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Red meat on the brink of greatness

New ANZ research has underlined the huge performance potential of the red meat industry, but also identified significant barriers that need to be overcome if it is to once again be a driving force in the New Zealand economy.

The annual ANZ Privately Owned Business Barometer survey found the top performing farmers were achieving returns on investment that outshone almost any other producers in New Zealand. However, a larger number of farms were achieving more modest returns and comparatively flat growth.

"The red meat industry is at a tipping point. The world wants New Zealand red meat, and high-performing farmers are taking full advantage of that with returns that are among the best of any agri sector in the country," said Graham Turley, Managing Director Commercial & Agri at ANZ.

"The challenge now is to narrow the range of performance across the industry. High performers have confidence in the future of the industry and they back their ability to make a difference to the productivity of their business.

Key findings

- 26% of red meat respondents were very optimistic about the NZ economy over the next three years (38% for dairy, 39% for commercial)
- 32% of red meat respondents were very optimistic about the prospects for their sector over the next three years (44% for dairy, 43% for commercial)
- 74% of red meat farms were family owned businesses. 10% were Maori businesses or Maori-owned businesses.
- 70% of respondents identified succession as an issue – higher than any other sector, including dairy (60%)
- 42% of red meat farms benchmark against similar farms annually (36% for dairy)
- Improving pasture and forage was the most popular investment to increase farm production (69%) followed by new fencing (59%), increasing fertiliser application (53%) and improved animal genetics (46%).

"In addition to addressing the ageing farmer population and post-farm-gate structure of the industry, increasing sector confidence and willingness to invest in the productivity

and efficiency of their businesses will be key to realising the incredible opportunities available.”

275 Red Meat businesses – varying in size, location and structure - completed the 2015 survey, which was followed up by Focus Groups throughout New Zealand. The survey was part of ANZ’s contribution to Beef + Lamb New Zealand’s Red Meat Profit Partnership, a collaborative programme that brings together participants from across the red meat sector to help the industry become more profitable and productive.

Issues identified in the survey included:

Ageing industry

The age of the average red meat farmer is nearing 60, which also impacts on decisions to invest in the performance of the business. For example, an investment with a seven-year payback looks very different to a 60-year-old than a 40-year-old. There was also limited awareness by farmers and their advisers of the business models that can achieve greater returns.

Compliance

Red Meat farmers face a range of new pressures that are contributing to stress and low confidence. These include increasing compliance requirements in areas such as the environment, health and safety, staff conditions and livestock welfare. All of these require farmers to have a more formal business management approach and, usually, greater use of technology.

Supply chain integration

While the meat industry agrees on the need for more integration between farmers, processors and the market, the survey found a widespread belief that there was insufficient progress towards this. “We see the Red Meat industry as part way into a real success story. The challenge remains how to get greater uptake and follow through on the initiatives to take it the rest of the way,” Mr Turley said.

Support networks

Research shows that when the husband and wife are engaged in the business of farming there is more confidence in the operation. Engaging in conversations about ideas and farm issues makes a significant difference to the demeanour of the business. Farmers also talked about the importance of having good networks of other farmers, advisers, and rural bankers as a way of building confidence and a progressive outlook.

The ANZ Privately-Owned Business Barometer is New Zealand’s most comprehensive annual survey of business sentiment, taking in commercial, farming and Maori businesses. The Red Meat Insights 2015 report is available here: www.anz.co.nz/barometer

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