

John McCaw: Brussels Speech (10 mins)

1. GLOBE

If New Zealand fell off the globe, the impact on the world's agricultural markets would be negligible. In fact, it could be some time before you realised we were missing.

We are small, we are insignificant. And we are feisty.

2. MAORI WARRIOR

Our role is one of filling market gaps where there are seasonal shortages.

We have few large, reliable and on-going markets. We grab what we can, knowing it probably won't be there tomorrow.

3. NZ MAP

New Zealand farmers know that if we don't stay on the top side of technology, the smart side of ecology, the 'green' side of increasingly critical consumers - we don't survive.

4. CATTLE GRAZING

Agriculture is the backbone of New Zealand's economy; more so than almost any other developed nation.

With approximately 40 million sheep and 8.5 million cattle, New Zealand boasts nine sheep and two cows for every person in the country.

The agricultural industry produces 50% of the country's exports, generating more than 17 per cent of GDP.

It accounts for 1 job in 10 nationwide. Over the past 20 years it has grown at almost twice the rate of the economy as a whole.

5. SHEEP

Innovation always has been - and always will be - an integral part of farming in a small country half a world away from its major markets.

In 1882 the first shipment of frozen meat left our shores – an innovation that revolutionised pastoral farming in New Zealand.

One hundred and twenty five years later, innovation continues to drive the industry.

6. SCIENTIST

Research and development - funded largely through commodity levies- has allowed us to make huge gains in stock production and crop yields.

For example, New Zealand dairy farmers pay around 1.8 euro cents per kilogram of milk solids produced, to an organisation responsible for R&D, promotion and extension in the industry.

Similar levies are paid on meat, wool, grain and seed to farmer-controlled research organisations.

7. LAMB CARCASS ON HOOK

Forty years ago, the bulk of our exports were low-value commodities such as unprocessed wool, frozen lamb and beef carcasses, bulk cheese and butter.

Not now. The industry's innovative skill in adding value means that unsophisticated commodity products now comprise only 25% of its exports.

These changes have been driven largely by necessity.

The market led economic reform of the mid 1980s bankrupted farmers with high debt levels.

Survivors learned to farm smarter and to increase productivity for dollars spent. This honing of skills made New Zealand's primary industry one of the most cost-effective in the world.

The reduction in unemployment and the improved living standards now enjoyed in rural areas are the result of a buoyant rural economy - not government intervention.

8. FARM SIGN

I grew up on a family farm in the South Island where I now farm in partnership with my parents.

Even in my comparatively short lifetime there have been significant changes to the way our farm is run.

Budgets are now an on-going necessity, not an indication that something is amiss financially.

Sophisticated farming software is used to keep track of expenses and record farming operations.

9. TRACTOR

The farm size has doubled. Our 'big tractor' has been replaced by one nearly twice the size.

Our combine harvesters, tractors and fertiliser spreader are computer controlled. The workshop has a laptop rather than a ledger book. We use GPS guidance.

10. COMPUTER

There is no longer any place for sentiment in farming.

Farms are businesses worth millions of dollars apiece. Decision-making is based on economic profitability and environmental sustainability.

Investors, corporate farming, and equity partnerships are common-place. While the 'family farm' is alive and well in New Zealand, the difference is that it must now be run in a disciplined business manner.

The New Zealand agricultural industry faces a number of challenges – many of which you, our European counterparts, will relate to.

The average age of the New Zealand farmer is 56. High capital value and poor cash flow make it increasingly difficult for young people to make a start in the industry.

Yet many, myself included, still do so and are up-beat about the future of farming in NZ.

Compliance costs, arising from sensitivity to issues surrounding the environment, health and safety and political correctness, are a considerable burden to small New Zealand businesses.

A shortage of skilled labour, particularly in the dairy and horticultural sectors is of serious concern.

The New Zealand Young Farmers organisation plays a key role in attracting people to the industry, providing a social network and helping develop personal and professional skills.

11. SPRAYER

As in Europe, the gap between urban and rural New Zealand is growing.

Thirty years ago most families knew someone who lived on a farm and had a basic understanding of where their food came from. That is no longer the case.

The perception that intensive farming systems are harmful to the environment could be hugely damaging to the industry.

In order to counter negative perceptions of farming, the farming industry must actively promote the vision of agriculture as a key driver of the economy, custodian of the land, and a dynamic and exciting career choice.

12. FONTERRA TANKER

New Zealand agricultural producers rely heavily on export markets.

Our small population – equal to that of a suburb of some of your European cities – can consume less than 10 per cent of what we produce. The rest must be exported.

Ninety five per cent of our sheep meat and dairy production is exported.

Our lamb exports account for 75 per cent of world lamb meat trade, but represent under 5% of global production.

Because New Zealand's competitive market structure is relatively free of distortion, producers are better able to respond to market signals.

However, the absence of price support mechanisms and a reliance on export trade means New Zealand farmers are exposed to fluctuations in world price, and exchange rates.

It's not possible to take insurance against such shocks and few farmers hedge on the foreign exchange market (except through the dairy cooperative Fonterra).

Despite this, agriculture produces one of the highest export receipts of any sector in the New Zealand economy.

Most farmers simply try to read the market as best they can, accepting price volatility as a fact of life. Farmers and exporters look to get the best price in all markets; we have no interest in driving down prices in markets such as the EU.

13. DRAFTING

As well as price, New Zealand farmers are responsive to other market signals such as the exacting requirements of major European supermarket chains.

Whereas once we marketed what we produced, we now produce what the market wants. We plan long-term and invest in research.

Farmers continually review their production systems and make radical changes previous generations probably never dreamed of.

The result is a highly efficient and productive agricultural industry well able to adapt to evolving market signals.

The freedom of choice that New Zealand farmers enjoy fosters innovation, adaptation and growth.

With comparatively little political intervention, we stand or fall on our own merits – a challenge that appeals to young farmers entering the industry.

The trend in recent years, however, has been toward increasing governmental regulation of farming and industry within New Zealand; a trend that is likely to continue.

Despite the opinion of many, agriculture is a sun **Rise** industry; one which will continue in some form or another, as long as there are mouths to feed.

14. POND

Farmers of the future will be increasingly focused on environmental sustainability through efficient use of resources – particularly water and nutrients.

There will be increasing public pressure to reduce the environmental footprint of farming.

New Zealand's agriculture sector has been pro-active in meeting the demand for environmentally sustainable production.

Its research strategy targets a 20 per cent reduction in emission from 'business as usual' production by 2012 through the application of technology.

The Resource Management Act, 1991, is the most significant legislation governing environmental protection in New Zealand, and reflects a strong environmental protection ethos.

Industry initiatives promoting sustainable farming systems include Farm Environmental Awards, Code of Practice for nutrient management, Dairying and Clean Streams Accord, Project Green Trust, and Sustainable Farming Fund.

New Zealand products have been the focus of some criticism recently, suggesting that, because of New Zealand's distance from Europe, our trade is bad for the environment. In fact, research has found that, due to our extensive, lower-input farming systems, the impacts of production 'from farm to fork' are lower than for the same product produced and consumed within the EU.

It is impossible to predict the shape of future farming systems.

However, a stable macro-economic climate gives New Zealand farmers the confidence to plan for farm succession and invest in infrastructure, research and development.

15. COLLAGE

Our range of export products is likely to alter significantly within the next ten years.

That is neither a surprise nor a problem. We know that farmers and industry alike will find new and innovative ways to deal with whatever the future throws at us.

Recent polls confirm New Zealand farmers are optimistic about the future and positive in the way they manage their businesses.

Long may it continue!