

Rewarding Sustainable Practices

Introducing the Value Chain Compass

Developed by the AERU and funded by Our Land and Water
thevalueproject.nz



Key Question

How can New Zealand food
and fibre producers be
rewarded for investing in
sustainability?

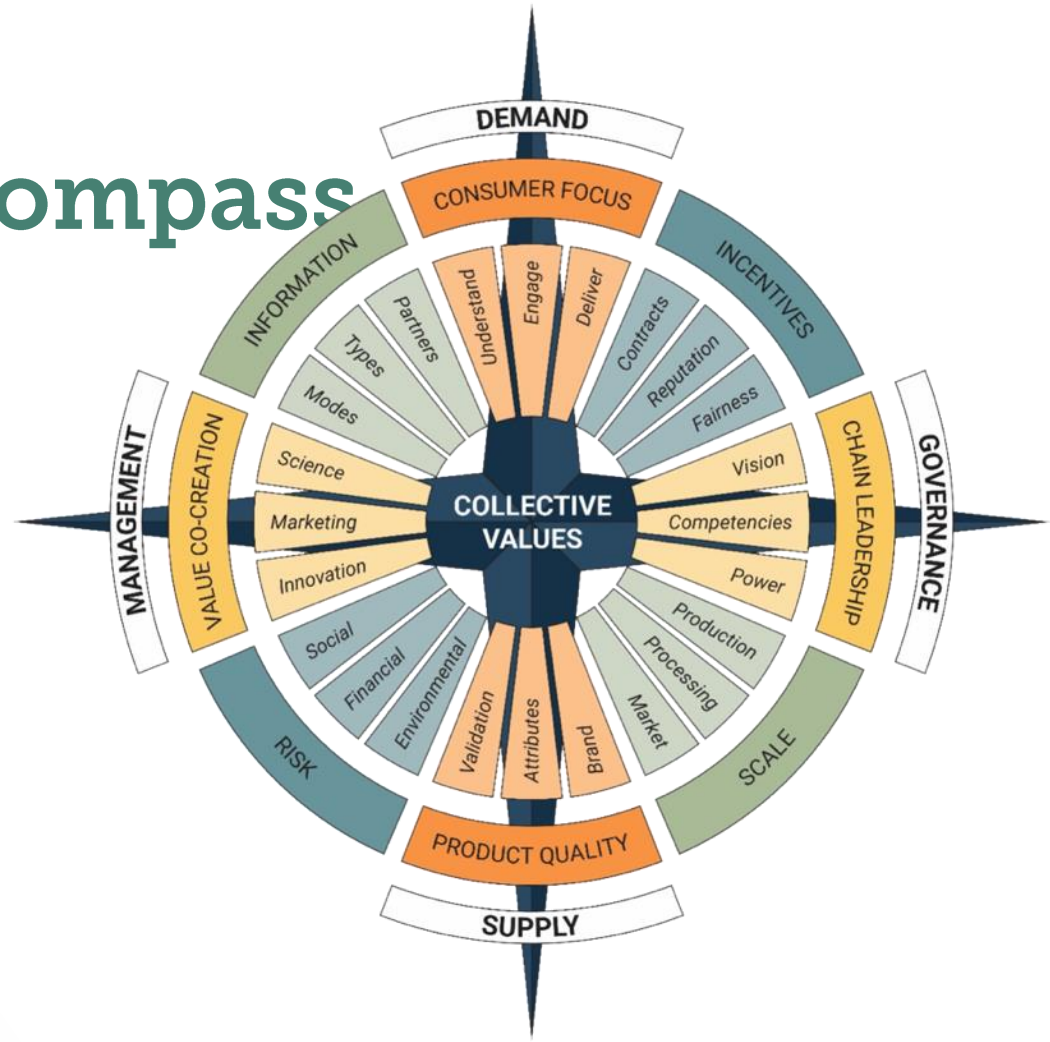


Introducing the Value Chain Compass

Researchers from the Agribusiness & Economic Research Unit (AERU) were asked by Our Land & Water to investigate the role of value chains in rewarding the sustainable practices of New Zealand producers.

The AERU studied more than 11 exemplar exporters and identified nine attributes that set these value chains apart.

The Value Chain Compass summarises those insights. It's a tool to help managers reinvigorate their own value chains – starting with collective values at the core and establishing a premium in the minds of overseas consumers at the end.





Play video online <https://vimeo.com/776877531>



Collective Values



Collective Values

Value is used here in two senses:

- **Economic value**, measuring the value chain's contribution to social wellbeing through providing goods and services at a price greater than the cost of production.
- **Social and cultural values**, reflecting norms and practices that are considered by a community to be an essential part of leading a good and meaningful life.

Collective values, in both senses of the word 'value', act as glue in a value chain. Unless the value chain is able to create and sustain collective economic value, for example, it is not viable and will not endure.

Collective social and cultural values strengthen bonds along a value chain from the producers to the consumers, and also contribute to collaborative governance and management of the value chain.

Kono Wines

Some quotes from its website:

- “Thoughtfulness, kindness and hospitality are central to our identity as Māori.”
- “One of our core values, manaakitanga encapsulates care and respect for people and relationships, including the natural environment. It governs the way we interact with one another. An essential part of Māori culture is our desire to feed and nurture people. Sharing food is a traditional way of bringing people together. We demonstrate our love and respect for people by providing them with outstanding food and wine.”

These values feed through into the way Kono Wines manages its value chains; e.g. by inviting overseas distributors for a Marae experience.



Taupō Beef and Lamb

The research team held key informant interviews with participants along the Taupō Beef and Lamb value chain.

A feature of this experience was that the participants typically had values statements displayed on their walls.

These were closely aligned, committing each organisation to providing quality food and a great experience to the final consumer.

This led to collaboration along the value chain to deliver that great experience; for example, a distributor in Japan travelled to the New Zealand processor to train its butchers on how to cut the meat exactly to meet the expectations of premium consumers in Japan.





Consumer Focus



Consumer Focus

The price final consumers are willing to pay drives all value in the value chain.

Hence, a value chain needs to understand how different groups of consumers in its markets value different attributes associated with the value chain's food and fibre products. This allows the value chain to:

- Understand market segments willing to pay a premium for attributes associated with its products.
- Engage with consumers to describe its products' attributes in ways that its consumers will understand.
- Deliver on the claims it makes about the attributes of its products through trusted systems of validation.

Zespri Kiwifruit

Zespri has created a taste management programme called 'Taste Zespri' based on research of final consumers on their preferences.

The aim is “to grow and deliver the best-tasting kiwifruit to the world”.

This is backed up by incentives to growers to deliver kiwifruit that has the taste characteristics consumers are looking for.

Also responding to consumer expectations, Zespri has delivered a strong commitment to ‘Sustainability – the Zespri Way’.

This is communicated through a public [*Kiwifruit Industry Sustainability Position Statement*](#).



Reefton Distilling Gin

Reefton Distilling Co recognise that they are selling a story to appeal to a particular group of consumers who value what that story represents.

The company has created a visually very attractive e-book on 'Our Story', whose preface from Founder Patsy Bass finishes with:

“There is something about the spirit of the West Coast and its people. They have always had belief in themselves, a can-do attitude and they are not afraid to get behind a new idea. Reefton was an entrepreneurial and prosperous place in its early days, and we in turn plan to add the success of Reefton Distilling Co to the history books.

The story is designed to appeal to New Zealand and to international consumers.





Product Quality



Product Quality

Consumers pay a premium for a product only if they value it as a quality product. Quality begins with characteristics such as appearance, taste and texture.

Quality also involves attributes that the consumer has to accept on trust, such as food safety, nutritional value, animal welfare, environmental stewardship and social responsibility.

Many products also present a strong narrative around cultural authenticity valued by consumers. Thus, a value chain must pay attention to explaining key aspects of its product quality:

- Defining the quality attributes of the product.
- Having trusted validation mechanisms for the attributes.
- Building a trusted and valued premium brand.

Synlait

Synlait created its 'Lead with Pride' programme to recognise and reward its suppliers who achieve dairy farming best practice.

- Lead with Foresight certifies environmental standards.
- Lead with Care certifies animal health and welfare.
- Lead with Greatness certifies milk quality.
- Lead with Integrity certifies social responsibility.

Farmers can earn a premium over and above the base milk price through the Lead with Pride programme.

The website explains, "Our differentiated milk supply enables us to manufacture speciality products with a higher value."



Manawa Honey

Manawa Honey won an international prize for one of its honeys in 2021.

Its Rewarewa Honey won Grand First Prize Winner of the 10th Black Jar International Honey Tasting Contest held in Asheville, USA, 2021.

The Manawa Honey website describes this honey as “undoubtedly an outstanding honey that comes from the honeysuckle tree indigenous to New Zealand.

We have great groves of the Rewarewa tree in parts of our forests of Te Urewera, that give us a rich amber full-flavoured honey that consistently won the judge’s favour in this competition. We also think of our Rewarewa Honey as ‘beyond Mānuka’ as it is packed full of health-giving properties, from anti-biotic and anti-oxidant to anti-inflammatory.”





Chain Leadership



Chain Leadership

A key responsibility of governance is chain leadership. Typically, one of the partners in the value chain acts as chain champion.

The chain champion has a deep understanding of the chain's target consumers and product quality, as well as the collective values along the value chain.

The chain champion often has the primary responsibility for protecting the integrity of the value chain's brand. The chain champion leads the processes of:

- Defining the vision or purpose of the value chain.
- Determining the competencies need by the value chain to achieve its vision.
- Addressing issues of power within the value chain.

The New Zealand Merino Company

The New Zealand Merino Company website states that “NZM’s simple mandate is to enhance our brand partners businesses and create a loyal tribe of ethical wool aficionados”.

It continues: “Over the last 15 years we have partnered with leading global brands across varied market segments; luxury, fashion, active outdoors, children's wear and interior textiles. We have been fortunate to establish long-term relationships with the best. The best have high expectations of us, which keeps us on our toes to keep getting better.”

It has programmes for its “Grower Heroes”, including providing knowledge on how to grow fibre that’s fit for market contracts.



Pegasus Bay Wine

Pegasus Bay Wines were pioneers of local grape growing and wine making in North Canterbury, New Zealand.

They were a member of 'The Family of Twelve', which was a fraternity of twelve of New Zealand's most prestigious and enduring artisanal wineries. This initiative is ending in February 2023.

Founded in 2005, the Family's vision was to nurture long term relationships with an emphasis on education both at home and in key export markets.

“We are a family of twelve siblings with one voice and one purpose: Clarity in a crowded wine world.”





Value Co-creation



Value Co-creation

A feature of food and fibre value chains is that creation of value for consumers requires collaboration among the partners of the chain.

There is no premium, for example, if producers invest in strong environmental stewardship but retailers do not allow this attribute of the product to be seen by potential purchasers.

Consequently, a key task for management of the value chain is fostering collaboration for co-creation of value. This includes paying attention to:

- Science to create and validate new sources of value.
- Innovation to implement new sources of value.
- Marketing to make new sources of value visible to the chains final consumers.

New Zealand Red Meat Exports

The Taste Pure Nature origin brand is an example of value co-creation.

It was researched, developed and implemented by Beef+Lamb New Zealand, but the sellers of product are the various meet exporters.

Taste Pure Nature origin brand is a digital media campaign in the US and China to introduce the “Conscious Foodies” target market to the provenance of New Zealand beef and lamb.

“Our Taste Pure Nature origin brand will be used as a global brand platform to underpin exporters’ marketing programmes and enhance the positioning of New Zealand red meat. It has been developed in partnership with meat processors and farmers.”



Ngāi Tahu Pounamu

Ngāi Tahu Pounamu creates an on-line value chain from the original extraction of a pounamu stone to the artist who carved the final piece and then to the wearer, in Aotearoa New Zealand or overseas.

The value is underpinned by a commitment to cultural authenticity, that elevates genuine Ngāi Tahu Pounamu above cheaper alternatives made available in some retail outlets.

The value comes from the collaboration of all the actors in the value chain, including the people who maintain the website and the people who administer the unique traceability code for each piece.

“All genuine New Zealand Pounamu prominently displays a mark of authenticity and an exclusive trace code. When entered online this code identifies the origin and whakapapa of the stone.”



Risk



Risk

Additional risk are associated with the food and fibre sector:

- Weather and climate change
- International logistics
- Disease, pests, pandemics

What mechanisms and information flow exist to identify those risks and prepare for them?

If there are are disruptions what agreements exist between the partners that make the supply chain resilient?



Information



Information sharing

Information sharing consists of the what, how and who.

- Value chains face a problem of sharing up and down the chain due to the separation of the players in their business and silos
- This includes sharing the right information with consumers in the right way, at the right time
- A special challenge for NZ is overcoming the distance to market and the huge cost of doing market research overseas
- Beef & Lamb is a good example of sharing those costs across an entire sector, providing critical information to the individual players at a fractional cost



Scale



Scale

Scale is a direct result of the relationship between the size of the market and our ability to produce supply for that market

As a small country, we typically are suited to supplying niche or artisan markets but there are executions, notably dairy and kiwifruit

Large scale implies smaller margins and emphasis on efficiencies and operational excellence

Smaller scale implies branding premium and artisan values

Both are legitimate options; either way the value chains needs to work in concert to align the production volumes with consumer demand



Discover more at thevalueproject.nz