

Agri-Gate

News from the Primary Growth Partnership

Ministry for Primary Industries
Manatū Ahu Matua



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Ben's Desk



It's certainly been a busy last few weeks for the PGP, with a number of exciting achievements from our programmes.

On 2 April, SPATnz opened New Zealand's first ever hatchery to selectively breed Greenshell™ mussels. The newly-opened hatchery and lab facility in Nelson will

allow SPATnz to selectively breed from many of the best mussels that nature has to offer, enhancing desirable traits such as a faster growth rates, increased resilience, and vibrant colour.

This is a huge milestone for our aquaculture industry – the initial financial benefits are expected to be around \$80 million a year by 2026 or up to almost \$200 million per year if the technology is adopted throughout the industry in New Zealand. The potential here is massive.

The first set of results are in from snapper survivability trials conducted by Precision Seafood Harvesting (PSH), showing that survival rates for fish caught with the PSH method are better than expected. This programme has made great progress so far and demonstrates the sustainable use of our natural resources. As I mentioned in my last column, sustainability goes hand in hand with growing our economy.

These milestones reinforce that we're already seeing significant benefits throughout the lifetime of our PGP programmes. While many of the economic benefits from the PGP are further down the track, we're beginning to see real progress now. Many of our programmes are now nearing their halfway point, and I think we have a strong story to tell.

To tell this story, it's important that we continue to communicate the successes of our programmes. As part of the transparency of the PGP, we've put a lot of work into making information about the PGP readily available and accessible. We have a compelling story here of something that will benefit all New Zealanders, and telling that story continues to be an important part of the PGP.

To close, I'm pleased to announce that we have appointed a replacement Director PGP while Justine Gilliland is on maternity leave. Michael Jamieson, who is currently Director Strategy Systems and Science in MPI's Policy and Trade directorate, took up this role on 20 April.

Prior to MPI, Michael's career has been in fast growing international and global businesses such as Lion Nathan, Nike, and IceBreaker. Alongside his operational knowledge, as Director PGP he'll bring a wealth of experience in business environment sustainability and managing environmental footprints during strong growth. We welcome Michael to the PGP team.

Ben Dalton
Deputy Director-General, Sector Partnerships and Programmes

From the Chair



This month I thought I'd touch on two PGP milestones in the seafood space and how to me they epitomise what the PGP is all about.

The first is the opening of the SPATnz mussel hatchery on 2 April. I was delighted to be able to be there at the opening and say a few words. It reminded me of the vision that was presented to the Investment Advisory Panel in the original proposal and how we saw a real innovative opportunity to

create a step change in New Zealand's aquaculture industry. The opening of the hatchery was a great stepping stone towards achieving that vision.

In addition, we're already seeing some of the spillover benefits from the SPATnz programme being achieved. SPATnz staff have been working with local schools and the Nelson Marlborough Institute of Technology to support students who are interested in aquaculture. At the opening I was delighted to meet one of those students, who, through SPATnz, has already started an exciting career in the aquaculture industry.

This leads me to the next milestone in the seafood space – the release of the first set of results from the snapper survivability trials that the Precision Seafood Harvesting programme has conducted. The results show that the survival rates are even better than expected.

Again, this programme is already creating spillover benefits for the local community. Aotearoa Fisheries recently announced the renewal of its fishing fleet to enable it to use the new Precision Seafood Harvesting technology, and has signed a deal with a Nelson based company to build the first trawler in the new fleet.

Each of these milestones are very positive for New Zealand and are a great demonstration of the achievements that are being made, even at the mid stage of programmes. There are many programmes now reaching the halfway stage, and although a lot of the more obvious benefits are further down the track, we are still seeing significant and valuable achievements during the lifetime of the programmes.

Joanna Perry
Chair, Investment Advisory Panel

Programme Spotlight

New Zealand Avocados Go Global

The New Zealand avocado industry has made a significant step towards securing its future with the commencement of a Primary Growth Partnership programme with industry stakeholders and the Ministry for Primary Industries.



The New Zealand Avocados Go Global Primary Growth Partnership programme is a five year programme that started in June 2014. It aims to transform New Zealand's avocado industry from reliance on one market to a globally competitive, high-value, sustainable export industry along with a dynamic market in New Zealand.

Jen Scoular, CEO of Avocado Industry Council says it is a landmark development for the avocado industry – activity undertaken will enable the industry to achieve sales of \$280 million by 2023.

"This PGP programme will help position New Zealand's avocado industry to capitalise on the growing demand domestically and

in Asia, for premium, safe, and healthy produce. Part of this will involve developing a New Zealand avocado marketing story to highlight the health and versatility of our avocados," says Scoular.

The PGP programme is strongly supported by co-investors and stakeholders across the avocado value chain.

A total investment of \$8.56 million has been secured for the programme, with MPI committing \$4.28 million over five years, with the balance coming from industry partners.

"The programme includes co-investment from growers, packers, processors and exporters – it is real cross-industry collaboration."

The industry partners represent various sectors of the avocado industry and include Seeka Kiwifruit Industries, Trevelyan's Pack and Cool, AVANZA, JP Exports, Just Avocados, Avocado Oil New Zealand and Radford Software.

Increasing industry returns

The New Zealand Avocados Go Global programme's vision is to equip the industry with the tools to triple productivity to 12 tonnes per hectare and quadruple industry returns to \$280m by 2023.

New Zealand is a small producer on the world stage but has the advantage of first class export systems and the good reputation of New Zealand grown produce.

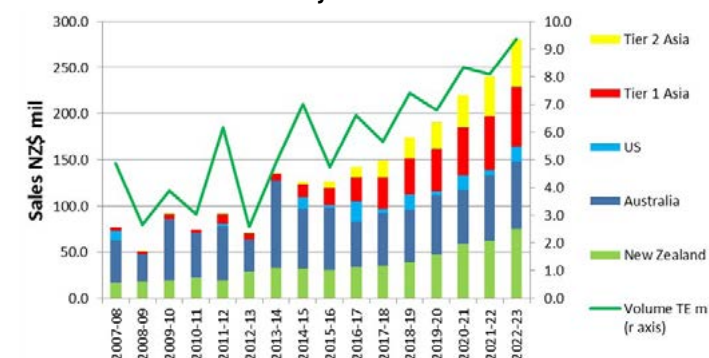
There is a growing demand for safe and healthy food in Asian markets and avocado has been identified as a fruit that has the potential to develop significant export growth especially in Asia.

"In Japan where consumption of fresh fruit and vegetables is in decline, avocados is bucking that trend and consumption is increasing," says Scoular.

Bring together renowned systems, a good reputation and high consumer demand with a product that is trending worldwide for its proven health benefits and you have a recipe for success –however, the avocado industry has up until now been struggling with issues of low yield, irregular supply, reliance on one market and lack of knowledge of the potential for greater efficiencies in the supply chain.

"To achieve the vision of this programme the industry requires a step change in market development and consistency of supply," says Scoular.

New Zealand avocado industry value and volumes



*Values and volumes from 2014-15 onwards are forecast

New Zealand Avocados Go Global projects

New Zealand Avocados Go Global is made up of five projects:

1. Market entry and growth in Asia and New Zealand.
2. Consistent and sustainable avocado supply.
3. Efficient supply chain.
4. Products from waste.
5. Information portal, knowledge transfer and adoption.

Market entry and growth in Asia and New Zealand

“Under the PGP we are researching our markets and prioritising those that we need to develop, and we are creating a marketing story to help narrate and illustrate what makes avocados from New Zealand a premium choice above avocados from other countries.”

Research has been carried out to create a global supply and demand model for the industry which ranks the potential viability of markets in terms of consumers and supply chain. This has helped the industry prioritise activity and volumes that need to go into developing markets such as Japan, Singapore, South Korea and Malaysia.

NZ Avocado has also worked with avocado marketers and growers to create marketing stories for use in New Zealand and in overseas markets.

The New Zealand Avocado Amazing Anytime slogan and related look and feel was launched to the New Zealand market in June 2014 and has been gaining momentum at retail. The Premium avocados from New Zealand material was launched at Asia's largest fruit and vegetable trade fair, Asia Fruit Logistica, in September 2014. This material has been used by New Zealand avocado exporters in four Asian markets in the 2014-15 export season.

Consistent and sustainable avocado supply

“Our R&D programme has had an overhaul and we are really happy with how it looks now. We are working on 17 projects in total – either funded through NZ Avocado's funding, the PGP programme, the Plant & Food Research (PFR) MBIE programme, or Plant & Food Research (PFR) core funding.”

The New Zealand Avocado R&D programme is using a collaborative approach to answer the industry's most important questions on

growing avocados. Research currently underway is harnessing the expertise of growers and rural professionals to understand the factors which make for successful avocado production.

“The programme is highly reliant on the scientific expertise of NZ Avocado and PFR. However, it has been a priority for NZ Avocado that the programme includes the expertise of growers and rural professionals to ensure the projects address the correct issues and produce outcomes that are practical and applicable to the real world,” says Scoular.

A trial established on tree decline in the Far North is already showing results.

“Preliminary results from the orchards involved in the working group show that there is room for improvement in some of the factors that are likely to be involved in tree decline such as irrigation management, phosphorous acid application, mulching, drainage, and tree stress caused by over-cropping or by six spotted mite-related defoliation,” says NZ Avocado R&D Manager, Alvaro Vidiella.

Efficient supply chain

The avocado supply chain has never been fully assessed.

“There are inevitably value leakages in the supply chain, an in-depth analysis of this will provide us with some starting points for developing solutions,” says Scoular.

Industry Systems Manager Glenys Parton has initiated visits to all export registered avocado packing facilities.

“I am seeing a real desire of all stakeholders to look at efficiencies that will drive their business to be more competitive while at the same time maintaining the reputation of delivering a quality product to market,” says Parton.

Products from waste

Extraction of valuable components from the avocado's skin and seed is a potential outcome of this project in New Zealand Avocados Go Global.

“We are working with an avocado processor to see if there is a useful component of the skin or seed of the avocado. If there was something that could be extracted it would likely have application in health, medical or beauty products,” says Scoular.

Information portal, knowledge transfer and adoption

Project five of the programme aims to develop an information portal for the input, analysis and output of information that will inform key decision making and assist benchmarking for entities along the supply chain.

“There is very little performance benchmarking in the industry, and it is essential for growers to understand where their orchard sits before they can look at how to increase their performance,” says Scoular.

Currently user stories are being collected from across the supply chain.

“We are finding out what business decisions users across the industry need to make and this will drive the functionality of the information portal.”

New Zealand Avocados Go Global is the first horticulture programme involving fresh fruit in the PGP.

“We are thrilled to be part of the PGP – the industry is motivated and ready to capitalise on the tangible opportunities that exist for our industry. This PGP programme will see the emergence of a globally competitive, high value, sustainable horticulture industry delivering real returns to New Zealand,” says Scoular.

The programme will address the industry's biggest challenges and take hold of the opportunities in Asia.

“Worldwide demand for avocados is increasing at 10 percent per year and production is increasing by three percent – the opportunity is there, not only from a demand point of view, but as producers from New Zealand we have the opportunity to become a desired and premium option for consumers in Asia.”



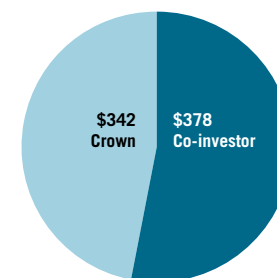
Overview of Primary Growth Partnership Investment

| 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) | 48 | \$74 | 44 |
| Meat | FoodPlus – Redefining Meat Horizons ANZCO | 77 | | 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 | | 1100 |
| | Targeting New Wealth with High Health | 25 | | TBA |
| | NZ Deer Industry Passion2Profit | 15 | \$356 | TBA |
| 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) | | TBA |
| | From Stump to Pump Phase 1 (feasibility study) Norske Skog Tasman Ltd (NSTL)/Z Energy | 3.6 (actual cost) | \$13 | TBA |
| Viticulture | Lifestyle Wines New Zealand Winegrowers | 17 | \$17 | 285 |
| Horticulture | NZ Avocados Go Global Avocado Industry Council | 9 | \$9 | 210 |
| Total | | | \$720 | |

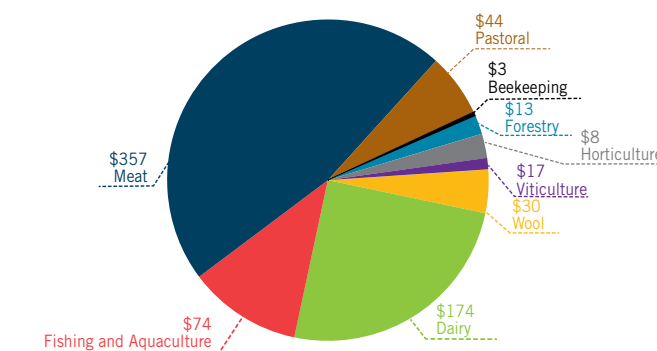
Please note that the figures in this table have been rounded. Therefore the total Crown and co-investor investment for each sector may differ to the sum of the individual programmes.

As at 31 March 2015, there were 16 programmes underway, two pending and two completed.

Crown/co-investor committed investment (in millions)



Crown/co-investor committed investment by sector (in millions)
Total \$720 million



Total government funding paid to programmes as at 31 March 2015 was \$141.6 million.