

Agrarian revolution is on way to farms

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AS WHOLE milk powder prices start to surge again farmers are being cautioned not to let that distract them from some of the biggest farm system disruptions the world has seen.

The world was on the verge of a new agrarian revolution, KPMG's agribusiness head Ian Proudfoot told delegates at this year's rural update agribusiness seminar.

It would result in practices done for generations being tipped on their head in a few years.

"Don't let the recent rise cloud your judgement.

"We are at the point where there is a lot of hard work to be done to deliver a country that remains productive and valued into the future."

He broadly identified some of the megatrends unseating conventional commodity-driven production from agricultural countries.

They would demand a new mindset not only in how food was produced but in how it was delivered.

Millennials, those born between 1982 and 2004, were starting to have children and were bringing a different mindset on how food was delivered and consumed.

"They want instant access to everything.

"They are hyper-connected and this access applies to food too.

"Even new start-ups like My Food Bag may have increased door-to-door access but still remain relatively inflexible.

"This generation is seeking instantaneous and flexible food choices."

He pointed to McDonald's' Create Your Taste tailored meal options that also have the effect of increasing the price of a standard takeaway meal spend by tens of dollars.

He expected supermarkets would be endangered within 25

years with models like Amazon Fresh meeting that millennial need for instant delivery.

"They can deliver what you want to your front door in less than an hour, quicker than you could go and buy the things yourself.

Crowd-sourced food was becoming more common and at a premium. He cited a Californian company that would process lamb on demand, at a cost of about \$500 a lamb.

Creating fashionable foods opened up opportunities as much as creating risk.

“ This generation is seeking instantaneous and flexible food choices. ”

Ian Proudfoot
KPMG

He pointed to Marlborough's sauvignon blanc industry, with its tens of thousands of hectares devoted to a single grape type.

"While it is going very well now internationally, just imagine what happens should it become the next chardonnay."

The statistics on the aging global population were well understood in terms of impact on labour forces.

But the linkage between longevity and good health was starting to fray as more people carried significant illnesses with them through longer lives thanks to advancements in medicine.

Proudfoot said 85% of people over 60 managed at least one chronic health condition and that management was increasingly being achieved through food consumption.

But those conditions also needed to be accounted for in

packaging technology, for example avoiding difficult-to-open lids and packets for a market experiencing the limitations of arthritis.

"We are getting to the point of customised food and Nestle are already achieving this with their dog food brand Purina.

"It is possible for you as the owner to enter online the dog's health history and issues and receive a tailored dog food. If it can be done for dogs, how long will it be before we do it for humans?"

As health systems groaned under the chronic disease onset and an older population, more governments were also acknowledging the value of keeping people healthy rather than curing them in later life.

Taxes on sugar, salt and fats were likely to impact on New Zealand significantly, given NZ products did end up in final items that might contain higher levels of salt, fat and sugar.

But with an aging population also came a nostalgic streak with a market seeking out products that reminded them of the good old days, accounting for growing demand of products like craft beer.

"As the global beer market grows at 0.2% a year, this market is growing at 13%."

Globally there were now an extra 1.3 million people a week moving into cities and estimates were for average commuting time to account for three to four hours a day, with the first and last meal of the day eaten on the means of commuting, such as the train.

"So the challenge is how do we put value into the food they eat in a way that it is convenient?"

He also cautioned on the assumption made that as developing nations became wealthier they would migrate to more westernised tastes.

"What we are seeing is the diet in emerging markets is not changing as greatly as thought.



MORE MONEY: Tailoring food to individual tastes means high prices can be charged, KPMG global agribusiness head Ian Proudfoot says.

"In Japan, for example, they will pay a fortune now for a great piece of steak but the diet is essentially the same as it was 50 years ago."

In what he labelled the bok-choy effect, it was the diet of countries like NZ that was changing, incorporating more of what those countries had traditionally consumed.

"So, we have to remember that what we grow may not be what people want to eat."
In this rapidly changing

environment, NZ ran the risk of falling behind.

With only 0.5% of the global research and development spend on food technology, NZ risked getting only 0.5% of the good ideas.

NZ's \$37.5 billion of food exports when on-sold and processed further offshore were earning a quarter of a trillion dollars.

"So at present we are only recognising less than 15% of the total value of what we grow."