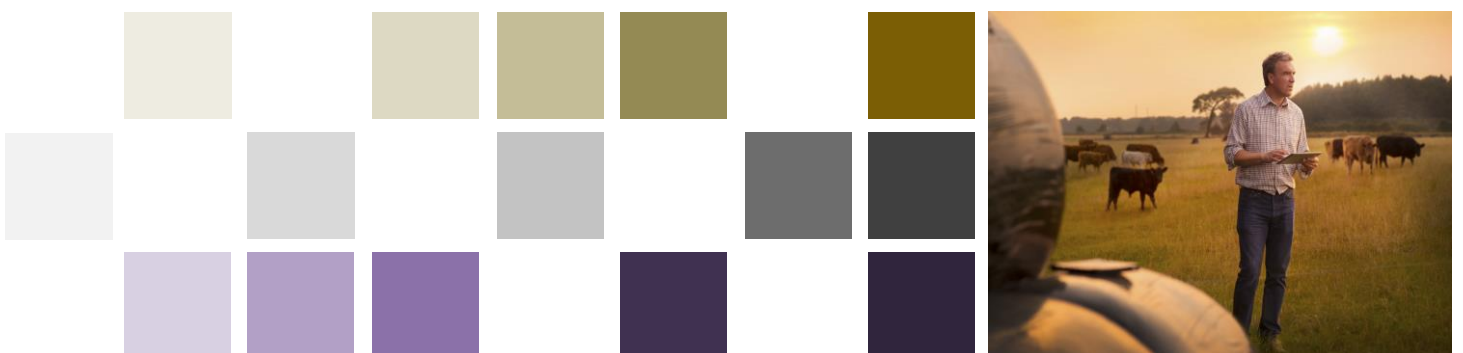


Final Evaluation of the Red Meat Profit Partnership

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1. Introduction

This report has three objectives as follows:

- to investigate the outcomes of the Red Meat Profit Partnership PGP programme (RMPP) and assess what was accomplished by the programme and what its benefits to New Zealand are likely to be.
- to review how well the programme was executed and governed.
- to identify any lessons that would benefit other Ministry for Primary Industries (MPI) investment programmes and the SFF Futures programme as a whole.

The RMPP programme was a partnership between MPI and a consortium of Beef + Lamb New Zealand and eight industry partners – 6 meat companies and 2 banks:

- Alliance Group,
- ANZCO,
- Silver Fern Farms,
- Greenlea,
- Blue Sky Meats
- Progressive Meats
- Rabobank
- ANZ

The seven year programme commenced in November 2013 with the aim of investing \$64 million over seven years, with MPI's 50 per cent share being up to \$32.15 million. The programme was completed on 31 March 2021, ultimately costing \$59 million.

The goal of the programme was:

to drive sustainable productivity improvements in the sheep and beef sector to deliver higher on-farm profitability.

The RMPP programme was developed from research, farm pilots and input from farmers and rural professionals and from the meat industry. It consisted of five key work programmes designed to help farm businesses make the on-farm changes needed to achieve this goal. These were:

- extension and adoption
- people and capability
- resources and tools
- assurance and provenance
- supply and procurement.

The original RMPP business case set a target to raise total sector profitability by \$284 million per annum by 2025. This was equivalent to an increase in EBITRm¹ of \$34 per hectare² over the expected 8.3 million commercially farmed hectares for beef and sheep by 2025.

Our evaluation investigates the key questions set out above.

¹ Earnings before interest, tax, rent and any wages paid to a manager (actual or family). Source: RMPP “A core set of KPI measures for red meat farming businesses”, page 3.

² We believe these both these values are a nominal, so not discounted.

2. RMPP's activities and likely benefits to NZ

RMPP was an ambitious PGP programme that sought to tackle a wide range of red meat sector issues and opportunities which had been canvassed in the earlier 2011 Red Meat Sector Strategy (RMSS). It was formed from a consortium of Beef + Lamb New Zealand and eight industry partners – 6 meat companies and 2 banks and MPI. The numbers of partners and the breadth of activities within the programme were to prove both a strength and a weakness. The strength came from providing a forum for the sector to be able to tackle and resolve some common challenges. The weakness was that it meant, particularly in the initial years, that there were multiple agendas to reconcile and activities to triage for their likely value.

2.1 Forum for tackling industry challenges

By 2021 RMPP had achieved some notable successes. Providing a forum for tackling common challenges had allowed RMPP to pick up some long running ones and provide good solutions or materially advance them. Examples of these include industry coordination problems such as farm assurance which was successfully addressed by the creation of NZFAP by RMPP. Its follow-on project, NZFAP+ is also likely to be a long run asset for the sector. RMPP also appreciably advanced two other important initiatives: the electronic Animal Status Declaration app, removing paperwork and simplifying the process and Triple O programme, which provided economic benefit as well as improving relationships and the understanding of perspectives between the meat companies and MPI VA personnel.

2.2 Extension and adoption – Action Network

The objective of the extension and adoption programme, which accounts for almost half the forecast benefits of RMPP, changed during the seven-year Primary Growth Partnership (PGP) Programme. The initial intent was to develop a new extension framework for the sector, but it ultimately designed and implemented a small group extension activity called Action Network. Early research in this programme provided very good information on farmer needs, farmer segmentation and different approaches to achieving practice change. This was followed by a pilot trail of three contrasting extension approaches which exposed the partners to the realities of extension and adoption. In 2018, halfway through the PGP Programme, RMPP rolled out its Action Network approach with the aim of building farmer confidence to change practices. This approach involved small groups of 7-9 farmers (Action Groups) and funding was provided to contract group facilitators and bring in subject experts.

By March 2021, 216 Action Groups had been established, involving 1850 farm businesses and 90 trained facilitators. At the time of this evaluation there were 103 active Action Groups, and it is predicted that this number will stabilise at around 40-50 groups. Beef & Lamb NZ has the responsibility of facilitating the ongoing promotion and implementation of the Action Network approach, but it does not have the resources to maintain the momentum that RMPP achieved. The Action Network approach is now integrated into B&LNZ's wider "Farming Excellence" strategy. Involvement of Māori farming businesses in the Action Network programme was not successful, due to the failure to engage at both governance and management levels.

RMPP created and demonstrated the value of well facilitated small group extension activities and the Action Network approach will be a valuable springboard for dealing with the looming environmental challenges of freshwater and GHG management. This is well evidenced by initiatives such as Wai Wanaka³ which has combined RMPP Action Network funding with other resources to better the environment in the Wanaka area. In our view, RMPP has proved a point and created a valuable asset.

2.3 People and capability

RMPP ran a variety of training programmes and created a wide range of online learning resources. It also pursued an assortment of activities designed to attract talent to the sector. Though difficult to estimate with any certainty, the investment in these is likely to have yielded positive returns. Some of the more popular training activities of RMPP have been taken up by B+LNZ. It is planned to continue with them, for example, the 'Taking Ownership of Your Financials', 'Pathways to Farm Business Ownership' and Facilitator training. The same is true of the online resources where the e-learning modules have increasing usage and the top 10 have average session durations of 14 minutes. The very popular 'Understanding Your Farming Business (UYFB)', 'Wāhine Māia,' 'Wāhine Whenua' and 'Future focus', aimed at rural women and at times, their spouses, and run by the Agri-Women's Development Trust has not yet been continued. While most of the talent attraction work has not been continued, the Agrigation website continues to provide schools with sector-oriented teaching tools.

2.4 Resources and tools

The resources and tools component of RMPP aimed to help farmers make more informed decisions by accessing, understanding, sharing, and applying data to increase their on-farm productivity and efficiency. These projects had a mixed performance. Four of the core projects were developed, though one did not achieve the desired outcome (DataLinker), three evolved from their original intention, and four were terminated. The successes were nProve user interface for improving access to high performing sheep genetics and the electronic Animal Status Declaration (ASD) application. Datalinker failed due to its benefits being widely dispersed, costs concentrated on a few parties and those not being able to be monetised.

2.5 Assurance and provenance

This component included:

- Supporting the country-of-origin brand 'NZ Taste Pure Nature',
- The New Zealand Farm Assurance Programme (NZFAP) which provided a national assurance scheme registering 75 per cent of farms and forecast to cover more than 90 per cent this year,
- A materiality study which investigated the issues of most importance to the sector. This supported development of NZ Farm Assurance Plus (NZFAP Plus) a voluntary standard which covers water, soils, climate, biodiversity and people management standards.

³ For further information see <https://waiwanaka.nz/projects/wai-action-groups/>

- Farm planning support tools including e-learning modules and workshops to allow farmers to better engage with and understand farm planning.
- The industry representative body, New Zealand Farm Assurance Incorporated (NZFAI), was also set up to oversee and manage assurance programmes post RMPP.
- Triple O, or Optimising Operator Ownership where RMPP funded extra pilots of a programme to improve the functioning of processing plants and MPI's verification services.

NZFAP, NZFAP Plus and Triple O were particularly successful. As is clear in the table on the next page, for a minimal cost of less than \$4.5 million, these three projects are expected to bring in considerable net benefits of circa \$58 million over the period to 2040. However, it should be noted that while NZFAP Plus can be considered a valuable resource for the future as the need for farm planning and assurance on environmental issues such as water quality and climate change intensifies, its value is highly dependent on beliefs about when environmental and staffing issues start affecting willingness to pay in global red meat markets.

2.6 Supply and procurement

The purpose of this workstream was to investigate livestock procurement and transport. It was put forward because of a view, highlighted in the Red Meat Sector Strategy of 2011, that there were inefficiencies in stock sale and transport to processing and that costs were not minimised. RMPP was unable to accurately identify these inefficiencies and therefore had no clear picture of a solution. Contrastingly, it became apparent that different trading and procurement practices have valid commercial reasons, with each practice largely tailored to farmers' and processor' needs. This workstream was an example of the multiple agendas in play at the outset of RMPP that were not always grounded in fact. It did not succeed and was accordingly closed without generating any specific value.

3. Approach to estimating the net value to New Zealand

RMPP's view of the present value of the PGP Programme was \$1,106.1 million as shown in the second row of the table below. This compares directly with this report's estimates of \$512.6 million, or a sensitivity test 'black hat view' of \$339.4 million, at the bottom of the second column in the table below. Estimates in this report:

- Benefited from the latest data to January 2022.
- Explicitly account for what is likely to have happened without RMPP (counterfactual) and add the extra value attributable to RMPP.
- Subtracted RMPP's costs and, where relevant, the costs of achieving ongoing benefits to 2040.
- Took a conservative view of assumed indirect benefits of the Action Network and subtracted these (Only direct benefits are included).⁴

3.1 Estimated net value

Based on these assumptions the net benefit to New Zealand of RMPP is likely to be between \$265 million and \$438 million. (NPV to 2040 using a 7 per cent discount rate).

In the table below, we have marked in pink four components of RMPP, 'Extension and adoption', 'Training programmes and online learning resources', 'Talent attraction' and NZFAP Plus. This is because we believe that the methodologies used to estimate these values are less dependable than the other components of the PGP Programme which have actual input data. This quartet of projects was much more difficult to benchmark to actual data, so, in our view, RMPP's estimate of the benefits to New Zealand of these three should be treated as broadly indicative only. We sensitivity tested the first three of these by halving some of the inputs that are most significant and difficult to verify. This provided a 'Black hat view' total at the bottom of the table below. This consists of the sum of lower estimated values for the three more debatable value components of RMPP and the values of the other components.

However, a 'Black hat view' shows that even if a quite conservative view is taken of the net benefits of RMPP for New Zealand, for an estimated investment of \$74 million, the Government and the sector are likely to get a net benefit of between \$4.60 to \$6.90 on each dollar invested over the period 2013 to 2040.

⁴ We note that RMPP's extension and adoption component of did not include any activities targeting expanding the benefits beyond those farmers involved directly in the Action Network. However, it was assumed indirection adoption by farmers would add about 25 percent more to the Action Network's overall value. A similar initiative in the Passion2Profit PGP included formal regional and national activities to spread the learnings from its extension and adoption programme. Because RMPP had no similar programme we have taken a more conservative stance and included only the value coming directly from farmers involved in the Action Network and excluded the value assumed to arise from indirect practice change.

Table 1 : Estimated value of RMPP's key activities

RMPP component	Key activity	PV 2040	RMPP Costs	Costs 2020>	NPV 2040
RMPP estimate of its value		\$1,106m			
Extension & adoption	Action Network	\$272.1 m	\$17.6 m	\$7.3 m	\$247.3 m
People & capability	Training and online learning resources	\$129.3 m	\$14.7 m	\$5.4 m	\$109.1 m
	Talent attraction	\$17.1 m	\$6.9 m	\$0 m	\$10.2 m
Resources & tools	nProve user interface	\$16.1 m	\$0.4 m	\$0 m	\$15.7 m ^{5*}
	Datalinker	-	\$1.5 m	-	-\$1.5 m
	eASD	\$18.4 m	\$1.6 m	\$0 m	\$16.8 m *
Assurance & Provenance	NZFAP	\$8.5 m	\$0.9 m	\$0.5 m	\$7.1 m
	NZFAP Plus	\$27.3 m	\$0.9 m	\$0.7 m	\$25.7 m *
	Triple O	\$23.8 m	\$0.6 m	\$0.9 m	\$22.3 m *
Programme management & other⁶			\$14.5 m		
TOTAL		\$512.6 m	\$59.6 m	\$14.8 m	\$438.3 m
Black hat view		\$339.4 m	\$59.6 m	\$14.8 m	\$265.1 m

⁵ Projects marked with * are where the realistic counterfactual was that RMPP brought forward their timing but was not wholly responsible for all future net benefits. These projects do not subtract to the NPV 2040 in each row. This is because the differences in the counterfactual costs were only the effect of the discounting at a different time at the 7 percent discount rate. E.g., NZFAP+ cost RMPP \$0.9m, an estimate of ongoing costs needed to bring in the projects benefits is \$0.7m. The difference between the PV 2040 and the NPV 2040 in these cases is only the difference between these costs being incurred under RMPP and these costs being delayed 3 years and incurred through a different process. This is not the case for those projects which would not have occurred without RMPP.

⁶ Programme management made up 73 percent of these costs. Source: Scarlatti Overall RMPP evaluation spreadsheet_draft_v5_13 (AB) 15 December 2021 Version, Project Investments tab.

3.2 Non-economic and unquantified economic impacts

Important non-financial benefits should be added to the estimated financial benefits of RMPP. As one senior meat company executive said, “A key benefit of RMPP was that the meat companies had historically been very antagonistic towards each other. RMPP brought together a group just under CEO level with different backgrounds. It was amazing to see!”

This view was echoed by all those interviewed who commented on this matter. RMPP wasn't solely responsible for the change in industry relationships. Some change was happening in the existing industry cooperation forums such as the Meat Industry Association (MIA) before RMPP. However, RMPP was certainly a powerful catalyst and provided funding and focus to industry efforts to find and fund mutually beneficial projects and achieve positive outcomes.

Other non-financial benefits identified by RMPP included:

- Improving farmer wellbeing through providing social contact with other farmers via RMPP activities,
- Environmental outcomes, for example around 40 per cent of Action Groups included environmental objectives,
- Social licence as RMPP programmes positively influenced public perception of the sector,
- Farm succession as smoother and better planned farm succession is likely to have economic spin offs in less time and money spent on disputes and more of both invested on farm, and
- Animal welfare through on-line resources and course content and biosecurity through initiatives such as eASD.

In addition, the future use of the Action Network extension tool/approach will be critical to achieving desired practice changes that are required to meet regulation of freshwater and greenhouse gas emissions. As demonstrated by the Wai Wanaka initiative, the full legacy value of RMPP and Action Network over the next 10 years will need to take into account practice changes which are unlikely to lead to increased production and farm profit.

4. Governance and execution

Stakeholder interviews for this final report charted some consistent themes about the governance and execution of RMPP. The number of stakeholders made it a difficult and complex PGP Programme to govern and manage. The early years were characterised as spent defining who was in charge and triaging which projects would be pursued and how. However, once this difficult gestation was over, there was a remarkable degree of cooperation and progress through a focus on execution, in a sector where this had previously been very challenging to achieve.

Given the size of the PGP Programme (\$59.6 million), the number of individual workstreams, and the number of stakeholders (10), it was inevitable that governing and managing this large group of individuals and entities would be complex. It is possible that this initiative could have been run as a small number of separate PGP programmes. There could have been advantages to such an approach as it may have given greater focus to particular components of RMPP and lower costs. However, the near sector wide approach did drive some positive outcomes that might not have been achieved in separate PGP programmes. The give and take needed for RMPP to function did lead to instances of particular partners swallowing their opposition to initiatives that were supported by the majority, and positive results emerging from these, examples, include NZFAP, NZFAP + and Triple O.

After the midterm progress review, and under the last RMPP CE, the majority of those interviewed believed that RMPP's processes became more focused and disciplined and its delivery improved.

5. Lessons and recommendations

For complex, multiparty PGP programmes or similar programmes in the future, ensure adequate planning and formation time. It took 18 months to 2 years to bed down RMPP. More time upfront would allow a more nuanced investigation of the best grouping of planned activities as well as better triaging of these. This should not be forgotten in future programmes of its type.

Where a programme requires a hand-over to a successor entity to continue driving successful initiatives, it is essential that clear communication, planning and commitment is established between the parties during the early stages of any output development and this focus is maintained throughout the programme. Handover has not been smooth for some valuable RMPP initiatives, including the Action Network and for some of the most popular training programmes no continuation has been achieved e.g., “Understanding Your Farming Business”.

There is no indication that the Action Network programme selected a target segment of farmers to participate. Rather, it seems that it was a numbers game as the programme rapidly expanded. In these situations, people are likely to be less committed to remaining in the programme and implementing change. In contrast, the “Understanding Your Farming Business” was well targeted to farming women and extremely well received by participants. To be most effective, any future programmes that seek capability and practice changes should be quite clear at the outset as to which farmer segment and what stage of practice change is being targeted.

There is benefit to be gained if national and local government, and the sector are encouraged to co-ordinate multiple funding sources and associated group activities. The value of critical mass is also well illustrated by the Wai Wanaka initiative which has secured funding not only from RMPP but also for other environmentally focused initiatives. Importantly, co-ordinated leadership of groups means that the participants feel part of a significant community/national initiative. We note that our estimate of the value of the Action Network to 2040 assumes a near doubling of the current level of B+LNZ funding of \$4 million/year, from other sources.

The power of well facilitated small group activities to strengthen farmer trust and confidence to change practices has been well demonstrated by the RMPP’s Action Network and the Deer Industry’s Advance Party initiatives. The value of this approach needs to be continually promoted to government, industry and community leaders when they are considering and designing practice change programmes. Ensuring effective change processes are used and trained facilitators are available will be critical when dealing with the future freshwater and GHG challenges.

In future more caution about taking on IT projects such as OneFarm or Single sign on could be beneficial. Trying to solve such challenges in a single sector in a small country probably has low chances of success and these issues could be better tackled by large global IT companies with scale e.g. search engines like Google or Microsoft for authentication.

Māori farming businesses are significant contributors to the red meat sector and effective practice change will be important in meeting future production and environmental challenges. RMPP reports provided useful guidelines for working with Māori on the extension/adoption, but they were not followed. Engagement is needed with influential Māori at the very start of building programme concepts and designs. Inclusiveness and ownership are essential from the outset. Recognition of the

wide set of values that guide the vision and strategy of Māori farming businesses is needed as is well illustrated in the Ahuwhenua Trophy competition.

Engagement must be at both a governance and management level. Identification of Māori farming segments and agreed practice changes is also required to ensure focus. Delivery should be undertaken by people who are engaged in, or with Māori farming. Finally, to build and maintain a sincere and respectful relationship is very important. Trust is essential to an enduring relationship and the full realisation of programme benefits.

With the benefit of hindsight, it is possible that supply and procurement project and Datalinker could have been terminated earlier than they were. The lack of quality data on which to carry out any informative analysis could have been picked up as an early warning that the supply and procurement project was unlikely to succeed. Likewise, a greater focus on underlying economics of Datalinker earlier on may have exposed the problems that ultimately saw this project fail to deliver.

Where people and behaviour change are a focus of a programme, it is generally difficult to quantify the impact of the work. As is quite evident in this evaluation, this has been the case for RMPP. It is strongly recommended that similar programmes in the future design the framework for monitoring and evaluation at the very start. This will involve agreeing on the attributes that need to be monitored and the timing of these measures.

It must be emphasised that where behaviour change is being sought there are several lag phases involving changes in attitude to an issue; implementing the practice change; and time to express the biological/production response. These elements of the change process can and are important attributes that should be monitored. Equally, in projects involving very long run results, such as interventions in early education, a longer term view and non-financial measures will be necessary. Ultimately, in the case of an economic analysis when good pre programme benchmark information is gathered then compared with during and post programme measurements, it is possible to draw much more powerful conclusions that are clearly based on the survey results. This provides much greater confidence in a programme's achievements than post facto approaches.

Appendix A: Stakeholders interviewed

Position	Stakeholders
MPI Investment Manager + PSG Member	Guy Tapley
MPI Investment Director + PSG Member	Steve Penno
RMPP Chief Executive	David Wright
RMPP Programme Operations Manager	Megan Mounsey-Smith
B&L Current extension team	John Ladley
Former RMPP Project Manager – Extension Pilot	Denise Bewsell & Brendon Patchett
RMPP Evaluation of Programme Impact, Scarlatti	Adam Barker & Vaughan Wilson
PSG Chair	Malcolm Bailey
PSG Independent member (bank appointee)	Graham Brown
PSG member (processing appointee)	Alan McDermott
PSG Independent member (Farm consultant)	Wayne Allan
PSG B+LNZ member	Sam Mclvor
PSG Member (Māori agri-business interests)	Bob Cottrell
Investment Advisory Panel (Chair or a delegated member)	Steve Smith
Alliance Group	Danny Hailes
ANZCO, RMPP PAC member	Peter Conley
Greenlea, RMPP PAC member	Tony Egan
Progressive Meats, RMPP PAC member	Craig Hickson

ANZ, RMPP PAC member	John Bennett
Rabobank, RMPP PAC member	Rua Crofskey
Greenlea	Julie McDade
Silver Fern Farms	Greg McSkimming
Alliance	Shona Frengely
UMR Research	Marc Elliot
BakerAg	Chris Garland
Consultant (Manawatu, Perrin Ag – facilitation/extension)	John Stantiall
Consultant (Canterbury, Agribusiness Group – facilitation/extension)	Sarah O’Connell
Vet, Taumuranui – facilitation/extension	Ginny Dudunski
Consultants	Macfarlane & Associates,
Wanaka Farmer, DINZ Board	Mandy Bell
Young Farmers	Trevor McIntyre
Early RMPP	Kelvin Whall
Early RMPP	Duncan McKinnon
Ex Education focus at Dairy NZ	Mark Paine
Agri Women’s Development Trust	Lisa Sims & Diane Falconer
Ex RMPP extension/adoption manager	Richard Wakelin

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'Sapere' comes from Latin (to be wise) and the phrase 'sapere aude' (dare to be wise). The phrase is associated with German philosopher Immanuel Kant, who promoted the use of reason as a tool of thought; an approach that underpins all Sapere's practice groups.

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