



Michael's Desk



In my column this month I thought I'd touch on something that's a bit of a 'hot topic' at the moment – social licence to operate.

In a nutshell, if a company or organisation has social licence to operate it means they have the support and trust of their customers and the public. It's about gaining community and public acceptance for the work that you do.

In my last column I talked about the PGP – and the ideas associated with the PGP – being a 'brand'. Social licence to operate is critical to building and maintaining the reputation of a brand, and in turn, the reputation of a brand is usually the biggest contributor to its success.

With social licence to operate, transparency is no longer only an option. People want to know that they can trust a company or brand, and to do that they need to know what that company is doing to improve their social and environmental performance. They need to know 'who' the company is, and what they stand for.

In the new reality, empowered and increasingly sceptical customers are in control of the information they consume. External activities, like conversations on social networks, may be determining perceptions of brands. This may happen long before the traditional company is even aware of it.

Transparency is a key part of the PGP—and at MPI we put a lot of effort into making sure we make clear and comprehensive information about the PGP itself, and each PGP programme, easily accessible.

In addition, many of you will have put a strong focus on communicating some of the successes of your programmes and highlighting the ways programmes are achieving social and environmental gains and wider benefits for all New Zealanders – a key part of social licence to operate.

We had some interesting discussions about all this recently when we held a 'Social Licence to Operate' workshop last month for companies in PGP programmes. In the workshop we explored opportunities and challenges for programmes and how they could gain a social licence to operate.

I hope those of you who attended found this workshop useful. It's an interesting topic and something that we will continue to explore.

Following this workshop, we also held a workshop on the topic of 'extension'. Joanna talks about what this means for the PGP in her column.

On another note, this month the National Fieldays was held at Mystery Creek in Hamilton. As New Zealand's largest farming and agricultural show, Fieldays is a fantastic opportunity for us to engage with our primary sector stakeholders. The PGP is of course an important part of the work we do at MPI and it was great to showcase this to a crowd of more than 126,000 people.

The overall theme of Fieldays was "Growing capability in

agribusiness". This is something that many of you will be familiar with, as an important spill-over benefit of many of the programmes is upskilling and increasing people capability in the primary sector.

In fact, the Primary Industry Capability Alliance (PICA), which is helping to build the future workforce of the primary industries, was originally spun out of the Transforming the Dairy Value Chain programme. As a whole, this programme is looking at building the capability and capacity to meet the future needs of New Zealand's dairy industry.

Skills and capability is becoming an increasingly important aspect of PGP programmes and one of the ways the PGP is benefiting New Zealanders – it means more jobs, access to new and better food and other products, and more vibrant rural communities, with increased local infrastructure and investment. For industry, it means more connected people across the primary industries and other related groups so they can share information and technology, improve their processes and boost their productivity and sustainability.

Michael Jamieson
Acting Director PGP

From the Chair



As I've alluded to on a number of occasions the IAP has the privilege to see common themes running throughout the PGP portfolio. One of those is 'extension' – getting customer buy-in for new technology, practices, data systems or products. All the investment in the world will not create the benefits unless we have customer buy in – whether those customers are farmers, processors or consumers.

I've talked about extension before and MPI has held an Extension Practitioner workshop to consider this important topic. However, I thought it was worth talking about again because it links so much to the subject of social licence to operate and brand that Michael talks about in his column. A key starting point to get customers to buy in is trust of your organisation.

So, a reminder of some really simple key messages that we all need to think about for our extension as programmes move from the science and development phase and begin to focus on market uptake of the products and services. These are:

- Know who your target audience is
- Get to know your customers and their needs and perceptions
- Consider your responsibilities and your points of influence
- Determine how technology can be used in the most effective way to deliver products and services.

In simple terms, extension is about how you connect with your customers. Selling an idea or brand is really just an exchange of confidence.

Of course there is a lot more to it than these few simple concepts, however, to me these are really good starting points to not lose sight of when you detail your extension plans.

Joanna Perry
Chair, Investment Advisory Panel

Programme Spotlight

Deer – Matching profit with passion

Passion2Profit is a major programme that aims to boost the profitability of deer farming and to reverse the decline in herd numbers.

Deer farming is known internationally as a signature New Zealand farming industry, both for its unique heritage and great products. But all is not well on the farm. An over-reliance on sales of frozen venison to Euro-zone countries and the greater productivity of other livestock farming options is resulting in falling deer numbers across the country.



Deer farmers remain passionate about their animals, but business reality dictates that farming these wonderful animals must be at least as profitable as alternative livestock options. Hence Passion2Profit (P2P), a programme between DINZ and the Ministry for Primary Industries under the Primary Growth Partnership.

P2P is a dual strategy that aims to better align supply and demand for New Zealand farm raised venison and to improve productivity on the farm. In a nutshell, it aims to extend demand for venison

into times of year when it is best to produce it in New Zealand, and to provide systems and information to deer farmers so they can efficiently produce more venison when the best paying customers want it.

P2P takes a whole value chain approach – starting in the market and linking back to areas of improvement in on-farm performance. Major elements include seasonal marketing initiatives and industry agreed quality standards.

Average deer farm productivity has stood still in two vital areas – fawning rates and carcase weights – for more than two decades. Recognising this and the growing productivity gap between leading deer farmers and the average, industry leaders began developing a strategy in 2012.

Theme groups involving more than 50 farmers, vets, consultants and geneticists were formed to look at potential opportunities in:

- Animal health
- Feeding
- Venison processing
- Genetics
- Marketing, and
- Value chain analysis.

From their work the P2P programme was developed.

Marketing premium venison

The P2P marketing programmes will look at the creation of demand for venison during the New Zealand autumn and winter. This is an efficient time of the year from a farming point of view to be harvesting the annual venison crop, but it's the wrong time for the traditional European market. They want fresh game meat in the northern autumn and winter – October to December.

A strategy involving the five main venison marketing companies will allow them to jointly invest in the creation of demand during the traditional off-season, and jointly share the benefits from future sales at higher prices.

As a first step, they are now trialling the marketing of venison in the summer under the Cervena appellation. Because eating venison in summer off the barbeque or grill is a novel concept in Europe, a clean break has to be made with the strong game meat tradition and its associations with the winter months, slow cooking and rich sauces.

Hence the use of the Cervena appellation in Europe for the first time. With the help of Hanos, a Dutch food service company, the aim is to excite consumer interest in what is being presented as a new food item – tender, natural, farm-raised and from New Zealand.

The trial will tell us how chefs respond to a wide range of cuts and sales messages. This information, plus sales data and diner responses, will help inform the development and refinement of a wider European out-of-season marketing strategy.

A second market development initiative involves the development of demand for venison in new markets such as China where NZ venison has only recently gained market access rights. The companies are keen to work co-operatively to explore the appetite for a New Zealand brand of venison sold into lucrative niches of the Chinese market.

Linking these initiatives to production will be industry-agreed standards that producers will need to meet in order to supply deer for the marketing programmes. The standards include good animal husbandry, standards for access to water, feed and shelter, animal health planning and recommendations for compliance with environmental management requirements.

Market-led production

In order to produce more deer when the main markets want them and improve overall productivity, the industry needs to make some changes. The areas of focus are:

- Feeding – improving the understanding of the nutrition needs of deer and developing forage systems to better match market demand, particularly on high country systems. Developing tools and information systems to deliver that information to farmers in a form they can use.
- Genetics – developing venison-related breeding values for commercial deer farmers.
- Animal health – shifting the focus from deer health being a cost to an opportunity, by encouraging better animal health planning and a better understanding of the loss of profit potential arising from poor health status.

A total investment of \$16 million has been committed to P2P, with a \$7.4 million contribution from the PGP over the seven year life of the programme, and the balance coming from DINZ and its commercial partners. It's expected to deliver \$56 million in extra revenues a year from the end of the programme.



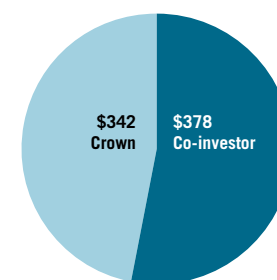
Overview of Primary Growth Partnership Investment

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	56
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	280
Total			\$720	

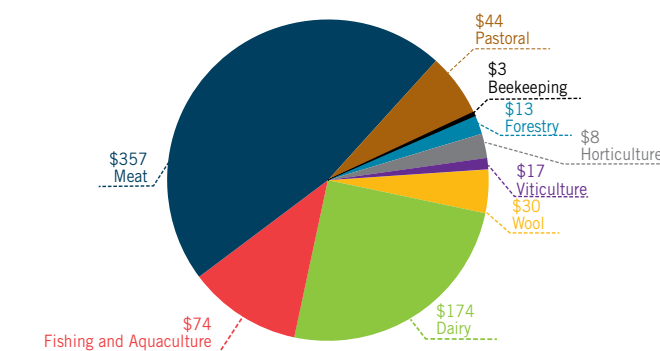
Please note that the figures in this table have been rounded. Therefore the total Crown and co-investor investment for each sector may differ to the sum of the individual programmes.

As at 31 May 2015, there were 17 programmes underway, one 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 May 2015 was \$148.5 million.