

Crossing the threshold – New Zealand food and agri set for new era of productivity



Ray Smith has been Director-General of the Ministry for Primary Industries since late 2018. Based in Wellington, he leads a team of over 3,500 people across 70 locations in New Zealand and around the world to enable our primary sector to become the world's most sustainable provider of high-value food and primary products. He is the Government Health and Safety Lead and has previously held a number of senior leadership roles in other government agencies.

Our biggest opportunity for New Zealand is the roughly 2 billion more people who will join the world between now and 2050. Most of this population growth will be in developing countries where there is still a lot of potential for income growth. Whether it's China, India, Southeast Asia or Africa, a growing middle class will grow the demand for red meat, dairy products, fruit and higher-quality seafood.

You then match this growing demand against one of the larger risks – climate change.

We have an advantage compared to most countries. Of course we will be affected, but as a country closer to the polar areas, we also know we're probably going to benefit from some aspects. Blessed as we are with natural resources, I am confident we can collectively work through how to manage the impacts of climate change so as not to be more badly affected by it. We are very well positioned to supply the world with more food by 2050.

Unlocking potential

As a country, we've been a bit tied down in the last 20 years managing the impact from the rapid growth of the dairy industry in particular. We have faced a range of limitations because of concerns about nitrate leaching and various other elements that came from the surge in conversions to dairying. Alongside this, our growth potential has been held back by the Resource Management Act and environmental settings that haven't recognised or kept pace with the changes in science that have happened across the 20-year period.

Through science, practice, and trial and error, we are now arriving at the point that we now know how to mitigate a large number of those risks. We're not at the end point on nitrates, but we're well on the way to solving methane mitigation with the emerging range of inhibitors. This is why we've been hell-bent on the investments in setting up AgriZero^{NZ} and other mitigating steps.

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Upcycling land uses

We're now at a threshold where we can further diversify land use again and go to the next highest-value use. We will see a shift in farming systems to create more productivity.

There's probably 30–40% more productivity we can get out of the land we currently have in sheep and beef farms. Some of that better land would probably get better revenue streams out of shifting to dairy, just as some dairy land would get much greater per hectare returns in kiwifruit or something else.

We can also move forestry up the value chain. Everything you can produce from a fossil fuel, you can produce from wood. The next decade will be the turning point where we see investment in plant to produce engineered timber and to extract oils and residues out of timber. Products may include ingredients for greener paint manufacturing and even sustainable aviation fuel. There is a different sort of future than exporting the volume of unfinished logs.

The aquaculture industry is currently worth about \$650 million, and our objective is to get to \$3 billion by 2035. It's probably an industry that should be around \$10 billion – the size of the meat industry. We have locked ourselves out of using our coastal waterways, but all of the RMA changes going through at the moment will free up the environment for us to better undertake aquaculture.

Excelling in the away game

A lot of countries export their surpluses or they are net importers of food. As very large exporters, places like Ireland and New Zealand are right at the other end of the continuum.

There's only 5 million of us so we will always be exporting. We are seen to be a very reliable trading partner that plays by the rules and has got safe products from a country that people trust.

Kiwis have always been good travellers because we've always had to. Because we have to go so far, we can't afford to come back without some sort of deal. I think we're pretty thoughtful and respectful in relationships and therefore quite non-threatening.

One of the things we're going to have to figure out how to do is to position ourselves much more strongly in the minds of coming generations of consumers to make sure we are very visible as that trusted partner.

A recent example is our grass-fed standard. A number of New Zealand companies have existing grass-fed claims on their products in international markets. But we didn't have any government stamp, which can be so useful in China and other markets. In the future, we can no longer take for granted these natural advantages that others increasingly see as being a point of differentiation. In the future, there will be more alternative sources of protein competing against our natural food systems. Having a simple system to mandate certain attributes is a way New Zealand potentially can get more value from our products and markets.

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Elbows out

The challenge we have is not to be too shy and not to assume, because we live here and we're fortunate, that others understand. We have to get a bit better at telling our own story.

We like to talk about ourselves as being the best rugby players in the world or the best farmers in the world. I think we have been and at times we are. But don't underestimate what's happening in the rest of the world. Some of those people are moving fast to try and position themselves. We don't want New Zealand to be out-manoeuvred, and we certainly need to make sure that people know we're around, what we're about and how we do things.

When we're at our best, when collectively we work together on these things and collectively we go to the world, we will see amazing things happen. New Zealand has a unique proposition to take to the world. The next couple of decades will be super exciting.

