



cutting through complexity

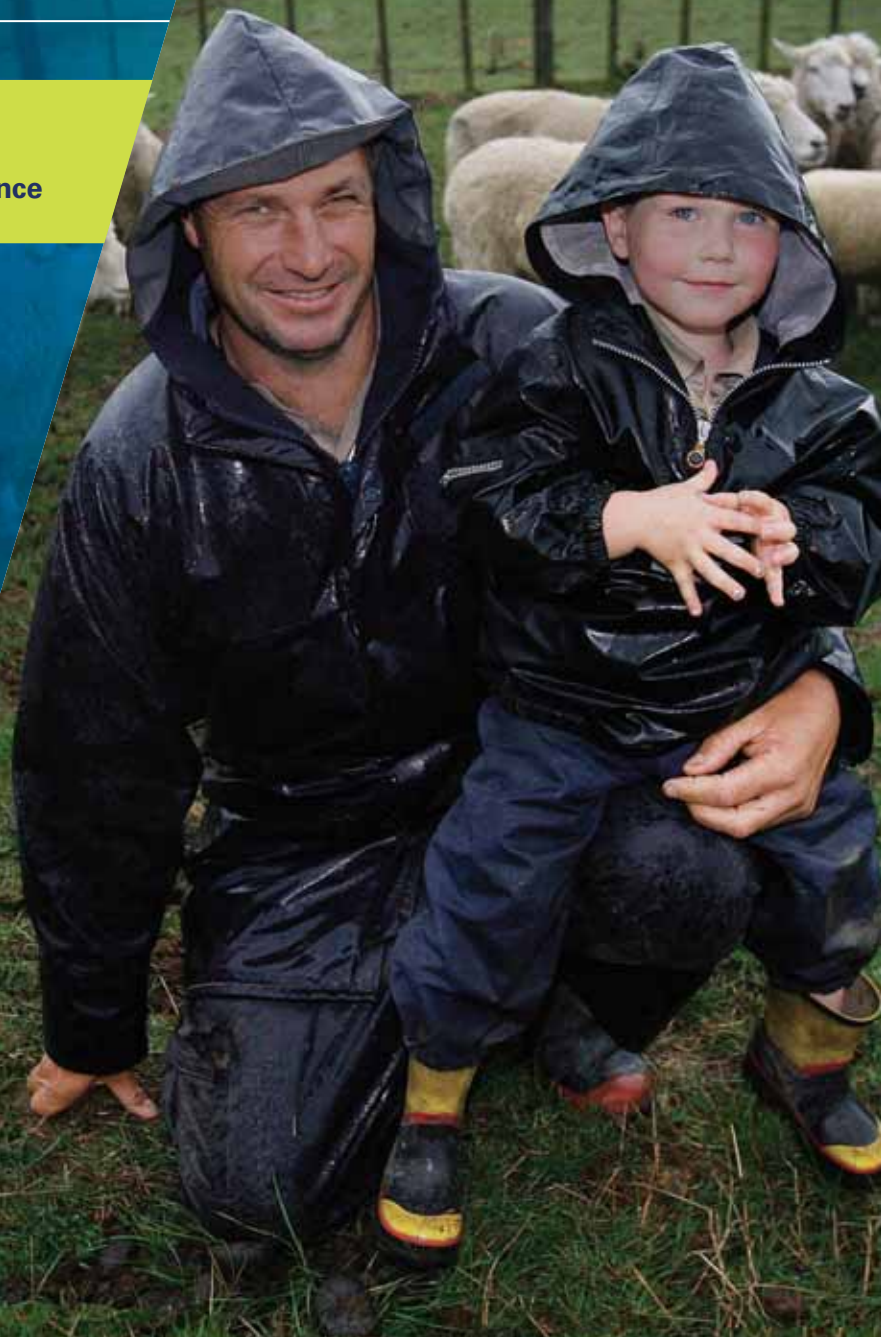
# Agribusiness Agenda 2013

VOLUME 2

Maintaining our people-powered performance

Leading New Zealand's  
primary industry into  
a prosperous future.

[kpmg.com/nz](http://kpmg.com/nz)



# KPMG IS HELPING TO FUEL THE PROSPERITY OF NEW ZEALAND'S PRIMARY SECTOR THROUGH SUPPORTING PEOPLE INITIATIVES...

/ We are working with AgriOne and other partners to launch a series of thought leadership seminars across New Zealand, featuring international thinkers later in 2013.

/ We will provide our KPMG agribusiness team with time to visit schools and colleges to talk with students about the role agriculture plays in our economy, and in their role with KPMG.

/ We are proud to be supporting the Māori Primary Sector Leaders Boot Camp to be held at Stanford University in August 2013.

/ We support programmes to improve governance and business management in the primary sector, including our long standing sponsorship of **Irrigation NZ's** governance training programme and **DairyNZ's** Mark and Measure governance programme.

FUELLING  
PROSPERITY 



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The *Agenda* this year has been prepared based on a series of 15 Roundtable discussions we held with industry leaders across New Zealand, in March and April 2013.



In order to explore the issues in greater depth, we are publishing the 2013 *Agenda* as a series of five volumes. This second volume, titled *Maintaining our people-powered performance*, provides insight to people and opportunities within our primary sector.

# FOREWORD

## **THE VISION OF A DYNAMIC AND INNOVATIVE PRIMARY SECTOR BURSTING WITH CREDIBLE IDEAS FROM TALENTED PEOPLE, ALL FOCUSED ON CREATING A VIBRANT ECONOMY, IS ONE TO INSPIRE NEW ZEALAND.**

All along the value chain, from the farm to the consumer, there are terrific global careers to be enjoyed – giving good salaries, flexibility and variety; as well as the rewards that come from making a difference to people's lives.

KPMG's *Agribusiness Agenda 2013 Volume 2* is focussed on people and how New Zealand can empower the primary sector into the future. The ideas presented will assist in ensuring that bright and capable New Zealanders who choose the primary sector as their career future have the appropriate encouragement and development. It goes further than examining why we have a problem with primary sector recruitment, and what the wave of imminent retirements reflecting the age distribution of the current work force will mean. This volume is chock full of positive suggestions, gleaned from experienced industry leaders. It also showcases some of the initiatives already underway, which have potential to be expanded to create the national platform for a change in thinking.

The big change required is simply in the value that New Zealand places on the primary sector's professional workers – on farm, in the support industries, through research, business, testing laboratories and marketing, as well as policy and education. Changing the perception of what it takes to be involved in the multi-million dollar industries that comprise the primary sector is part of ensuring the vision is achieved.

Taking this lead in developing primary production people is yet another way that New Zealand is showing global leadership in the primary sector. Getting it right will ensure that primary production professionals choose New Zealand as their place of work. When this happens, this vision of the dynamic and vibrant primary sector will become a reality.



**Jacqueline Rowarth**  
Professor of Agribusiness  
University of Waikato

# RECOGNISING THE PEOPLE CHALLENGE – MAKING GRANDDAD PROUD

**NEW ZEALAND IS A GLOBALLY RECOGNISED PRODUCER OF FOOD, TIMBER AND FIBRE PRODUCTS – RESULTING FROM INNOVATION THAT HAS GIVEN US WORLD-CLASS BUSINESSES AND DIFFERENTIATED PRODUCTS.**

The thinking underlying this innovation, its implementation and realising its value in-market has all relied on talented people with vision, drive and passion. While competitors can replicate equipment and processes, it is not easy to replicate the insight and relationships that people have developed over decades.

The capability of the people in New Zealand's primary sector is a key asset that will drive the industry's future. This will only happen if, like any asset, it is developed over time. Yet there is still a strong perception that primary sector careers are viewed by many as second-class opportunities – not for our best and brightest people. Traditionally, parents and grandparents would actively encourage their children to pursue a future in farming. Today, for a combination of reasons, they are far less likely to do so.

From the very first Roundtable held in preparing this year's *Agribusiness Agenda*, the challenge the sector faces in meeting its needs for people with the right skills and experience was centre stage. The fundamental issue facing businesses and organisations in the industry is sourcing the right people, with the correct skills, to facilitate their success in an evolving global agri-food system.

It was also apparent from the Roundtable discussions that there is no set of typical 'people issues' that all entities across the primary sector are facing. Rather each organisation has a set of challenges that reflect the nature and location of its operations, and the people it is looking to recruit and retain. However the discussions did identify a range of root causes which could lend themselves to wider industry responses. We have distilled these into 10 root causes on the following page.

This volume of the *KPMG Agribusiness Agenda* will explore the primary sector's people challenges and potential solutions through addressing each of these root causes. What are the steps that the industry needs to take, so that Granddad will confidently recommend a primary sector career to his grandkids in the future?

The challenge to the industry is to take the steps now that will maintain its people-powered performance into the future.



**Ian Proudfoot**  
Global Head of Agribusiness  
KPMG New Zealand  
Report Author

# THE ROOT CAUSES

## PEOPLE CHALLENGES FACING NEW ZEALAND'S PRIMARY SECTOR

### 01

#### **A lack of recognition of the primary sector within schools**

– Schools play a significant role in directing their pupils towards future careers; both through the scope of their curriculum, and the careers advice that they provide. The view was expressed that there is a disconnect between the economic contribution that the primary sector makes to the country and its position in the school curriculum. Many young people complete their education with little or no exposure to the scope of our primary sector, the role it plays in the economy, or the career opportunities it provides.

### 02

#### **Students seeking softer study options**

– Tertiary programmes are designed to meet the demands of fee-paying students. Agricultural programmes – due to their science-based content – tend to retain the traditional format of exams, labs, and technical assessments. Consequently, they are often perceived as difficult in comparison to other 'softer' subjects. Despite the primary sector's insatiable demand for students, enrolments have fallen over the years, leaving a dearth of qualified graduates available to employers. A concern was expressed that general programmes, such as law and commerce, do not incorporate sufficient primary sector-related content given the industry's importance to the economy.

### 03

#### **Making insufficient investment in people**

– While primary sector businesses have been fast adopters of innovation (for instance in agronomy and animal management), there has been less focus placed on keeping up with best practices in people management and training. The view was expressed that farmers have generally not invested in people; partly because they often view themselves as "just a farmer" rather than having a professional career. This has meant ambitious people have left the industry to find roles with clearer opportunities to progress.

### 06

#### **The changing faces in rural**

**New Zealand** – One of the themes from the Roundtables was the challenge that rural communities are facing with increasing levels of migrant workers being employed in primary sector businesses. The pressure that these changes place on the infrastructure and social services in rural areas was noted. At the same time, it was recognised that the country cannot sustain the high levels of youth employment being experienced in the major cities, particularly Auckland. The reality, however, is that the job opportunities available and the unemployed may not be well matched.

### 07

#### **Depleting the talent reservoir over the sunset years**

– The primary sector was considered a sunset industry for much of the past three decades. This has meant too few talented New Zealanders have chosen to make their careers in the sector during this period. Many of the participants in the Roundtables are industry leaders who are approaching the end of their careers. They acknowledge there are insufficient talented people progressing through the sector into leadership positions, creating a vacuum that needs to be filled.

### 08

#### **Reducing opportunities for business ownership**

– Historically, those in the primary sector have benefited from opportunities to progress to business ownership, through family links or business arrangements such as share milking schemes. Industry leaders expressed concern that the increase in farm prices and the scale of businesses are reducing the opportunities for younger entrepreneurs to progressively buy into the industry.



## FOCUS ON SOLUTIONS: INVESTING IN PEOPLE THROUGHOUT THEIR CAREERS

### 04

**Continuing underperformance of Māori agriculture** – The inherent potential of iwi land holdings has recently been highlighted in a report from the Ministry for Primary Industries. The challenges of realising this potential will rely on the wider iwi community becoming engaged in the opportunities in the primary sector, and being prepared to build careers in the sector. While some iwi have had success in developing career paths for their people in the primary sector, many will have much work to do to avoid their assets continuing to be underutilised.

### 05

**Accelerating decline of core science capability** – Last year's *Agribusiness Agenda* explored the effectiveness of New Zealand's science system. It recognised that one of its key constraints was the ability to recruit resource – be that from domestically trained graduates, or from offshore. It was noted that our science community is ageing, and within the next five years we will be hit by a wave of retirements that will result in a significant loss of experience. This will require a large investment in developing new talent just to maintain the status quo of the country's science capability.

### 09

**Limiting the stepping stones to leadership** – Good governance will be a critical factor in determining whether or not the industry maximises its potential. As companies and co-operatives have consolidated, the stepping stones to governance roles are not as clearly defined as they were in the past. For those with ambitions to take leadership roles in our large primary sector organisations, this has made the jump to a governance role that much greater. Adding to this, the complexity of business is increasing. Concern was expressed during the Roundtables that there are currently limited opportunities for future leaders to gain adequate governance experience before progressing to sit at a board table.

### 10

**Overlooking the potential of half the population** – Many farming businesses are based on family units, with both a male and female partner. Yet the industry and those marketing to the sector continue to focus predominantly on only one half of the partnership. The message came through from the Roundtable sessions that the industry cannot afford to continue to ignore the sizeable and important contribution women make to the industry.

The concerns expressed by industry leaders about the people issues facing the primary sector are unlikely to be resolved in the short term. Many of them after all, are the result of many decades of under-investment in attracting and developing people within the sector.

However, the discussions during the Roundtables did explore opportunities for the primary sector to take some immediate steps to secure the people with the skills and experience it needs to make a long-term contribution to fuelling New Zealand's prosperity.

The following sections explore some of these ideas and opportunities identified to address the root causes of the primary sector's people issues.

# 01 INSPIRING SCHOOL STUDENTS

## ROOT CAUSE

### A lack of recognition of the primary sector within schools

- 01 Schools direct pupils towards careers.
- 02 The primary sector is under-represented in the school curriculum given its contribution to the economy.

Clearly, engaging with school children of all ages will not provide an immediate increase in the flow of people into the sector. However it was identified in many Roundtables as a critical building block to providing a long-term solution to the sector's people issues.

It was recognised that primary sector-related topics should be incorporated more widely across the school curriculum, to properly reflect the importance of the industry to the economy. The view was expressed that it is 'never too early' to start exposing children to the sector and its issues. No child in New Zealand should believe that milk comes from the fridge or meat from the supermarket.

Primary sector content could be incorporated into science, environmental studies, history, geography, business studies, home economics, and arts and crafts curriculums. This will create opportunities to inspire young people about the opportunities the sector offers. The whole sector has an obligation to support the development and delivery of this content, to ensure it meets its objectives.

During the Roundtable discussions, there were many examples of school outreach programmes that are already being undertaken. The impact is undeniable, for instance, when the Dairy NZ Roadshow takes 'Rosie' the Cowbassador to visit a class of 5-year-olds. After this experience, the children certainly know that milk comes from cows. The initiative St Paul's Collegiate School in Hamilton is developing to integrate agriculture into its curriculum is exciting (and is profiled in the following Case Study).

A key challenge raised by leaders is the lack of knowledge many school career advisors have of the opportunities available in the sector. There is a perception that many advisors still view the sector as only offering manual, low skilled

jobs; rather than challenging careers in science, marketing, business management and many other areas. Again the industry needs to take a lead in educating the careers advisors. Once they understand the opportunities available to talented students to have a professional career in the primary sector, they will be more comfortable presenting these opportunities to students.

There was concern that the existing National Certificate of Educational Achievement (NCEA) standard for Agriculture and Horticulture could continue to marginalise agriculture as a study path for the less academically able students. A preference was expressed for primary sector-related modules to be incorporated into the standards of mainstream subjects; such as biology, business studies, chemistry and technology. This would allow more students to gain exposure to the key issues in the sector and the opportunities offered.

The fundamental message is that the sector can no longer afford to allow itself to be marginalised in the education system if it is to secure its fair share of the country's talented young people. However, the industry itself needs to be prepared to support the education sector by developing and delivering curriculum materials, and educating careers advisors. Just as we need to be world-class in production and logistics, the sector needs to lead the world in engaging with young people.





THE NEW ZEALAND  
AVERAGE FOR COMPLETING  
SECONDARY EDUCATION IS

**76%**



THE ACHIEVEMENT LEVEL IS SIGNIFICANTLY  
LOWER IN MANY RURAL AREAS:

WAIKATO

**67%**

TARANAKI / MANAWATU / WANGANUI

**68%**

BAY OF PLENTY

**66%**

NELSON / MARLBOROUGH / WEST COAST / SOUTHLAND

**66%**

## AGENDA ITEMS

01

The wider industry must take a leadership role in engaging with schools around the country. Farmers and producers, processors and suppliers of services to the industry must collaborate extensively to engage with every child and career advisor in schools as a high priority.

02

The sector should work with NZ Qualifications Agency to review how primary sector issues are being incorporated into NCEA standards. The goal is to give all students exposure to relevant sector issues in the mainstream subjects that they choose to study.

Above Source:  
[www.educationcounts.govt.nz](http://www.educationcounts.govt.nz)  
Adult Literacy and Numeracy  
in NZ A regional Analysis

CASE  
STUDY

# EDUCATING THE SECTOR'S FUTURE STARS



St Paul's  
COLLEGIATE SCHOOL

## LAUNCH OF THE NEW CENTRE OF EXCELLENCE FOR AGRICULTURAL SCIENCE AND BUSINESS

**When St Paul's Collegiate School opens the doors of its new Centre of Excellence for Agricultural Science and Business, it will herald an exciting new era in agricultural education.**

The Centre will be the first of its kind in New Zealand – offering secondary school students a suite of specialised agribusiness programmes to prepare them for a dynamic career in the sector.

St Paul's Collegiate School is an independent, co-educational Anglican secondary school for Years 9-13. Located in the heart of Waikato's dairying region, the school has a rich heritage of farming families – who were the driving force behind the idea.







**“THIS  
PROGRAMME  
IS ALL ABOUT  
MEETING AN  
INDUSTRY NEED  
FOR QUALIFIED,  
CAPABLE,  
ENGAGEABLE  
YOUNG PEOPLE”**





**“WE  
ANTICIPATE  
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PROGRAMME  
FROM EITHER  
A STRONG  
SCIENCE OR  
COMMERCE  
BACKGROUND.”**

**Peter Hampton**

Assistant Headmaster  
St Paul's Collegiate School

As assistant headmaster Peter Hampton explains:

“The driver really came from a number of our parents, and our current Board, who were looking at what more we could do to support our farming students. We set up a think tank of people to explore the idea, and the idea grew from there.”

As you'd expect, the concept has drawn interest and support from the agribusiness sector – including DairyNZ, AgResearch and other key industry bodies.

“This programme is all about meeting an industry need for qualified, capable, engageable young people,” says Peter Hampton.

“We're creating an educational package that's not only intellectually stimulating, but also motivating and exposing our young people to the many career opportunities available.”

The purpose-built Centre will open its doors to the inaugural intake of Year 12 students in mid-2014, and will be fully operational by 2015.

The basic design of the programme is a two-year programme, for Years 12 and 13. Students in the programme will complement their standard NCEA-accredited subjects with a suite of specialised agribusiness studies. These will include subjects such as sustainability, commerce and finance, the agribusiness value chain, and cooperative studies. Other components will include industry visits, guest speakers, work placements, and online learning.

“We anticipate that most of our students will come into the programme from either a strong science or commerce background,” says Peter Hampton.

“They will spend about half their curriculum time in our agribusiness programme, while continuing to study their other NCEA subjects in with the rest of the school. The programme will qualify them for University entrance, and they'll be encouraged to sit scholarship.”



## 'BREAKING THE CYCLE' OF THE PAST.

**Michael Spaans is a successful dairy farmer and business leader – he's on the Board of Dairy NZ, chairman of Waikato Innovation Park, and a director/chairman on several other boards.**

Yet when Michael was at high school in the 1980s, the education system did little to encourage his stellar future within the industry.

"When I was in the 5th form at Morrinsville College, I was put in a remedial reading class, for reasons that were never explained to me at the time. The teacher there asked me what I wanted to do, and I told them I wanted to be a farmer. And her response was, well that's okay, it doesn't really matter if you read well or not.

"I think that attitude has been around for 50 years – and frankly, we've got to break that cycle. That should be one of the key objectives of this Centre. Farming should no longer be seen as a default career; we need to attract our best and brightest. And I think the key is going to be providing a learning environment that exposes them to the opportunities and people that are really exciting and motivating. Alongside that, we need to provide courses that are academically challenging for our brightest kids, with scholarship opportunities and pathways to university."

## PROVIDING A BLUEPRINT FOR THE FUTURE.

**St Paul's has a long-term vision for this new initiative – and it extends well beyond their own school gates.**

As assistant headmaster Peter Hampton explains:

"Obviously we want to create something good for our school and our students – but it's actually bigger than that. Our goal is to create a real advantage for New Zealand. In the long-term, we want to make the Centre a bit of a model programme for others to follow.

"If it's successful, then it will be readily available to be taken up by other schools and/or sectors. Our school alone will never produce the sort of numbers the industry needs. To meet demand, it has to be rolled out across the country."

Michael Spaans agrees there is a critical demand for a highly-skilled agribusiness workforce – if New Zealand is to retain its global competitiveness.

"As more countries in the world are improving their own agricultural base, we have to continually improve ours. That's about leveraging into different areas, improving our value chain and higher-value products.

"And to do that, we need to develop our people capability. Whether it's in farming, or corporate farming, manufacturing or agribusiness – it doesn't matter, as long as we're capturing them in the industry."

**"AS MORE COUNTRIES IN THE WORLD ARE IMPROVING THEIR OWN AGRICULTURAL BASE, WE HAVE TO CONTINUALLY IMPROVE OURS."**

02

# INCREASING PARTICIPATION AT UNIVERSITIES

## ROOT CAUSE

### Students seeking softer study options at university

- 01 Agriculture courses are often perceived as having difficult science-based content, compared to other programmes.
- 02 Universities are developing programmes that meet the demands of fee-paying students.

It is encouraging to see there has been a small increase in students entering agriculture programmes run by New Zealand universities during the past five years.

This may be due to a changing perception of the sector and increased recognition of the global importance of agriculture and food. The fact remains, however, that only around 1% of students graduate with agriculture-related degrees (even when those doing a rural-focused veterinary science degree are included). This is well below the thousand plus graduates a year industry leaders estimate we need to sustain current operations, and take advantage of the growth opportunities available.

Much research has been conducted into what Generation Y want from their careers. Some of the factors rated as high priorities for them include: flexibility, work-life balance, recognition, personal development and job satisfaction. Physical labour, anti-social hours, hard exams and 'doing time' in junior roles do not tend to feature highly. This may explain why there is greater demand for law, commerce and media studies compared to agricultural science or farm management.

One factor that is highlighted in research is that young people are keen to work with companies that hold similar values and beliefs to themselves. Sustainability is often cited as a key priority for Generation Y. It is therefore important that companies looking to recruit graduates are active in profiling the work they're doing to support the sustainable management of the environment.

Recognising that personal development is important to potential undergraduates, we believe that the existing employees of many of our primary sector companies could have a significant role to play in attracting potential students. Many of the inspirational, committed people we meet in the sector could work wonders in helping students see the opportunities available to them. There are a number of ways to do this. For example, companies could allow their employees to take up a mentoring role for a couple of hours a month.

Such an approach has two-fold benefits. It demonstrates the organisation's willingness to invest in developing their staff, sending a clear signal that learning does not

finish on completion of formal study. It also helps the organisation to assess whether the potential recruit has a commitment to working in the primary sector; so any scholarship funding can be directed towards those students with the right personal attributes.

As with any choice of profession or career, financial matters cannot be ignored. It is important that clear indications are given of the financial rewards available in the primary sector. While the work can be physically and mentally hard – and at times, anti-social – this is recognised and rewarded financially. For many students leaving university with loans, it may well be money that talks loudest of all.

As the graphic on the right shows, farm remuneration compares very favourably with the average graduate salary.

As we have raised in past *Agendas*, we continue to believe the government has a role to play in directing students to programmes that are valuable to the economy. They could do this by utilising the student loan scheme as a directional funding mechanism; and via bonding schemes (such as that currently used for rural vets).

As with many people-related issues, the onus falls largely on the industry to make a stronger case to potential undergraduates as to why they should consider following an agriculture-related programme. The industry has to 'make more noise' about the opportunities it creates for people to build challenging, internationally-focused careers.





# FARM EMPLOYEE REMUNERATION IN COMPARISON TO AVERAGE GRADUATE SALARY IN NEW ZEALAND

AVERAGE GRADUATE SALARY

**\$54,698**

DAIRY FARM MANAGER

**+\$15,638**



SHEEP & BEEF FARM MANAGER

**+\$12,042**



ARABLE FARM MANAGER

**+\$11,661**



SHEPHERD

**-\$7,796**



DAIRY ASSISTANT

**-\$14,895**



## AGENDA ITEMS

01

Directing students to economically productive careers should be a priority for government. This can be best achieved through a more targeted student funding mechanism.

02

Companies should look at investing a small percentage of their employee time in developing mentoring relationships with current and potential students.

**Above Source:** Federated Farmers / Rabobank Farm Employee Remuneration Survey 2012, Total Package Value for selected farm roles comparison to average salary and wages for graduate qualified employees of \$1,049 per week per Statistics NZ June 2012 NZ Income Survey.

## 03

# DEVELOPING PEOPLE FOR THE JOB

## ROOT CAUSE

### Making insufficient investment in people

- 01 People management has been a low priority for many enterprises in the sector.
- 02 There is a lingering “just a farmer” perception versus that of a professional career.

New Zealand has no shortage of academic and practical training programmes for people looking to develop a career in the primary sector.

While we have not been able to verify the figure, it was suggested to us during one discussion that there are more than 700 approved education programmes.

In one respect, this is excellent; as it shows there is significant demand for training and development in the sector. However if the figure is anywhere close to 700 programmes, it raises concerns as to the quality and consistency of the content of the programmes.

It is time for those in the industry to stop downplaying the sophistication of their role and move away from being “just a farmer.” Instead, they should be proud to refer to themselves as an agriculture/ forestry/ fishing professional. The view was expressed during the Roundtables that the primary sector needs to recognise, as other professions do, the importance of a structured education and development programme to provide a clear career pathway for potential recruits to the sector.

When we look at the traditional professions (such as accounting, law and medicine), multiple organisations are accredited to deliver training. Yet the knowledge required along the pathway to a professional qualification is clearly defined. Once the initial qualification is awarded, there is also an expectation around formal and informal continuing professional development to stay abreast of changes and maintain relevance to the market. While the requirements can be onerous, there is a clear path through the profession which is attractive to young people. It is easier to understand expectations, the time involved, and how their career is likely to develop.

In recent years, practical steps have been taken to both consolidate the range of industry programmes

available, and to assist people to navigate through them. Recent examples include the merger of various Industry Training Organisations (ITO) during the last year (the Agriculture and Horticulture ITO's merged to form Primary ITO, Seafood ITO merged with the New Zealand ITO, and the Forestry Industry Training and Education Council merged with Competenz). The AgriOne joint venture, created by Lincoln and Massey Universities, also commenced with a strong focus on creating targeted professional development programmes.

A key challenge facing the industry is that there is little co-ordination between the opportunities available, and no clear path for a person to follow to collect all the knowledge they need to prepare themselves for a successful career. One important development in this area was the launch of the Primary Industries Capability Alliance (PICA). PICA has pooled the information from a number of organisations into a single resource to provide people with an overview of the opportunities available to them to develop their career.

In summary, young people considering a career in the primary sector need to understand how their role fits within the wider industry, and be equipped with the skills to innovate and make effective contributions. They should expect the industry to have clear, consistent, high-quality programmes in place – covering both formal learning and continuing development – to provide them with the best chance of success in a long-term career.







## AGENDA ITEMS

01

We need to create a development framework within the sector that sets clear knowledge pathways linked towards achievement of professional qualifications.

02

Continuing professional development and learning (both formal and informal) should be an expectation on every person working in the sector. This will ensure that practices are kept up-to-date in key 'mission critical' areas such as environmental protection, biosecurity, food safety and animal management.



04

# REALISING THE POTENTIAL OF IWI INVESTMENT

## ROOT CAUSE

### Continuing underperformance of Māori agriculture

- 01 Lack of engagement with the wider sector risks long-term success.
- 02 The sector has not created career paths for people to maximise the value of assets held.

The Ministry for Primary Industries recently released a report estimating the economic value that could be realised from bringing underutilised and unproductive Māori freehold land into the productive agriculture sector.

The report estimated there is around 1.5 million hectares of underutilised and unproductive land, and concluded that bringing 1 million hectares into production will generate \$8 billion of output and a \$3.7 billion contribution to GDP over a 10 year period. It would also create an estimated 3,580 new primary sector jobs.<sup>1</sup>

Clearly, this could potentially have a transformational impact on iwi organisations around the country. Achieving this depends first and foremost of the skills and experience of the people involved bringing this underutilised land into production. Despite iwi organisations being the largest single investor group in New Zealand's primary sector, there was very limited discussion around their role as an employer and developer of people during our Roundtable discussions.

This may in part reflect the limited engagement that has occurred to date between the mainstream and the Māori agricultural sectors, and the consequent lack of understanding many industry leaders have of traditional Māori people management practices. However, this must and is changing. Initiatives being taken throughout the sector are seeing Māori organisations reaching out to source best-practice methods and leading practitioners. The Māori primary sector Leader's Boot Camp, which will take place at the end of August, is a clear demonstration that executive high level contact is increasing in a deep and substantial manner.

Two further examples of the benefits that can be generated from open, commercial collaboration between Māori and mainstream businesses are the best-in-class sustainable dairy farms that Ngāi Tahu are developing on marginal forestry land; and the success Miraka has achieved delivering a profit to investors in its first year of collection and processing milk. These show the benefits that can be derived from connecting mainstream operational best practice with iwi's natural affinity to use their assets in a long-term, sustainable manner.

However these initiatives are on a relatively small scale, when we look at the potential of upgrading around 1 million hectares of under-utilised and unproductive land. This will require a significant effort to develop people capability for governance, business management and operational-level roles. It also presents an exciting opportunity to provide iwi members with long-term career development.

Upgrading land and improving its productivity depends on specialist skills. It requires training and development programmes that provide people with the skills needed to farm instinctively, rather than just replicating existing practices within an established system. One example of the type of initiatives required is the recently announced partnership between Lincoln University and the Southern Waikato iwi of Ngāti Korokī Kahukura and Ngāti Hauā. They are developing a training centre to future proof the iwi's access to the skills and capability required to support their future economic growth.

The MPI report indicates that realising the estimated benefits will require iwi to invest around \$3 billion in capital upgrades. The governance around investment projects of such scale needs to be comprehensive and robust, so it will be important that the correct skills are available to the governing boards of the investment vehicles. Governance capabilities in the primary sector are discussed later in this *Agenda*.

<sup>1</sup> Ministry for Primary Industries; Growing the Productive Base of Māori Freehold Land; February 2013



THE MINISTRY  
FOR PRIMARY  
INDUSTRIES  
ESTIMATES:

**3,580**  
NEW FULL TIME  
EQUIVALENT  
ROLES



BY INCREASING  
THE PRODUCTIVE  
CAPACITY TO MĀORI LAND BY:

**970,000**  
HECTARES

## AGENDA ITEMS

01

There is a need for greater interaction between the mainstream primary sector and agribusiness activities in the Māori sector. The goal is to ensure best practices and perspectives are shared for the wider benefit of the economy.

02

Innovative facilities to deliver targeted education and training programmes in an accessible manner are critical to develop a sufficient pool of skilled farming resources to meet the demands of iwi as land is developed.



05

# DELIVERING A WORLD-CLASS SCIENCE COMMUNITY

## ROOT CAUSE

### Accelerating decline of core science capability

- 01 The science community has struggled to attract and retain sufficient people to meet its needs.
- 02 The sector is facing a wave of retirements in the next decade.

The latest Global Competitiveness Report from the World Economic Forum highlights a key challenge with New Zealand's innovation system – the availability of scientists and engineers.

While the global ranking for this metric has improved, from 69th last year to 55th this year<sup>2</sup>, our ability to innovate remains constrained by the depth of the science community. It was concerning to hear that industry leaders believe the situation may deteriorate before it improves.

Our science community is ageing, and this is a particular issue in the primary sector. It was suggested that we are on the verge of a retirement wave that will really start to bite in the next few years. This places pressure on institutions to implement succession plans that mitigate loss of our national institutional knowledge; yet this is challenged by many factors, most notably the availability of people and the capacity to pay for extra heads.

Many institutions have to look overseas for scientists with the skills and experience that we need. The benefits of importing new perspectives cannot be underestimated for the innovation it can introduce. However it was noted it also creates challenges; the most significant of which is a lack of inherent empathy with our environment, production systems and distance to market. Furthermore, while it may help to fill the gaps, industry leaders recognise it is unlikely to provide a long-term solution; as not everybody who arrives will make a permanent commitment to New Zealand. A strong preference was expressed that urgent steps are taken to build domestic science capability.

This must start with inspiring young people to explore science as a career at a young age. In 2011, Professor Sir Peter Gluckman released a report on science education in our schools. This concluded that New Zealand has a well performing science education system, but recognised that a forward-looking system is fundamental to our future success in an increasingly knowledge-based

world. Sir Peter noted “that use of new technologies and closer partnerships between the science community and the educational community offer a way ahead” for all schools. An example of this is the science outreach programmes being run by the Cawthron Institute, which we discuss further in the following Case Study.

At the core of Cawthron's projects are the hands-on experiences that it provides to students from pre-school to tertiary levels. Initiatives like the Fonterra-supported National Science Roadshow, or scholarship programmes such as the BayerBoost Scheme, also provide opportunities for young people to gain valuable experience. We need to ensure all our young people are exposed to such inspirational experiences if we are to grow science and engineering capability commensurate with New Zealand's evolution as an innovation-based economy.

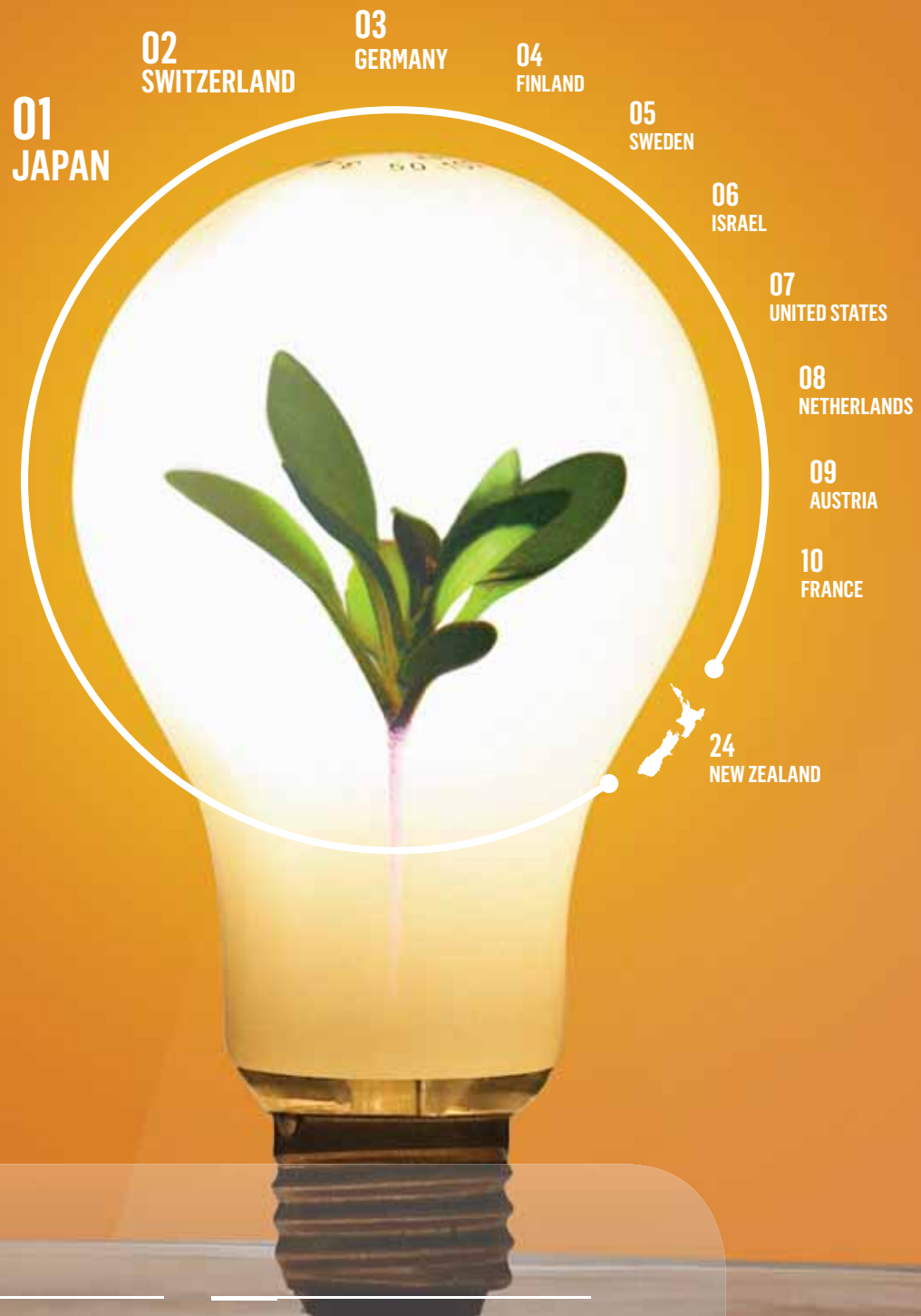
To conclude, the fast tracking of capability improvement cannot be left to the government. Primary sector science institutions, companies and universities need to ensure that support is made available to developing the materials and supporting teachers to integrate these critical experiences into the classroom.

<sup>2</sup> World Economic Forum; Insight Report – The Global Competitiveness Report 2012-2013; Klaus Schwab; 2012

<sup>3</sup> Office of the Prime Ministers Science Advisory Committee; Looking Ahead: Science Education for the Twenty-First Century – A report from the Prime Minister's Chief Science Advisor; April 2011.



## COUNTRIES WITH THE GREATEST CAPACITY FOR INNOVATION



### AGENDA ITEMS

01

As our senior scientists retire over the next decade, the government needs to ensure funding is available to Crown Research Institutes (CRIs) and universities for the purpose of protecting our national institutional knowledge.

02

The primary sector needs to coordinate, run and manage science-based outreach programmes; to ensure that all school students have the opportunity to gain critical hands-on science experience.

**Above Source:**  
World Economic Forum:  
Insight Report -The Global  
Competitiveness Report 2012  
-2013; Klaus Schwab; 2012

CASE  
STUDY

# BRINGING SCIENCE TO THE COMMUNITY

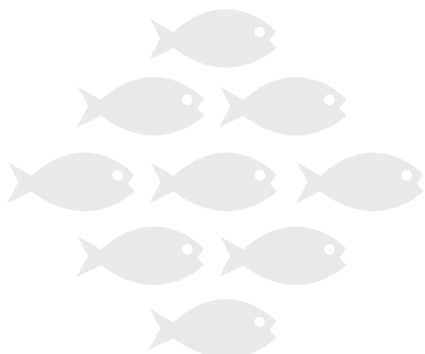


## THE SUCCESSFUL INITIATIVES OF THE CAWTHRON INSTITUTE

**For the Cawthron Institute, creating strong links within the community and education sector is a win-win.**

Cawthron is New Zealand's largest independent science organisation, specialising in research that supports the environment and sustainable development of primary industries. Based in Nelson, it employs almost 200 scientists and technical staff.

Jo Thompson is the Institute's community educator – responsible for coordinating their wide-ranging school and community education programmes. She explains why the Institute has such a focus on education outreach.







**“BY PROVIDING GOOD SCIENCE  
EDUCATION, AND INSPIRING  
YOUNG PEOPLE, WE’RE ENCOURAGING  
OUR NEXT GENERATION OF SCIENTISTS.”**

**Jo Thompson**  
Community Educator  
Cawthron Institute

**“BY  
SUPPORTING  
THE  
COMMUNITY,  
WE GET TO  
DEVELOP THAT  
POSITIVE  
RELATIONSHIP,  
AND THEY  
WILL BE MORE  
LIKELY TO  
SUPPORT US  
IN RETURN.”**

**Jo Thompson**

Community Educator  
Cawthron Institute

“The Institute was created by a philanthropic Nelsonian, Thomas Cawthron, who stipulated that it would have a role in supporting the community, as well as research. So you might say it’s in our DNA. But we’re not completely selfless – there are also benefits to us.

“By providing good science education, and inspiring young people, we’re encouraging our next generation of scientists. That’s an obvious win for us. Also by interacting with the community we’re helping promote a greater appreciation and understanding of science.”

Cawthron offers education resources for all levels – from early childhood and primary, through to secondary. The Institute also usually has up to 25 tertiary-level students on site, completing postgraduate research.

Jo Thompson says the key to education programmes is to make sure they’re highly relevant to the curriculum.

“We find the best way is to speak to the teachers themselves and find out what they need. For instance, we provide workshops for Year 13 students that actually contribute to their NCEA credits.”

Providing hands-on experiences is also the key to inspiring students.

“We tend to avoid just taking a class through a lab. It’s much more useful for them to hold a mussel, open it up, and ask questions like how does this animal breathe, what do we need to know about it, and why do we want to farm it. That’s when you see the spark – when the kids are really interested in what they’re learning.

“We’ve had quite a few Year 13 students ask to come back for work experience after having an activity or a workshop with us. Or they’ll volunteer over the summer period, or apply for scholarships and ask us to host them.”

The Institute also runs a range of initiatives for community education and involvement.

“I’ll provide talks to community groups; and we run open days, where they can physically observe some of our research projects. The scientists really love that engagement with the public.

“We run a fortnightly radio show, where we interview a scientist or talk about current research we’re doing. We have a monthly feature in the Nelson Mail – usually a current research project explained in layman’s terms. It’s all about creating a dialogue with the community. We really want people to understand what we’re doing, and engage with us.”





## ON STARTING WITH OUR YOUNGEST CITIZENS:

**It's seen as one of our biggest problems in terms of science in the education sector – that we're not encouraging science at primary and pre-primary level.**

"Commentators like Sir Professor Peter Gluckman believe it's due to a lack of confidence and training of teachers in this area," says Jo Thompson.

"But we find teachers just need the support, and a bit of guidance, and then they're really comfortable at leading it themselves. For instance, I've got a pre-school group in Richmond who are investigating germs from their fingers in agar plates and growing the bacteria over time. Obviously we do the incubation and destroy the bacteria at the end, so it's all perfectly safe.

"Then at primary level, we do a huge range of activities – from teacher training workshops, to running a session on something like aquaculture or freshwater ecology."



## ON THE BENEFITS OF CREATING A COMMUNITY DIALOGUE:

**One of the advantages of Cawthron's strong links with the community is the open dialogue it creates.**

"For example, with the growth of marine farming in New Zealand there's some concern about the potential detrimental impact of this industry," says Jo Thompson.

"Once you start providing information and people understand the whole issue from a fact and science-based position on both sides, it helps remove the emotion – it's much more of a conversation.

"I personally feel that we have a responsibility to explain our science to the general public. Explaining the difference between science and pseudo-science is also extremely relevant. People just need information, and then they're able to make informed decisions."



**"PEOPLE JUST NEED THE INFORMATION, AND THEN THEY'RE ABLE TO MAKE INFORMED DECISIONS."**

## 06

# MAXIMISING IMMIGRANT AND URBAN POTENTIAL

## ROOT CAUSE

### The changing faces in rural New Zealand

- 01 Rural communities are being challenged by growing immigrant communities.
- 02 The high level of youth unemployment in cities is not sustainable in the long term.

Our Roundtable discussions showed industry leaders are concerned that securing reliable, committed people to manage and operate farming businesses in New Zealand has become increasingly difficult in recent years.

This has led many to look overseas to fill vacant positions. Immigration New Zealand currently has 12 primary sector employment categories listed on the Immediate Skills Shortage list, making it easier for employers to gain work visas for people with these skills<sup>4</sup>.

The skill shortage areas tell a story. It shows the sector needs people with the skills and experience to run complex business operations – in other words, it needs agricultural professionals.

In the current market, vacancies are often being filled by immigrant workers. The impact this is having on rural communities was raised as a concern in many of the Roundtables. The quality and enthusiasm of the people being imported is not doubted by industry leaders; but concern was expressed as to whether they are being integrated into our rural communities appropriately.

The drought highlighted the emotional and psychological pressure that can be placed on farmers when the going gets tough. The comment was made that during the really challenging times, the way community pulls together and supports each other is important to people getting through unharmed. The willing support of neighbours is critical to maintaining animal welfare, protecting the reputation of the industry, and providing opportunities to unload stress when things boil over.

During the Roundtables, participants discussed examples of situations where immigrant farmers have not integrated with the wider community, thus creating risks to the individual and the industry. It was recognised that both the migrant and the established community have a role to play in addressing this disconnect. This is not necessarily an easy challenge; with language, cultures and time all potential impediments.

Appropriately addressing the social issues that can arise in disconnected rural communities was identified as a key priority in Rural Women New Zealand's Manifesto, released prior to the 2011 election<sup>5</sup>. It is important that the potential of our migrant workforce to contribute to sustainable rural communities is maximised. Industry organisations should collaborate with government to ensure that procedures are in place to effectively introduce and integrate migrants into our communities.

<sup>4</sup> Ministry of Business, Innovation & Employment; Immigration New Zealand – Immediate Skill Shortage List; February 2013

<sup>5</sup> Rural Women New Zealand; Manifesto 2011-2014; 2011







## IMMIGRATION NEW ZEALAND IMMEDIATE SKILL SHORTAGE LIST



### HONEY

- EXPERIENCED APIARISTS



### FORESTRY

- EXPERIENCED ARBORISTS
- LOGGING PLANT OPERATORS



### SHEEP, BEEF & DAIRY

- FARM MANAGERS
- ASSISTANT FARM MANAGERS
- HERD MANAGERS
- ASSISTANT HERD MANAGERS



### POULTRY

- EXPERIENCED FARM MANAGERS



### PORK

- EXPERIENCED FARM MANAGERS
- STOCK / HERD MANAGERS



### HORTICULTURE

- EXPERIENCED CROP PRODUCTION / AGRONOMIST MANAGERS



### ARABLE

- EXPERIENCED GROWER MANAGERS



### VITICULTURE

- UNIVERSITY QUALIFIED WINEMARKERS AND VITICULTURISTS

### Addressing wasted potential in urban areas

Industry leaders also want to see the sector doing more to create opportunities for our young, urban unemployed. An analysis of the March 2013 unemployment statistics suggests that six regions in the country have surplus unemployment (i.e. a level of unemployment above the structural level of unemployment the Organisation for Economic Co-operation and Development (OECD) estimates necessary to maintain equilibrium in our economy). It is also apparent that young people represent a disproportionate share of this surplus unemployment.

Leveraging this wasted economic potential is critical to the future prosperity of New Zealand. However it is particularly challenging for the primary sector – as the people and jobs are often in different parts of the country. It also presents quite a cultural adjustment for a young person to move from an urban environment like South Auckland to a rural region like Southland.

Engaging with schools in our high unemployment regions will expose current students to opportunities in the industry earlier. That does not address, though, the young people who are unemployed and unengaged today. Direct intervention is required to offer those people opportunities now.

We believe that there is merit in establishing an industry Trust to work with churches, marae and community groups to create an intern programme; where rural businesses and young people looking for an opportunity can be connected for a season placement. The placement could come with an expectation that it will lead to a full-time role if it works for both parties. In our view, such an initiative would overcome the perception industry leaders hold that Work and Income New Zealand (WINZ) generally sends the lowest potential candidates to the primary sector. It would also be a clear demonstration of the primary sector taking an active step to close the urban/rural gap, and support economic development across the whole country.





# SURPLUS UNEMPLOYED IN NEW ZEALAND

Regions with structural surplus unemployment	Unemployed March 2013	Surplus Unemployed
Auckland	56,700	10,100
Northland	7,300	2,900
Gisborne / Hawke's Bay	9,500	2,700
Bay of Plenty	9,500	2,400
Wellington	20,100	2,400
Manawatu / Wanganui	9,200	2,000
West Coast Region	4,700	-1,180
Canterbury Region	4,300	-5,850
Otago Region	6,700	-740



## AGENDA ITEMS

01

There needs to be improved co-ordination between government agencies, rural groups and local communities to ensure that immigrants are successfully integrated into rural communities. The aim is to mitigate economic and social issues before they arise.

02

Utilising surplus unemployed people in urban areas should be a priority for New Zealand. Establishing an industry Trust to collaborate with churches, marae and community groups could help to identify and offer opportunities to motivated young people.

**Source:** Unemployed March 2013: Statistics New Zealand, Household Labour Force Survey. Surplus unemployed calculated as unemployed people over an assessed level of structural full employment based on OECD calculation of NAIRU – KPMG Analysis.

# 07 PROMOTING A CAREER CHANGE INTO THE PRIMARY SECTOR

## ROOT CAUSE

### Depleting the talent reservoir over the sunset years

- 01 The primary sector has not secured its fair share of talent in recent decades.
- 02 There is insufficient talent in the pipeline to replace a generation of maturing leaders.

Perception is reality for most people. Thus the images we see of earnest, slightly goofy, highly enthusiastic farmers on television adverts represent the face of farming for the general public.

Even some of the sector's largest companies have perpetuated this image in their recent advertising campaigns. Television programmes such as Country Calendar tend to focus on niche or specialised operations, and do not truly depict the day-to-day realities and challenges for the majority of operators in the primary sector.

The public perception of the sector was identified by many leaders as a key constraint in attracting the most talented people into the sector. It was said at many Roundtables that the industry is simply not sexy. The real concern goes much deeper – with wide recognition that talented, ambitious people are unlikely to choose to work for companies that are perceived as tired, political or unwilling to innovate.

The best people want to work for organisations that place real value on employees who can contribute relevant skills. These companies access a diverse range of skill sets, and then value innovation. A truly vibrant primary sector would be littered with the best scientists, marketers, social media experts and supply chain specialists; as our companies would be providing talented people with their best career opportunities.

As we highlighted in the first volume of the *Agenda*, the industry has much work to do in telling its story in a compelling manner to the wider population. The absence of deep pools of talented people demonstrates the primary sector still has a long way to go in convincing potential employees that it understands its own markets, products, producers and supply chains.

Better leveraging of the media and greater engagement with the wider population will help with growing this understanding. We need to highlight the challenges and complexities the primary sector handles every day in making its sizeable contribution to our economy. This will also serve to increase its attractiveness as a career choice.

There is a further challenge at an organisational level. The underlying functions of many organisations in the primary sector have not changed significantly in decades. Younger people are working in different ways and have distinct expectations of employers; and industry leaders expressed concern that the industry is not evolving to meet these needs. It was suggested that organisations must be willing to deeply analyse their business model in order to present themselves as attractive employers. This may include reviewing aspects such as asset ownership outsourcing, utilisation of technology, or engagement with stakeholders.

The point was also made that the primary sector must be prepared to remunerate people appropriately, in order to attract and retain the most talented people. Not all primary sector jobs are conveniently located in the cities – people are often being asked to make a change in lifestyle. Talented people are also in demand internationally; and this must be reflected in the remuneration offered to attract them to the primary sector. It was noted that high remuneration has been a difficult issue for some organisations to address, particularly when industry returns are depressed and directors face re-election votes.





## AGENDA ITEMS

01

To produce a reality-based TV series which provides the public with a more balanced and accurate depiction of the wider primary sector. It would highlight its challenges, the contribution it makes to the economy, the innovation employed and the career opportunities.

02

Primary sector organisations must continuously evolve their business models and approaches to working, to ensure that they are perceived as attractive places to work.

## ATTRIBUTES OF A GREAT EMPLOYER

COMMIT TO PAYING  
EVERY EMPLOYEE A  
LIVING WAGE

SHARE THE  
SUCCESS WITH ALL  
EMPLOYEES

PROVIDE  
COMFORTABLE,  
SAFE AND  
APPEALING WORK  
ENVIRONMENTS

OFFER FACILITIES  
FOR EMPLOYEES TO  
REFRESH, REVIVE  
AND EXERCISE

DEFINE WHAT  
SUCCESS  
LOOKS LIKE

GIVE REGULAR,  
CLEAR FEEDBACK

HOLD LEADERS  
ACCOUNTABLE  
FOR THEIR  
MANAGEMENT  
OF PEOPLE

CREATE  
OPPORTUNITIES  
FOR CONTINUOUS  
LEARNING

STAND  
FOR SOMETHING  
BEYOND CREATING  
PROFITS

CASE  
STUDY

# ADDING VALUE TO PEOPLE



## THE UNIQUE PEOPLE APPROACH OF TATUA DAIRY CO-OPERATIVE

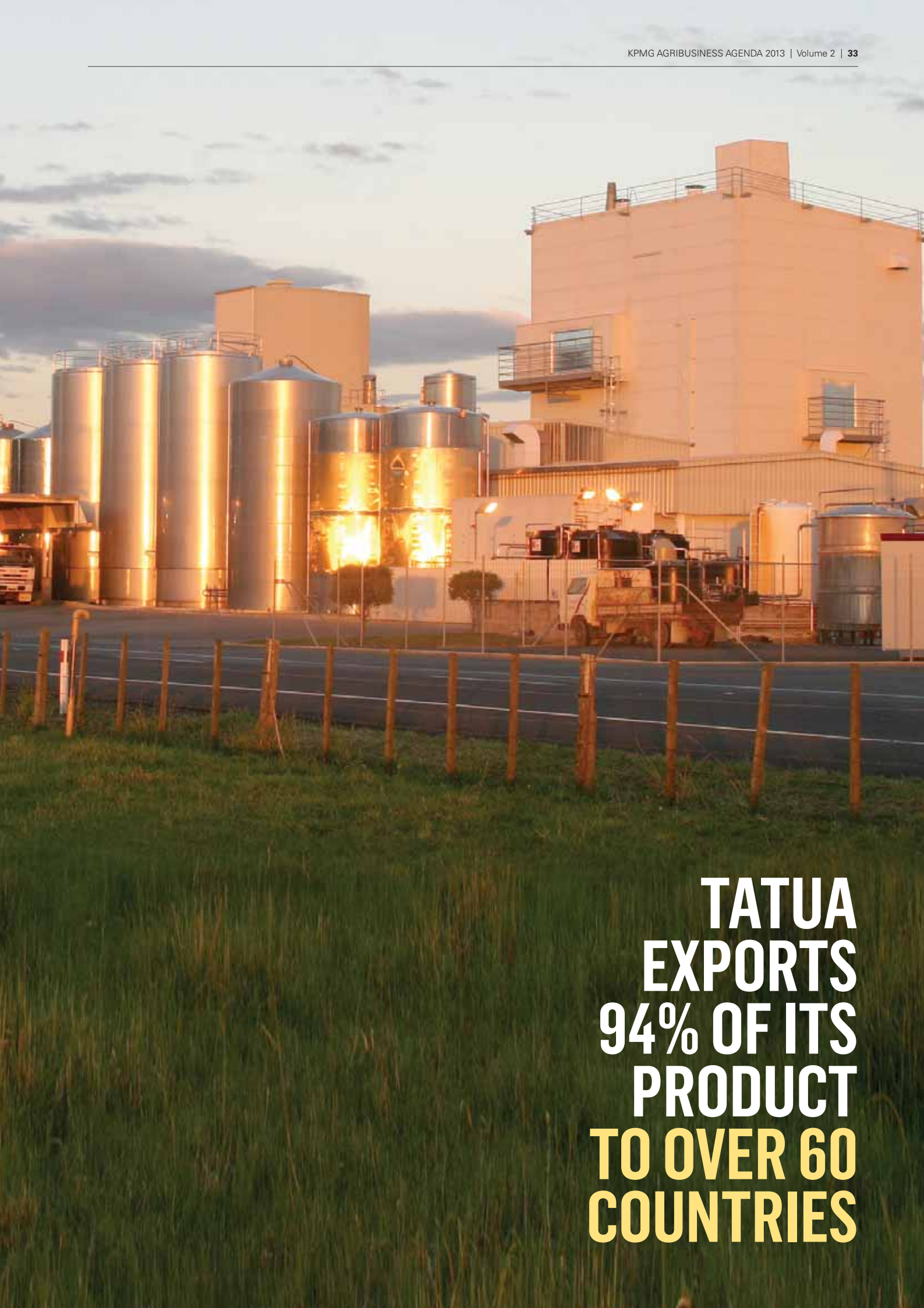
**Tatua Dairy Co-operative has built its success on adding value – and not only to its milk. The organisation also has an inspiring strategy of adding value to the lives of its people and its community.**

Founded in 1914, Tatua is the oldest independent dairy company in New Zealand. Today, it exports 94% of its product to more than 60 countries worldwide. Its six key product areas are: dairy ingredients, specialty nutritionals, flavour ingredients, bionutrients, foodservice, and consumer products.

But despite their very modern business practice, Tatua still pays homage to the pioneering spirit of its settler farmers; and beyond, to the land's Māori heritage.







**TATUA  
EXPORTS  
94% OF ITS  
PRODUCT  
TO OVER 60  
COUNTRIES**





# “THE MOST IMPORTANT THING TO RECOGNISE IS THAT PEOPLE ARE A CRITICAL PART OF YOUR BUSINESS”

**Paul McGilvary**  
CEO  
Tatua

As Tatua chairman Steve Allen explains:

“When you think about cooperatives such as Tatua and others in the early days, they were put in place for the people. Yes, it was a commercial operation, but essentially it was set up for the benefit of local people. And they employed a lot of people – on the farms, in the factory, and in the trading stores. And so from a community point of view, the cooperative brought people together.”

Even the company’s name is rich with symbolism. The tatua is a woven flax belt, traditionally created by local hapū from the flax grown in the surrounding swamp land.

“The tatua comes from the land... it’s a tool of industry, survival and competition. It’s very resilient and enduring; it can be passed from generation to generation,” says Steve.

“When we talk with our staff and our shareholders about Tatua, it’s all about bringing people together to create value. You use the tatua for carrying weapons and tools, but also for gathering and carrying food. And that’s very much what we do.”

At Tatua, they don’t like the term ‘human capital’ or even ‘human resources’. One of the four key platforms of Tatua’s strategic plan is to attract, retain, motivate and develop great people.

“The most important thing to recognise is that people are a critical part of your business,” says Tatua CEO Paul McGilvary.

“Right at the outset, you’ve got to have that recognition within your management team and your Board. We place a higher priority on managing our people well than we do on managing anything in the company.”

Just some of those initiatives include: training and development programmes, performance-based pay, equity-based job evaluation systems, and a whole host of employee engagement initiatives.

The payback is reflected in things like employee retention rates (at just 6.0% staff turnover); employer-of-choice standing (they recently had 150 applicants for a single operator’s role); and improved union relationships (the GM of Operations was even invited to be the keynote speaker at the Union’s annual conference).



## ON CREATING A LEARNING ORGANISATION:

**Tatua uses the term 'customer intimacy' to describe its approach to developing its value-added products.**

As Paul McGilvary explains: "We're working with customers to develop and commercialise their product, so we need to have this natural affinity for working closely together. A by-product of that is that we have this continuous culture of learning within our organisation. That is very stimulating for our staff."

"The more commoditised and low-value you become as an organisation, the more transactional and less intimate it becomes. If your brand is no different from another, it's just a price/availability decision and there isn't really much of a relationship. Whereas if you're making something quite unique or complex, you need that close working relationship between your people and your customer."

Tatua's People Manager, Pier Pilkington says Tatua staff are genuinely interested in the products they're making.

"In our surveys, our people tell us they want to know more. They're quite curious about what they're producing – where the products end up, and how they impact the customer."

## ON BUILDING LINKS WITH ALL STAKEHOLDERS:

**Tatua runs a programme called 'Emerging Leaders', which is a series of workshops involving younger farmers.**

The main purpose is to increase the level of engagement and understanding between Tatua and its supplier base.

"What we're finding is that we're getting a greater level of engagement with and understanding of the company," says Tatua chairman Steve Allen.

"And of course this group talks to their family, neighbours and friends – so you get this multiplier effect of understanding. They can go out and actually be advocates for the company."

"Another advantage of these conversations is that we can really delve into the issues that are important to us. For example, our farmers really get the concept of sustainability. It's full of challenges and difficulties and opportunities; but our farmers are right behind it, they understand it, and they will push hard and self-police each other to ensure we do the right thing."

**"WE PLACE A HIGHER PRIORITY ON MANAGING OUR PEOPLE WELL THAN WE DO ON MANAGING ANYTHING IN THE COMPANY."**

08

# MAINTAINING PATHWAYS TO BUSINESS OWNERSHIP

## ROOT CAUSE

### Reducing opportunities for business ownership

- 01 Increasing farm prices have put pressure on traditional entry pathways to the sector
- 02 A viable business now requires greater scale, making it more difficult for new entrants.

The obstacles to a young farmer achieving farm ownership were raised on numerous occasions during the Roundtable discussions.

The increased cost of land – together with the need to have a larger farm to generate a sufficient living, and the shift towards corporatised farming businesses – is slowly but surely dismantling the traditional stepping stones young people have used to progress towards farm ownership.

The ability to build equity and move steadily towards farm ownership has traditionally been something that attracted young people into the sector. There was previously a clear progression in the dairy sector from farm hand, through staged share milking agreements, to finally achieving equity ownership of a farm. This enabled ambitious people to work hard and build a business. This progressive pathway enabled debt to be kept at manageable levels, and rewards were linked to the investment and effort put into the business. Although the situation is different for other sectors, such as sheep and beef, they are facing similar challenges. Rising land prices and threats from alternative land use means the barriers to entry are increasing across the industry.

An agricultural career does not deliver the instant gratification of other career options. In this respect, it is a harder sell to young people than choices that deliver greater certainty of income and time input. However this has been balanced by the ability to gain an ownership interest in the business, generate operating profits, and ultimately benefit from the capital gains derived from the land.

The point was made during the Roundtable discussions that the dream of farm ownership is becoming increasingly remote for the majority of potential entrants. A concern was raised that this could impact the inherent innovation that has been an integral driver of the success of the primary sector over the years. Farm managers tend to have less flexibility to innovate and experiment within their prescribed farming systems than an owner/operator.

As the barriers to farm ownership get steeper, industry leaders want to see options being explored that will ensure opportunities remain for ambitious, New Zealand farmers to get a foothold on the ladder. This is considered critical to preserve the fabric of our rural communities, and the competitive advantages we have in production.

One idea was mooted in response to the wave of farm business succession facing the sector. It revolved around providing incentives to retiring farmers to leave equity in a business when they decide to step back from active farm management. It was noted that because of the wealth uplift that has occurred over the last decade (predominantly driven by increases in land prices), many of the next generation of farming families no longer want to work on the farm, but are interested in maintaining some links to the land and the agriculture sector.

This creates an opportunity for a retiring family to enter into an equity partnership with an ambitious farmer that could progressively take ownership of the property. Tax incentives could be provided to ensure the retiring farmer obtains a commercial return on the capital that is left invested in the farming business over an agreed transition period.





**1974-75**  
HERDS = 18,540  
AVG HERD SIZE = 112



**2011-12**  
HERDS = 11,798  
AVG HERD SIZE = 393

## AGENDA ITEMS

01

The sector should explore mechanisms to facilitate ambitious young farmers to get a foothold on the land ownership ladder. One option is for exiting farm owners to leave capital in their land assets, incentivised by appropriate tax structures.

Above source:  
Dairy New Zealand;  
New Zealand  
Dairy Statistics 2011/12;  
November 2012

09

# PREPARING AND DEVELOPING LEADERS IN THE BOARDROOM

## ROOT CAUSE

### Limiting the stepping stones to leadership

- 01 Consolidation has reduced the opportunities to develop governance skills.
- 02 Businesses in the sector are becoming increasingly complex, requiring a higher level of skills.

Previous *Agribusiness Agendas* have highlighted many issues around governance in the primary sector.

In 2011, we highlighted the detrimental impact that taking on a governance role can have on an individual's existing business interests; the disincentive that 'gumboot politics' can have on talented people stepping forward to take a role; and the need to get the right mix of directors on a board.

In 2012, we highlighted the role that independent directors play in good governance; particularly in ensuring the governance body remains focused on strategic matters rather than getting into the detail of day-to-day management issues.

As the complexity of the industry continues to increase, the predominant view expressed during our conversations was that the primary sector could still do more to enhance its governance and upskill the governors of the future. One of the factors that resonated in researching the Tatua Case Study in this *Agenda* was the role of the board in recognising the importance of people to the company.

On the positive side, good governance initiatives are starting to gain traction across the industry. For example, more organisations are establishing shadow director positions around their board tables. This assists future governors to gain experience at board level before formally embarking on their leadership careers.

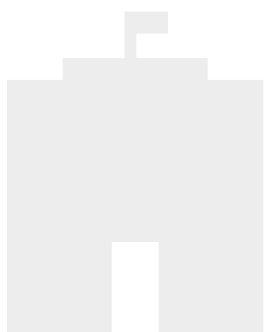
More companies are also recognising the true extent of the challenge that now exists for prospective governors. It is quite a leap from a role on a community organisation or a school board of trustees, to a company operating a complex international business. They are looking at ways to assist people to gain the skills they need to make the step up. For potential directors of farmer-controlled companies, this may in part revolve around developing sound governance structures for their own businesses. There are many initiatives now in place to assist people to do

this – run by banks, industry good organisations, and the Institute of Directors, to name a few.

Exposure to different ideas and innovative thinking is a critical part of developing governance capability. We are supportive of any initiatives that create opportunities for industry leaders to be immersed in leading edge, international thinking. Examples include the Primary Sector Boot Camp, and the Queenstown Agribusiness Symposium, run by AbacusBio earlier this year. The challenge is to share this thinking more widely with both current and future leaders, so that people are better equipped to manage complex businesses.

In the *2011 Agenda*, we flagged the need to have directors around the board table who truly understand the major markets their company is exporting to. Likewise, if the company's competitive advantage is supply chain, commodity trading or marketing; the board should include specialists in these areas who can inform discussion and ensure the right questions are posed to management.

Consideration needs to be given to weakening the links between ownership and participatory governance. Instead, the focus should be placed on having the right people directing our major companies; in order to accelerate their development and ability to contribute towards New Zealand's prosperity.







## AGENDA ITEMS

01

Organisations should continue to review the composition of boards – and evolve their governance models where necessary – to ensure that people with the correct skills are sitting around the table.

02

Due to the increased responsibility of modern governance positions, the preparation and training for such positions needs to be carefully managed.

Above Source:  
KPMG analysis of company  
information and Companies Office  
records - August 2013



10

# UNLEASHING THE POTENTIAL OF WOMEN

## ROOT CAUSE

### Overlooking the potential of half the population

- 01 The industry remains male dominated.
- 02 The sector is not realising the sizeable and important contribution women can make.

One thing that can't be overlooked when reviewing the list of contributors to this year's Agribusiness Agenda is that it is dominated by men.

Just over 10% of this year's contributors to the *Agenda* were women. It is reasonable to say that the industry has been run 'by men, for men' for the last century – but we are seeing signs that this is starting to change. There is increasing recognition of the important roles women now play in their farming businesses, in our science community, and in the future of New Zealand agribusiness.

It should be recognised that the lack of representation of women in leadership roles is not unique to the primary sector in New Zealand. Women are under-represented in governance roles throughout the New Zealand economy, as well as being globally under-represented in the primary sector. However this is no justification for the sector continuing to accept the status quo.

Encouragingly, the sector has taken positive steps forward in the last few years. The Dairy Women's Network has gone from strength to strength, growing its membership and expanding the personal and professional support it provides to women in the dairy sector. The Agri Women's Development Trust has launched two programmes that aim to provide women with the skills to address the challenges faced in rural businesses and communities. Both of these organisations have attracted support from a range of primary industry organisations.

Women are significant investors in the primary sector; holding equal shares in many family farming businesses. They have much to bring to the sector in terms of improving people management, better planning, forecasting and reporting; and providing alternative perspectives on key business decisions. They also play a significant role in maintaining and growing the fabric of rural communities, and nurturing the next generation of rural professionals.

While women have undoubtedly made a major contribution to the development of the primary sector to date, much of this has occurred under the radar. Delivering on several of the Agenda Items raised earlier in this report will support women making an even greater contribution to the sector (e.g. engaging with students at school, providing mentoring and scholarships to students, and reviewing the composition of boards to reflect the necessary skills a business needs).

We also suggest creating a dedicated programme that will galvanise groups of women from both within and outside the sector to look for new opportunities to fuel New Zealand's prosperity. We envisage an "optimise programme" that incorporates leading edge thinking, interviews with local and international business leaders, and market immersion visits. This would create an opportunity for the participants to distil fresh insights and identify new opportunities for the primary sector and beyond.



**BOARD COMPOSITION OF PRIMARY  
SECTOR CO-OPERATIVES****AGENDA ITEMS****01**

The sector must continue support existing programmes – and invest in fresh initiatives - aimed at supporting women's ability to participate fully in the primary sector.

**02**

Industry groups should investigate an "optimise programme" aimed at galvanising different groups of women to work together to look at opportunities through a fresh lens.

**Source:**  
KPMG analysis of company  
information and Companies  
Office records - August 2013



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