

# CONSUMERS PAYING MORE

*for ethical production*

National  
**SCIENCE**  
Challenges

OUR LAND  
AND WATER

Toitū te Whenua.  
Teiora te Wai

Angus beef is a premium product, valued by consumers everywhere for its tenderness and flavour. New Zealand producers have earned an international reputation for quality, reflected for example in the export brand AngusPure Special Reserve.

For some overseas consumers of Angus beef, 'quality' means more than taste and texture, according to recent research. These consumers are willing to pay a premium if they are confident the beef has been produced well, with the impacts of production on the environment of particular importance.

## Integrating value chains

The research, funded by the Our Land and Water National Science Challenge in a programme called Integrating Value Chains, was led by Professor Paul Dalziel of the Agribusiness and Economics Research Unit at Lincoln University. Its aim was to help New Zealand producers receive the full value for their quality food and beverages.

"Meeting consumer expectations such as environmentally sustainable production requires science and industry to work together in identifying what consumers expect and are willing to pay for, and in turn ensuring the producers fulfilling these expectations are rewarded," says Professor Dalziel.

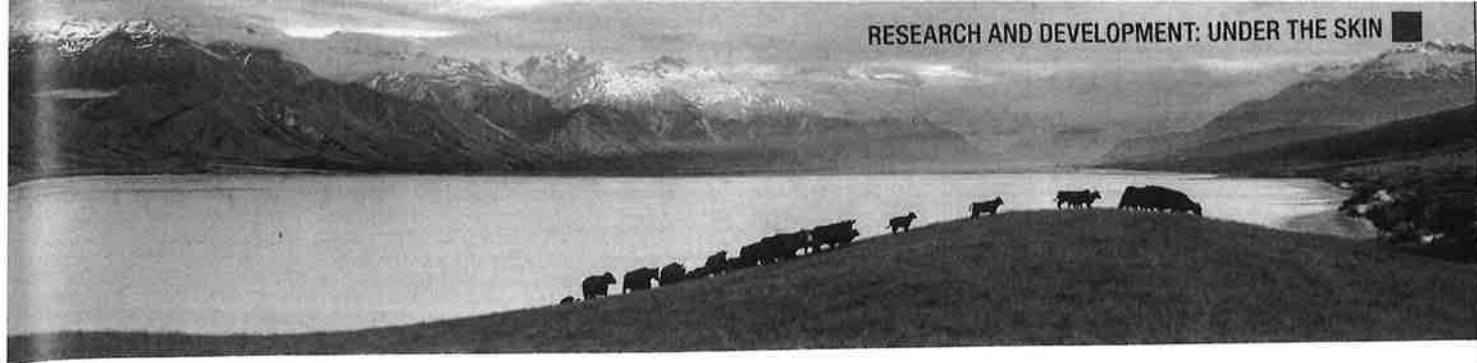
This is important for creating greater returns for farmers facing environmental compliance costs.

"Targeting global consumers who want both the physical and production attributes New Zealand products such as Angus beef offer can help farmers offset the increased costs they're facing in looking after the natural environment. While these costs improve the legacy for future generations, they're potentially also an investment into greater returns in the marketplace.

"We're interested in understanding the overseas consumers for whom premium quality doesn't mean just great taste, texture and appearance, but includes the way we look after our environment, our animals and our communities. How do our production systems have regard to the impact of our activities on climate change, waterways and the like?"

These types of attributes, which cannot be physically perceived by consumers, are known as 'credence attributes', because they have to be taken on trust at the point of purchase. Credence attributes are at the front and centre of the research.

Important examples of credence attributes are sustainability, animal welfare, community wellbeing and cultural authenticity. In New Zealand narratives around cultural authenticity can be



linked to production by Māori enterprises and by family farms. For overseas consumers this authenticity represents a passion for the product and care for the environment, animals and local community.

### From volume to value

Industry leaders such as Te Hono and the Primary Sector Council are urging New Zealand producers of food and fibre to move from volume to value. The research supports that call by looking at how New Zealand agribusiness can govern global value chains that create value for overseas consumers, and capture some of that increased value in the form of greater returns for local producers.

Integrated value chain research is relatively new in New Zealand and started around five years ago following Lincoln University's Professor Caroline Saunders' research into food miles. Professor Dalziel explains that New Zealand's economic prosperity was founded on our efficient supply chains.

"We have an excellent reputation for supplying quality food and fibre to distant overseas markets, on time, to specification and in an economically efficient way. But these supply chains ended with the importers of the product, so we didn't have direct contact with the final consumers."

In contrast, a value chain is driven by the values of the final consumer, whether in New Zealand or overseas. It aims to deliver a quality product to consumers targeted because they value all the attributes of that product. Some of that increased value must come back to producers.

This is not easy. A global value chain from New Zealand to overseas consumers can be lengthy and involve many links and diverse cultures. In successful value chains, information travels from producers to consumers and vice versa, and the qualities valued by final consumers are protected at every link in the chain. A key insight from the research is the importance of shared values along the chain for encouraging collaboration, co-creating value and solving challenges.

"Zespri is an outstanding example of a successful integrated value chain. They produce fruit to meet consumers' tastes, but also to meet their desires for biodiversity and minimised spray and water use in orchards. By profiling these additional attributes, Zespri attracts the greatest value from overseas consumers, which they can share with orchardists and packhouses in New Zealand."

New Zealand Trade and Enterprise and industry organisations such as Beef + Lamb New Zealand (see 'Targeting conscious foodies' case study) have used results from the research to strengthen New Zealand's country-of-origin profile for quality food and fibre products in overseas markets. Modern technologies mean there are new opportunities for providing overseas consumers with reliable information on environmental standards and other credence attributes.

### Targeting 'conscious foodies'

An example of successful collaboration between science and industry is the launch of B+LNZ's Taste Pure Nature country-of-origin brand in 2019. This brand reached at least 640 million people in the United States and China in 2019-20, potentially earning New Zealand hundreds of millions of dollars per year.

In late 2017, B+LNZ commissioned Our Land and Water's Integrating Value Chains programme to research target markets in the United States and China. The research produced robust estimates of what consumers will pay for credence attributes of New Zealand beef. It found the potential to achieve a 20 per cent price premium in the US market, or an extra \$238 million in export returns per annum for the sector.

The research also identified credence attributes important to different market segments, which could be linked to on-farm practices for adding value. Consequently, the Taste Pure Nature brand builds on the New Zealand Farm Assurance Programme (NZFAP), which delivers trusted and authentic origin, traceability, food safety and animal welfare standards to global consumers. There are now more than 2,500 NZFAP-assured farms.

Based on this and other research, B+LNZ identified a premium market segment it labelled 'conscious foodies'. With levy payer support, B+LNZ developed the Taste Pure Nature brand to highlight New Zealand's quality beef and lamb products produced with care for animal welfare and the natural environment.

Taste Pure Nature launched in California in March 2019, with activities highlighting the qualities of New Zealand grass-fed beef and lamb. These included a Good Morning America segment with chef George Duran (72.5 million online and social reach), an influencer trip to New Zealand (social reach >40 million with >126,500 engagements) and a sustainable living survey (>102 million impressions).

Taste Pure Nature launched in China in May 2020 through 200 supermarkets and China's two biggest e-commerce platforms, TMall.com (340.8 million daily unique visitors) and JD.com (85.2 million daily unique visitors).

B+LNZ reports improvement in the US for every key metric it is tracking for consumer awareness and preference for New Zealand grass-fed meats. This demonstrates that New Zealand producers and processors can work together to provide consumers with evidence supporting a product's claimed attributes, improving market access and delivering value to consumers.

## RESEARCH AND DEVELOPMENT: UNDER THE SKIN

### Rewarding sustainable practices

The ultimate test of global value chains from a local perspective is whether they capture higher returns for agri-food producers. This is an essential element if the transformation of New Zealand's primary sector from volume to value is to be successful.

Our Land and Water has launched a new research programme to address this issue, called Rewarding Sustainable Practices. The Agribusiness and Economics Research Unit at Lincoln University is also leading this research, working alongside four industry partners as they each develop a new value chain for a New Zealand land-based product.

Professor Dalziel explains: "Previous research has identified characteristics of successful value chains, such as shared values along the chain. We now want to know if those characteristics can contribute to designing a new value chain from scratch. Can the success of Taste Pure Nature be transferred to other products?"

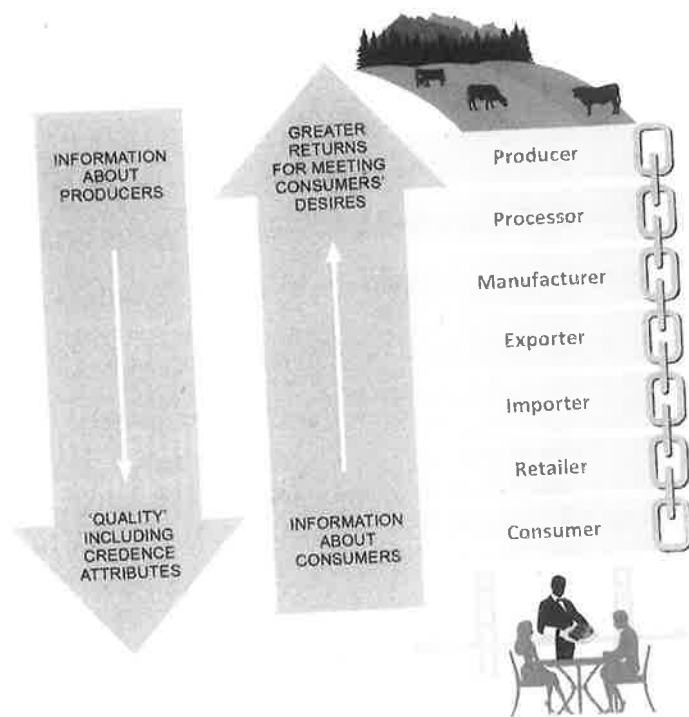
The aim is to produce actionable insights, based on better understanding of important market segments in particular countries, such as the 'conscious foodies' segment. The research is delivering knowledge on what particular consumer groups are willing to pay for particular attributes ranging from grass-fed to culturally authentic.

The programme has created an online data portal, where producers can explore for themselves data from the research on international consumers. Anyone can access this portal without charge at [www.sustainablewellbeing.nz/aeru-data-portal](http://www.sustainablewellbeing.nz/aeru-data-portal).

Professor Dalziel says the outlook for New Zealand red meat producers is exciting.

"With growing consumer awareness of the demands red meat

### Angus beef value chain



makes on the environment, and the move from daily to special occasion consumption, the demand for a quality product that is ethically produced can only grow. New Zealand is exceptionally well placed to increase value by profiling the way it is producing quality products."



*Is where the Hallmark is.*



HALLMARK ANGUS  
1ST ON-FARM BULL SALE  
TUTIRA  
JUNE 16TH - 4 PM - 2021