OUR LAND AND WATER

Toitū te Whenua, Toiora te Wai

National Science Challenges

**WHENUA, LIFE, VALUES PROGRAMME**

# REPORT THREE

# OPPORTUNITIES FOR MĀORI TO ACCESS PREMIUM MARKETS – RESULTS FROM A MĀORI AGRIBUSINESS SURVEY

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## Introduction

As part of the Our Land and Water National Science Challenge Programme, the project Toitu te Whenua, Toitu te Koira, Toitu te Tikanga – Whenua, Life, Values (from here on WLV) – is focused on creating a decision-making tool for Māori trust and incorporation farms that will allow them to overcome, avoid, mitigate or ameliorate the constraints and take advantage, amplify or target the opportunities in their sector and their situation. WLV has mapped the specific constraints and enablers Māori agribusinesses face, producing a set of indicators to measure these restraints and opportunities which will then be used to develop the tool for Māori agribusiness.

To produce the indicators and develop the tool the project first conducted a literature review. This delivered an overarching outline of the Māori agribusiness sector from which four pillars and five domains were determined. These pillars – the dominant Māori values that shape and constrain Māori farming – and domains – the most important yet conflicted areas that determine the success or failure of an operation – were then used to develop a set of interview questions. A Māori agribusiness expert then conducted 15 key informant interviews with a representative range of Māori agribusiness leaders. Following the key-informant interviews the central pillars and domains were further refined to accurately reflect the current state and operations of Māori agribusiness, and how the businesses relate to one another. A survey is currently being conducted to provided further insight into the pillars from the interviews. Using the results from the above analysis an indicator suite that directly relates to Māori agribusiness goals and operations was developed. Finally, an online application will be developed that will allow Māori agribusinesses to create infographics demonstrating the tensions and synergies between various agribusiness pressures, drivers, and opportunities. This infographic tool will be used to guide strategic planning and operational decision-making.

This report will cover the opportunities for Māori to access premium markets, using insights gained from the literature, interviews and survey data. The literature demonstrates that there are premium markets for products that are produced in a manner that embraces the attributes that indigenous people value (Reid and Rout, 2016; Reid and Rout, 2018; Rout and Reid, 2019; Saunders et al. 2016). In the Māori context these attributes include kaitiakitanga (environmental stewardship), manaakitanga (kind, generous, and respectful relationships), whanaungatanga (familial connection and belonging) and whai rawa (wealth accumulation for future generations) (Reid et al. 2013). However, to access premium markets there needs to be existing market channels between values-based producers and the consumers seeking their products. To achieve this goal, shared values, leadership, coordination, and communication across a supply chain is needed (McIntyre et al. 2019). Apart from a handful of industry examples this is not done well in New Zealand (McIntyre et al. 2019). The need for whole-of-supply-chain governance in New Zealand is commonly referred to in the research literature (Barrett-Ohia 2010; Beverland 2007; Brackeridge 2016; Cottrell 2016; Kingi 2013; Saunders et al. 2016).

Māori agribusinesses are typically seen as more disadvantaged than non-Māori agribusinesses when it comes to premium market channel access. Māori land is often remote with few options to accessing processors with optimal supply chain arrangements (Cottrell 2016). Further, Māori land trusts and incorporations are often too small and spread apart to vertically integrate and establish their own processing facilities, brands, and market channels (Phillips et al. 2014; Saunders et al. 2016). **However, there is little data regarding the level of access Māori agribusinesses have to premium market channels, their strategies for accessing them, or the access barriers they experience. This purpose of this report is to provide this data; and to provide insight into how Māori producers might better connected with the premium consumers seeking their products.**

## Methods

Two methods were used to gather data concerning. Firstly, thirteen in-depth interviews were conducted with 13 Māori agribusiness representatives – six current or former board chairs, seven board members and one Māori leasee of a trust farm. The interviews were value chain focussed, and in particular explored the following themes with participants: the markets supplied; level of engagement in the distribution process; main customers; constraints experienced with market access; market opportunities; participation quality assurance programmes; kinds of processing and packaging used (if relevant); level of participation across the value chain; and knowledge of competitors. The data from these interviews were analysed using thematic analysis (TA) to identify the main themes concerning market access. More details concerning the data analysis process can be accessed from *Report One* within the series of reports generated as part of this 'Whenua, Life, Values' programme. Secondly, based upon the qualitative analysis an online survey for Māori agribusiness was developed to generate quantitative data concerning market-access themes. The survey was sent to 60 Māori land trusts and incorporations (identified through a desktop search) with farming operations. There were 27 respondents to the survey. This is a reasonably small number of responses for a survey; however, based on the demographic information of respondents, and the diversity of agribusinesses completing the survey, we are reasonably confident that the results are meaningful. More details regarding the survey, methods used, and critical approach adopted, can be accessed in *Report Two* within the series of reports generated as part of this 'Whenua, Life, Values' programme.

## Results

The results from the quantitative survey are first presented to provide an overall picture regarding Māori agribusiness barriers to, and opportunities for, accessing premium market channels. Figure 1 indicates that 50% of the Māori agribusinesses surveyed were actively seeking access to premium markets. However, it is clear from Figure 2 that Māori agribusinesses are reliant upon existing processors and market channels to access these markets, with 94% of businesses supplying straight to a processor, rather than processing and distributing to customers themselves.

Figure 1. Percentage of Māori agribusinesses taking action to access premium markets (n=22)

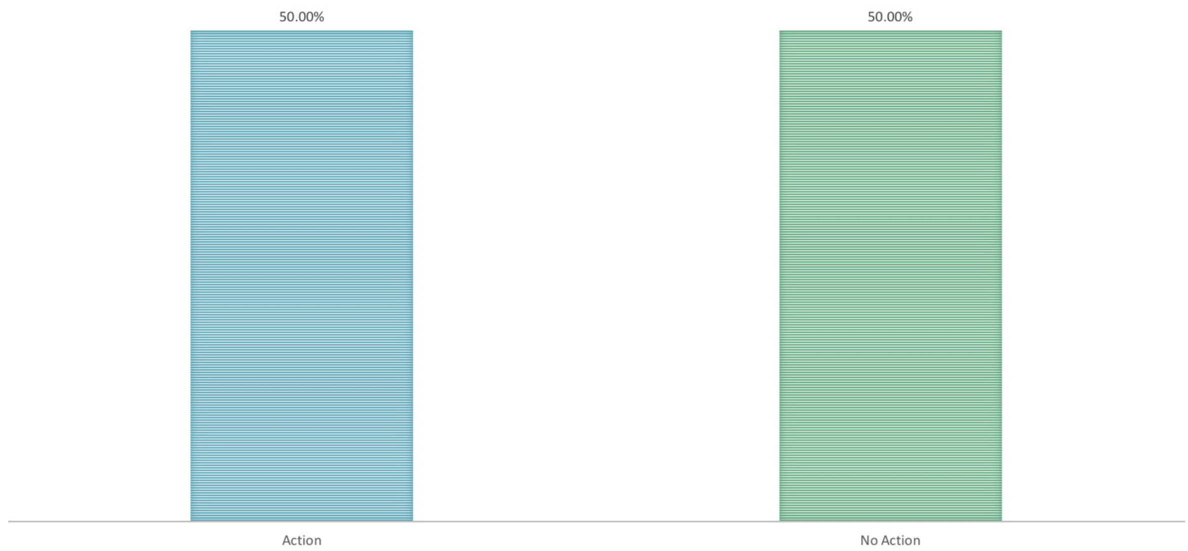
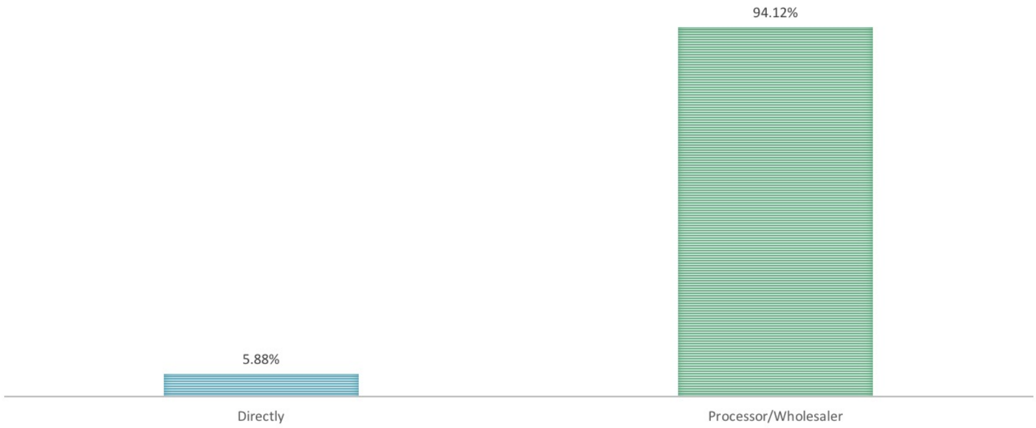
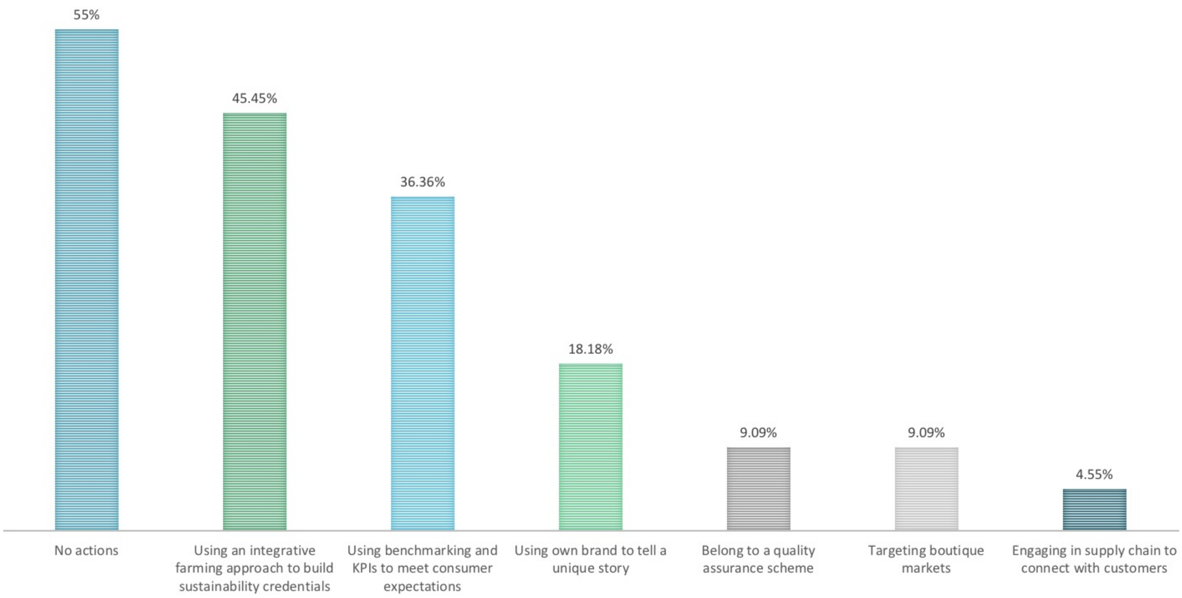


Figure 2. Percentage of Māori agribusinesses that supply consumers directly or a processor (n=17)




Despite almost complete reliance on existing processors the data tells a story of 50% of Māori agribusinesses making efforts to create products demanded by premium markets. Firstly, it is demonstrated in Figure 3 that 45% of Māori agribusinesses surveyed are adopting integrative farming approaches (i.e. mixed/mosaic land uses) to improve environmental performance, spread risk, and in turn elevate their sustainability credentials to meet both market expectations and kaitiaki (environmental) stewardship values.

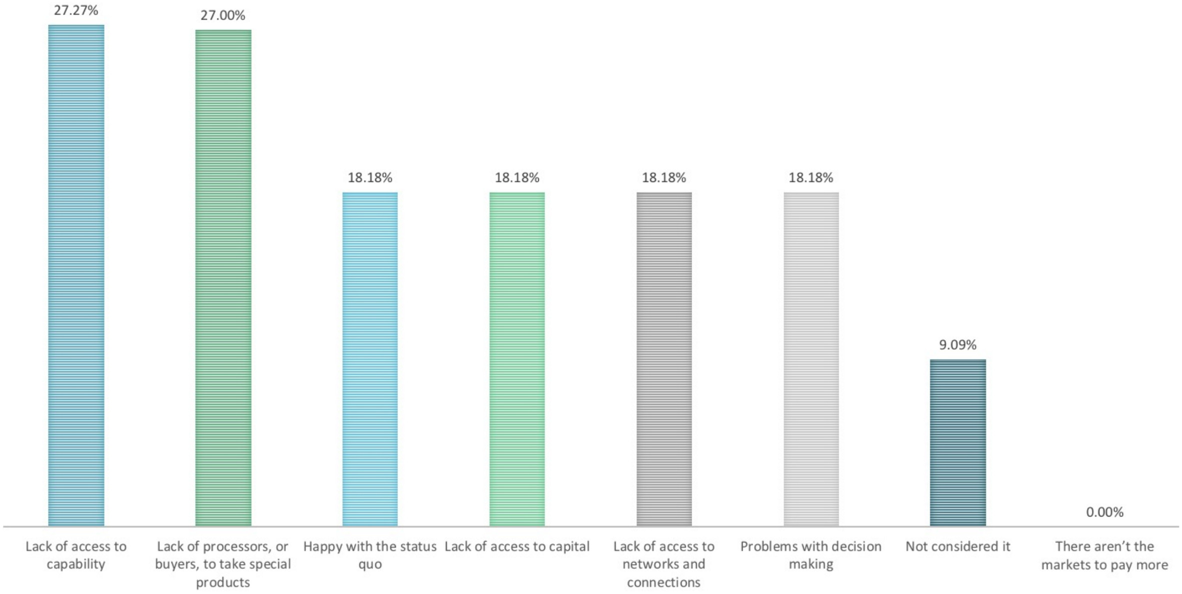
Figure 3. Actions of Māori agribusinesses to improve access to premium markets by percentage (n=22)



Secondly, Figure 3 demonstrates that 36% of Māori agribusinesses surveyed are using industry benchmarking and key performance indicators (KPIs) to improve their market environmental credentials to meet increasing consumer demand for these attributes. Thirdly, another 9% belong to quality assurance schemes, which are designed to provide international market assurance concerning the environmental and social credentials of product. Fourthly, 18% are working on their own unique brand and story to communicate their values to markets, while another 9% are actively working on initiatives to target niche premium markets. Despite these initiatives only 5% outline that they are actively engaged in the supply chain to connect with their customers. This is presumably the 5% of agribusinesses surveyed supplying directly to consumers. In short, the vast majority of Māori agribusinesses are dependent upon the supply chains in which they are engaged to communicate their credentials to market and access premiums.

The survey also asked Māori agribusiness what the barriers they experienced to accessing premium markets. Not surprisingly the lack of processors to take and market premium products was identified as the largest barrier, outlined in Figure 4, with 25% of respondents signalling this as a constraint. However, there were also a range of constraints not related market access. Firstly, 25% of agribusinesses identified the shortage in capability to develop premium products as a constraint, while 18% identified lack of access to financial capital and networks into supply chains and markets. Secondly, 18% attributed problems with making decisions inside their organisations as a constraint to taking clear actions to engage in premium value chains. Finally, some respondents simply outlined their contentedness with the status quo, and not considering the development of premium products as an option, as a constraints.

Figure 4. Perceived factors preventing Māori agribuinesses accessing premiums markets (n=11)




The quantitative analysis is supported by the qualitative analysis, which provided more detail regarding issues and opportunities. Participants primarily identified the lack of access to processors and poorly focused and coordinated industry action as a constraint on premium market access. A number of the interviewees outlined their experience of working with a regional processor which intended to help with a number of supply chain factors, such as lowering input prices as well as providing a shared brand targeting premium markets. However, several interviewees noted that while this had worked well for several years it had become dysfunctional and this had left these particular agribusinesses more wary of collaboration. This led one participant to stress that he considered any focus on Māori agribusinesses building their own processing facilities was risky and not worth the costs.

With regard to industry bodies tasked with, amongst other factors, industry coordination and establishing paths to premium markets the majority of participants said they were of little to no value, with many stating that they wanted to stop paying the levies. It needs to be noted that several participants did express that they had experienced positive outcomes with regards to monitoring by industry bodies, but in terms of paths to market the experiences were unanimously negative. A number said that they had received no help or even contact from these industries bodies. Several believed that the industry bodies did not cater to or understand Māori agribusinesses which they believed explained the lack of help and contact, while several others believed that these bodies were years behind with regard to insights into paths to market.

Despite these constraints, we also found considerable evidence of Māori agribusinesses working collaboratively, whether under formal or informal agreements, to establish and improve their own paths to premium markets. Many interviewees explained that these whakapapa networks were an essential for them, that these connections provided essential scales of economy, diversity of land types and the influence and scale needed to integrate the supply chain and effectively brand and market. Collective action, in other words, was a fundamental enabler of paths to market. Singularly these operations do not have the capacity to find alternative paths to market but collectively they do, both in terms of ensuring consistent supply and in working together to create a brand. Scale is critical, but as many noted so too is shared values and situation. As the participants explained, working collectively is congruent with core Māori values and makes sense practically as they share both these values and wider contexts. The converse of this will be outlined in the constraints below.

There were three key aspects of collective scale the interviewees saw as enabling. One was the ability to brand and market products, providing a means to add value and communicate provenance. Most of the participants who discussed this benefit were in the developmental stages of this process but saw whakapapa networks as an essential enabler as it gave them the scale and reliability to be able to deliver enough product to capture the degree of market share needed and to create a brand and effectively market this brand. A number discussed the unique position Māori were in, that they had a powerful narrative that could be communicated to consumers but this was not something that individual trusts had the capacity to conduct on their own. The second was the ability to gain both production scale and a diversity of land types that help increase access to processors. By working collectively the trusts were able to ensure they would be able to fulfil contracts with processors, which gave them a greater choice. Some talked of how useful it was to be able to finish stock on partner operations, which in turn meant they were able to access more processors than they might have been able to on their own as many farms are marginal and in remote locations. Connecting with increasing capacity through measures and metrics, the third benefit noted by a number of participants was that collaborating meant they were able to access better ways of measuring and benchmarking their operation, particularly as this allowed them to compare like with like rather than the false comparisons that might be made with non-Māori farms.

## Conclusion

There appears to be constrained opportunities for Māori agribusinesses to access premium markets through existing supply chains. The vast majority of Māori agribusinesses are dependent upon these chains for market access. However, a majority of Māori agribusinesses who recognise this constraint are working collaboratively to develop alternative approaches. It is likely that these agribusinesses will vertically integrate in the future to establish their own processing facilities and paths to premium markets that recognise the values that underpin their production processes. However, the data also suggests that about 25% of Māori agribusinesses have trouble accessing the skills, capabilities, knowledge, networks, and financial capital, to develop premium product that represent their values. It is likely that supporting existing successful networks of Māori agribusinesses focussed on continual improvement, product quality, and future vertical integration, might provide a pathway for the formation of Māori governed value chains that connect directly to premium markets. Such institutional arrangements establish a structure for struggling Māori agribusinesses to join, where capabilities, skills, networks, and financial capital they need might be accessed.

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