

How New Zealand's dairy sector stays globally competitive

DairyNZ dairy systems specialist Mark Neal outlines what we are doing to ensure we maintain and continually improve the dairy sector's competitiveness in a global market.



Mark says historically New Zealand's production has doubled in the last two decades, while in some other countries, production growth has been slow or even declined (e.g. in Australia and Argentina).

"Production had seen some limited growth in Europe with the lifting of quotas, but some of this production went

straight to an intervention stockpile. While dairy production in the USA has been lifting slowly, many farmers are on tight margins."

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"We need to be asking ourselves, is this enough information to conclude that the New Zealand dairy sector has been internationally competitive, and will we continue to be competitive in the future? What does competitiveness mean? How do we measure it? Have we got the right (and robust) data for comparison?"

In an effort to address these questions, Mark says a small team from DairyNZ, with the help of Waikato University, has been examining and reporting on competitiveness to understand how it might be maintained and improved. "In my view, international competitiveness is the ability of the sector to be successful, generating sustainable profits, in the face of competition from other countries. Importantly, it is the value chain for the sector that needs to be competitive, so farming and processing both need to be considered. We should also factor in contributions from the wider New Zealand economy – such as infrastructure, financial markets, government policy, trade rules and innovation. These are enablers for our sector to perform."

Mark says there is not just one single measure of competitiveness and the determinants are often complex and varied. This tends to lead to an index to measure different components of competitiveness, which are then weighted together to form an overall score which can be compared to others. Competitiveness is a medium-/long-term view and it should indicate the strengths and weaknesses of a country or industry.

As far as measurement activities go, Mark says that at a national level, the World Economic Forum annually reports on competitiveness, with New Zealand currently ranked 13th out of the 137 countries measured. "They base the rankings on a range of indicators from government statistics and industry surveys.

For the dairy sector, a specific set of indicators needs to be determined, and then collected and analysed for a group of significant dairy export and producing nations."

Mark says that alongside this work, future competitive challenges are also being assessed, for example, dairy alternatives. "When combined, this work will identify opportunities and threats which will be used to help inform good strategic decisions for the dairy sector moving forward."



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