

## Five global mega trends that will impact New Zealand out to 2050



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**We see five big trends playing out in the global north that are highly relevant because they shape the global strategic context for major agricultural exporters like New Zealand.**

First, the northern hemisphere has slowing growth in food demand because population growth and economic growth are slowing. Food markets are maturing – weight loss drugs, ageing populations and health trends result in lower portion sizes prevailing in several key markets.

The second trend is that more and more countries in the global north are reaching the limits of production growth. Yes, technology is still improving, but the drive to just put more inputs in – more fertiliser, better genetics, more crop protection – is not happening. In many cases, production will need to be reduced because of negative impacts on the environment.

The third trend is huge – the volatility that comes from a crumbling multilateral world order and trade agreements. The world order as we have known it since the Second World War is being taken down. Countries are increasingly focusing on themselves, on resilience, on making sure they have a supply chain to withstand shocks amid uncertain security.

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This volatility is impacting growth – the more costs you bring into the system caused by trade wars and trade barriers, the more it gets passed on to the system. There's less opportunity to grow. Global trade is likely to face a more bipolar world with a China block and a US block forcing their partners into their own block where they feel it is necessary.

A resulting fourth trend is that supply chains will also be hit by volatility. After decades of huge productivity increases in agriculture leading to consistent oversupply to the market (and lower food prices), we now see a better balance between global supply and demand. But this means there is less ability to absorb shocks – for example, from extreme weather due to climate change.

The fifth and final trend is the constant reallocation and rebalancing of responsibilities between the public and private sector. Governments are prioritising strategic autonomy. They are reducing their own sustainability ambitions and asking more from the private sector. This whole play will continue in the coming decades where governments are saying, “OK, we are putting in place regulation, but preferably that is only you reporting on your progress and making sure you reach your targets as a sector. You need to come up with your own solutions and make sure you reach those targets.” New Zealand will need increased local co-operation to stay within the sustainability boundaries.

### What it means for New Zealand

I think New Zealand will stay well positioned because it's not too big, it's geographically far away from the geopolitical turmoil and it's been a reliable trading partner over many decades. New Zealand's free trade agreements show it's doing a good job staying connected to the rest of the world, although geopolitical tensions increase the risk of being forced to choose in a more bipolar world.

The long-term, significant slowing in demand from the global north will impact New Zealand – maybe even a bit more than other countries – since it exports so much of its dairy, meat and fruit. However, as food production growth slows in the north, New Zealand is well poised to fill the gap, depending on how production continues to operate within planetary boundaries and on the extent to which untapped capacity is used.

Two things help the New Zealand agricultural system stand out positively in the rest of the world. The system is largely based on locally grown feed so there is a base of resilience built in that doesn't hit as hard when there is global price volatility in animal feeds. Of course, the exposure is still there on chemicals for crop protection and fertiliser.

Second, the pasture base of the New Zealand system is closer to what I would call a more regenerative agricultural system. By itself, this would be more resilient to shocks. The national question is how the agricultural community collectively shapes an approach that is not only sustainable at an individual farm level but also considers the wider ecosystem, including long-term factors such as regional water availability, which influences future productivity.

Agriculture will always emit nitrogen and methane. It's more about how we can build the ecological system around it to stay within planetary boundaries. It will need more than technology and genetics. The way externalities such as carbon, methane and nitrogen are valued in the future, whether through markets or other mechanisms, will play a role in how quickly New Zealand's production systems can evolve.

### **Making friends with alternative proteins**

The largest uptake of alternative proteins is now on the dairy alternatives side. Of course, it's a lot smaller on the meat alternatives side and there are no viable cultured meat cases globally yet. North America and Western Europe lead the uptake of alternative proteins, but for the next 10 years, we won't even reach 10% of the market for dairy and even less for meat alternatives.

Beef prices are sky high in Europe at the moment. This is because of shrinking herds in the major beef-producing countries like France and Germany caused by regulatory pressures, environmental policies and the high costs structure.

The major shift that's coming is more 'hybrid' protein where, to make it more affordable, your beef patty will be maybe 20–30% plant-based and the rest is beef. It's a product that aspires to deliver the same structure and mouth feel that you get from consuming beef but with a lower footprint because of the hybrid ingredients.

### **Riding the GLP-1 train**

Obesity rates are increasing rapidly across the whole global north, except for countries like Japan and South Korea. The new GLP-1 (weight loss) medications have the potential to change eating habits and the way people consume – in a positive way for red meat, dairy and fruit exports from New Zealand.

To counter the muscle loss occurring when using weight loss drugs, we expect a larger uptake of high-quality protein and fresh produce in the new diet mix as well as an increased emotional focus on the origin of the product. With this combination, New Zealand is in a good position with a nature-based production system to target those premium high-value markets. This can go beyond focusing on consumer products.

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It can also build on the ingredients side since we see food manufacturers also changing the make-up of their products to adapt to the consumer impacts of these GLP-1 type of drugs.

### **Into Africa, India and Indonesia**

While population has peaked in China, the growth of the middle class is far from finished there. Other regions of continuing vast potential, current conflicts aside, are the Middle East, Southeast Asia and Africa. There will still be volume growth in these regions for the next 25 years. Africa is still urbanising and therefore working populations are becoming more wealthy and seeking good-quality produce. Not many countries have cracked that puzzle well – New Zealand has the negotiation and trading skills to embrace this opportunity.

