



## Rural Regions and Global Agri-food Value Chains

Presentation by Paul Dalziel, co-authored with Caroline Saunders and Tiffany McIntyre, to the RSA Conference, Santiago de Compostela, 5-7 June 2019.



## Section 1 Introduction






### The *Our Land and Water* National Science Challenge

The Government has defined eleven National Science Challenges targeting goals that could have major and enduring benefits for New Zealand.

Challenge 10 focuses on:

*Our Land and Water*  
*Toitū te Whenua, Toiora te Wai*





### Our Land and Water

Toitū te Whenua, Toiora te Wai

Our objective, set by Government, is to enhance the production and productivity of New Zealand's primary sector, while maintaining and improving the quality of the country's land and water for future generations.

<https://ourlandandwater.nz/>



The Nexus

Strategy  
Leadership  
Co-ordination  
Integration

Greater value in global markets

Innovative, resilient land and water use

Collaborative capacity



### Greater Value in Global Markets

Current research is developing methods for understanding our international customers' demands for products from New Zealand's land and water and aligning those with local community expectations for their environment and wellbeing. The aim is to design production systems that meet both needs. It will also design value chains which will ensure that producers – farmers and growers – have a share of the increased value created through this better alignment.



## Section 2 The Taupō Beef and Lamb Example




**Lake Taupō is an iconic lake in the middle of the North Island**

Lake Taupō

Leaching of nitrates and phosphates from intensive farming around the lake is damaging the quality of the lake.

To address this, farmers are being required to reduce their stocking rates per hectare.

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**Lake Taupō is an iconic lake in the middle of the North Island**

This will reduce the profitability (and perhaps viability) of farming, unless farmers can obtain a premium for their products because of their sustainability credentials.

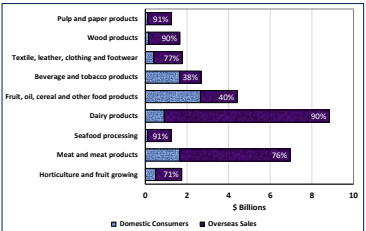
This is the problem being faced by Taupō Beef and Lamb.

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### Majority of NZ Primary sector Final Sales is Exported

A feature of New Zealand's primary sector is that most of its produce is exported, including 76% of meat.

So, is it possible to obtain a premium from distant consumers?



Product Category	Domestic Consumers (%)	Overseas Sales (%)
Pulp and paper products	93%	7%
Wood products	90%	10%
Textile, leather, clothing and footwear	77%	23%
Beverage and tobacco products	58%	42%
Fruit, oil, cereal and other food products	40%	60%
Dairy products	20%	80%
Seafood processing	9%	91%
Meat and meat products	24%	76%
Horticulture and fruit growing	2%	98%

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### New Zealand Customers are Distant



Source: WGS 1984 datum.

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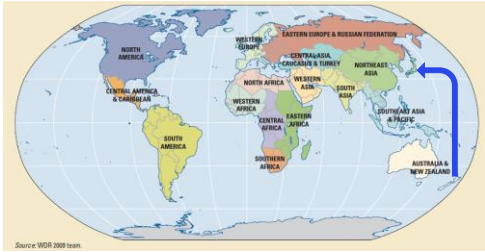
### Rewarding Responsible Innovation when Consumers are Distant

Previous research by the AERU had confirmed that consumers in New Zealand's export markets are willing to pay a premium for food and beverage products that have strong sustainability credentials.



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BUT, how to construct a value chain to capture this?



## Section 3

## Global Agri-food Value Chains



### The Theoretical Framework

All value that can be shared along a global value chain comes from what the final consumers are willing to pay for the product.

The framework distinguishes four types of In Market Values.

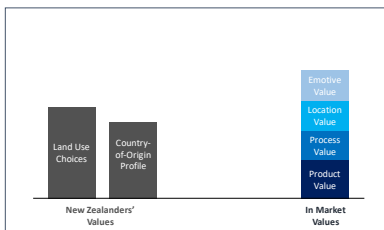


### The Theoretical Framework

- Overall response to the consumption experience and associated narrative.
- Ambiance of where the product is consumed or purchased, and how it got there.
- Credence attributes such as environmental stewardship, animal welfare, etc.
- Traditional attributes such as taste, texture, appearance, etc.

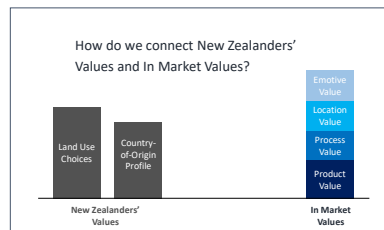


### The Theoretical Framework

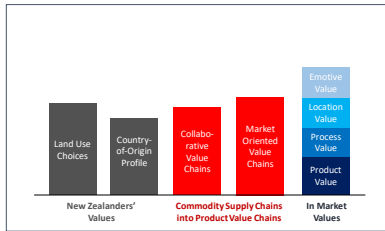


### The Theoretical Framework

How do we connect New Zealanders' Values and In Market Values?



## The Theoretical Framework



## Hypothesis of the Research

The more collaborative a value chain is, the greater is the value that New Zealand producers, processors and manufacturers in the land and water sector can capture from profiling the desirable 'credence attributes' of its production systems ('the New Zealand story'), targeted at consumer segments.

## Section 4 Five Case Studies

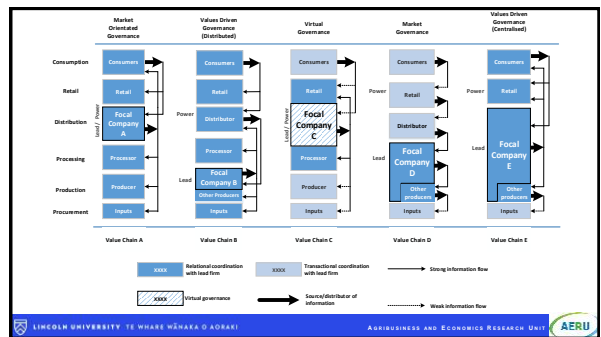
## The AERU was funded to test this hypothesis

- Case study of five purposefully selected value chains (including Taupō Beef and Lamb).
- Interview protocol developed to test the hypothesis based on themes derived from the literature.
- This protocol was refined during a workshop held with interdisciplinary researchers.
- Interviews were conducted by five pairs of researchers from the research team.

## The AERU was funded to test this hypothesis

The value chains were selected for their variety of product offerings, and governance structures:

- Company A: horticultural value chain with a lead firm coordinating the chain.
- Company B: boutique meat value chain with a distributed governance structure.
- Company C: non-perishable land based production value chain, governed by an integrated virtual system.
- Company D: seafood value chain governed by the market.
- Company E: wine value chain with a centralised governance structure.



## Key Findings

- The most important finding from the research was that these value chains were founded on **shared values** by participants along the chain.
- Another important finding was the distinction between market **power** and value chain **leadership** (who ensured the values base is maintained).
- All the value chains were focused on ensuring the **final consumer** had a valued experience (from the consumer's point of view).
- A challenge faced by the value chains is how to understand that consumer experience, and how to **communicate** the chain's values to consumers.

## Section 5 Conclusion



## Conclusion

Key stakeholders in New Zealand's food and fibre sector have recognised the need for transformational change for some time.

TE-HONO

Unlocking the Power of New Zealand's Primary Sector

From our land to the world.

A partnership helping to drive the success of the New Zealand primary industry and make Aotearoa, New Zealand, a place where our children and their children want to live, work and thrive.

Collaboration, alignment and transformation have been the goals of Te Hono. The movement has brought together a diverse alumni of 220 Chief Executives and leaders who have a deep-seated passion and desire to develop and innovate for transformational change in the New Zealand Primary Sector.

*Hono Tangata, Hono Whenua, Hono ki te ao*  
strengthening relationships by linking to the land and connecting to the world

## Conclusion

This research is providing the scientific evidence to support this transformation of New Zealand's primary sector from creating efficient supply chains to creating effective value chains.

