

THE RESPONSE OF ADVISORY SERVICES DIVISION, MAF TO THE MEAT MARKETING CHALLENGES OF TOMORROW

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Abstract

This paper makes recognition of the fact that planned changes have occurred and must continue to occur in order for both the meat industry and Advisory Services Division, MAF to remain competitive.

The adoption by the Division of a market-driven, whole-industry approach is explained. This approach enables resources to be directed towards any component of the consumer-producer pathway. An industry capable of reflecting to the suppliers of its raw product the demands of the market, together with industry-wide adoption of the quality management approach, is discussed.

The future is full of opportunities, New Zealand's unique natural and pure image being a prominent one.

INTRODUCTION

ASD's purpose is to lead effective change in agriculture — not just be part of it, but to be out in front. Change is now a major component of our agricultural scene. In the meat industry, whether you be producer, processor, exporter or part of the servicing sector, changes must occur for the industry to survive. Likewise changes must occur for ASD to survive.

These changes need to be planned so that the New Zealand meat industry moves towards the year 2000 accepting the challenges and realising the opportunities that exist. Challenges will exist in the meat markets of tomorrow but more importantly challenges which exist today must be resolved to ensure the industry is still around for tomorrow.

This paper describes the planned response of Advisory Services Division of MAF to this environment of change in the meat industry. It looks at ASD's adoption of a market-driven, whole-industry approach to the achievement of its objectives, performed in a commercial manner, together with the future which amongst other developments will place greater emphasis on quality management.

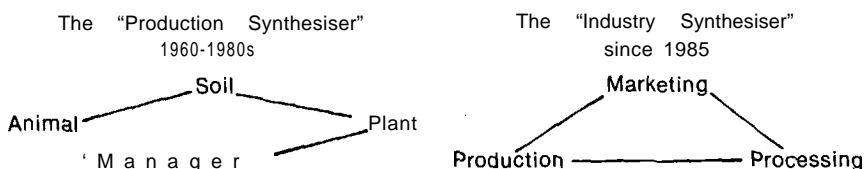
ASDCHANGES

The speed of change in agriculture is rapid, a fact well known by all of those closely involved and a point often criticised by various industry leaders. ASD has had to change. Take for example ASD's mission. Three years ago we felt our reason for existence was to increase productivity, a subtle change from the idea of increase production of previous years. Those missions served us well. Now however we have changed and we see our role as one of leading effective change in agriculture to improve New Zealand's competitive position in the market place. Take controlled grazing systems (CGS) as an example of this change. Initiated and developed five years ago, it brought together the components of grazing management. The result of its successful adoption is increased productivity measured in terms of per hectare performance. Today, the principles of CGS form only one of the numerous vital on-farm components which must be matched with the off-farm factors to achieve industry change.

This example illustrates that ASD has always been at the fore-front of helping the industry lead change. The fact that New Zealand's sheep production operation is

one of the worlds most efficient, stresses the effect ASD has had, working with research and development through to its successful adoption.

This change in recent years regarding ASD's resource use is illustrated:



During the 1960-1980s, the Division adopted the whole-farm approach, combining the four basic production elements. Today, our resources are invested in opportunities across the whole-industry.

Two features are significant regarding ASD's new role. Firstly, the adoption of the market-driven, whole-industry approach has been gathering speed over recent years and will continue to do so in the future. Secondly, the need for ASD to operate in a commercial manner has resulted from reduced Government funding. This trend is also guaranteed to continue into the future.

The marketing-driven, whole-industry approach means we have to consider all components of the consumer-production pathway in directing our resources. Within New Zealand this broadly means the exporters, processors, transporters and producers. The past has seen us addressing generally only those key factors at the production end. The whole industry approach provides us the challenge to identify the critical issues wherever they occur, to address those issues and realise the opportunities they contain. Innovation at the producer end has been our strength in the past and this will not be abandoned. Obviously though, if we are to stretch our resources through extended clientele, then we must prioritise our efforts in this production area.

PLANNING

ASD's staff are change agents — people who must lead effective change which benefits New Zealand. The process of change though requires as an essential ingredient, knowing where you are changing to, hence the need for planning. We cannot forecast accurately, therefore we must plan so that we are ready today for an uncertain tomorrow.

Planning, a major part of management and ASD's response to current changes, has been an activity in which ASD has recently invested considerable resources, both in developing the management skills of its staff and implementing them. Resulting from this planning effort has come the identification of our mission — to lead effective change — and the need for us to be involved in the whole industry, in order to continue to add value. The work on lean lamb packages, involving producers and companies is an example of this. This approach is not confined to the meat scene, kiwifruit being an excellent illustration of our close involvement with a total industry.

ASD planning also identified the future need to monitor, particularly financially, the viability of the various sectors of the industry pathway. This monitoring assists in determining whether producers are receiving adequate returns, ensuring the industry's survival and growth.

ASD planning has highlighted the absolute realism that we cannot plan in isolation — we must be part of the industry and plan with industry to establish common goals. However, this is often viewed with some suspicion and cynicism by those who somehow see the involvement of MAF as a threat.

ASD'S RESPONSE TO PAST CHALLENGES IN THE MEAT INDUSTRY

In 1984, MAF launched a nationally co-ordinated inter-divisional campaign on lamb production. The principle objective of this united MAF effort was to direct resources to assist New Zealand meet the long term market signal for a leaner and heavier lamb. The 15.0 kg carcass, 8 mm G.R. recommendation of the Lean Meat Working Party was the target for our average production by the year 2000.

ASD focused its attention on the on-farm opportunities that existed within breeding, nutrition, sexed lines, drafting strategies and industry liaison. Off-farm activities were largely confined to developing a liaison role with various industry groups, namely stock and station firms, processing companies and the New Zealand Meat Producer Board.

To assist MAF plan its involvement in our meat industry, a MAF Meat Sector Group was established also in 1984. This group comprised research, meat, animal health, economic and advisory services divisional representatives.

The thrust into lamb production has continued with new and innovative activities resulting. The effectiveness of such a resource use can only be evaluated long term, however we claim credit in areas such as the farmers quick change to supply ram lambs, taking advantage of their inherent leanness, a practice that now operates at near maximum levels in some areas. The close liaison and rapport developed with the lamb drafting sector has been equally encouraging, consequently the drafting strategy now adopted by many producers is a well refined method.

CURRENT MEAT INDUSTRY OPPORTUNITIES

Whilst ASD have operated in certain areas of the lamb production system, we need to recognise that the reason why farmers produce lambs is because it is the most economically viable of their production options. Lambs produced by any one farm show a considerable amount of variation within the production limits imposed upon it. This variation can be exploited and has been but farmers need clear signals that direct them to alter their production pattern.

The national export meat schedule is largely the vehicle through which payment is made to producers and consequently direction given. Unfortunately, while we can all talk about the need for a leaner and heavier lamb, the national schedule has been a poor indicator to support this market demand. The current situation of a weekly schedule with premiums and discounts, dependent upon such things as the ruling exchange rate and processing plant through-put, acts to confuse the producer as to what is required, and in my mind is detrimental to achieving our long-term industry aims. I accept that factors such as the exchange rate are part of today's commercial reality however we must also accept that producers working within their slow changing biological systems need reliable economic signals to plan their future production, or else the pattern and type of supply becomes a function of some variable such as pasture supply, rather than market demand.

The time for a new schedule structure seems imminent. A structure should involve the use of contracts — legally binding agreements — that enable producers, processors and exporters to plan with confidence. Surely there is more to be gained by exporters developing markets, particularly where niche marketing is practised, that require a steady supply of product, and at the production end of the deal, being able to guarantee a steady supply of raw product.

FURTHER SHEEP-MEAT CHALLENGES

ASD field staff identified the following challenges during recent planning discussions.

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- an adequate return to the producer.
 - the need for a meat industry plan.
 - the need for efficient communication systems within the industry, particularly those that reflect long and short term market demands.
 - the need for payment systems that provide producers financial signals as to the type and pattern of supply required by the processing, exporting and marketing sectors.
 - the need for contracts to help equate market demand and product supply.
 - the adoption of a quality management approach; the identification of specifications required at each critical node of the consumer-producer pathway.
 - the need for improved breeding efficiency, particularly the identification and incorporation of domestic and exotic genetic material.
 - the continuation of the current input into drafter education.
 - the need for the continuance of market orientated production technology packages.

WHAT ASD IS DOING WITH MEAT MARKETING

To realise these challenges we are aligning ourselves more closely with industry and assisting in improving the communication systems, ensuring that relevant useful market information is available to producers and meaningful market related signals are received by producers on which to base their production decisions.

ASD is working intensively with lamb producers, particularly on financial matters, assisting to balance their budgets and restructure their capital base if needed. On-farm stock selection using tools such as Sheeplan's lean lamb option, liveweight recording and drafting systems are being promoted. Investigation and analysis of out of season supply and development of appropriate farm production methods is being pursued. CGS is a component of this. Developments combining on and off-farm factors are being established. One example is the computer analysis of the export schedule or contact prices, based on the most efficient use of a kilogram of grass. Developed regionally, this programme has potential for national use by both drafters and producers.

ASD is involved in investigating alternative lean meat sources other than sheep, demonstrated through our involvement in the deer and goat industries. Recent upgrading of Flock House facilities and the availability of management courses from the Centre for Effective Organisations point to our **commitment** in these areas.

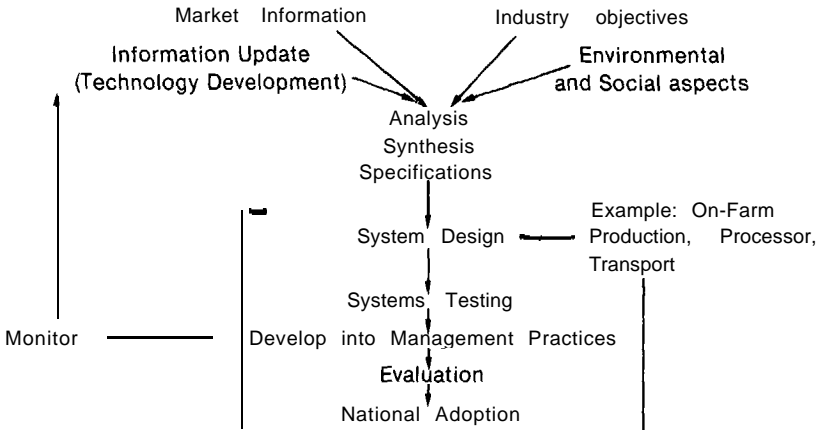
Concerning lamb supply, ASD is assisting the industry design and implement payment systems that reflect market returns and encourages the production of quality produce in the desired supply pattern. Part of this requires the development of more accurate livestock procurement predication methods, plus the need for the adoption of an industry-wide quality management approach.

I feel the adoption of a quality management approach is vital for New Zealand to gain and/or maintain a competitive presence in the export market place. We must ensure the product supplied for sale complies with the specifications demanded by the customer. By accepting quality as being fitness for purpose, then quality management is the management of all, both on and off-farm, activities that are required to enable a product to meet specifications.

The first step in adopting this concept is to describe the product specifications required in the market place, an activity we have shown little aptitude for up to the present time. These end point consumer specifications form the basis for a series of consumer/supplier specifications for each node of the industry pathway. Quality management is one part of the marketing system and involves all the industry components. The system is dynamic, changing with new market information and

industry objectives.

An example of a quality management system applying to the whole industry is illustrated, showing key nodes of the industry pathway, together with their relationships:



Development of the quality management approach requires an understanding of the total components of the pathway and a **commitment** by the industry to plan and implement it. Associated with it is the desire to transform our industry into a competitive market orientated profitable enterprise, an industry that shares between the various sectors the financial risks and benefits derived from the market place.

This competitive position in the future will largely be dependent upon the quality of decisions made by the management staff within the industry, and if we can assist in that decision making then we must offer our resources for it.

We **recognise** that producers are under threat from the current capital and financial return structures in which they operate, but they are changing and surviving. To assist this change we will continue the development and encourage the adoption of technology packages, promote such things as farms of the future, and assist to ensure that production systems are part of an integrated whole industry approach.

THE FUTURE

New Zealand may have a national flag and a national anthem but we do not have a national image, certainly not a national meat image. Yet we have been exporting meat for more years than we have had the flag or the anthem.

Lets develop a national image, an image that is going to give a sense of purpose for the year 2000, one that is going to have relevance for the meat we export in the future. An image consolidated over time which projects the many attributes we as a nation have, an image that **capitalises** upon our natural, fresh, healthy unpolluted, nuclear-free environment, an image shared, sustained and promoted by all exporters, an image which forms an essential part of our meat industry, a planned industry that identifies with its own set of united common objectives.

ASD is **convined** that in planning and working with the whole industry, it possesses the capabilities of leading effecting change, assisting in developments such as the establishment of a national image, developments that enable New Zealand's meat industry to declare to our consumers that "**we** can meat their needs".

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