

# Looking Out Instead of Looking In – The Benefits From Open Markets

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## Outline

- [A little bit about New Zealand](#)
- The global opportunity
- Trade does matter!!
- A New Zealand perspective
- Summary

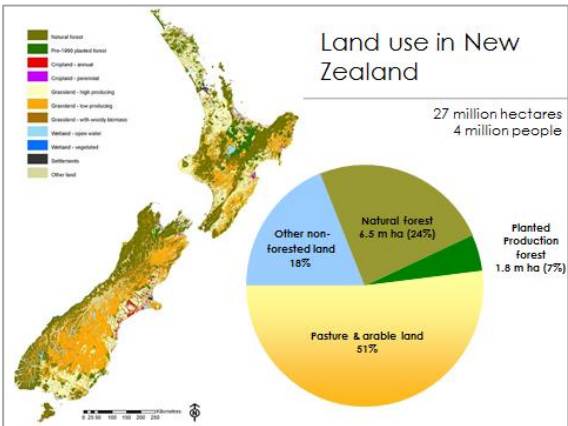
 First, a little about New Zealand...


- Population 4.4 million
- GDP \$US169 billion
- Two main islands and a number of outlying islands
- Temperate climate
  - > 1,600 km North to South
  - > no point more than 130 km from the sea
  - > 15,134 km coastline (more than China)
- Grass grows all year round and livestock graze outdoors




 1985 – reform of agriculture


- Subsidies, support and protection removed overnight.
- Huge turmoil but changed face of farming
- ...for the better.
- NZ developed a culture of innovation.
- A realization that the market would have to deliver prosperity – not the taxpayer.
- Land use based on economics (but with increasing environmental emphasis).





### Our primary industries...

- **Pastoral farming dominates**
  - Sheep: 30.3 mill.
  - Beef cattle: 3.6 mill.
  - Dairy cattle: 6.6 mill.  
(4.92 mill. of which are in milk)
  - Deer: 1.0 mill.
- **Horticulture is increasingly important**
  - Wine grapes: 311 000 mt.
  - Wine: 190 mill. ltr
- **Arable farming relatively small**
  - Barley: 65,700 ha.
  - Wheat: 54,800 ha.
- **Fisheries**
  - Commercial fish catch: 418,307 tonnes




### Agriculture is a key driver for our economy

- Agriculture is one of NZ's largest employers (11%)
- Annual agriculture exports \$NZ27 billion, 66% total goods exports
- New Zealand has population of 4.4m but produces enough food for about 40 million.
- Dairy is NZ's largest single export sector worth \$12.5 billion and 27% of total goods exports.




Source: Statistics NZ, Year to June 2013



### With only 4.4m people most of our agricultural products are exported...

Product	% Exported	% of World Production	% of global trade
Dairy	>90%	3%	33%
Beef	83%	1%	8%
Sheepmeat	90%	6%	75%
Wool	90%	14%	27%
Venison	98%	n/a	50%
Kiwifruit	95%	21%	32%
Pipfruit	55%	1%	5%
Wine	70%	0.46%	2%

Source: NZ Beef and Lamb, Statistics NZ



### NZ Dairy Industry

- 11,891 dairy farms across New Zealand
- Average NZ dairy farm = 141 hectares or 402 milking cows
- Produce 20 billion litres of milk per annum
- Most farms are owner operated or share-milked.
- Pasture based production system leading to seasonal milk production and exposure to climatic conditions



### NZ Dairy Industry

- Fonterra biggest processor – 86% of market but has been falling.
- Increasingly other players - Tatua, Westland, Open Country, Goodman Fielder, Miraka and Synlait (4 of these companies in NZ top 20 exporters)
- New Zealand's biggest export earner (NZ\$12.7 billion, 27% total merchandise exports).
- Production has increased by 155% during the past 20 years
- Recently dairy more profitable per hectare than other pastoral land use, encouraging conversions from sheep and beef, to dairy.



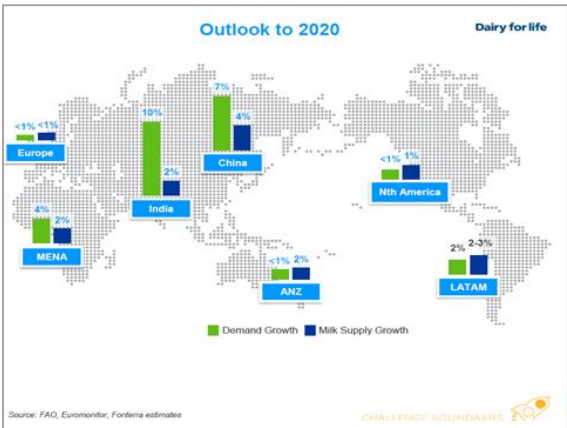
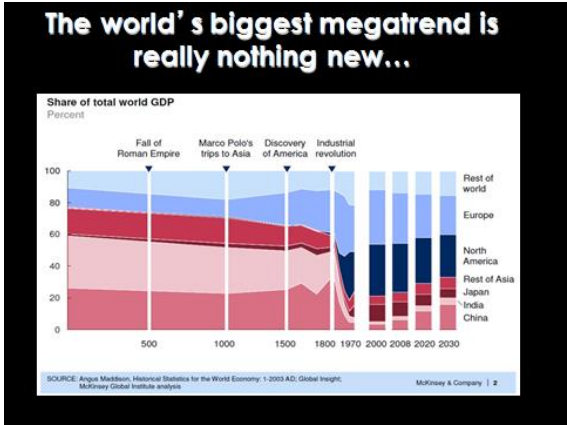
### It's a great time to be a food producer...

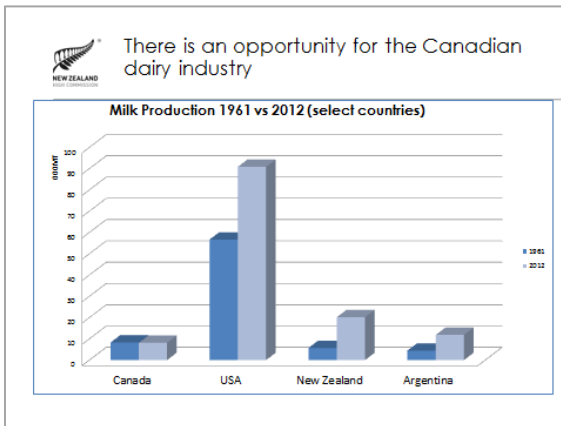
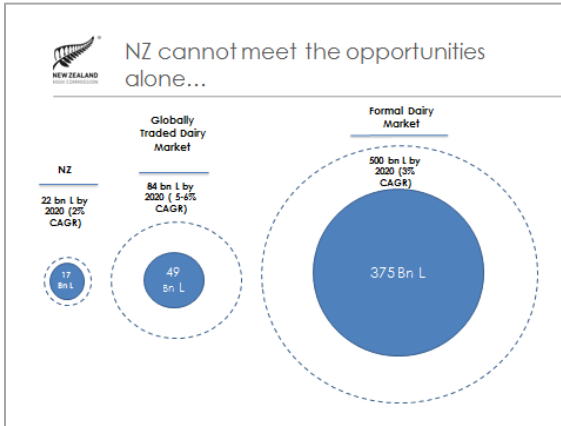
By 2050, global agricultural production is required to increase by 70 percent to feed a population that will grow from seven billion to 9.6 billion.

By 2030 global middle class will more than double to 4.9 billion. The global trade in food has nearly tripled in the last decade.









**Trade does matter...**

- New Zealand's strategy for success (prosperity) relies heavily on a successful food export sector and access to global markets.
- New product development, new markets and global value chains are fast moving and growing the opportunity.
- Barriers to markets are barriers to innovation, progress and prosperity for all...
- ...and are yesterday's tools for a world that doesn't exist anymore.



**The WTO remains our first priority, but...**

**Bilateral and plurilateral FTAs have been important to New Zealand**

**FTAs or EPAs concluded with:**

- Australia (1983) Singapore (2001) P4-Singapore, Chile, Brunei Darussalam (2005) Thailand (2005) China (2008) ASEAN & Australia (2010) Malaysia (2010) Hong Kong (2011) Chinese Taipei (2013)

**Negotiations concluded, awaiting ratification:**

- Korea, Gulf Cooperation Council (Kuwait, Oman, UAE, Bahrain, Qatar, Saudi Arabia)

**Negotiating with:**


- Russia (already committed to tariff elimination over 10 years) India, RCEP (Japan, India, Korea, China, Australia, ASEAN), and.... Immediate priority: **TPP**

**Share of Merchandise Exports Covered by FTAs 2013**

FTAs in force	46%
FTAs under negotiation	29%
Not covered by FTAs	23%


**TPP a unique opportunity...**

- Existing 12 TPP members:
  - 792 million people
  - combined GDP of \$27.5 trillion—over 38% of the world's economy
- Canada's agri-food exports to TPP countries in 2012 were \$27 billion (61% worldwide)
- Japan's entry a game changer:
  - World's 3rd-largest economy
  - Canada's 4th-largest export market
  - Total Canadian exports to Japan in 2012 = \$10.4 billion
- TPP could yield annual global income gains of US\$295 billion by 2025








 TPP matters because...

- Chance to reset the trade agenda and integrate the Asia-Pacific region.
- Wealth creation, jobs, innovation, new product opportunities and value chains.
- Comprehensive agreements in TTIP and TPP will increase pressure for WTO to demonstrate relevance.
- A living agreement that can evolve with new partners and improvements over time.
- Non participation threatens farmer viability and competitiveness

 Some questions for Canada?

- Not for me to question domestic policy.
- ...but what role is Canada going to play in world agricultural trade?
  - Canada a major producer and exporter of quality food backed with integrity.
  - Trade liberalisation and globalisation accelerating - exports and imports.
  - No-one expecting change overnight like NZ but transition over time.
  - As a group of relatively affluent developed nations what responsibility do we have for emerging economies?



### A New Zealand perspective...

- Future for dairy is bright. Fundamentals of increasing demand is strong.
- Volatility is the new normal.
- Farm businesses need to build resilience and smart systems for success.
- Market intelligence, information and transparency will be highly sought after.
- Increased food safety, traceability, environmental demands from consumers.



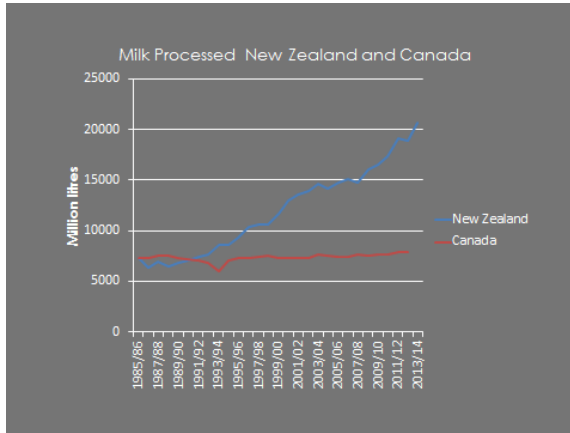
### Modern farming post reforms in New Zealand is business driven...

- Farm **businesses**
- Farmers' production decisions and market returns are dictated by the domestic and overseas **markets**, not the government
- Sales depend on meeting **customers'** expectations of price and quality
- Production is efficient, profitable and **sustainable**
- Farms **bigger** - but **fewer** of them
- Family ownership still dominates, but **professional management and governance**



### New Zealand dairy since 1985...

- Subsidies in New Zealand were mainly in sheep and beef, not dairy.
- However dairy benefitted from "a level playing field".
- Growing consumer demand and improved market access placed focus on increased efficiency and returns.
- The results from looking out...



### Summary

- The opportunity from looking out and not in is real.
- New Zealand can only feed 40 million people and others need to step up to fill the gap.
- Globalization of value chains with new products and increased returns is reality.
- Volatility the new normal. Productivity improvements and resilience required.



### Summary

- Trade does matter. Barriers to markets are barriers to innovation and progress.
- The New Zealand experience demonstrates the benefits from looking out at increasingly affluent and growing markets.
- What role is Canada going to play in the trade in agricultural products??



