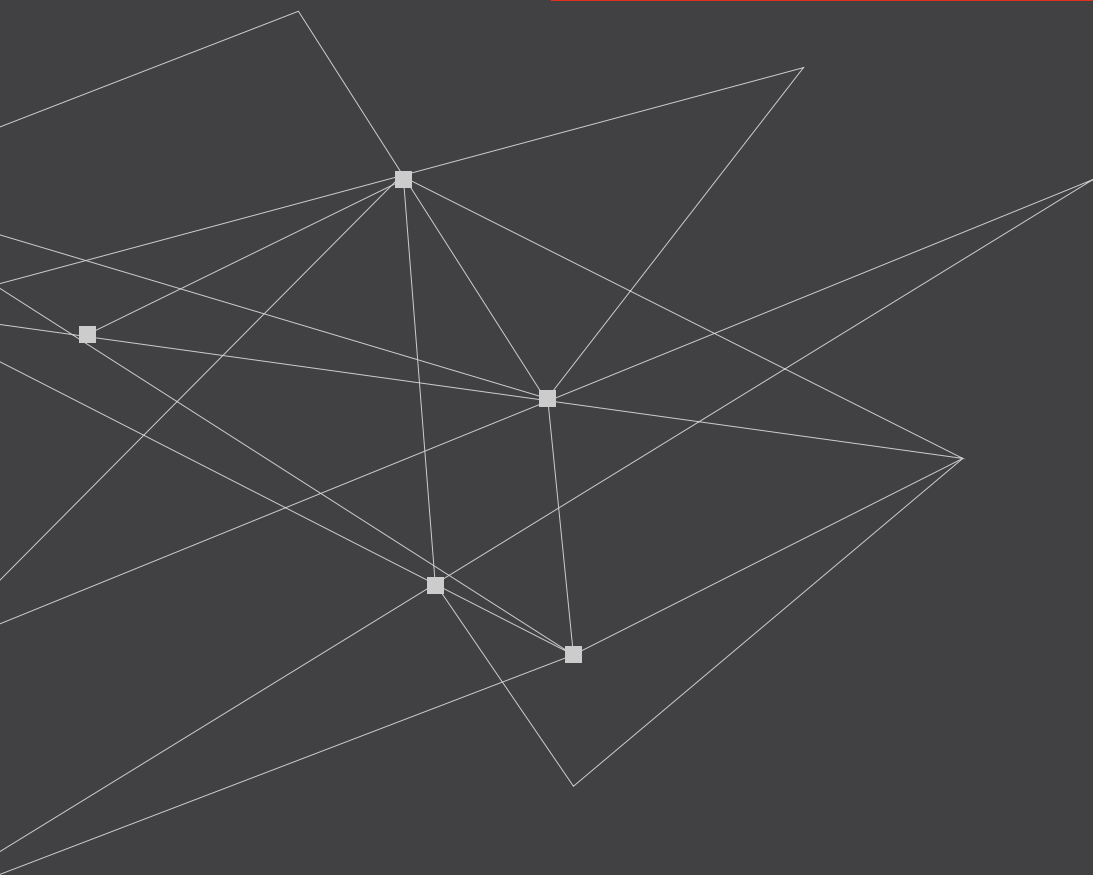


# Rebuild New Zealand: primary sector

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The overall export recovery needs to deliver strong outcomes for sectors such as food and beverage.

Peter Chrisp, CEO NZTE, Press Release, 14 May 2020



# What's next for the primary sector?

New Zealand's primary sector represents 85% of our top ten exports by value<sup>1</sup> and underpins our economy, especially when our borders are closed to tourism. Over 350,000 New Zealanders, or one in seven people, are employed in the sector, which generates over \$46.4 billion in export revenue and accounts for 11% of New Zealand's GDP. It truly is a national industry, with jobs in every part of our country, both urban and rural.

Leaders and workers in this sector deserve recognition for a swift and successful response to the unprecedented challenge imposed by lockdown conditions – cows were milked, grapes were picked, apples were harvested, containers of meat were redirected from food service to retail customers, vehicles were driven, orders were picked and packed. It's not been easy, but with strong leadership the sector has pushed through. As Minister of Agriculture, the Hon Damien O'Connor said "The sector is showing its underlying strength and resilience despite the challenging domestic drought and global conditions related to COVID-19".<sup>2</sup>

Primary sector exports are now on track to grow by \$1.7 billion on last year, supporting New Zealand's COVID-19 recovery. What's more, the Primary Sector Council's *Fit for a Better World* report<sup>3</sup> sets an ambitious plan for the sector that aims to grow export earnings by \$44 billion over the next decade.

Globally, the COVID-19 pandemic shows no signs of ending soon and we continue to live and work amidst a backdrop of pervasive uncertainty.

What is clear however is that there are significant opportunities for New Zealand despite the global turmoil, especially as a food producing nation in a world that has to eat.

We need to accelerate a shift to a more productive, sustainable and resilient primary sector, based on selling high-quality, high-value products to global markets with sophisticated and discerning customers and buyers. Business leaders have never had a greater opportunity to take actions to grow a stronger and more internationally competitive primary sector which will both aid New Zealand's recovery and ensure our future prosperity.

For example, the Government's Agritech Industry Transformation Plan has allocated \$11.4 million to make this sector more productive and primary sector labour shortages could create employment opportunities for those that have lost jobs as a result of COVID-19. Also, our strong global reputation for managing COVID-19 means New Zealand's brand, and primary sector exports, have never looked more attractive on the world stage.

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<sup>1</sup> Statistics New Zealand

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<sup>2</sup> New Zealand Government Press Release, 12 March 2020

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<sup>3</sup> *Fit for a Better World* report, Primary Sector Council, July 2020

# What are the key challenges ahead?

New Zealand has a strong international reputation for high-quality and sustainable food production. The Government has recognised the importance of capitalising on this reputation to secure market growth and bolster exports as part of the drive to rebuild the New Zealand economy. That said, if we put New Zealand's strong reputation aside, there are still a number of key issues and challenges the primary sector must manage in the short to medium term.

## Supply chains will continue to be disrupted by a number of COVID-19 related factors:

- **Channels to consumers** are changing with an enforced switch to purchase through retail due to closure of food service businesses across the globe. Even where restaurants have reopened in COVID-19-hit countries, many consumers are cautious about exposing themselves to contagion risk. This means New Zealand's current export markets are looking for more domestically produced food to shorten supply lines and move towards greater self-sufficiency.
- **A rise in protectionism, tariff and non-tariff barriers** is expected as countries seek to 'buy local' and support their own economy. Protectionism may also arise in the form of public sentiment as we have experienced locally with the cheap imported french fries debate. Established markets could effectively close for some commodities, so market concentration is a significant risk to manage.
- **Disruption to companies** operating in countries where the COVID-19 pandemic shows no sign of abating presents opportunities for trusted New Zealand food producers. Government and industry can embrace technology and data resources to better access consumers and make the most of this opportunity. For example, primary

sector businesses are starting to explore new ecommerce channels.

- **Reduced capacity in supply chains** designed for efficiency not resilience i.e. cargo and sea freight, will impact on New Zealand's ability to deliver goods cost-effectively and on time. We need to make use of technology and data expertise to mitigate the impact of supply chain disruption.
- **Farmers will face a dilemma around how to optimise land-use.** Commodity pricing pressures and the move towards high value crops and animal proteins promise to deliver greater export value. Environmental concerns and economic sustainability need to be carefully balanced and aligned.

## The polarisation of demand globally and domestically - cost versus quality:

- **Commodity prices are under pressure** with concern that key export markets, such as the US, will consume more of their local foods. Supply chain disruptions could cause dislocations in the consumption and production of commodities and threaten food security. In the longer term, businesses and their industry bodies need to continue to focus on opening new markets, while short term agility will be critical to maintain the flow of goods and cash.



The greatest risk New Zealand's Agriculture, food and fibres sector faces just now is under-estimating how much we need to change.

Primary Sector Council, *Fit for a Better World* report, July 2020

#### Customers will demand trusted food:

- **Food provenance** will become even more important to consumers in a post-COVID out-of-home market, with consumers increasing their scrutiny of food outlets.
- **Food with a story** will become an even more valuable asset for food producers. Those without a story risk being left behind. The Government may advance investment towards helping exporters understand how they can leverage their stories for commercial long-term sustainability.
- **Plant-based food alternatives** continue to be an area of growth due to a significant increase in consumer interest driven by a combination of health, safety, environmental and animal welfare concerns.

#### The importance of sustainability is only increasing:

- **Environmental pressures** are driving New Zealand towards a low-emissions, circular economy with a focus on sustainable land and water use and kaitiakitanga.
- **Climate change** presents an ever-growing list of physical and transitional risks to the primary sector which will necessitate change across the entire supply chain from the farm through to the consumer.

#### Workforce shifts bring challenges and opportunities:

- **Border restrictions** mean traditional sources of seasonal labour have all but disappeared. While the Government has provided a \$100 million redeployment scheme, labour supply remains a real challenge for the sector.
- **Imported expertise will be non-existent** for a period of time. This will affect skills that are already in high demand, such as supply chain, planning and procurement, where New Zealand has been fairly reliant on migrant workers for several years, as well as executive and leadership roles.
- **Increased domestic unemployment** creates an opportunity for agriculture where more skilled workers are facing redundancy and see roles in the primary industry as an alternative career path. How do we make this hiring model sustainable and how do we reskill at pace? This is a key challenge for the Government and sector leaders with a target of employing 10% more New Zealanders in the primary sector by 2030.<sup>4</sup>

<sup>4</sup> *Fit for a Better World* report, Primary Sector Council, July 2020

# Opportunities for the primary sector

Following the COVID-19 lockdown, New Zealand's food industry is growing and global demand remains strong. The food production and processing industry is a critical sector for New Zealand and naturally forms an important part of our economic recovery. With fresh thinking, there are opportunities for the industry to continue on its growth trajectory while also operating in an environmentally sustainable manner.

## Take this opportunity to digitise and innovate:

- **Digitise processes** – Primary sector workers have long struggled with a make-do-and-mend approach to systems and processes. This means many jobs are administrative and have not changed substantially for years. Modern advances in technology solutions like cloud based data and analytic tools and robotic process automation mean organisations no longer have to wait for the next major ERP change to transform and digitise their processes. The benefits of digitisation will be lower cost of production, redeployment of experienced and talented team members into higher-value business insight roles, and better visibility and control into the business.
- **Innovation** within the agricultural sector is vital to support sustainability and productivity with markets demanding safe, healthy and convenient foods. Through innovation we can look to increase growth capital, commercialisation mindsets and industry uptake. The Government understands the need to develop new agritech and following the [Agritech Industry Transformation Plan](#)<sup>5</sup> has allocated \$11.4 million of funds from Budget 2020 to make this sector more productive, sustainable and inclusive as part of a zero-carbon economy.

## Work with industry bodies and the Government on pressing needs:

- **Collaboration** – Redouble efforts to work with industry bodies and Government on ways to drive value in the sector. Agencies are highly motivated to support, and very willing to collaborate with, business on a wide range of topics. So there are opportunities to work with these industry leaders to fix long-term issues.

## Build business resilience and de-risk supply chains:

- **Partnerships** – The sector must maintain agility to capture value from changing global markets, establishing new commercial partnerships that provide growth opportunities across volatile markets. For example, companies are seeing the benefits of data sharing across supply chains to enable end-to-end traceability.
- **Onshoring** – We need to identify alternative sources of critical input products and services, including onshoring, to mitigate supply risk as well as supporting local businesses. This will become a common theme globally and New Zealand needs to address these challenges now to support food production.

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<sup>5</sup> [Agritech Industry Transformation Plan](#), MBIE, July 2020

## It's time for local competitors to become global allies:

- New Zealand's challenge in commodity products is having a higher cost of goods, partly driven by the relatively high cost of freight as a proportion of total cost, compared to countries that are closer to large global markets. With polarisation of consumer demand around price and quality, is it time for local competitors to work out how they can be more attractive globally by selectively working together?

## Use digital technology:

- COVID-19 has highlighted the need to develop and better utilise systems and tools that will help producers and growers make better business decisions to support their returns and back-up our positive environmental reputation.
- Enabling sharing of open source quality data through platform providers is critical to ensuring we capture value within the food production sector and realise this value for the benefits of growers and processors.
- There is a need to review end-to-end supply chains, digitise and automate to streamline wherever possible.

## Inspire a new generation of Kiwis to enter the industry:

- COVID-19 has seen many jobs lost in the main centres of New Zealand while the primary sector is in need of labour, providing the opportunity to attract a new generation. The Government has supported this movement through Budget 2020, with \$25.3 million invested to attract and retrain New Zealanders into primary sector roles.
- Reflecting the Government's wellbeing budget, there is an opportunity to address income disparities within regions and increase the number of young people aged between 15 – 24 participating in primary sector education, employment or training.
- **The Nuffield Farming Scholarship** is a prime example of a prestigious rural leadership programme with a global focus, designed to fast-track the development of emerging leaders in our agri-food sector and it is imperative that we support these programmes moving forward.

## Sustainability for our future:

- There is agreement that we must farm within the limits of our land and water for the benefit of generations to come. How we do this from a practical and economically-sustainable perspective is often challenged. COVID-19 has provided us with the unique opportunity to question the 'business as usual' mentality, instead looking to advance sustainable and resilient transformation of our economy and natural capital. As part of this, we should incorporate initiatives that support climate change mitigation, better water quality and waste reduction in a proactive manner, to preserve our natural capital for the future. We have to produce food and fibres more sustainably and with reduced emissions, ensuring we don't degrade or deplete our natural assets any further, so they remain a productive asset for future generations.

## Importance of Māori agri-business

- The Government has recognised the need to incorporate **a strong Māori perspective** and this has been captured through the Primary Sector Council under the Te Taiao framework, which translates to mean the natural world that contains and surrounds us. This highlights the importance of regeneration of the primary sector with wellbeing front of mind.
- **Māori place the environment at the heart of all** conversations, emphasising the land, food and environment all interacting to sustain human wellbeing. Māori agri-business has long been focussed on food security, food supply and food sovereignty, which means ensuring the right to healthy and culturally-appropriate food production through ecologically sustainable practices and a right to define one's own food and agricultural systems.

# The time to act is now

New Zealand's primary sector is uniquely positioned to support our economic recovery and address some of the important broader issues New Zealand faces, like sustainability and equity.

We need to take hold of the immediate opportunities for exporters to capture growth off the back of our trusted brand. Global markets are changing at pace during these COVID-19 disrupted times, so we must focus on agility and innovation to further strengthen our reputation within an export-led sector.

Government and sector leaders need to be considering opportunities to digitise supply chains to bolster food trust and integrate advanced automation and applied R&D to enhance productivity and create greater value

for our goods and services. Collaboration within the sector has enabled resilience during these challenging times and leaders should continue partnering to strengthen New Zealand's position in the global markets.

Leaders across the industry also need to focus on attracting and retaining employees into the sector – this is a critical investment to be made now for the future. If they act now, motivated leaders with innovative strategies can drive growth across the food production sector for the benefit of all New Zealanders.



New Zealand's red meat sector can capitalise on this 'window of opportunity', as consumers worldwide actively seek out healthy, nutritious food.

Michael Wan, Beef + Lamb New Zealand Global Manager  
– Red Meat Story, Press Release, 1 July 2020.



# Contact us

With a breadth of experience working across the primary sector, we're here to help build the resilience, agility and reputation of your organisation in local and global markets.

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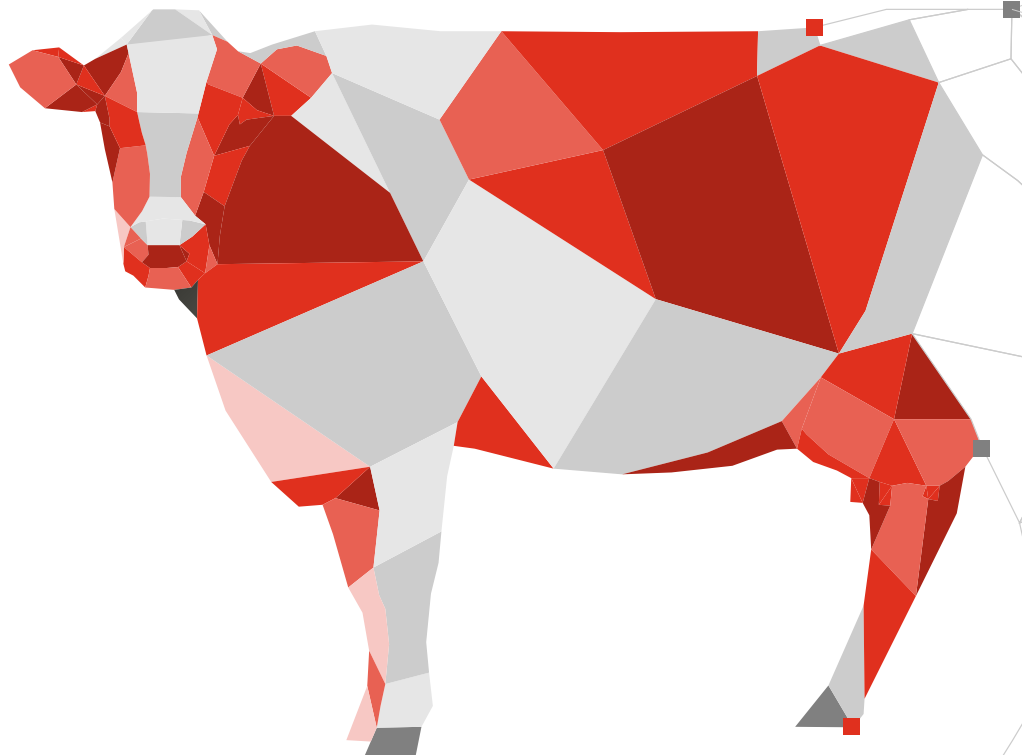
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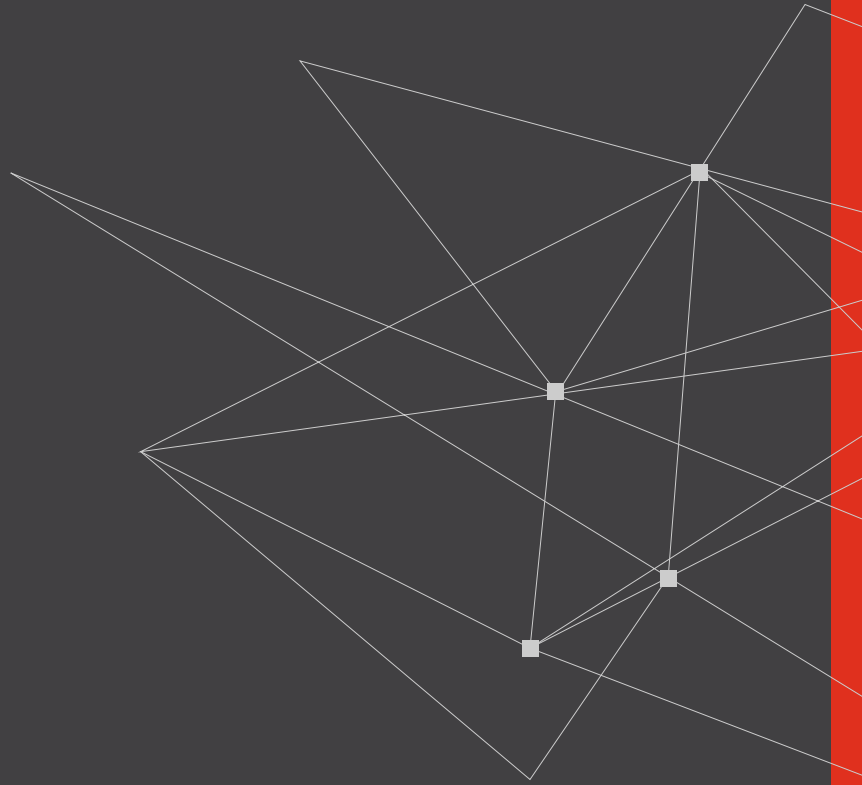
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