

Agri-Gate

Ministry for Primary Industries
Manatū Ahu Matua



News from the Primary Growth Partnership

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Justine's Desk



Welcome to the first edition of Agri-gate for 2015 – it's already shaping up to be another busy year for PGP!

On 30 January, we held our fourth thematic workshop with PGP programmes – on Māori agribusiness. The workshop was very successful with

several ideas coming through about how PGP programmes could potentially engage more or more effectively with Māori agribusiness to help realise the potential benefits for all concerned. Further thematic workshops will be held over the coming months, on areas such as social licence to operate, provenance, and skills and capability.

We've also recently published the third progress review of a PGP programme: the Whai Hua – new dairy products and value chains programme. The progress review of the programme, which is developing immune-enhancing dairy milk products targeting health-conscious consumers in Asian and New Zealand markets, concluded that Whai Hua is a "well organised and well directed" programme that has effective governance, and has sound financial management. The programme has successfully established a herd capable of producing the beneficial dairy compounds as planned and market intelligence work has "provided good initial scoping"

into the marketing for the products that will be developed. The report concluded that good overall progress has been made by the Whai Hua programme, and that it continues to "offer significant potential benefits".

Independent programme-end evaluations of the first two completed PGP programmes have also been underway, with the first one completed and a summary report published on our website.

The evaluation of the Stump to Pump programme concluded that the programme achieved its intended outcome. The feasibility study completed through the programme has determined that it is technically feasible to convert radiata pine residues to liquid biofuel feedstocks suitable for the New Zealand market.

The evaluation of the STIMBR programme is also near completion and a summary of the resulting report will be published on our website.

The Office of the Auditor-General (OAG) recently released its report on its performance audit of MPI's administration of PGP. Overall, it was a positive report, commending our continuous improvement approach to PGP, and particularly commenting on the value of a partnership model such as PGP.

The report recognises that PGP is about innovation and therefore a "paint-by-numbers" approach is not appropriate



A Māori Agribusiness workshop looked at opportunities and challenges for partnerships between PGP programmes and Māori landowners

in terms of how MPI manages PGP, but also that it will be some time (five to ten years) before the real benefits of PGP are coming through. The OAG also commended our focus on collaborating with industry by promoting engagement with, and between, industry partners, as demonstrated by our thematic workshops, annual meeting and Expo.

The OAG made three recommendations. Firstly, to improve some small aspects of the documentation of IAP discussions, and, secondly, a more consistent format to publicly report the progress and achievements of programmes. These two recommendations are easily adopted and we expect will be in place shortly. The third relates to the portfolio approach MPI is already implementing. MPI will continue this approach.

We also recently announced a change to the way PGP operates. We will no longer be requiring proposals to be submitted by a particular date each year (or the concept of “funding rounds”). Proposals are able to be submitted at any time, enabling industry to prepare proposals at a time that suits planning and processes, without needing to work to a particular deadline set by us. There is however no need to wait until a proposal is ready before talking with us. We encourage anyone considering a PGP programme to contact us and talk through your idea with us before beginning work on a proposal. This means we can discuss the PGP criteria with you, and what needs to be demonstrated in a proposal.

As noted in Joanna’s column, in January we also announced the approval of the business cases for two new PGP programmes. Both programmes are currently working through the contracting process with MPI, so the programmes can commence.

With these new programmes, MPI and industry have committed around \$720 million over time, across 20 PGP programmes to date. It is exciting to see this level of investment in innovation and growth for New Zealand’s future.

Speaking of futures, this will be my last column for a while, as I take a break on maternity leave. I look forward to continuing to see PGP develop, and PGP programmes achieve milestones. An acting Director PGP will be commencing shortly.

Justine Gilliland
Director PGP

From the Chair



Welcome to the first Agri-gate for 2015. While the year has only just begun, we’ve already seen a lot happening in the PGP space.

The Investment Advisory Panel held its first meeting for 2015 last week and we welcomed our three new members – who are quickly learning about the wonderful

programmes under the PGP.

Already this year two exciting new programmes have joined the PGP.

The first, Passion2Profit, is a partnership with Deer Industry New Zealand that looks to build year-round demand for venison in new markets. It also aims to develop farmer-led technology adoption programmes to assist farmers to deliver the venison that markets want, when it’s wanted. Passion2Profit is expected to deliver \$56 million in extra revenues a year from the end of the programme, and reverse the ongoing decline in the size of the national deer herd.

The second is a partnership with Alliance Group and Headwaters New Zealand that looks to reach existing and emerging markets with premium lamb products that are lower in saturated fat, with higher levels of polyunsaturated fat and healthy omega-3 oils. “Targeting New Wealth with High Health” has the potential to generate \$400 million in additional revenue to the primary sector over 25 years, and will build on New Zealand’s reputation for high quality, value-added foods.

These programmes also highlight the greater collaboration we’re seeing within and across the primary sector as a result of the PGP. Passion2Profit promotes further collaboration within the red meat

sector through relationships with two other PGP programmes – FarmIQ and the Red Meat Profit Partnership. In addition, Targeting New Wealth with High Health is working together with RMPP, as well as FoodPlus, to improve on-farm performance monitoring and transfer knowledge on best practice and adoption of new technologies.

At our IAP meeting last week we spent a little bit of time talking about ‘stop go’ decisions and reiterated our thinking that these are important points in the programmes and nothing to be afraid of. We referred to the ‘fast fail’ mantra that is often espoused as a route to long term success. This approach is an important part of PGP programmes and it means energy can be focused on making progress rather than continuing to pursue something that’s not working. It also means that new, innovative ideas can be explored in the first place – something at the heart of the PGP. It’s an important aspect for everyone involved in innovation to consider.

In her column Justine refers to her imminent maternity leave. She was certainly “blooming” when we saw her last week. I’m sure you will all join me in wishing her the very best for the next months and thanking her for her immense contribution to the PGP over the last couple of years.

As you can see, it’s been a great start to the year already. I look forward to seeing the exciting progress and innovations PGP will continue to bring in 2015.

Joanna Perry
Chair, Investment Advisory Panel

Programme Spotlight

Collaboration gives red meat sector a boost

While New Zealand's red meat sector is already a significant driver of the economy, a unique collaboration between industry partners in the Red Meat Profit Partnership (RMPP) programme is set to give the sector a major boost.

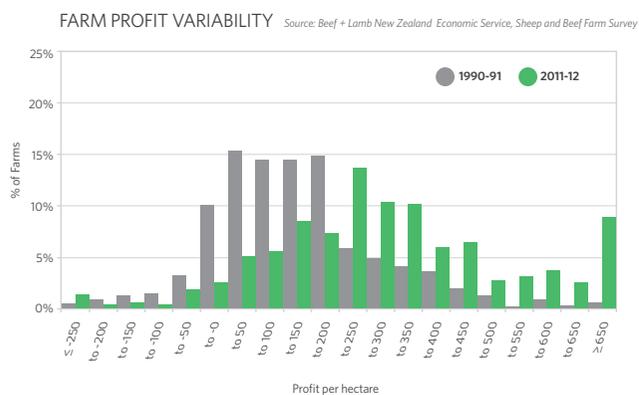
RMPP, a programme under the Ministry for Primary Industries' Primary Growth Partnership (PGP), is co-ordinating the collective efforts of the red meat industry to drive sustainable, long-term profits for New Zealand's red meat sector. It's working towards delivering an extra \$284 million a year in additional on-farm revenue by 2025.

The nine industry partners are Alliance Group, ANZ, ANZCO Foods, Beef + Lamb New Zealand (on behalf of sheep and beef farmers), Blue Sky Meats, Greenlea Premier Meat Ltd, Progressive Meats Ltd, Rabobank, Silver Fern Farmers and MPI.

All are working together with other stakeholders in the sector to support the adoption of best practice behind the farm gate and between the farm and processor.

RMPP General Manager, Duncan McKinnon says the seven year programme arose from the findings of the Red Meat Sector Strategy, released in 2011.

"The strategy identified that variability in farm profits is significant. While there have been significant productivity gains in the sheep and beef sector in the last 20 years (a 21 percent increase in lambing percentages and a 28 percent increase in average lamb weights), there is still opportunity to improve," he says.



Based on the Beef + Lamb New Zealand Sheep and Beef Farm Survey farms, the higher performers have been able to achieve above \$1000 per hectare – season permitting.

"The productivity gap is also significant. When you compare the upper quintile (top 20 percent) to the second-to-lowest quintile from the Beef + Lamb New Zealand Sheep and Beef Farm Survey, the difference in 'price per head' is quite small. But the difference in 'output per hectare' is substantial – around 135 percent in volume and total revenue from lamb sales".

PRODUCTIVITY GAP

Source: Beef + Lamb New Zealand Economic Service, Sheep and Beef Farm Survey

Farm quintile (profit/ha)	Lamb price (\$/hd)	Lamb sales (kg/ha)	Lamb sales (\$/ha)
20-40% (Q2)	91.70	44	222.20
Top 20% (Q5)	94.23	103	522.01
Difference (%)	+3%	+134%	+135%

What we often focus on

Where the opportunity is

This information created the behind the farm-gate focus for the RMPP programme. The strategy noted that it was important for farmers to focus on what they can control; and this guided where RMPP's investment would have its biggest impact.

The programme has also recently carried out a comprehensive piece of research to ensure that what is delivered through RMPP is farmer-led.

"It's important to note that RMPP is not about telling farmers what to do. We've listened to what over 1000 farmers have told us in this piece of research so we know we are working from an objective and informed platform," says Mr McKinnon.

The findings from this research show that some characteristics of top performing farmers are:

- having confidence in the sheep and beef sector;
- understanding their businesses and the drivers for making more money;
- being prepared to make changes if there's supporting evidence;
- knowing forage and genetics offer big opportunities for increased farm performance and being prepared to experiment;
- seeking practices and technologies to streamline their businesses;
- seeking advice from multiple experts.

RMPP is also working together with the Transforming the Dairy Value Chain PGP programme, which has led the development of a new Code of Practice and standards for data sharing.

The Farm Data Code of Practice improves how farm information is shared and used – and if it's widely adopted it will increase the speed and ease that data is shared. In the long run, the code and standards should help encourage innovation in farming and data use, and farmers can be more confident their information is being protected as organisations handling their data will have the opportunity to sign up to the new code of practice.

The key deliverables of RMPP include:

- benchmarking data to allow farmers to compare how their businesses are performing relative to others, including the best performers;
- an understanding of how top-performing farmers achieve their results;
- better ways of communicating valuable information to farmers about improving profitability;
- more interest in sheep and beef farming as an attractive career;
- awareness of how costs might be saved between the farm-gate and the meat processors;
- clear and consistent messages for overseas markets about the high quality nutritious red meat products New Zealand sheep and beef farmers are producing;
- an efficient and co-ordinated Quality Assurance system.

Some early activity that will be rolling out to farmers this month is a series of workshops focused on "the business of farming." This will be run by programme partners ANZ and Rabobank.

Additionally, under RMPP the Agri-Women's Development Trust is running an "Understanding Your Farming Business Programme" for 160 women. The programme aims to better engage farming women as critical partners in their farming businesses through building business knowledge, skills and confidence. Details of dates and venues can be accessed at www.awdt.org.nz.



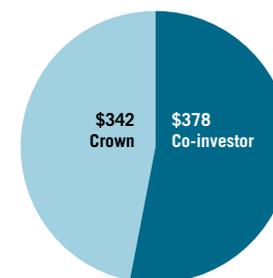
Overview of Primary Growth Partnership Investment

Sector	Programme Name and Co-investor	Total Crown and co-investor investment \$ million	Sector total \$ million	Estimated benefits \$ million (per annum)
Wool	NZ Sheep Industry Transformation (NZSTX) NZ Merino	30	\$30	250
Dairy	Transforming the Dairy Value Chain Dairy NZ/Fonterra	170		2700
	New Dairy Products and Value Chains Whai Hua Limited Partnership	3	\$174	9
Fishing & Aquaculture	Shellfish – The Next Generation Shellfish Production and Technology NZ (SPATnz)	26		81
	Precision Seafood Harvesting Precision Seafood Harvesting (PSH)	48	\$74	44
Meat	FoodPlus – Redefining Meat Horizons ANZCO	77		630
	Marbled Grass-fed Beef Grass-fed Wagyu Ltd	23		80
	Red Meat Profit Partnership Red Meat Profit Partnership (RMPP)	64		194
	Integrated Value Chain for Red Meat FarmIQ	151		1100
	Targeting New Wealth with High Health	25		TBA
	NZ Deer Industry Passion2Profit	15	\$357	TBA
Pastoral	A New Vision for Pastoral Agriculture PGG Wrightson Seeds	15		200
	ClearView Innovations Ballance AgriNutrients	20		348
	Precision Application of Fertiliser in Hill Country Ravensdown Fertiliser Co-op Ltd	10	\$44	120
Bee Keeping	High Performance Manuka Plantations Manuka Research Partnership (NZ) Ltd (MRPL)	3	\$3	1200
Forestry	Innovative Steep-land Tree Harvesting Future Forests Research (FFR)	7		100
	Use of Fumigants for Log and Wood Product Exports Stakeholders in Methyl Bromide Reduction (STIMBR)	2.6 (actual cost)		TBA
	From Stump to Pump Phase 1 (feasibility study) Norske Skog Tasman Ltd (NSTL)/Z Energy	3.6 (actual cost)	\$13	TBA
Viticulture	Lifestyle Wines New Zealand Winegrowers	17	\$17	285
Horticulture	NZ Avocados Go Global Avocado Industry Council	9	\$8	210
Total			\$720	

Please note that the figures in this table have been rounded. Therefore the total Crown and co-investor investment for each sector may differ to the sum of the individual programmes.

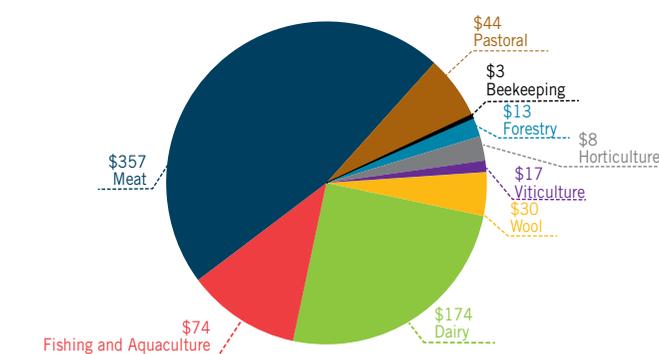
As at 31 January 2015, there were 16 programmes underway, two pending and two completed.

Crown/co-investor committed investment (in millions)



Crown/co-investor committed investment by sector (in millions)

Total \$720 million



Total government funding paid to programmes as at 31 January 2015 was \$133.9 million.