

# 1 INTRODUCTION

New Zealand's sheep meat and beef sector has been suffering from a period of low profitability. This has been exacerbated by a nationwide drought, fluctuating commodity prices and, until recently, a strong New Zealand dollar. Many people also believe that the industry has been systemically underperforming.

The meat industry's performance is of national significance: in 2007/08, it generated \$4.6 billion in export earnings, comprising 15 percent of total merchandise export value. Meat processing by-products added another \$1 billion. Meat processing was estimated to contribute 1.6 percent of total gross domestic product (GDP). This compares with 1.8 percent for livestock and cropping farming in 2003/04.

Despite apparent recent underperformance, the sector is generally seen to have a positive future. Trends of growing wealth (despite the current global economic downturn) and urbanisation in developing countries augur well for future demand. Consumers are becoming more sophisticated and demanding more of products. The capabilities that have been built up over the New Zealand sheep meat and beef sector's long history position us well to take advantage of these and other opportunities. However, the sector needs to overcome numerous challenges to fully capitalise on these opportunities.

Specifically these challenges revolve around the production of a consistent high-quality product within the constraints of a biophysical environment<sup>1</sup>. Not the least of these challenges is climate and weather variability and how this impacts on seasonality of production, feed risk and farmers' ability to plan ahead and credibly commit to longer-term supply contracts.

The paper takes a strategic view of the sector, looking out 10 to 15 years to identify future opportunities and challenges facing the sector. It draws on a number of working documents commissioned by the Ministry of Agriculture and Forestry (MAF) for this study<sup>2</sup>.

Section 2 summarises the results from a Delphi survey undertaken on the sheep and beef sector, which asked for respondents' opinions on identified strategic factors. Section 3 discusses the current sheep meat and beef agri-system, and identifies some of the system's key benefits and challenges. In light of the Delphi survey results and the challenges facing the current system, section 4 draws on extensive literature to identify some key mega-trends facing the sector and the likely implications of these trends.

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1 The biophysical environment is the symbiosis between the physical environment and the biological life forms within the environment, and includes all variables that comprise the Earth's biosphere. [http://en.wikipedia.org/wiki/Environment\\_\(biophysical\)](http://en.wikipedia.org/wiki/Environment_(biophysical))

2 MAF does not currently intend to publish these documents, although it may make the following documents available on request:  
• AgResearch (2008) *Meat Sector Literature Review* • *Sheep meat and beef sector study: Delphi survey results* (2008).

Section 5 puts forward four potential scenarios that the sector may face in 10 to 15 years. Scenarios are not predictions; they are designed to encourage debate and inform decision-making by highlighting future strategic issues and challenges facing the sector. There are, of course, a multitude of other possible scenarios. This report concentrates on just four, which were chosen on the basis of factors identified in the Delphi survey as important strategic issues with uncertain future outcomes. Each of these factors presents its own opportunities and challenges for the sector.

This report concludes by briefly summarising the strategic opportunities and challenges identified by this study and some observations of issues that may be facing the sector 10 to 15 years from now.

