



Media Release

04 May 2011

Red Meat Sector Strategy shows a path to sustainable sector profitability

The Meat Industry Association (MIA) and Beef + Lamb New Zealand (B+LNZ) have today released the Red Meat Sector Strategy with the Prime Minister, the Rt Hon John Key and the Minister of Agriculture, the Hon David Carter. The strategy reflects broad recognition of the underlying challenges to the sector's sustainable profitability, but also clearly identifies the opportunities for the sector to realise its full potential and continue to be a principal driver of New Zealand's economy.

"While the sector currently generates nearly \$8b annually in export earnings and forms the basis of the visual and social landscape of New Zealand, over time its profitability has been inconsistent and often unsatisfactory, as is reflected by conversion of sheep and beef farm land to other uses such as dairy farming and forestry," said Mike Petersen, B+LNZ Chairman.

In this context, MIA and B+LNZ initiated the development of this sector strategy – with unprecedented input from the sector and underpinned by extensive data and in-depth analysis by Deloitte – to identify ways of achieving sustainable profitability and promote re-investment in the industry.

"The level of sector input and the rigorous process of analysis means the strategy not only reflects the sector's collective views on the issues and opportunities, but also demonstrates a genuine desire for change and commitment to that across the sector," says Bill Falconer, MIA Chairman.

The strategy identifies, and substantiates with robust analysis, that the greatest potential uplift in sustainable profitability will only be delivered by all sector participants taking action in three key areas:

- In-market coordination – creating a strong brand position and acting with scale through greater coordination of exports to grow targeted markets.
- Efficient and aligned procurement – critically there is a need to shift the focus of competition from the farm gate to offshore competitors.
- Sector best practice – developing farming systems and improving productivity at all stages of the supply/value chain, leveraging R&D and knowledge transfer.

"While the strategy canvasses some long-held beliefs that fixing the sector's problems is simply a matter of addressing one-off issues like over-capacity and excessive stock transport, the data and analysis clearly shows that there are other opportunities for bigger and more sustainable improvement in sector profitability," says Mr. Petersen.

In terms of implementing the recommendations in respect of the three key themes, the strategy provides insight into some of the ways this could be achieved, all underpinned by 'informed aligned behaviour change', the identified critical success factor. This means working towards greater transparency of information exchange and each value chain partner becoming a more integral part of their partners' strategies to reduce inefficiencies through misaligned objectives.

"The strategy does not provide a single blueprint, which would not be appropriate or practical given that the sector participants are independent commercial entities accountable to their own shareholders or owners. But it does outline a range of valid and effective actions that farmers and meat companies can take, and most importantly quantifies how the underlying principle of working together more will deliver sustainable profitability," says Mr. Falconer.

While only the individual commercial parties – both farmers and meat companies - can implement the strategy, a Strategy Coordination Group is being established to promote the strategy, monitor and report back on progress. The Group will initially be chaired by the Chairmen of B+LNZ and MIA.

"We encourage sector participants to closely study the report and identify what actions they can take in the three key areas, particularly investment in best practice. With the current improvement in prices for sheepmeat and beef there is a unique window of opportunity now to take advantage of improved cashflow for re-investment to make those changes that will deliver sustainable, long-term profitability," says Mr. Petersen.

The possible gains presented in the report will take time to achieve, but are compelling not just for the sector but for New Zealand as a whole. NZIER modelling suggests a 1.3% increase in GDP and real value change of \$3.4 billion pa by 2025 if the strategy is successfully implemented, with significant flow-on to the broader agricultural sector and the wider economy.

The full Red Meat Sector Strategy Report is available to download from <http://www.beeflambnz.com/> or <http://www.mia.co.nz/> .

For more information please contact: Beef + Lamb New Zealand Communications Manager, Jan Keir-Smith 027 271 7593.