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# Restructuring Industry Good for the Future

By: Phil Weir | 2020 Nuffield Scholar

March 2022

I wish to thank the below Investing Partners for their support over my scholarship period and beyond.

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# Executive Summary

With a climate crisis, increasingly diversified agri-businesses, interest in regenerative agriculture and increasing membership of catchment groups, coupled with generational change and economic reform, now is the right time for structural change to New Zealand Agriculture.

In the same way that farmers are being asked to consider systemic changes to their farms, businesses and landscapes, the leaders of Team Agriculture should be brave enough to review the structures which underpin the 'industry good' system and make the difficult but necessary changes to improve.

The Fit for a Better World vision states that we in the primary industries are committed to meeting the greatest challenge humanity faces: rapidly moving to a low carbon emissions society, restoring the health of our water, reversing the decline in biodiversity and at the same time, feeding our people.

In the coming years, additional capital will be cycled through agriculture, either via an amended Emissions Trading Scheme (ETS) or a farmer-led He Waka Eke Noa pricing scheme, to reduce GHG emissions so our products can be both the best in the world and the best for the world.

This is a big job. We need high performance. We could continue to operate as we are, celebrating improved collaboration and striving to tell our story better without addressing the inherently fragmented system in which we operate. But if systems determine culture, and culture is a pre-requisite for high performance, then we require intervention at a systems level to enable our industry to transition from good to great and achieve our vision.

The Commodity Levies Act and the organisations it enables are served by robust governance and democratic process. Structurally, free riding is removed, and discretion provided as to investment area. For pastoral levy bodies (DairyNZ and Beef + Lamb New Zealand), advocacy and lobbying have become increasingly important in response to social licence to operate challenges and environmental regulatory reform.

However internationally, membership organisations perform the advocacy function. It is my view, based on interviews, that the mixing of lobbying/advocacy with knowledge exchange and research & development, creates confusion for farmers and stakeholders (including shareholders, but also government, R&D community etc.) as to the role or purpose of the

levy bodies and membership organisations.

As this confusion permeates, the work in the public good space can become tainted as organisations crave attribution for their activity in a fragmented system.

An alternative must be underpinned by strong principles and systems that support Aotearoa's whenua/land managers to create the best food, fibre and ecosystem services on earth. The current industry good arrangement provides farmers with significant representation, but a system change may need to sacrifice some farmer representation for the sake of improved operational efficiency.

This report proposes that a new organisation, 'Ahuwhenua New Zealand' be created. This peak body would be structurally similar to both the New Zealand Council of Trade Unions and the Agricultural and Horticultural Development Board in the UK.

Ahuwhenua NZ would see several functions consolidated into a single organisation. The current levy bodies would remain, but their scope limited to industry-specific insight and foresight. Levies would continue to be directed to public good activities. Membership organisations such as Federated Farmers, removed of forced riding, would focus on advocating and lobbying strongly for their farming membership.

As a peak body, Ahuwhenua NZ would be a future-focused centralised organisation tasked with leading activities for which the outcomes are agnostic of commodity production type (i.e., improved water quality, research and development, stronger rural communities). With a focus better connected to the land rather than production type, whenua/land managers will be empowered to use their resources in a manner that is best for our land, families, communities, and planet.

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# Acknowledgements

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To the 2021 scholars who joined us in year 2, thanks for the added perspective. As a group and individually, you respectfully challenge to garner insight. It was great to share travel, and to shake up the 'old boys' in Masterton, was fantastic.

I would like to acknowledge Nuffield New Zealand and the Trustees for giving me the chance to take part in this unique and unexpected experience. I am proud to be NZ Nuffield Scholar #173.

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## Problem Definition and Aim







*I have been lucky or unlucky enough to be a Nuffield Scholar for two years. My 2020 and 2021 colleagues have the lowest carbon footprint amongst those of the recent alumni.*

Providing commentary to the global effect of Covid-19 is senseless. The impact and the waves of change associated with the pandemic cannot be understated.

When receiving my Nuffield scholarship in November 2019, my research hypothesis was that 'the systemic structures of the industry good organisations who work on the collective behalf of farmers are out-dated and not fit for purpose, and that the silos created restrict land managers in New Zealand.'

If we accept the vision statement for the primary industries of "Fit for a Better World" which provides an origin story for our food and fibre sector, then what is restricting us from achieving this strategy or vision?

## **“ Is the structure of New Zealand industry bodies restricting achievement of a collaborative food and fibre vision/strategy?”**

Throughout my research, industry leadership acknowledged that in the past silos existed but that “we [as a sector] are collaborating better than ever”. Reference was regularly made to the Primary Sector Leaders Forum, “it is about the people in the room, and people are coming with the right intent”, with it's high level access to government highlighted as successful in bringing the chiefs (Chairs, CEOs, Director Generals and Ministers) closer together.





A number of times the Maori proverb “He aha te mea nui o te ao. He Tangata, he Tangata he Tangata” was used.

What is the most important thing in the world? It is people, it is people, it is people. This work accepts that great people contribute to a great sector and that collaboration certainly has its place.

However, Two years on from being awarded my scholarship, with returned levy referendums under the belts of the pastoral heavy weights (DairyNZ and Beef + Lamb NZ), continued criticism has been directed at pastoral sector leadership, particularly regarding it's approach to advocacy and by association, how collaboration can be carried out.

Many in agriculture, including the 'Groundswell' protest movement, assert that industry needs to push back more strongly against the current wave of change. Those resistant often seek continued filibustering of industry-scale change around the environment and climate on the basis of crippling additional cost to doing business.

**What this research seeks to do is both look at how high performance might be achieved, and examine the role structure and systems might play when the operating environment is farmer advocacy and extension.**



## Report Guide and Methodology



To reflect that a Nuffield scholarship is both a personal development experience and a research scholarship, I have presented my report accordingly.

A traditional style of report is interspersed with 'stories from the road' which are intertwined to reach a series of conclusions and recommendations.



## Semi-structured Interviews

Semi-structured interviews were carried out (refer to Appendix 1 for a list of contributors). Participants were generally agricultural leaders, but perspective from outside of agriculture was sought to gain both an appreciation of the impact of Covid-19, and a more diverse perspective. Seeking perspective from outside the agriculture bubble provided perspective to the research in the absence of international travel.

Under the Nuffield banner, finding interviewees was not difficult and in many instances, one conversation would result in a referral to another. Conversations followed an informal but consistent format. The aim of keeping the interviews open-ended was to minimise my questioning creating bias with regard to the structures that support New Zealand agriculture.

Given how topical farmer advocacy was in 2021, particularly across rural media with Groundswell, He Waka Eke Noa and Beef + Lamb's levy referendum, many conversations followed the news cycle, with reference to media comment or farmer protest action commonplace. This in itself was an insight. With it's own distinct subset of media (both traditional print and digital (written and audio)), the agricultural sector could be seen to be working the news cycle to create headlines, relevance and, for some, to maintain financial support through membership (Federated Farmers have their own newspaper).

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## Case Studies

Three case studies have been selected as points of reference and comparison. The first case study looks at the structures supporting farmer advocacy and extension in the United Kingdom. The second case study is the New Zealand Council of Trade Unions, as an example of peak body advocacy outside of agriculture. The third case study is Three Waters reform, which profiles the trade-offs between centralisation with increased efficiency and decentralisation with increased representation.

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## Limitations

Travel both internationally and domestically as a Waikato-based scholar has been difficult during Covid-19 restrictions. This has meant that the richness of face-to-face conversation has been severely limited, with interviews rarely segueing to a coffee, beer or dinner afterwards where deeper insights can be uncovered.

This report is unashamedly forward focused. One of the most important visits during our national tour was to Rowing New Zealand. Chief Executive Simon Peterson conveyed that

***"complexity comes from the past, the future is very clear, and that is why we are in leadership roles... you need to think like you are driving, 90% forward, 10% in the rearview mirror".***

With a topic so closely linked to the complicated world of farmer politics, it is important to respect the past, although as Simon observed

***"the older you are as an organisation, the more complex, because you have more people who have a view as to how it used to be and how it should be... challenge but respect the past."***

When reviewing this report, a reader may identify a point of history or context missed. This is certain to have happened. At the time of writing this report I am 38 years old (older than Kieran Read, Mark Zuckerberg and David Seymour).

Despite this, during my interviews the proportion of people I sought opinion from who were younger than myself was less than 10%. Yes I wanted a leadership lens, but if we think of Simon Peterson's reference of looking forward, I have certainly not neglected the past. It could be argued I have not sought advice widely enough of what the future should look like by those who will lead it.

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## Stories from the road

I have heard countless times that we in the primary industries need to tell our stories better, so if it is to be then it can start with me.

Certainly our time abroad as 2020 Nuffield scholars was limited. Nevertheless, being a Nuffield scholar is a lifetime honour and in its spirit, my scholarship has seen me cover significant ground physically (van tour from Whangarei to Invercargill) but also, philosophically.

I have read and explored (mostly through audiobooks) a wide range of topic areas, many of which would be classified '158: Self improvement' under the Dewey Decimal system. Rather than leaving the learnings of this exploration to a personal notebook, I have drawn them into a series of narratives which are included in this report.

**The stories merge leadership literature of life learnings to provide metaphoric reference to this research.**



## Background







## Reform

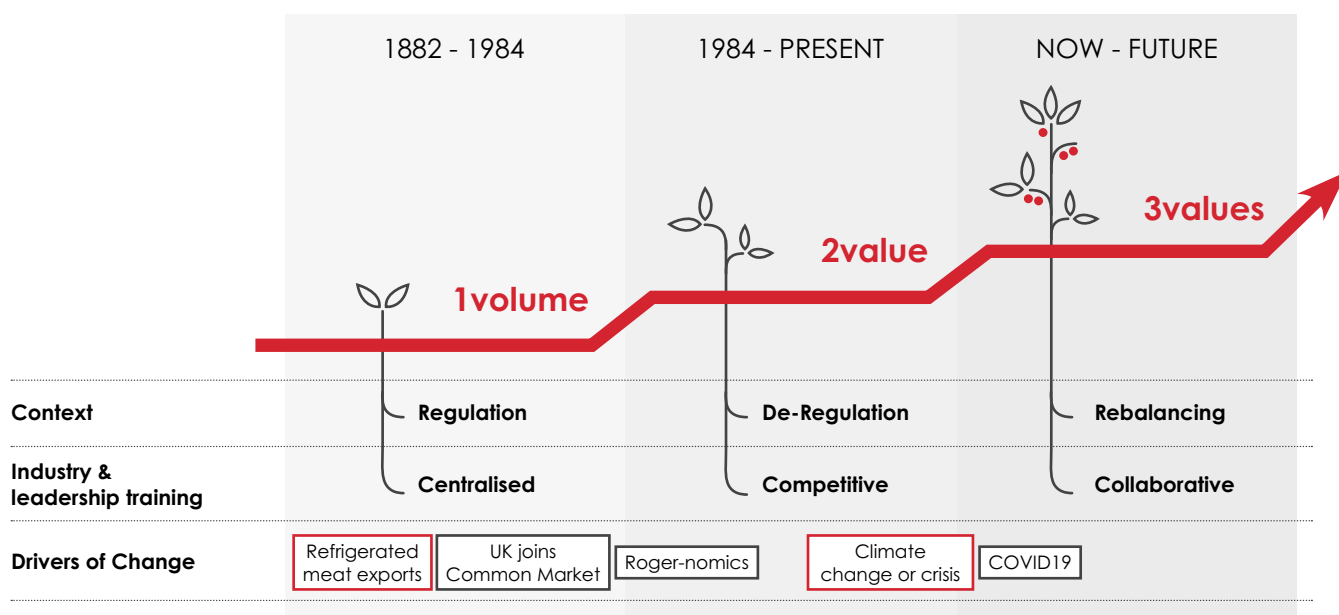
Since the significant reform of Roger Douglas, Ruth Richardson and the 1992 Earth Summit a generation ago (my children are the age I was then), the legislation (Resource Management Act 1991, Commodity Levies Act 1990, Crown Research Act 1992) and organisations (DairyNZ, Federated Farmers, Beef + Lamb NZ) have remained relatively constant. Evolved yes, adjusted yes, reformed no. Change and growth has occurred within a reductionist paradigm of improved production efficiency.

Pastoral agriculture in particular, has been excellent at increasing production volumes (see table below). We are working on the value received in part from brand development and intellectual property (G3 Kiwifruit as an example), but if we project forward, underpinning societal values will need to be more eloquently woven into our product systems. We are in a transition from volume to value to values, (Reference: C. Parsons and H. Gow).

Sectors	ACTUAL					FORECAST	
	2017	2018	2019	2020	2021	2022	2023
Dairy	14,638	16,655	18,107	20,135	19,093	20,930	20,310
Meat & Wool	8,355	9,542	10,176	10,678	10,391	11,050	11,000
Forestry	5,682	6,382	6,883	5,539	6,531	6,720	6,850
Horticulture	5,165	5,392	6,134	6,555	6,582	6,900	7,150
Seafood	1,744	1,777	1,963	1,855	1,772	1,800	1,840
Arable	197	243	236	290	260	275	280
Processed food and other products	2,639	2,709	2,854	3,006	3,112	3,090	3,080
<b>Total export value</b>	<b>38,220</b>	<b>42,700</b>	<b>46,355</b>	<b>48,058</b>	<b>47,741</b>	<b>50,765</b>	<b>50,510</b>
<b>Year-on-year % change</b>	<b>2%</b>	<b>12%</b>	<b>9%</b>	<b>4%</b>	<b>-1%</b>	<b>6%</b>	<b>-1%</b>







Adapted from H. Gow, C. Parsons, 2021

Throughout 2020 and 2012, it has been reported that we are in a period of generational reform. Histories will be dominated by review of the pandemic. Although more nuanced analysis may reflect on the work of Arden, Parker and Shaw in regulatory reform of water, biodiversity and climate as similarly painful, but as necessary as that of Richardson and Douglas with our financial position.

Three Waters, local government, District Health Boards, transport and polytechnics will all be sectors that attest to the degree of uncomfortably rapid change. We in agriculture will not be alone. Our challenge will be to ready ourselves for such change.

**If history tells us anything, reform progresses despite protest. The 'winners' will focus on keeping playing, they will apply principles of high performance teams to adapt quickly, despite uncertainty, to be well positioned for the next 30 years of prosperous stability.**

## Fragmentation

In Payne & Botha's (2016) work on collaboration, co-innovation and farmer wellness, the issue of fragmentation is analysed. The work notes that throughout the 19th century, science was proposed as the solution to big problems as, through it's reductionist approach, it could break issues down into their parts. With the parts broken down they were easier to understand. We have all heard an elephant is best eaten in bite-sized pieces.

The reductionist approach in agriculture has had certain success, for example in generating high yields and efficient farming monocultures. Nevertheless, fragmentation and differentiation has also resulted in the division of disciplines based on epistemology methodology (justification of knowledge) and ontology (how entities are grouped) (Baldwin et al, 2005).

This means that within technical disciplines it is very difficult to work together to solve single or collective issues. The resultant segregation reduces the accountability and responsibility of individuals or groups working to solve collective issues. This loss of accountability and responsibility, even with an overlay of collaboration, reduces the outcomes and their quality.

Payne and Botha identify the key drivers and flow on effects of fragmentation and the subsequent need for integration within the agricultural sector. The way industry fragmentation most obviously expresses itself to the farmer is the level of duplication of effort that occurs throughout the sector. Greenhouse gas calculators and Farm Environment Plan templates are two such examples. Under He Waka Eke Noa (HWEN), there are 11 approved and 2 non-HWEN approved calculators for greenhouse gas emissions .

A number of these calculators were created in response to the need for farmers to 'know their number', a milestone of the Industry Government partnership. The proliferation of tools comes despite the presence of established in-market tools such as Overseer and Farmax. The 'market' developed tools for its membership (i.e. levy payers in Beef + Lamb NZ context, tax payers in MFE context, or suppliers for Fonterra). The creation of these tools is an example of organisations needing to demonstrate value, and with value of the provision of public goods more difficult to define.

## **the degree of industry fragmentation creates organisations which crave attribution.**

Numerous models create differing results (as confirmed by AgFirst's model review), which gives the option to pick and choose between models when establishing a baseline. Collaboration did not reduce duplication.

A similar example can be seen with the development of farm plans. Under the farm-level pricing plan of He Waka Eke Noa, these documents will become integral, but there is not a common template. From FarmIQ, Fonterra, Beef + Lamb NZ, Agfirst and Ballance to the different Regional Councils, agreement has not been reached on the form of this important document. In the absence of a known template, MPI's whole farm plan has been in development for 6 years. This is likely the result of patch protection by collaborating parties working together to create the document.

At the end of the day, the agreed template will change, and entering into the HWEN process around emissions pricing at a farm scale would have been much easier had farmers been able to refer to a document upon which this mechanism had been based. Maybe industry's success in deferring and procrastinating on action has caught up in this instance, with a missed opportunity in farmers as a whole not being more progressed with farm environment planning.





## Collaboration

Collaboration is a term which is often used interchangeably with other terms like co-ordination, co-operation, coalition (Leurs et al. 2008; Allensworth, 1987; De Leeuw, 1989). Staged models or levels are often used to describe levels of 'working together'. De Leeuw uses four characteristics to create a framework for assessing the degree of working together.

In the table below the stages of collaboration are outlined. The challenge as one moves from left to right, to the point that all members are part of one system, is that the assumption is made that all decisions are reached by consensus.

This may not be a practical goal if high performance is the objective. High performance will accept that at times moving on and executing, as well as acknowledging the limitation of information around decision making, becomes more important. In this way a course of action is followed, rather than seeking either more information to support technical understanding or more time to reach consensus.

**With our collaborative systems are we foregoing speed of decision making which has a performance opportunity cost?**

**Five levels of collaboration and their characteristics**

Relationship Characteristics	1. Networking	2. Co-operation	3. Co-ordination	4. Coalition	5. Collaboration
	Aware of organisation Loosely defined roles All decisions made independently	Provide information to each other Somewhat defined roles Formal communication All decisions made independently	Share information and resources Defined roles Frequent communication Some shared decision making	Share ideas Share resources Frequent and prioritised communication All members have a vote in decision	Members belong to one system Frequent communication is characterised by mutual trust Consensus is reached on all decisions



## Replace it Phil - add more to the pot and watch the porridge boil over

With travel curtailed and lockdown survived, the conclusion of 2020 lockdown level 3 saw Megan and I seek to replace the Nuffield experience. Megan went back to work full-time (I would look after the three children under 6 more). I took on the foolish activity of rearing calves to stock a neighboring farm I wanted to buy but could not afford, we progressed due diligence for a 6ha kiwifruit development (drilled for water), facilitated a family succession process, project managed a residential subdivision, won extra consulting work, became Beef + Lamb NZ Farmer Council Chair, while nursing a broken Nuffield dream.

As opportunities came up, we kept saying yes, or we didn't say no. I sought out more to fill my plate. I wanted everything. If I had been asked to choose between the money and the bag, I would have replied, give me the bag of money. I was meant to be away travelling the world, China, Denmark, United Kingdom, Singapore and the USA in 6 weeks. If I can't do this then I am going to achieve something despite it.

**Make more money,  
get ahead, create profile,  
build the business,  
work harder, do more,  
achieve more....win.**

As the worked hours increased, both the weight on the scales and the weight of the glass recycling put out each week increased proportionally. We were briefed that being away would place pressure on family. This advice was not applicable to me. I was on-farm, locked down, managing a drought, leaving my no-exit road infrequently. I had never been on-farm so much. I was here, but in reality I might as well have been in Rome. I had created goals and targets, the incentive was there but, like organisations, the bandwidth had been underestimated.

Like many who burn out, I had neglected the value of white space, the value of teaching your son to pass a footy ball, the need to run, walk or listen to music. When sitting in the corner of the calf shed teary eyed, the realisation hits....

Yes, I am a Nuffield scholar, but a long way away from the FAO in Rome. In realising that you can do anything but not everything, I stepped back and assessed what was important. I re-looked at my Nuffield application and the planning that contributed to my successful application. I reassessed the end point.

Looking at the structure of organisations undertaking advocacy, I realised that businesses (my personal situation was comparable to that of an organisation) can have all the goals and strategy in the world, but if they neglect bandwidth and create complexity within their operating environment they are destined to fail. If a drafting gate is not ruthlessly applied, the pen becomes full then overflowing and the process of drafting itself stops, the options decrease, the race stagnates (J. Parsons, personal communication).

**In these tough times, which you don't overcome quickly, I came to the realisation that you can have all the goals in the world, but without a stocktake of constraints, without an accurate and honest review of capability and bandwidth, these best stated objectives are not achieved.**

Sector visions and strategies such as 'Fit for a Better World' have strong goals that many can relate to. The end point is known. And while it is important to 'start with why' (Sinek, 2009), we need to operationalise the how.

Our exposure to the military provided insight into a need to pay particular attention to both the what and the how. Operational excellence and detailed contingency planning enable the why to be achieved in an increasingly volatile, uncertain, complex and ambiguous (VUCA) world. Listening to David Goggins book (Goggins, 2018) reinforced that some change of the decision making required to implement are basic, if you are overweight eat less and exercise more, but first you need to look in the mirror and be brave enough to be honest with who looks back. You must be willing to make sacrifice, whether giving up wine for weight loss, that PKE habit for reduced GHG emissions, or the high debt driving riskier systems.





## Systems as a Precursor to High Performance

Bandwidth and lack of time have both been identified in my own story, my interviews and observed in my time with Beef + Lamb NZ as a significant constraint to high performance. With choked bandwidth, day-to-day work activities are carried out less effectively and efficiently.

If the speed of change in our sector is impacted by the bandwidth constraints of those operating within the system, then the solution is not a people one. Covid barriers and low unemployment (at 3.4% it is among the 5 lowest in the OECD) further signal this. To free up bandwidth to achieve the level of change that we are both striving for and being driven towards, our leadership intervention needs to be systemic. We need to revisit the underpinning systems and structures in order to reduce bandwidth constraints, perform more highly and achieve more.

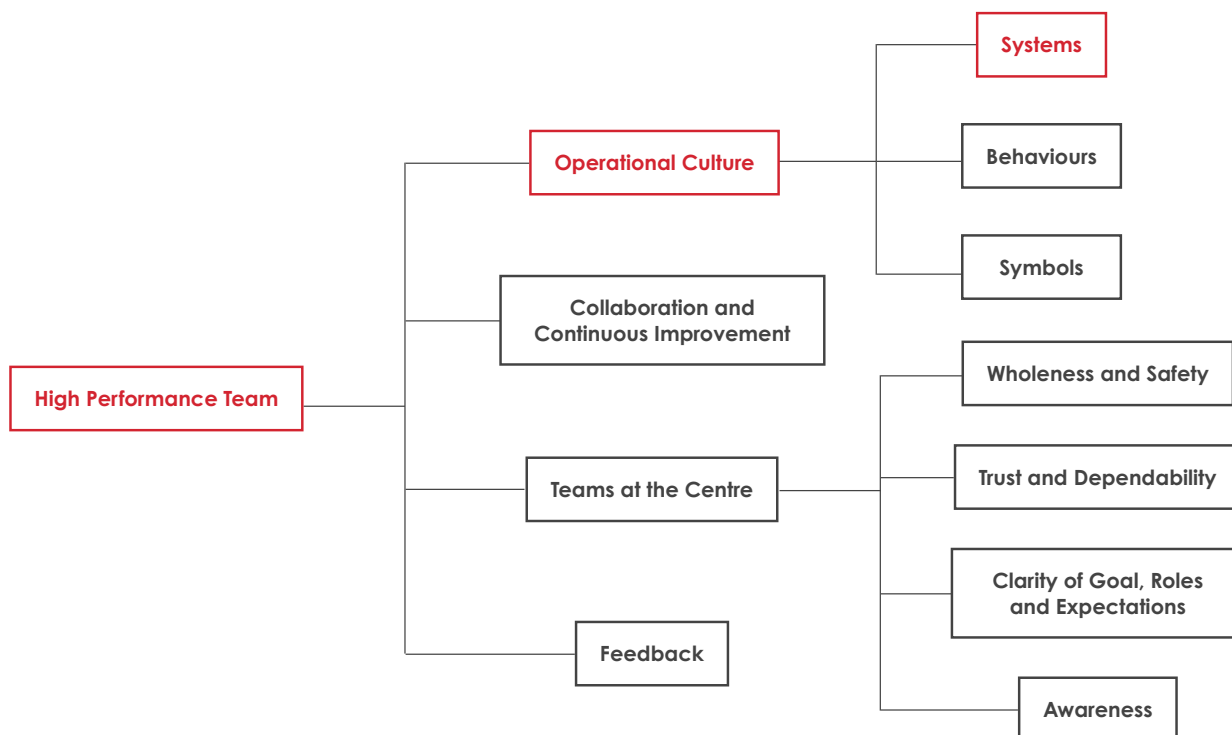
If we refer to the work of Parsons (2008) and his conclusion that the 'system determines the culture' and we follow the advice of Pontefract (2017), that

**if culture comes first,  
performance will follow,  
then by deduction we are  
saying that systems are a  
precursor to performance.**

If the systems are right, a culture can be created which will lead to high performance, and it is high performance which we ultimately desire .

Murray's Nuffield report (2019) provides significant insight into the underlying principles of high performance teams. The figure below has been developed to summarise this work, as well as that of others, and to contextualise the place of systems and structures in driving high performance.





If the structure of our industry is a system then we need to change the system. When investigating supply chain relationships and value chain design, Parsons (2008) noted

*"I have lost count of the times I have heard [industry] say that we must change our behaviour... behaviour is just a symptom of the system... farmers don't go out to be counterproductive but instead operate within the system... the fastest way to change behaviour is to change the system... [because] human nature means people will always work the system to get maximum benefit for themselves".*

If we were to agree that the vision and strategies of DairyNZ, Federated Farmers and Beef + Lamb NZ are generally appropriate for their levy payers/ members, and that the overarching strategy created through 'Fit for a Better World' and 'Te Taiao' is also appropriate, then maybe we have started and stopped with the Why (Simon Sinek). Maybe we need to focus less on strategy refreshes.

Maybe we need to refer to Peter Drucker's famous quote "culture eats strategy for breakfast" and as deduced above, spend some more time considering the hard work around reorganisation and realignment of our structures and systems in order to achieve the visions and strategies that guide our activity. To do this we will need to self-disrupt, creating further change in an already significantly changing world.

*As one leader I spoke with commented, "We are trying so hard to collaborate as much as we can, but it seems as if we are not quite getting it right, it is hard and not getting easier".*

Collaborative activities such as board-to-board meetings, Primary Sector Leaders meetings, collection of CEOs, are all good people initiatives to bring increased alignment. But are they resulting in improved performance? Yes there is more connection, but is it deep collaboration, and is a goal of more collaboration a marker of success?







## Increased Diversity and Declining Power and Influence

It was once considered that the head of the New Zealand Meat Board was a man (they were always men) who sat with equal power to the Prime Minister. So to sit in on a NZMB board meeting as part of my 'Nuffield internship' with Beef + Lamb NZ placed me in rarefied air. As Hugh Campbell remarks,

*"Farmer power in the mid-20th century was premised upon huge levels of economic power, in a formal political system that rewarded rural voters and sent a procession of farmer politicians to Wellington", "the influence within periphery organisations added significant influence in the corridors of power."*

The path of declining power began in 1973 with Britain entering the European Common Market. This was compounded by Rogernomics and concluded in 1996 with political reform from First Past the Post (FPP) to Mixed Member Proportional (MMP) representation. Campbell (2021) argues that through these changes, the once all-powerful farming lobby experienced significant decline in both its formal and informal mechanisms for controlling national politics and much of its operating environment.

As farmer power declined, the world around it changed at an exponential pace. Market sentiment shifted towards greener products, recognition of animal sentience and the climate crisis grew and increasing bifurcation of value chains on lines of volume or values emerged.

*The result Campbell argues is, "there simply isn't one rural New Zealand any more. There isn't even one pastoral farming sector, or even a unity of purpose across farming generations. That unified, politically all-powerful pastoral farming world is gone."*

This is not to say that farming is not a powerful political lobby active in local and national politics; its scale and economic contribution is significant. The fact is that the voice is no longer unified. Like the rest of our economy and society, it is diverse and with reduced homogeneity, advocating on behalf of agriculture has become significantly more difficult.

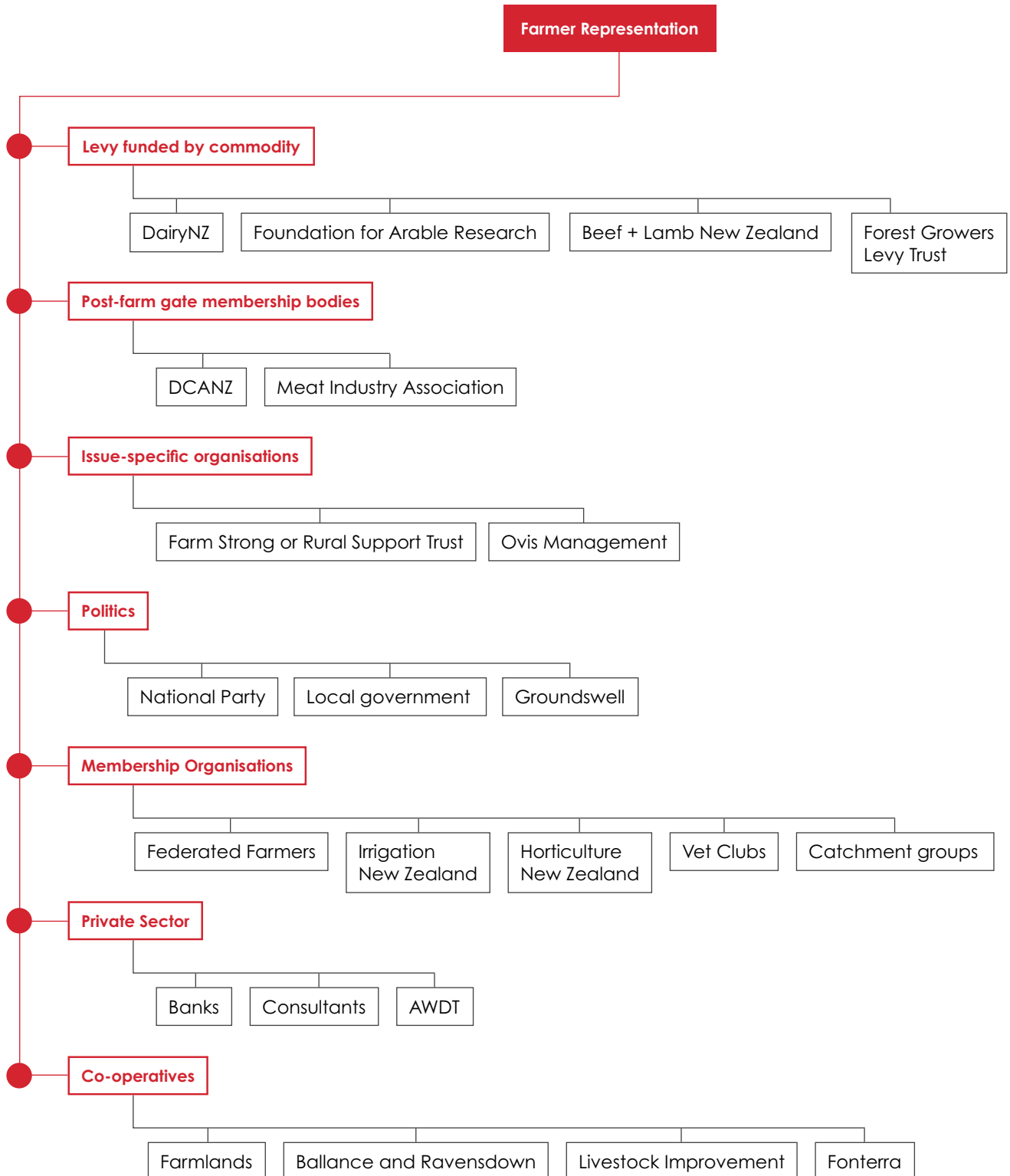




## Current State



# Industry Good Bodies in New Zealand





## The grey area between public and private good is congested in New Zealand agriculture.

Co-operatives, mutuals, member organisations, levy bodies, Crown Research Institutes, rural Universities, mission-led research institutes, issue-specific support groups and ginger political groups undertake a range of work on behalf of farmers.

This degree of democracy results in high levels of farmer representation but, due to the degree of politics and the 3 year election cycles, change can be slow. Unpopular positions can result in shareholder governors not being re-elected. Voting is weighted on the basis of status quo interest (amount of meat or milk produced), meaning that the status quo would therefore be expected to be encouraged.

Boards are dominated by 'shareholders' rather than 'stakeholders'. Generally non-farmer governors have particular technical expertise in finance or manufacturing and, like many global boardrooms, New Zealand agriculture could be criticised for having a sameness to the experience of its governors.

	<i>Skill-based Directors</i>	<i>% skill-based</i>	<i>Elected Directors</i>	<i>% elected</i>
Ballance	3	33%	6	67%
Ravensdown	2	22%	7	78%
Federated Farmers	0	0%	7	100%
Farmlands	3	38%	5	63%
Fonterra	4	36%	7	64%
Beef + Lamb NZ	3	33%	6	67%
DairyNZ	2	29%	5	71%





## Co-operatives

Co-operative business models are common and form a major part of New Zealand's rural economy.

A key distinguishing feature of co-operatives is that their principal business is trading with their members (owners), who benefit through returns based on patronage, rather than investment.

Co-operatives are often established as a result of a market imbalance or adversity, where a small group (e.g. of producers, customers or employees) collaborate to achieve economies of scale, such as in negotiating terms and sharing costs. The model is adaptive to members' needs and focused on long-term sustainability of the business which guides their strategy.

The following types of co-operatives operate in New Zealand agriculture.

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### Producer co-operatives:

Producer co-operatives are owned by similar producers (e.g. dairy farmers). By banding together, co-operating producers leverage greater bargaining power with buyers. They also combine resources to more effectively market and brand their products. Examples include Fonterra, Tatua Dairy, Organic Dairy Hub and Marlborough Wine Growers.

### Insurance mutuals:

Insurance mutuals are owned entirely by those who take out policies. Surpluses are either used to reduce future premiums or rebated to policy holders as a dividend. Examples include FMG and Southern Cross Health Society.

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### Purchasing/shared services co-operatives:

Purchasing/shared services co-operatives are owned and governed by independent business owners that come together to enhance their purchasing power, lower their costs and improve their competitiveness. Examples include Ravensdown, Ballance, Foodstuffs and ITM.

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### Consumer co-operatives:

Consumer co-operatives are owned by people who buy goods or use services of the co-operative. Examples include LIC, Farmlands, and RuralCo.





# The Commodity Levies Act

The Commodity Levies Act 1990 (CLA) provides a mechanism for the New Zealand primary sector organisations to seek a compulsory levy from producers to fund a range of activities (CLA 1990, Section 10) which can include:

- Product and production research and development;
- Market development;
- Protection or improvement of animal or plant health;
- Quality assurance programmes or plans;
- Product promotion;
- Education, information and training;
- Day-to-day administration of an organisation's activities; and
- Any other purpose approved by the Minister.

Critically, under the CLA the above activities are limited in their scope by "the commodity or commodities", i.e. the activities described above are expressly limited to works relating to the levy collection (beef, sheep meat or dairy).

The key components of the CLA are as follows:

1. Controlled by levy payers: levy payer referendum – levy payers decide whether there is to be a levy. A successful levy payer referendum is required to seek a new levy order. Levy orders last a maximum of six years (sunset provision), and organisations must hold a referendum to seek a new (replacement) levy order.
2. Annual consultation and reporting – levy payers or their representatives decide on the levy rate and spending on an annual basis, within the mandate of the six-yearly referendum.
3. Governance – levy payers manage their own funds to meet their priority demands. Levies are collected by the industry organisations that are also accountable for the spending of the levy (including annual reporting requirements). The make-up of an industry organisation governance board is determined by the levy payers, so that the organisation adequately represents the views and interests of levy payers.

## Beef + Lamb New Zealand

Beef + Lamb New Zealand (B+LNZ) collects levies at the point of slaughter. The beef levy is \$5.20 per head and the sheep levy is increasing from 70 to 75 cents per head following the 2021 referendum. The 2020 B+LNZ levy stream was a little over \$29 million, with another \$1 million coming from the New Zealand Meat Board, and government funding to support other projects.

Beef + Lamb NZ's vision is "Profitable farmers, thriving farming communities, valued by all New Zealanders". This vision is to be achieved via a series of priorities which generate impact by:

- Supporting farming excellence
- Championing the sector
- Increasing market returns

As of January 2022, the organisation seeks to achieve:

1. Through consumer insight the NZ Red Meat Sector Story, NZ Farm Assurance Programme and Market Innovation creates a platform for improved pricing.
2. Market access through FTAs has increased enabling maximum market value to be captured and returned to farmers.
3. Farmers have grown profitability through productivity, efficiency and improved cost of production.
4. The time and cost of regulatory compliance has been streamlined.
5. Farmers are recognised for their commitment to the environment while maintaining the productive capacity of land.
6. Farmers have access to the right people with the right skills and a new generation of leaders is developing.
7. Dairy farmers, beef farmers, and industry working together to maximise opportunities.
8. Insights drive rapid product and service development with tangible value captured by farmers.

## DairyNZ

DairyNZ collects a levy of 3.6 cents for every kilogram of bovine milk solids. The levy rate has remained constant since 2008. DairyNZ has a purpose to “deliver a better future for dairy farmers”. A refreshed strategy seeks to deliver on purpose through:

- supporting better farming practices;
- developing better solutions for their challenges;
- shaping a better future for them through providing voice for their interests; and
- creating a better DairyNZ to underpin our ability to deliver on our purpose.

The organisation has five areas of focus which include:

1. Increase profit and reduce environmental footprint by 2025 while caring for animals on-farm. DairyNZ will help dairy farmers to reduce their footprint and be ready for upcoming changes including freshwater and climate change regulations.
2. Develop future farm systems and sector scale solutions. DairyNZ will help prepare the dairy farming sector for the future, this includes new solutions for long-term sustainability of individual farms and the sector.
3. Build the capability of people on-farm. DairyNZ will support farmers to attract and retain a world-class workforce.
4. Engage and partner better with levy payers and farmers. DairyNZ will listen and better support farmers. This includes ensuring our services are relevant and meet priority farmer needs.
5. Build trust and pride in dairy farming. DairyNZ's public education programme will tell the great story of how New Zealand dairy farmers are the world's most sustainable, and the progress they are making to be even better.

Consistent with the construct of the CLA, DairyNZ and Beef + Lamb NZ manage their levy differently based on levy payer direction. Beef + Lamb (uniquely) undertake international marketing and trade advocacy that DairyNZ does not. Beef + Lamb also undertakes more work in the area of strategic insights that challenge the industry position. Recent examples include a focus on regenerative agriculture and the use of forestry in sheep and beef farming systems. DairyNZ on the other hand, have a more conservative mandate focused on defending and supporting farmers. Traditional market failure activities of research and development, science and extension are also DairyNZ focuses.

**Both organisations have increased their work in advocacy.**



## The Mandate for the Pastoral Levy Bodies

In 2020 and 2021, DairyNZ and B+L NZ returned 'yes' votes in their 6-yearly referendums. Under the referendums, there is a need for both individual and production volume support.

DairyNZ's 2020 result received 57% turnout (67% if weighted by milk solids), with 69% supporting the referendum (74% if weighted by milk solids). To compare, in 2014 both turnout and total levy support was higher with 60% turnout (68% weighted) and 78% support (82% weighted).

Beef + Lamb NZ's 2021 result was split based on collecting a sheep and a beef levy. For sheep, 54% of eligible voters turned out, with 90% support (both total and by supply volume). For the beef levy, turnout was 43% (only 16% of dairy members voted), with 88% support (89% when weighted by volume). To compare, in 2015 58% of sheep and 47% of beef producers participated with 15% of dairy farmers voting. In terms of support, it was slightly lower across all voting categories with support in 2015 between 84-86%.

## Changing Focus of Levy Bodies

In 1991, at the time of the Commodity Levy Act's creation, New Zealand agriculture was less diverse and less regulated than it is today. The legislation, like it's contemporaries including the Resource Management Act, brought together a number of previous individual Acts.

Investment was aligned relatively closely to the areas of activity prescribed by the Act in Section 10. As the issues facing pastoral industries have evolved, so have the organisations and their focus (a strength of the CLA is it's ability for self-determination and flexibility of activity). As a means to assess this change, 2010 and 2020 Beef + Lamb NZ and DairyNZ annual reports have been reviewed. Quantitative analysis of the language used in the reports has been completed.

Over the ten year period, "environment", "climate change", "advocacy", "policy", "government" and "partnerships" have become significantly more used by Beef + Lamb NZ, whereas less emphasis has been placed on "science", "trade", "farmer" and "profit".

Similarly, DairyNZ has seen more reference to "environment", "policy", "advocacy" and "farmer", and a reduction in reference to "profit".

If we look beyond the words to the numbers, comparison between the 10 year period is not straight forward in all areas due to annual reporting styles changing, as organisational structures and reporting moved from functional (R&D, admin etc.)

to mission/objective focused. From information available, DairyNZ investment in science reduced by 10% from 2010 to 2020, while biosecurity investment (mostly directed to OSPRI and TB Free) increased by 2% (primarily attributable to *M. bovis*).

Beef + Lamb NZ investment in trade reduced from a combined 40% for market access and development in 2010 to 27% for unlocking market potential in 2020.

Proportional investment in R&D has decreased, with specific and significant expenditure now occurring in 'Enhancing Environmental Position' (14%) and 'Government, Insights and Engagement' (11%).

	Beef + Lamb NZ		DairyNZ	
	2010-11	2020	2010-11	2020
Total Pages	56	58	88	88
Advocacy	3 (all in reference to ETS)	13 (reference to a no. of areas)	2	10
Environment	2	60	65	104
Climate Change	1	9	5	9
Policy	7	34	10	24
Sustainable/Sustainability	5/2	13/11	16/24	21/7
Regeneration	0	4	0	0
Science	6	8	61	23
Profit	16	12	80	62
Productivity	9	13	38	4
Trade	27	16	33	22
Government	9	39	27	28
Farmer	61	42	178	318
Dairy/Beef	14	40	6	14
DairyNZ/Beef+Lamb NZ	5	11	1	0
Federated Farmers	2	2	2	6
Collaborate	2	2	0	1
Partner	13	40	40	40
Extension	15	41	9	9



## Membership Organisations

Membership organisations are a common way for groups or individuals with a degree of commonality to come together as a means to aggregate resources to achieve a collective aim or outcome. In general terms, the members contribute resources and receive a benefit in return. Membership organisations are common in the public policy debate across a range of industries but they should not be confused for being providers of public goods.

### Federated Farmers

Federated Farmers promotes itself as New Zealand's leading independent rural advocacy organisation. The key difference between Federated Farmers and the levy organisations is that Federated Farmers is membership-based and does not receive compulsory levy revenue. Other member organisations performing an advocacy function operating in the primary sector include IrrigationNZ.

Federated Farmers consists of 24 provinces and associated branches giving farmers a collective voice at both a national and provincial level.

Policy is membership driven. Members views are canvassed by staff and elected representatives. These views form the basis of submissions and lobbying of local and central government decision makers. A review of the policy portfolios of Federated Farmers indicates that the organisation is willing to be the farmer voice on all things that affect farmers:

- Climate Change (except He Waka Eke Noa)
- Local Government (Rates/Finance)
- Economics and Commerce
- Telecommunications
- Firearms
- Science and Innovation
- Food Safety
- Buildings and Farm Structures
- Resource Management Act
- Climate Change (He Waka Eke Noa)
- Transport
- Workplace Health and Safety
- Animal Welfare (Dairy)
- Walking Access
- Traceability (NAIT/eASDs)
- Rural Health and Wellbeing
- Energy
- Rural Education
- Biosecurity (Livestock)
- Animal Welfare (Sheep & Beef)
- Forestry
- Postal Services
- Biosecurity (Plants)
- Rural Policing
- Hazardous Substances
- Electricity Infrastructure and Markets
- Fire and Emergency
- Fertiliser
- Water Quality and Quantity
- Biodiversity
- Local Government (Environment)
- National Pest Management
- Waste Management
- Immigration and Labour Supply
- Employment
- Adverse Events
- ACC

Structurally, a National Council and National Board govern the Federation. The National Board meets regularly and comprises a President, Vice-President, three industry group Chairpersons (dairy, meat & wool and arable; additional industry groups not currently on the Board include high country, rural butchers and goats) and two National Board members at large. The National Council meets twice a year and comprises the National Board and representatives from both the provinces and industry groups.



## Post-Farm Gate Representation

### Meat Industry Association

The Meat Industry Association (MIA) is the voluntary trade association representing the majority of New Zealand's sheep and beef processors, marketers and exporters. The Association provides a collective industry voice and advocacy on a wide range of topics, including trade policy and market access, technical and regulatory issues, workforce issues and science and innovation. Research and development (R&D) is invested in on behalf of its members to increase the profitability and sustainability of the red meat processing sector.

MIA membership is made up of meat processors, exporters (both those that process and export and those that just export) and renderers. Affiliate memberships enable companies or organisations that provide services or products to the meat industry, such as road transporters, shipping lines, ports, laboratories, research institutions and packaging firms, to be connected and benefit from the Association's work, which extends along the supply chain.

### Dairy Companies Association of New Zealand

The Dairy Companies Association of New Zealand (DCANZ) is the representative body of New Zealand dairy processors and exporters on policy matters in New Zealand and internationally.

DCANZ has three objectives:

1. Maintaining and growing market access opportunities for New Zealand dairy products
2. Ensuring New Zealand dairy production and exporting is supported by fit-for-purpose frameworks for food safety and biosecurity

3. Strengthening the reputation of New Zealand-sourced dairy products

DCANZ members account for 98% of the milk produced in New Zealand and include DGC (Dairy Goat Co-operative), Danone, Fonterra, Goodman Fielder, Miraka, Oceania Dairy, Open Country, Synlait Milk, Tatua Dairy, Westland Milk Products and Yashili New Zealand Dairy Company.

DCANZ has a relatively narrow mandate in that it operates in areas which its members commercial organisations deem to be industry good or pre-competitive.

Another similar model is the Fertiliser Association of New Zealand (FANZ), which acts as an industry good body between the two large fertiliser co-operatives (Ballance and Ravensdown) and which undertakes work considered pre-competitive. Interestingly, in regional planning processes both the peak body FANZ and the underlying co-operatives have provided evidence and perspective on behalf of fertiliser co-operatives. This again points to the commercial value to be extracted from undertaking industry good activities. So work that might be commercially pre-competitive, i.e. representing the responsible use of fertiliser, has value and therefore, is carried out by individual organisations in the fertiliser duopoly market.



# Why We Have Levy Bodies and Membership Bodies

## The Free Rider Issue

The free rider issue is considered an issue of market failure. It is where there is an inefficient distribution of goods or services that occurs when some individuals are allowed to consume more than their fair share of the shared resource, or pay less (or nothing) than their fair share of the costs (Hardin et al. 2020).

***“Free riding is an issue across both advocacy and provision of research and extension, where the provision of such goods and services apply to, and can be used by, all farmers, whether or not they have paid for them.”***

## Addressing Market Failure

A Narayan and Rutherford (2012) review of the Commodity Levies Act notes that a market failure exists in the supply of industry-good goods and services with characteristics of non-rivalry and non-excludability. Compulsory levies are one form of intervention governments can apply to address this market failure. This is the essence of the Commodities Levy Act; a vote by a majority of farmers in a sector results in a compulsory levy over all farmers in that sector. In other words, any free riders are now ‘forced riders’.

Paul Samuelson (1954) was one of the first to develop theories regarding public goods, describing the concept of non-rivalry as the use of a good by one person does not reduce the ability of someone else to use it. Coase (1937) was also a contributor in this field, noting that another characteristic important to the theory of public goods is the concept of non-excludability, which refers to the inability (or ability) of one person to prevent another from using it.

Economists have used these characteristics to classify goods and services into four categories:

1. Private
2. Public
3. Common pool
4. Toll goods

	Excludable	Non-excludable
Rivalrous	<p><b>Private Goods:</b> must be purchased to be consumed, and consumption by one prevents another from consuming it. Requires competition between individuals to obtain the good.</p> <p><b>Example:</b> farm outputs, i.e. milk, meat, apples</p>	<p><b>Common Pool Goods:</b> a hybrid between public and private goods in so far as they are shared and available to everyone but also scarce, with a finite supply. These open-access resources are susceptible to over-exploitation and diminished availability if each individual pursues their own self-interest.</p> <p><b>Example:</b> ocean fisheries</p>
Non-rivalrous	<p><b>Toll Goods or Club Goods:</b> can be excluded but consumption by one person does not reduce the ability of another person to use it.</p> <p><b>Example:</b> IP-protected grass seed</p>	<p><b>Public Goods:</b> a commodity or service that is made available to all members of a society and typically, administered by governments.</p> <p><b>Example:</b> law enforcement, national defense, and the rule of law. Public goods also include more basic goods, such as access to clean air and drinking water</p>

Research and extension have characteristics of non-rivalry and non-excludability (Narayan & Rutherford, 2012) however, given the dominance of membership organisations in the provision of advocacy, it does not meet this definition, as individuals are willing to pool resources and contribute to advocacy activity. Investment in such goods and services is likely to result in benefits to those that do not pay for them. These spillovers create the opportunity for free-riding.

In this environment, free markets will likely provide fewer of these goods and services than what is optimal. Coase suggests that a market can correct externalities if property rights are clearly assigned (patents for example) and negotiation is feasible, i.e. where transaction costs are sufficiently low (the numbers of participants is low).



The challenge for the pastoral sector is that transaction costs increase with the number of industry producers and there are many in pastoral agriculture. In the large pastoral-based industries with a number of both large and small participants, market failure results in the provision of goods which exhibit non-rivalry and non-excludability.

Within the wider context of the discussions on public goods, the 'public' are taken as the population as a whole, and provision of goods and services to farmers (as a sub-set of the population) - could be considered a private good. For the purposes of this report, the wider population are taken as just the farming population, and in this context the **'public good' is taken as provision of goods and services to all farmers, whereas a private good would refer to individual farmers.**

A compulsory levy framework, under which a not-for-profit organisation collects producer levies and spends them on research and development and other goods and services which have characteristics of non-rivalry and non-excludability, is a way to address the market failure. Such a framework has been supported in principle by economists. This is the basis of the CLA and consequently, industry bodies such as Dairy NZ and Beef+Lamb NZ do not face a free rider issue.

However, Narayan and Rutherford note that compulsion comes with risks that can include:



- It is possible levy payers may not receive value for their contribution (forced rider problem);
- Cross-subsidising occurs when one group pays more for a set of goods or services than another group who receives the same value;
- If activities occur that the Market would have otherwise undertaken, then higher value private activity can be crowded out;
- Conversely, activities at the margin of the definition may be carried out less efficiently by the levy body than what the market would generate;
- Unless appropriate governance is in place, it can be hard for the levy payers to apply effective sanctions against the levy organisation for poor performance. On this point, the removal of the wool levy suggests that poor performance and the requirement under the Commodities Levy Act for referendum suitably manages this risk;
- Administration and compliance costs are high, reducing the effectiveness of the activity on behalf of the levy.

Narayan and Rutherford's review of New Zealand's levy framework concluded that the model is demand-driven, as the levy payers decide on the spending priorities and levy rates. The approach is flexible to suit a range of different industries. The activity funded differs across levy organisations, as the levy payer appointed governance determines the priorities.

These activities can be in areas where market failure does not exist; a number of activities can be funded, some of which are not in areas of market failure. Six yearly referendums and board elections provide strong accountability.

Advocacy bodies which depend on membership (e.g. Federated Farmers) directly face a free rider issue, in that the advocacy they carry out has a benefit to members and non-members alike.

The Commodity Levies Act creates a framework which, when benchmarked, does the following well:

- **Free riding removed:** because the levy is compulsory and collected at the point of processing, all farmers who produce pay. This system removes the ability for benefits to be received without payment being made. This strength is in contrast to Federated Farmers or other membership-based models. To critique, the levy bodies create a forced rider situation where a person contributes to the costs of the work of the levy organisation without necessarily desiring it or valuing it at its price.
- **Robust governance:** a mandated system of governance means that the levy spend is controlled by the levy payer. Six yearly terms for the levy require accountability of performance.
- **Flexibility of investment:** organisations have limited restrictions on where the levy can be spent, as long as the investment delivers benefit to the industry upon which the levy was collected. Some organisations (Beef + Lamb NZ) undertake marketing activity and advocacy whereas others, such as the Foundation for Arable Research (FAR), stay away from advocacy activity, leaving this to Federated Farmers.



## A Unique Opportunity: Beef + Lamb NZ CEO and Chairman shadowing

"Run, keep going it is only 300 metres up there to the entrance to Parliament". The rain kept coming and coming. Being Wellington, most of it from the side, rendering the umbrella that I had brought as a Capital rookie useless. Andrew Morrison and Sam McIvor darted, Dave Harrison and I were more cumbersome, as I wished my suit and leather loafers could be swapped for my more familiar Line 7 bibs, jacket and Redbands.

Shaking ourselves off in the security wing/entrance to the Beehive, Andrew asked "who won that one boys?", "I am not sure any of us did" Sam quipped looking at Dave and I sheeting the water off our head and shoulders. In 5 minutes we would be in front of Minister Shaw and staffers, advocating the interests of our levy body on matters relating to climate, biodiversity, water quality and the challenge rural communities are experiencing as the opportunity for land use change to plantation, and more often carbon forestry, creates both threat and opportunity (the two go hand-in-hand).

Leaving the meeting through a labyrinth of tunnels (security allowed a slight breach of protocols as we were under staffer escort), we reappeared on Lambton Quay and de-briefed as to what was achieved. What had been won, or lost. Not knowing if Greenpeace, Forest and Bird or the Automobile Association had occupied the meeting slots pre or post ours, it was hard not to think back to 'The Infinite Game' by Simon Sinek.

### Infinite Mindsets, Flywheels and Farmer Advocacy

Simon Sinek's book builds on 'Start with Why' and 'Leaders Eat Last'. It examines how infinite-minded leaders play to keep playing the game, rather than playing to win a known game. One of the key approaches to the concept is that an infinite game and its application to business is so different to the approach we take to sports.

**We cannot go to the  
Minister's office, bang on  
the table, walk out and  
think the job is done.**

Rural New Zealand's affinity to sports might make this approach foreign however, if there is a profession which speaks to keeping on playing the game, it is farming.

**As farmers, whether  
controlling weeds,  
or improving genetic  
performance, the gains  
are slow, we play to  
keep playing.**

In advocacy, like other forms of high performance or change management, the leaders quest is to keep playing, to keep nudging a position forward, to keep adding 1%, so that Jim Collins' theory of the 'Flywheel Effect' can begin to take place. No matter how dramatic the end result, good-to-great transformations never happen in one fell swoop, there is no single defining action, no grand program, no one killer innovation, no solitary lucky break, no miracle moment. Rather, the process resembles relentlessly pushing a giant, heavy flywheel, turn upon turn, building momentum until a point of breakthrough.

It's good to win a finite game. Sam and Andrew got less wet than Dave and I because they were faster runners. The key is to know which game is being played and when. I propose that farmer advocacy is very much an infinite game and an infinite mindset will be required to have success when engaging in it.

## Case Studies



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Three case studies were selected to provide a point of reference to my research

# Case Study 1: United Kingdom Advocacy and Extension Arrangement

In the agricultural media throughout 2021, a reference point for those responding to the criticism of industry representation typified, by Groundswell, has been to point to the model in the United Kingdom. In the UK the portrait is one of a single levy body which manages farmer-facing knowledge exchange activity, and a very separate National Farmers Union which leads advocacy work, operating in harmony.

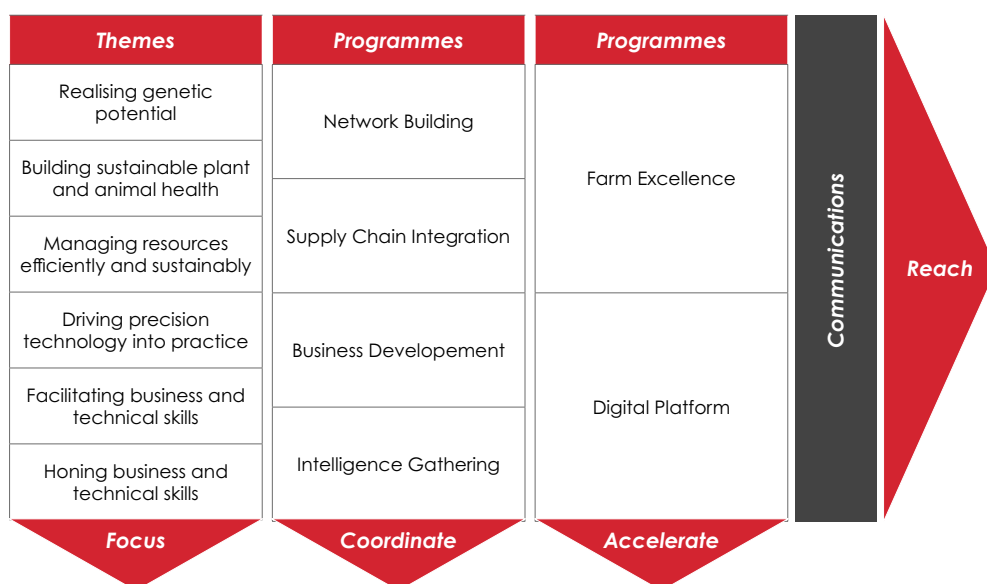
A deeper dive into these organisations indicates that structurally it is not as simple, and centralisation does not always create efficiencies. Organisations need to constantly manage the trade-off between effectiveness and efficiency (refer to figure on page 44).

Within the 'pastoral sector', the United Kingdom is not limited to the Agriculture, Horticulture Development Board (AHDB), The National Farmers Union (NFU), the National Sheep Association, the National Beef Association and DairyUK. The final three of these organisations are not profiled in detail in this report however, they are all membership organisations focused on advocacy.

## The Agriculture, Horticulture Development Board (AHDB)

The Agriculture, Horticulture Development Board (AHDB) represents four commodity sectors (Beef + Lamb, Cereals and Oilseeds, Dairy and Pork) upon which it collects a compulsory levy at the point of processing, like the New Zealand system. The AHDB can be seen as a combined version of New Zealand levy bodies. The AHDB differs from the New Zealand system in that four (previously six) levies are administered by the one organisation. Under the AHDB, the levies raised from a sector are ring-fenced for that sector's benefit.

A summary of its activity and focus is included below.





## What they do:



Prior to June 2021, Horticulture and Potatoes were AHDB sector Boards also. Media review indicates that the Horticulture and Potatoes levy payers assessed overheads associated with the AHDB to be eroding the value of their levy contribution. John Bratley, who instigated the ballot which resulted in Horticulture and Potatoes leaving the AHDB, notes

***“Individual crop associations are the best organisations to deal with the research needs of any particular sector, as agreed and paid for by their members”.***

Hot on the heels of Brexit and a recently completed review of the AHDB (2018), political momentum existed for high level organisational change, with the AHDB not having the mandated referendums of New Zealand's Commodity Levies Act (5 yearly referendums are being instigated now), a ballot could be called when more than 5% of levy payers request it. In the case of the UK Horticulture industry, just 67 requests were needed to trigger the ballot.

Prior to Horticulture and Potatoes voting to leave, a substantive review of the AHDB model was commissioned by the Department of Food, Environment and Rural Affairs (DEFRA) in 2018. At the time of the review, then DEFRA Minister Victoria Prentis said that the fragmented nature of farming “means there is a strong case for some form of statutory levy”. The levy supports “collective endeavour” in areas such as market access, research and development, technical advice and knowledge exchange.

***Minister Prentis noted “respondents want to see an overhaul of the current structures of the AHDB and a reform of its governance, so that it is operating in a more modern and effective way.”***

The review process identified that the AHDB's activities are split into six areas – research, knowledge exchange, market development, export development, market intelligence and communications.

The review has resulted in the following changes which will occur within the AHDB from 2021 onwards:

- Introduction of a 5 year ballot (similar to referendum process in New Zealand).
- Significant organisational restructuring and the removal of over-heads. Loss of 140 jobs including an executive downsizing from 20 to 14.
- Governance overhaul to be less top down and more representative.

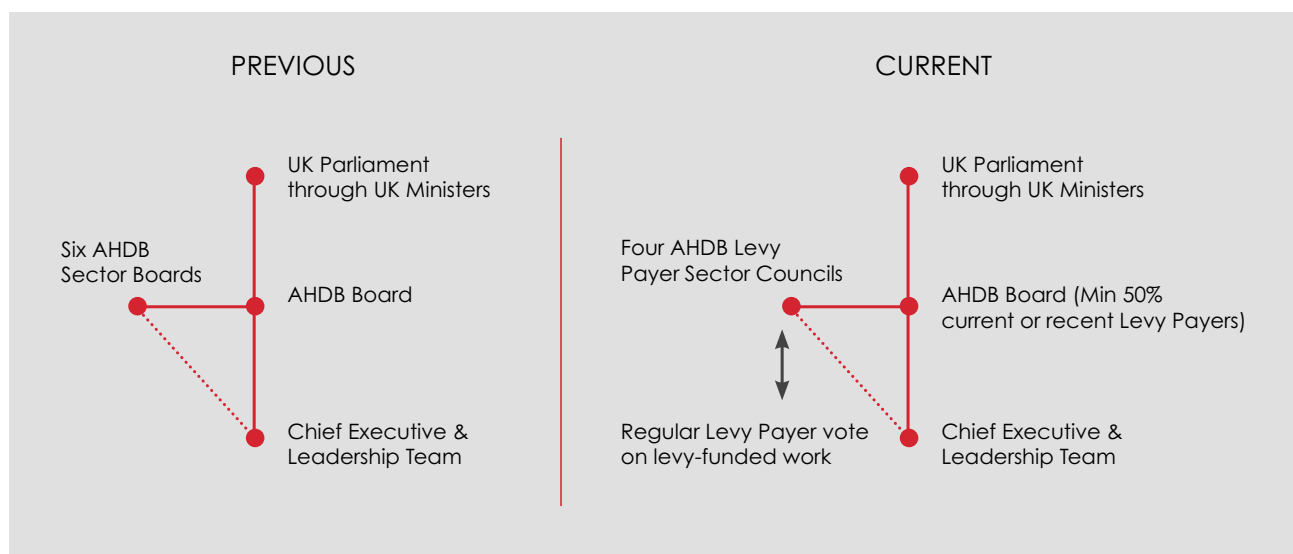
The AHDB Board historically consisted of 10 members: the Chair, three independent members and six specialist members, who were also Chairs of the six Sector Boards (prior to the departure of Potatoes and Horticulture). All members were Government-appointed positions.



Each underlying Sector Board had functions delegated by the AHDB Board, including developing the most appropriate strategies to meet the challenges of their sector, within the framework of the AHDB strategy (see figure below).

Going forward, the AHDB Board is appointed on a skills basis, with at least five members being recent or current levy payers with industry expertise. The Board is now supported by the four remaining Sector Committees/Councils (Dairy, Pork, Cereals and Oilseeds and Beef + Lamb), with an independent Chair presiding over the Boards' activities.

The industry Councils are comprised of levy payers from each sector, with appointments confirmed through a levy payer vote. The Sector Councils are informed in their decision making through a regular (five-yearly) open vote by levy payers on costed strategic work programmes.



## National Farmers Union (NFU)

The NFU is very similar to Federated Farmers in New Zealand on a number of levels. Like Federated Farmers, it:

- Is a membership organisation
- Offers members a range of deals which provide financial returns
- Is structured with regional and sector-based representation

The NFU is unashamedly an advocacy organisation which proudly lobbies for the interests of UK farmers at all levels of politics (local, UK and European). The NFU represents more than 46,000 farming and growing businesses and has a purpose to

***"champion British agriculture and horticulture, to campaign for a stable and sustainable future for British farmers and to secure the best possible deal for our members".***

Like Federated Farmers, the NFU has a focus on both national and local issues and has offices linked to Central/European Government, as well as regional offices across England and Wales.

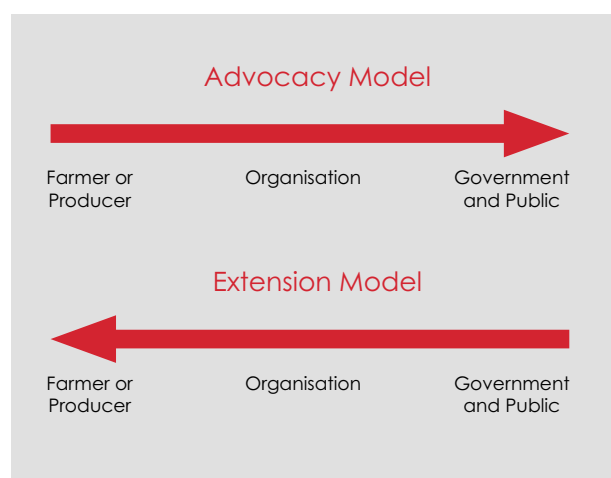
The organisation seeks to tell farmers stories and ensure that farming is never off the political agenda. The language of the organisation is focused equally on protecting the status quo as it is on enhancing the future.

## Relationship between the AHDB and NFU

In conversation with those in the United Kingdom regarding the relationship between the NFU and the AHDB, it was apparent that both focus on providing benefit for farmers. The NFU is the advocacy organisation, supported by more specific sector-based membership organisations (NSA, NBA and DairyUK).

The role of the AHDB is to focus on market failure activity, with a directive that events, information, knowledge and skill development be delivered to the farmer. The content being communicated would often be public funded (research and development as an example). In the case of the NFU, the information flow went from farmer (opinion holder or person with concern) to the Government or decision maker (audience).

What was also apparent, was that the NFU is trusted at an organisation level to carry out the advocacy function, without those involved with farmer support elsewhere (i.e. the AHDB) feeling that they need to adjust focus to protect or defend agriculture.







## Case Study 2: A Peak Body: The New Zealand Council of Trade Unions

The New Zealand Council of Trade Unions (NZCTU) is an example of a peak body which operates on behalf of a number of unions on a range of issues. It is agreed by the membership (union bodies themselves) that there will be significant efficiencies in this overarching Body taking on a centralised advocacy function for key issues.

NZCTU campaign examples include gender income equality. This issue was considered a universal worker right across a diverse membership, including workers from the Association of Salaried Medical Specialists, the New Zealand Nurses Organisation, the New Zealand Professional Firefighters Union, and the New Zealand Meat Workers and Related Trades Union.

Considering the NZCTU as a structure and its applicability to agriculture, the question is what are the functions carried out in the pastoral system, by a range of organisations, which could be more efficiently conducted centrally. Which issues have the strongest degree of commonality between members of the system, which areas are truly pre-competitive. The Peak Body model maintains a more localised membership connection through its underlying membership, i.e. nurses connect through their Union to the NZCTU where aggregation of common issues for all workers is focused on. The approach seems to be one way to balance the challenge of small scale personalised connection with increased efficiency of a centralised voice.

When thinking about what might be common in agriculture that could be aggregated, it seems surprising that the toughest issues with the most room for disagreement between the collaborating partners have been the starting point with the He Waka Eke Noa work around climate change. This occurred because agreement across pastoral Agriculture was that the legislated 'backstop' of entry into the ETS was a greater evil. A range of opinion within sectors and across sectors will prevail on the degree of production intensity, and the resultant question of how environmental externalities should be managed and priced. Simply, unlike gender income equality, the outcome being sought is not strongly aligned and is therefore not suited for the lobbying to Government coming from a peak body. In this case HWEN is not a peak body, but rather an industry - government collaboration.

In contrast to climate policy, less contentious more infrastructural activities, such as attracting talent to the regions, research and development (genomics, animal health and welfare (heat stress), pasture and feed management) are areas in which structural consolidation could occur as these are areas where the parties involved will find it easier to make operational trade-offs, because the stakes are inherently not as high. This consolidation through organisational restructuring would go further than previous examples in the knowledge exchange/ research and development space, which has been limited to collaborative programme governance (pastoral genomics) and mission-led research (Our Land and Water Science Challenge). For the sake of efficiency these activities should be undertaken by a peak body. This would practically result in large-scale restructuring of organisations within the primary sector.





## Case Study 3: Three Waters Consolidation to Improve Efficiency

Three Waters covers a series of reforms around how three main types of water infrastructure: stormwater, drinking water and wastewater are managed in New Zealand.

Currently, 85 percent of these functions are managed by councils, with significant inconsistency in performance. 8000 people being infected by *Campylobacter* in Havelock North in 2016 became the catalyst for reform. Engineering reports suggest that between \$120 billion and \$185 billion is needed over the next 30 to 40 years to get water systems across the country up to standard.

Deficiency in water services is not confined to the Hawkes Bay or 2016. In Wellington, sewage often bubbles up in the streets, in Auckland storms regularly lead to beach closures due to sewage overflows. Drinking water across New Zealand is inconsistently managed resulting in frequent boil water notices.

The programme of reform would see water management centralised from New Zealand's 67 councils to four big regional entities. The four newly created entities would remain owned by the local authorities on behalf of communities. The centralised four would own (including the debt) and operate infrastructure on behalf of communities.

### Regulation - Taumata Arowai

A relatively uncontentious part of the reform is the establishment of a new drinking water regulation body called Taumata Arowai.

Until now, drinking water regulations had been managed by the Ministry of Health, but new Taumata Arowai, following the Water Services Bill, will oversee, administer and enforce all of New Zealand's drinking water regulations.

Taumata Arowai will also provide oversight of the environmental performance of wastewater and stormwater networks.

It is an independent Crown agency with a Minister-appointed Board based on skills, including a Minister-appointed Māori advisory group.

Despite the overarching Taumata Arowai being supported, significant governance concerns have been raised by local councils and communities. Councils generally agree that investment is needed across much of the country, but most are opposed over ownership and governance.

Those Councils whom have done a good job managing their infrastructure at significant rate payer cost are concerned that they will be required to bring those areas with under investment up to speed, effectively paying twice.





Councils also bemoan that they are not receiving the value for their assets, and seek their investment to be valued appropriately and a more fair arrangement be put in place that considers the feared loss of local control of these assets. Opponents make it clear that loss of representation is the heart of the issue, as management of these Three Waters assets have been an integral part of local government, and taking it away is seen as an erosion of democracy.

It is interesting that the debate is not centering on the issue of what arrangement will most appropriately manage water as safely and as efficiently as possible. It seems that there is acceptance that change is required. The argument is about control and political power, and with low voter turnout in local body elections, is it the people or the politicians who are concerned. With Three Waters going, and major roading more the place for Waka Kotahi, rural council's mandate shrinks and with it the power of the elected official.

**Under a future state the Mayoral chains will be less important, and it could be a case of the turkey not asking for an early Christmas.**

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The trade-off, like seen in other examples is the balance between representation and efficiency and creating the structures that can get the incentives right (see figure on page 44).

At the simplest level, if local body politicians are too afraid to lift rates to undertake needed repair, maintenance and enhancement of local infrastructure for fear of not being re-elected, then centralisation makes sense. Further, in the case of engineering infrastructure, there will be efficiency in design and implementation, along with greater bargaining power and ability to attract scarce skilled capability, associated with centralisation.

A centralised model will have better access to capital with more scale, so projects should be delivered at lower costs benefiting the public. The proposal as it stands for water being managed by 4 entities is a significant change, but at times we need to bear in mind despite that our regional differences, we are a population of a little over 5 million, or equivalent to Queensland in Australia (although NZ is only 15% of the area).

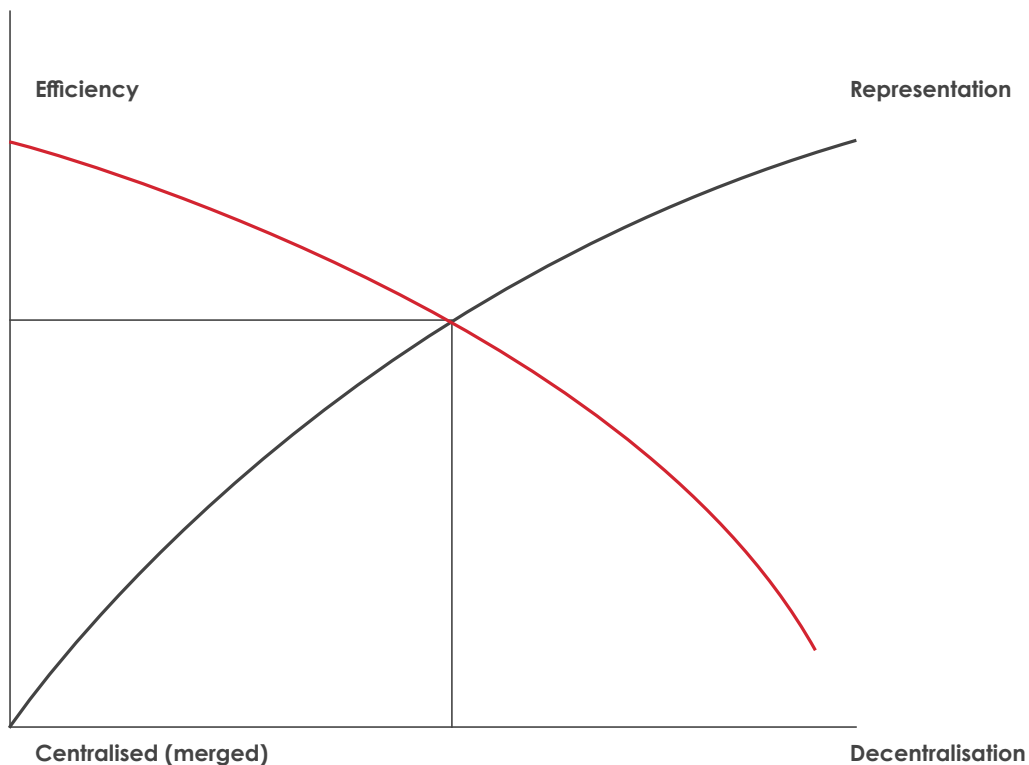


## Why The Time Is Right For Structural Change

The current government's significant reform agenda covers the majority of the public service.

Like the CLA 1991, much of the legislation underpinning these systems has been in effect since the last point of significant reform in the late 1980s and early 1990s. Historic reform aggregated legislation and introduced competition and a culture of performance to the public service. The contemporary reform is focused on centralisation, decarbonisation and more effective implementation of the principles of the Treaty of Waitangi. The consolidation of many into few at an organisational level aims to promote efficiency gains through economies of scale (see Three Waters case study).

Should structural reform progress in New Zealand's agricultural industry or levy bodies, then it is likely the argument would revert back to representation vs. efficiency/effectiveness.



Following thematic analysis of my interviews, a number of themes came up around the structural strengths and weaknesses of our systems. Below is a summary of concerns raised and why now may be an appropriate time for structural adjustment.

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## Articulated Vision

***For the first time in New Zealand, the Industry has an origin<sup>3</sup>-based food and fibre vision (Fit for a Better World) that spans all of the primary sector.***

'Fit for a Better World', released in July 2020, provides an overarching origin story for our food sector. The Fit for a Better World vision commits food and fibre producers to meeting the greatest challenge humanity faces; rapidly moving to a low carbon emissions society, restoring the health of our water, reversing the decline in biodiversity and at the same time, feeding our people.

The guiding principles of Te Taiao which underpin the Fit for a Better World vision, focus on a deep relationship of respect and reciprocity with the natural world. The health of the climate, land, water and living systems comes first. And when nature thrives so do our families, communities and businesses.

Alongside innovative science and technology, the strategy aims to design modern regenerative production systems fit for a better world.

Within a generation it is hoped that these new systems will be the foundation of our prosperity and the way we produce high-quality, trusted and healthy food, drinks and fibres. These outstanding products will speak of our land, oceans and people. They will be enjoyed by people all over the world, fulfilling their desires for functionality, wellbeing and aesthetics.

***This articulated vision, whilst fantastic, requires the underlying implementation pathways to be structured in such a way that public good investment is not restricted to commodities but focused holistically on achieving a land-orientated Fit for a Better World.***

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<sup>3</sup> Origin story in a food context, provides the narrative around the production system and it's supply chains which led to the production of the product being consumed by a customer in a market.

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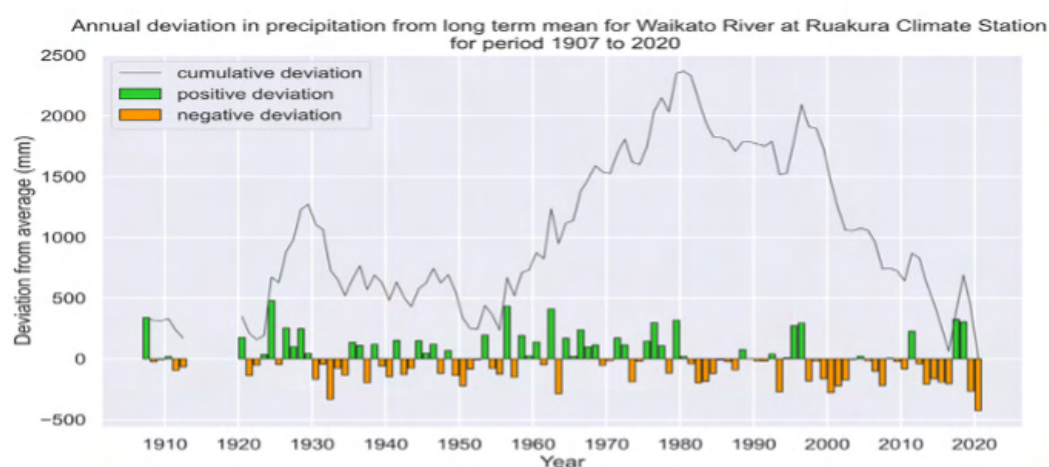




# Climate Change

***Climate change and the inherent challenge presented to pastoralists, whose farm systems are based on ruminants, to reduce emissions when commodity silos exist.***

Climate change is the issue of our generation. The Prime Minister termed it our nuclear free moment, with determination that action will be taken. Debated about for decades, impacts are now observed locally (see figure below demonstrating a more challenging climate for my farm) and this, coupled with global consensus creeping towards action, means we are getting close to a time where the 'rubber will hit the road' on this significant issue. With it comes transformational opportunities and threats.



Purpose-driven Millennials and Generation Z place more importance on the issue of climate change than Generation X or the Baby Boomers. However, if the importance of climate change is accepted, there is an argument for this issue being a driver of structural change, as our current arrangements on the basis of commodities do not enable or encourage holistic thinking about alternative solutions to this generational issue.

Our response under the current structures will remain piecemeal because, due to a legislated mandate to protect the interest of the commodity product, innovation and resultant solutions are directed toward end-of-pipe (methane inhibitors or vaccines), or are focused on narrow areas which have some, but not transformational, benefit (low methane genetics in sheep). Ovine single trait selection reductions of 1% per year have been reported by the PGGRC, and transitioning inhibitor and vaccine technology from controlled science to outdoor pasture-based systems has not been straight forward. To make the scale of change required to our production systems as a result of climate change, our effort can no longer be restricted by commodity silos.

***The argument is not, don't do this work, it is "could more impact be achieved in the short term by considering reduction rather than mitigation strategies at the farm scale, independent and irrespective of protecting a production system".***



## CSC Warm Up: my past of dairy cows and coal mines

### “Get in Tracy, we are running late”.

Jammed into a sporty SUV, the five 2020 Nuffield scholars began our pre-CSC bonding trip organised by yours truly. Departing the coast in Newcastle NSW, our week-long warm up was to bring us together ahead of taking off around the world, then finally regrouping and delivering a hurried presentation to the who's who of New Zealand agri-business at the beehive in 9 months. The cries of “get in the van” would be a sound we would hear over the subsequent 18 months.

### “Phil we are really making up time”.

Whoop Whoop... flashing lights and a \$400 speed exceeded in a school zone ticket punctuated the first stop of what would become a year of false starts in a Covid-impacted Nuffield experience.

Our visit to the Hunter was not only to combat Marlborough scholar Ben's feelings of home sickness by viewing and sampling the product of 150 wineries nestled amongst horse studs of global renown. No, we were there to look at coal mining and to visit my previous employer Umwelt Australia, who specialise as social licence and environmental consultants. As a dairy farmer's son, with NSW coal experience, along with my fellow 2020 Nuffielders, I wanted to explore and contrast white gold (NZ milk) with black gold (NSW coal).

The scale of the industries is remarkably similar (albeit commodity cycles have an effect). In 2016 NSW coal had an export value of \$13.2 billion to the state, this compares to NZ dairy's value of \$13.6 billion for the same period.

Like dairy, the coal industry in NSW employs some 40,000 people (the same number as the

New Zealand dairy industry) and contributes over \$2 billion in royalties to the NSW government to underpin state-wide infrastructure.

The trickle down economic benefits, through downstream employment of highly educated engineers, scientists, and business analysts, not only underpins the economies of Morrinsville, Orange, Ashburton, Dubbo and Singleton but contributes significantly to Auckland, Sydney, Canberra and Wellington.

What is also remarkably similar between the industries is the challenge posed by social licence to operate. To varying degrees, the industrial nature of both industries is not desirable to urban liberals, given the relative contribution dairy and mining make to New Zealand and Australia's CO<sup>2</sup> emissions. This notwithstanding, the industries are fundamental to underpinning the respective national/state terms of trade.

Having been away from the coal industry for a number of years, it was interesting to reflect that NZ dairy, like NSW coal, make reference to their position as the most efficient operators globally. Both industries seek end-of-the-pipe solutions to manage environmental and social externalities, whether it be elusive inhibitors of methane or clean coal technologies.

Initially when making a comparison between these two industries, a Kiwi will point to dairy being built on a number of smaller family businesses, with the coal industry dominated by Rio Tinto and BHP (who tried to merge). Superficially correct, although as herd sizes have increased markedly over the last 20 years, our dairy industry, like our society as a whole, is not one of shopkeepers, it is more corporatised than we sometimes choose to communicate.



## Herd size increase by year (average no. of cows per herd)

(Source: DairyNZ)

1975	113
1985	145
1995	199
2005	322
2015	415

My intent is not to place judgement on these industries. As a dairy farmer's son who paid his student loan and raised a house deposit on the back of coal, I would be hypocritical to do so. What I want to do here is to draw a comparison between two industries, to demonstrate that the foreign can more closely resemble our own reality than we think.

Heading north to Tangalooma, via friends of Nuffield and NSW cattle country, our group reflected on how great the mining sector were at telling their story (cynically spin), but we were interested in what non-mining community members would think. How good had they been at doing work that balanced the needs of the environment with financial imperatives of the state or nation.

We were impressed by how projects had meaningfully reached out to local communities to increase biodiversity protection and educational outcomes, although we wondered if this was an attempt to buy support.

As we left this part of our experience behind us, we were not converted to coal or mining. What would we think driving through pivot irrigation or other intensive grassland environments? Some of us did start to consider our own bias.

I thought of the work of Poetz et al. (2014), that seeing difference is a critical way to untangle your own bias and by doing this, increasingly novel solutions can result.





# Diversification

**The desire to diversify is restricted by both lack of access to water and lack of access to information.**

According to the KPMG Agribusiness Agenda 2021, in 2040 “farm systems will comprise diverse, complementary enterprises that are commercially viable. Enterprises will be matched to the environment, with full consideration given to how they can enhance healthy ecosystem function and support circular nutrient, carbon and energy transfer”.



It is imagined that landscapes will be covered in diverse, strategically planted trees for agroforestry and alternative revenue-generating streams (carbon credits and priced ecosystem services). Rolling hill country may integrate sheep, cattle, deer, goats, chickens and ducks along with agroforestry. On the flats, novel plant protein crops, such as hemp, lentils or oats and sheep milking will become increasingly present, as regional monocultures develop increasingly quickly into a mosaic of land uses.

KPMG's view of the future is an increasing reality. The story 'Fields of Green' (see below) relates to this being a reality. In an AgFirst (2021) Our Land and Water funded research project which I led, a group of Waikato farmers were supported through a due diligence process for land use change.

## AgFirst (2021) findings:

- The key constraint was time availability for farmers to explore alternatives while managing their existing business.
- There is a need for highly secure water in volumes beyond those typically involved with pasture-based land uses.
- Despite a desire to do something different which improves the environment, provides reasonable economic return and may be outside of livestock production (diversification of risk) but remains land-based, conversion rates are low.
- Information to enable transformation is lacking and if available, it is not centrally located. With the bandwidth of would-be diversifiers constrained, bringing together disparate information (out-sourcing to a consultant or dedicating resources not often available) resulted in frustration and due diligence stopping. The easy-to-find information is arranged in a reductionist manner along commodity lines, and this does not help to facilitate change.





## Fields of Green

Bleary eyed after 16 days in the van, the surreal experience of baking in the hot sun standing in a Central Otago field of hemp had a sense of significance. Maybe I was hoping this was a medicinal crop able to take me away to a higher level where wicked problems could be magically solved. Maybe it did, because standing significantly back from the road (a government requirement) so passing tourists do not rip off the benign crop, a premise upon which the structural arrangements of our sector need to be based dawned on me.

Yes we associate with those who produce the same things as us, proud dairy farmer or proud kiwifruit grower, and yes we associate ourselves based on our physical geography, as so often represented by tribalism around sport. However in this field, like so many during the previous weeks, I observed that the leading farmers (Nuffield Scholars doing a road trip in the absence of a global trip of a lifetime tend to not visit average operators) were land managers first.

Now, by land managers we are not classifying them as conservative stewards. We observed that operations occurred on a continuum from aggressive agri-businesses to environmentally-orientated stewards.

The key point was that they very rarely led a conversation with what they produced. The boundaries upon which they identified themselves had moved past an arbitrary association on the basis of commodity.

Identity was not driven out of the production of meat, milk, hemp, potatoes or eggs, it was typically associated with land first and a mixture of family and history to follow. If therefore, your identity and values are intertwined and you are wanting to be a values-based leader, then it would be more appropriate for the structures, that support you to make these values-based decisions, to be aligned on this basis rather than strictly down commodity lines, which now seem to be a product of a previous era. As climate and technology further disrupt our notions of what is possible, our openness to consider outside of our status quo will become increasingly important.

**Mindsets of highest or best use, or best for the Motu, are equally valid guiding principals driven from the premise that people involved with agriculture naturally have land as their key identifier. The identification of commodity production system is more and more an artificial one.**



2020 Nuffield Scholars (L to R): Edward Pinckney, Tracy Brown, Ben McLauchlan, Shannon Harnett and Phil Weir



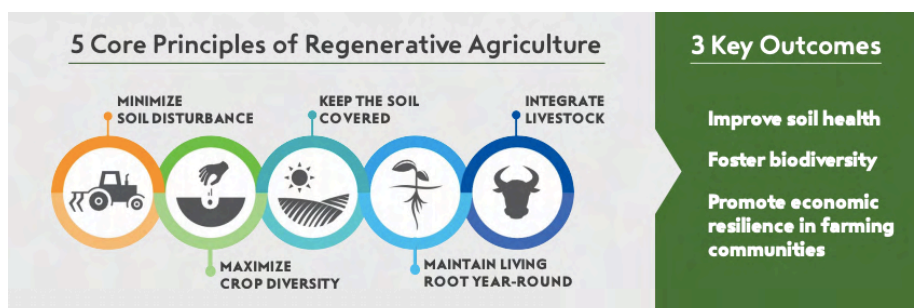


## Rise in Holistic Thinking and Regenerative Agriculture

Regenerative agriculture is a global phenomenon. This paper will not look to argue its definition, or lack thereof, review of Farmers Weekly articles during 2020 and 2021 can fill that gap. This notwithstanding, its concept is integral to Te Taiaro and our Fit for a Better World vision.

**Furthermore, from a mindset perspective, the desire to think more holistically with a less reductionist approach to food production is gaining mainstream momentum, this may be the most enduring outcome of the current domestic regenerative debate.**

Whether it be multi-species forage crops as alternatives to chemistry-dominated monocultures, or more strategic notions of farm enterprises intertwining vegetables, fruit, animal protein, plant protein and natural capital together under a banner of agro-ecology, what is certain is that this regenerative paradigm is popular with stakeholders, yet remains relatively unpopular with the shareholders of existing commodity structured agriculture. Its holistic approach is at complete odds with an industry arranged on the basis of commodity silos successfully formed through a reductionist paradigm of knowledge creation.



# Generational Change

As referred to in the 'limitations' section of this report, I as a Nuffield Scholar am considered to be an emerging leader. I am getting a bit old for that. As generational change takes effect and Boomers (1946-1964) and early Generation X (1965-1980) leave positions of leadership and Millennials (1981-1996) and Generation Z (1997 - 2012) step forward, the need to operationalise Fit For a Better World will become more pressing.

Millennials, in comparison to previous generation groups, have a stronger desire to associate with worthy causes or issues of higher purpose. As Simon Sinek notes in his 'Leaders Eat Last- Practical Guide to Leading Millennials', this is part of a natural reaction or recalibration to the generation before. It is also, if harnessed, an extremely powerful driver for good.

***To harness this generational mega-trend we need to create systems and structures that enhance, rather than restrict, the implementation of a greater purpose such as Te Taiao or Fit For a Better World.***

With the user at it's centre, and able to access information wherever and whenever, the extension world is undoubtedly changed. With the threat posed to production sectors by proposed environmental regulations, advocacy and the need to protect the industry has emerged as the dominant message to farmers.

"In our communication age, misinformation is the problem" Neil Young, 2022.

***In an information rich world, knowing what to trust is difficult and requires personalised community- orientated messaging.***

This is an absolute key aspect of any information exchange. The information need may not be new, corporate or fitness coaching often do not tell us things we don't know. What they do increasingly is remind us of what we do know, and tell us what we can do.

***This coaching is critical to enable high performance in an ever changing world, and this public good activity needs to be provided.***

Structurally, does the system of commodity levies facilitate community connection to meet the collective goals we are not able to achieve as individuals? That is, are our public good organisations structured to support achievement of our industry vision? Numerous authors including Sinek ('Leaders Eat Last') and Eastwood ('Belonging') draw on evolutionary biology to suggest human success comes from working together. The challenge is ensuring the teams we build are suitably arranged for the goal we are seeking to achieve.

## Information Poor No More

At the time when industry structures were created to support farmers in the provision of non-private goods and services, we operated in an information poor world. The internet was limited to the military. Facebook and podcasts were yet to be imagined.

A large area of market failure at this time was dissemination of information around production performance to farmers. For the most part this information needed to come in the form of practical on-the-ground fielddays, where sheeps backs were touched and handbooks followed. Advocacy in the form of political lobbying was more a game played in smoky Wellington bars, as without social media and advanced information technology, hyper transparency at pace was not an imperative.

As our world has become information rich, a farmer wanting information on winter rotation planning for their dairy herd or hogget lambing, can simply google the concept and information will appear. The availability of supporting video content has been accelerated by Covid-19 and social distancing, so the 'tell me and show me what this means' function of a fieldday is also available online when farmers want it.



## Catchment Groups

Building on evolutionary biology theory above, a major theme in the interview responses was the effectiveness of local community groups in encouraging change. In response to the water quality rules over the past decade,

**local community groups have emerged as a successful mechanism to enable rural communities to connect and improve environmental outcomes.**

Throughout New Zealand, these groups have undertaken physical works at increasing scale as a means to improve water quality and control their own outcomes.

Community-based co-management is an academic concept I came across when completing my Master of Marine Management in 2007 at Canada's Dalhousie University (Charles, 2008).

Community-based co-management aims to merge government and science with community needs, aspirations and knowledge. Initially a concept in development studies, the approach to natural resource management has increased community cohesion, improved environmental outcomes and resulted in better long-term resource or natural capital management.

In Canada's maritimes and fisheries management, the driver for community-based co-management was triggered by the cod fishery collapse as a result of over-fishing. Exploitation of this public good had significant impact on communities. The solution was for the community to be given increased jurisdiction around resource management as the fishery recovered and as lobster numbers boomed in response to the absence of cod.

Community-based catchment groups in pastoral landscapes are having a similar impact, with local decision making and action resulting in improved results. Critically, development of the community-based approach has been key to agency being assigned to those that are impacted by change and therefore, enables landowners to feel more in control and manage change better.

To date, the community-based models have largely focused on riparian planting and farm environmental planning. Increasingly, groups like King Country Rivercare are facilitating community capacity building with GIS and other training events. Partnership with levy bodies is common practice. When examining systems and structures, what opportunity exists for the community-based approach to expand its mandate.

**Does local government restructuring, including Three Waters reform, offer opportunity for catchment groups to have greater governance and management responsibilities for their taonga?**

**It seems a more exciting opportunity to be looking after the health of our natural resources and the communities that live in them, than water infrastructure and roads.**

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## Economies of Reform

Mentioned elsewhere within this report is the significant change that is occurring within the New Zealand public services including local government, healthcare, tertiary education and Three Waters. With such systemic change will come opportunity. The response that this provides an opportunity for agriculture to change was balanced with a view that the degree of change is so significant at present that additional change would be too much, and familiarity offers value.





## Conclusions and Recommendations



## Conclusions

Through Fit for a Better World, New Zealand's primary industries have an origin story which, when told in conjunction with sector-specific marketing material, i.e. Taste Pure Nature, has the potential to provide a unifying and aspirational vision.

Should He Waka Eke Noa prevent Agriculture's entry into the ETS, a significant amount of money will be cycled through the primary sector to re-invest in initiatives to lower the pastoral sector's contribution to New Zealand's greenhouse gases, as a means to transition agriculture to being producers of products that are best for the world. This will require the formation of a new organisation in its own right, and it is considered that this change should be taken advantage of.

Our current systems require structural adjustment. Improved collaboration in pastoral agriculture is acknowledged to be reducing the uncomfortable situation in which one sector believes the other has thrown it under the bus (mainly in reference to dairy, sheep and beef around environmental reform).

Through He Waka Eke Noa a start has been made, yet we have not addressed the systemic limitations which create silos and necessitate costly collaboration. Our progress to improving behaviours may well have plateaued.

The Commodity Levies Act as legislation and the bodies it creates do many things well. Established to support the provision of public good activities where market failure or near market failure presides, advocacy and lobbying are now key components, but are not examples, of market failure.

Membership organisations worldwide perform this activity in a range of situations, and the ability for Groundswell to form quickly and be effective in building an audience and a following confirms advocacy is not limited like the provision of public goods.

In New Zealand, pastoral levy bodies carry out a range of functions. Evolution to include advocacy is the result of the pressure for environmental reform. From analysis of the Australian, United Kingdom and USA systems, this is not typical, with the work of levy bodies separated from political advocacy work either by law and/or structure.

The mixing of lobbying/advocacy and traditional levy activity creates confusion for farmers and stakeholders (including shareholders, but also government, R&D community etc.) as to the role of the levy. As this confusion permeates, work in the public good space can become tainted, as the advocacy and lobbyist function takes prominence in the public discourse due to it being more suited to a click bait media.

With bandwidth constraints evident across our economy, we need structures that support people to maximise their contribution by having a greater focus on arrangements that promote efficiency, potentially at the expense of representation.



# Principles of a Food and Fibre System Restructure

The principles upon which a revised system would be based are as below:

## Start with Economic Principles:

If the Market will pay, let them. If there is an opportunity for free riding, avoid it and implement forced riding via levys such as those created under the Commodity Levies Act. Political lobbying should not be subject to forced riding because politically, farming is increasingly diverse and membership organisations are not restricted from forming to operate effectively in these political environments.

## Focus on Structures and Systems for High Performance:

Create structures and systems which support teams to perform to their best. Reduce the reliance on behaviour and collaboration, ruthlessly focus on the future.

## Decouple Advocacy and Extension:

The target audience for the flow of information is opposite for extension and advocacy/lobbying. The former takes information, knowledge and best practice to support farmer activity, on-farm or in the market. Advocacy reflects farmer sentiment and directs it towards influencing government. Both deliver value to farmers, although neither are feedback loops to the other. The aim here is to not create a situation where policy and advocacy is devoid of an intimate connection with practical farming, but rather to ensure the technical extension, which is a function of both advocacy and extension is not muddled by lobbyist politics (lobbying being a part of advocacy).

## Empower Local Community Groups:

Community-based catchment groups are successful at enabling change to improve environment and community outcomes. These geographic-based organisations place the land manager, rather than the production type, at the centre and result in the reduction of sector-based silos. As much as practicable, this local vehicle should be used as the connector or information broker at the policy/extension interface.

## Stakeholder Shift in Levy Governance (Reduced Politics?):

Rebalance the focus of levy governance from shareholder-focused to more balanced representation.

## Retain the Ability to Roll Sleeves:

Membership organisations, in contrast to levy organisations, retain farmer member focus, so sleeves can be rolled up and conflicting views with government can be had without impacting the closer relationships in other areas. Membership is more appropriate when issues are political.

## Representation and Efficiency:

Re-focus the system to be more geared towards efficiency rather than representation. New Zealand is highly democratic, we will not lose this and will naturally protect it. Democracy through farmer politics has an administrative cost and results in the unavoidable playing of politics. In a world with ever reducing bandwidth, systemic change is required to overcome this barrier.

## Closer Relationship with Government:

Over the next decade, a closer relationship with Government will be required in order to transition to the vision of Fit for a Better World. This conscious realignment of production systems will be a significant departure, from the status quo. The Government, representing market insight, will encourage agriculture to change. A new set of incentives, strange to our current systems, will emerge, as focus is rebalanced from financial capital of 'highest and best use' to one where doing our best for the motu and balancing natural and human capital more 'regeneratively' will become a priority. Our risk is that the grass roots farmer's aversion to government results in the opportunity for sustainable change being missed and relevance with New Zealanders more broadly decreases.





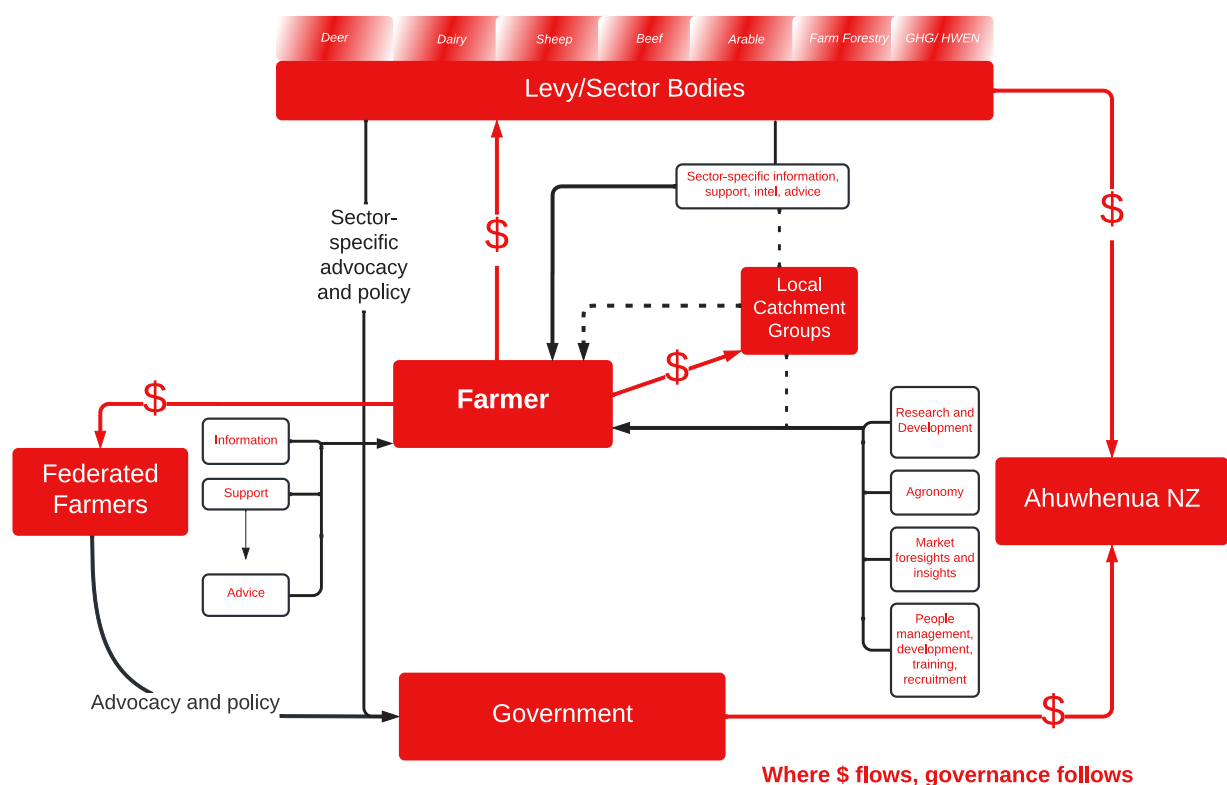


## Recommendations

So what might the future look like? As a farmer with multiple memberships and levy contributions, I am as qualified as anyone to project what a future state might look like.

My views have been formed through a number of conversations. Particular deep dives into structure occurred with Richard Green, Lain Jager, Michael Dunibier, Ruth Richardson, Nick Pyke and James Parsons. Their comments have molded my thinking, but to be clear, the below is mine and not a representation of those above.

## Future State





## My proposal for an alternative future state is as follows:

1. The Commodity Levies Act be subject to a name change and revised to specifically delineate between Public Good Activity and political lobbying. Advocacy for a sector or New Zealand agriculture in market or to consumers could continue.
2. The existing levy bodies, would become sector bodies with functions stripped back to defined areas, such as some animal health (Sheep Measles as an example), production management for sheep/beef/dairy/deer, and collection of economic and statistical information such as the continued work of dairy base or the beef and lamb economic service.
3. 'Ahuwhenua NZ' would be established as a peak body to undertake a number of common activities (horticulture would be excluded for now to manage the scale of the organisation and change). A key function would be to act as an integrator and connector of information and knowledge, to support farmers as whenua mangers.
4. Ahuwhenua NZ would have a primary goal of driving New Zealand towards the vision of Fit for a Better World. Ahuwhenua NZ would be responsible for levies resulting from pricing GHG emissions. Research and Development Functions currently performed by the levy bodies would largely be carried out by Ahuwhenua NZ.
5. Governance for the existing levy bodies would remain largely unchanged, with regionally elected farmers and relevant stakeholders (likely minority) governing the individual sector bodies.
6. The governance of Ahuwhenua NZ would be similar to the revised approach taken by the AHDB in the United Kingdom. It would include up to 13 members. Skill-based selection would preside, with nomination of members to come from the following areas:
  - a. Sector-based levy bodies (5 members - Chairs assumed);
  - b. A representative for the GHG levy revenue (1 member);
  - c. A Government-appointed independent Chair (1 member);
  - d. National President of Federated Farmers (1 member);
  - e. Federation of Maori Authorities (2 members); and
  - f. Government-appointed independents (3 members).
7. Initially levies would be collected on the basis of commodities, with a proportion of the levy to be directed to activities specifically focused on that production system, and the balance to Ahuwhenua NZ.

Over time it is anticipated that the contribution, levy or rate to the local catchment group may increase as environments become more diverse and these groups are increasingly tasked with realising Fit for a Better World objectives. Levies would remain subject to regular review so rates could be adjusted.

It is anticipated that as local government continues to reform, community catchment groups will grow in importance and community function, as activities such as Three Waters and roading are centralised and these groups become community focus points for knowledge exchange, peer to peer learning and conversation around local rural issues (extending from environmental to social and economic as our approaches become increasingly holistic).

It is also expected that contribution to the GHG levy over time would change, depending on the farm system, as a means to incentivise reduction in emissions.
8. Federated Farmers could be mandated by the commodity levy bodies to be the principal advocacy and lobbying organisation for domestic matters on behalf of farmers. To recognise this, the levy bodies might request a membership or a sponsorship arrangement with Federated Farmers, and this would look to overcome Federated Farmers conflict around free riding limitation and enable it to be better resourced to undertaking a broad suite of advocacy activity.



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# Glossary and Abbreviations

## Advocacy

Advocacy is an action that speaks in favor of, recommends, argues for a cause, supports or defends an individual or group (farmers).

Lobbying is a form of advocacy but not the only type and for the purpose of this analysis, advocacy as observed includes:

- (1) Media response, PR, and public statements,
- (2) direct lobbying at the political and policy level,
- (3) collaborating on pre-competitive industry challenges.

Not all advocacy is lobbying but all lobbying is advocacy.

Winter grazing in Southland, rules around gun storage, or pricing mechanisms for environmental emissions are topical advocacy issues.

## Extension or Knowledge Exchange

Agricultural extension is the application of scientific research and new knowledge to agricultural practises through farmer education. In New Zealand co-innovation is an adopted principle for agriculture innovation, which makes the extension agents who connect with farmers important drivers to innovation and science funding (<https://www.agresearch.co.nz/news/co-innovation-in-action/>).

Knowledge exchange includes work on applying the latest science and technology and reinforcing best practice activities.

## High Performance Team

A "high-performance team" refers to a group of goal-focused individuals with specialised expertise and complementary skills who collaborate, innovate and produce consistently superior results.

## Organisational Culture

An organisation's culture defines the proper way to behave within the organisation. This culture consists of shared beliefs and values established by leaders and then communicated and reinforced through various methods, ultimately shaping employee perceptions, behaviors and understanding.

## Collaboration

Collaboration is a working practice whereby individuals work together to a common purpose to achieve business benefit. Collaboration enables individuals to work together to achieve a defined and common business purpose.

## Continuous Improvement

Continuous improvement is the ongoing improvement of products, services or processes through incremental and breakthrough improvements.

## Systems

A system is an organised collection of parts (or subsystems) that are highly integrated to accomplish an overall goal. The system has various inputs, which go through certain processes to produce certain outputs, which together, accomplish the overall desired goal for the system.

## Structures

A structure is an arrangement and organisation of interrelated elements in a material object or system.

## Organisational Behaviour

Organisational behavior describes how people interact with one another inside of an organisation, such as a business. These interactions subsequently influence how the organisation itself behaves and how well it performs.

## Symbols

A thing that represents or stands for something else, especially a material object representing something abstract, "the limousine was another symbol of his wealth and authority".





## Appendices



**Appendix 1: Stories from the Road  
Chaotic Contemporary Scholars Conference  
Defaulting to What You Know**

**Appendix 2:  
Contributors and Persons Interviewed**

**Appendix 3:  
Author Biography**

## Appendix 1: Chaotic Contemporary Scholars Conference

*Tangalooma Island, a sandspit paradise reached by a 2 hour ferry from Brisbane, played host to our Contemporary Scholars Conference, or I think that is what it was.*

*The family-owned island resort boasting shipwrecks, breathtaking white sand beaches, dolphin feeding and sand dune surfing was deserted of it's usual Chinese tourists in March 2020, as the emerging pandemic centred on Wuhan (China) with its tentacles extending along the Belt and Road into Italy. On arrival there was a sense of change. Night one, one of my roommates arrived, opened the door, realised he was sharing a room with a Kiwi and an Aussie, went back to reception, booked his own room, so as not to disturb us, and by morning he was gone, back to Brisbane on a return flight to London.*

*By lunchtime on day two, the Kiwi contingent were hearing rumours that Prime Minister Jacinda Ardern was shutting our borders. Hysteria set in.. cue fear.. "passport holders may also not be let back in, we are going to be stranded", not yet... that would come for many Kiwis as Covid's tentacles suffocated the globe. By dinner I was the only Kiwi who remained, as decisions were made to head home before the requirement to self-isolate for 14 days was enforced. Following the 12 hours to get home, the advice was to self-isolate anyway.*

*In not heading home, I for once took my time to make a decision. In consultation with my wife Megan who has a PhD in Immunology we undertook a risk assessment to determine where the greatest Covid risk was. Literature determined it was at the airport as Kiwis from around the world rushed to beat the self-isolation deadline. The logic was congested airports were the most likely place to catch Covid. I stayed put. Megan booked my flights for Thursday and prepared a self-isolation room at home.*

*For a core group of us that remained, the music on the Titanic played for a further four days and despite the chaos, we learnt significantly from each others diverse perspectives. Surreal to be on a tropical island paradise as the world as we knew it changed so quickly around us. The learning here was that emotion and fear can cloud decisions. Stepping back and reviewing the facts with the support of a person outside your immediate operating environment can add significant value. In this case it happened quickly. This approach is one to take into a range of change situations. Change will confront you however, stepping back can aid decision making. I have applied this approach when thinking about the implications of carbon pricing on our farming business for instance.*

## Appendix 1: Defaulting to What You Know: defence, Nuffielders and doing more

**"We travel at 0800, be in the cars at 0755, we will arrive at 0840. I will be in the car in front, follow me, have your IDs ready for the gate",**

were accurate yet concise instructions from Ret. Brigadier Chris Parsons. "Also... the protocol in my old place of work is you reverse into the car parks, as you never know when you may need to get away in a hurry".

The Army had never been much to me since viewing my grandfather's World War II service medals. A green truck when fishing in the Central Plateau scarce reminder of it's important presence to the maintenance of our global relationships.

This changed as Chris, still respectfully referred to as 'Boss' by former colleagues, shared small parts of his previous life, network, leadership learnings and one-liners.

The Belt and Road, global geopolitics, the importance of the South China Sea and the strategic intent of China were all presented to expand our minds in the absence of physical travel. Sharing of these readings opened our minds to the importance of geography and history, and how basic principles of strategy are applicable to a range of broader situations, including thinking about the opportunity for geography and the natural environment to play a greater role in determining the way in which farmer industry good in structured in New Zealand.

What was really exciting was that we were provided the opportunity to meet with elite military operators and leaders, to share our perspectives of agriculture with their quite different set of perspectives. What we observed was day-to-day high performance. We could not take a recipe away from our interactions, but small things such as the importance of history and tradition had significant overlap with agriculture. It was a mindfulness of the past that provides perspective to the future.

Culture was clearly carefully cultivated and guarded, symbols were powerful and on obvious display. It was apparent that this culture, coupled with attention to basics (polite, prepared, punctual) and being battle ready, enabled these units to perform with success in the most VUCA of environments (counter

terrorism as an example). The culture was one of utmost respect.

Walking away from the experience, aside from thinking it could be an apt time to find the running shoes, chin up bar and rifle target again, it was impossible not to think about what the basics of our own operating environments are.

### **What did battle ready look like in agriculture or advocacy, and what were the everyday basic habits and symbols that could be created to deliver continued success?**

The 2020 group learnt what breaching trust means when arriving to Invercargill for a group debrief on our roadie. We had snuck another interview into a tight schedule and were late for a facilitated catch up at noon.

This was unacceptable and the Boss told us so directly. The 30 minutes of lateness could be made up later into the night. That wasn't the point. We had disrespected other members of the team by being late, we were not dependable or reliable and that was unacceptable. An SMS saying we were late was not good enough, we made a choice to be late, it was not a break down, we selfishly snuck in more, did not allow enough contingency time and were late.

Saying no to an additional meeting was what we should have done. Saying no would have allowed the required time,

### **saying no is the simple action that starts to unblock the bandwidth constraint.**

## Appendix 2:

# Contributors and Persons Interviewed

The following people I would like to thank for contributing to my Nuffield experience.

Hamish Gow  
Chris Parsons  
Richard Green  
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Nicky Hyslop  
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Nathan Guy  
Anna Nelson  
Mike Taitoko  
Ruth Richardson  
Andrew Hougaard  
Jim Van der Poel  
Bryce McKenzie  
Karen Williams  
John Carradus  
Bruce Thorrold  
James McKee  
Peter Craven  
Edward Hemming  
Penny Simmonds  
Mike Peterson  
Matt Punter  
Simon Yarrow  
Sam Judd  
Gordan McPhail  
Murray McPhail  
Gary Jones

Ian Proudfoot  
Nick Beeby  
Andy Elliot  
Murray King  
Blake Holgate  
Ben O'Brien  
Todd Muller  
Dave Harrison  
Miriana Stevens  
Kelly Forster  
James Allen  
Phil Journeaux  
Simon Wilcox  
Dacy Baile  
Ian Craig  
Nick Beeby  
Anna Powles  
Sirma Karapeeva  
Rowena Hume  
John Ladley  
Joseph Mooney  
Stephen Macaulay  
Oliver Savage  
Ruth Carter  
Patrick Malley  
Andy Macfarlane  
Antony Heywood  
James Kuperus  
Phillip Burton  
Mark Guscott

Gavin Forrest  
Julian Raine  
Hamish Murray  
John Foley  
Daniel Ebb  
David Eade  
Tracy Brown  
Ed Pickney  
James Powell  
Kate Scott  
Craig Mackenzie  
Desiree Reid-Whitaker  
Phil Morrison  
Patrick Aldwell  
James Shaw  
Martin Workman  
David Bennett  
Barbara Kuriger  
Nick Jolly  
Corina Jordan  
Steve Carden  
Lain Jager  
Nick Pyke  
Keith Neylon  
Euan Matheson  
Chris Garland  
Germania Nicklin  
Michael Dunbier  
Alex Gowen  
John Royle





## Appendix 3: Author Biography

Phil Weir is a Waikato sheep and beef farmer. Google Map search Harapepe and you will more than likely find Phil. Holding a Master's degree in Marine Management from Canada's Dalhousie University and a Bachelor of Social Science from Waikato University, before taking up farming, Phil has worked in environmental science, research and development, commercialisation and intellectual property management. Phil completed the Kellogg rural leadership programme in 2016 and is currently an Agribusiness consultant with AgFirst (Waikato) where he focuses on helping a range of clients consider land use diversification and has done a number of industry scale projects funded on behalf of National Science Challenges or the Regional Council. Phil is currently the Chair of Beef and Lamb Mid North Island Farmer Council.





**NUFFIELD**  
NEW ZEALAND  
FARMING SCHOLARSHIPS

Global vision,  
leadership and  
innovation