

Value added goods only way for richer NZ

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New Zealand's primary sector has to start thinking about new market opportunities with value added products if it is to become richer.

More valuable markets had to be the main focus for the New Zealand primary sector, New Zealand special agricultural trade envoy Mike Petersen told farmers at the recent DairyNZ Farmers Forum at Mystery Creek.

"This will be the only way we will get rich out of producing and exporting food to the world."

Petersen said value-added opportunities made the Trans Pacific Partnership (TPP) trade agreement important and the dairy industry would benefit far more than current numbers indicated.

"This is because in my view free trade agreements are not about opening markets, they are about opening minds."

With the TPP encompassing 40 per cent of the world's GDP it presented a huge opportunity in the value-added market where six of the 12 member countries were wealthier than New Zealand per capita, he said.

New Zealand had been first movers in many of its markets because of the free trade agreements (FTA) it had signed. New Zealand's FTA with China was world leading when it was signed in 2008. Now, New Zealand's tariff-free window into China was used up in 17 days every year, he said.

Much of the economic slowdown in China was being overstated and consumer spending in this country was steadily growing, which is why a New Zealand delegation went to China recently to upgrade its FTA.

Petersen said he was confident they would succeed.

Chinese politicians were trying to push demand away from milk powder to liquid and domestic production of milk, but Petersen felt that in reality they would struggle to meet consumer demand for this type of product.

The industry had to consider



Producing more value-added goods is the only way New Zealand will increase its wealth, New Zealand special agricultural trade envoy Mike Petersen (left) says.

its reliance on the powder market. New dairy products were also needed to take New Zealand away from its reliance on milk powder and butter.

"Every company has to think how we get out of these commodity products and into these new product opportunities."

The Government was also working hard to lower non-tariff barriers among nations New Zealand traded with.

"Agricultural market assess was always the hardest and within that, dairy is always the toughest of the lot."

Most farmer unions and sectors around the world had an entrenched position of opposing any imported primary produce and there was a reluctance among these groups to acknowledge that the world had changed, he said.

"TPP was a classic example of that and my one big disappointment in TPP was the inability for the producing countries - the United States, Canada, New Zealand and

Australia to get on the same page about a reform that would be meaningful across those 12 member countries."

He described TPP's outcome for dairying as disappointing but not bad.

"It could have been a lot better."

New Zealand hoped the agreement would set the agenda for dairy trade but the other countries, in particular the US and Canada, failed to understand why it would be good for their farmers, Petersen said.

Although representing New Zealand overseas in dairy, meat, wool horticulture and wine, 90 per cent of Petersen's time was spent on dairy issues.

Based on everything he had seen offshore, Petersen was confident the dairy industry would ride out its challenges because of world population growth, a growing middle class and growing demand for animal protein.

"We should have no fear for the fundamentals of demand for what New Zealand has to produce."

As a major exporter of dairy, New Zealand would always feel the pain first and hardest whereas domestic dairy producers never felt the pain of global market realities, he said.

The New Zealand primary sector needed to better adjust to the pace of change taking place in the world that was affecting the price of its products.

He said New Zealand also needed a new primary sector story.

Everything New Zealand did in the primary sector was world class but it was fragmented and there was no coherent story.

"I think we need this desperately.

"In this area we are behind the game and we need to pull this together if we are to make the most of the opportunities that are clearly around the world for us."

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Mike Peterson