



INVESTMENT ADVISORY PANEL
TO
MINISTER OF AGRICULTURE AND FORESTRY
AND
DIRECTOR-GENERAL MAF

PRIMARY GROWTH PARTNERSHIP

ANNUAL REPORT OF THE INVESTMENT ADVISORY PANEL

FOR THE PERIOD

SEPTEMBER 2010

TO

SEPTEMBER 2011

Overview of Primary Growth Partnership

The Primary Growth Partnership (**PGP**) is a partnership between the Crown and the primary and food sectors. Its aim is to benefit New Zealand through programmes of investment in research and innovation that produce substantial gains in economic growth and sustainability.

PGP was established during budget 2009 with appropriations of \$30 million for 2009/10, \$40 million for 2010/11, \$50 million for 2011/12 and \$70 million per annum for 2012/13 and out years to vote: Agriculture and Forestry.

Foreword from the Chair

The PGP has been operational for two years and has carried out five application rounds. The Panel has met on twenty two occasions and considered sixty four proposals.

The Panel has approved thirteen proposals to the second stage of the PGP process – the preparation of a Business Plan and of these, ten had been approved for funding and funding for one programme was later withdrawn. Six programmes are now operational, and another three are at the contract negotiation stage. The nine programmes approved for funding involve investments of \$493 million over the life of the programmes, up to seven years. Forty six percent of this investment is from the Government.

As a fund, PGP is significantly different to most other Crown funding schemes, covering the whole of value chain: customer, branding, marketing, supply route, processing, production, technology transfer and research and development. Successful applications have addressed ways of overcoming barriers in value chains through research and innovation or simply by thinking about old problems in new ways, while ensuring that the goals of PGP are being achieved.

The most significant criterion applied by the Panel in approving these proposals has been that the proposals are market led. Successful applicants have generally started with a vision of what they could achieve in established or new markets and then have identified hurdles in the value chain to address.

Given the significance of economic benefits and innovation to PGP, the Panel have ensured that barriers in a value chain have been rightly identified and that proposed innovation to overcome those barriers has been able to demonstrate economic benefits for the country. Some applications have met all PGP criteria but the Panel has had to request additional analysis to substantiate their potential benefits.

The Panel has also recommended investments that are aimed at protecting New Zealand's market reputation and presence rather than establishing new market opportunities. Some of the approved programmes seek to underpin the value of products or to meet the expectations of the markets through

methods such as decreased environmental footprint, best practice standards in terms of nutrient management, water quality, animal welfare, improving occupational safety impediments, etc.

A significant feature of many successful proposals was the commitment of companies to work together to address barriers in the production and processing segments of the value chain. While the initiative for such collaboration normally comes from the companies themselves, PGP has also promoted collaboration among sector participants after programmes have been developed.

The Panel has closely monitored the progress of PGP programmes that have signed contracts with the Crown and is satisfied with their progress to date. MAF staff on steering groups for each of the programmes have been pivotal to programme governance. The Panel will continue to monitor the progress of all approved programmes regularly.

The Panel has so far operated within its financial parameters despite several major programmes having been approved. The Panel is confident in its decisions made through the year and look forward to another year of innovative and exciting proposals from the primary and food sectors.

Operational Details

Panel Meetings

The Panel met eleven times during the year 2010/2011. During that time it considered twenty eight applications and approved three of them to proceed to the business plan stage.

Panel meetings have run well through the year, with members working cohesively as a team. The Panel has been fortunate to consist of members with a diverse range of experience in managing the interface of business, innovation and technology particularly in the primary sector.

The Panel have also worked well together, and with applicants and officials from the Ministry of Agriculture and Forestry, Ministry of Science and Innovation and New Zealand Trade and Enterprise to achieve the results gained so far. MAF staff have attended every Panel meeting and contributed to the Panel's consideration through written briefs on each application, and through participation in the Panel's discussions. Expert external advice has also been sought on occasions to assist the Panel in making its decisions on proposals.

The Panel has carried out five rounds of applications in two years. It has engaged with applicants whose proposals have had the potential to meet PGP criteria. Engagement with such applicants has been through invitations to present and discuss their proposals with the Panel. Applicants have responded well to this and some have now proceeded to the preparation of business plans.

The Panel has also actively engaged in sector meeting engagements and conferences and have used these opportunities to promote PGP.

Recently, Panel member, John Brakenridge resigned from the Panel. Sharon Hunter, from Hunter and Powell Investments Ltd, has now been appointed to the Panel. Mrs Hunter has a strong expertise in marketing and business leadership.

New Zealand Agricultural Greenhouse Gas Research Centre (NZAGRC)

PGP has continued its annual funding of \$5 million towards NZAGRC as mandated by Cabinet. The Panel has reviewed the Centre's performance and is happy with their performance.

Parliamentary questions

There were thirty eight Parliamentary Questions received over the year. The questions covered PGP expenses, reporting and performance evaluation of PGP, the performance of approved programmes, the expenditure on PGP administration and servicing the Panel members, and some questions that were programme specific.

Media Coverage

There were a number of media articles written in various rural and national publications throughout the year. Reporting gradually ramped up as results of funding decisions were being announced.

Official Information Act Requests

There were six requests received for official information pertaining to PGP. These requests were largely for copies of Business Plans and proposals, and all communication between MAF and the Minister regarding PGP.

Information was released where it was not commercially sensitive.

Ombudsmen inquiry

Two complaints were made to the Ombudsmen since the commencement of PGP. Both complaints were very similar in nature and were investigated together. The Ombudsmen decided to close the investigation as the applicants of the PGP fund offered to meet with the complainants. As a result of this meeting, their complaints to the Ombudsmen were withdrawn.

W. J. Falconer
Chair, Investment Advisory Panel
September 2011