



**Rabobank**

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## ***New Zealand risks ‘missing golden opportunity in agriculture’ – new report on competitiveness warns***

New Zealand risks missing ‘a golden opportunity’ to grow its agricultural sector, and addressing this will require a coordinated, joint approach from across the sector, a new report on the competitiveness of New Zealand agribusiness has warned.

***Agriculture in Focus 2014: Competitive Challenges***, by agricultural banking specialist Rabobank, says New Zealand agribusiness is facing mounting competitive threats throughout the supply chain, which require concerted and aligned action from industry and government.

The report, which jointly examines New Zealand and Australia’s agribusiness sectors, identifies six key challenges affecting the competitiveness of the countries’ food and agribusiness industries, which are increasingly coming under threat from a growing group of highly-resourceful international competitors, including countries in South America, Eastern Europe and even Asia.

The report says the critical areas, which need to be addressed as a matter of priority are:

- rising production costs both on-farm and beyond farmgate
- international market access
- logistics infrastructure (in)efficiencies
- regulatory pressures
- capital constraints and
- product innovation and development.

Rabobank general manager Food & Agribusiness Research and Advisory Luke Chandler says “while the rising demand growth for food from Asia remains a golden opportunity, New Zealand and Australia both risk missing the boat without a more co-ordinated effort from industry and government” to address the factors which threaten to impact both countries’ future competitiveness in world export markets.

“While the competitiveness of New Zealand’s food and agricultural sectors has generally compared favourably in a global context in the past, this situation is far from static,” he says.

“Many of New Zealand’s competitors in agricultural markets around the world are investing heavily and becoming much more productive, and this is very much raising the bar for New Zealand’s agricultural industries.”

Mr Chandler says food and agriculture is becoming the subject of increased focus from governments around the world as the challenge of meeting the food needs of a growing and wealthier global population places pressure on farming enterprises.



“However, we need to realise that New Zealand is not the only agricultural exporter looking to capture this increasing demand,” he says. “Over the past decade highly-resourceful developing countries have begun to assume a greater role in the global export trade of food and agriculture products.

“The potential of countries in South America and Eastern Europe is obvious, but even some major food-importing countries and regions, such as China and the ASEAN-5 nations are playing a greater role in shaping the export landscape.”

As opportunities to boost direct on-farm cost competitiveness become harder to realise for New Zealand, the report says, the nation’s food and agribusiness sector must look to broader factors to maintain its competitive edge.

### **Regulatory pressures – New Zealand dairy**

The report notes other determinants of growth and prosperity for agriculture include the sector’s ability to deal with regulatory pressures.

As a case in point, it says, New Zealand’s dairy industry needs to increasingly deal with significantly heightened environmental regulation, both current and pending.

“New Zealand’s milk production growth is likely to be constrained over the next five years relative to the 2008 to 2013 growth period as the ability to change land use will become more difficult and expensive,” the report says.

“The future growth of the New Zealand dairy industry will partly depend on how efficiently producers adapt production systems to meet heightened environmental controls. This will require even closer engagement locally with regulators and the wider community, alongside a rigorous programme of measuring, monitoring and mitigating environmental impacts.”

### **Capital constraints – sheepmeat**

The growing need for new capital to rationalise and revitalise industry supply chains is another priority in lifting the competitiveness of New Zealand’s agricultural sector, the report says.

Ready access to efficient investment capital is critical to driving the pursuit of scale, infrastructure investment and the adoption of new technologies which act to support competitiveness across the agribusiness sector, it says.

“In recent times a lack of investment capital has been a particularly pressing issue affecting the competitiveness of the New Zealand sheepmeat sector,” Mr Chandler says.

“Investment, whether local and/or foreign, is clearly required to improve efficiencies and productivity downstream in the supply chain. With the sheep flock halving since 1990,



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the adjustment of both processing capacity and capability has not kept pace and is consequently impacting returns.”

#### **‘Road map’ forward**

Mr Chandler says that while the solution to the competitive challenges to New Zealand agriculture does not lie in any one direction, there is a ‘road map’ that can guide industries to build a more competitive and sustainable base for the sector into the future.

“While some competitive factors such as exchange rates and wage costs are beyond the sector’s control, many other issues can be successfully addressed through the concerted and coordinated action of industry and government institutions,” he says.

“There is no question that a food and agriculture sector that has better access to global markets, ready access to capital, more efficient logistics infrastructure, higher value product and processes, a highly sustainable environmental impact, and more affordable production inputs will be better placed to capture the ‘Asian dining boom’.”

***Agriculture in Focus 2014: Competitive Challenges*** is the first in a series of reports Rabobank will release examining the issues impacting the agricultural sector along the supply chain.

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