



Justine's Desk



Welcome to our 12th edition of Agrigate – signalling our full first year of publication. This means we've profiled 12 PGP programmes to date and hopefully provided you with much greater insight into the nature of – and activity within – the PGP. We're very proud of the momentum that's being built by individual PGP programmes,

and also between programmes – key milestones are now beginning to be met, and real collaboration is supporting those gains so they can be even bigger over time.

Another key milestone for us recently was the fifth annual meeting of PGP programmes – and the second PGP Expo. The day was a full one with presentations from programmes that have started since our 2013 annual meeting and our two first completed programmes: Stump to Pump and Stakeholders in Methyl Bromide Reduction (STIMBR). We also had thought and opportunity provoking presentations on the New Zealand Story, from New Zealand Story Director, Rebecca Smith, and on Social Licence to Operate, from Belinda van Eyndhoven of the Sustainable Business Council. The PGP Expo in the afternoon featured all 18 current and completed PGP programmes, as well as the Primary Industries Capability Alliance (PICA). The latter is an outcome of the Transforming the Dairy Value Chain PGP programme, and will no doubt play a key role in helping ensure the primary industries have the 50,000 additional workers needed

by 2025. PICA Chief Executive Andy Somerville profiles PICA in this issue of Agri-gate which provides more information about PICA and their exciting work underway.

The energy and excitement evident at the PGP Expo was very invigorating with many attendees commenting on how much is happening across PGP programmes, and how programmes are tackling the real challenges of today's economy and world. There was a fantastic turnout where people had the opportunity to sample some of the amazing food being developed under the PGP, from marbled grass-fed beef and SILERE Alpine Origin Merino meat to mozzarella cheese, and to learn about some of the innovations already delivered by programmes such as nutrient management and business management tools. It really shows how much PGP programmes are making a difference across the value chain. See the photos from the Expo to the right and on the next page.

Thank you to all those who helped make the day a success – including those who came along to find out more about the PGP.

In other news, the progress review of the Steepland Harvesting PGP programme has been completed and the summary report is available on our website. Progress reviews are a part of the monitoring required of PGP programmes, and are designed to assess a programme's progress towards its goals and make any recommendations to help deliver success.

The Steepland Harvesting programme aims to improve productivity and worker safety by developing and



People gather in front of the Steepland Harvesting programme's stand

commercialising a range of new harvesting technologies in the tree felling and extraction phase of steep country harvesting operations. The progress review of the Steepland Harvesting programme was led by Rob van Rossen, an independent registered forestry consultant, and Mark Brown, Professor of Forestry Operations & Director of the Forestry Research Centre at the University of Sunshine Coast, Australia. The progress review found that Steepland Harvesting is a world class research and development programme, with the programme contributing to world class development in forest operations.

It also found that the Steepland Harvesting programme has made good progress towards its outcomes, and noted that it has achieved a level of recognition internationally by taking a leadership role in the development of mechanised forest operations on steep slopes.

The progress review also concluded that the programme has effective governance, management and decision-making. The reviewers provided some recommendations to assist the programme with tracking its progress, meeting its goals, and therefore delivering the expected economic benefits for New Zealand.

MPI and Future Forests Research Limited are considering the review findings and recommendations in detail, and how we can best address these.

Justine Gilliland
Director PGP



**Associate Minister for Primary Industries
Hon Jo Goodhew opens the PGP Expo**



**The New Zealand Sheep Industry Transformation
programme on display**



**Mozzarella on show as part of the Transforming the
Dairy Value Chain programme**

From the Chair



I'd like to start off by thanking everyone who was part of our PGP Expo at the beginning of November. Both to those of you who gave us an insight into your PGP programmes and to those of you who attended to learn more about what is being achieved by PGP programmes.

Seeing all of the 18 programmes "captured" in one room really indicated to me the overall progress being achieved towards PGP outcomes. And of course, it helped to be able

to taste some of the wonderful food products being delivered by some of our PGP programmes.

The buzz and conversation in the room, both at the Expo and at the annual meeting also demonstrated to me one of the significant spin off benefits already achieved – more collaboration across the sector, all for the long term benefit of New Zealand.

There's still a way to go for individual programmes to deliver on their long term outcomes, as well as tackling the challenges facing the sector as a whole. However, in my mind we're certainly on the right track as we're already seeing positive outcomes from PGP programmes. And, with continued hard work, innovative thinking, more collaboration and of course with the support of both MPI and private sector companies, I'm confident we'll see further real and tangible benefits.

One of the themes that I've had a few conversations on over the last few weeks is what happens at the end of the PGP programmes. How does the momentum keep going? How do the partner organisations ensure that the investment already made towards the long term outcomes bears fruit? And in particular is there more investment needed and if so how do the organisations ensure they make it? I think this warrants further discussion and thought, and I'd to encourage all PGP programmes to think about this as you progress. This is an area that PGP programmes must think about well in advance of formal programme completion. It's also one of the areas that PGP programme progress reviews look at and provide advice on. For example, the progress review of the Steepland Harvesting programme concluded that the programme is progressing well and that it should focus on commercialisation and on contractor uptake.

In closing, I'd like to again thank you everyone involved in the very successful and informative Expo earlier this month.

Joanna Perry
Chair, Investment Advisory Panel

Guest feature

Primary Industry Capability Alliance (PICA)

Growing the future workforce

An initiative is underway that is helping the primary industries pool resources to build their future workforce.

The Primary Industry Capability Alliance, or PICA, originally spun out of the Transforming the Dairy Value Chain Primary Growth Partnership (PGP) programme. It became a broader project with support from a wide range of industry organisations, as people realised its potential as a vehicle for addressing workforce issues in a more effective way.

The Alliance's backers see the potential for getting a better return on invested resources by running joint activities that are well-targeted for the particular audiences.

"PICA aims to engage the interest of the different types of people the industries need," says Andy Somerville, a former rural banker who started as PICA chief executive in August. "We want them to see the exciting and rewarding kinds of work these industries can offer, and then we will help them understand the pathways for training and employment that will get them to those roles."

"We believe that presenting a united, cohesive front will be stronger – and then once someone is engaged, the individual industries will get a chance to tell their story and make their pitch."

The need was highlighted in a recent study jointly funded by the Ministry for Primary Industries, DairyNZ and Beef + Lamb New Zealand with input provided by a wider industry steering group. The report, launched by Minister for Primary Industries Hon Nathan Guy in June, looked at what capability the industries will require by 2025 if they are to meet their growth targets.

The Future Capability needs report made it clear that the primary industry workers of the future need to be more highly skilled.

MPI is encouraging industries to view developing capability in three parts: attracting people, training them and retaining them. MPI is a partner in PICA, along with DairyNZ, Beef+Lamb NZ, Young Farmers, Primary ITO, Lincoln University and Taratahi. There are a number of other organisations currently looking to join the Alliance and help with the work that PICA is doing.

The capability development need within PGP programmes was a recurring theme during the annual meeting, held in Wellington in November. "We were pleased to have a stand at MPI's PGP Expo and to get the chance to connect with people. What came through loud and clear was the real capability need across many industries," says Andy.

It's not by chance that the PICA concept emerged from the Transforming the Dairy Value Chain PGP programme, because developing capability of people right across the dairy value chain is a key theme for that programme.

The programme's approach has been to work with other organisations with common goals for any particular audience. One of the partners, DairyNZ, has – for example – already been working for some time with some of the other PICA members, Beef + Lamb New Zealand and Young Farmers of New Zealand, on initiatives for schools and young adults.

In developing PICA from this point, Andy Somerville's role is to work with the industry groups who want to be part of PICA and to shape projects that will develop capability on their behalf.

"We will put forward some good projects that engage the right audiences," says Andy. "This will include in some cases building on existing projects, and linking with groups like educators and professional networks."

"Our initial work is focused on developing a schools strategy. This is being drafted by a working group of staff with specific skills in this area from Alliance member organisations. This group will also drive the implementation."

For further information about PICA, contact Andy Somerville phone 027 289 7162 or email pica.alliance@gmail.com

The report, *Future capability needs for the primary industries in New Zealand*, by Infometrics and Nimmo-Bell, is available from MPI's website

A summary version called, *People Powered: Building capabilities to keep New Zealand's primary industries internationally competitive*, is also available.



MPI Director-General Martyn Dunne and PICA Chief Executive Andy Somerville

Programme Spotlight

Marbled Grass-fed Beef

Increasing consumer demand for greater quality and naturally produced food products, combined with an increasing emphasis on food security provides an exciting opportunity for New Zealand to supply the best grass-fed beef to the world.

Wagyu beef is recognised worldwide for its high marbling characteristics and quality. However, internationally, high quality beef is predominantly produced from cattle housed in feedlots for extended periods and fed a diet of corn and other grains, giving New Zealand an ideal opportunity to supply the best grass-fed beef to the world.

Marbled Grass-fed Beef is a 7-year, \$23 million Primary Growth Partnership (PGP) programme which started in August 2012. MPI has committed \$11 million over time under the PGP with \$12 million to be funded from the co-investors – Firstlight Foods Ltd, Brownrigg Agriculture Ltd and Firstlight Wagyu (NZ) Ltd.

New Zealand produces a significant amount of low value commodity manufacturing beef, destined for further processing. On farm, cattle are often used to control pasture surpluses and to manage poor quality pastures rather than to produce premium beef. The resulting low quality commodity product sold means that farmers remain “price takers” rather than “brand marketers”.

The Marbled Grass-Fed Beef PGP programme, using Wagyu genetics from Brownrigg Agriculture, and supply chain and direct-to-consumer marketing expertise from Firstlight Foods, provides an excellent opportunity to create a sustainable, high-value offering of Wagyu beef in the market place.

Starting initially in New Zealand, five international market locations will then be targeted with relationships and resources established to provide a direct-to-consumer model. This connection with the customer provides valuable two-way communication for the supply chain, important feedback on consumer requirements and improved margins to share across the supply chain.

Jason Ross, Firstlight Foods Marketing Director, says that “the direct approach to customers – where we can tell our provenance story and convey the product attributes to the end user – means that product demand exceeds supply.”

The programme is focused on crossing Wagyu and dairy genetics to enable rapid growth of calf numbers. The sustainable supply of calves, in increasing numbers to meet the growing market demand for the product, will be a key enabler of the programme's success. Early analysis of crossing Wagyu genetics with dairy breeds has provided encouraging results in both a shorter growing cycle and high inheritance of marbling characteristics.

An important aspect of achieving this is building on Firstlight Foods' Producer Group model, developed successfully in the Venison industry. Regional hubs of farmers (Producer Groups) are incentivised to co-operate in the supply, rearing and finishing of animals, with results fed back from focus farms, the processor and the market. Information is shared regularly through quarterly hub meetings, facilitated by both the focus farm within each hub, and Firstlight Foods representatives.

MARBLE SCORE GRADING



Marbling Score Grading – chart showing intramuscular fat grading for Grass-fed Wagyu

On Farm Research, led by Dr Paul Muir adds a valuable research dimension to the PGP programme.

Understanding the key genetic markers, evaluating feed strategies and farming systems that combine to produce high quality beef adds value to the model. These insights reduce risks and assist to maximise sustainable returns.

Progress to date



Product display of Grass-fed Wagyu in a top end retail store in Los Angeles

With the programme growing in momentum, the co-investors have recognised the value in employing a full-time programme manager to ensure all opportunities for success are being fully explored. Matt Crowther was employed in October this year and comes from the technology sector where he led numerous successful projects across research, production and supply chain activities, in his role as Director of Operations for an international business.

"I'm looking forward to being involved in an innovative and truly value-add programme for New Zealand's primary industries," says Matt. "There are big challenges ahead but equally big rewards in creating something exceptional that expands the domestic and international demand for New Zealand beef."

The first Producer Group is now fully operational and the second established. The first Dairy Hub Manager has also been appointed in the South Island as part of the integration into the dairy industry. Peter Keeling, Firstlight Supply Chain Manager, says that "hubs are now successfully operating out of Northland, East Coast and the lower North Island as well as the new hub forming in Canterbury."

Mating numbers have increased significantly this year with artificial insemination (AI) matings in the dairy industry being the key challenge.

Gerard Hickey, Firstlight Managing Director, notes that the clear focus for the programme in the coming year is on integration with dairy.

"Many attempts have been made previously in the beef industry to integrate with the dairy sector but nothing truly sustainable has been achieved – we believe the superior product attributes and value of Wagyu beef will set this apart," says Gerard.

"Although commodity prices for Prime Steer have increased significantly this year, the long term sustainable offering from

Wagyu continues to attract farmers. Returns to shareholders have continued to exceed Prime Steer prices, and continue to approach the price per kg being targeted by the programme."

Meanwhile, the position in the London market has been consolidated with the appointment of a Category Manager to lead the business forward. In the United Arab Emirates, sales are underway through the distribution facility and retail outlet owned by Firstlight Foods, with demand for the product strong across all key markets.



A fully finished F1 Wagyu * Kiwi cross steer

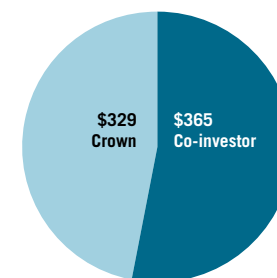
Overview of Primary Growth Partnership Investment

Sector	Programme Name and Co-investor	Total Crown and co-investor investment \$ million	Sector total \$ million	Estimated benefits \$ million (per annum)
Wool	NZ Sheep Industry Transformation (NZSTX) NZ Merino	30	\$30	250
Dairy	Transforming the Dairy Value Chain Dairy NZ/Fonterra	170		2700
	New Dairy Products and Value Chains Whai Hua Limited Partnership	3	\$174	9
Fishing & Aquaculture	Shellfish – The Next Generation Shellfish Production and Technology NZ (SPATnz)	26		81
	Precision Seafood Harvesting Precision Seafood Harvesting (PSH)	53	\$79	44
Meat	FoodPlus – Redefining Meat Horizons ANZCO	87		630
	Marbled Grass-fed Beef Grass-fed Wagyu Ltd	23		80
	Red Meat Profit Partnership Red Meat Profit Partnership (RMPP)	64		194
	Integrated Value Chain for Red Meat FarmIQ	151	\$326	1100
Pastoral	A New Vision for Pastoral Agriculture PGG Wrightson Seeds	15		200
	ClearView Innovations Ballance AgriNutrients	20		348
	Precision Application of Fertiliser in Hill Country Ravensdown Fertiliser Co-op Ltd	10	\$44	120
Bee Keeping	High Performance Manuka Plantations Manuka Research Partnership (NZ) Ltd (MRPL)	3	\$3	1200
Forestry	Innovative Steep-land Tree Harvesting Future Forests Research (FFR)	7		100
	Use of Fumigants for Log and Wood Product Exports Stakeholders in Methyl Bromide Reduction (STIMBR)	2.6 (actual cost)		–
	From Stump to Pump Phase 1 (feasibility study) Norske Skog Tasman Ltd (NSTL)/Z Energy	3.6 (actual cost)	\$13	–
Viticulture	Lifestyle Wines New Zealand Winegrowers	17	\$17	285
Horticulture	NZ Avocados Go Global Avocado Industry Council	9	\$8	210
Total			\$694	

Please note that the figures in this table have been rounded. Therefore the total Crown and co-investor investment for each sector may differ to the sum of the individual programmes.

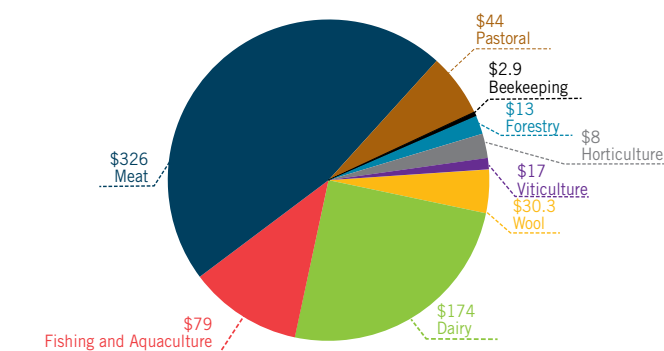
As at 31 October 2014, there were 16 programmes underway and two completed.

Crown/co-investor committed investment (in millions)



Crown/co-investor committed investment by sector (in millions)

Total \$694 million



Total government funding paid to programmes as at 31 October 2014 is \$124.8 million.