



Levy Oration 2016

Lessons learnt and future opportunities

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It is indeed a great honour and privilege to be recognised by my peers with such a prestigious award. There are so many people that have supported me throughout my career to-date many of whom are in this room today. I have always tried to just get on with things and do my bit for the industry often through connecting people and ideas. Receiving an award like this is very humbling for me particularly when you consider how many people make a difference in their own way to our great pastoral industry.

Given that I hope I am only half way through my career I thought I would use about half my time to reflect on and share the things I have learnt to date but also to look ahead and will use the other half of my time to share my thoughts on what I think needs to happen to realise the potential of our agri-food industry.

So what have I learnt over the first half of my career?

I have learnt that the key difference of New Zealand farming compared to other counties of the world (other than a lack of subsidies) is our “systems” approach to farming and research. Our agricultural universities have always had a method and approach to teaching that produces generalists or integrators who can fit technologies into farm systems. As we move down the path of more specialisation we must ensure that we build on and enhance this “systems approach” to farming.

It is absolutely clear to me that “science discovery” and farmer adoption and innovation is the engine that powers NZ agriculture. The underlying mission and role of NZGA being “Fuelled by Science and Tempered by Experience” is just as appropriate today as it was when it was developed 10 + years ago. To me this means connecting the farmers and industry with science with all the feedback loops that drive innovation. Innovation has always underpinned NZ farming and will continue to in the future.

I have learnt that “soft skills” or interpersonal skills and emotional intelligence are just as important as hard skills or technical knowledge. Soft skills were never even talked about when I started out in my career. I often think back to how much more I could have achieved as an agricultural consultant if I had understood better that, the way a message is delivered is more important than the message itself. I have been far more effective as a communicator since I have understood my own communication and behavioural style and been able to better understand others.

It has become obvious to me that the best investments that I have ever made have been into my own personal development. I remember when I joined MAF we were allocated \$5,000 per consultant per year for training and I remember using every dollar plus some. I still invest a considerable sum in personal development every year and believe there is at least a \$10 dollar return on every \$1 invested in this area. I have also been very fortunate to have also travelled a lot, both in our seed business and

recently with our honey business. I used to spend 100 nights overseas per year for 10 years so got to really understand some key markets. One of my key learnings over this time was that consumer's actual do control the value chain not supermarkets or farmers as we often think. We might not always agree with our targeted customer's views are on our farming practices but you need to appreciate that over time their perception needs to become our reality.

I have observed and learnt first-hand how critical it is for a business to have a clear purpose and vision and then a plan for success. I remember as a MAF extension officer running field day or discussion groups about some new innovation or business practice that would lead to greater profits and being extremely frustrated when no-one would pick up the new ideas. I soon discovered however that you need to spin it around so new innovations were demanded with a farm systems context rather than having to be pushed in isolation. I started focusing my efforts into helping those farming business without a clear plan to develop one for their business. I found that once a business owner has a plan for success with defined goals and targets then they become highly motivated and driven to identify their current limitations and constraints and change farming practices to improve performance. Clarity of vision and clear goals are absolutely critical in any business

I have also learnt that the first 15 years of your career are the most important and set you up for the next 25 years. In farming and agribusiness these are the "grunt years." The time when you set the platform for your success over the rest of the career. I am a strong advocate of making sure that individuals can be trained and mentored in their 20's receiving as many experiences as possible so they can be at the "top of their game" in their 30's. Succession isn't planned well enough within agricultural businesses or within farming families. I have been involved as a chair of number of farming family meetings over the past two decades and think there is huge value in talking about the real hard topics that underpin succession at least 10 years out from a succession event happening.

I have learnt that building a team of trusted advisors and mentors around yourself and your business is invaluable, but then getting the best out of your advisors is a skill in itself. I have found that I have needed to be very clear about my own business vision and identify the areas that I think I need assistance in to achieve the most from my advisors. It is also very true that who you marry or have as your life long partner is the most important decision you will ever make. To have a successful and sustainable business over the long term requires you and your partner to be on the same page about what success looks like and to support each other when things get tough. I have been incredibly fortunate to have my wife Vicki as my best sounding board and confidant; she has given me a solid platform to build from.

After initially having "my head in the sand" I have now learnt to accept that both our consumers and also the community we live within demand standards that as farmers we need to meet if we are to retain our social licence to farm. We need to now account for and justify the impact that our farming practices have on the environment whether it is to the land, air or water. We need to accept that as farmers we need to farm within the nutrient limits set as well as not just meeting but exceeding animal welfare standards.

My observation is that this is probably in one of our the most turbulent or uncertain periods we have had since the removal of subsidies in the 1980's. Our whole paradigms and thought patterns let alone farming practices are having to change. In the first 25 years of my career success farming business models have revolved around intensifying production with increased stocking rates and per head performance while retaining the same farm working expenditure as a percentage of the rising income. This strategy allowed us to keep up with the ongoing decline in the real terms of trade. The scary thing now is these old business models won't work going forward as we now know in many catchments we

have reached or even exceeded maximum nutrient discharge levels. This isn't just because that's what the rules from the regional council say for me it is mainly driven by what our high end customers and communities are saying. As farmers we are all now looking to the market to say how can we extract more value from our products, but this isn't easy. Within New Zealand we have invested heavily in training and research and development for the past 100 years in be global experts in growing forage and efficiently turn it into products. We have been very fortunate as a nation to have had some preferred free market access deals and strong demand for our products and therefore haven't invested in market development to the extent we should have over recent decades. As a consequence, we have a limited numbers of people with deep market and customer understanding with the ability to develop brands, stories and connections with consumers. We are having to play catch up very quickly.

I have learnt in our own businesses the large returns that can be created through the development of Intellectual Property. Most farming business understand about the returns possible from investing in tangible assets such as land, stock, machinery and buildings but have a poor understanding about the potential return and value from investing in intangible assets. These intangible assets could include brands and stories or patents or trademarks as well as unique systems and skills development in staff. For the agri-food sector to develop "Unique Points of Difference" from our competitors we urgently need to invest in and develop our own intangible assets.

One thing that I have observed time and time again is that profitable businesses always have a simple and repeatable core business at their heart. These businesses often look boring but consistently produce high levels of performance with a real focus on producing free cashflow. When you talk to the management team within these businesses you know that they understand their business intimately and know all the levers that they can pull to drive profitability. The businesses are very well systematised and have key non-negotiable targets or decision points in place. A problem for many other business owners is that they often don't like the discipline around monitoring and reporting that goes with these successful businesses so that these models are often not replicated throughout New Zealand. Historically we have not seen discipline as a part of our national psyche. That needs to change and I think is changing with the All Blacks being an example. We won the first world cup in '87 because we're good. We won the last two because we had disciplined systems and were process driven

I have learnt over the first half of my career that magic does happen and opportunities do come along relatively regularly over your career or business life-cycle. What defines an individual's or businesses success over the long term is whether they capitalise on these opportunities. Only a few unique individuals are constantly scanning the horizon looking for opportunities so they recognise them when they come along. These successful individuals move quickly when they see an opportunity and grab them with both hands before many others have even woken up. Probably the key learnings for me from watching others do this well is to know what success looks like for you and your business and to surround yourself with positive people and competent advisors who make you think bigger than you normally would on your own and help give you the confidence to act.

I have also learnt over the past 20 odd years that you need to give back time to things that you are passionate about. We are extremely fortunate in New Zealand to have the passionate volunteers that keep the rural communities strong as well as keeping national organisations running that are critical to all of our collective futures (such as NZGA). My own personal experience is that the value you receive back from tithing your own time to an organisation is significantly more than any short term cost it might have. It is quite true the more you give the more you receive in return.

What is my vision for the agri-food sector over the next 20 years?

I believe that we need to aggressively re-engineer our value chains based on meeting the needs of premium customers wanting our premium products. Our current value chains are mainly designed around commodity products. While I expect commodities will continue to be produced they need to form a small percentage than they do today. The new premium value chains will be supported by:

- a. Traceability. With food safety being so critical in the high end markets traceability and assurance schemes must be a given.
- b. Deep customer insights and a connection with these customers that makes our products stand out from other suppliers.
- c. Smart use of social media channels to get as many touch points with the targeted customers as possible – open access to what we do and how we do it?
- d. Supply of product 52 weeks of the year or true rarity value through seasonality
- e. Measurement and reporting against compliance standards for air, water and land externalities but also against global best practice – and we should be leading what that means and looks like?
- f. Co-branding and developing of food baskets through partnerships with other New Zealand suppliers. Given our small scale and the ability to only feed 50 million people we will need to collaborate

I believe that the New Zealand Agri-food industry needs to develop a Pasture Fed brand and standard across all our products. This will help differentiate New Zealand food products from our competitors. Pasture needs to be seen as the new super-food. To underpin this pasture fed brand we need to develop our own unique agriculture story around our methods of production our heritage and farming culture.

I see the need for innovation and adoption being even more critical to our success in the future than it has been in the past. This won't just be linear adoption of technology but where farmers can get synergistic benefits from technology adoption with the sum of benefits being greater than the individual parts. This could be where a new plant species is fed to an animal with a unique trait supported by some precision farming technology. R&D providers will need to continue doing their component research but will need to find ways to bring these various technologies together, potential through modelling but also in real life through demonstration farms utilising all the technology available to farmers within a real farming environment. Again this reinforces the importance of farm systems. We often can't get past the point of a lack of funding to think about new models to increase innovation. I think in the short to medium term we can and will attract serious international money into our research programmes. Global companies are starting to recognise that within NZ we have very close links between science, education, industry and business as well as the government as the regulator all with a thirst for change and progress. These are all the components required for focused innovation and adoption. New Zealand has the opportunity to become the global centre of excellence for pasture and high yielding crop research. The research will be focused on our problems and opportunities but obviously have global spin offs.

I think that new farm ownership structures will continue to evolve with bank finance being replaced with more equity to make business more resilient and allow a greater investment in non-bankable intangible assets. This will all lead to the need for more formal governance structures driven partially from the complexity of businesses but also from future shareholders being passive investors in the business so quite removed from day to day management. While much has been said about the need for good governance in business I am more concerned about the risks around not having the number and calibre of highly skilled managers to run these large and complex businesses in the future. We are going to need to find ways to fast track the development of these business managers. This will require the development of a range of high powered short executive courses providing professional and personal

development training. To be success we will also need a commitment by employers to significant increase the investment they make in staff training. Also picking up on the point I made earlier and taking a leaf from the corporate world, we need to identify talented young people in their 20's and fast track their development to give them the breadth of experience needed to be our future leaders.

A separate huge challenge that is bigger than one individual to solve alone is how do we urgently train staff with the skills and expertise to connect our branded products under a NZ Agri story with high end consumers? These people will almost certainly be living "in-market" and be constantly getting real insights into what our customers want and identifying ways for us to shorten the value chain so we can get closer to the customer to add and collect more value. This is nothing new, many innovative companies have been doing this for years with Zespri having just under half their 400 staff living in-market but I want to see it happen on scale. We can't however under-estimate the investment and time that will be required to train these people and unfortunately even if we started this today we are about 10 years too late.

One of the exciting short term opportunities will be around data measurement and reporting which will potentially add significant value to all businesses over the next few years. We haven't even yet been able to comprehend the opportunities for improvement we are going to have from being able to focus on optimising output per square metre or per animal compared to per paddock or per mob. Data will provide managers the information to reduce the variability in performance across both animals and land and to reduce their impact on the environment. With all this data available, in the future we will have a huge need for system integrators who can pull it together, interpret it and turn it into practical recommendations. Farmers will require all IT providers to collaborate and work together so the information can be provided on one common IT platform removing the problems and constraints we currently have in this area.

I am imagining a world where both farmers and other value chain partners will have realised the value of R&D investment and New Zealand will be investing 2-3X in R&D what we have done in the past with new innovations rolling out to support agriculture. Investment in collective marketing and brand development will have not just doubled over the next 20 years but will have grown by a factor of at least 4 fold from today's levels. While there will be a sunk cost in getting this going the long term return will be significant and this will be the only way we as farmers will ever break out of supplying commodities. We can't sit and wait for Government to drive this. As farmers and industry bodies we need to stand up and develop a clear and compelling vision for farmers and government to invest in.

Tourism is a sector that Agriculture must work far closer with as both industries need to leverage off each other to realise their potential and make the NZ experience truly enduring. I recently had an international chef who I met on the top of a mountain telling me that during her 3 week stay in New Zealand she had experienced the freshest and tastiest food ingredients in New Zealand that she ever had all in the travels around the world. How do we allow global customers bitten by their Kiwi experience to continue directly buying premium food ingredients on a daily basis when they return home? I would love to see the My Food basket concept be expanded globally to a Kiwi Food basket. An ongoing connection with our country via our food will encourage them to return again and recommend the experience to their friends.

Over the next 25 years New Zealand farming businesses would have had to develop greater resilience in their business at all levels to live and thrive in a world of global warming. Climate change will shape all our thinking over the next few decades. Most farmers in the world are very well prepared for climate change but in New Zealand we seem slow to recognise and accept what is impacting on us already.

Other things coming towards us at full speed that we need to be proactive about and not just to react when the issue blows up include;

- a. Carbon emissions with agriculture potentially being included within an Emissions trading scheme
- b. Tighter animal welfare standards with some current practices just not being acceptable
- c. Unintended results from micro testing of our food products.

I am sure over the next 20 years the agricultural industry would have moved away from our entrenched positions we seem to hold today. We will have accepted that change is necessary and embraced it. I hope that our industry and marketing organisations will be working far more seamlessly together and that we have some umbrella grouping that has set a farmer driven but consumer lead vision for our agri-food industry. This same group may well be the spokesperson for the media on general agricultural issues so we can project a consistent and balanced view of our industry. This would all help make farmers and others in the industry feel less like victims and hopefully move farmer mind-sets more to accepting challenges and being proactive in trying to find solutions.

I think we all intuitively know that our future as a pastoral industry will be defined over the next 10-20 years. My vision is that the pastoral industry will be recognised as being a customer focused, highly profitable industry with an ever decreasing environmental footprint and an ever increasing investment into branding, research, innovation and staff training. We need to be attracting the best and brightest into our sector and rewarding them well.

I honestly believe that we can realise this vision but we will need alignment and unity right across our value chain from the farmer to the market. We need to first agree on a common vision and purpose and then commitment and capital from all players will follow. Structure follows strategy and we need to agree on our combined strategy or vision before we jump into discussing operating structures. Nothing will ever happen without first collaborating across our pastoral industry. This can be scary because it potentially involves change and often means you need to give up something.

But the prize in front of us is huge. Our industry can be recognised as being the restaurant for the 50 million high net worth foodies of the world. If we don't grab this opportunity, then other countries will claim this moral high ground and the market positioning it enables. In my mind retaining the status quo is not an option and is a far riskier proposition than embracing the vision I am proposing. This is the industry I am wanting to be part of over the next 20 years of my career. And for those of you just starting out in your career you are fortunate to have joined this fantastic industry at a very critical time when some key strategic decisions need to be made. I really encourage you to step up and ask lots of questions and challenge the status quo. We need leadership not just observers in this industry as it is your future more at stake than the existing players.

Finally, I would like to sincerely thank the NZGA executive committee for presenting me with this award. I would also like to acknowledge and honour those award winners who have gone before me including last year's winner, the late Colin Holmes.

Enjoy the rest of the 2016 Timaru conference