

The New Zealand Agri-food Sector

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**A backgrounder for Ann Pettifor of Prime
Economics and The Policy Observatory,
Auckland University of Technology**

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About this report

This report is one in a series prepared for Ann Pettifor's visit to New Zealand in September 2016. The reports provide background information on challenges facing the New Zealand economy and society, and are available on The Policy Observatory website.

The Policy Observatory would like to thank Auckland University of Technology Vice-Chancellor Derek McCormack for sponsoring Ann's visit to New Zealand as an AUT Distinguished Scholar. Ann, a specialist in Keynesian monetary theory, is Director of Policy Research in Macro-Economics (PRIME), based in London. We would also like to thank Paul Dalziel, Meike Guenther and Caroline Saunders, the authors of this report, as well as the other contributors to this series.

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Paul Dalziel, Meike Guenther and Caroline Saunders
 AERU, Lincoln University

New Zealand's exports are dominated by dairy, meat, horticulture, wool, forestry and seafood products. The country's agri-food sector, however, is much wider than production from the land or harvesting from the sea. Enterprises in every part of the economy are involved in creating value from these products, as shown in the figure below.

Thus the value created by producers and harvesters in 2011/12 was \$12 billion, accounting for 6 per cent of the country's Gross Domestic Product (GDP). Almost all raw produce needs processing, however, and the processing industries doubled that value, to \$25 billion in 2011/12 or nearly one-eighth of GDP.

These primary and processing activities draw on goods and services produced across the whole economy, including transport, storage, communications and a wide range of business services. These indirect contributions increased the sector's size in 2011/12 to \$40 billion. Finally, people earning these incomes spend their money on other goods and services produced in New Zealand. If these induced effects are added, it brings the total contribution of the agri-food sector to the national economy in 2011/12 to \$53 billion, or 25 per cent of GDP.

Contributions of the Agri-Food Sector to GDP, 2011/12



The New Zealand Agri-food Sector

This significance of the agri-food sector in the national economy is no accident; it is the result of a long history of internationalisation and innovation. New Zealand's small domestic population and its distance from large markets in the northern hemisphere mean the country's wealth must be created largely from developing its natural and human resources. Indeed, New Zealand's agri-food sector has grown through the interaction of four major factors: changes in the international trading environment; developments in domestic industries and policies; innovations in science and technology; and creations of trusted commercial brands.

The AERU at Lincoln University has analysed this history in a 2016 report [The Land and the Brand](#). Looking forward, the report identifies four key trends in global markets: (1) growth in global agricultural production; (2) increased market segmentation and consumer targeting; (3) trade liberalisation in agri-food products; and (4) biosecurity threats to agri-food production. The first trend means New Zealand cannot rely on a growing middle class in developing countries for agri-food export growth. Instead, there is potential for considerable growth in value from trends 2 and 3. The fourth trend highlights the importance of biosecurity at the New Zealand border plus effective mechanisms for responding to any incursions or domestic disease outbreaks.

To take advantage of increased market segmentation and consumer targeting, the agri-food sector must understand consumer attitudes and preferences in overseas markets relevant to New Zealand. A three-year research programme funded by the Ministry of Business, Innovation and Employment has shown how this can be achieved. The [Maximising Export Returns](#) project surveyed 1,000 middle and upper income consumers in each of five countries - China, India, Indonesia, Japan and the United Kingdom - to understand how consumers value the so-called 'credence attributes' of their food and beverage purchases. These are attributes that must be taken on trust by a consumer, including properties such as nutritional benefits, health enhancing qualities, food safety standards, animal welfare in production, environmental condition in production, social wellbeing in employment, and cultural authenticity.

Research projects such as [The Land and the Brand](#) and [Maximising Export Returns](#) imply a vision for the agri-food sector that moves away from New Zealand being known as a low-cost provider of standardised commodities to New Zealand being known as a high value provider of premium products. In this vision, the agri-food sector will continue to be at the heart of science-led development of New Zealand's national and regional economies.

Industry leadership is essential, of course, since industry enterprises know their customers and so will take the lead in initiatives to position New Zealand agri-food exports as high quality products for which international consumers will pay a

premium. There remain aspects of value creation, however, that can be achieved only through private-public partnerships. The ongoing roles of the government in biosecurity and negotiating trade liberalisation are obvious examples, but there are also public good characteristics in science, innovation and skills development.

About The Authors

Paul Dalziel has been Professor of Economics at Lincoln University since 2002 and is currently the Deputy Director of the university's Agribusiness and Economics Research Unit. He has published more than 100 refereed publications on economic policy, including two books that have been translated and published in Japan. He has been an advisor for the New Zealand Treasurer and has worked on four projects for the OECD in Paris. Professor Dalziel is currently the Executive Officer of the Australia and New Zealand Regional Science Association International and has served on the Council of its parent body, the RSAI.

Meike Guenther has been a Research Fellow at the Agribusiness and Economics Research Unit (AERU) at Lincoln University in New Zealand since 2008. She has experience in consumer surveying and market watch and is also involved in research focused on regional economic development. Currently, Meike is researching the impacts of changes in diets and various trade policies in China and India on New Zealand trade and the environment. Meike holds a New Zealand Masters in Applied Science and a German Postgraduate Degree in Economics and Social Science (Diplom-Ökonomin).

Caroline Saunders has been Professor of Trade and Environmental Economics and Director of the Agribusiness and Economics Research Unit at Lincoln University since 2002. Her research reflects the mission statement of the research unit, which is to exercise leadership for research for sustainable wellbeing. She has been a Council member of the Royal Society of New Zealand since 2007 and is an Executive Committee member of the Agricultural Economics Society in the UK. Professor Saunders received the NZIER Economics Award in 2007 and was made an Officer of the New Zealand Order of Merit in 2009.

About The Policy Observatory

Based at Auckland University of Technology, The Policy Observatory provides a lens on public policy in Aotearoa New Zealand. We both conduct and commission research on economic, social and environmental policy issues, with the intention of publishing results in a form that is accessible to the general public. We work in a collaborative, networked way with researchers across institutions and in the private sector. Ultimately, we are concerned with how policy advances the common good.