Rural Regions and Global Agri-food Value Chains

Presentation by Paul Dalziel, co-authored with Caroline Saunders and Tiffany McIntyre, to the NZARES Conference, Hamilton, 29-30 July 2019.

Mihi

E ngā tāne, e ngā wāhine, e tau nei, tēnā koutou katoa.
Ka tino nui tāku mihi o aroha ki a koutou i tēnei ra.
Kei te mihi ahau ki ngā taonga katoa o Waikato-Tainui,
tangata whenua o tēnei rohe.
Ka iti tāku mōhio ki te reo Māori,
ēngari kei te mihi ahau ki tēnei taonga o ēnei motu.
Tēnā koutou. Tēnā koutou. Kia ora tātou katoa.

Section 1

Introduction

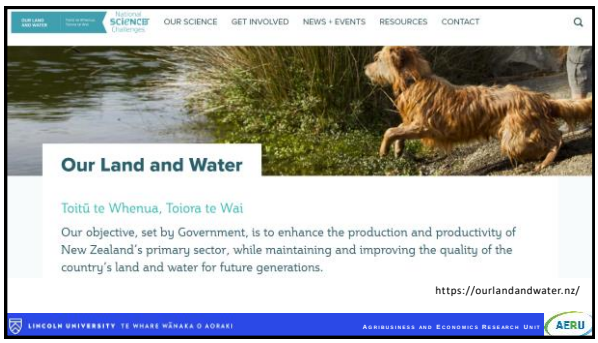
National SCIENCE Challenges

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



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.

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

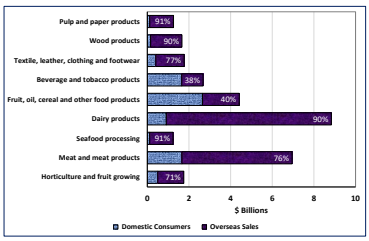
This will reduce the profitability (and perhaps viability) of farming, *unless* farmers can obtain a premium for their products because of their sustainability credentials.

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

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?



New Zealand Customers are Distant

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Even Lake Taupō to Tokyo is a long way

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International Food and Agribusiness Management Review

Rewarding responsible innovation when consumers are distant from producers: evidence from New Zealand

Special issue: Responsible innovation in the agri-food sector

RESEARCH ARTICLE

Abstract

The concept of 'responsible innovation' is the subject of an expanding literature. As Vincent Blok and colleagues have recently analysed, practical issues undermine the adoption of responsible innovation in industry. These issues are intensified for agri-food producers who export a large proportion of their production to distant consumers, as is the situation in New Zealand. Even in this case, however, this study reports evidence that final consumers of agri-food products in five of New Zealand's key export markets value credence attributes produced by responsible innovation and that this has the potential to increase returns to the country's domestic producers. A national movement of New Zealand agribusiness leaders is pursuing this vision, but further research is needed to understand how responsible innovation can operate in global agribusiness value chains.

Keywords: credence attributes, agri food, exports, New Zealand
JEL code: F14, Q13, Q17

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?

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Section 3

Global Agri-food Value Chains

The Theoretical Framework

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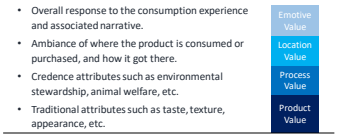
The Theoretical Framework

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

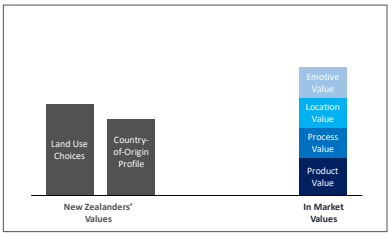
The framework distinguishes four types of In Market Values.

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.

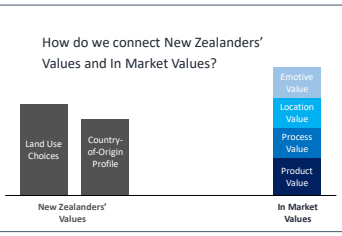


The Theoretical Framework

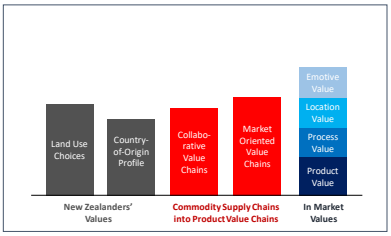


The Theoretical Framework

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

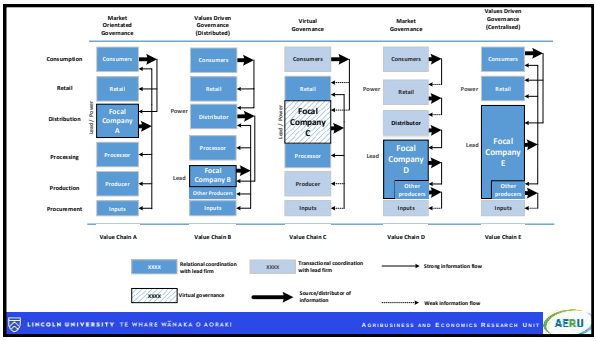
The AERU was funded to test this hypothesis

- 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

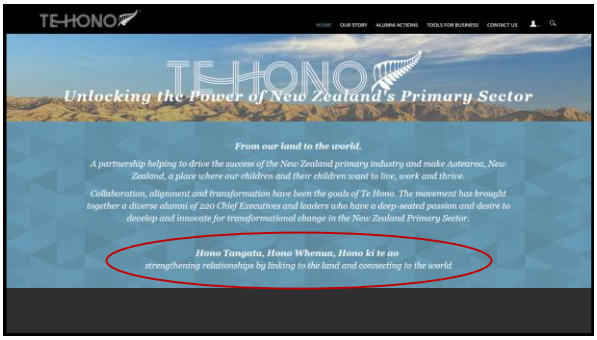
- The most important finding from the research was that these values chains were founded on **shared values** by participants along the chain.
- Another important finding was the distinction between market **power** and value chain **leadership** (who ensured the values base is maintained).
- All the 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.



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.

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