



Agribusiness Agenda 2024

Today's potential, tomorrow's possibilities



Ministerial foreword

Our food and fibre sector continues to drive New Zealand’s economic success, through the jobs it provides, the rural communities it supports, and the millions of people around the world it sustainably feeds.

The theme for the 2024 KPMG Agribusiness Agenda is *Today’s potential, tomorrow’s possibilities*. This is fitting, as this Government is working to ensure the foundations are in place for our food and fibre sector to embrace opportunities, tackle challenges, and thrive.

This Government acknowledges the hard work and ongoing resilience of our farmers, growers, fishers, foresters, and processors across the country. Soft commodity prices, high input costs, high inflation and interest rates have hit the sector hard over recent years.

We are determined to drive more value back to the farm gate and get more money into producers’ pockets.

We hear the sector loud and clear that producers want simplicity. The Government is committed to cutting red tape. We have already begun work to get Wellington out of farming, by repealing bureaucratic red tape and ensuring regulations are fit for purpose.

This year, the KPMG Agribusiness Agenda survey has again listed biosecurity as the number one priority for our food and fibre sector leaders.

We know how important biosecurity is to the sector and our economy. We are focused on readiness for issues like highly pathogenic avian influenza, foot and mouth disease and brown marmorated stink bug, and working closely with the sector to ensure biosecurity is front of mind and strengthened on the frontline.



**We have made a commitment to
conduct a record number of trade
missions to grow our relationships,
deepen our business connections,
and open doors for Kiwi exporters**

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**We will also continue
to strengthen research
and development of new
tools and technologies
that will assist farmers
and growers in lowering
their on-farm emissions**

◀ — + ◦ — + ▶

This Government will ensure trade continues to create value for New Zealand. We have set the aspirational goal of doubling exports by value in 10 years. At the heart of this is our food and fibre sector.

As Minister of Agriculture, Forestry and Trade, along with my colleagues, we have made a commitment to conduct a record number of trade missions to grow our relationships, deepen our business connections, and open doors for Kiwi exporters.

This includes increasing investment in our relationships with the Gulf Cooperation

Council, India, the Pacific Alliance, and partners across South-East Asia. We will also renew investment in our enduring trade relationships to foster conditions that drive further achievement and facilitate high-quality free trade agreements.

I have recently visited China, the European Union (EU), the Gulf region, India, and Singapore to strengthen the foundations for long-term growth, with more visits expected in the near future. When offshore, a common theme is the significant value our trade partners place on New Zealand's high-quality and safe food and fibre exports.

Within our first 100-days, the Government worked quickly with parties across the house to bring forward the ratification and entry into force of the New Zealand-European Union Free Trade Agreement (FTA) to 1 May 2024, months earlier than planned.

This FTA will realise an additional \$46 million in tariff savings for Kiwi exporters this season. This agreement includes new quota access for beef, sheep meat, butter, and cheese and an annual \$100 million in tariff savings from day one.

We have also recently kicked off negotiations with the United Arab Emirates (UAE) on a Comprehensive Economic

Partnership Agreement to unlock further commercial opportunities for our exporters.

Doubling the value of New Zealand's exports also requires strengthening the foundations for growth, and increased investment in innovation. This includes boosting New Zealand's technology and production of low-emission, high-value products to enhance productivity, profitability, and sustainability.

Our path to lower agricultural emissions is through technology not prices. Our strategy is to lower emissions per unit, not lower production. This technology focus is why the Government is finally opening New Zealand to Genetic Engineering (GE) and non-GE technologies like methane inhibitors.

We will also continue to strengthen research and development of new tools and technologies that will assist farmers and growers in lowering their on-farm emissions. The Government has announced a further \$26 million investment in AgriZeroNZ, contributing \$13 million to match the industry's investment, and taking the total investment in this joint venture to \$191 million over its first four years.

This will ensure our high-quality, sustainably produced food and fibre can command a premium from global markets.

The Government understands the importance of listening and staying connected to rural communities and providing essential frontline support. We want to work smarter with the sector to get more from the funding we've got.

We're meeting with farmers and growers through a series of woolshed meetings across the country to hear about the issues they're facing. Our sector engagement, along with KPMG's Agribusiness Agenda 2024, will be important in helping us to shape our decisions.

The food and fibre sector continues to be a vital part of our rural communities and underpins the entire New Zealand economy. This Government is committed to its ongoing success.



Todd McClay

Minister of Agriculture, Minister of Forestry, Minister for Hunting and Fishing, Minister for Trade, and Associate Minister of Foreign Affairs

Highlights

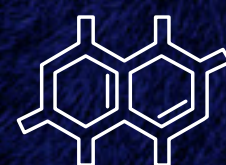


Today's potential



On Industry morale

“There are hundreds of influential sector leaders who are not involved in preparing the Agenda but who need support to enable them to lead the conversations in their local communities and build confidence about a long-term, sustainable future for their industry.”



On biotechnology

“If we are to be competitive, we can’t continue to have “unenforceable and foolish rules” that just don’t work when scientific advances have made it near impossible to tell whether a product has been edited or not.”



On biosecurity

“In responding to Covid-19, it was the small things like washing hands and wearing masks that did the most to protect us from infection. With the threats we face, it will be good farm management practices and hygiene standards that will offer the most protection.”



On capital

“We must put out the open sign and let international investors know we welcome investment if it comes from investors with similar values who are prepared to buy into building a better future for New Zealand together.”



On regulation

“The more relaxed tone is very likely connected to the Coalition Government’s commitment to eliminate the perceived regulatory oversteps of the previous government, ensuring that New Zealand has a regulatory environment that enables long-term business success rather than ties it up in red tape.”



On people

“Industry leaders are not doing a great job at altering their leadership style to respond to the needs and expectations of a new generation of employees. Younger employees are looking to be recognised as complete people, not just labour units, and want to feel valued for what they are contributing to the organisation.”



On trade

“The challenge for the Government is ensuring that their actions on trade will continue to create value for the country. The question is whether the greater return will come from long-term expansion of our FTA network, or, given where the world is at today, focusing on protecting and upgrading the access we have already secured.”

Highlights



Tomorrow's possibilities



On water

“There are practical steps the Government needs to take to give individuals and organisations the confidence to start drafting business cases and seeking investment. Most importantly the consenting rules need to be addressed as nobody will invest in a 100-year asset if the consent to operate the asset is only granted for 15 or 20 years.”



On digital

“There is a lot of work to do to build confidence that AI tools are about creating efficiencies, better jobs and outcomes for all. People who fear the technologies are infinitely more likely to be disrupted than those prepared to make the effort to become comfortable with the tools, as the human interface remains critical.”



On climate transition

“Twelve months later, after a year where markets have been tough and where, thankfully, we have not had another devastating climate event, it seems that the focus on climate transition has fallen off the Agenda for many industry leaders.”



On nature

“Numerous contributors noted they have no issue with the community expecting them to continuously improve how they manage nature, but it needs to be acknowledged that the costs of providing these services are increasing and it is no longer reasonable to assume that product revenues cover the costs.”



On science and innovation

“For the right science to be done and, more importantly, for it to create outcomes, it is critical that investment is not left to the Government – all interested parties must have some skin in the game.”



On energy

“The increased attention on the issue this year suggests multiple factors are increasingly at play: the rising cost of energy, uncertainty about the security of petrol and diesel supply, concerns about the resilience of rural electricity infrastructure and, hopefully, the opportunity associated with embedding energy generation into food and fibre production systems.”



Nobody will invest in a 100-year asset if the consent to operate the asset is only granted for 15 or 20 years

Contents

Ministerial foreword.....	2
Today's potential.....	4
Tomorrow's possibilities.....	5
Contents.....	6
Framing the Agenda	7
Cracking today's potential, unveiling tomorrow's possibilities ...	8
Introducing this year's Agenda	13
Confidence to stay the course.....	14
Top 10 priorities 2024.....	17
A wing and a prayer?.....	20
Turning talk into action.....	22
Let's talk about water...please!.....	24
Little progress in retaining and developing talent	26
The demographic differences	29

Nobody is waiting for us to sell to them.....	32
The major movers	35
Are we building back more resilient?.....	37
The money is there, but do we want it?.....	39
What happens after 30 June?	41
New priorities in 2024	43
Transition signposts circular bio-economy future.....	44
Are we riding the AI tsunami?.....	46
C-Suite vs Executive perspectives	48
Furthering an industry inherently connected to nature	50
Reset to enable business success.....	52
Contributors	54

Framing the Agenda

Catching up with many of our KPMG Agri-Food teams around the world last year, meeting with **their clients, governments, banks, industry good organisations and academia**, offered many **perspectives on the resilience of global food systems today and what the future may look like.**

To provide framing for each of our roundtable conversations, we shared some of the key global signals which those visits crystallised:

The reality of 'regulated' food prices:

The political pressure on food prices globally is intense, as they are a clear indicator of the cost-of-living crisis in people's wallets. Whether through explicit regulation or implicit political pressure, the option to raise food prices to cover increased costs of production is just not there for many food producers around the world.

Many farmers are close to giving up:

As one organisation told us in Europe, their modelling suggests up to 30% of farmers could walk off their land in the next decade as the economics of their business no longer work and/or regulation becomes overbearing.

Regulation is a balancing act:

The needs of the market are increasingly complex – producers want simplicity. Regulatory responses need to be nuanced and regulation for regulation's sake avoided at all costs, but we still need to walk towards the hard things that need to be done.

Producers need more money, but it is not coming from food:

Diversifying income is necessary to support strong food-producing businesses. To keep farmers farming their income needs to grow, greater focus is needed on monetising the ecosystem services that producers have always provided society and they need to be connected circular business models that enable 100% of what they grow to generate value.

Every food company will become an energy company:

Anaerobic digesters are part of the everyday conversation around the world, as is the food, fibre, fuel triple play. This is not yet the case in New Zealand, suggesting we are either complacent or missing a trick.

Digitalisation of food systems is accelerating exponentially:

The lack of legacy digital investment across the global food system means the opportunities for food companies to be early adopters of AI solutions are massive. The speed of transformation will be such that we will not recognise the systems surrounding agri-food value chains in five years' time.

2024 – The Voldemort of years (the year that cannot be named):

With acknowledgement to Eurasia Group (KPMG's global geopolitics partner) for the title, the Russia/ Ukraine war, the Gaza conflict, the USA vs Itself, the (still) stuttering economy in China, the election in India, and the accelerating search for new sources of soft influence amongst the Gulf states are together shaping a volatile and unstable world where historic assumptions must be continuously challenged.

Cracking today’s potential, unveiling tomorrow’s possibilities

One of the more memorable comments from this year’s roundtables came towards the end of a session. I prompted a leader who had been quiet throughout the session to let me know if they had anything they’d like to add to the discussion. This, paraphrased, is what they said:

“It is not unreasonable to believe that the world is already in the early stages of a Third World War. New Zealand could quickly lose access to key markets and our ability to import fossil-based fuels. The ability to source critical chemistry for growing food could also be compromised. We need regulatory settings that support farmers and growers to keep innovating (and innovating faster).”

In one minute, our contributor had encapsulated the hours of contributions that we had heard from industry leaders and members of the Emerging Leader cohort.

The world is facing unprecedented volatility which is creating significant challenges. These need to be understood and responded to if we are to keep growing food and creating value. However decarbonisation and bio-based economic models also present massive opportunities, which we should move towards as quickly as possible.

This is the theme of the KPMG Agribusiness Agenda 2024: Today’s potential, tomorrow’s possibilities.

The industry is currently facing a whole range of challenges. All of them will need to be addressed if we are going to keep talented people in the industry, and dedicated producers on their land producing the food and fibre products that we sell to the world. Together they create the wealth that the country relies on to fund the schools, transport and hospital beds that support our standard of living.

At the same time as focusing on the immediate challenges, however, we should not lose sight of the bigger picture. The world today is more connected to food, and the role

that food plays in society, than at any time in the last 70 years. We also live in a world that is more aligned in tackling the challenges of climate change and recognising the opportunities inherent in circular bio-economy models to create businesses that are better for nature, for society, and for their investors.

We need to crack the immediate challenges facing the sector to realise today’s potential, while at the same time unveiling and exploring the extensive possibilities that tomorrow offers New Zealand’s food and fibre sector.

The key issue to crack today

Wherever I have had the opportunity to travel over the last year, the most consistent message I have heard is that life is currently tough for farmers, growers, fishers and other food and fibre producers. As we covered in the framing for this year’s Agenda, the costs of production have gone up at the same time as prices have come under pressure. Organisations across the sector are living with new regulations as the need to respond to climate change and mitigate the impact of farming systems on nature becomes

We need regulatory settings that support farmers and growers to keep innovating (and innovating faster)

more pressing, while also having to deal with the further increases in cost that these initiatives create. New technologies are becoming available, including for the first time extensive digitalisation (including new generative AI tools) and gene editing. Despite these tools’ potential, there is widespread reluctance to commit to the transformation these solutions will drive due to cost and regulatory uncertainty.

Add in other issues that industry leaders addressed during the roundtables: the looming threat of high-pathogen avian flu and other biosecurity risks, capital constraints

and the challenges around accessing long-term patient capital, retention of the talented people the sector needs, changing expectations in markets around what people want to eat and the information they want about a product's provenance, equitable energy transition, and low industry morale. With all these pressing challenges, it's hard not to wonder: why are producers around the world staying on their land and in the industry at all?

Until recently, the answer has been that they are passionate about growing the food and fibre products the world needs and consumers appreciate (and, for many, they are not sure what they would do). In the last six months, however, the answer has become far less clear as to why producers are sticking around. In fact, the message from many of my colleagues around the world is that life is getting so difficult for some producers that they are looking at their options to exit the business and move on entirely.

Given all the challenges facing the industry, there is one overarching question that needs to be answered in order to fully unlock the potential in food and fibre: what do we need to do to keep the farmers farming and the growers growing?

While money is not everything to passionate food and fibre producers, it can't be ignored. The reality facing most producers is that they have experienced cost increases across their

business. Costs are up for people, energy, inputs and money. At the same time it has become increasingly difficult to increase prices, as government has become focused on actively managing the price pressures that have contributed to the global cost-of-living crisis (particularly in key expenditure areas like food and energy that show up quickly in the bank accounts of their voter base). The consequences for farmers are squeezed margins and a future dealing with deteriorating returns and reduced cash flow, unless something changes to sustainably increase revenue or materially reduce costs.

Sustainably increasing revenue

The Coalition Government has reinstated the export double target used by the previous National Government to focus its efforts on supporting the growth of the food and fibre sector. We analysed the results that the food and fibre sector achieved between 2010 and 2018 under the last export double campaign. Prima facie, the sector showed strong growth and was on track to achieve export double, increasing exports from \$25.7 billion to \$38.1 billion. However, 120% of the reported export growth came from volume and commodity price increases. When it came to adding value to our exports beyond volume growth and commodity price changes, exporters had given away \$2.3 billion in value, with only the dairy and horticulture sectors capturing value above commodity price movements. If the sector had done nothing but follow commodity markets, it would have reported

higher export earnings in 2018 than it did. Equally it could have reported lower revenue because commodity markets are volatile and becoming more so.

Consequently, sustainably increasing revenue does not mean riding commodity price movements up and down, and we take from the roundtables that most industry leaders hold the same view. It is also unlikely to involve a step change in production volume (which accounted for around 70% of export growth between 2010 to 2020), given the pressure that existing production systems are placing on the natural environment.

What it does mean is diversification of farm income into new sustainable revenue streams that provide the farmer or grower confidence to invest into the future of their business. What types of options should we be thinking about?

- Part of this is likely to come from the work already being done by exporters to capture value for a product over and above the commodity return. As was noted during the roundtables, despite it being a difficult year for the red meat sector, the price volatility of New Zealand-sourced product has been lower than that of product sourced from other countries due to the

\$2.3b



When it came to adding value to our exports beyond volume growth and commodity price changes, exporters had given away \$2.3 billion in value



Creating markets that enable trading of biodiversity, fresh water or soil credits should be a high priority for the industry

farming systems we use and our ability to provide assurance to customers about provenance. This has been particularly apparent in lamb over the last year, where commodity prices have been significantly impacted by massive lamb production in Australia.

- However, more of this new revenue is likely to come from new sources. We have in past Agendas described the farm of the future as the farm of our childhood, that is the sort of farm that we saw in storybooks where the farmer looked after animals, grew crops and tended vegetables. In business speak, a diversified rather than mono-product farming system. In the future, environmental requirements and the need for economic resilience will lead to more farmers producing more than one product on their farms. Industry good organisations and supply chain partners have a key role to play in ensuring that there are practical pathways for farmers to follow in order to diversify their incomes.
- The reality is that moving into other product segments still leaves the farmer exposed to volatility in commodity markets, thus the majority of the new revenue needs to come from completely new markets. A significant component of this will come from compensating farmers for the ecosystem services that they provide to society by managing the natural environment – something they have done forever but historically without

monetary reward. Creating markets that enable trading of biodiversity, fresh water or soil credits should be a high priority for the industry, but partners will be needed as at the core this is a fintech challenge, involving the establishment of robust markets that support producers to invest in nature-based solutions within their farming systems.

- There is also increasing potential to enable producers to extract value from 100% of what they grow within their farming system. Around the world there has been a massive acceleration in the implementation of circular business models that utilise excess biomass or co-products to replace fossil fuels in energy systems and a massive range of other products. As we highlighted in the framing for the Agenda, it is our view that every food company will also become an energy company and this is critical to ensuring the financial resilience of producers. It is clear from our discussions that bioeconomy solutions have seen less progression in New Zealand than in other markets around the world, but they need greater focus from the sector moving forward. It is concerning that the Government has cut funding for work in this area in the recent budget.

Materially reducing costs

On the cost side, there are few opportunities to deliver a rapid and material reduction in costs given the farming systems in

use and the technology that is currently available. However that does not mean that no opportunities exist. While energy is an increasing cost for many businesses, the opportunity to participate in energy markets to diversify income also comes with the opportunity to reduce operating costs, particularly if producers explore how they can embed electricity generation into their business (for instance solar on the dairy shed roof, wind on the ridge or micro-hydro in the river).

Another immediate opportunity is in exploring tools that will deliver rapid improvements in productivity within a farming system. Historically, productivity gains have been closely linked to genetic improvements in animals, pasture, and crops. While the step changes of the green revolution are now in the past and ongoing genetic gain is incremental, the opportunities inherent in gene-editing are significant, both in driving productivity and providing enhanced outcomes for farm system resilience, the environment and food security. The challenge producers in New Zealand currently face is that they are not able to access tools being used by competitors around the world, due to our current regulatory settings. The message from industry leaders was clear during the roundtables that the discussion on using new generation biotechnologies needs to be concluded with urgency, so we can provide clarity on the tools farmers will have access to as they consider the opportunities to enhance production systems.

Productivity improvement can also come from making better decisions and implementing them more effectively. As the food and fibre sector accelerates its digital journey, more tools are becoming available that can create a step change in on-farm efficiency, driving reduced costs and improved outputs. Digital apps that manage fertiliser application, report milk production or support animal management are simplifying processes, enabling better utilisation of inputs into a farming system and improving reporting. The challenge for farmers in adopting these solutions is the time involved in set-up, and that all too often a solution operates in a silo without connection to other systems. Aligning data standards and exploring platforms that facilitate safe sharing and connection of data will make it easier for producers to adopt multiple solutions, while accessing the productivity and cost benefits of digitalising their farming systems.

Unveiling tomorrow's possibilities

In the 2021 Agribusiness Agenda, we wrote that beyond the pandemic there was a great big, beautiful tomorrow for global food systems that was packed with opportunity for New Zealand farmers, growers, fishers and producers. Our view has not changed. The disruption to food systems has accelerated, creating options and possibilities for participants across the sector if they are prepared to take the time to explore, unveil and discover what is happening around the world. The concern

is that three years later, the issues we talk about in the roundtables are largely the same as those discussed in 2021. The global food system is moving forward at pace but there is little evidence that we are keeping up with the transformation.

During the roundtables we heard numerous stories about next generation products across the food system – for example modern, lighter chemicals and new animal health remedies – that global developers and manufacturers are not bringing to New Zealand because the time and cost involved in securing approvals are not justified by our market size. Rather than being the innovative nation to which people come to explore and develop technologies that benefit business and the environment, we are becoming the innovation backwater at the bottom of the world that is too difficult to deal with. The long-term implications of this are significant given that, as one contributor put it, regulators bark but retailers bite. For example, if the only chemical available for use in New Zealand to support the growth of a product is blacklisted by retailers, they will not purchase that product until we get approval for an alternative, which with current processes could take years.

The future is already emerging. Industry leaders recognise it and want to take advantage of the opportunities it presents, but doing so is harder than it should be. Organisations are exploring how generative AI can build on the digitalisation work already



Access to modern biotechnologies will protect our ticket to play in key markets but also ensure we retain the science capability that is key to driving innovation



being done, but extracting the full benefits these technologies can deliver requires collaborative investment in a data platform that makes access to data easy and fast. Access to modern biotechnologies will protect our ticket to play in key markets but also ensure we retain the science capability that is key to driving innovation.

We need to secure a place in novel food markets rather than assuming they don't apply to us, and explore how these technologies can assist us to build a climate-resilient food system. This challenge is becoming ever more pressing as New Zealand producers get knocked over more often by cyclones and other extreme weather. You will have already realised that we think developing our bio-based circular

economy is important, as is determining how we sustainably use our oceans to support decarbonisation, produce food and generate energy. If we can properly understand these emerging opportunities and successfully grow positions in global markets, the future is one where doubling exports is an entrée to an economy which is three or four times larger than it is today. Our industry leaders recognise this window will not be open forever; we need to get on with pulling back the curtains.

A note on resilience

In the past I would have described the actions above as a series of necessary steps to ensure the resilience of the businesses of food and fibre farmers, growers and fishers. However, during the roundtables it was suggested that we need to be careful questioning the resilience of farming businesses. Food and fibre producers have come through droughts, biosecurity incursions, pandemics, floods, labour shortages, border closures, cyclones and a whole range of other challenges – in the last few years alone – and yet they continue to deliver the results that have kept the New Zealand economy functioning.

Producers rightly consider themselves to be inherently resilient. It is a trait that has been embedded in the industry since subsidies were removed in the 1980s and it became clear that nobody was going to write a cheque if something went wrong. Producers

are not looking for people to pass judgement on their business practices or conclude they need coaching to help them become more resilient. They are looking for practical initiatives that will enable them to do what they do best: create some of the best food in the world and sell it to discerning customers.

They are looking for a hand up not a handout. They want their industry good and supply chain partners to work with them to connect them to their futures, enabling them to progressively transition from mono-product producers to inherently circular, diversified bio-economy businesses. We are lucky we have resilient businesses across our food and fibre sector. A significant part of New Zealand’s future economic success relies on giving these producers the pathways they need to become part of the future of food and fibre that is being unveiled around the world.



Ian Proudfoot
National Industry Leader - Agri-Food
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Introducing this year's Agenda

Every year we have a page target for the KPMG Agribusiness Agenda. Every year we blow the target out of the water because there is always so much of substance that comes from the conversations we have in preparing for the Agenda that we feel we need to include.

We have collected the same deep insights from contributors in preparing this year's Agenda but are committed to sticking to our page target (which for transparency is around 45 pages). We recognise that making the key themes from our analysis easily digestible in a time-constrained world is becoming ever more critical.

Consequently, we have combined the insights gained on key opportunities and challenges facing the food and fibre sector with the analysis of the results of the priorities survey, so we cover a topic once, in a focused way. To address feedback that the analysis is great, but "What can my organisation do in response?", we have

sought to draw out potential actions more clearly this year.

The approach we followed this year is consistent with previous years. We held six online roundtable sessions during March and April, attended by 93 industry leaders whom we invited to share their top-of-mind issues. In addition to these sessions, we were joined by 17 members of the Emerging Leaders cohort (brought together for last year's Agenda) at an additional online session to obtain an update on how their thinking had evolved over the year. We also completed the annual Industry Leaders Priorities Survey, which this year received 107 valid survey responses. In total we have had contributions from more than 150 people in preparing this year's report.

About the Industry Leaders Priorities Survey

We again surveyed industry leaders and influencers to understand their assessment of the priorities for their organisations within the food and fibre sector. The survey asked contributors to give each of

New	Deleted	Edited
Establish local sustainable energy schemes	Engage in community programmes to protect license to operate	Clear market signals to all in value chain
Encourage exploration of Gen AI	Use IP to develop 365-day supply chains for key customers	Public Private mission-based science partnerships
Enhance employee experience through automation	Invest in pathways for regenerative agriculture	Maintain immigration settings
	Use public R&D investment to monitor and license global innovation	Tougher penalties for animal welfare breaches
		Broadband equality for all
		Set FDI rules to enable sector to realise potential
		Transition to climate resilient systems

the 41 priority statements a score out of 10, with a 10 indicating that the item is a critical priority to them. We added three new priority statements to the survey and removed four of the statements included in last year's survey. The wording of seven priority statements was edited to ensure that they remained relevant to current industry

developments. The contributors were asked to provide demographic information, including their gender, the generation they are part of and whether their role in the food and fibre sector is predominately executive or governance. Consequently, we can analyse the results in multiple different ways.

Confidence to stay the course

In the last few years we have written about fatigue across the food and fibre sector, the anxiety that constant change has created and the need for leaders to consciously take actions to energise the sector. In an industry that has always had its ups and downs, the challenges of the last couple of years have been unusually fickle. With commodity returns down, interest rates up and the climate becoming more uncertain, we expected to hear a lot about the morale of people across the sector.

We just did not expect to hear as much as we did. It was the dominant discussion topic during the roundtable sessions and addressed by the Emerging Leaders during their conversation. While there were some great stories shared, most of the contributors were still talking about the consequences of fatigue and anxiety and the need to give people hope that there is a better tomorrow on the horizon. The industry is still taking a toll on the morale of farmers, growers, fishers, process workers, logistics operations, agronomists, scientists, bankers, sales reps, accountants, managers, executives and everyone else who looks to the food and fibre sector for some or all of their income. Globally, for many people in the sector the constant challenges have sapped their will to go on and they are leaving the industry. We have not reached this point in New Zealand but industry leaders, those in the high-profile jobs, and those who lead in their communities through their actions, must step up to the mark to give people the confidence to stay the course.



What we heard

- “Opinionship” has filled the void left by fatigued and distracted leadership, as opinion leaders have moved away from articulating complex issues in favour of chasing likes. A craving for simplicity further fuels this trend, as people avoid tackling the hard stuff if they see a route that means it can be avoided. There is a need for leaders to step into conversations that are taking place around the country and start to reframe them in a way that all parts of the industry can connect with – for instance, “producing food that is free from human harm” – so people can engage and fully participate in the discussion. A great example of this is the success of the Golden Shears event this year. Despite the low wool price and the challenges this is creating for shearers, the event had a record number of entries thanks to its reframing of shearing as a sport, a way of keeping fit and an arena in which women can excel, as well as a profession and an invigorating career.
- Numerous contributors called for industry leaders to focus more on finding solutions for the key challenges facing the sector, rather than accepting that they will be kicked into touch for another 12 months and picked up again at next year’s roundtables. We need to identify the building blocks that will form the basis for the industry of the future and

give people a clearer view of what that future looks like. We need to celebrate success in a more vocal and public way, not only so those in the industry can see what is being achieved but also to help reset the wider community’s view of the sector.

- The continuing lack of a national food strategy came up in several sessions. With Fit for a Better World being largely discarded by the Coalition Government, there is no overriding vision for the sector let alone a strategy for the role of food across all aspects of our society. A strategy would articulate the future direction of the food system and enable all its stakeholders to see themselves, understand their role and gain motivation. One contributor noted that without a clear indication of the direction of travel for food in New Zealand, we may see farmers taking to the streets – as they already have in many countries around the world – to protest their inability to unlock the true value inherent in their land.
- It was suggested that the discussions around co-governance and self determination initiated by the previous government have created issues not just across wider society, but within the food and fibre sector specifically. That the conversations were allowed to be manipulated by those with their own agendas – on both sides of the argument

– has set Māori back, while the distrust engendered by controversy has harmed all of New Zealand. We need to talk openly and honestly about issues like the Treaty of Waitangi, but it is probably time for the food and fibre sector to focus on conversations like ensuring every New Zealander has sufficient food and a safe, warm house – practical challenges that are within the sector’s power to influence.

- Contributors touched on numerous other issues that are impacting morale across the sector. The current financial crunch is hitting a whole range of organisations and producers hard, and the pathway back to growth and profitability remains unclear for now. Higher value land uses like solar and carbon farming continue to be a concern for some leaders, they represent an opportunity for those under economic pressure to exit their asset with a good return, however their departure leaves the sector weaker overall. The concerns about mental health are growing across the sector, particularly in relation to young men; there is a need for more investment to support people to manage their mental health and provide safe ways for them to seek help.
- We heard some distressing stories about bullying, discrimination and threats of violence against industry leaders who are prepared to share their views and take

There is a need for more investment to support people to manage their mental health and provide safe ways for them to seek help

leadership positions. Such behaviour is inconsistent with the values of the vast majority of New Zealanders. Particularly upsetting is the fact that many in the sector, including leaders, are failing to call out the behaviour and demand that it stops. One contributor noted that when threats of violence are directed towards elected officials and nothing is done to protect those leaders from such abuse, the end result is fewer capable people putting their hands up for leadership roles or even to share their opinions. Ultimately this will cost all in the industry as talent will be lost to lead the sector forward.



Update from the Emerging Leaders

The Emerging Leaders had very similar concerns about industry morale as those expressed during the roundtable conversations. They were hopeful about the steps organisations are taking to start to transition towards a circular future. They were optimistic that the industry is heading in the right direction (although it is moving a bit slower than they would like).

Concern was expressed that there is currently no clear strategy from Government for the industry. While it is understandable that the new Government is stepping back from some of the previous government's positions, the Emerging Leaders suggested it is hard to see any vision that could rally the sector to move in a common direction.

There was also a clear message that the sector needs positive people to lead it forward. The industry is faced with sizeable challenges that need to be addressed; at the same time organisations are losing institutional knowledge and experience as many in the industry reach retirement age. It will become increasingly important to develop leaders who are willing to learn from those who have gone before, and who have the passion to articulate a cohesive vision for the future of the sector.

This year's Agenda

- Once again, we are calling on leaders to do more to stand up and lead the sector. They need to take the lead in instilling people across the sector with the confidence to stay the course. This is about reframing conversations, connecting people to the future of the sector and standing up to those looking to intimidate those prepared to foster constructive conversation. Leadership is not just about a role or job title, but also the way a person behaves and interacts with others. There are hundreds of influential sector leaders who are not involved in preparing the Agenda, but who need support to enable them to lead the conversations in their local communities and build confidence about a long-term, sustainable future for their industry.
- Too often, people don't see the real opportunities in front of them. The reality is that there is massive potential in the sector, and it will be realised when the silos across the food and fibre sector begin collaborating with each other, sharing innovation, and working together to find answers to the significant problems that everybody faces. Leaders need to train themselves to focus on collaboration first when addressing the challenges their organisation or industry faces. As we have discussed in previous Agendas, current industry leaders



were not skilled in collaboration by the education system as younger people are today. For these leaders, recognising opportunities for collaboration and then actively finding ways to set up collective projects must be a conscious management action. It is one that gets easier with practice.

- We are our own worst enemies in not celebrating successes in the industry and what we do well. Events like Fieldays are critical for sharing with the wider community the progress being made in the sector, but the industry can't afford to

limit its time in the spotlight to one week a year. Open days on-farm, industry good programmes into schools, organisations participating at A&P Shows, getting farmers into retail stores to tell the stories of their products, sharing content on social media – there are many ways that people all across the industry can participate in celebrating the large and small successes that are secured. The ask in this Agenda is that everybody in the sector stands up and does their bit in sharing the sector's stories with the world.

Top 10 priorities 2024

While it was not unexpected that “world-class biosecurity” has maintained its position as the top priority for leaders in this year’s survey, there were plenty of other surprises as we analysed the results.

Given the number of issues shaping the operating environment for organisations across the food and fibre sector, it is not surprising that leaders are focused on a wide range of top-of-mind issues.

What did surprise us was that the overall priority score given in the survey fell 2.3% compared to 2023. Fatigue has been a common theme in recent Agendas and it is possible that the challenges to bandwidth within organisations has led industry leaders to curate their areas of focus in line with their organisational priorities.

Of demographic groups analysed, all bar one follow the overall downward trend in priority scores. Having recorded a 16% increase in overall priority score in 2023, the millennial cohort is the only group with an increase in 2024, continuing to place greater priority on some of the

technological shifts that are occurring across the sector. The boomer cohort shows the biggest reduction in the priority score (down 4% on last year) with the female and executive cohorts also showing larger reductions. These were the cohorts with the highest priority scores in 2023 and the greatest enthusiasm for a change agenda. Such a reversal could suggest that a year on, we have reached a point where the reality of handling so much change is weighing on the majority of industry leaders, even those with aspirations to accelerate a step change in activity across the industry.

Average score given to a priority	Overall	Male	Female	Millennial	Gen-X	Boomer	Executive	Governor
Average Priority Score 2023	7.29	7.11	7.52	7.22	7.22	7.45	7.41	7.10
Average Priority Score 2024	7.12	7.02	7.24	7.28	7.02	7.15	7.13	7.09
Movement	(0.17)	(0.09)	(0.28)	0.06	(0.20)	(0.30)	(0.28)	(0.01)

16%↑

Having recorded a 16% increase in overall priority score in 2023, the millennial cohort is the only group recording an increase in 2024

Five of the items in the Top 10 are ranked higher than they were last year, three have held their ranking, while two items are ranked lower. There are two new priorities in the Top 10.

Ranking “act on the results of gene editing discussions” second (above perennial runner up, “completion of high-quality trade agreements”) was a significant surprise. This priority jumped into the Top 10 last year as knowledge about the potential benefits of gene editing technologies became more widespread. However, the conversation has mainstreamed this year and the clear message of this result is that this is an issue we should resolve and act on sooner rather than later.

Both new entries to the Top 10 are making a return after a one-year absence. The highest ranked entry relates to building water storage infrastructure (ranked 7th), both to support growth and to deliver greater resilience to the environment and the sector. However, as with 2023, the topic of water was not reflected in the roundtable conversations where it was a top-of-mind issue for only a few contributors. The other return to the Top 10 was “develop resilient supply chains”, which has again become a key operational priority as organisations deal with the disruption caused by droughts in Panama, conflict in the Gulf and accidents including the recent incident in Baltimore harbour.

Top 10 priorities 2024



Action	Rank 2024	2023	Priority 2024	2023
World-class biosecurity	1	1	9.16	9.06
Act on results of gene editing discussions	2	6	8.19	8.03
Sign high quality trade agreements	3	2	8.14	8.42
Invest in resilient rural infrastructure	=4	7	8.00	8.00
Broadband equality for all	=4	=4	8.00	8.06
Public/ private mission science partnerships	6	8	7.99	7.79
Build water storage to manage resources	7	16	7.89	7.61
Develop resilient supply chains	8	12	7.83	7.69
Maximising sustainable use of oceans	9	9	7.69	7.75
Maintain immigration settings	10	3	7.67	8.13

Priorities that have fallen out of the Top 10	Rank 2024	2023	Priority 2024	2023
Telling engaging provenance stories	=11	10	7.58	7.74
Objective assessment of tree planting	19	=4	7.28	8.06

With the country unlocked from the pandemic and labour shortages persisting, it was no surprise last year that prioritising immigration settings was a high priority for industry leaders. This item has seen its priority score fall by 5.7% on last year but has retained its position in the Top 10. While the extreme labour pressures of 2021 and 2022 have eased, major people issues continue to face the sector and this was reflected in the top-of-mind issues highlighted by leaders during the roundtables. People development remains a key priority for the Emerging Leaders, who continue to prioritise the industry investing in growing its own talent over relying on short term solutions such as migration.

To create space in the Top 10 for the new entries, two priorities have fallen out. “Telling engaging provenance stories” has slipped one place to equal 11th – something of a surprise given how many leaders commented on the need for their organisation and the industry as a whole to get better at communicating the attributes inherent within their products as a core element of a modern provenance story.

The decline in the ranking for “objective assessment of tree planting” was more significant (down 15 places with a 9.7% score reduction). Last year, leaders had significant concern about productive land being converted to carbon forestry without any checks or balances. The Labour Government did place restrictions on land

conversion, and it is not surprising to see this priority fall. While over the past year there has been a greater focus on ensuring the right trees are planted in the right places, in recent months concerns have started to emerge about the conversion of productive land to solar farms. Although this issue seems to be localised to regions with good connectivity to the national electricity distribution grid, it is one to watch.

While the extreme labour pressures of 2021 and 2022 have eased, major people issues continue to face the sector and this was reflected in the top-of-mind issues highlighted by leaders during the roundtables

A wing and a prayer?

World-class biosecurity is again the highest priority for industry leaders. The priority score has increased to 9.16, the highest since 2021. The issue was raised in many of the roundtables. While great progress has been made in eliminating *Mycoplasma Bovis*, and the devastation that PSA inflicted on kiwifruit is becoming a distant memory, the likely arrival of avian influenza has brought preparedness for a major incursion into sharp focus.

What we heard

- The establishment of avian influenza as endemic throughout the Americas and its spread into Antarctica means it is almost certain the disease will arrive in New Zealand. We are exposed as the disease will arrive via migratory wild birds, bypassing border control. Its jump in the US into cattle herds and humans creates the risk that its impact could extend beyond native wildlife and more of our productive capacity than just the poultry-based sectors.
- In addition to the increased risk of incursion, contributors noted that in the aftermath of Cyclone Gabrielle a range of new disease issues appear to have arisen. These are potentially sleeper diseases that have been triggered by the consequences of the cyclone. .
- We heard about the importance of getting modern biomaterials across the border to maintain competitiveness, and the challenges importers are facing. While new facilities are opening

later in the year to increase capacity, the increased prices being charged to recover the costs associated with providing these services are forcing some importers to assess whether they remain in the industry.

- These challenges come at a time when the focus on cost control, in government and industry, is intense. We heard that MPI's budget cuts are not impacting frontline biosecurity capability and investment is being maintained to support the industry on the ground. We also heard that the threats we face mean traditional response preparations and plans are unlikely to be sufficient as the nature of incursions changes.

This year's Agenda

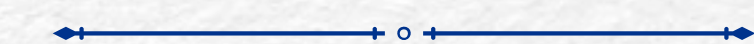
- The nature of the biosecurity risks we face is changing faster than we are evolving our ability to respond. As incursions become less likely to follow traditional vectors and arrive via a port or airport, the capabilities needed to identify an incursion and respond must evolve to

The capabilities needed to identify an incursion and respond must evolve to ensure we protect what we have while enabling growth across the sector

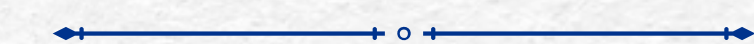


ensure we protect what we have while enabling growth across the sector.

- Our biosecurity system needs to target the biggest risks we face. Previous Agendas have noted the importance of a comprehensive risk assessment focused beyond our borders, to identify risks that present the greatest threat to the industry. This was highlighted again this year, but it was also noted that this needs to be balanced with an ability to rely on the controls of trusted partner countries to accelerate our access to biomaterials and innovations that could drive industry growth.
- While the Government can enable an incursion response, they will not have all the solutions or pay for all the actions. Given current exposures and our inability to contain them at the border, it is critical that each organisation focuses on doing the things they can do in their business well. In responding to Covid-19, it was the small things like washing hands and wearing masks that did the most to protect us from infection. With the threats we face, it will be good farm management practices and hygiene standards that will offer the most protection.
- We should not waste the learnings from the crises we have recently dealt with, and ensure we have fit for purpose emergency response plans. Regardless



With the threats we face, it will be good farm management practices and hygiene standards that will offer the most protection



of whether we are hit by a biosecurity incursion, a cyclone or another unexpected event, we need to be certain that everybody is clear on the plan and understands their role, to expedite response and accelerate transition to recovery. A fit for purpose plan is not a framework, but a detailed plan which makes it clear precisely what is expected when an event hits. Every organisation should have one.

Turning talk into action

Last year we were surprised when the priority ranking on “accelerating the conversation on gene editing” moved into industry leaders’ Top 10 priorities. It was equally surprising to see this year’s priority statement, acting on the results of that conversation, take second place in the rankings. The conversation has started and is gaining momentum. There are people and organisations with important insights to share, who have historically kept their heads down in public forums, that are now comfortable about sharing their insights as the conversation moves into the mainstream.

What we heard

- Uncertainty around the future direction of policy, what will be permitted and what will remain restricted, is constraining investment in novel biotechnologies here and around the world. Countries that have provided regulatory certainty are seeing the technologies mainstream, delivering better outcomes to producers, processors and consumers.
- A common theme amongst contributors who spoke in favour of modern biotechnologies was the focus on the benefits the technologies provide beyond productivity. One noted they may be able to help us to continue to enjoy the seafood we love by ensuring fish and crustaceans can survive in warmer seas. The technologies can help protect native biodiversity and contribute to achieving Predator Free Aotearoa 2050. It was highlighted that biological innovation is becoming increasingly critical if an organisation wants to have a position in the modern food system, given the role it plays in the ingredient inputs into technologies like precision fermentation.
- That is not to say we heard universal support for progressing the implementation of gene editing. Changing our current blanket ban on the use of genetic technologies will create challenges for some export-focused sectors, particularly those that have built their competitive advantage on our current policy settings. We heard from the seed-multiplication sector that a change in settings may undermine their export markets. Any changes need to be thought through carefully. Interestingly, it was noted that the seed we export is probably the single largest contribution New Zealand makes to global food security.
- While nobody thought the debate on use of genetic technologies should not be held, it was suggested that we need to be careful not to move too far ahead of our markets and customers. There is a need to play through the impacts that any change in settings could have on revenue and, consequently, the value that can be delivered back to the country.



Update from the Emerging Leaders

Straw Poll Priority Score: 8.44
(0.25 higher than Industry Leaders)

One emerging leader hit the nail on the head on biotechnologies, noting that we can’t let uncertainty continue for another five years by not deciding on our course of action. While they argued that gene-editing feels like a tool the industry needs to have in its toolbox, their argument was a well thought through and accepted position is now urgent.

The overall mood of the Emerging Leaders was that most of the rest of the world is already benefiting from these technologies. If we are to be competitive, we can’t continue to have ‘unenforceable and foolish rules’ that just don’t work when the science now means it is impossible to tell whether a product has been edited or not.

This year's Agenda

- We have been writing in the Agenda for years that we need to have a mature conversation on the role that genetic technologies (and more recently gene editing) should play in the future of New Zealand's food and fibre sector. The discussion has been underground for years but was granted permission to move into the mainstream in the last year. The new Government has indicated that it intends to move fast to review and update biotechnology legislation.
- We welcome these developments but still believe it is critical that we take the time to have a mature conversation. It was clear from contributors to the roundtables that we are not close to consensus on the next steps to be taken. We need to recognise that we will not get full agreement on whatever we choose to do next. However we do move forward, the guardrails in place must be appropriate and sufficient to ensure that those who wish to continue to deliver products free from any form of genetic modification are able to do so.
- Ultimately, this is not a conversation about a black and white issue and as a consequence the answer is going to sit somewhere in the grey. As the Emerging Leaders noted (in more colourful language) the current position is not sustainable. These technologies are

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inherent in future food systems. Given their ability to contribute to eliminating food insecurity, lifting resilience to climate change and assisting in protecting native biodiversity, we need to be cognisant that not using the technology has the potential to become an ethical negative against New Zealand products.

The Agenda for 2024 is clear and was communicated loudly in the ranking that industry leaders attached to the issue: let's conclude the discussion and get on with implementing the position that we decide on.



Let's talk about water...please!

With the Coalition Government highlighting its interest in exploring different approaches to water storage and irrigation, we had expected to hear a lot about water throughout this year's roundtables. However, even as the priority statement on building more storage capacity to better manage water resources returned to the Top 10 (up seven places with a 3.7% increase in priority score), there was close to total silence on water during five of the six roundtables.

What we heard

- Water assets are intergenerational. When a dam is built or an irrigation scheme commissioned, we are building assets that will contribute to their local communities for 100 to 150 years. We have lost time in enhancing the resilience of water supplies over the last six years, particularly given the growing challenges that the climate will present and the need to ensure we can effectively respond to both flood and drought events (potentially within the same year).
- In the greater scheme of things, the time that has been lost can be made up. But rather than just talking about building more schemes, there are practical steps the Government needs to take to give individuals and organisations the confidence to start drafting business cases and seeking investment. Most importantly the consenting rules need to be addressed, as nobody will invest in a 100-year asset if the consent to operate the asset is only granted for 15 or 20 years. The point was made that the



industry is not looking for a free pass – it recognises that obligations come with being granted longer operating consents – but the longer term is critical to enabling investment in long term assets which will contribute to enhanced water security for all.

- The point was also made that we need to have a mature conversation about water quality in New Zealand to ensure the expectations that are set are realistic and ultimately achievable with hard work and effort. Catchment groups have been, and continue to be, an incredible vehicle


for community action around the country. They are delivering positive outcomes to many regions. They have brought communities together and provided pathways for young people into leadership roles. However, when the target they have been set is perfection the positives that they have created are often lost and considerable effort written off as not being enough. As one contributor noted, unless we have realistic aspirations around water quality, we run the risk of delivering outcomes that disadvantage all.

This year's Agenda

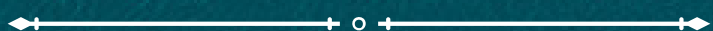
- The Government is again open to discussions on water infrastructure but to have a conversation takes at least two parties. The rest of the industry needs to recognise that the invitation is there for a conversation about water that is not just about water quality but is also about supply resilience and the prosperity of rural communities. They need to step into this conversation with more enthusiasm than was shown on the subject during the roundtables.
- As the Government works through the review of the Resource Management Act and associated National Policy Statements, they will hopefully have the resilience of water supplies to safeguard food and fibre producers clearly in mind. Building the infrastructure that will assist in mitigating the impacts of

an increasingly volatile climate on the industry is an insurance policy for the economy, but it will only occur with investment certainty. Shaping rules that provide certainty that can be taken to the bank and financed will enable scheme concept diagrams to be dusted off and updated in response to almost a decade's worth of new knowledge.

- Catchment groups across the country have become effective grassroot organisers able to rally communities and make things happen despite being run with minimal resources other than the passion of their leaders. The ability of catchment groups to engage with producers that are largely detached from the industry makes them a valuable conduit for sharing a wide range of information, on water and beyond. Consequently, there is a case for increasing the resources that are provided to catchment groups as they could be a trusted channel to share a wide range of important information directly with the people that need to hear it. Resources don't necessarily have to all be in cash, they could come in a wide range of forms including training and development, online tools and helplines.



**Building the infrastructure that
will assist in mitigating the
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Little progress in retaining and developing talent

While the extreme people shortages created by the pandemic border closures are now behind the sector, there is little certainty that organisations will have access to sufficient people with the skills and experience needed to deliver on growth ambitions. Last year, the focus of leaders was on filling their vacancies, hence the high priority placed on having the right immigration settings. This year, vacancies are filled, and we expected to see the focus of leaders shifting to whether the people that have filled the vacant roles are going to stay, and what their organisation needs to do to ensure that they are effective in their roles.

This year’s survey includes eight priorities related to people. This year every recurring priority statement has a lower score than it was given in 2023 and the average score for people-related priorities has fallen by 4.7%, more than double the overall decrease in priority scores of 2.3%. Interestingly, looking back over the last four years the overall people priority score had basically not moved – making this year’s drop even more surprising. Are leaders so relieved that roles are filled after three years of frustration that they have had no choice but to focus on other priorities, or is there a belief that the people challenges their organisations face are largely outside their control?

What we heard

- Contributors commented on all aspects of the employment lifecycle, from education and training settings through to attraction, professional development and retention. The view was expressed that there is still not broad acceptance amongst parents that the food and fibre sector is a great place for their kids to make a career, strongly influenced by out-of-date perspectives held by teachers with limited

or no connection to the industry. Even if a school has sought to better integrate agribusiness into their curriculum, there are challenges, in particular recruiting specialist teachers, as they can make more money working in the sector than teaching the next generation. As one contributor noted, there are currently a

lot of questions about how food and fibre education should work – the problem is that there are not a lot of answers.

- While attracting people to the industry is a challenge, many contributors highlighted that the bigger issue facing many organisations is retaining people.

Scores for people-related priority statements	2024	2023	2022	2021
Maintain immigration settings	7.67	8.13	7.67	8.07
Increase protection of migrant workers	7.44	7.59	6.77	6.90
Co-ordinated promotion of sector careers	7.39	7.74	7.96	7.49
Seek diversity of thought and knowledge	7.02	7.06	7.49	N/A
Automate to enhance employee experience	7.02	N/A	N/A	N/A
Recruit offshore to strengthen client relationships	6.72	6.76	7.01	6.70
Industry wide leadership development	6.57	7.09	7.33	7.84
Better connect rural and urban communities	6.12	7.05	7.04	6.87
Average market related priority score	6.99	7.35	7.32	7.31

At the producer level, young people are leaving the sector as they no longer see a credible pathway to owning a business, although it was noted that some are leaving as they are comfortable working in a business rather than on a business and don't necessarily want to follow the track their parents have taken of working long hours for little cash return.

- It was also suggested that industry leaders are not doing a great job at altering their leadership style to respond to the needs and expectations of a new generation of employees. Younger employees are looking to be recognised as complete people, not just labour units, and want to feel valued for what they are contributing to the organisation.

While attracting people to the industry is a challenge, many contributors highlighted that the bigger issue facing many organisations is retaining people

- As one contributor noted, the sector faces challenges every day. It is people that solve these problems and people require skills to solve these problems. While it is not difficult to agree with this perspective, it was noted that the professional development programmes currently in place are not equipping people with the skills and experience that they need on a day-to-day basis in the workplace. The mega merger of the polytechnics and training organisations has not delivered the step change in training that it was intended to create. It was suggested many employers are not seeing value in the training they are funding for their team. As one contributor noted, when you don't see value in training and the financials are tight, one of the easy cuts to make is training. Work needs to be done to improve the alignment of training with the needs of the industry and our global markets, so that training and development become a driver of long-term success rather than a discretionary expense.
- Interestingly we did not hear a lot from current leaders about the need to evolve leadership styles. While one leader noted that people are the most important element in enabling their business to get a premium product to market, there was little discussion on whether leaders are doing all they can to enable their people to create and deliver on the industry's value proposition.



Update from the Emerging Leaders

A memorable moment from the 2023 Emerging Leaders Forum was the lack of confidence the group had that the industry would be able to transform its leadership approach to recognise and welcome alternative perspectives from younger people and ultimately become an employer of choice. We took the opportunity to see if opinions had changed over the last year. Not unsurprisingly, given the views we heard from industry leaders, the Emerging Leaders consider there is still a lot of work to be done on the employee value proposition the industry presents. As one contributor noted, leadership is needed to better market the full experience of jobs in the sector, but the focus remains on money and often misses the associated benefits that a career in the sector provides.

Emerging Leaders raised a range of issues with the employment experience across the sector. Schools are not integrating food and fibre into their curriculum, often leaving family connections as the only pathway to understand the opportunities (something fewer people have). The younger people with the diverse skill sets the sector needs are heading overseas as they don't see (or understand) the opportunities here. The hard nature of the work does not align with what younger people are looking for in a job, the rewards do not align with the exertion required. Training is too generic and targeted towards the lowest common denominator rather than the specific needs of a person. Issues remain for many living in remote areas, given the lack of the basic infrastructure people expect to be easily accessible. And we just don't pay people enough.

One contributor suggested if you want a decent career in the food and fibre sector you need to go overseas, particularly if you work in science, as you can double your salary and get to work with tools and technologies that are restricted in New Zealand.

This year's Agenda

- As the gap in lived experience between the urban community and the food and fibre sector continues to grow, it is important that young people understand the innovation that is happening in the sector and the career opportunities this creates. Companies should be stepping up to the mark to support schools by providing materials that they can use in the classroom. More importantly, they should be working to create opportunities for teachers and their students to have immersive experiences that allow them to get inside the future of food and fibre. It would be amazing if every school camp group had the opportunity to go onto a farm or visit a processing facility to learn about the complexity of the business and its direct connection to global markets. We believe this is something producers and their processing partners should be actively stepping into.
- While the food and fibre sector is not unique in struggling to handle the needs and expectations of the millennial and centennial employees, the challenge of retaining people means this needs to become a key area of focus for leaders across the sector. Industry leaders need to be far more aware of how their behaviour impacts their team and make conscious decisions to evolve their behaviour. They should also be exploring creative ways to gain greater input from their younger employees to both connect them to the

organisation's mission and to ensure their diverse perspectives on issues help the organisation to move forward.

- It would also be great to see companies coming together and collectively establishing a pan-industry mentoring programme. During the roundtables we heard about an industry good organisation that has established a programme in which Emerging Leaders are paired up with an existing leader from a different organisation so the next generation can learn from the wisdom, experience and scars of those more established in their career. Organisations should come together to explore scaling such a programme across the food and fibre sector. It would be a good place to start in demonstrating investment into people across the sector.
- There is also a need to ensure that training programmes and resources are fit for purpose. There is a disconnect between what employers need and what training providers are delivering. Organisations cannot afford to be passive on this – they are not getting value for their investment in training and the inadequate training will impact productivity and profitability. The onus to change consequently falls on organisations to engage with training providers and get really clear about their needs and expectations, rather than expecting training institutions to miraculously come up with the perfect solution.



The demographic differences

Six of the overall Top 10 priorities appear in the individual Top 10s of each demographic cohort. This compares with only two last year and three in 2022. Rather than focusing on the common priorities across cohorts, attention falls on the priorities that are not featured in the Top 10s of each cohort – namely investment in rural infrastructure, building water storage infrastructure, maximising the sustainable use of oceans, and maintaining immigration settings – and the alternative statements that were given greater priority.

In prior years it has always been the Top 10 of the male cohort that most closely resembled the overall Top 10. However this year the female cohort’s Top 10 is 100% consistent with the overall Top 10 (although there is minor variation in rankings).

Action	Overall	Male	Female	Millennial	Gen X	Boomer
World-class biosecurity	1	1	1	1	1	1
Act on results of gene editing discussions	2	8	2	=3	2	=3
Sign high quality trade agreements	3	4	4	6	=3	2
Invest in resilient rural infrastructure	=4	3	6	=13	=3	7
Broadband equality for all	=4	2	=7	=7	7	=3
Public/private mission science partnerships	6	10	3	5	6	5
Build water storage to manage resources	7	5	=9	=7	8	13
Develop resilient supply chains	8	7	5	2	10	=8
Maximising sustainable use of oceans	9	12		=13	9	=8
Maintain immigration settings	10	15	=7	=10	11	17

Higher priority
(10+ above overall)

Higher priority
(5 to 9 above overall)

Higher priority
(Within 4 above overall)

Consistent
priority rank

Lower priority
(Within 4 below overall)

Lower priority
(5 to 9 below overall)

We have previously pointed to the greater focus that female contributors have placed on people and environmental issues in their Top 10 priorities, so full alignment with the overall Top 10, which is very light on these issues, represents a significant shift on our prior thinking. It is unlikely that this year’s results reflect a step back from female contributors on these issues. More likely, it reflects that the organisations they lead are facing the same economic and operational challenges as the rest of the industry and they are focused on actions that will assist in lifting financial and operational resilience. This is necessary to earn the right to invest into people and environmental issues.

We need a plan for our ocean environments

The sustainable use of oceans held its place at 9th in the overall ranking and features in the Top 10 priorities of three demographic cohorts. However, like water infrastructure, it did not feature highly in the roundtable conversations, being raised in only one session. Little progress has been made in unlocking the potential for our oceans to make a material contribution to the long-term prosperity of the country. When the topic is discussed, the focus tends to be on expanding deep water aquaculture rather than the wider potential for oceans to be used in a sustainable manner to contribute

to the food system, create blue energy and meet decarbonisation goals.

It was noted that before our oceans can contribute meaningfully to our economy, we must ensure we have healthy oceans, something requiring ongoing effort. The Government has announced it is halting work on the proposed Kermadec Ocean Sanctuary, an initiative intended to help secure the long-term health of our oceanic environment. It was highlighted that if we want our oceans to be able to support long term growth it is critical that we protect enough water space to keep all our ocean ecosystems healthy. The need to broaden discussions and develop innovative ways to keep the oceans healthy, recognise their cultural significance and enable them to contribute economically, should be a collaboration priority for Government and industry.

While the priorities of the female cohort exactly match the overall Top 10, each of the other groups featured some differences in their priorities, although the number of differences is lower than previous years. Again, the closer alignment of priorities between the cohorts most likely reflects that most organisations are facing common challenges given the economic and operating issues that surround the food and fibre sector.

Additional Top 10 priorities for contributing demographics

	Result for Demographic Group		Overall result	
	Rank	Score	Rank	Score
Male Contributors				
Collaborate to accelerate net zero transition	6	7.94	=11	7.58
Increase protection of migrant workers	9	7.72	14	7.44
Female Contributors				
Priorities are consistent with overall Top 10				
Millennial Contributors				
Quickly work to reduce food insecurity in NZ	=3	8.23	17	7.36
Automate to enhance employee experience	=7	8.00	=23	7.02
Manage export exposure to China	=10	7.92	26	6.74
Generation X Contributors				
Collaborate to accelerate net zero transition	5	8.00	=11	7.58
Baby Boomer Contributors				
Tougher penalties for animal welfare breaches	6	7.88	18	7.29
Telling engaging provenance stories	=8	7.80	=11	7.58
Co-invest to support tech adoption	=8	7.80	13	7.45

Last year the Millennial cohort had six alternative priorities in their Top 10, this year they have only three. The need to focus on reducing food insecurity in Aotearoa and managing export exposure to China reoccurred while one of the new statements, relating to automating manual processes to enhance the work experience, also featured in their Top 10. The cohort's strong focus on developing climate resilient farming systems last year has not reoccurred, although this was a feature of the Top 10s for the male and Generation-X contributors.

The Boomer cohort always has a few interesting differences in their Top 10. This year, it is the only group to include increased penalties for animal welfare breaches in its Top 10. This was a priority that had a small change in wording (from “tougher penalties” to “increased penalties”) but one that reflected the importance the most experienced leaders in the sector feel about the risks presented by animal welfare failures. There was little movement in the overall ranking for this priority on the wording change, increasing only one place from 19th to 18th overall.

Food insecurity is getting worse, and the sector must be part of the solution

Last year, two cohorts, the female and Millennial groups, identified the need to work quickly to reduce food insecurity in New Zealand as a key priority within their Top 10s.

This year it only appears in the Millennial Top 10. This priority was ranked 17th overall, down from 15th in last year's survey.

The headlines about food security challenges during the pandemic are fading into memory, but the aftermath of that crisis remains. More New Zealanders than ever now rely on some level of support to put food on the table for themselves and their family. A recent report by the Salvation Army (State of the Nation Report 2024) shows food insecurity is significantly higher today than it was in 2019, when we first suggested that the food sector should take a more active role in ensuring we feed our five million first before thinking about export.

The rationale for this call has not changed. If our society is not healthy it will become increasingly difficult to sell our food to the world on a platform of its nutrition and sustainability. In challenging times, we acknowledge it is hard for leaders to focus on everything, and “charitable activities” are often seen as nice-to-haves and easier to cut than an initiative with an immediate return. It is pleasing that younger leaders still see the more than a million New Zealanders who experience food scarcity on a regular basis as a high priority for which we need to find long term, mana preserving, commercially robust solutions. Without commercial solutions to a social problem locally, it will become increasingly difficult for the industry to maintain its premium positioning with customers around the world.



More New Zealanders than ever now rely on some level of support to put food on the table for themselves and their family



Nobody is waiting for us to sell to them

During this year’s roundtables we heard more leaders talk about market trends than we have done for many years. Contributors shared travel experiences and the signals of disruption that they had detected in their conversations with customers, contacts and others in the key markets they interact with. While the message was clear that markets are price sensitive and supply chains are brittle, there was optimism that markets also offer opportunity. Consumers are basing their purchasing decisions on a wider range of factors than purely price, but real effort is required to get them to focus on our products.

This year’s survey includes 10 priorities related to markets. Except for developing resilient supply chains, the other priority statements all received lower scores than in 2023. Leaders commented on the new challenges that have emerged around shipping, in particular security concerns in the Red Sea and climate impacts on the Panama Canal’s operations. The average score for market-related priorities has fallen by 2.6%, broadly in line with the overall decrease in priority scores of 2.3%. Priorities like managing the industry’s export exposure to China, recruiting local people in offshore markets, and implementing a national provenance system, recorded larger reductions in their priority scores as the need to maximise prices and reduce costs have come into clear focus in many organisations.

Scores for market related priority statements	2024	2023	2022	2021
High quality trade agreements	8.14	8.42	8.14	8.41
Develop resilient supply chains	7.83	7.69	7.95	8.21
Telling engaging provenance stories	7.58	7.74	7.71	7.56
Co-invest to support tech adoption	7.45	7.63	6.87	6.71
Clear market signals to all in the value chain	7.40	7.47	7.12	7.23
Negotiate and complete FTA with India	7.22	7.31	N/A	N/A
Manage export exposure to China	6.74	7.14	6.56	N/A
Recruit offshore to strengthen client relationships	6.72	6.76	7.01	6.70
Implement national provenance system	6.53	6.90	6.32	6.34
Track alternative protein developments	5.40	5.86	6.01	6.25
Average market related priority score	7.10	7.29	7.08	7.18

What we heard

- There was a lot of discussion about the international trading environment. Leaders are detecting that some deglobalisation is occurring as governments direct more resources towards domestic food resilience. While it is pleasing for the industry to have enhanced market access to the UK and EU as a result of free trade agreements coming into force, there is always a demand for access to more markets and improved access to markets where agreements already exist.
- The challenges of emerging non-tariff trade barriers and restrictions – for instance CBAMs (Carbon Border Adjustment Mechanisms), geographical indicators and decarbonisation obligations – are making “free trade” progressively less free. Even relations with friendly and geopolitically aligned countries can become fractious. Both industry and government have a role to play in managing relationships, to prevent a product attribute being weaponised against us by a government responding to a domestic political agenda. This is a key driver for ensuring we have appropriate regulation around the way our products are produced. Leaving each organisation to determine its own approach to meeting export market requirements increases costs for all and puts every organisation at risk, should one organisation not get things right.
- While the Government’s focus on India was noted, there was scepticism about the size of the opportunity in the medium term, given the complexity of India’s market structure and the subsidies it gives to local farmers. The reality is that any upgrade in the trading relationship with India is likely to have a long timeframe and require a lot of hard work. Connecting on values and demonstrating a clear focus on mutually beneficial trade will be critical to the Indian Government opening the door to a longer-term trading relationship with New Zealand.
- China was a focus for several contributors. While the Chinese economy is not growing as fast as in the past, it remains a significant market for New Zealand exporters and there is very little likelihood we can find alternative markets that will pay as much as China anytime soon. Organisations need to find ways to operate in the Chinese market during what is likely to be an extended economic recovery period following the real estate downturn and subsequent loss of wealth. It was highlighted that we need to be alert to China prioritising other trading relationships – for instance, Brazil and China are marking 50 years of diplomatic relations, including upgrading market access. Chinese consumers’ increasing comfort with domestically manufactured products was also noted; it may be that peak infant-milk exports have passed, as Chinese consumers grow to trust local brands. We should also recognise that these domestic brands will ultimately become export products from China.
- The time it takes to develop high-value markets was raised by contributors, one noting that we have not always moved as quickly as necessary to grasp the opportunities that are available. One contributor said their organisation had ramped up their focus on chasing opportunities after receiving some very direct feedback from potential customers who made it clear that they did not see the New Zealand product as the best available, despite its great eating quality, as the specs were wrong for their needs and little was being done to align the product to how their customers were wanting to use it.
- The overall message in relation to trade was very clear. The industry needs to target the part of the market that has the ability to pay premiums for our products. But before we can sell our products, we need to invest more on understanding what drives the consumers that can pay the most for our products, and spend more time and money on building relationships with these people and the value-chain partners that connect us to them.

Connecting on values
and demonstrating a
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This year's Agenda

- The global food system is evolving quickly. A contributor noted that they consider the demand for food is bifurcating between high-cost, traditionally produced food and food produced using modern techniques to meet the demand for low-cost nutrition around the world (largely underpinned by subsidies to keep prices low). With the costs of production and regulatory settings, New Zealand's future lies at the premium end of the market. The challenge for organisations is targeting consumers that understand our products and are prepared to pay for them, and then ensuring that the whole value chain – from input providers through to producers, including all supply chain partners – is geared up to deliver the experience we sell. As it was put by one contributor, the industry needs to be clear in its ambition to deliver nature-positive food from well stewarded landscapes, that is demonstrable by hard data.
- Even in the current challenging market conditions, contributors highlighted examples of companies achieving strong results from a laser-focus on their market niches and through sustained work to build the necessary attributes to win in these markets. Some of these attributes are tangible actions that need to occur in a supply chain to ensure product quality, while others are intangible, such as a certification. It was highlighted that

the stacking of recognised and relevant attributes and certifications into a product can differentiate it in a crowded marketplace. Industry leaders gave the concept of a New Zealand national provenance system a relatively low priority score (6.53, ranked 34th), however it was clear from the comments that demonstrating the attributes inherent in a product is critical to building confidence with consumers. There is time and cost involved in securing every accreditation, thus securing accreditations that actually resonate with consumers is critical. There is work to be done by organisations to ensure they have access to a suite of fit-for-purpose accreditations, along with a process for embedding these into the value chain. The question that needs to be front-of-mind is whether these are globally recognised accreditations or bespoke standards established in New Zealand for our food and fibre sector.

- Industry leaders remain supportive of the Government's work in securing market access. The challenge posed was whether resources are best directed towards new market access, in particular India, or to enhancing the quality of the existing access arrangements to future proof them against erosion by non-tariff barriers. The challenge for the Government is ensuring that their actions on trade will continue to create value for the country. The question is whether the greater return will come from long-term



expansion of our FTA network, or, given where the world is at today, focusing on protecting and upgrading the access we have already secured.

- As we think about those markets of the future, and the products they will be seeking to source, it is important that organisations, particularly those that support consumer-facing businesses, are thinking now about the capability they will need to have to enable our exporters

to be successful in the future. The point was made that no matter whether your organisation is an input provider, a bank or a data management company, now is the time to be asking whether you have the right relationships and technical skills to meet the needs of the markets of the future. While cash investment is likely to be necessary in future, the need to start reviewing capability, building relationships and finding collaboration partners should be an immediate priority.

The major movers

Not all the action in the priorities survey is captured in the Top 10s. The survey includes 41 priority statements, and looking to see which items have shown the biggest changes in priority scores can indicate emerging issues gaining greater focus from leaders as well as items that have been deprioritised by leaders, across the sector. This year, nine priorities recorded higher scores than 2023, two recorded exactly the same score and 27 items saw a decline in score. Given the average priority score fell by 2.3%, it is worth noting that 20 priorities recorded a movement in their score better than a 2.3% reduction and 17 saw a greater decline than 2.3%

Largest increases in Priority score	Rank 2024	Rank 2023	Score 2024	Score 2023	Change on 2023
Direct levies to intergenerational projects	30	39	6.63	6.16	7.63%
Set FDI rules to enable sector to realise potential	35	40	6.44	6.02	6.98%
Build water storage to manage resources	7	16	7.89	7.61	3.68%
Public/private mission science partnerships	6	8	7.99	7.79	2.57%
Recognise strategic importance of food safety	22	30	7.04	6.88	2.33%

Largest decreases in Priority score	Rank 2024	Rank 2023	Score 2024	Score 2023	Change on 2023
Industry wide leadership development	32	26	6.57	7.09	(7.33%)
Track alternative protein developments	40	42	5.40	5.86	(7.85%)
Objective assessment of tree planting	19	=4	7.28	8.06	(9.68%)
Better connection of rural/urban communities	39	29	6.12	7.05	(13.19%)
Transition to climate resilient farm systems	41	17	5.16	7.61	(32.19%)

Are we investing enough in our future?

The priority achieving the largest increase in its score related to changing commodity levy legislation to enable more funding to be directed towards intergenerational projects. This is something the Agenda has returned to regularly since 2012, so it is pleasing to see more leaders giving it a higher priority (even if it is still ranked only 30th). The intergenerational investment made into the dairy sector during the 60s and 70s set the industry up for success in recent decades, but we heard concerns from current leaders that we are not doing nearly enough to set the next generation up for success and there is a need to review how industry good investment is made across the sector.

This is an area that we have been working on in partnership with AGMARDT in recent months and we look forward to releasing a paper that we have written on possible futures for industry good in New Zealand, in the coming weeks.

There was a lot of discussion on the capital challenges facing the sector at the current time, particularly given the foreign direct investment settings that are making New Zealand an unattractive destination for foreign investors. Given the amount of commentary on capital structure issues

during the roundtables, it was surprising that the increase in this priority score was not higher or its ranking greater than 35th overall. The future of the science system was also a topic that attracted a lot of comment during the roundtables (reflected in the priority consolidating its position in the Top 10) with many leaders identifying it as key priority with the National Science Challenges coming to an end on 30 June this year.

We shouldn't ignore the novel food movement just because it has a tough year

We didn't hear a lot about alternative proteins during the roundtables this year so the fact that it recorded a sizeable fall in its priority score was not a major surprise. It has been a tough year for novel food businesses globally as it has become harder for them to source capital, and customers expect more experience for their money. Globally, many of the pioneers in the sector have struggled, and brands and companies have closed (including the recent closure announcement by New Zealand's Sunfed Foods), but it would be a mistake to think the novel food movement is a fad that has passed.

The practicalities of providing a secure, affordable and nutritious supply of food to 8 billion people means that fermented, cultured, cellular, vertically farmed and plant-based food options will increasingly be on the menu for most of the global

population on most days. These new products are another competitor for the traditionally farmed products that New Zealand prides itself on, and while they are unlikely to capture too many customers in the premium markets we supply (although precision fermentation could make life interesting in some high-value ingredient markets that the dairy sector competes in) it would be foolish to ignore them. Mix any new and emerging technology with AI and who knows what the outcome could be. It is our assessment that industry leaders are either brave or cavalier to be giving such a low level of priority to the food technologies that will ultimately feed most of the world.

One of the most surprising results in the 2024 survey was the fact that the priority "Accelerate transition to resilient and indoored farming systems in regions vulnerable to extreme climate events, including land use change and relocation" recorded the largest reduction in its priority score (32.19%), falling from 17th last year to 41st – dead last – this year. This priority statement was new last year, added in response to the impacts of the Auckland floods and Cyclone Gabrielle, and gained support as leaders talked about not just building back but reinventing our farming systems in a way that enhanced their resilience to severe climate impacts that had been witnessed across much of the country. The conversations have gone silent, and the priority has plummeted. What happened to our ambition to build back better?

It is our assessment that industry leaders are either brave or cavalier to be giving such a low level of priority to the food technologies that will ultimately feed most of the world

Are we building back more resilient?

Last year, the Agenda roundtables took place in the weeks following the destruction caused by the Auckland floods and Cyclone Gabrielle. There was a lot of talk at the time about the need to have the hard conversations about building back in a more climate resilient manner, not just replicating what had been broken and destroyed. It was acknowledged that this would be a hard conversation for many but it was one we could not afford not to have. Twelve months later, after a year where markets have been tough and where, thankfully, we have not had another devastating climate event, it seems that the focus on climate transition has fallen off the Agenda for many industry leaders.

What we heard

- The weather events of January and February last year were an extreme wake-up call as to what extreme weather can mean. The reality is that for Hawke's Bay and Tairāwhiti, it has been 12 months of hard effort focused on recovery. As one contributor put it, there is no long term if you do not fix the short term, the implication being that immediate needs have been a greater priority over the last year, and many organisations simply do not have the bandwidth for more profound conversations about what the future holds.
- One of the leaders' key observations on last year's weather events is that we appeared to have very little in the way of a plan for the response and much of it had to be created on the fly. There is a role for central government in leading the planning, but when extreme weather events occur, the reality is that they impact local communities. As a consequence, they require comprehensive planning at both local government and community levels.



- While we heard from a few contributors on the challenges that exist with infrastructure in rural areas (that damaged in last year's storms and vulnerable infrastructure across the rest of the country), there was not much conversation about managed retreat from regions that are likely to be subject to repeated damage, nor about plans to transition into climate resilient production systems (particularly using more indoored systems that materially remove or reduce the impact of climate on production patterns). As one leader noted, the remediation of the damage done by Cyclone Gabrielle has required total effort from everybody involved as resources have been limited, but there is a need to recognise that it is only a matter of time before the next storm blows through. That one could very well be even bigger, so we do need to reinvigorate the discussion about how we build back better.

This year's Agenda

- As extreme weather events become more common it is critical that plans are in place to enable communities and businesses to get back on their feet as quickly as possible. It is not acceptable for connectivity to take weeks to recover and other key infrastructure to still be compromised over a year later, when other countries where these events have historically occurred regularly are able

to move much more quickly to enable communities to stand up and businesses to function. Local government, community organisations, key employers and iwi should seek to collaborate on detailed regional response plans which clearly set out the roles and expected activities of all organisations, so that people are clear on what they need to do and what they can rely on others to do.

- Given our location in a region of the world that is likely, with climate change, to face more extreme weather events – be they cyclones, floods, droughts or fires – there can be no complacency that having got through Cyclone Gabrielle we now have a decade or two before another storm blows in. The banks and insurance companies are already integrating geospatial and climate data into the tools that will inform decisions about with whom they are prepared to do business. As climate change increasingly challenges conventional wisdom that one in seven seasons is likely to be a failure, the economics of traditional farming businesses that choose to leave themselves fully exposed to climate volatility will cease to work. We recognise the conversations are hard – particularly in the regions heavily impacted by last year's storms where the community has had to focus on the here and now to get going again – but we can not put them off for much longer. Asset owners (producers,

processors and distributors) have to start to make long term plans for the future of their businesses, to support investment into assets and infrastructure that will provide greater certainty of income continuity in a climate-disrupted future.

- As an organisation that likes provocative future scenarios, we think that a matter on the radar should be the long-term future of some of New Zealand's important food and fibre regions (the Waikato, Taranaki, Manawatu, Marlborough, and Canterbury in particular). In the UN climate models, New Zealand is a country that will be required to welcome climate refugees from around the world. In the worst-case temperature increase scenario, this could mean over 100 million refugees arriving in New Zealand before 2100 (and that is into a country where parts of Auckland and Wellington could well be underwater due to sea level rises). Think about the implications – where do these people live (likely our prime agricultural land), what do they eat, where does that food come from, what jobs do they do? While it is a long way into the future, and hopefully the world acts collectively to mitigate temperature rise, this is one of those what-if scenarios we can't ignore. It alone is a good reason for the industry to double down on efforts to establish a clear and practical pathway towards net zero.

Asset owners have to start to make long term plans for the future of their businesses, to support investment into assets and infrastructure that will provide greater certainty of income continuity

The money is there, but do we want it?

Availability of the right type of capital was identified by many contributors as a top-of-mind challenge facing the sector. While there is plenty of money globally available in food related businesses, particularly those working in deep food-tech and integrating AI into their product solutions, many contributors highlighted this money is not finding its way to New Zealand.

What we heard

- Clear concerns were expressed about the ongoing stigma we attach to foreign direct investment (FDI). While it was recognised that not all investment is beneficial, the right investors being brought into the right opportunities has the potential to reduce the risk local investors assume, enable our organisations to benefit from the balance sheet capacity that offshore

investors have available to them, and, perhaps most significantly, tap into the intangible benefits of a broader investor base, including their networks, their knowledge and insights and the innovation that they have access to.

- The traditional investment into food and fibre has been to buy the farm of the forest, owning both the land the productive assets deployed on it. The point was made that the desire for this type of investment is waning with strategic investors less likely to be comfortable to wait for a capital gain to be realised years down the track, instead focusing on the return and cash flow an investment can deliver in the short and medium term. Investment patterns in agriculture and food are increasingly following the rest of the economy, where ownership of the business and the premises it is conducted from are usually separately owned. The message from contributors was clear, investors in food want to be invested in the aspects of the industry that are going to create value and deliver returns.



- The succession wave has been hanging over the industry for almost a decade. During this time farmers have got 10 years older, their assets have started to become run down and the choices available to them to exit with their capital in hand have become more limited. When the timeframe to exit a business is not clear the willingness to invest in its physical assets but also the enthusiasm to innovative with land use and business models tends to wane. As one contributor noted the transition of wealth should be a priority area of focus for the industry to give those that wish to move on a pathway to exit while giving those with the enthusiasm and energy to take the industry forward the opportunity to do so.
- It was also suggested that there is a lack of clarity in terms of investment as to whether the goal of organisations across the industry should be on winning today or on building the platform to win sustainably in the long term. Winning tomorrow means there is a need to start investing today in the innovation and land uses that will set up organisations up for long term success, while winning today is about directing investment towards the fixes for the immediate challenges faced today. The assessment was that there is currently a lack of confidence to innovate, invest and grow which suggests the focus is on delivering short term wins. The ability to invest in long term innovation

requires patient capital, which brought the discussions back to FDI which often comes with a greater willingness to support a long-term vision.

This year's Agenda

- To fuel long term growth across the food and fibre sector there is no doubt that more capital is needed. Part of securing this capital is reviewing FDI settings. We must put out the open sign and let international investors know we welcome investment if it comes from investors with similar values who are prepared to buy into building a better future for New Zealand together. Investors that bring not just money but networks and knowledge to the table. The message was clear that the industry needs the Government to act on this issue as a matter of priority.
- Putting out the open sign is involves more than just changing a regulation. Organisations need to be clear on their aspirations and the competitive advantage they have in global markets. Organisations need to be ambitious and offer a proposition to potential investors at a scale that will attract interest from the right investors. As contributors noted many international investors are looking for an investment size that is much larger than the average size of a New Zealand raise.
- Innovation is needed to free up generational succession, a process that is critical to create opportunities for the new generation of farmers to gain access to land and drive innovation and productivity. Banks should be actively exploring models that their clients can adopt to enable the release of equity and the transition of wealth generating assets. Could long term leases be a mechanism that enable the next generation of farmers to come through with tenure on land that they can then invest in and grow a business while progressively buying the previous owner out.
- The point was also made that there need to be more options available to farmers looking to diversify their businesses and create new sources of income. The challenges facing some of the niche sectors that had been tagged as diversification opportunities (for instance sheep milk, dairy goats and avocados) have become clear, and they are currently not attractive investment options. Industry good and commercial organisations need to recognise the time it will take to have new products and markets ready for mass adoption and do the work now to ensure these are available by the time producers need to step into them.

We must put out the open sign and let international investors know we welcome investment if it comes from investors with similar values who are prepared to buy into building a better future

What happens after 30 June?

The importance of mission-led science (science that is directed towards the biggest opportunities and challenges facing New Zealand) saw its ranking and priority score increase in this year's survey. The priority statement calls for strengthening the science ecosystem through joint public/private investment into partnerships that fund and accelerate science directed towards key missions for the country, against a background where there is no clear direction for the future of our national science system, and cuts in government funding in the recent budget. It is perhaps not surprising that this was a key issue for many contributors this year, particularly given that funding for the mission-based science initiatives (the National Science Challenges (NSC), established by the National Government in 2013) expires on 30 June this year.

What we heard

- A consistent message from the roundtables was that as a country and industry there does not seem to be adequate recognition that science lies at the core of innovation and that innovation lies at the core of us bringing the right products and services to market to secure the export revenues that support our economy. With the announcement of separate reviews of New Zealand's science and university systems concern was expressed that there is no clarity on what will happen after the NSC finish.
- There is currently insufficient funding to retain all the science capability that has been built in areas that remain of critical importance to New Zealand. The approaching funding gap (which one contributor described as a chasm) is already affecting the job security of scientists and, it was suggested, will result in capability being lost to the



country, a slower pace of innovation and, ultimately, stagnation in the returns the country generates from the food and fibre sector.

- There was also concern expressed that the research knowledge that has been accumulated by the NSC over the last 12 years will go unused if there is nobody to promote its use and ensure it remains relevant to emerging use cases. There is a real risk that much of the investment that

has been made will be wasted given the hard end being placed on the challenges.

- It would be wrong to suggest that all commentary on the science system was negative, there was recognition that great work is being done and delivering impacts for the industry both in New Zealand and with global partners. When we join up companies, the research institutes and universities and bring collective focus and insight to an issue we can move mountains. The issue is we are moving

fewer mountains less far than we did in the 60s and 70s when there was no doubt we were best in class in the science that was important to our farmers and were working collaboratively with an intergenerational focus.

This year's Agenda

- There is no question that the NSC have deepened collective knowledge around key opportunities and challenges facing New Zealand in strategically important areas. However, they have not really been public/private partnerships. They have placed an expectation on private organisations to lift their investment into science and innovation in a meaningful way.
- For the right science to be done and more importantly for it to create outcomes it is critical that investment is not left to the Government, but all interested parties must have some skin in the game. AgriZeroNZ, the public/private joint venture between the Government and a growing list of private companies signposts the future model for mission-based innovation. The venture, that behaves more like a private equity fund and has freedom to invest globally, has been established to deliver on a mandate to reduce methane emissions inside the farmgate for New Zealand farmers. It is a radically different approach to delivering outcomes from innovation

for New Zealand, but it feels like AgriZeroNZ is a blueprint for the future of mission-based science.

- We first wrote about the 1%:99% conundrum in the 2012 Agenda - even if we spent 1% of global R&D investment, we need access to the 99% of good ideas we don't fund for the industry to deliver on its potential. The conundrum persists. Global partnerships have been fostered to tap into new emerging knowledge, however a question remains as to whether we have done enough to foster relationships with the right partners or the easy partners. As budgets get tighter and the costs of innovation increase, the need to find the right global partners becomes more critical. Whether they are in Salinas, Dublin or Abu Dhabi, the industry needs to be working harder to find partners with the solutions to problems it can't afford to solve itself.
- There is a huge innovation wave available for New Zealand food and fibre companies to ride currently but there were concerns that we are at risk of missing it given the range of competing priorities that organisations have. Successfully riding the wave requires access to the right technologies. As one contributor noted and we completely agree, the focus of our science system should be on delivering science that is useable, useful, and used.

1%:99%



Even if we spent 1% of global R&D investment, we need access to the 99% of good ideas we don't fund for the industry to deliver on its potential

New priorities in 2024

This year, three new priorities were included in the survey for the first time while four priorities we had previously included were withdrawn.

The highest ranked of the new priorities was discussed the least by industry leaders during the roundtables, relating to automating manual processes to manage labour costs and make the food and fibre sector a more attractive employer to current and future employees. It was ranked at 23rd overall and in the 20s by all cohorts except the millennials who ranked this

priority at 7th. Last year, we wrote in the Agenda that the time had come to stop recruiting people and turning them into robots performing repetitive manual tasks and instead start investing in robots to do those manual tasks and start investing in people so they truly become the industry’s competitive advantage.

We have observed a similar theme in our discussions with food and fibre organisations around the world and our opinion on automation has not changed during the year. The pace of automation has accelerated, and the cost is starting to reduce, as equipment manufacturers increase the scale of their

operations. The challenge is whether the other side of the equation, investing in people to enable them to become an organisation’s competitive advantage is happening. Our discussions on people trends would suggest that there remains much to be done to deliver on this area.

The other new priorities (establishing local sustainable energy schemes and encouraging exploration of generative AI) both recorded lower than average priority scores across all cohorts but featured heavily in the roundtable conversations, as we discuss on the following pages.

The removed priorities

- Collaborate with community projects to support beneficial social outcomes was removed as leaders have indicated that most organisations have started to incorporate an ESG lens into their strategy.
- Utilise New Zealand IP to deliver products to customers 365 days a year was removed as our work indicates that a 365 day a year supply models rely on a range of global innovation not just New Zealand solutions.
- Co-ordinate public and private investment to develop pathways towards commercial scale regenerative agriculture was removed as there is no consistent understanding of what regenerative agriculture means and other questions address the need to operate in greater balance with nature.
- Direct more Government R&D investment towards monitoring international innovation was removed as this is an integral part of a mission-based approach to science, which leaders have identified as a top priority in 2024.

The new questions in 2024

	Overall	Male	Female	Millennial	Gen X	Boomer
Automate to enhance employee experience	=23	27	20	=7	23	=27
Establish local sustainable energy schemes	27	=25	30	=27	=27	=32
Encourage exploration of Gen AI	31	=35	28	26	32	35
Higher priority (10+ above overall)	Higher priority (5 to 9 above overall)	Higher priority (Within 4 above overall)	Consistent priority rank	Lower priority (Within 4 below overall)	Lower priority (5 to 9 below overall)	

Transition signposts circular bio-economy future

A new priority statement on localised sustainable biomass energy schemes was included in this year's survey, given the conversations we have been having with Agri-food executives globally on their 'triple F' strategies (food, fibre and fuel). It ranked 27th overall with a score of 6.73, lower than we expected given the focus on the food, fibre, fuel triple play we hear around the world. Maybe the score would have been higher if the question was not solely focused on biomass as the energy source, as a broad range of energy options were covered in the roundtable conversations this year.

What we heard

- Contributors noted that energy is becoming a greater proportion of New Zealand's food and fibre production cost at the same time as supply reliability has declined for many users in rural areas. Simultaneously, more producers are being required to think about their on-farm carbon emissions as customers become more focused on the footprint of the products they source from New Zealand. Reducing the use of fossil fuels across the value chain offers some of the lower hanging fruit in short to medium term emission reductions, buying time for the climate-tech innovation to find and deliver game changing innovations.
- It was also recognised that many organisations across the sector have had passive energy strategies for decades, potentially complacent and generally relying on New Zealand's largely renewable electricity generation. Several contributors talked about recent travel experiences and the steps that organisations they visited are taking to integrate energy solutions into their

business models, both in respect of energy usage and generation. It was suggested that we are losing the global race to integrate energy into farming systems, pointing to companies like Vanguard Renewables in the US, who are providing practical solutions to farmers to enhance the provenance of their products.

- There was acknowledgement that the industry has part of the solution to its energy challenge already on the farm in the biomass and other co-products that are grown but often treated as waste rather than being viewed as feed stocks for distributed energy generation solutions. One contributor noted that exploring circular economy models for biomass, together with the installation of solar panels, are obvious focuses for the sector but there is a need to move forward with care so the transition creates rather than destroys value. The challenge is not necessarily the ability to generate energy on-farm but the ability to integrate the new distributed generation with the grid to make the investment work.

- The challenges rural energy infrastructure faces have been raised in prior years and were raised again this year. If every grower around the country started generating electricity it would massively accelerate our net zero transition, but it could also crash the grid, adversely impacting supply to the wider community, and increasing costs for all. Internationally we are seeing rural communities coalesce together around local fuel resilience, sometimes in co-operative structures, to manage the transition, reduce the cost of energy for all and, importantly, enhance the resilience of local supply without the need to invest heavily in distribution infrastructure.
- The recent report by Rewiring Aotearoa, "Electric Farms: The role of farms as future power stations" calculates the additional operating profit earned by one grower, Forest Lodge Orchard in Central Otago, from electrifying its operations at \$60,000 per annum on an incremental investment over conventional alternatives of about \$450,000.

This year's Agenda

- The absence of discussion in prior year roundtables on energy strategy and the role that the food and fibre sector has to play in the transition to an renewable energy system has been in stark contrast to the discussions we have globally. The increased attention on the issue suggests multiple factors are increasingly at play - the rising cost of energy, uncertainty about the security of petrol and diesel supply, concerns about the resilience of rural electricity infrastructure and, hopefully, the opportunity associated with embedding energy generation into food and fibre production systems.
- The consequence is that many industry leaders are starting to think more strategically about the role energy plays in their business and the risks and opportunities it presents. The time for passive energy strategies has passed. We would expect every food and fibre business to think about how they utilise emerging generation technologies within the context of their business, to not only reduce costs, but contribute to their decarbonisation journey. To help farmers and growers understand the options there is an important role for supply chain partners (such as input providers, processors, exporters, and banks) and industry good organisations to play, in providing understanding and

access to options available to accelerate this transition.

- There are the obvious benefits for growers who generate their own electricity, they can save money and enhance their own security of supply. As more viable electrical equipment options start to become available there will be the potential to transition historically diesel-powered equipment to electric, with savings in fuel costs shortening payback periods for these investments. If there is an option to sell excess energy generated back to the grid the opportunity appears to add a new revenue stream to the business and the case for investment becomes stronger.
- In past Agenda's we have written about New Zealand's potential to become the bio-economy equivalent of Saudi Arabia given our climate is (and likely to remain) well suited to creating a whole range of bio-based inputs that with investment and innovation can be used to replace fossil fuels in a wide variety of use cases - here and around the world. Many industry leaders note this opportunity but not much is yet being done by organisations to realise this potential.
- As we wrote in the editorial it is critical that we follow a path to diversify producer income, it is a key contributor to shaping the compelling business case to keep people on their land. But the need to



accelerate our circular economy journey is bigger than this. It is necessary if we are to achieve the Government's goal of doubling the value of exports as it is where we will find the products with the potential to become new billion-dollar segments. Yet we see Scion, the research

jewel in our bioeconomy potential, cutting jobs and no circular economy vision or investment strategy from the new Government. Getting a plan in place should be an immediate priority for the Government if they are serious about transforming the future of New Zealand.

Are we riding the AI tsunami?

Generative AI was the hottest ‘new’ technology trend this time last year and we noted it was something organisations could not afford to ignore. What a difference a year makes. The technology is fundamentally disrupting many aspects of day-to-day business, the speed of development is exponential, and some organisations are reviewing investment plans monthly to ensure their dollars are being spent on today’s solution, not last month’s.

Industry leaders ranked the new priority statement on encouraging exploration of generative AI 31st (score of 6.60) leaving us scratching our heads about how the most transformational change in digital technologies in decades is not in the Top 10 priorities for any demographic cohort. A second priority relating to creating a single open access data platform was ranked 38th

this year (35th last year) with a priority score of 6.40. Is the industry missing a critical shift or has exploration already become execution across the food and fibre sector making it a lower priority, as it is well in hand?

What we heard

- Other than the practical confusion many farmers have when we talk AI (“what do you mean this is a new technology?”) the point was made that for many it is seen is a threat, something that will disrupt their workplace and potentially leave them without a job. There is a lot of work to do to build confidence that AI tools are about creating efficiencies, better jobs, and outcomes for all. People who fear the technologies are infinitely more likely to be disrupted than those prepared to make the effort to become comfortable with the tools, as the human interface remains critical.
- The ability of AI tools to remove duplication, enhance regulatory efficiency and deliver better quality assurance to consumers were all recognised by contributors as direct benefits they can deliver to farmers and growers. However, our inability to tell these stories in a manner that is trusted by grassroots producers is a constraint on uptake and a brake on the pace benefits are realised. The point was made that farmers trust other farmers more than anybody, making farmers that understand and are using the tools critical to driving uptake.
- One contributor recognised the wide range of opportunities inherent in AI but noted that the Government’s agenda is yet to recognise how these technologies could help transform MPI from regulator to enabler. It was suggested the digitalisation MPI are exploring is about turning paperwork into digital records, often within a silo and through the lens of a regulator. Consequently, MPI could be missing the opportunity to be at the core of an industry wide digital transformation, partnering with commercial organisations, to create a data exchange that improves regulatory, commercial, community, and environmental outcomes.
- It was also highlighted that any innovation business without AI at its core is becoming

People who fear the technologies are infinitely more likely to be disrupted than those prepared to make the effort

increasingly uninvestable. The point was made that there is limited capital available for innovative food businesses currently given the track record of some of the higher profile raises in recent years. However, there is huge investment demand for substantive AI use cases, particularly those that can be integrated into existing products and markets. The view was expressed that for our food innovation sector to secure capital, grow and prosper their propositions must seamlessly integrate AI into all aspects of their innovation and growth plans.

This year's Agenda

- Access to data is key to maximising the opportunities that AI tools present. Not all the data has to be in the same system, but it is critical that datasets are able to be integrated and ingested into the tools so that they can create value for all. We need leaders across the industry that recognise and act on the fact that their data is more valuable when it is integrated with third party data. We need leaders that are willing to move beyond a belief that there is an undiscovered competitive advantage still hiding in their systems and share their data not only for their own organisation's benefit, but also for the benefit of their customers, supply chain partners and the country. The Government has an enabling role to play in this by exploring opportunities to partner with those looking to collaboratively share data and use shared data to reduce the regulatory compliance burden collaborators are faced with.
- We need to get more effective at putting technology into the hands of farmers and producers quickly so it gets used and, importantly, results can start to be shared. Use also generates feedback, which when provided in real time, enables tool suppliers to tune their solutions using live data, to ensure they are free of academic bias and applicable to a wide range of producers.

In the current market a tool that can drop dollars to the bottom line is more valuable than ever. The ask to solution providers is to step back from technical language and frame your tool simply in terms of the benefits it delivers to producers. You also need to over invest in your beachhead customers as they will become your greatest ambassadors.

- The agenda for farmers and growers is simple; be open to innovation, be inquisitive, attend demonstration events when a tool looks relevant to your business and set a goal of implementing one or two AI tools in your farming system in 2024/25 (you quite simply can't afford to wait any longer).
- The message from the Emerging Leaders group was clear, we need to stop talking and start doing when it comes to AI and digital transformation. Nobody can be comfortable that they are safe from disruption or envisage how these tools will be getting used in a year's time (let alone a decade's time). We have been saying for the last year that now is the time to be running fast at the horizon when it comes to AI. While not everything will work, what is certain is if you are not running, your competitors will be and with the speed these tools learn it will quickly become impossible to catch them.



Update from the Emerging Leaders

Straw Poll Priority Score: 7.50 (0.90 higher than Industry Leaders)

While many of the group talked to the opportunity they see in AI, they noted that although their organisation has a strategy to use AI technologies there is little evidence of uptake occurring. There was concern that the range of potential use cases is leaving organisations confused around what to do first and rather than start they are taking time to refine a plan and find the perfect opportunity. Organisations were encouraged to think about the role that younger team members could play in driving implementation of AI and other digital solutions, given they are more likely to be the digital natives within the team.

For companies the view was expressed that most benefit will be created by starting to use the technologies and finding through experimentation where they can add most value. However, it was highlighted that it is important that the first AI application a farmer or grower adopts within their business delivers, so momentum builds to explore more use cases. It was also noted that farmers will want to understand the risks associated with the tools and have confidence that their data will be protected and not used in another way that financially disadvantages them.

As one contributor noted most will ultimately step into using these technologies as they will save time and money. The opportunity for those who move faster is that they can place a digital moat around themselves that will become incredibly difficult for others to cross as they will secure step changes in their businesses far quicker than those following traditional processes.

C-Suite vs Executive perspectives

Last year we explored for the first time whether there were any differences in the priorities for those leaders who predominantly have executive roles compared to those who predominantly hold governance positions. This year we had a 68%/32% split between executives and governors. The two groups had six common priorities in their Top 10s (although the governance group had 13 items in their Top 10, with four equally ranked priorities in 10th place). The common priorities include world-class biosecurity, high quality trade agreements, act on the results of the gene editing discussions, public/private mission science partnerships, build water storage and invest in resilient water infrastructure.

Our expectation when we did the analysis last year was that executive leaders would be more focused on priorities relating to day-to-day operational issues while governors would place greater focus on priorities relating to the strategic direction of the organisation and the industry. The results last year did not deliver this clear delineation of focus and we see a similar pattern this year, which suggests that within New Zealand boards are more focused on monitoring historic results and are guided by their executive team through future direction and strategy.

The most notable trend in the data was the materially higher priority scores executives placed on the need to secure the long-term future of the food and fibre’s productive capacity through ensuring producers are supported to transition to climate resilient production systems. While this is an operational issue and one that is likely to become more challenging as time passes, it is one of the most strategic issues facing the industry today and one that will need leadership from across the industry to handle effectively.

Executive and Governor Top 10 Priorities	Exec Rank	Exec Score	Govern Rank	Govern Score
World-class biosecurity	1	9.06	1	9.38
High quality trade agreements	2	8.21	=5	8.00
Broadband equality for all	3	8.19	=14	7.59
Act on results of gene editing discussions	4	8.15	3	8.27
Public/private mission science partnerships	5	8.00	=7	7.97
Develop resilient supply chains	6	7.96	16	7.56
Build water storage to manage resources	7	7.82	4	8.03
Invest in resilient water infrastructure	8	7.80	2	8.44
Collaborate to accelerate net zero transition	9	7.74	19	7.24
Telling engaging provenance stories	10	7.69	18	7.35
Maximise sustainable use of oceans	12	7.56	=7	7.97
Maintain immigration settings	13	7.53	9	7.91
Increase protection of migrant workers	16	7.36	=10	7.62
Co-ordinated promotion of sector careers	18	7.29	=10	7.62
Clear market signals to all in value chain	19	7.26	=5	8.00
Tougher penalties for animal welfare breaches	=20	7.14	=10	7.62
Fast track restoring native ecosystems	=28	6.73	=10	7.62

It is consequently not surprising that executive leaders also placed a significantly higher priority on the need to develop leadership capability across the industry. They can see the massive leadership challenge that the climate presents and understand the leadership bench strength in their organisation better than their governors. They are recognising that there is a gap between the capability that they have available to them within their organisations and the leadership needs they expect to have in the short to medium term making the need to grow more

talent more pressing than it has been in the past.

It is also interesting that executive leaders placed higher priority scores on the establishment of a single open access data platform and the negotiation of an FTA with India. The ability to access more data is critical to an organisation being able to maximise the benefit it can create from new digital technologies, including AI (a desire to enhance digital connectivity is also reflected in the higher rank executives placed on delivering broadband equality to all). The

focus on high quality trade agreements (which executive leaders ranked second compared to the governors equal fifth) as well as completing an agreement with India, highlights the need they have to maintain as much optionality as possible in the markets that are open to their organisation to develop customer relationships.

The average score governors have attached to priorities this year (7.09) has hardly changed on last year score (7.10). The items that they have scored materially higher than executives tend to be areas that are

important to the constituents that elect many of the governors to the boards of the industry good and co-operative organisations on which they serve. The importance of getting market signals to grassroot producers, ensuring rural communities has fit for purpose rural infrastructure, that any gap between rural and urban communities is kept in check and that animal welfare breaches are treated seriously are less about the strategic direction of the organisations they serve but are of great importance to the stakeholders that our governors serve.

One area that directors have placed significantly greater focus on than the executives is taking steps to fast track the restoration of native ecosystems, ranking it in their Top 10 (compared to 28th for the executives). Given executives placed significant focus on the need to start to think through transition to climate resilient production systems it appears that both groups are recognising that something has to change in respect of how the industry interacts with the natural environment – they are just approaching it from different directions. The governors are looking at what can be done to restore the environment to mitigate the risks arising from climate change while executives are thinking more about what needs to change in our farming systems. Ultimately both groups recognise that the food and fibre sector’s relationship with nature must change, something that came through very clearly in the roundtable discussions.

Higher priorities for Executives over Governors	Exec Rank	Govern Rank	Exec Score	Govern Score	Exec Priority
Transition to climate resilient farm systems	41	41	5.48	4.47	22.60%
Supporting land owners to change land use	15	33	7.39	6.46	14.40%
Industry wide leadership development	25	38	6.84	6.00	14.00%
Create single open access data platform	32	39	6.64	5.88	12.93%
Negotiate and complete an FTA with India	14	=27	7.43	6.77	9.75%
Higher priorities for Governors over Executives	Exec Rank	Govern Rank	Exec Score	Govern Score	Govern Priority
Fast track restoring native ecosystems	=28	=10	6.73	7.62	13.22%
Clear market signals to all in value chain	19	=5	7.26	8.00	10.19%
Invest in resilient rural infrastructure	8	2	7.80	8.44	8.21%
Better connection of rural/urban communities	39	32	5.96	6.47	8.56%
Tougher penalties for animal welfare breaches	=20	=10	7.14	7.62	6.72%

Furthering an industry inherently connected to nature

The tone of the roundtable conversation around the environment and nature was markedly different this year. In recent years the environment, and its associated challenges, has been an anchor on the sector and its progress, as uncertainty about how future rules and regulations would work has inhibited ambition and investment. Discussions were focused on compliance, measurement, costs and constraints, as environmental issues became the easy and convenient way to bash farmers, growers, fishers and their supply chain partners. This year, while acknowledging much needs to be done to convert confidence into outcomes, the narrative was about the opportunities inherent in the free-range farming systems that are so central to the way things are done in New Zealand.

What we heard

- One contributor perfectly summed up the tone of the roundtable conversations, noting that every discussion in recent years has viewed the environment as a limiting factor on the potential of the food and fibre sector. Sector leaders need to move beyond the explanation/justification mindset we have been living in, the contributor said, and instead focus on being more confident about the practices applied across the industry. With this approach, we can move forward as an industry whose future is inherently connected to supporting and strengthening our natural environment, rather than one that aspires to exploit for profit and leave nothing behind.
- Excitement about the transformational potential of regenerative farming systems continues to build internationally, and contributors suggested interest is also growing in New Zealand. One contributor highlighted the uncertainty associated with establishing an accepted regenerative standard, noting that some in the industry consider current systems to already tick

most of the boxes to enable producers to claim they are regenerative, while others argue there is a lot of work to do. The point was made that regardless of how close we are to 'regenerative perfection', the support that is available (research funding and demonstration grants, for example) should be directed towards those exploring nature-based solutions within their farming systems to benefit both the environment and their business.

- Food and fibre products are only part of producers' net benefit to society. The ecosystem services provided by most producers through management of water, soil, biodiversity, and other aspects of nature are often overlooked, but without these actions the environment would likely be significantly more degraded than it is. Numerous contributors noted they have no issue with the community expecting them to continuously improve how they manage nature, but it needs to be acknowledged that the costs of providing these services are increasing and it is no longer reasonable to assume that product revenues cover the costs.

- Contributors suggested that urgent work is required on a financial mechanism such as biodiversity credits to enable farmers to be compensated for the nature-based services they provide. It was pointed out that there are numerous groups across the industry that are exploring options for nature-based credits and future pathways for the ETS, and it would make sense to bring these parallel conversations together to work quickly towards a practical solution.
- The fact that profitability and sustainability are inextricably connected can't be ignored. While we need to be investing in farming systems to enhance producers' relationship with nature, we also need to ensure that this is translating into premium returns for our product in market. We can no longer assume people believe New Zealand to be clean and green. We need to tell compelling stories about our organisations' active role in finding solutions that will sustainably feed the world, and transparently provide the data that supports these stories. While it seems counterintuitive, it was suggested that we could look at how the Australian mining industry tells its story: being upfront about

what they will do with regards to the environment and then reporting on the progress they are making – and always being very clear that they are doing what they said they would do.

- While it did not feature significantly in the conversations, commentators raised the reticence of many in the industry about incorporating a te ao Māori worldview into how they think about and engage with nature. It seems that indigenous wisdom already encompasses regenerative practices and managing the land in balance with nature, but most organisations are looking offshore for answers rather than engaging with tangata whenua. It was suggested that many outside Māoridom are challenged by the broad obligations inherent in the Māori worldview, which extend beyond where they have traditionally drawn the boundaries of their business, as well as the time and effort required to build the relationships needed to successfully integrate te ao Māori into organisational DNA. It appears the sector is leaving a potential superpower and differentiator on the bench rather than taking the time to find workable pathways to constructive engagement.

This year's Agenda

- Whether the sector is seeking to accelerate its decarbonisation journey or improve its interactions with natural capital, things happen faster and with greater

impact if they are done collaboratively, using tools and solutions that generate better outcomes for both nature and the businesses involved. As one contributor noted, we can sustainably use nature to grow income. It is important that organisations focus their thinking on the actions that can be taken to enhance the outcomes for nature in its widest sense – land, soil, water, biodiversity, oceans, climate – that also create long-term opportunities for organisations across the food and fibre sector.

- We concur with the view expressed by many contributors that a mechanism to issue producer credits for nature-based services provided to society is a high priority. While contributors suggested that such a scheme should be a priority on the Government's agenda, we consider that this fundamentally is a financial markets issue. As a result, we encourage banks and other financial institutions to explore the infrastructure necessary to establish a credible market for nature-based credits. A robust market structure is critical if it is going to have the credibility to inspire confidence for organisations to invest in the actions that will ultimately generate these tradeable credits.
- As one contributor noted, the success of any market starts with effective measurement. Unless you can clearly define what you are selling and provide counterparties with confidence that any

unit exists and is credible, you don't have much of a market. We are seeing credit schemes and markets emerging around the world, and at the core of each of them are consistent standards that are subject to verification and validation. If we want to see more investment in enhancing outcomes for natural capital, we urgently need to bring participants from across the sector together to collaboratively agree on these standards for New Zealand.

- There is also work to be done on storytelling across the sector. Consistent and accepted measurement standards will support our stories. However, every organisation should be thinking about the information they currently provide their stakeholders, both direct and indirect, and assessing whether they could be doing more to present their story in a compelling yet balanced manner.
- There is much all parties in the food and fibre sectors can learn from each other as we look for the best way to sustainably grow a prosperous future for all New Zealanders. Individual leaders in the industry should be open to exploring the wisdom inherent in te ao Māori principles and focus on building personal relationships with kaumātua to enable them to do this. This will take time (and numerous cups of tea) but pathways for understanding and collaboration will emerge, creating opportunities for all involved.

Reset to enable business success

Recent Agendas have placed a lot of focus on regulation, both enacted and feared, as it was perceived to be sapping energy and creating anxiety across the industry. While we still heard about regulation during this year's roundtables, the volume of comments was lower, with more focus on ensuring that we have quality regulation that does what it is intended to do. The more relaxed tone is very likely connected to the Coalition Government's commitment to eliminate the perceived regulatory oversteps of the previous government, ensuring that New Zealand has a regulatory environment that enables long-term business success, rather than ties it up in red tape.

What we heard

- Several contributors highlighted that New Zealand's biggest competitive advantage is our cost structure for growing grass and suggested the changes to regulatory settings in recent years had put this cost advantage at risk. Various contributors questioned whether the current regulatory environment is making a positive contribution to New Zealand's national triple bottom line. There was a view that much of the regulation that has been implemented had its foundation in perceptions rather than science. It was also suggested that the industry may have contributed to its own problems, given that many in the sector had in the past been reticent to act, which ultimately had adverse impacts on the environment and the community.
- There was also a recognition that farmers have no choice but to embrace change and not to fear the future. Regulation that requires continuous change and improvement – but which ultimately enables us to deliver higher quality, better attributed products to market – should

be welcome. While the public/private partnership of the He Waka Eke Noa climate action proposal was identified as the right structure for collaboratively determining regulation, the view was expressed that the subject matter was too challenging for a first attempt to work in this way, and that the necessary trust that all parties were acting in good faith was missing. It was suggested that industry should be a partner in designing all regulations, to help create practical rules that are easy to follow because they make sense.

- The reality for many of our leading exporters is that regulation only ever happens long after the customer has already spoken, given market signals are far more effective in rapidly changing behaviours than any regulatory process. As one contributor noted, customers and consumers in our target markets are speaking very clearly and our exporters are listening carefully and building these requirements into their supply arrangements. They added that they take little comfort from the Government's 'nothing to see here' approach to

There was a view that much of the regulation that has been implemented had its foundation in perceptions rather than science

regulation. We create value from trust, and demonstrating that we are complying with rules that align with the consumers' expectations is a key element in building that trust.

- Contributors highlighted that we need to be alert to regulations being implemented overseas and the impacts they may have on the local industry. Recent examples include the EU deforestation rules which require European users of timber to demonstrate that it has not been sourced

from the deforestation of native timber. While the New Zealand forestry sector sells minimal timber direct to Europe, some output is converted by organisations like Ikea into products that are sold in the EU and consequently the obligations to comply with legislation fall on New Zealand producers. This is likely to impose significant cost as systems will need to be upgraded to attach geolocation data to each shipment. The Government needs to be an active contributor in international forums to minimise the impact of such supra-national regulation on the competitiveness of New Zealand producers.

What's on the Agenda

- While some would like to see all regulation eliminated, the reality is that guardrails that clearly identify inappropriate practices are critical to protecting the investments that all participants in the sector have made. The best regulation works well, is low cost to implement, and does not load significant incremental operating cost on a business. As we argued last year, good regulation will be created in partnership with those that are to be regulated. Taking the time to work with those being regulated will deliver better outcomes but also make enforcement easier, when required. We urge regulators, be they from national or local government, to get out of their offices and onto the land more often, to engage with grassroots leadership and commit to

writing fit-for-purpose rules that empower action and can be comprehensively measurable for all.

- Change is part of life, particularly in the world we are living in today. The reality is that regulations and requirements imposed on organisations across the industry will continue to evolve and change. As one contributor noted, the immediate reaction of many in the industry to try and block regulatory change indicates that they are uncomfortable about being asked to make any change to their business, and that they do not have the management capability to look for the opportunities inherent in any new rule. There is a need for industry good organisations to explore how they can help those in the sector adapt to change. Supply chain partners should also help to put change in context by connecting it to trends being experienced in international markets. Equally, they should feel confident about calling out rule changes that serve no useful purpose in-market, so the originator of the rule is pressured to provide sufficient rationale to support the requirement.
- The proposal to restart live animal exports is an active regulatory issue that is attracting a wide range of views. The issue, like many regulatory matters, connects economic benefit with in this case an ethical issue (the health and wellbeing of the animals being exported), and the perceptions among both our local



community and international consumers of the animal export trade. Balancing these perspectives is challenging, but will be critical if regulation is going to be implemented that ultimately enables the sector to move forwards, optimising outcomes for all involved.

- Several contributors highlighted the timeframes involved in receiving regulatory approvals, particularly when looking to

bring new and novel products into the country. Concerns were expressed that current settings are preventing many leading-edge products being made available to New Zealand producers despite them having approvals around the world. Looking for efficiencies in these processes to make them simpler, cheaper and faster was identified by numerous contributors as critical to ensuring the long-term competitiveness of the sector.

Contributors

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