

The Industry Good needs for the Sheep and Beef Sector

MEAT & WOOL
NEW ZEALAND

2008 MIA Annual Conference
Mike Petersen
Chairman
Meat and Wool NZ

- Where we are today
- The Opportunity
- The Constraints
- Capturing the Opportunity
- A sector strategy?
- A new vehicle for Sector Strategy?
- Summary

Where we are today

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- Pricing and confidence is improving
- However
 - Dramatic decline in supply of sheep
 - Land use change still occurring
 - Pressure on finishing land at one end and Kyoto land on the other
- Commercial tension making industry approach difficult
- Industry organisations focussed on needs of their own stakeholders

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- Food is the new Fashion!
- Unprecedented demand for proteins world wide
 - more people with more money
 - Supply and demand now back in favour
- Food security is the new phenomenon
- NZ = high quality, safe natural products
- Efficient low cost production systems
 - Complementary to Nthn Hemisphere
 - Large share of cross border trade for lamb
- Integrity of NZ in international trade

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- Lack of profitability for all sectors
 - Largely a sheep meat issue
 - Seasonal production system
 - Lack of differentiated product
 - Leaving money in the market
- Lack of transparency and market information back to farm
- Lack of trust between farmers and companies
- Lack of confidence in the sector compared to other land uses
- Lack of an agreed sector strategy on key issues

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Capturing the opportunity

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- Commercial reorganisation of industry
 - On commercial terms
- An overriding need for a Sector Strategy
 - Not to replace company strategies
 - Address the needs that are common to all in the sector
 - Innovation, Advocacy and Skills
- Greater trust, commitment and transparency between farmers, companies and the market

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A Sector Strategy?

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ON-FARM

PROCESSING

IN-MARKET

FARM
INPUTS



FARM



TRANSPORT



SLAUGHTER/
PROCESSING



SHIPPING



IMPORTER



RETAILER



CONSUMER



FOOD
SERVICE



FARM GATE

MARKET ENTRY

RISK MITIGATION



Meat and Wool NZ areas of influence



ON-FARM

- ✓ Seasonality of production
- ✓ Ability to cope better with adverse weather events
- ✓ - product to specification more often
- ✓ Continued innovation and productivity improvements
- ✓ Greater trust, commitment and transparency between farmers, market and companies

PROCESSING

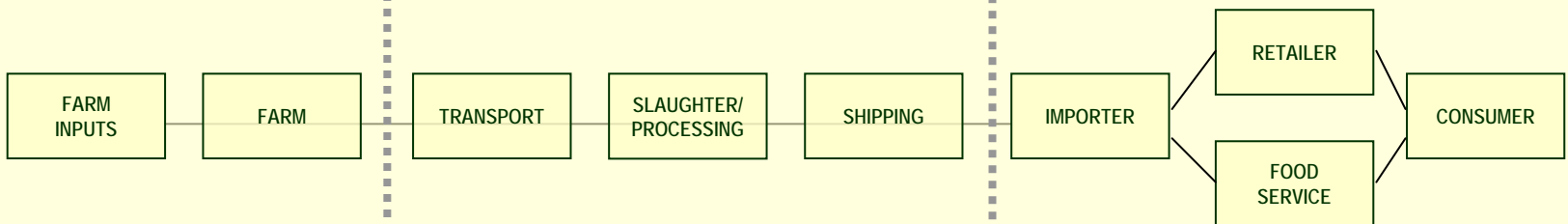
- ✗ Better plant utilisation/surety of supply
- ✗ Continued progress in processing efficiency and robotics
- ✗ Continued progress in product development
- ✗ New technologies for increased shelf life

IN-MARKET

- ✓ Greater understanding of consumer – differentiated products
- ✓ Greater investment in branding and marketing
- ✓ Development of non traditional markets
- ✓ Co-operation rather than competition
- ✓✗ Supply management
- ✓ Greater trust, commitment and transparency between farmers, market and companies

FARM GATE

MARKET ENTRY



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A new vehicle for sector strategy?

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- Currently M&WNZ and MIA
 - Consistent with Dairy NZ and DCANZ
- Discussions underway to look at merits of single organisation for meat and wool industry
 - Represent the sector
 - Agreed Sector Strategy
 - Unified approach to Fast Forward and others
- Now a question that needs to be asked
 - Is there appetite for change?
 - What could it look like?

Governance

4 Producers 4 Processors & exporters + 1 Independent

CEO

Improving the way we do things

Lifting the profile of the industry

Bringing skilled people into the sector

Innovation

Advocacy

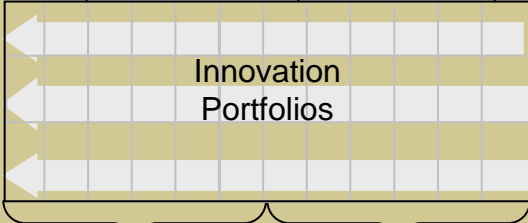
Skills and Education

Corporate Services

On Farm Processing Market

Policy Analysis

On Farm Processing Market



Sheep committee
Cattle committee

International and domestic

Economic Service

Ag ITO, TEC, Scholarships
Leadership
Meat and Wool Academy

Legal HR
- IT Finance
- Communications

Two species committees, each made up of two main Board members plus six others

Ad hoc advisory groups on policy and services issues – assembled as needed

Regional representatives and field staff

Advisory Groups Mentors

Producer, Processor, Exporter Engagement to ensure more effective industry good investment

A new vehicle for sector approach

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- Three main priorities
 - Innovation
 - Advocacy
 - Skills
- Jointly funded by farmers and industry
 - Current spend M&WNZ and MIA \$45m before Fast Forward and other new commitments
- Jointly governed
- Inform, Influence and Invest to achieve the best return for the sector.

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- The opportunities are real, along with the challenges.
- Status Quo is not an option
 - Commercially
 - Industry Good
- There is a need for an agreed sector strategy.
- Either MIA and M&WNZ facilitate this or we progress towards a new vehicle
- Time is of the essence
 - Need a decision by end of year (November)
 - Consultation April to July 2009
 - Referendum August 2009

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NZ Sheep and Beef Sector today

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- Numbers 2008/2009 season
 - Sheep numbers down 11.2% to 34.2m
 - Cattle numbers down 3.2% to 4.25m
 - Lamb kill down 23% or 6.0m
 - Mutton kill down 53% or 3.3m
 - Beef kill down 6.5% to 2.0m
- Prices 2008/2009
 - Lamb farm gate price +30% (\$73.00)
 - Beef farm gate price +30% (\$4.35/kg)
 - Farm Profit +173% (\$19000 to \$53000)
- Farm Working Exp +8%

- The market
 - Greater understanding of consumers
 - Differentiated products
 - Need a new culture in branding and marketing
 - Development of non traditional markets
 - EU 50% NZ sheep meat volume 63% by value
 - Non quota and emerging markets
 - Alternative routes to market
 - Co-operate rather than compete
 - Supply management
 - Requires greater trust, commitment and transparency between farmers, market and companies

- Processing
 - Better plant utilisation
 - More surety of supply
 - Continued progress in processing efficiency and robotics
 - Continued progress in product development
 - Legs
 - Differentiated products or offerings
 - New technologies for increased shelf life

- Supply
 - Need to smooth seasonal production system
 - 70% lamb slaughter Dec – May
 - 64% beef slaughter Dec – May
 - Capacity to cope with the peak but at what cost
 - Better systems and partnerships
 - Need to cope better with climate challenges
 - Droughts and impact on supply
 - Out of Specification product
 - Need continued innovation and productivity improvements
 - Requires greater trust, commitment and transparency between farmers, the market and companies