It is notable that these were both priorities that have dropped out of the Top 10 in 2020.





	RANK 2020	2020 DEMOGRAPHIC PRIORITY RANKINGS: MALE	FEMALE	MILLENNIAL	GEN X	BOOMER
World-class biosecurity system	1	1	1	1	1	1
Sign high quality trade agreements	2	2	=18	3	2	3
Create NZ provenance brands	3	3	2	4	3	5
Deliver equality in high speed rural broadband	4	4	3	=14	5	2
Promoting opportunities for future leaders	5	6	=6	2	=8	=8
Food safety strategic importance	6	5	11	=16	6	4
Accelerate R&D and Innovation	7	8	=6	=16	=8	6
Deliver tailored products to the Market	8	7	=18	22	11	10
Support land use change for Environment	=9	11	5	=20	7	11
Invest in infrastructure / fresh water	=9	=8	17	23	12	7

Higher prority (within 4 of overall) | Consistent priority rank | Lower priority (within 4 of overall) | Lower priority (5 to 9 below overall) | Lower priority (10 or more below overall)

Female contributors place greater priority on communities, people and the environment

The Top 10 priorities of our female contributors exclude priorities that have sat in the survey Top 10 for almost a decade; items like signing high quality trade agreements, innovating with our customers to produce highly tailored solutions for their needs and treating food safety as strategically important rather than a cost. Instead, female contributors place greater priority on the connections between our communities, our focus on attracting and developing talented people and doing more to protect our land and water. It reflects a growing belief amongst many people we have talked to that placing purpose, people and planet on an equal footing to profit is becoming a necessity in building a long term, sustainable industry rather than an aspiration that competes with the efficiency with which we can produce, process and export our products.

	FEMALE RANK	FEMALE SCORE	OVERALL RANK	OVERALL SCORE	DIFFERENCE IN PRIORITY	DIFFERENCE IN RANK
World-class biosecurity system	1	9.12	1	9.26	-0.5%	=
Create NZ provenance brands	2	8.39	3	8.21	2.2%	+1
Deliver equality in high speed rural broadband	3	8.29	4	8.11	2.3%	+1
Rural and Urban Community Understanding	4	8.07	11	7.69	4.9%	+7
Support land use change for Environment	5	8.04	=9	7.70	4.4%	+4
Promoting opportunities for future leaders	=6	8.00	5	7.99	0.1%	-1
Accelerate R&D and Innovation	=6	8.00	7	7.82	2.3%	+1
Implement Quality Water Systems	=6	8.00	13	7.59	5.5%	+7
Equipping leaders with Industry Skills	9	7.96	16	7.38	7.8%	+7
Penalties for Animal Welfare	10	7.86	12	7.68	2.3%	+2

Prioritising connected communities

A higher ranking for rural connectivity and placing the need to build stronger bridges between our rural and urban communities at number four (compared to 11th overall) underlines our discussions which indicated a strong desire to see us do more to build a unified, connected community in New Zealand. One leader suggested that it was about both rural and urban communities understanding better the contribution that each makes to New Zealand and respecting these contributions for what they bring to the country. A city dweller does not need to know how to run a farm, but it would help if they understood that in running a farm, the operator is managing a specialised, high tech operation with many risks and requiring significant capital investment.

Success in 20 years would not be having urban and rural communities but a resilient, connected New Zealand community that celebrates our successes together and does not tolerate those that do not meet expected standards wherever they live. Your prospects as a New Zealander in respect of health, education or opportunity should not be linked to where you live but to the fact that you are a New Zealander.

Utilising our natural resources for benefit of this and future generations

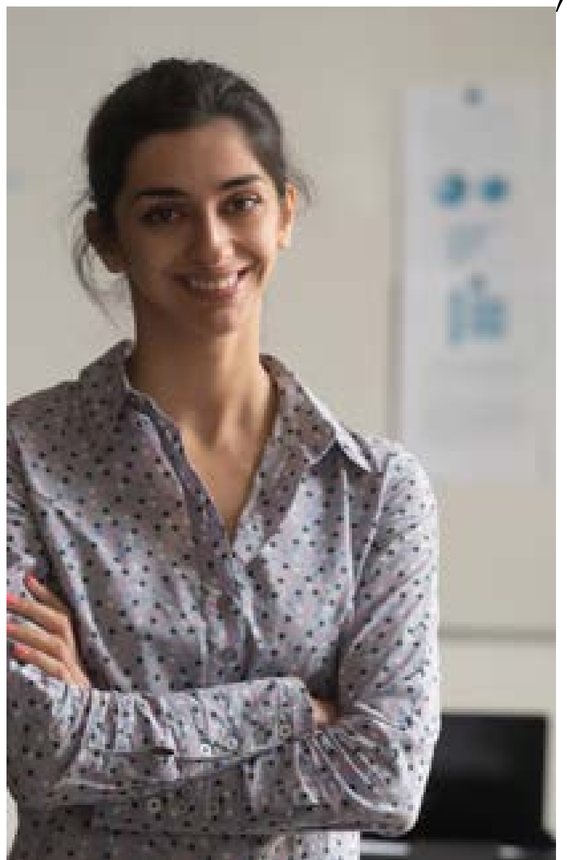
The rankings indicate that our female contributors place greater priority on how we use our land and water for the benefit of all New Zealanders today and into the future. It is fair to say that during our discussions in preparing for the Agenda there was almost universal acknowledgement from all contributors – male, female, young and old – that we need to place greater priority on how we protect and utilise our land, water, soils and oceans but it was only in the rankings from our female contributors that these priorities came through loudly in the survey.

We have reported in recent Agribusiness Agendas on the challenges that the industry has faced in securing its license to operate, noting at times that farmers have felt that they are farming in a fish bowl. With an industry vision that draws on the concept of Te Taiao (the Māori principle of respect and reciprocity with the natural world) the need to evolve how we use land, manage our water and address our impact on the climate is now recognised as a high priority by the majority of our contributors. As one contributor noted, we should be aspiring to reach a position where our productive industries are trusted to do the right things and the license to operate is not granted grudgingly but given willing because of the benefits it creates for the environment and our communities.

Addressing our people pipeline so something happens

Both our female and millennial contributors placed the priorities on promoting the career opportunities in the sector to attract talented people and then investing in equipping people with the skills they need to lead through a collaborative industry programme in their Top 10 rankings. The challenge to attract, recruit and retain the talented people needed to run increasingly complex food and fibre businesses has been an issue we have addressed in every annual Agenda since 2010, where the issues raised were exactly the same as the issues being raised in our discussions this year. We have not made the necessary progress in securing the talent we need to lead the industry through the next 25 to 30 years of dramatic change. The demographics of our survey show this with baby boomers representing the largest contributor group (and remember the youngest boomers are now 56 years old).

From the comments we received, it is clear that many contributors believe now is the time to completely disrupt recruitment, training and development programmes across the sector, given the uncertainty that Covid-19 has created and the reforms in progress relating to the future of industry training through Polytechnics and Industry Training Organisations. Suggestions include developing structured continuing professional education programmes in the sector, establishing leadership academies for current and future leaders and connecting young people to the health and wellness aspects of the industry rather than just the economic opportunities. What is clear is that progress needs to be faster, we can not be raising the same issues in 10 years' time.



Keeping focused on future innovation critical for millennial contributors

While the top four priorities for our millennial contributors were not too different to the overall priorities (equality in connectivity for rural and urban areas being the priority that was dropped from the overall Top 5 to rank 14, somewhat surprisingly for the connected generation) the remainder of the Top 10 was significantly more diverse. Tougher penalties for animal welfare failings, improvements in water quality and lifting the understanding between rural and urban communities all make the Top 10 as does the focus on people discussed previously. More interestingly are the inclusion of tracking alternative proteins to inform our responses (which is ranked =4th, 24 places above its overall rank) and the need to commence a national conversation on biotechnologies (which is ranked 6th).

	MILLENNIAL RANK	MILLENNIAL SCORE	OVERALL RANK	OVERALL SCORE	DIFFERENCE IN PRIORITY	DIFFERENCE IN RANK
World-class biosecurity system	1	9.84	1	9.26	6.3%	=
Promoting opportunities for future leaders	2	8.53	5	7.99	6.7%	+3
Sign high quality trade agreements	3	8.37	2	8.43	-0.7%	-1
Create NZ provenance brands	=4	8.26	3	8.21	0.6%	-1
Track global alternative proteins	=4	8.26	28	6.84	20.8%	+24
Discussing Gene Editing technologies	6	8.16	18	7.31	11.6%	+12
Penalties for Animal Welfare	=6	8.16	12	7.68	6.2%	+6
Equipping leaders with Industry Skills	8	8.05	16	7.38	9.1%	+8
Implement Water Quality Systems	9	8.00	13	7.59	5.5%	+4
Rural and Urban Community Understanding	10	7.95	11	7.69	3.3%	+1

Looking for opportunities beyond the impossible

The emotion around the emergence of novel forms of plant based and cellular foods has reduced in the last year or so as they have been increasingly recognised a new competitor in global protein markets rather than an automatic substitute. Our protein producers have always had to respond to new competitors, be that from new geographies, alternative animal proteins or change in dietary preference, so the novel food producers are now seen as the wave of disruptors. The interesting thing about this new wave of innovation is that it comes with as much opportunity for New Zealand's food and fibre sector as threat; not only are we very good at raising animals, we are also world class at growing plants. Our millennial contributors recognise that the food system is becoming more diverse as more people adopt vegan, vegetarian and flexitarian diets, meaning that sustainable and high value growth opportunities may come from kelp farming or growing buckwheat or jackfruit over time as well as our traditional sectors. Understanding how novel protein markets are evolving and using this to inform how we utilise our land makes sense. The challenge facing us is how we scale up investment by collaborating on this pre-competitive market analysis rather than have every organisation seeking to act independently.

The unexpected alliance around biotechnology

One of the more unexpected outcomes from the survey was an alliance between baby boomers and millennials on the need to commence a national conversation around how we utilise GM and gene-editing technologies. This is a conversation that has been left in the too hard basket by successive governments, however with these technologies now offering the potential to help solve some of the biggest global problems, like malnutrition and climate change, it is time to overcome our intransigence and embark on this important national conversation. A number of our commentators specifically highlighted this conversation as something they would like to see all political parties commit to holding after the election. Only by having the conversation can we ensure that we have access to the technologies that can assist us in reducing our impact on the environment while maximising the benefits created for our communities.

The largest priority movements – both up and down – sit outside the Top 10

The sizeable movements up and down in priority rankings sit outside the Top 10 but provide us with some interesting information about how organisational priorities have changed over the last year. This year we have two priorities which have seen their scores increase by more than 20% (the largest increases in a priority score since 2017), one of which, the national conversation on biotechnologies, has already been discussed, although it is worth highlighting the dramatically different rankings this priority received from our demographic groups with female and Generation X contributors having a very different perspective to the millennials and baby boomers highlighted early.

- The other large increase was in respect of collaborating on community programmes that generate beneficial social outcomes and help support the industry's license to operate. It has become very apparent in recent years that traditional community sponsorship programmes remain important but are no longer enough for an organisation that claims to be investing in their community, increasing the need to be involved in programmes that have much more fundamental benefits to the community. A number of contributors highlighted that New Zealand organisations have not yet mastered how to effectively incorporate the UN Sustainable Development Goals into their strategy, and this should be a priority to drive focus and impact from the community investments that they are making.

LARGEST INCREASES IN PRIORITY SCORE	RANK 2020	SCORE 2020	SCORE 2019	CHANGE ON 2019	2020 DEMOGRAPHIC PRIORITY RANKINGS: MALE	FEMALE	MILLENNIAL	GENX	BOOMER
Collaborating on community programmes	25	7.04	5.75	22.5%	=27	14	=27	22	25
Discussing Gene Editing technologies	18	7.31	6.08	20.2%	15	=27	=6	33	8
Managing policy to optimise NZD	33	6.56	5.58	17.6%	33	31	31	28	34
Restrict Foreign land and Agri asset ownership	37	5.47	4.80	13.9%	37	34	=35	37	36
Build NZ IP supply chains to deliver 365 days	14	7.51	6.61	13.6%	10	21	=14	13	15

LARGEST DECREASES IN PRIORITY SCORE	RANK 2020	SCORE 2020	SCORE 2019	CHANGE ON 2019	MALE	FEMALE	MILLENNIAL	GENX	BOOMER
Penalties for Animal Welfare	12	7.68	7.91	-2.9%	12	10	=6	4	17
Delivering Clear Market Signals	15	7.48	7.72	-3.1%	16	15	=20	8	19
Track global alternative proteins	28	6.84	7.19	-4.9%	31	23	=4	=28	=32
Food and Fiber Aotearoa acting funded	36	5.59	5.95	-6.1%	36	37	=35	34	=36
Recruiting in key markets for customer connection	26	7.02	7.56	-7.1%	=21	32	=27	24	22

Higher priority (10 or more above overall)	Higher priority (5 to 9 above overall)	Higher prority (within 4 of overall)	Consistent priority rank	Lower priority (within 4 of overall)	Lower priority (5 to 9 below overall)	Lower priority (10 or more below overall)

- The two next largest increases in priority score related to the economic questions (the management of economic policy settings to optimise the New Zealand Dollar and continuing to limit the ability of foreign investors to buy agricultural assets). These were both lowly ranked priorities (33rd and 37th respectively), so the growth was of a low base but it is worth noting that restricting foreign land sales recorded its highest ever priority score, suggesting we are not immune from the isolationist tendencies being experienced around the world. The majority of contributors remain of the view that our current restrictions on foreign direct investment present more of a risk to the country's prosperity than a likely promoter of growth.
- With the release of the industry strategy developed by the Primary Sector Council, *Fit for a Better World*, in December 2019 we amended the question on the need for an industry strategy that had been asked in previous surveys and asked contributors about funding a body, Food and Fibre Aotearoa New Zealand, to act as the custodian of the strategy and provide relevant policy advice to government. Given the broad support that has been expressed for the industry strategy, the low priority score attached to this question was a surprise. Given the industry vision has to be a living thing it appears logical that there is a need for a peak body to own this activity. Leaving the strategy within Government makes the vision a government thing and subject to political cycles, something that will not assist the sector in moving forward.
- We were also surprised, particularly in light of the travel restrictions that Covid-19 will impose on us for some time, that the priority score for recruiting greater in-market representation fell significantly this year. The need to improve connectivity with customers was raised by many of our contributors, the challenge is recruiting people when you are unable to sit down with them face to face. Working out how we achieve effective in-market representation while borders remain closed and travel restricted must be a high priority for each of our exporters and the government, who have allocated the funding to support such activities.

Rounding up the question changes in this year's priorities survey

As we noted earlier, we have introduced a number of new questions into this year's survey and retired some older questions. The following table summarises the priorities attached to the new questions in the survey.

We have covered many of the new questions in earlier comments, however thought it would be useful to provide some brief comments on some of the other new priorities.

– This is the first time we have asked a specific question on water quality in the survey and it was ranked at 13th overall. Unsurprisingly water was raised by many contributors this year during our discussions, both in relation to the shortages being experienced across the country and ongoing concerns over the regulatory framework surrounding water quality. Since we completed our preparatory conversations, the Government has confirmed its intention to press ahead with the water reforms it had signalled, although with changes reflecting some of the feedback received during consultation. The standards proposed present significant challenges to farmers in some parts of the country, so it appears there are still hurdles to be cleared before we reach a mutually acceptable, collaborative position to move forward on fresh water.

– The current perceptions towards water policy differs significantly to the position that has been landed on in respect of our national zero carbon aspiration. When we were preparing the Agenda last year there was significant concern about what the zero-carbon legislation could mean for the industry. However, the landing on a collaborative approach between Government and industry, He Waka Eka Noa, focused on the outcome of carbon reduction rather than the starting point has made the transition, that last year seemed insurmountable to many, look achievable. As a consequence, it is not a surprise to see the new priority relating to accelerating the zero-carbon transition ranking at 17 overall.

	RANK 2020	SCORE 2020	2020 DEMOGRAPHIC PRIORITY RANKINGS				
			MALE	FEMALE	MILLENNIAL	GENX	BOOMER
Promoting opportunities for future leaders	5	7.99	6	=6	2	=8	=8
Accelerate R&D and Innovation	7	7.82	8	=6	=16	=8	6
Support land use change for Environment	9	7.70	11	5	=20	7	11
Implement Water Quality Systems	13	7.59	14	=6	9	=14	14
Initiatives for a net Zero Carbon future	17	7.35	18	16	=11	=24	13
Reduce Food and Nutrition Insecurity in NZ	20	7.20	23	=11	19	17	24
Restore Native Ecosystems and Eliminate Pest	23	7.10	21	=27	29	23	18
Ensure Migrant workers are appropriately treated	29	6.84	26	33	24	31	20
Balance tree planting for environmental and community needs	32	6.65	29	35	=25	36	21

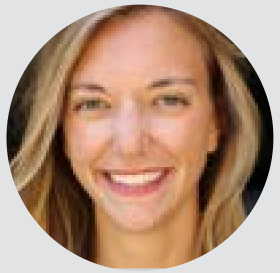
Higher priority (10 or more above overall)	Higher prority (5 to 9 above overall)	Higher priority (within 4 of overall)	Consistent priority rank	Lower priority (within 4 of overall)	Lower priority (5 to 9 below overall)	Lower priority (10 or more below overall)

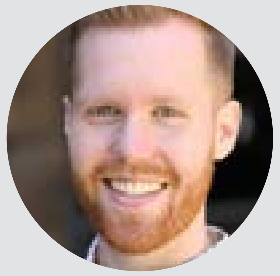
– One of the defining issues of the lock down has been the emergence of a new group of food insecure New Zealanders, many of whom have had to seek food assistance for the first time in their lives. In the 2019 Agenda, we noted the importance of the industry playing its part in ensuring we feed our five million first given the impact that poor community health outcomes have on our society and perceptions of our food quality in international markets. With the pandemic creating around 1 million food insecure New Zealanders, the need to play a more active role in ensuring all have access to affordable and nutritious food is greater than ever. We had expected this priority to receive a higher ranking than 20th but recognise that many contributors would have completed the survey before we started to get a full understanding of nutritional insecurity in this country.

– We included two new priorities in relation to protecting and enhancing our natural environment, one addressing fast-tracking initiatives to restore native ecosystems and eliminate pests and a further item on supervising tree planting to balance environmental and community needs. We also evolved a question on researching organic farming systems to focus on regenerative agricultural systems. Overall these three priorities ranked 23rd, 32nd and 34th respectively which was lower than expected, given the focus being placed on environmental stewardship in many of our conversations with industry leaders. It still appears that there is work required to connect aspirations around the environment to the priority being given to improvement activities.

– The survey also included a priority related to boosting surveillance to minimise the risk of modern slavery of migrant workers for the first time. This priority was ranked 29th overall, reflecting the growing focus customers around the world are placing on the working conditions of people employed in producing their food, driven by legal requirements or ethical concerns. New Zealand has, in the last year, experienced modern slavery issues so this is not a remote risk to businesses, particularly in the horticulture and wine sectors. The rank for this question is not surprising for an emerging industry challenge, which is coming into even greater focus as a result of the displacement of migrant workers around the world due to the pandemic.

CASE STUDY





Voice of the Future

INSTITUTE FOR THE FUTURE

Based in California, the Institute for the Future (IFTF) provides global forecasts, custom research and foresight training to navigate complex change and develop world-ready strategies across the world. For this case study, IFTF Research Directors and co-leads of the Institute's Food Futures Lab, Max Elder and Sarah Smith have focused their foresight and insights toward the New Zealand food and fibre sector, and our opportunities to achieve success over the next twenty years.

What are the important considerations when exploring future food opportunities for New Zealand?

Max and Sarah highlight several important factors to consider when looking forward. "The voice of the future sits across the whole food value network, and observes system-level views to account for complexity and diversity," says Sarah. This wider perspective gives opportunity to guide direction while remaining agile. She suggests that there's an important distinction between provocation and prediction, and that future thinking should always seek to provide clarity over certainty.

"In order to create truly transformational change, we must be able to find utility in the seemingly ridiculous." – Max Elder

Max acknowledges that companies in the food sector find ridiculous futures uncomfortable, but they must embrace the discomfit, rather than avoid it. He notes that there's an important distinction between discussing the 'future' and 'futures'.

"Forecasting with multiple potential futures, rather than trying to identify an exact one, allows companies and their management to be both prepared and agile for a range of potential impacts," says Max.

After understanding the best methods to use when forecasting, its critical to understand the unique factors related to food. Firstly, Sarah notes that the food system has multiple complex consequences from environmental impacts to human health outcomes, economic stability to social stability which make it an incredibly difficult facet of life to forecast. In addition to this, Max explains that the inherent biological basis of the food system means that conventional animal and plant production has a very slow innovation time horizon – often limiting ridiculous futures to biological and genetic feasibility. Max also added the importance of culture; he noted "food is deeply engrained with history, culture and society, making it an intimate part of human life - this can make ridiculous futures quite frightening, as they threaten our way of life."

What should New Zealand's 'ridiculous' future be?

Sarah and Max both agree that the New Zealand food sector's Fit For a Better World process had been an impressive one, particularly in relation to the clear outcome of delivering a food sector vision across such a large range of stakeholders.

However, Sarah also indicates that the sectors' vision should be continually challenged. Max suggests that "pushing for consensus often results in dilution, and the diminishment of ridiculousness and ambition."

Max and Sarah's advice is for the sector to ensure it challenges the Fit For a Better World vision over time, "especially through input from diverse contributors, seeking to incorporate wild ambitions rather than balance them out."

Max also comments that "ridiculousness is relative" and Gen Z will have a significantly different view of where the world should be, and what's possible in the future in comparison to baby boomers, so youth can be the optimal place to seek guidance on foresight and vision.

What should New Zealand food and fibre do next?

Very relevant to their work, the first key recommendation from the duo is that the food and fibre sector should build capability in futures thinking. The future success of the sector will be largely dictated by preparations and actions taken now. As a result, Sarah states "leveraging opportunities such as foresight training provides the sector with the skills and capabilities to navigate obstacles and opportunities ahead, encouraging both resilience and agility."

Immediately increasing access to capital for stakeholders that operate throughout the value network is another key area that Max and Sarah state as a priority. With numerous competitive advantages in New Zealand including the natural environment, global perception (particularly given our success in responding to Covid-19), and sector maturity – capital is one of the few limitations the futurists saw as inhibiting the acceleration of progress and success.

Finally, Max states that despite New Zealand's food system working relatively well, it is, like most traditional agri-food systems, optimised for the wrong outputs. Sarah adds "optimising for nutrition, animal welfare and the environment is a key opportunity for future proofing the system, supporting those areas most important to the society now, and in the future."

Max and Sarah left us with a quote, which they believed was an excellent way to articulate the current situation:

"Only a crisis - actual or perceived - produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes the politically inevitable."
- Milton Friedman

KPMG New Zealand and the Institute for the Future are co-hosting two food and foresight workshop events in October 2020. For more information contact Cindy Morrison cindymorrison@kpmg.co.nz

Jack Keeys

Jack is the Agri-food team's research and insights analyst. A business and science graduate from the University of Waikato, Jack has been involved in activities throughout the sector including business start-up, agri-technology and the AGMARDT international placement award. Jack's role includes co-ordinating KPMG's Field Notes, supporting KPMG's global agri-food network, and involvement in various sector projects

Voice of Emerging Leaders

Born between 1981 and 2010, Centennials and Millennials represent a combined 63.5% of the world's population. That's almost 2 billion individuals in each generation, with Centennials (those aged 10 to 24 as of 2020) breaking the record as the largest generation in history. These generations, also referred to as Gen Z and Gen Y, have several similar characteristics, from their intensive integration with technology, to their social expectations of the businesses they engage with, and their own career paths.

In New Zealand, Millennials comprise the largest age group in the labour force, and total over one million of the country's population. Centennials fall slightly below that, numbering around 983,000 in New Zealand, and are currently in the education system or very early career stages.

To capture the voice of the emerging food and fibre leaders in New Zealand, six roundtable discussions were hosted, with 25 individuals contributing throughout the country. Contributors ranged from rural primary school head students, to established food-business and agri-governance leaders.

Articulating the energy and ambition, alongside the detail and foresight is a challenge. However, by building on successive group discussions and integrating ideas across demographics and experiences, a coherent and structured success matrix emerged. The following pages provide the overview of a future food and fibre sector for New Zealand, as proposed by emerging leaders of our industries and country.

WHAT DOES SUCCESS LOOK LIKE IN 2040

The Emerging Leaders' definition of success and 2040 goals have five core components. With a range of contributors, the most ambitious version of the goals are captured here, reflecting a challenge to push the boundaries of what the sector could achieve

1. Community prosperity
Measured on an integrated wellbeing matrix following the concepts of Hauora, the happiness, wellbeing and fulfilment of all New Zealanders, provides a scoring system to set goals and benchmark performance.

A successful food and fibre sector would be achieved if the mean prosperity score was 9/10 in New Zealand or more across all demographics.

2. Comprehensive collaboration
Measured by the level of connectivity both within the sector, and in established relationships outside of the direct food and fibre sector.

A successful food and fibre sector would be achieved, if all New Zealand industries were connected through a shared research, development, and marketing platform; to leverage maximum resource use, efficiency and value creation.

3. Environmental integrity
Measured by the pollution footprint, and restoration of native biodiversity.

To be successful, the food and fibre sector would have a net positive waste, emissions and contaminant footprint, with 50% of New Zealand's original natural ecological systems under restoration.

4. Multi-tiered perception
Measured by internal industry pride, nationwide understanding and international recognition of excellence.

A successful food and fibre sector would be achieved with 100% of industry participants feeling pride in their industry, with 100% of New Zealanders understanding the role, responsibility and impact of the sector, and 100% of international consumers distinguishing New Zealand products and services through a recognition of excellence in quality, safety, ethics and sustainability.

5. Financial sustainability
Measured by the resilience of the sector and economic empowerment towards achieving the previous four goals.

To be successful, the food and fibre sector would be structured with the resilience to survive and thrive amid extreme climatic variation, global social disturbance or other unforeseen disruption.

"The question is wrong; whether our food and fibre sector is successful should not be measured by the achievement of our industries, but by the success of our entire country"

ACCELERATING ACTION

Community prosperity

Increasing producer margins, providing affordable nutritious food, and decreasing environmental footprint all at once. The concept is a local e-commerce food system which is replicated across all regions of New Zealand, developing a direct link between producers and consumers. A start-up funded by government, the platform would operate as an online farmers market, showcasing only local food options and shortening the value chain to increase efficiency in addition to returns to producers.

Building further on this concept is the opportunity to distribute pre-contracted fresh produce parcels to those requiring social support, as a portion of their weekly government payment contribution. This involves seasonal but consistent, fresh and healthy produce to reach lower socio-economic families, or those with support requirements; while also delivering a guaranteed market to producers who can then access a greater share of value due to the removal of intermediaries.

The development of a national food and fibre sector scholarship programme to establish young leaders across each region and support them into food and fibre careers was also proposed. This aims to provide a pipeline for continued talent into the sector, while also increasing education and awareness.

Comprehensive collaboration

New Zealand has multiple primary industries, each with a range of companies throughout the value chain, various industry organisations, and their own levy board(s). But there is no nexus that connects or integrates the sector. …Introducing the 'New Zealand Food and Fibre Innovation Fund'. This concept recognises the value of pooling resources for distinct sector-wide needs such as international consumer research, global market education and collective production, process and product opportunities. The background driver of this initiative is that New Zealand has limited access to capital and research funding, while also possessing opportunities for increasing symbiotic relationships between industries. The Innovation Fund may then be used as a vehicle for financing and supporting numerous sector-wide initiatives that multiply the benefit and value to all individual industries.

Environmental integrity

The concept of 'environmental sustainability' falls short of being an ambitious or even morally acceptable target for the food and fibre sector's future. The emerging leaders detailed the concept of environmental integrity, where transparency in performance underpins success, and the bar for achieving success is raised at the same time. A comprehensive energy and emissions matrix are proposed to be established with consistent methodology across all industries. This matrix would then be used to identify all current and future opportunities for inter-industry waste and energy flows. The overall purpose of this initiative is to enable circular or near-circular systems and identify areas where further research and technological development may be required to fill waste or emissions gaps.

One additional lever is the opportunity to promote and support land-use diversification, empowering land-owners to manage operations with multiple production types and realise the subsequent benefits of connections between systems, as well as risk-spreading.

The final lever discussed is the use of biotechnology, specifically targeted to improving efficiencies and decreasing waste. Though market perception concerns and some consumer losses are acknowledged, prioritising non-evidenced based opinions to achieve a slightly higher price premium was less important than the ethical obligation to utilise these technologies for environmental gain. The liberalisation of these technologies is also anticipated to introduce significant value-add opportunities which would off-set or provide even greater premium than the non-GMO label. It is anticipated that New Zealand will be otherwise left behind, as improved consumer understanding of the more advanced, targeted and safe methods of using this technology result in wider acceptance.

Multi-tiered perception

A New Zealand dairy farmer is sitting in their lounge for the evening when her phone pings. It's her daily notification "Today 127 products across fourteen countries were sold containing product from your farm, including sales in Asia, Europe and Africa. Kg from Botswana has sent you a message "Thank you, this is amazing quality – what have you been feeding your cows?", the notification prompts 'do you want to reply?'. This describes a bi-directional provenance platform which not only provides the buyer with full transparency along the value chain, but also provides the producer with customer transparency, enabling a platform for connection and communication.

In addition to a step-change in producer to buyer interactions, the Emerging Leaders proposed that an integrated education pathway be established, which supports all New Zealand students to take standards in food production and processing through high school, to enhance understanding across a generation.

Several market initiatives were also explored, including the establishment of biannual New Zealand food expo's in conjunction with 'open gates' across the entire sector, allowing all New Zealanders to experience both the production, and end products of our sector.

Internationally, the opportunities included developing Food Experience Centres in several key markets with these being leveraged as virtual experience centres for augmented reality experiences. In addition to this, is the concept of an exclusive New Zealand e-commerce site providing a niche marketplace to showcase New Zealand products.

Financial sustainability

Where a leap forward from sustainability to enhancement was the focus for environmental performance, financial performance is expected to take a step back. Emerging Leaders saw the measurement of success not as being an increase in profit or margin, but as being resilient, agile and sustainable as a platform for all other initiatives. Economic performance should be an enabler, not a driver.

First is a 'radical innovation pipeline' created to both generate and accelerate entrepreneurial opportunities and provide clarity and consolidation across the numerous parties currently supporting start-up businesses at different stages of their progression. A clear sector mind-shift change to value-based pricing which incorporates social and environmental impact in addition to the cultural story of products is also a key lever. And regulators must raise the standards on imported products to reflect our own production regulation, so that New Zealanders have appropriate pricing expectation and appreciation for New Zealand product.

Ambitious goals require ambitious actions, and rather than leave these ideas as words on a page, the emerging leaders are excited to begin implementing these opportunities in the sector.

CASE STUDY

Voice of our Food Insecure

kore hiakai
Zero Hunger Collective

Introducing Kore Hiakai Zero Hunger Collective

Kore Hiakai Zero Hunger is a collective of six social service agencies who have joined forces to bring about change in how New Zealand's food system delivers to the most vulnerable in our community. The group has three key focus areas: Generating structural change in how we support New Zealanders; mana-enhancing food distribution practices; and connecting producers, food rescue projects and community food organisations. The Kore Hiakai Zero Hunger Collective's goal is simple, yet ambitious: a food secure Aotearoa New Zealand.

For our 'Voice of the Community' case study, Tric Malcolm, Pou Ārahi / Executive Officer of the collective shares her insight into opportunities for the New Zealand food and fibre sector's future success.

What does success look like for New Zealand?

According to Tric, food insecurity is not really an issue of food, but an issue of health and economics. At the heart of it all is community – and wellbeing. "Everything comes back to health and wellbeing, both physical and mental. Our food system is inextricably linked to that, providing one of the basic pillars of health to our communities – nutrition."

Tric explained that health is the foundation of the community spirit, noting how evidence shows that "people who are food insecure experience compounding mental health challenges over time. This then has a flow-on impact on hope, with a negative cascade to a point where individuals and families can lose more than hope, but other aspects of life too." Food insecurity often means disconnection from community, removing the support and wellbeing found there.

As a result, Tric is passionately dedicated to the goal of creating a food secure Aotearoa New Zealand. Achieving this will provide a platform from which families, communities and businesses can then thrive

What is the pathway to success?

One of the early steps along the pathway to success is providing food and nutrition solutions in New Zealand's schooling system, says Tric. "Both food education and the physical provision of nutrition can be tackled at the same time in schools," she explained. "There is a significant gap in the type of food students are receiving when comparing schools of different decile ratings and that was highlighted in John Campbell's lunchbox test." In 2014 John Campbell highlighted the differences children experienced eating lunch, particularly in schools that have a māra – school garden or food growing programme such as 'Common Unity' or 'Garden to Table'. Children attending schools that had implemented these programmes experienced improved nutrition, health, and learning outcomes.

Tric suggests that schools are ultimately about families, so tackling the issue in the education system can support a double benefit of improving nutrition in the home as well. "In 20-years' time, those who have been through a revolutionised school health and wellbeing programme which is integrated with food and nutrition will be proud of their story and able to lead the way in promoting it to future generations."

According to Tric, another critical component of achieving success and a food secure Aotearoa New Zealand is better data. "Both quantitative and qualitative data, including a capture of the emotional impact of food poverty would allow for a much better understanding of the situation," says Tric. "With that understanding, we can begin monitoring the data and build a framework around it which provides the opportunity for the impact of initiatives to be understood."

Perhaps the most important factor that needs to be addressed is the ratio of income to living costs. "Income is the greatest source of challenge to food security, particularly in relation to the very high cost of housing, which is often as high as 75% of total household income."

The pathway to achieving Kore Hiakai's goal must incorporate a multi-faceted approach including policies to address income inequality, housing affordability and employment availability in communities. According to Tric, this is a pre-requisite to sustainably achieving the goal of a food secure Aotearoa New Zealand.

What levers do we need to pull to achieve success?

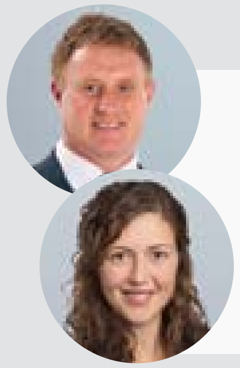
Tric shared three levels of levers that need to be pulled sequentially to assist in achieving success for the community.

1. "The income/housing cost ratio for lower socio-economic communities must be improved." Either through direct income increases, housing costs decreases, or a combination of the two. In addition to this, financial mentoring and social services are absolutely critical to support any strategy for improving the financial resilience of communities.
2. "True food security should be considered as food sovereignty at both an individual and community level." There should be a country-wide commitment that every person in Aotearoa is provided with the opportunity for food sovereignty, the right to healthy, affordable and culturally-appropriate foods, produced through sustainable methods.
3. "Schools should be considered community hubs." New Zealand should commit financial investment into developing schools to be a centre for food systems in their communities where food can be grown, prepared and eaten. This would enable the education of students, and their families, while also providing some of the community's nutritional needs. "If food and nutrition can't be properly understood, then the chance to achieve true health is lost."

Tric's overall message is that New Zealand needs a long-term food 'security' strategy, rather than reactive food 'insecurity' policies. Families are not truly food secure when they are dependent on handouts for their nutrition. Improving the financial resilience of families, making food sovereignty for all a national priority, integrating food education and nutrition into schools and seeing them as community and health hubs, Tric believes are a great beginning for the sector to achieve a true measure of community success - a food secure Aotearoa New Zealand.

Kore Hiakai Zero Hunger Collective foundation members are The Salvation Army, Christchurch City Mission, Wellington City Mission, VisionWest Community Trust, Auckland City Mission and New Zealand Council of Christian Social Services.

To learn more about the collective, visit: www.zerohunger.org.nz



Brent Love and Genevieve Steven

Brent leads a specialised agri advisory team in the Canterbury region. With over 23 years of rural finance and agriculture sector experience, he specialises in financial management, governance, formation of equity partnerships, debt funding, succession planning and agribusiness strategy.

Genevieve joined KPMG in 2019 as part of the agri advisory team. With a Bachelor of Agricultural Science (Hons) from Lincoln University, Genevieve leads client engagements, co-ordinates multiple farm action network groups and supports Brent and the wider team.

Voice of Farmers and Growers

The voice represented in the following pages belongs to the people who are on the land, cultivating and driving the industry that underpins the New Zealand economy – our **Farmers and Growers.**

The Farmers and Growers who have participated in sharing their ideas and visions for this voice run family owned and operated businesses which have grown into sector leading, high performing farming operations.

The farming systems operated by this voice include sheep, beef, deer, arable and dairy, and are based in Mid and South Canterbury. Many of these businesses have seen considerable land use changes occur in Canterbury – from dryland mixed sheep and arable farms to irrigated dairy farms – over the past 15 years. These businesses have all adapted and embraced the advancements in technology and data available to farmers, changing their farm systems to remain current and keep up with consumer and community expectations of how we farm and produce food in New Zealand. This voice is youthful, relative to the average age of farmers in New Zealand (sheep and beef – 56yrs; mixed arable - 49yrs; and dairy – 41yrs). Most people will be still farming in 2040. Their voices will be important and influential in shaping the future of the sector and how we tackle some of the big challenges and questions ahead of us.

WHAT DOES SUCCESS LOOK LIKE IN 2040

When asked "Will agriculture in New Zealand still be relevant in 2040?" the panel very quickly and animatedly responded "Yes, of course!"

The panel of Farmers and Growers clearly defined their view of success and 2040 goals. There are five core components that underpin their vision of sector success;

1. **Thriving community**
   Measured by a physically and mentally well community, with a reduction in obesity, poverty and suicide statistics.

   To be successful, the food and fibre sector needs to focus on ensuring the prosperity and health of our own communities before the needs of our global consumers. As a result, all New Zealanders will have access to healthy, nutritious and affordable food.

2. **Integrity & excellence**
   Measured by having all New Zealand food and fibre producers accredited to consistent ethical and environmental standards.

   A successful food and fibre sector will have stringent standards in combination with 100% product traceability, underpinning the New Zealand brand story, ultimately giving consumers confidence in the safety and integrity of food and fibre produced in Aotearoa.

3. **Fact over fiction**
   Measured by the consistent use of scientific evidence in community discussions regarding natural resources, and the use of science to brand and market New Zealand products.

   A successful food and fibre sector will be achieved when the New Zealand community understands how production systems in New Zealand differ to other countries, and is able to engage in robust, science-based discussions regarding our natural resources. To be successful, the sector will market food and fibre products based on nutritional and safety attributes, underpinned by science.

4. **Collaborative leadership – one voice**
   Measured by the establishment of one governing body that sits above all industry good organisations, representing the sector and ensuring a consistent approach to marketing, product safety and quality.

   To be successful, every food and fibre producer needs to lead and be vocal. Their voices need to be heard by co-operatives, industry good organisations and the all of sector governing body.

5. **Thriving landscapes and people**
   Measured by healthy and diverse production ecosystems, a highly adaptive and tech savvy workforce that is passionate about agriculture, and the continuance of family owned and operated businesses.

   To be successful the sector needs to excite and engage talented people who can challenge the status quo and create ingenious solutions to modern problems. These people will mould production landscapes to achieve a sustainable balance of profitable and efficient food and fibre production with a thriving ecosystem.

ACCELERATING ACTION

Thriving community

As a nation we have plentiful food – yet, we have staggering poverty and obesity statistics.

In 2019, it was reported that one in five children are living in poverty[1]. A further one in nine children and one in three adults are obese[2].

Famers and growers strongly believe that for our communities to truly thrive, it is paramount that all New Zealanders have access to healthy, nutritious and affordable food. The food and fibre sectors have a part to play – large co-operatives and family businesses alike, all need to step up. Caring for our communities is everyone's responsibility.

An excellent example of two Kiwi farmers stepping up are Wayne Langford and Siobhan O'Malley, the co- founders of new initiative 'Meat the Need'. The charity enables farmers to donate livestock, which is processed by their partner, Silver Fern Farms, and is distributed to food banks. see www.meattheneed.org/

This voice feels that Government has a role to play in making food more affordable at the supermarket. Policies need to be implemented that limit the percentage mark-up on meat, fruit and vege in stores. A reduced GST rate on the same products should also be considered.

Integrity and excellence

Do the right thing.

This is the value at the heart of how we treat others and do business in New Zealand. It underpins the New Zealand brand story.

We pride ourselves on our ethical and humane treatment of animals, our care for the environment, and the safety and quality of our products.

The trust domestic and global consumers place in New Zealand products is built on a foundation of honesty and transparency. However, this foundation is becoming increasingly fragile as not everyone necessarily understands or choses to 'do the right thing'.

This voice believes that it is time for a national standard to be established across sectors to ensure that all growers and producers are doing the right thing and can prove it. With increased consumer awareness of social and environmental issues globally, we need to be able to prove the integrity of our products and use this evidence as basis for trust. Trust can take years to build and can be destroyed in minutes.

Large amounts of data are already being collected by farmers and growers relating to chemical and fertilizer inputs, the soil and climate, livestock and plant health, performance and genetics.

Data will be integral to underpinning the national assurance standard. Technology will allow the data to flow to one interface for every business, capturing the production history in one place and enabling product traceability.

[1]www.stats.govt.nz/news/latest-child-poverty-statistics-released

[2]www.health.govt.nz/nz-health-statistics/health-statistics-and-data-sets/obesity-statistics

Technology and precision agriculture will be used to differentiate our products and secure premium and niche markets. These differential attributes may include a biodiversity score (e.g. the number of native birds and animals in the production landscape), the carbon foot print, and the nutritional value of the product being produced.

For the food and fibre sector to be successful in 2040, this voice strongly believes that all farmers and growers need to 'do the right thing' and prove it. Investment in an extension program will be required to ensure all farmers have a clear understanding of the expectations and have adequate support to make changes. The farmers and growers represented in this voice feel that non-compliance should not be tolerated.

Fact over fiction

Presently, the discussion in New Zealand around the environment and our natural resources is marred by a convoluted mixture of science and opinion circulating in media channels, influencing readers.

Farmers and growers are frustrated by the lack of science-based discussions in public and social media forums. It is crucial that community discussions are based on facts and not purely emotions, particularly when it relates to policy making.

For the food and fibre sector to be successful, we need a strong community understanding of New Zealand production systems and how nutrients and greenhouse gases cycle differently in the New Zealand system compared to other countries. The science community has a role to play – this information needs to be available in terms which are easy to understand by the public.

We also need the New Zealand community to assume collective responsibility for how we care for the environment and land, regardless of whether we live in a rural or urban area. All businesses and households have social and environmental responsibilities which they should be measured against, like farmers and growers currently are.

Collective ownership of New Zealand's environmental challenges will result in farmers feeling valued by society for their contribution. The goal is for all New Zealanders to have pride in and be connected to the food and fibre sector and for it to be the sector of choice for young people.

Farmers and growers need to be prepared to open their farm gates and not be afraid to share fact-based knowledge and information. In recent times, farmers and growers have been hesitant to open their gates due to the fear that mis-informed and damaging messages or images will be shared on social media about their business.

Collaborative leadership – one voice

For years the discussion around leadership has come back to one major point: the need for more effective collaboration across sectors.

Farmers and growers feel that for the food and fibre sectors to achieve collective success and prosperity, one governing body needs to be established. This governing body will sit above all the industry good organisations and will facilitate discussion and collaboration between the industries, providing a clear direction for the sector and strong leadership. It will also help the sector to navigate various social pressures e.g. the supposed urban rural divide.

The governing body will ensure all organisations are adhering to and enforcing New Zealand brand standards – this includes the national assurance standard discussed in relation to New Zealand leading with 'Integrity and Excellence'. The role of the governing body will not only be compliance: it will lead a collective response to the sectors greenhouse gas and environmental commitments. Collaboration will enable greater efficiencies to be achieved through strategic research and investment.

The term 'collective leadership' extends to all farmers and growers. This 'voice' feels that all producers need to be engaged and vocal leaders of their co-operatives (they are producer owned after all!). Presently, when a co-operative invites their shareholders to a meeting, only a handful of people will take the time to attend.

A shift in co-operative culture to be farmer driven will need to occur. This will require farmers to change their perspective of co-operatives to be their customers. Equally, co-operatives are going to need to be ready to listen and fully engage with their shareholders and advocate on their behalf to industry good organisations and the all of sector governing body.

Thriving people and landscapes

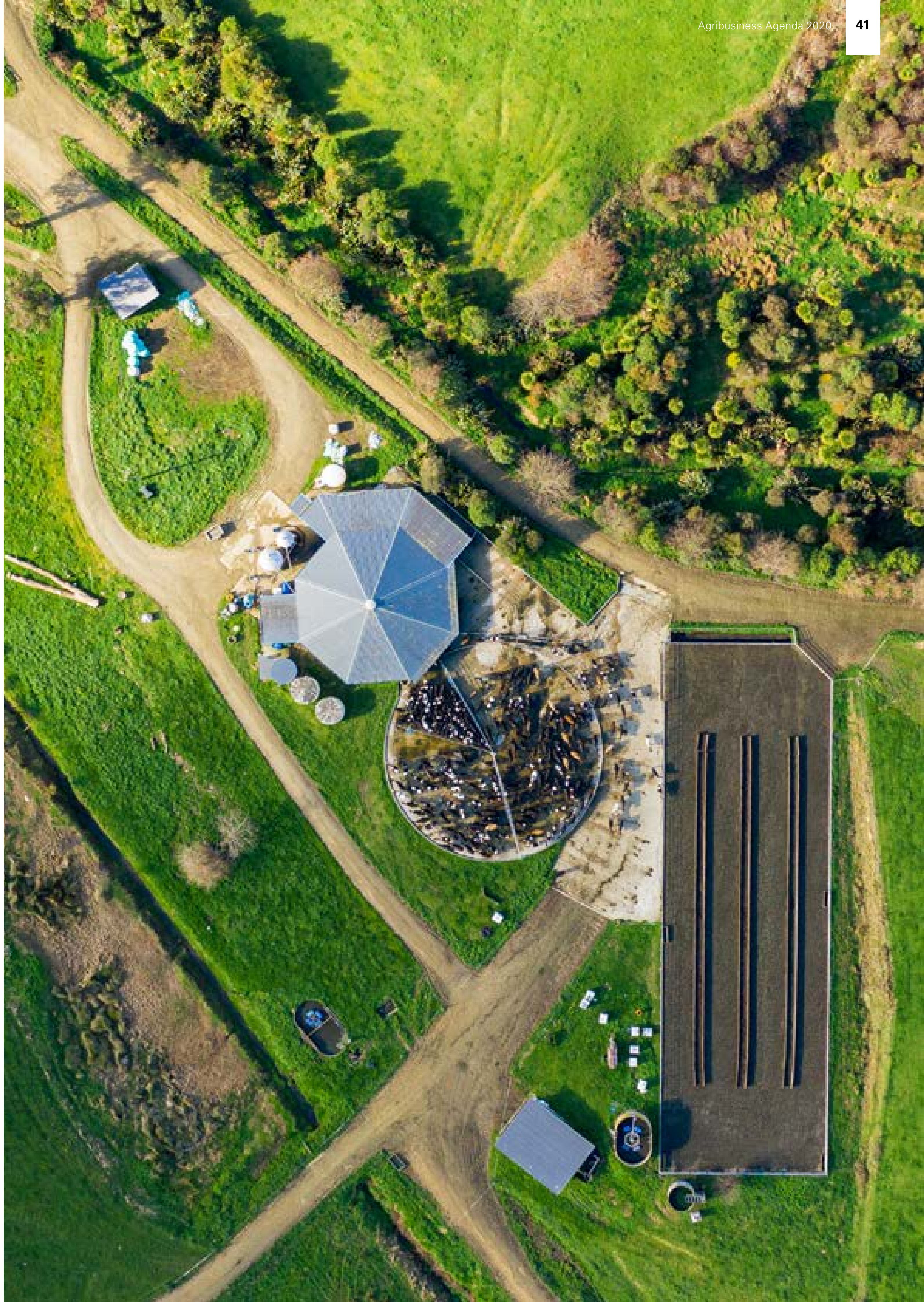
The skillset and backgrounds of people working in New Zealand's food and fibre sectors is going to change considerably. Farms, orchards and vineyards will continue to be run by practical and self-driven people, but they will have more technology and analytical skills. The way we work will also change, with increasing levels of artificial intelligence technology and automation. The gig economy will be common place, whereby a business can contract specialist skills to solve an issue for a fixed period e.g. an app designer employed to create a bespoke solution for a dairy farm for three months.

Talented people are going to be key to a successful food and fibre sector. They will challenge the status quo and create ingenious solutions to the issues we face. The sector will need to rise to the challenge and ensure that it fully understands the differences between generations and what motivates them e.g. Millennials vs Gen Z.

To ensure our landscapes are thriving for future generations, we will need to adapt and find a balance between profitable and efficient food and fibre production, and healthy ecosystems.

Production landscapes will look different. They will have fewer effective hectares due to more area being used for carbon sequestration and ecosystem services. The same level of production and profit will be achieved off smaller areas through precision agriculture. The landscape will become a patchwork of different production systems, interspersed with biodiversity channels and natural areas.

It is important to the farmers and growers who represent this voice that food and fibre producing businesses continue to be family owned and operated in 2040. To achieve this, ownership structures will need to adapt to allow the older generation to retire and young, enthusiastic people to enter the business. The young people joining family businesses, may not be direct relatives, but hard-working people who have demonstrated a commitment to that business. Equity partnership arrangements will become more common place, but for these to be successful, the capital yield will need to be sustainable and debt levels manageable.





CASE STUDY

Voice of Women Leaders

Introducing the Agri-Women's Development Trust and Escalator Alumni

Escalator, a programme co-ordinated by Agri Women's Development Trust (AWDT), empowers women from across various career paths and industries in the food and fibre sector by providing tools, confidence and support in leadership and governance.

To explore the voice of women in New Zealand food and fibre sector, we were privileged to be joined by AWDT Founder Lindy Nelson, and five Escalator Alumni: Adrienne Wilcock, Karen Williams, Kathryn de Bruin, Nicky Berger and Poto Davies.

What is success for New Zealand's food and fibre sector?

The alumni group agree that the four pillars – Environment, social, cultural and economic sustainability are each a critical consideration for future success. These pillars provide the foundation for true sustainability of the sector and are a platform for future success. One aspect that Kathryn believes builds beyond this platform, is embedded resilience.

"Resilience is an absolute key component of success," says Kathryn. "We need agility right across the supply chain, from continuity of production, to relationships with customers and consumers. We also need to focus on the empowerment of resilient communities where our primary producers operate."

Vibrant communities are another vital measure of success for the group, in combination with supporting the health of the domestic population. The group consensus is that we want to share the local provenance story; that we grow with pride in New Zealand from strong supported communities, and leverage that story as an export opportunity. The group don't see a local vs export debate, but an opportunity to balance both, agreeing that we can and should feed New Zealanders a quality, nutritious and healthy diet, and from there produce enough to healthily feed others around the world too.

AWDT Escalator Alumni



The strongest theme from discussions around success, is connection. This can be seen as alignment and connection between the four pillars, increased collaboration and connection through the industries, or enhanced integration and connection between the sector, the government and the public.

What levers should we pull to achieve success, and the Fit for a Better World vision?

One key lever discussed by the whole group, is the requirement to explore a new and improved framework for collaboration across industry bodies. This is an opportunity to form a New Zealand food strategy in partnership with central government, which can then inform a set of sector-wide goals and determine the actions required to achieve them.

Another important lever is to rectify the lack of resilience in both urban and rural communities. "Covid-19 has highlighted the lack of resilience in urban communities too, showing different layers of society that can be more vulnerable," shared Nicky. "An approach to build resilience should begin by considering all groups in the community, the same way we consider all stake holders and sub, sub, sub catchments in our environment planning." Using a national approach, integrated investment in infrastructure, health and other services across both rural and urban communities provides a focus on lifting resilience together. Though the group stated it is important to recognise the differences, integrating an approach could help to bridge the divide in both perception, and welfare.

A third lever is to close the silos between government Ministries. Karen highlighted the issue of misalignment between the Ministry of Education, Ministry of Environment and Ministry for Primary Industries on some of the recent schooling content on red meat and dairy intake. "There is an opportunity to give the next generation of Kiwis a true appreciation and understanding for their food and the environment around them – we can't afford to teach our children based on a narrow school of thought which doesn't represent a fair or even true understanding, especially here in New Zealand."

Finally, the group all agree that there has been a lot of very insightful, important, and valuable talking. However, it's now time to transition from talking, to a real action focus. Sector leadership needs to provide certainty and direction to businesses so that tangible action plans can now be put in place. Certainty will enable people to set their course and make investment decisions to move forwards.

The group's five challenges to the food and fibre sector, and Government:

- "We want to see a robust and ambitious food strategy for New Zealand, that represents the potential of our sector and opportunity for global impact" - Karen

- We want to see country or origin labelling on all food, so that consumers can make informed purchasing decisions, and support those products which reflect their values" - Kathryn
- "We want to see the sector focus on opportunities to reinvigorate diversified food sources while re-connecting people to the land, a balance of cultural, economic and environmental resilience for success" - Poto
- "We want to see the sector take more responsibility for the type of products our production is being processed into, and the subsequent consequences that has on society. Our healthy, nutritious whole foods shouldn't be converted to unhealthy, damaging products" -Nicky
- "We want to see a much stronger connection between the sector and Central Government. Central Government often demonstrate no grasp of grass roots, and a genuine understanding and collaborative approach would add credibility, and improved outcomes" - Adrienne

To find out more about the Agri-Women's Development Trust, and their Escalator programme, visit their website: www.awdt.org.nz

Charles Widdicombe

Charles works in the Auckland Deal Advisory team, focusing on M&A and capital raising. He brings over 20 years of investment and capital markets experience, focusing on mid-market transactions. Charles re-joined KPMG in 2018, having worked in the KPMG Deal team from 2003 to 2011 and then working for Foodstuffs North Island.

Voice of Capital Providers

Who did we speak to? To capture the voice of Capital Providers in New Zealand, two main roundtable discussions were hosted, complemented by several direct calls.

Over 10 individuals contributed, representing a cross section of roles, including the senior leaders from the main banks active in the rural sector, and a variety of private capital managers and direct investors.

For the most part, there was consistency in the forward view of the sector, although in terms of the supply of capital, there was a distinct counter point between the consumer end of the value chain and the on-farm producer segment.

The following pages provide the overview of a future food and fibre sector for New Zealand, as proposed by capital providers, investors and advisors..

Capital in context

To provide some context to the sector, a comparison of the managed funds industry to the invested base of the primary sector (focused on 'on-farm' assets) is useful. The consumer side of the primary sector is also significant, but much of it is privately owned.

Total domestically sourced investment in New Zealand is estimated to be around $280b[3], including:

- $65b in Kiwisaver at the end of 2019[1], and
- NZ Super Fund along with ACC at around $85b in aggregate.

This investment base is expected continue to grow in coming decades. Indeed, Kiwisaver funds under management itself could be $200b by 2030[2] .

To put that into context, the total on-farm asset base of the primary sector is estimated to be around $225b[3] and with lending to New Zealand's agriculture sector standing at $62.9bn at the end of March 2020.

An ANZ Greener Pastures report in 2012 estimated that $210b would be needed on-farm and in supply chains between then and 2050 to achieve export growth of 125% (in real terms), with more than $100b of capital needed for generational transfer. It is likely that the size of the opportunity to grow exports is still significant, and the need to deploy this scale of capital is still relevant.

How Capital Providers view their role in the sector:

Not withstanding the primary objective of the capital markets eco-system is to provide and allocate capital, there were other areas where participants indicated they made a key contribution. These areas largely reflect supporting activities, including:

- Contributing to sector strategies
- Undertaking research and analysis for the sector
- Education and information to clients to enable them to make good decisions (not just financial)
- Strategic thinking, looking at longer term trends
- Supporting leadership development and attraction of talent
- Contributing to communities
- Advocating for Environmental, Social Governance (ESG) measures
- Encouraging the sector to diversify, including in its funding sources

[1] www.rbnz.govt.nz/statistics/t40. Excludes NZ Super Fund and ACC funds.
[2] Growing NZ Capital Markets 2029 report - www.fma.govt.nz/news-and-resources/reports-and-papers/growing-new-zealands-capital-markets-2029/
[3] Source: MyFarm estimates

WHAT DOES SUCCESS LOOK LIKE IN 2040

The Capital Providers note that success will depend on the stakeholder concerned but acknowledged that a shared vision of success was important. However, they note that "no holistic view of what can be achieved" was currently available.

An overarching theme is diversity – for example, in terms of income at a sub-sector level (dairy, beef and lamb, horticulture etc) down to farm level, but also diversity of thought, diversity of talent, diversity of markets, and diversity of sources of capital. Having a well-being focus – social, financial, environmental – was also emphasised..

Our contributors' vision for 2040 had the following themes:

Setting a vision
The Capital Providers think it important to set a vision and strategy that provides clarity of direction, which would also support the flow of capital into the sector.

With a strategic view on the 'capital gap' based on desired future state, better decisions can be made by both investors and investees

Supporting winners
New Zealand has a strong track record of creating globally successful companies in the food & fibre sector.

The Capital Providers think that success would be having many more scaled up enterprises accessing both existing and new export markets, acting in potentially disruptive and innovative ways..

Measures, research, analysis
The Capital Providers emphasise the need to improve the measurement and analysis of data for it to be useful to a broad range of stakeholders.

This included Environment, Social and Governance (ESG) level measurements, which help to tie outcomes to investment objectives and policies.

Environmental regeneration
The Capital Providers acknowledge that progress is being made on the environmental front, but more can and must be done.

They think it is important to grow natural capital, not just financial capital, and benchmark progress.

Land use
This 'voice' believes that success means investment into the land as well as in land.

They think that patient capital investing in land uses that requires more investment in above-ground assets (such as horticulture or forestry) as well as investing in ecosystem services[4], including carbon into the soil, was warranted.

Innovation
The Capital Providers note that innovation is not just Research & Development. Innovation is a mindset as much as a financial investment.

They also think that a holistic view of innovation would avoid pockets of innovation, and that it can be applied in many ways along the value chain.

Attractive investment opportunities
To meet the demand for future capital into the sector, the Capital Providers believe that it is important that the sector presents attractive opportunities.

Success would be efficiently sourcing capital through well-developed propositions that offered strong market opportunities led by talented people

Capital supply
This voice agree that it is critical that sufficient capital is supplied to enable the success of the sector in the long term.

They note a growing capital base from which to deploy capital into the sector, but several barriers remain before it could reach its full potential.

Financial strength
The Capital Providers think that financial strength and resiliency is an increasing important aspect to ensure the sector.

They believe that this could be achieved through improved profitability and less debt, particularly for farmland investments.

Customers and markets
This voice thinks that future success means high prices for our products, which serve premium markets.

Although growing value was something to be aspired to, it wasn't to be driven wholly by volume. This would be achieved by creating differentiated products with unique intellectual property.

People and communities
The Capital Providers believe that success will be creating well-paid and skilled jobs, attracting strong talent to the sector, the achievement of a diverse workforce, as well as prioritising communities' wellbeing

Communication and collaboration
The group think that a successful sector collaborates well together, even if in some cases they are competitors at a local level in terms of production.

The Capital Providers also believe that regular clear communication of strategy and capital requirements will ensure that the sector attracts the talent and capital it needs.

[4] Ecosystem services are the benefits people obtain from ecosystems that make human life possible. These include provisioning services such as food and water; regulating services such as flood, fire and disease control; cultural services such as spiritual, recreational, and cultural benefits; and supporting services such as nutrient cycling

ACCELERATING ACTION

Some key actions coming out of the Capital Providers group included:

Setting a vision

The Capital Providers believe a key action is the development of a National Food Strategy, which should consider areas such as:

- What products and markets to focus on, at what point in the value chain
- Environmental measurements and standards
- Land use
- Communication and collaboration
- Data, analysis and tracking progress
- Attracting and developing talent
- Capital sourcing.

This will allow for the prioritisation of resources to develop and implement the strategy.

Measures, research and analysis

The Capital Providers group acknowledge that a 'single point of truth' in terms of open data sets, and the standards and measurements that could be set against them, needs to be developed. This will tie together disparate datasets, including on-farm measurements in relation to animal welfare and traceability, as well as environmental data tied to comprehensive land use data, such as that being collected by AgResearch as part of the "Our Land and Water National Science Challenge".

The group also note that once measures are set, it is important to track and publish over time. This will facilitate better tracking of risk and progress towards any environmental outcomes targeted.

Engage in enabling activities

The Capital Providers think that "co-opetition" should be encouraged, given our relatively small size in the global food and fibre market.

This means breaking down silos and working together, despite in theory competing for the same end consumer. This will enable the continuation of sub-sector growth strategies and collaborations.

In addition, deliberate collaboration between the investment sector and primary sector can work on removing barriers to investment, educate and build capability on both sides on the attributes of each other's worlds, and how they can help achieve each other's objectives. This could be facilitated by the Government, sector organisations and specific businesses, or through a specific 'investment lens' of the Primary Sector Council.

A sustainable future

It is the Capital Providers' belief that sustainability goals should be based on an extensive, evidence-based science programme, with wide sector participation and auditing of standards. A successful similar example is the Origin Green scheme in Ireland. This would take advantage of the increasing focus of investment funds on Environmental, Social and Governance (ESG) and Sustainable Development Goal frameworks.

The group would like to see an ESG framework for the primary sector, with appropriate data collection, tracking and dissemination that can be reported upon and verified. Over time, this can expand into ecosystem services to monetise the efforts made by farmers more effectively through direct incentives as well more traditional grants and extension services support. Such actions can also help the sector to access emerging types of capital, such as 'green' bonds or loans, linked to sustainable land management outcomes.

Combining capital raising for sustainable land use and management with yield generation linked to defined on-farm outcomes does not necessarily need government involvement and can be driven by individual farm businesses, groups and industries that are connected to customers and capital providers. However, government investment in market design principles and catalytic participation as a public investor ensures private capital market investors and business can engage with confidence and bring scale to the marketplace[5].

The Capital Providers believe that not only would this approach align to trends in sustainable finance but would lead to benefits such as on-farm financial resilience, applying regenerative principles and potential carbon mitigation opportunities. The work of the NZ Sustainable Finance Forum, and its roadmap that is due to be released later in 2020, should be noted and acted upon by the primary sector. In the future, "Impact" investing will become increasingly more mainstream, facilitated by a growing number of opportunities in Sustainable Land use and management.

Creating a healthy financial system

The Capital Providers acknowledge that even with a growing capital base in the New Zealand economy, there have been barriers to investment into the agricultural sector in the past.

They deem it critical overcome these barriers to seek diversity in capital sources and structures to deleverage the sector. Bank credit has in the past been readily accessible, and increasingly cheap, but the group believe that this was not the right way to support the growth of the sector.

Despite this need for different forms of capital, the group think that it could be a challenge to introduce new forms of capital to what is largely a privately-owned sector, "without giving away the farm". Therefore owner-managers and capital providers need to work on better ways to collaborate to achieve their objectives.

[5]KPMG Australia – "A Return on Nature" report

This 'voice' believe one aspect to encourage new capital is to improve the financial disciplines and quality of information of investee companies. This means getting the right team behind the investment proposition (including advisors), with the right governance structures and good business planning and reporting in place.

Different sources and structures of capital are also to be encouraged, particularly in farmland, including increasing use of leased, or land only investment, co-investment, consortiums, and mezzanine debt.

The Capital Providers are keen to see an increasing allocation of capital to the sector despite historical challenges. New Zealand remains 'under-weight' to 'alternative assets' such as private equity and farmland compared to overseas jurisdictions.

The group see several possible ways of doing this:

- Expand the knowledge of agriculture as an asset class with the professional fund management industry, with the sector taking a lead on this;
- Cultivate and increase the use of agricultural asset managers, combining the best of operational and capital markets knowledge;
- Supporting the best performing farmers and entrepreneurs by actively identifying them and accelerating their progress;
- Continued 'maturing' of the New Zealand capital markets, as they gain scale and sophistication, in terms of performance management, asset allocation and diversification, as well as sustainable finance markets;
- Carefully considering the settings for overseas investment into the country, that propels the sector forward;
- Support of future agricultural funds by the investment community and retail investors;
- Dealing with liquidity requirements in Kiwisaver, allowing more patient, long term capital to be allocated from this growing capital pool.

Conclusion

The Primary sector will be one of New Zealand's most promising, yet most challenging sectors in the next two decades. A concerted effort and collaboration on the part of the sector and capital providers working together will facilitate its future success and deliver the outcomes that all stakeholders expect and need.

CASE STUDY

The Voice of the Customer

Bidfood is New Zealand's leading national food service distributor. The company is responsible for picking, packing and delivering products nationwide, with the ultimate aim of providing a total food supply service to simplify their customers' businesses. Bidfood's point of difference is their service through their decentralised structure, with each distribution centre responsible for product range and pricing, and their investment into locally developed, customer relevant digital technology solutions. This structure enables Bidfood to support local suppliers and manufacturers while still maintaining national coverage. Bidfood New Zealand is the local branch of Bid Corporation, one of the world's largest food service distributors.

We spoke to Nigel Boswell, the Chief Development Officer of Bid Corporation on the emerging trends and opportunities for New Zealand to achieve success over the next twenty years, both in meeting local demand, and servicing global customers like Bidfood.

What are the important considerations for New Zealand's food and fibre sector success?

New Zealand is turning its focus towards what the consumer wants, which is a great transition from producing for the sake of producing volume, says Nigel. He shares that as a wholesale distributor "there are two key drivers of success in supplying food nationally and internationally, delivering what customers and end-consumers want, and helping suppliers and manufacturers to achieve what they want." Therefore, a key metric of success is ensuring the rest of the food value web is being considered from the very start of the production chain.

Nigel's experience overseas has also highlighted the power of New Zealand's perception as a world-class food producing country.

"The clean and green, quality image is still a significant attribute that international stakeholders use as a distinguishing feature of New Zealand products," says Nigel. "It is critical to continually seek to improve the substance behind this reputation, while reinforcing that work with clear and constant communication. Being flexible and responsive to customers feedback followed with quick action is highly appreciated from New Zealand companies which are generally less bureaucratic than many of the large multinationals."

Nigel's third point is that technology is critical in the international food chain. For sustainable long-term success, New Zealand businesses must be able to integrate technology into all stages of the value network, particularly those with customer engagement. Nigel explains "80% of Bidfood's sales are now done through e-commerce, and technology is the key platform for communicating product stories and targeting specific customer niches to maximise value to the customer, and the producer."

What are the emerging food trends for New Zealand to be aware of?

Identifying emerging trends that are gaining momentum, Nigel shares five key areas where he believes the sector can supercharge businesses

1. Focusing on the highest quality primary products, including meats, dairy, seafood and produce.
2. Delivering food that has used primary products with a clear and accessible provenance story.
3. Develop added value products that reduce preparation time and resource in restaurant kitchens, as well as improving the consistency of the final dish.
4. Leveraging the continued growth of home delivery with products that are suitable for that method of sale.
5. Being truly innovative with products - using quality produce as a base, and incorporating innovative additions, stories, and health benefits to products that match a customer niche

What else could New Zealand's food sector be doing to ensure future success?

A key opportunity that Nigel believes the sector needs to put more emphasis on is visiting customers and consumers in market. Nigel has been disappointed by the low level of enquiry of New Zealand food producers seeking to understand other international foodservice markets where Bidfood has a presence and an understanding of what they actually need to do to operate successfully overseas or explore new market options. "Every supplier who has ever contacted Bidfood with a country introduction request has been given that opportunity, it's just disappointing that the number of requests has been so low."

Nigel would love to see more of New Zealand's food products targeted at high-value niches around the world, and will happily facilitate the necessary introductions.

"It's really important for those with new product ideas to speak to customers before they invest too much into the idea, which will ensure they are heading in the right direction – there have been several examples of kiwi companies making investment without understanding the customer and wasting their money," says Nigel. "The process could have been cheaper, and more effective with earlier customer engagement".

Overall, Nigel wants to see New Zealand producers and processors achieve international success and move further up the value-chain. By visiting and engaging with customers, investing in provenance stories that can be told to customers and consumers, and developing strong relationships with all stakeholders, the resilience and growth opportunities of the sector will only accelerate.

To find out more about Bidfood New Zealand, you can visit their website at www.bidfood.co.nz or the international business www.bidcorpgroup.com or contact Nigel directly at Nigel.Boswell@bidcorp.co.nz

Justine Fitzmaurice

Justine is an Associate Director in KPMG's Wellington Performance Consulting practice. Justine started off her career as a scientist, gaining a PhD in microbiology at the National University of Ireland. In her Consulting role, Justine supports organisations to make better decisions, identify opportunities to improve performance and successfully deliver change initiatives

Voice of Scientists and Educators

New Zealanders have long been known for their ingenuity and the primary sector is supported by a broad group of innovators, including biological scientists, chemists, engineers, veterinarians, entrepreneurs and IT experts. Scientists are integral to the success of the primary sector; they define our problems so we know where to focus, propose solutions, test and refine to provide us with products that can change our world.

The capability and knowledge of our people are the heart of a successful primary sector. Educators, spanning our primary, secondary, tertiary systems, are critical to building the capability of our people and sparking an interest in those who haven't grown up in a family embedded in the primary sector.

For this voice, Justine interviewed a number of chief scientists at government agencies and Crown Research Institutes. A questionnaire was also made available to a wide number of scientist and educators across New Zealand.

What does success look like in 2040

Critical success factors

While there were wide-ranging discussions on the critical success factors for the primary sector, there were three consistent priorities raised:

1. **Sustainably produce food**
   A critical success factor for the primary sector is to continue to increase revenue while reducing our environmental footprint; a weighty challenge but one that can be, and must be, achieved. In order to survive, we must strive for our economy to thrive while our land, oceans and people thrive alongside.

   Some land use changes and intensification in some areas of the primary sector have had unintended and unanticipated effects, and there is an imperative for us to reduce harm to our environment and move along the pathway to regenerative production. Success will be seen through a reduction in climate change temperatures and an increase in water quality

   Many in the sector need help to understand what is required of them and how they can play their vital part in reducing our environmental impact. New Zealand is behind other parts of the world in terms of translating research and thought leadership into practical steps that can be implemented but we can be fast followers if we act quickly.

2. **Embrace technology**
   Embracing technology, in its broadest sense including digital, biotechnology and robotics, is a critical success factor for the primary sector.

   While the culture, funding systems and capability are in place to support the development of innovative solutions for the sector, implementation of the innovation solutions is the key challenge to face into. In some areas we are falling behind with our slow levels of technology uptake and missing out on opportunities as a result. Some of the reasons for slow uptake are thought to include generational lack of confidence with technology, poor communication and marketing of the benefits that can be achieved using the technology and investment barriers to access capital required.

   Some of the innovative technology will also require review and changes of our traditional farming systems. For examples, robotic fruit picking machines can provide a solution to labour shortages and have the benefit of increasing productivity. To take the productivity benefits further, breeding a selection of trees and plants that are more amenable to robotic fruit picking will be a game changer.

3. **Maximise the value and safety of food**
   Maximising the values of our primary sector products requires us to place the customer at the centre of our planning and production. This isn't a new concept and one that is unlikely to be argued with. However, while this is widely known there is still work to do to truly understand our customers. Consumer

preferences can change quickly and vary in terms of what values are assumed as fundamental, such as food safety, and others that they are willing to pay a premium for, for example health benefits linked to foods. Scientists can add value to the sector by researching the psychological and social aspects of consumer preferences in different markets. Funding and uptake of this type of research requires scientists to be able to clearly articulate the value that can be added to food producers and processes, and our economy.

Science has an essential role to play in the maintenance of trust in food safety and assurance, which can often be understated until there is a food safety concern. Science is also fundamental to the increasing interest in the efficacy of food health claims.

It's essential that all businesses, including scientific organisations, find a way to stay regularly connected to their customers and understand that preferences can, and will, change over relatively short periods of time. Understanding preferences and the prioritisation of preferences are the basis of successful marketing campaigns, which are often costly and challenging to fund.

ACCELERATING ACTION

Scientist of the future

Scientists play a crucial role in the success of our sector. We need to support scientists to be visionaries for our sector, to produce innovative solutions to our problems and create new innovative high value products.

A picture of the scientist of the future is emerging. We are seeing that the scientist of the future is a world-class communicator and this skill is valued equally alongside the scientist's research or innovation credentials. They engage effectively with the public, who don't have the scientific background, capability, access or time to trawl through all the scientific information.

The scientist of the future can explain issues simply, quantify problems and support the public to make fully informed decisions. Our world needs the public to trust science and actively seek it out, rather than looking to alternatives to support a narrative that may not be the full truth. And being able to communicate effectively, outside of the science community is critical to building and maintaining trust. During the Covid-19 pandemic, we saw how successful scientists can be in translating complex information into clear actionable communication for the general public, through Michelle Dickinson and Siouxsie Wiles.

The scientist of the future is a critical thinker beyond their own specific area of speciality, connected to the users of their work and able to see how their research plays a part in meeting consumer needs. While we don't want every scientist to be a generalist, the primary sector will benefit greatly from multi-disciplinary and interdisciplinary thinking, research and application.

In order to create scientists of the future who are visionary, world-class communicators and critical thinkers, we must start with our educational system to educate and train our scientists beyond the technical aspects of a single discipline. We also need funding and recognition systems to value and support these attributes, as opposed to traditional methods that focus on number of papers published and citations.

Directed funding

Two funding levers that could be pulled to support achieving success in the sector are increased funding for social science and de-risking early adoption of new and innovative technology and products.

Social science research can help to understand our customers better and inform prioritisation of our investments. This type of research can de-mystify consumer preferences and acceptance levels in areas of compromise within our sector. Social science can also help us to target education, and influence campaigns, to address technology uptake challenges for growers, producers and consumers.

With any new technology, or product, early adopters are critical to success. Early adopters are small in number but provide a vital role in providing insights on the use of the product, feedback and influence in their communities, both in-person and on-line. But early adoption, particularly where significant investment is required, is

high risk both in terms of the efficacy of the product and the sustainability of the company delivering the product. Funding, or direct investment support, to de-risk early adoption of new technology, or products, could result in more successful primary sector businesses and increases in productivity, sustainability and profitability across the sector. Educators also play an important role in exposing primary sector students to new ways of working, that in some aspects could be quite different from their parents or grandparents' ways of working.

One New Zealand approach

Collaboration has been talked about for a long time in the primary sector and it came up again, loud and clear, in the discussion for this Agenda Voice.

Meaningful collaboration across industry, regulation and policy will be a critical enabler to changes in our sector. The primary sector vision, Te Taiao, has set the challenge to all parts of the sector to set up and play their part. To achieve this will require many to change and to use innovation to support that change. While there may be policy support generally to innovate, there is some concern that if policy and regulation don't support embracing the implementation of innovation, they will create barriers to achieving the vision. There is an opportunity for policy makers and regulators to consider how to ensure they hear the challenges innovators face and consider these challenges in their development and evaluation processes.

Another challenge that collaboration could potentially solve is the case of the "point solution", that holds back uptake of innovation in New Zealand. By point solution we mean the product or service that is created to address, or improve, one element of a farming system in isolation to the whole system, often driven by a neat technology play. The time and cost of changing one element of a production system is a barrier to adoption. If innovators collaborated to an end to end system package, this will increase the likelihood of uptake, meaning the impact of the point solution is significantly increased.

Collaboration between companies is also critical to success. While there has been some success in sharing of data and information across companies, there is still significant competition even when companies have common shareholders. Where we lack scale, collaboration can compensate. The power of collaboration for R&D, market insights and marketing campaigns could be the difference between barely surviving and thriving.

Develop measures of sustainability

Significant effort is being made in the development of measures of sustainability. There is an understanding of most in the sector on the importance of acting now to improve sustainability in the production of our food. But the scientists and educators highlighted some opportunities in this area:

- Clearer and broader measures of sustainability are needed alongside practical examples of what good look like to help demonstrate what's required from individual operators.
- Embracing Te Ao Māori and Matauranga Māori are opportunities that will benefit our land, oceans, rivers and people. These concepts are unique to New Zealand and there is an opportunity for them to be embraced more widely.
- Bioeconomy (those parts of the economy that use renewable biological resources from land and sea to produce food, materials and energy) concepts, supported by policy that encourages farmers to participate.

Bioeconomy definition from the European Commission Research and Innovation

CASE STUDY



Voice of the Entrepreneur

Introducing Sprout Accelerator's Sea Swells Ltd

"As the largest traded food commodity in the world, seafood provides sustenance to over 3 billion people worldwide. However, overfishing in conjunction with other environmental challenges means that our decisions over the next 20 years will likely determine the future health of our ocean species around the world. Sea Swells provides a solution to help ensure food security, while also providing relief to ocean ecosystems."

Sea Swell's ambition is to develop plant-based seafood-alternative products that offset demand for unsustainably sourced fish, with their first 'tuna' product almost ready to launch.

The company co-founders Oxana Krutilina and Steven Montero were accepted into the Sprout six-month business accelerator for 2020, a programme designed for the next generation of agritech and future food companies from around the world.

In this case study we explore the voice of the entrepreneur through a dynamic team of Oxana, Steven and their Sprout accelerator Mentor Jonathan Good.

Oxana, Steven and Jonathan's vision for the future success of New Zealand's food and fibre sector covers three critical areas, each broken into two phases.

The first area is product innovation and impact. For the initial phase, the sector must accelerate the number of new disruptive products being introduced to the market. A simple measure of success would be that "more entrepreneurs are empowered to launch their ideas." This includes having access to an innovation pipeline which provides the opportunity and support for more creative Kiwis and international innovators to introduce, develop, and trial their start-up ideas in New Zealand.

This precedes the second-phase measure, where the group challenges innovators to quantify success through their ability to facilitate change in consumption habits. A target proposed by Steven, is that "50% of consumers should have conscious choices around their consumption habits to support innovative and sustainable products that benefit themselves, and the environment and communities around them."

The second critical area of success identified by the group was in leadership. "Success is demonstrated by staying ahead and being proactive as a sector and as a country, to ensure we are on the leading edge of science and technology." All three agreed that retaining New Zealand's position as one of the most efficient and high-quality food production nations is the first critical phase of leadership success.

The real opportunity is to not be satisfied with simply being one of the leading-edge countries, but as Jonathan stated, "New Zealand Food and Fibre can, and should be, pushing beyond the leading edge – to be a leader for human society."

Summarising the group's thoughts, this means a step-change in ambition and outlook. Where the sector and the whole country are left in the face of a decision, it can be comfortable and undoubtedly valuable to look offshore and see what is working elsewhere, to implement best practice examples and leverage from our competitive advantages as a nation to keep pace. However, the true measure of success is to look forward twenty years, be courageous, and be the first to implement those ideas and opportunities which unlock that benefit the world. This may include innovation opportunities in a wide variety of places from regulation and robotics, to finance and food innovation, or even biological sciences and biotechnology.

Product value is the third key area the group believe should be a focus for measuring success. The first phase here, is to deliver a higher proportion of products that provide premium value or impact to consumers and their individual lives, aligned with the common 'volume to value' goal across many of the primary industries. However, Oxana, Steven and Jonathan all challenged that the ultimate success measure of a product's value should be its impact on the consumer and the planet, stating that success would be achieved when the consumption of all New Zealand products has a direct positive impact on wider society.

Transitioning through phases of success

Now	2040
Increase number of disruptive products introduced to market	Drive changes in consumption habits with innovative products
Retain position as one of the world's leading food producers	Stretch beyond global best practice to lead human society
Deliver products that provide impact and value to consumers	Develop products which consumption impacts the planet

Opportunities for New Zealand food and fibre as seen from the entrepreneur

"New Zealand is a country structured to unleash the opportunities of innovation, and we simply need to unlock the dormant innovation culture" Oxana and Steven

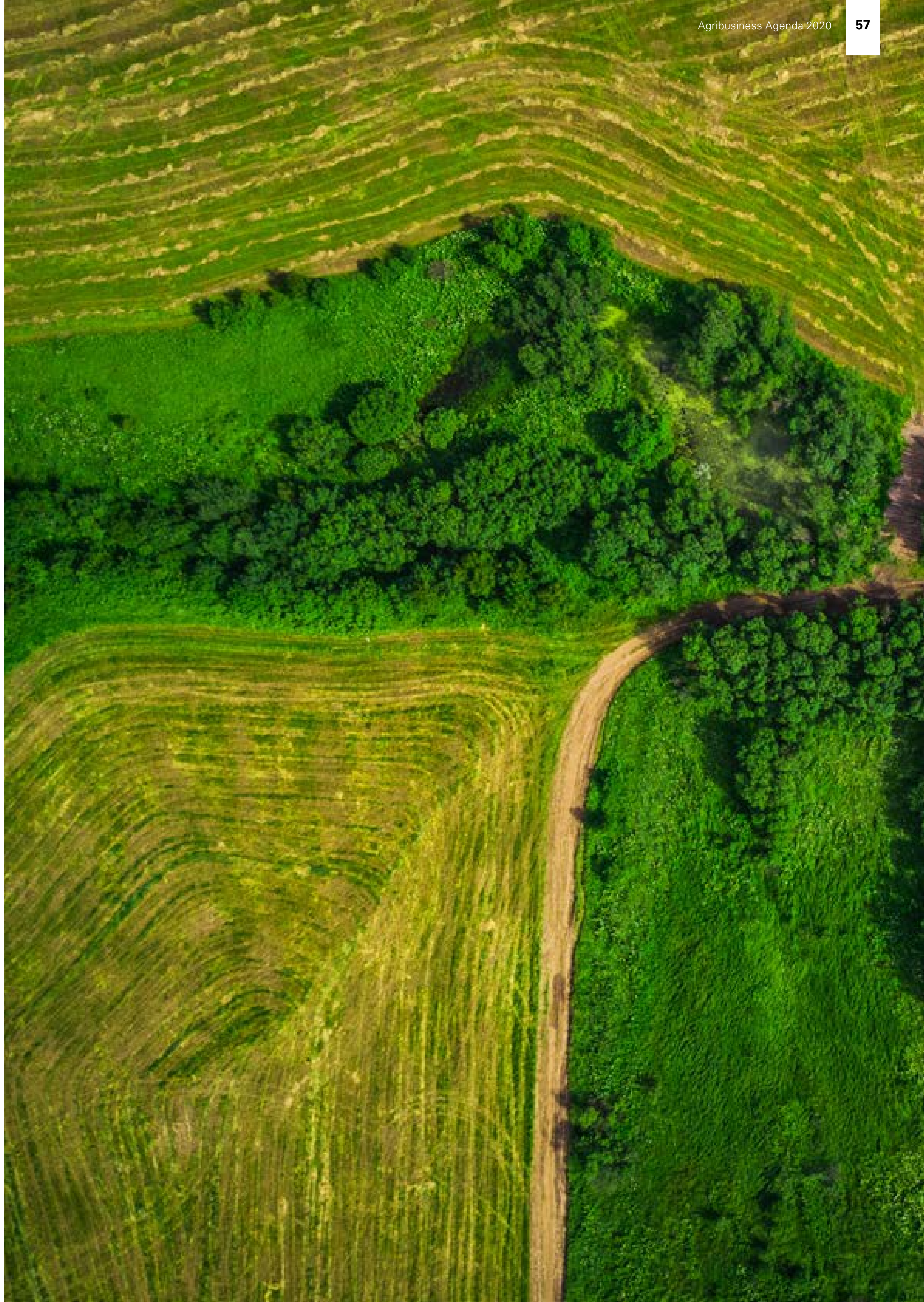
Oxana moved to New Zealand from Sakhalin island, Russia, where "career achievement meant climbing the ladder in a very large organisation, and entrepreneurship was not even considered an option." Both Oxana and Steven have been astounded by the entrepreneurship opportunities that New Zealand offers and have flourished in the supportive start-up environment, particularly through the Sprout Accelerator programme. However, they have also identified opportunities where they believe New Zealand could unleash some of its still latent innovation potential.

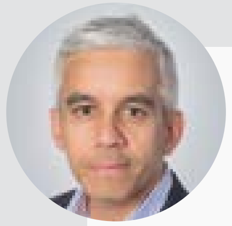
One opportunity they have observed is facilitating connections for those individuals or groups who are first exploring, or very early in the process of entering the start-up scene. They believe this could be achieved by launching a nationwide start-up mentor matching service, where budding entrepreneurs can have the opportunity to link with established and experienced business representatives who are willing to give back and support the next generation of ideas and disruptors.

Another key opportunity is to look outside New Zealand's traditional areas of innovation at either end of the value chain (primary production and end-products) and explore opportunities throughout other parts of the value chain for innovation potential. The opportunity to innovate in manufacturing and particularly packaging, rather than waiting for international innovation, was something that Oxana and Steven both saw as a prospect for future focus in New Zealand. Jonathan added that the potential for leadership in this area is enhanced by the global transition to more technologically advanced processes. "Advantages some countries have held historically through access to a cheaper labour force, start to become redundant with more advanced value chain processes."

Overall, Jonathan, Oxana and Steven are excited about the future prospects of launching their business in New Zealand, and have goals for several new products to be developed over the coming years. The group would be ecstatic to see more food and fibre innovations being developed throughout the country, and have a very optimistic outlook for New Zealand as a world leader in this space.

To find out more about Sprout's Accelerator, visit: www.sproutaccelerator.com





Andrew Watene

Andrew is an Associate Director at KPMG and has a multifaceted role as Food and Agribusiness Sector Lead, and Export Lead. Originally from the Bay of Plenty in New Zealand, and of Tūhoe descent, Andrew returned to New Zealand 3-years ago after a 20-year career in the food industry working with global organisations in Asia, Africa, the America's and Europe.

Voice of Māori

Whakatauki:
'He mamae poto, he oranga roa' meaning a brief sacrifice for an enduring benefit

It is arguably one of the most, if not the most important voices in New Zealand's primary industries. It is a matter of debate, but Māori are said to have arrived on these shores late in the 13th century, with our tūpuna initially growing crops, such as kumara, gifted to us by Rongo-mā Tāne, the god of kumara and cultivated foods.

Māori involvement in New Zealand's agri sector has a longer history than any other voice within the industry but has been undervalued and unlistened to by many in the sector. Māori play a significant role in New Zealand's food and fibre sector, collectively owning large proportions of different industries. These are well known with 50% of fishing quota, 40% of forestry, 30% of lamb, sheep and beef farming and 10% of both dairy and kiwifruit. It is difficult to say exactly what Māori has invested or contributes as obtaining a current dataset is difficult and done in isolation.

What isn't so easy to illustrate is the cultural value Māori bring to New Zealand's primary sector, our tikanga, a set of spiritual principles of reciprocity intrinsically tying together a fine balance of people, natural resources and our environment. These values are embraced by the concept of Te Taiao, our Primary Sector Council's initiative to help us be better New Zealanders and better global citizens, balancing people, and our environment while potentially creating a competitive advantage over other food producing nations.

What does success look like in 2040

In recent years there has been an acceleration in adopting tikanga, tying Māori names to brands or provenance stories to authenticate and differentiate, or the basis of sustainable value strategies. It raises a question, are these appropriate actions with such sacred customs? Perhaps that is to be discussed over a cup of tea another day, but either way should the revenues created as a result be attributed to Māori's contribution to New Zealand Inc?

The perspectives gathered for this voice are from a diverse range of our people, by age, by sex, balance of those in governance and executive roles, geographically spread, and across from those who lead or work in organisations of differing legal structures or businesses types.

It is not intended to be 'right', there is no 'right'. It is intended to bring to light the aspirations of our people as they see it, and how we could potentially achieve it, together. It brings together perspectives of aspirations and needs for deliberate action to accelerate our aspirations.

"You have to have an absolute Maui attitude... you need to put it all on the line to succeed as Māori"

Success for Māori is success for New Zealand.

Success in a Māori context has five elements of "being empathetic", "equality and exchange", "adherence and reciprocity", "enablement" and "addressing perceptions". 2040 is irrelevant, these are overdue, and limiting our combined potential, we are better together.

Being empathetic

Success begins with acknowledgement that the 'start line' is further back for Māori. New models and systemic changes are required so we do not continue to ask Māori to meet standards that are unattainable. Continuing to ask Māori to meet a standard that is impossible, and culturally oppressive, limits New Zealand's success.

It is measured by deliberate, systemic changes that remove barriers to entry enabling participation and release latent potential.

Exchange to build trust "we are better together"

Building on the initial lever the next critical factor is concerted effort to build trust. Embracing our differences can be the foundation to building equitable systems simultaneously enabling an exchange of knowledge and empowerment. An exchange of knowledge enhances capabilities for Māori, while helping non-Māori to understand and internalise Māori matauranga which is used within the food and fibre sector.

It is measured by the level of engagement and participation and observation of new founded relationships.

Adherence and reciprocity "not only of our environment, our culture too"

It is important for Māori that tikanga, or tying Māori taonga to brands, stories or strategies is used correctly. It is offensive and a concern for Māori that these sacred beliefs may not be respected or understood. It is a balance, a reciprocal exchange between our environment and us as people.

It is measured by appropriate understanding and use of Māori taonga and tikanga, and engagement with appropriate Māori authorities, be it Iwi, hapū or whanau.

Enablement... deliberate multifaceted capability building to accelerate Māori and New Zealand

Success in our food and fibre sector means investing in programmes that lift Māori out of low skilled, low waged, manual roles. It is giving a clear sense of purpose, direction and pathway to managerial positions at an accelerated pace to allow young Māori to find their place and perform globally.

It is measured by a level of investment in our people not previously seen, that executes a diverse range of programmes that begin at a young age, with new models, and cohesion for execution over a 10-30-year period.

Addressing perceptions... latent, true-value of Māori

Māori are a young population, who have dominance in the regions but over representation in metrics surrounding poor health outcomes, poverty,lack of access to education, low skilled and low waged employment. These are negatives, but Māori offer significant value beyond the farm gate. Embracing Māori and our way of 'being' is a differentiator in international markets, cultural norms bring high authenticity and societal impact. Collaboration unlocks significant competitive advantage that is less imitable by other food producing nations.

It is measured by investing in young Māori, their careers and their communities to lift them out of the obvious commodity focused activities into markets and opportunities where there is the potential to realise the inherent value in our culture.

ACCELERATING ACTION

Being empathetic

In order to realise any aspiration, considerable investment is required by everyone, be it Government, Māori or others within the food and fibre sector. It is not to diminish efforts of the past, but current systems, processes and structures cater to an average industry need, when a large percentage of Māori organisations currently fall below that so-called 'average'. Observations are that work-arounds are common to qualify for programmes, services or funding available with Government agencies or commercial entities.

It leads to a level of dejection, and that dejection then leads to perceptions that Māori perhaps can't succeed. Māori excel, but excel differently, in a different way and at a different pace. By resetting the 'start line' with radically different systems, processes and engagement with Māori at a position that gives equal opportunity, expectations are that it will enable latent potential to be realised.

The expression 'people bring their best at different times' is applicable, it is a positive, not a negative.

25-years ago the concept of triple bottom line was seen as beneficial for business. Ayman Sawaf later coined the term quadruple bottom line which the best businesses in the world now use as a model framework. These have been natural foundations for Māori organisations for centuries, and a cultural norm per se.

Success would see changes to systems and programmes, with Government services or funding programmes, financial sector and the metrics for lending and lead indicators connected to lowering barriers to entry and resetting the start line.

It leads you to wonder what is possible for Māori and New Zealand, if the start reflects the realistic places we are starting from.

Exchange to build trust "we are better together"

As one leader quoted "you have to have an absolute Maui approach to succeed, you are all in and need to put it all on the line." To succeed, Māori have to take more risk. It is rare that an individual or an organisation can succeed without adequate support.

Building on the initial lever, success by 2040 means that equitable systems, processes and engagement with Māori have become the norm. That norm is actually trust that has been established after decades of time invested in relationships. It is deliberate, concerted exchanges which help to remove barriers, reduce risk and enable and accelerate Māori, building on the initiatives that have been accelerated in the last decade, including Te Hono, and the work of the Primary Sector Council.

Success for Māori means we are better together.

Exchange is defined by the ability to increase knowledge, share experience, and shadowing programmes aimed at giving younger generations the opportunity to observe high performing leaders and build networks outside their normal reach.

Success is shifting how we define exchange as a result of established trust, and goes both ways. It isn't limited to business or the economics, it could and should include cultural exchange that gives organisations the necessary understanding and appropriate use of Māori matauranga in their organisations.

Collaboration at this level unlocks a cultural competitive advantage that is less imitable by those we compete with in international markets.

Adherence and reciprocity

A constant concern for Māori is that tikanga and taonga are being inappropriately associated to brands, stories or strategies. Preservation of these sacred cultural customs and treasures is paramount to Māori.

It is to common that organisations use Māori names for brands, marketing campaigns to authenticate provenance stories or more recently sustainable value strategies without taking time to engage with the appropriate Māori authorities to see if it is acceptable to do so, and if so, what you are committing to.

It is about educating ourselves on the reciprocal relationship between people, natural resources and our environment. Reciprocity is defined as a commitment or mutual dependence, action or influence between two things. It means if we choose to use Te Taiao to meet a consumer need or authenticate our brands, it is with the understanding that we commit the relationship between ourselves, natural resources and our environment not only when it suits us to do so, but, in perpetuity.

Success by 2040 will be knowing and understanding the appropriate use of tikanga and taonga, where we have engaged with the appropriate Iwi or Kaumātua and consistently demonstrate it.

Enablement...deliberate multifaceted capability building to accelerate Māori and New Zealand

By resetting the 'start line' with radically different systems and processes, the next step is enablement for Māori, especially the young. It is deliberate, multifaceted capability-building programmes that accelerate Māori, giving a clear sense of purpose and value for their lives and careers.

A different and simplified Crown funding model will be required, with a 10-20 year horizon that is independent of any sitting Government or political party. New Zealand requires a model that has commitment and adequate investment beyond an individual party or Government for continuity, creating staircases for growth pan-sector, within a wide range of industries.

Success would see programmes that do not leave anyone behind, and give equal opportunity and purpose for individuals who choose careers in the food and fibre sector. Those individuals would gain certifications, qualifications and degrees which are supported by early shadowing and mentoring programmes to normalise Māori in management programmes or roles. It may see new human-capital contracts supplementing investment by Government, with a focus on areas which build competitive advantage for New Zealand, based on our cultural uniqueness.

Addressing perceptions

We need to improve on the perceptions of each other. Be easier on each other to realise our combined potential, as it is widely accepted that we are better together.

By engaging and taking time to understand, perceptions of each other lift and open new possibilities. Māori continue to face significant challenges around retention of land, constraints that come with land being handed back, or the ability to govern their land, their way, uninhibited. Culturally, it benefits young Māori as they have a place to return to, to belong, as a Māori person without their land is lost.

It allows Māori to return to traditional models, to not be restricted or required to own and govern land by an allocation or shareholding which is foreign, and not intended by our forefathers.

Addressing perceptions brings new opportunities.

Māori offer significant value past the farm gate, our way of 'being' has the potential to be a differentiator similar to the Amish in the United States. Their 'way of being' achieves premiums for their goods, as consumers saw their products as being good for natural resources and the environment. The perception of their culture unlocked a competitive advantage that is less imitable, while simultaneously demonstrating societal impact.

Success by 2040 would see a dramatic change in perceptions of each other. It would see trust in a new fit for purpose Māori centric governance model, with a level of correlation to main stream governance models, for understanding and confidence.

It is less about specific, quantitative goals by 2040 for Māori. It is about setting foundational change to realise a better future, together.

CASE STUDY

Voice of the Facilitator

Ministry for Primary Industries
Manatū Ahu Matua

The Ministry for Primary Industries (MPI) was formed as a group of 30 sheep inspectors in 1875 and has since evolved to a Government Ministry employing over 3200 staff. In addition to providing policy advice and programmes to support New Zealand's primary industries, MPI leads New Zealand's biosecurity programme, manages forestry assets, facilitates food safety standards and is involved in international market access. Ray Smith was appointed Director General of MPI in November 2018 and shares his insights on the future success of New Zealand's food and fibre sector, and the role that MPI can play to facilitate this.

What should the New Zealand food and fibre sector's real ambition be?

Ray believes that with a focus on talented people, ambitious growth planning and embedded resilience and agility, there is massive potential for the food and fibre sector to accelerate its current growth trajectory and head towards the $100 billion mark.

What is required for the food and fibre sector to achieve sustained success?

According to Ray, there are three clear principles which are key for achieving success over the next two decades:

1. New Zealand must coalesce around the concept of Taiao and embracing our natural world, to provide an environmental and cultural platform for sharing stories from our food and fibre sector. This must include partnership with Māori and integration with local communities.
2. Achieving zero carbon is a critical milestone for ongoing positive consumer perception, and to enhance the value proposition of New Zealand products.
3. We must maintain a relentless focus on product quality to protect the image, integrity and trust associated with New Zealand products.

There are some key measures identified by Ray as requirements to understand progress. Firstly, Ray noted that "the participation rate of New Zealander's in the primary sector gives a strong indication of both the domestic public's perception, and career value the sector is contributing to the country."

He believes that increasing the participation rate would be an excellent mark of success.

"New Zealand food and fibre has the potential to be a $100 billion sector" – Ray Smith

Secondly, Ray believes that there must be a concentrated effort on reducing methane emission, given its significant contribution to New Zealand's greenhouse gas footprint.

The other key measure Ray saw is "the ability to grow primary sector exports as an increase in total revenue growth, focusing on accessing greater value rather than greater intensity of production."

While he acknowledges that volume to value is "easier said than done," there is a need to focus on identifying niches such as premium fibres and aquaculture provide exciting opportunities.

How can MPI and the food and fibre sector collaborate to improve success?

"MPI are here to back business to win, and to back New Zealand to win. Relationships with people throughout the sector are critical, and that extends far beyond being a regulator, but being actively involved, supporting and understanding businesses"

Ray absolutely believes that facilitative leadership from MPI is key, and that a collaborative and collective effort with the sector will assist in achieving a world that New Zealanders and the globe want to see, highlighting how effectively Ministry and Industry had worked together when faced with the recent Covid-19 lockdown.

One key collaboration opportunity is through in-market activity. Ray explains "stronger in-market presence by New Zealand food and fibre businesses should be encouraged and supported by government, this is a sound opportunity for developing and building relationships."

Ray also thinks that there is much greater opportunity for industry to "collectivise resources and support more sector-wide initiatives, a process which MPI would be willing to back."

With these collaborative opportunities, Ray wants it to be clear that MPI's overarching goal is enabling the success of industries, though the bottom line will always be ensuring that laws are maintained, and sustainability is ensured for future generations.

MPI's overarching goal and bottom-line of regulation are often closely linked, Ray is proud of the feedback received after the announcement of He Waka Eke Noa, the collaborative initiative to reduce greenhouse gas emissions from the sector. He noted that "international regulators across the world were impressed with New Zealand's ability to collaborate across the whole food and fibre sector to deliver the greenhouse gas emissions commitment – these are the success stories we want to be known for."

What other opportunities are there for each of MPI and the food and fibre sector to achieve sustained success?

The sector must keep the goal of attracting talent in the workforce as one of the highest priorities, through all parts of the system. Ray's observation is that "not enough people have been able to access developmental learning tracks and programmes, which has slowed momentum of the industry and prevented it from reaching it's potential."

He adds that "It is necessary to provide more space to people over an extended period to learn from others, develop a new culture and see long-term results and mind-shift change."

Finally, Ray adds that it can be difficult for our large industries with significant scale, infrastructure investment and workforce to achieve a balance that provides resilience and the ability to adapt. Ray's advice to the larger organisations within these sectors is to "provide space for innovation and embrace the ideas that people through all levels of the organisation might contribute, resilience and agility at scale require a step-change in culture and mindset," something he is also keen to encourage within MPI and through its relationship with the industry.

With a strong foundation of pillars to provide a platform to the sector, a range of cross-sector collaborations to encourage, and ever-emerging opportunities for industry innovation, Ray is optimistic that we may be closer to becoming a $100b industry than we realise.

You can access MPI's website here at: www.mpi.govt.nz

Ian Proudfoot

Ian is an Audit partner based in Auckland and has been the KPMG Global Head of Agribusiness since 2013. Ian has a background in economics and has been actively involved in initiatives throughout the sector including the Te Hono movement, Auckland Agri-food Experience Centre at Mount Albert Grammar School, and development of the KPMG Agribusiness Agenda - now in its 11th year of publication

Voice of Industry Leaders

The Leaders' Voice has been the principal voice of the KPMG Agribusiness Agenda for its first 10 years of existence. The voice has been our interpretation of the conversations that we have had with Chairman, Directors, CEOs and other business leaders working within New Zealand's food and fibre sectors on the key opportunities and challenges in front of the sector. Through the use of roundtables to bring together groups of industry leaders we have, over the last decade, tracked how issues have changed in importance year on year for the industry. The annual process has highlighted the contemporary issues of the day. Our conversations have demonstrated how the industry has collectively shifted its thinking on the environment, community engagement and the role of the customer, amongst other issues, over the last decade. This year we had planned to follow a similar process to collect the voice of our industry leaders, however with the government restricting social gatherings in advance of our first roundtable, we pivoted to conducting one on one discussions with industry leaders covering the full spectrum of food and fibre sector activities. I would like to thank all those that gave up their time to talk me about their aspirations for the industry during a period where they were either managing their businesses into lockdown or becoming acquainted with the new operating cadence that Alert Level 4 brought to every organisation. Every contribution has helped shape this voice, although it is fair to say it has been much harder integrating the individual views of from more than fifty contributors than the collective views of leaders garnered from seven or eight roundtable discussions.

WHAT DOES SUCCESS LOOK LIKE IN 2040

One of the most notable features of our conversations with leaders this year was the almost unanimous acknowledgement that the success of the food and fibre sector into the future will be measured using a wider basket of metrics than volumes produced and exported, revenue generated, and price returned to the gate or wharf.

The significant consistency in views that success needs to take account of environmental outcomes, the growth in people capability, the resilience and health of communities and the intimacy of connection with customers and consumers, was in stark contrast to the early years of the Agribusiness Agenda. It reflects a journey that many leaders have taken to define the purpose of their organisation and growing evidence that organisations that exist for more than just maximising financial returns are more attractive to stakeholders including consumers, investors and employees. Analysis conducted by KPMG International suggests that the disconnect of the Covid-19 pandemic has further shifted investment perception that value resides in resilient businesses that are clear on their purpose and agile in how they bring this purpose to life.

The future of the New Zealand's food and fibre sectors that the contributors articulate is an industry that is clear on its purpose and agile in how it responds to market opportunities. Many, but not all of our contributors, expresse general satisfaction with the Fit for a Better World vision that has been articulated by the Primary Sector Council as a starting point for creating an aspirational pathway to long term success for the industry. Although many added that the vision cannot be static but one that is connected to and evolves with shifts in societal trends and expectations. It was also noted that the vision ultimately needs to be articulated in a single simple sentence that stirs emotion and provides all in the industry with a north star that they can aspire to.

When thinking about what success looks like and how it will be assessed, voice contributors suggest a wide variety of factors that need to be inherent within the food and fibre system. Some of the key points include:

- First and foremost, we need to be the global exemplar in how we produce food and fibre products. This means setting high standards in respect of how our farm systems interact with our land, soils, water and climate and then challenging ourselves to do more faster to ultimately create a national transition towards regenerative farming. Success will be seeking every day to do things better than they were done yesterday, whether it be interactions with natural assets, people or communities.
- A number of contributors suggest that success will be an industry that is no longer regulated based on perceptions but one where regulation is based on verified data and science, with rules being crafted in a way that avoids unintended consequences, particularly in rural communities. One contributor captured this succinctly, suggesting a successful sector will be one which has a depoliticised policy process, so the best decisions are made for the benefit of all stakeholders rather than for political expedience.
- The need to reduce and ultimately eliminate food and nutritional insecurity inherent in our society was raised by contributors as a critical measure of success. Given we produce significantly more food than we need, it is suggested that we place greater focus on feeding our five million first and ensuring that all New Zealanders, regardless of where they live, have the opportunity to access nutritionally balanced food.
- A successful sector will be inherently diverse utilising the talents of all New Zealanders as well as those that have deep understanding of

the markets that we are exporting our products to. The sector will be one where all stakeholders are encouraged to share their views and decisions makers will recognise that they do not have a monopoly on good ideas. The industry's engagement with the wider New Zealand community is not an afterthought but planned to ensure that it adds rather than detracts from society.

– A number of contributors point to the mental health issues that the sector is currently facing and suggest that a successful sector will be one where circuit breakers are available so that people have access to support and advice and are comfortable using it when times get tough. A successful sector will lose nobody because there was nobody for them to talk to about the challenges they are facing.

– A further measure of success for many contributors is the speed and extent that technology is adopted by industry participants. The suggestion was made that success will be using innovation to progressively eliminate commodity price elements from the sector by enabling product diversification, enhancing traceability, improving nutritional density and reducing environmental footprint.

– New Zealand food and fibre products will be differentiated globally by the experience that they deliver to consumers. Whether it is verifiable health attributes, assured ethical and sustainable production systems or unique product solutions our success will come from standing out in international food and fibre markets as a country that people aspire to buy their food, beverage and fibre products from.

– While many of these measures of success are soft in nature, numerous contributors point out that an organisation also has to be financially viable to be sustainable. Our ability to sustain a sizeable and clear premium over global commodity prices for the attributes we add to New Zealand grown products is critical to long term success. There will be no New Zealand premium unless things are right at home – doing the hard work to get the soft stuff right is critical to ensuring the industry's long-term financial viability.

– Ultimately, the industry needs to be clear on the key metrics that influence its long-term success and establish consistent approaches to measuring and reporting on these metrics. In some cases these metrics will be defined by legislation and reported to ensure regulatory compliance however in many cases they will be reflect the attributes that are important to our community, our people or our consumers and will be measured, verified and reported to support the stories we tell about the industry and its products around the world.

ACCELERATING ACTION

We asked our voice contributors for the policy levers they would seek to pull should they be given the opportunity to set policy after the election to start to drive towards their vision for a successful food and fibre sector twenty years into the future. We got a wide range of ideas for action to transform the future of the industry.

Farmgate prices reflect the management decisions individual producers take

A common theme raised is the need to reward producers for how they choose to operate their farming business. While it does not hinder innovation, the traditional one size fits all approach to making payments does nothing to encourage producers to innovate or do the things that ultimately will create long term success for their own business, the sector and the country.

While the argument of fairness and equity between suppliers has often been used to support the current pricing mechanism used by organisations, there are clear examples of companies using differentiated payment arrangements to drive innovation and deliver a better product to the market. It was suggested that moving forward it will become more important to ensure that pricing mechanisms are sufficiently flexible to reflect the ethical and environmental positions that individual producers take within their business. Such mechanisms should be supported by clear signals back to the producer on what 'best' looks like both through benchmark data and clear price incentives is also necessary. Organisational investment into enhancing their pricing capability, to maximise the premium generated for New Zealand grown products.

Aligning science investment with the drivers of long-term industry success

Numerous contributors suggest that our approach to investing in science needs to shift from backing the best sounding proposals to supporting science with the greatest potential to drive transformation. It was suggested that government science funding is simplified, potentially allocating the funding to only two buckets, a larger bucket which can only be invested alongside private sector funds on projects which are designed to create and sustain long term industry success. The smaller bucket is invested on the basis of bids from innovators around the world on the blue ocean science work that has the potential to deliver game changing opportunities and intellectual property that benefits all New Zealanders.

An example of the type of project that should be prioritised comes from the wine sector, where one of the biggest challenges wineries face as they grow is what to do with the grape marc, a by-product of the wine making process. Collaborative investment into solutions that enable the industry to extract new value from marc, for instance in bioproducts or nutraceuticals could assist in turning an environmental challenge into a driver new economic value for the industry and the country, this is the type of opportunity that science resource should be getting directed towards. Focusing innovation into sectors such as wine, horticulture, forestry and fishing, where the solutions developed have

potentially global relevance, provides the opportunity to create new and valuable licensing revenues from scaling the IP.

A National Food Strategy is created, taking an end to end view of our food system

Despite New Zealand's reliance on food to create our wealth, the impact that food production has on our land, water, soils and oceans and the significant food related health challenges that we face, the country currently has no end to end food strategy encompassing how we produce, process, consume, export and manage the waste associated with food and fibre products. While we have had plenty of feedback that developing such a strategy is politically challenging due to many varied vested interests within the food system, the view was also clearly expressed by many contributors is that coming out of Covid-19, when food availability is no longer able to be taken for granted,there is a clear opportunity to make progress on such a strategy.

The suggestion was made that if the strategy is too difficult politically, then participants working across the food value chain and civil society organisations working in and around the food and health systems could initiate a strategy process and develop accords that could be ultimately be picked up and by government and evolved into a comprehensive national food strategy. Such a strategy is considered necessary by a number of contributors. Without it we run the risk of making inappropriate land use decisions, producing products that miss market opportunities and, potentially most importantly, risk our reputation for producing natural, healthy food because of the poor health outcomes inherent within our community, which the industry has in the past turned a blind eye towards.

The suggestion was also made that once the National Food Strategy is in place, we should also appoint a Chief Food Adviser to the Prime Minister to provide cohesive, whole of system advice to the government on key food issues impacting our community..

Accelerate investment into intergenerational infrastructure that will support food and fibre sector resilience

Investment in rural infrastructure has been well below required levels to support industry resilience for many years, particularly in relation to storing and distributing water. The challenges of rural connectivity are also raised, particularly the comparability of connection speed between rural and urban regions, however it should be acknowledged that significant investment has been put into this infrastructure over the last decade. Contributors suggest serious consideration should be given to investing in water assets as the government looks to invest our grandchildren's money to kickstart the economic recovery from the pandemic.

Directing investment into enabling intergenerational infrastructure assets, such as water storage and distribution systems which offer the potential to increase the resilience of farming systems, provide environmental benefits and create regional economic prosperity, will provide a platform for the food and fibre sector to boost its contribution to the country. With the challenges of climate change becoming apparent in our weather patterns, the need to invest in a resilient water supply is becoming urgent. We are at a unique juncture in history where these investments can be made in a way that also supports the recovery of the economy.

Further ideas to amplify the sector's ability to contribute to New Zealand's recovery

Every leader we talked to offered ideas about the policy settings that could be adopted to accelerate the sector's success. While we have identified some key actions to accelerate the sector, we have decided to share a wider range of the ideas from industry leaders as many of them are worthy of consideration as we recover from Covid-19 and our politicians prepare for the election in September:

Lifting financial literacy and business management: There is an urgent need to lift financial literacy across the sector, particularly at the producer level, so that business owners are able to make informed decisions in planning and operating their businesses. Delivering targeted programmes that provide all with the skills to identify and assess risk, prepare budgets, challenge their professional advisers and make better investment decisions will lift the performance across the food and fibre sector.

Review industry good structures and funding arrangements: With the development of the industry vision, numerous contributors suggest that the next government should take the opportunity to review the structure surrounding current industry good activities to ensure that it is fit for purpose and geared towards delivering the intergenerational investment into science, particularly in relation to greenhouse gas transition, that is needed to drive the long-term success of the sector. Part of this process should entail consideration about the nature of a body needed to ensure the vision remains relevant and reflective of emerging commercial drivers, innovation and global developments.

Making the license to operate a real license to operate: A step forward for the sector would be converting the implied license to operate, which is currently granted to producers by virtue of owning or leasing the land they farm, into an actual license to operate. This will come with obligations on the producer, including undertaking professional development and meeting standards around how they manage their land, water, animals, people, biosecurity, safety and other elements of their farming systems. However, these obligations will underwrite the investment they make into their operations as faster action will be able to be taken against those that are non-compliant protecting the industry's reputation and premium price position globally. As one contributor put it, the days of asking for forgiveness rather than permission are long gone.

Facilitate a platform to unlock the value of data: : A key challenge identified by a number of contributors is the difficulties for organisations to maximise the value of their data as there is currently no framework for data operability. Whether this is addressed through a legislative solution or a commercial arrangement, a framework that supports data sharing and creates a hub or platform has the potential to unlock significant benefits for the sector, including enhanced machine learning and better decision making, which will ultimately drive better environmental and financial outcomes.

Taking responsibility for investing in people while automating the low skilled roles: Individual employers need to take greater responsibility for investing in the training and development of their people. While it is recognised that there is a need for a step change in vocational training, the biggest change needed is in mindset around the benefits that investment in developing people delivers to a business, particularly on farm. A leadership academy which teaches farm managers what good looks like in respect of leading people is urgently required, as is the adoption of continuing professional development programmes. At the same time as improving people management practices, there is a need to accelerate change to the nature of on farm roles through accelerating efforts to automate repetitive and highly manual lower skilled roles.

Global prizes are used to solve our biggest challenges: We need to think big and actively seek out the world's best brains to solve the problems which will unlock the potential of not only New Zealand's food and fibre sector but the big challenges facing the global food system, for instance what the next generation of food innovation will look like. The suggestion was made that we could access these brains through running global prize challenges to seek innovative solutions to problems like decarbonising pastoral farming or unlocking the protein potential of our oceans.

Investing in educating the regulators of our food system: : The complexity of the global food system continues to increase, driven largely by changes in the needs and expectations of consumers. While MPI seeks to enable and facilitate the industry to succeed, the point was made that industry needs to invest in enabling them to be successful. One of the key steps industry players can take is investing the time in engaging and educating relevant government officials through providing on farm, orchard, fishing boat or factory experiences. This approach to investment will drive better outcomes than writing a letter and will help the Ministry ensure it has the right skills to support the sector.

Exploring new land ownership models: The scale of the mountain a young person needs to climb to gain an interest in the land they farm continues to grow. This creates an urgent need for those who currently own the land and are starting to think about retirement to explore different models to provide ambitious young people to get on the land, establish equity positions and build on their legacy on that piece of land. The enthusiasm, vision for the future of the industry and the country and the willingness of the young person to work is critical to ensuring a successful generational transition within the industry. Models could include sweat equity, share farming, partnerships or other novel approaches to both introducing and exiting capital from a farm investment.

Leveraging the spectrum of New Zealand's cultures to tell our stories: The massive diversity of backgrounds of people proud to call themselves Kiwis is a key point of difference for our food and fibre industry in global markets. With more than 150 languages spoken in the country and Auckland ranking in the top five cities globally for overseas-born residents, we have a unique resource available within our community to assist in telling our food and fibre stories to the world in way that will resonate with the consumers we are targeting. Our stories must be real and rooted in our indigenous culture, but this does not mean we can't utilise a New Zealander of Japanese descent to tell our stories in Tokyo or one of German descent to promote our food stories in Berlin.

Relooking at our pristine competition laws: : There has been a long-held view amongst industry leaders that our stringent approach to competition, supposedly to protect the market access that we have negotiated, is a major constraint on our ability to compete effectively in global markets. The suggestion was made that reviewing the Commerce Act to provide a more pragmatic framework to assess proposals intended to create scale in international markets would remove a real block on our ability to achieve deep collaboration that benefits all New Zealanders. Doing this in such in a way that still protects domestic consumers from monopolistic pricing makes a lot of sense given the size of our country and the difficulties of many of our industry participants find becoming globally relevant.

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KPMG are launching a Podcast series to explore more detailed discussions of the insights, ideas and opportunities from the 2020 voices Agenda.

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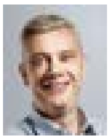

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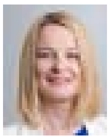

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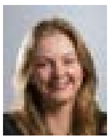

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