

Value in the eye of consumer

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The announcement by Silver Fern Farms that Shanghai Maling was investing \$261 million for a 50 per cent stake in the business has certainly made an impact in the industry.

While the prospect of a Chinese investor had been widely speculated the size of the investment had not. One thing it did suggest however is a high level of confidence in the future of the sector.



There are plenty of critics of the deal who are upset at seeing foreign investment in the cooperative. But it's important to remember, as a farmer, you still own and control your livestock and you determine the company which you supply.

So if you aren't comfortable having a foreign investor, or the strategy of the company then no one is forcing you to supply them and stopping you from supplying another company, with whom your values are more aligned, nothing will change that.

The capital injection is intended to allow an advancement of Silver Fern Farms branded strategy. The Chinese hold New Zealand product in high regard in terms of product quality and food safety and this is a key to their interest in the deal. As consumers around the world become increasingly discerning it is important we keep the end consumer in mind for everything we do.

Value is in the eye of the consumer. The customer reaching into their wallet is the only person who decides the value of a product and what they are willing to pay for it.

That doesn't mean they can't be convinced to buy something they didn't know they wanted as Henry Ford and Apple have done so well over the years.

But doing that requires clever marketing including wrapping a range of attributes, stories and experiences around the product. Flopping off commodities won't cut it when it comes to creating

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value in the consumer's mind.

Our competitors are moving quickly and starting to beat us at the grass fed game we used to consider ours. New Zealand has a fantastic story to tell but our execution of this in the market often leaves plenty of room for improvement.

Our grass fed production system, wide open spaces, high animal welfare standards, lack of use of antibiotics and hormone growth promotants ticks a lot of boxes for the modern, discerning consumer.

However, we often take these things for granted in NZ because it's how it's always been and the only system we really know. It's



TASTY STARTER: Consumers are becoming increasingly discerning when it comes to their choice of meat and it's origin. New Zealand produce such as lamb is held in high regard.

not until you have experienced the industry in a number of other countries that you start to appreciate the value of what NZ has to offer.

As great as our product and story might be it all needs to be put together to create an experience for the consumer and having strong relationships and a presence in the market is important to help achieve that.

Shanghai Maling will provide Silver Fern Farms with a local partner in China which can't be

underestimated when doing business there. But it is also crucial that local connection is fostered in other markets around the world if value in the eyes of the consumer is to really be created.

This deal provides a real opportunity for Silver Fern Farms to assess what they have been doing and try out new ideas to really drive value for their farmer shareholders.

There is still a long way to go before it is over the line, but it certainly looks a great short term

outcome for Silver Fern Farms which alleviates much of the uncertainty that has surrounded them.

However, the real telling point will be how the strategy plays out over the medium to long term and what this does to farm gate returns.

They are at the base of a mountain of opportunity but many challenges and choices lay ahead. I wish them well on the journey and hope they can stay true to their origins.