

# Food and agriculture



New Zealand is being recognised internationally for the way the virus has been managed and the outcomes that have been achieved, which is reinforcing the global perception that we are a safe country. We have always been a high integrity producer and the response to the virus has seen organisations focus on doing the right thing, recognising that you can survive a drop in productivity but tend not to survive a drop in integrity.

New Zealand can position itself as the trusted supplier of safe, sustainable food, however this requires rapid investment in the technology solutions that provide consumers with necessary visibility over the provenance and traceability of the product.



In a world where change at historically unprecedented rates had become a way of life and organisations have built capability to handle continuous change, the last few months has seen businesses making major, and at times existential, decisions on a daily basis.

Decision making has had to be instinctive, reactionary; and there has been little hard data to rely on. However, as conditions stabilise the time to move forward and start thinking more about how to navigate the 'now normal' is here.

The sector has been privileged to trade through the lockdown as an essential industry. Food and fibre is the only sector positioned to lead our national economic recovery, meaning the need to step into this next phase of the crisis and the commitment needed in responding to the 'now normal' will not just determine organisations' futures and that of the sector but will play a big part in shaping the length and depth of the recession that New Zealand experiences.

### **History will record that this crisis came from a food safety failing**

Conspiracy theories offer a variety of explanations for the pandemic. In its simplest form, most are likely to consider that the pandemic came from a food safety failing which will undoubtedly result in consumers placing greater focus on trusted, traceable and safe food when making purchasing decisions.

### **The pandemic has highlighted the risks of globalisation**

Governments around the world initially responded to the pandemic by imposing controls at their borders to limit the flow of citizens, visitors and the virus entering the country. These restrictions impacted cross-border activity and clearly highlighted countries who rely on global sourcing for essential products including food, medical supplies and, most notably, personal protective equipment. The limitations of globalisation have been brought into focus and we are now observing incentives being offered by governments to accelerate onshoring of critical industries.

### **Industries that depend on migrant labour will need alternatives**

There had been a stigma attached to a career in food production and processing; jobs were seen as being low skilled, low paid and done by those who have less employment options. While such perceptions are far from the truth, it had made it difficult for organisations to recruit the labour force they need. If borders are to remain closed for the foreseeable future and travel is less free and significantly more expensive it will mean transitory labour will not be available to organisations, requiring them to rethink resourcing strategies. It is an opportunity to accelerate robotic and mechanised solutions to off-set the 5-50% drop in productivity industries experienced with social distancing measures being put in place, and the labour challenges which now exist.



### **Recovery will come from putting the consumer at the centre of the 'now normal' future**

By putting your consumer at the centre of planning and making the effort to understand how they are interpreting what has happened and what their 'now normal' looks like accelerates the rate of recovery. It is essential that the consumer is at the centre of planning, making the effort to understand how they are interpreting what has happened around them over the last few weeks and what their 'now normal' looks like. Understanding what has happened to their jobs and income, how they feel about safety of the community they live and operate in gives guidance to new needs and the creation of new products and services. While much has changed, the necessity to put their needs at the centre of your business is one thing that remains absolutely consistent with years gone by.

One of the challenges in this situation is that we can't tie our current circumstances back to any relevant historical data points. It is critical we look at the environment around us with eyes that challenge what they are seeing rather than taking things at face value and tying them to pre-existing conventional wisdom. While experience is a strength, this is also a significant drawback as it conditions how we see the world around us. Given the disruption and the fact no one has worked through a similar period in history, there is no better time to draw on diverse opinions and break our educated incapacity. It is time to engage with young people in your business and use their talents, and ensure you engage with people that bring diverse opinions to the table due to their backgrounds, training and experience so that you are exposing yourself to a range of perspectives on what the future could look like.

### **Food security becomes a high priority for all governments**

Outside of OECD countries, food has always been a priority for governments as their ability to secure enough affordable food is often the difference between maintaining order and ultimately power. It is apparent there has been a lack of access to adequate nutrition for some social groups, predominately due to cost, reality is that in recent decades food supply has been secure and resilient for the majority of the population. This reduced the priority governments placed on developing national food strategies to ensure a secure food supply for the population. In recent weeks, challenges associated with maintaining a secure food supply have come into focus. People across the world have been unable to access affordable food, faced significant nutritional insecurity for the first time in their lives, and at minimum, doubled demands on social agencies and foodbanks. The limiting of social interaction highlighted the many ways people access food, specifically the significant volumes of food that are accessed outside of the mainstream supermarkets.

It is unlikely governments will be willing to be as laissez-faire in respect of food security as countries emerge from the pandemic leaving the door open to re-evaluate our value-proposition as a net exporter. It is important to understand how this has affected our export markets, to be able to decide what new operating models we would like to negotiate and execute on.



## Social isolation has accelerated the uptake of digital solutions

The imposition of social isolation has seen an explosion in consumers using digital channels to source food. Many consumers chose to use these services for the first time, to avoid queuing or for their personal safety. Many retailers lacked the capacity to meet the demand for click and collect and delivery services, with waits of three weeks or more not being uncommon, resulting in rapid moves to expand these services. It has created an opportunity for food producers to connect directly with consumers for the first time, many introduced new digital B2C channels or scaled up an existing service in response to this unprecedented demand. The many food businesses supplying food through minimum viable digital services that enabled them to continue to operate through lockdown, now need to refine this if the shift to digital becomes permanent for many consumers.



## Food availability will no longer be taken for granted

The availability of food in developed countries has largely been taken for granted since World War II. The need to queue to get into a supermarket, only to face empty shelves and shortages of staples has undermined this belief. Add to this the inability during lockdown to go out for dinner at a restaurant or grab something quickly from a takeaway has meant that people are appreciating food more than they have done in decades. The lockdown contributed to a dramatic rebalancing of food spending, as families self-cater three meals a day, seven days a week. In 2015, for the first time in history, more food was consumed outside the home than prepared at home however this has reversed spectacularly in the first quarter of 2020. It's unlikely that food consumed outside the home will recover to pre-crisis volumes soon, suggesting there are likely to be changes in how food is designed into our lifestyles in the coming months.



RESET



## Consumers seek products that build immunity and support health

The importance of our health has never been in such sharp focus and consequently it is not surprising that consumers are thinking more about the foods they eat and the impact these have on their long-term health and wellness. Product attributes guiding consumer decisions has been highlighted regularly in recent years. It is apparent consumers are prioritising diet and lifestyle choices that will boost immunity and minimise the risk of them and their families being infected by the virus. Consumers, particularly in Asian countries, recognise the connection between the food they eat and their health outcomes for millennia and have long been discerning consumers when it comes to the health attributes of a product. Connecting a food product to a health benefit in a scientifically valid way, particularly one that enhances immunity to viruses, we expect will become a significant value driver in the coming months.

## Activist campaigns and the global food system in recent years, opportunity for a reset

Today, people recognise the fundamental role food plays in society, however recent years global food systems have been the target of more activist campaigns than any sector except petrochemicals. Challenges have covered everything from animal welfare to the use of genetic technologies, the impact of agriculture on developing communities through to its impact on the climate, land and water. While the world has consistently demanded more food, the expectation has been that this will be produced in ways that are more ethical, sustainable and safe.

These challenges gain momentum when there are no concerns about food availability. Wider recognition that food supplies are not as secure as they have appeared and that food choices and production systems that impact health outcomes, has seen farmers, growers and fishers repositioned from exploiters of natural resources to essential workers.

This presents an opportunity for the food industry to reshape the narrative surrounding the food supply, whether people still recognise this next year or in a decade depends on how the industry globally explains itself to the world in the coming weeks and months.





## Regaining confidence in the safety of the environment will take time

The spread of the pandemic has been accompanied by governments informing citizens about the risks inherent in everyday environments and the comparative safety of home. Food courts, street markets, bars and restaurants have been closed because they are vectors for the transmission of the virus. Having been confined to our homes for everything but essential activities, it will take many people significant time to rediscover the confidence to move freely within and interact comfortably with wider society as the risk associated with the virus dissipates.

COVID-19 is in some respect an unusually virulent disease, however it is by no means the only transmittable disease that exists within our environment, raising questions as to whether some of our day to day practices will ever be socially acceptable again in a world that is more aware of its health than ever.



## The economic impacts of the COVID-19 downturn will be long lasting

While the (very) early economic indicators suggest the economic fallout from locking down the world are unlikely to rival the great depression in terms of damage there are few other positives to draw from a sea of red indicators. It is clear that many countries are facing significant increases in unemployment, large reductions in GDP, higher government debt, a return to quantitative easing and reduced export receipts. The extent of the economic damage will depend on how quickly society controls the virus, the longer a treatment protocol takes, the greater the risk of second and third disease peaks. If a vaccine or antiviral treatment is identified quickly the likelihood is the world will experience a deep 'V' recession but return to growth within the year.

We know this will be a bigger shock to the economy than the global financial crisis, so having spent much of the last decade recovering from the GFC it is important we take the learnings from that experience on board and action them.

It is critical at a time like this, countries, be it their governments or businesses consider all levers they have at their disposal to counter the effects on their economies. It means using levers that are not often thought of or considered, such as subtle national currency strategies to support exports, or repurposing existing agencies to fill expected contraction in services such as credit insurance. Could the NZECO be streamlined to ensure exports are unconstrained?

It could be shadowing between industries such as digital and primary exports to transfer of knowledge and experience, or co-opetition models, even in fiercely competitive industries to solve critical challenges that are impossible to solve independently but critical to survival. It has the potential enhance New Zealand's perceptions globally, demonstrating consistency and integrity as a country.

When looking back, it was those that were bold in refocusing their business and prepared to continue to invest in income creation that recovered fastest and took advantage of the opportunities major disruption inevitably creates.

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## The agenda for immediate action

Having moved past the initial shock of the lockdown and the significant changes that have reshaped daily lives, strategy needs to be reviewed considering the 'now normal' to grasp the opportunities that disruption offers. Organisations that got ahead of change rather than being led by it came out of the GFC faster and stronger. Now is the time to radically accelerate plans that enhance your position while being prepared to cancel projects that have become irrelevant.

It is important to recognise that the change we have experienced is so extensive that plans that had been discarded as impractical or impossible may now be achievable.

Now is the time for organisations to be bold in the investment decisions they choose to make.

This initial analysis of change across the agri-food system and what it may signal for the future suggests an agenda for immediate action:

1. Rethink how international trade is executed to ensure that it is inclusive and focused on providing food resilience and security so that communities do not believe that protectionism is the only appropriate course of action.
2. Explore opportunities to work collaboratively with other organisations to present new product options to consumers around the world.
3. Review product innovation strategies to meet the needs of consumers that are likely to have less money available to spend, spending less time on the go and more time working from home.



4. Participate in partnerships of government, community and commercial organisations in an attempt to minimise the percentage of the population that become long term food insecure as a result of the pandemic, as the first step towards the development of a national food strategy that provides all New Zealanders with a secure supply of nutritious food.
5. Assess the approach used to analyse risk facing an organisation considering the pandemic, with a view to utilising more advanced dynamic risk assessment models that identify the interconnectedness of individual risks rather than considering each in isolation.
6. Recognise the digital channel has become a primary front door to a business as a result of the pandemic and ensure that processes are designed, and resources allocated to present a digital consumer experience that delivers on an existing brand promise.
7. Analyse every step of a customer's experience with a business through a COVID-19 health and safety lens and where necessary implement new processes, products and services to ensure every customer feels confident and safe engaging with the business into the future.
8. Implement or enhance systems that connect with consumers and provide them with the trusted information that they want to know is available on the provenance and safety of the products they are considering buying.
9. Plan labour requirements for next season now, assessing what can be automated in the short to medium term while building alliances with other organisations across the sector or government agencies to implement schemes to attract and train the people required.
10. Provide exporters with the equipment and insurance to sell and export with confidence, by introducing schemes to secure container availability and provision of government backed export credit arrangements.
11. Accelerate work to verify the health claims associated with the food products that we produce with a particular focus on claims connected with enhancing an individual's immunity system.
12. Prioritise recovery initiatives that are able to be delivered in a way that improves an organisation's GHG emissions profile, so progress is made in an affordable way, towards zero carbon aspirations.
13. Support the deployment of government economic stimulus into infrastructure and projects that strengthen the food and fibre sector's long term economic and environmental resilience.

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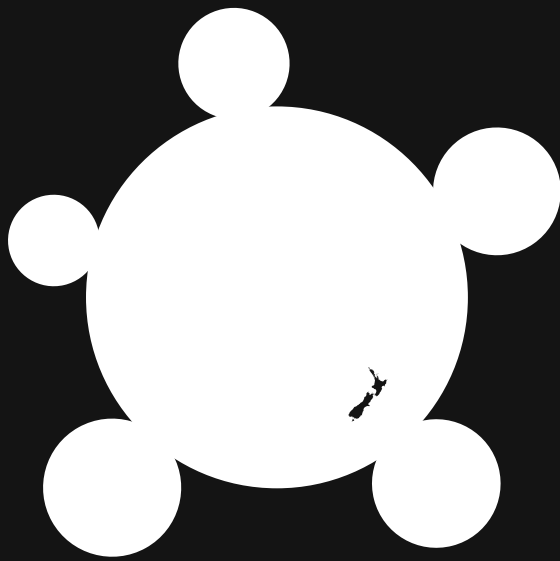
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