

*Collectively, the opportunities identified describe the potential for a vibrant sector that places New Zealand at the forefront of high-quality, sustainably produced meat.*

## 6 CONCLUSIONS AND OBSERVATIONS

While the sector is rightly focused on the current issues that it faces, it is equally important to have one eye trained to the future. The purpose of this study was in part to facilitate this by identifying and synthesising medium-term strategic opportunities and challenges facing the New Zealand sheep meat and beef sector. These opportunities and challenges are not definitive; they are intended as a base for debate and discussion.

Collectively, the opportunities identified describe the potential for a vibrant sector that places New Zealand at the forefront of high-quality, sustainably produced meat, rewarding farmers for meeting consumer expectations in both traditional and new markets. The report also identifies a set of challenges that, if met, will strengthen the sector's position globally but, if left, might well perpetuate a lack of profitability across the sector. Table 6.1 summarises these opportunities and challenges.

Importantly, the overall impression is that respondents in the sector are largely only confident in predicting small incremental change into the future. This does not rule out the possibility of more radical changes to the sector, but most respondents considered change of this nature as less likely.

Despite the obvious challenges that the sector faces over the next 10 to 15 years, this study has identified a general positive slant to people's perception of the industry's future. It is clear though that this rosy outlook will not be achieved through inaction or simply "carrying on as normal". New Zealand has a comparative advantage across much of the value chain. Leadership, vision and action are required from the sector to ensure this comparative advantage delivers a successful and sustainable industry into the future.



Photo: Meat & Wool New Zealand.

TABLE 6.1: SUMMARY OF MEDIUM-TERM OPPORTUNITIES AND CHALLENGES FACING THE SECTOR

OPPORTUNITIES	CHALLENGES
<ul style="list-style-type: none"> <li>› Global growth, demographic shifts, urbanisation and improved market access all allow greater potential for increased supply to <b>NEW DEVELOPING MARKETS</b>.</li> </ul>	<ul style="list-style-type: none"> <li>› The sector is likely to face increasing <b>INTERNATIONAL COMPETITION</b> from a variety of sources, including the vast ramping up of production and exports from lower-cost nations and from lower-cost and versatile proteins like pork and poultry.</li> </ul>
<ul style="list-style-type: none"> <li>› Given capabilities across the sector, New Zealand is well placed to capitalise on <b>SOPHISTICATED CONSUMERS'</b> increasing demands for greater variety of product attributes.</li> </ul>	<ul style="list-style-type: none"> <li>› As the sector seeks to meet increasingly specific customer requirements, it will need to be able to do so within the <b>CONSTRAINTS OF PRODUCING MEAT IN A BIOPHYSICAL ENVIRONMENT</b>.</li> </ul>
<ul style="list-style-type: none"> <li>› <b>ENVIRONMENTAL PERFORMANCE</b> in particular appears to be a potential future source of competitive advantage.</li> <li>› <b>EFFICIENCY GAINS</b> on-farm and at the processor level.</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental performance will need to be <b>CREDIBLE AND VERIFIABLE</b>.</li> <li>› Increasingly severe adverse weather events and <b>PRESSURES ON THE COUNTRY'S NATURAL RESOURCE BASE</b> will test the resilience and sustainability of the sector.</li> <li>› Increasing <b>DOMESTIC SOCIETAL EXPECTATIONS</b> for improved environmental performance from the agricultural sector.</li> </ul>
<ul style="list-style-type: none"> <li>› Increasing <b>INNOVATION INVESTMENT</b>, including research, new product development and human capability.</li> </ul>	<ul style="list-style-type: none"> <li>› <b>PROFITABILITY AND CAPITAL CONSTRAINTS</b> may impact on the sector's ability to invest.</li> </ul>
<ul style="list-style-type: none"> <li>› Opportunities identified in this area include increased <b>MARKETING EXPENDITURE, BRANDING AND CO-OPERATION IN INTERNATIONAL MARKETING</b>.</li> </ul>	<ul style="list-style-type: none"> <li>› The sector in general has historically <b>LACKED A MARKETING FOCUS</b>.</li> </ul>
<ul style="list-style-type: none"> <li>› Increased New Zealand <b>OWNERSHIP AND CONTROL OF DISTRIBUTION AND MARKETING CHANNELS</b>.</li> </ul>	<ul style="list-style-type: none"> <li>› <b>LARGE RETAILERS</b> are dominating more of the value chain.</li> </ul>
<ul style="list-style-type: none"> <li>› Opportunities have been identified for greater <b>ALIGNMENT AND CONNECTIONS ACROSS THE VALUE CHAIN</b>.</li> <li>› An increased use of <b>FORWARD SUPPLY CONTRACTS</b>.</li> </ul>	<ul style="list-style-type: none"> <li>› A key challenge the sector needs to address is the current dichotomy between <b>FARMERS' PREFERENCES FOR FLEXIBILITY IN SUPPLY</b>, as characterised by the predominance of the spot market, and <b>PROCESSORS' DESIRE FOR A MORE STABLE AND CERTAIN SUPPLY PATTERN</b>.</li> <li>› <b>INDUSTRY STRUCTURE</b> has been identified as a major constraint to the sector. The various strategic opportunities and challenges that the sector will face will likely drive the future.</li> <li>› The <b>SECTOR'S CULTURE</b> was also identified as a major constraint.</li> </ul>
<ul style="list-style-type: none"> <li>› If the sector can improve its international competitiveness by taking advantage of the above opportunities, then it will have greater ability to <b>APPLY ITS CAPABILITIES AND INTELLECTUAL PROPERTY IN OFFSHORE LOCATIONS</b>.</li> </ul>	<ul style="list-style-type: none"> <li>› A significant reduction in the <b>SIZE OF THE SECTOR</b> would present challenges in terms of scale and scope of the sector.</li> </ul>