The New Zealand Agricultural Story. Successes, Challenges and Opportunities from a hungry world

Mike Petersen, New Zealand’s Special Agricultural Trade Envoy
First, a little about New Zealand…

- Population 4.4 million (the GTA)
- 268,021 km² (Italy, UK)
- GDP $US169 billion
- Two main islands and a number of outlying islands
- Temperate climate
  - 1,600 km North to South
  - no point more than 130 km from the sea
  - 15,134 km coastline (more than China)
- Grass grows all year round and livestock graze outdoors
Food is the fashion...

- It must be safe
- Supply chain integrity is crucial
- Premiums will be paid for quality
- Stories add value
- Food for health – grass fed
- Co-products for nutriceuticals an add-on.
Est. Population: 8 Billion

2030 A.D.  Information Age
The New Zealand reform story

- 1985 reform of the agricultural sector saw all subsidies removed overnight from farming.
- Huge challenge and upheaval.
- Now the least subsidised agricultural sector in the world according to OECD PSE index
- Reforms set the scene for unprecedented drive for efficiency and innovation
And the way we use our land...

27 million hectares
4 million people

- **Pasture & arable land**: 51%
- **Natural forest**: 6.5 m ha (24%)
- **Planted Production forest**: 1.8 m ha (7%)
- **Other non-forested land**: 18%

*27 million hectares*
*4 million people*
Our primary industries are important...

- **Pastoral farming dominates**
  - Sheep: 29.3 mill.
  - Beef cattle: 3.7 mill.
  - Dairy cattle: 6.4 mill.
  (4.7 mill. of which are in calf or in milk)
  - Deer: 1.1 mill.

- **Horticulture is increasingly important**
  - Wine grapes: 311 000 mt.
  - Wine: 190 mill. ltr

- **Arable farming**
  - Barley: 65,700 ha.
  - Wheat: 54,800 ha.

- **Fisheries**
  - Commercial fish catch: 418,307 tonnes
We feed 5-8 times our population, but we can’t feed the world

How can we target the wealthiest and most discerning customers?
Most of our agricultural products are exported...

<table>
<thead>
<tr>
<th>Product</th>
<th>% Exported</th>
<th>% of World Production</th>
<th>% of global trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy</td>
<td>&gt;90%</td>
<td>3%</td>
<td>33%</td>
</tr>
<tr>
<td>Beef</td>
<td>83%</td>
<td>1%</td>
<td>8%</td>
</tr>
<tr>
<td>Sheepmeat</td>
<td>90%</td>
<td>6%</td>
<td>75%</td>
</tr>
<tr>
<td>Wool</td>
<td>90%</td>
<td>14%</td>
<td>27%</td>
</tr>
<tr>
<td>Venison</td>
<td>98%</td>
<td>n/a</td>
<td>50%</td>
</tr>
<tr>
<td>Kiwifruit</td>
<td>95%</td>
<td>21%</td>
<td>32%</td>
</tr>
<tr>
<td>Pipfruit</td>
<td>55%</td>
<td>1%</td>
<td>5%</td>
</tr>
<tr>
<td>Wine</td>
<td>70%</td>
<td>0.46%</td>
<td>2%</td>
</tr>
</tbody>
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Source: NZ Beef and Lamb, Statistics NZ
A focus on improved market access

- WTO remains our number one priority, but also progressing bi-lateral and regional FTAs
- Barriers to markets are barriers to progress and innovation.
- Cost of market access erodes value for farmers and consumers.
- A real need to eliminate non-tariff barriers and “behind the border” blockages globally
Market access progress for NZ...
Our export footprint is diverse and working to increase value add...

NZ to the world: primary and value-added goods exports

% Unprocessed primary (+ milk powder)
% Value added

Australia
EU
GCC
Korea
Japan
ASEAN
China:
US A
And we export all around the world...

Share of NZ Food and Beverage Export Value By Region 1965-2010
We have the lowest subsidies in the OECD...now...
Productivity improved after subsidies were removed...

Table 1: Total Factor Productivity (1972–2004).
Productivity improvements

<table>
<thead>
<tr>
<th></th>
<th>1990-91</th>
<th>2013-14e</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lambing Percentage (ewe)</td>
<td>100.4</td>
<td>121.7</td>
<td>+21 lambs</td>
</tr>
<tr>
<td>Hogget lambs as % all lambs</td>
<td>-</td>
<td>4.4%</td>
<td></td>
</tr>
<tr>
<td>Average Lamb Wt (kg)</td>
<td>14.35</td>
<td>18.38</td>
<td>+28%</td>
</tr>
<tr>
<td>Lamb sold kg/ewe</td>
<td>9.76</td>
<td>16.68</td>
<td>+71%</td>
</tr>
<tr>
<td>Average Steer Wt (kg)</td>
<td>297</td>
<td>310</td>
<td>+4%</td>
</tr>
<tr>
<td>Milksolids per cow (kg)</td>
<td>260</td>
<td>346</td>
<td>+33%</td>
</tr>
</tbody>
</table>
And agriculture is as strong as ever...

Agriculture, horticulture & forestry:
- 18% to GDP (includes “downstream” activity)
- 12% of employment
- Around 55% of NZ’s total export earnings
- Around 85% of NZ’s agricultural produce is exported

New Zealand is the world’s...
- #15 agricultural exporter by value
- #1 sheep meat exporter
- #1 dairy exporter (but only 3% of global milk production)
- #2 wool exporter
Modern farming in New Zealand is business driven...

- **Farm businesses**
- Farmers’ production decisions and market returns are dictated by the domestic and overseas markets, not the government
- Sales depend on meeting customers’ expectations of price and quality
- Production is efficient, profitable and sustainable
- Farms are getting bigger but fewer of them
- Family ownership still dominates, but more complex management
Government plays a limited support role..

- **Sustainable Farming Fund** – invests in farmer, grower, and forester led projects that deliver economic, environmental and social benefits to New Zealand’s primary industries.

- **Primary Growth Partnership** – long-term innovation programmes that are jointly funded by government and industry and can cover education and skills development, research and development, product development, and technology transfer.

- **Irrigation Acceleration Fund** - Intended to help realise the potential for irrigated agriculture to contribute to sustainable economic growth throughout New Zealand. Primary purpose is to support regional-scale, rural, water infrastructure proposals.
The overarching challenge for New Zealand is to protect its reputation as a trusted, quality, and sustainable producer

- safe food with integrity
- biosecurity
- animal welfare
- environment (water, waste, climate change, etc)
But...there is a world of opportunity out there...

There are more people living inside this circle than outside of it.
Conclusion

• The opportunities for agriculture in a hungry world are immense.
• Agricultural reforms in New Zealand have worked.
• Improved market access is an enabler to greater wealth for farmers.
• New Zealand is looking to work with the Philippines to improve production and demand for food.
Thank You

... and look forward to your questions