REGIONAL BUSINESS GROWTH INITIATIVE

FOOD & BEVERAGE SECTOR REPORT

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EXECUTIVE SUMMARY

This report provides a summary of the importance of the Food & Beverage industry in NZ's economy and investigates the barriers to growth of the industry in the local Kapiti and Horowhenua regions.

In order to understand the Kapiti/Horowhenua region's attributes that are attractive to Food & Beverage companies, and the major barriers and challenges to growth of the industry in the region, face-to-face interviews were undertaken with 21 local companies. The company's premises were located at Foxton, Levin, Otaki, Shannon, Te Horo, Paraparaumu, and Waikanae.

The primary reasons for location of Food & Beverage companies in the Kapiti/Horowhenua regions were lifestyle and family connections. The issues that were perceived to have the greatest impact on growth of current businesses were difficulties securing appropriate labour, promotion and merchandising in distant national and international markets (e.g. Auckland, China), regulations and behaviours of local councils, competition, lack of management skills and governance capability.

None of the challenges to business growth identified in this report are unique to the Food & Beverage industry. There are however, opportunities for local Food & Beverage companies to be more efficient and develop stronger networks with local, regional and national Food & Beverage initiatives (e.g. Vision Manawatu, Grow Wellington, Food Innovation Network, FoodHQ) to raise their profile and performance both domestically and in export markets.

A key challenge for Food & Beverage industries in this region is to balance business growth agendas with lifestyle aspirations of the local community. Successful growth of the Food & Beverage industry in Kapiti/Horowhenua will require a greater business-focused behaviour of regional councils to support movement and scale up of the best local start-ups into national and global markets. Prioritising needs by the council is not an easy task but it is one that requires more transparency brought about by effective communication.

Local Food & Beverage companies supply three markets - local (lower North Island region), NZ domestic, and export markets (including Australia, China, Japan) – and the greatest potential for growth for this industry is arguably in export markets. It is recommended that the results of this report are socialised with Food & Beverage survey respondents in a focused workshop with the aim of investigating interest in a scoping study to gauge export growth readiness for local Food & Beverage businesses.

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INTRODUCTION

Following the Electra Enterprise Forum in April 2013, an Establishment Board was formed to support and attract business growth and development in the Kapiti and Horowhenua regions. Four initiatives were set up to investigate different areas of business activity with the aim of identifying opportunities to grow those activities in the region.

- Distribution & Logistics.
- Service Business.
- IT & Technology.
- Food & Beverage.

The Regional Business Growth Initiative Co-ordination Committee (RBGICC) has adopted an overall goal of increasing employment in the region. The Terms of Reference for the Food & Beverage theme of this Business Growth Initiative include:

- A stock take of the current regions businesses in the Food & Beverage sector;
- Identification of the region's resources/attributes that support the business initiative;
- Identification of current gaps and roadblocks preventing the activities growth in the region.

The Kapiti/Horowhenua region is a rich garden of primary production for the greater Wellington region and there is a number of very successful value-add Food & Beverage firms in the region. The region also attracts a significant element of cottage industry which may or may not develop into larger businesses depending on the vision of the business owners and the ease with which they can develop their businesses.

The two regions are separated by their commutable distance from Wellington with Kapiti being easier to get to than the Horowhenua region. For this reason they have developed different and unique cultures. Both however, have created an artisan flare for high quality, high value food & beverage products.

Two key elements are addressed in this report in an attempt to understand the growth potential of Kapiti/Horowhenua food and beverage industry, namely:

1. Issues that impact the growth of current businesses, and
2. Perceived barriers to Food & Beverage start-ups.

FOOD & BEVERAGE IMPORTANCE IN NZ'S ECONOMY

The Food & Beverage industry is vitally important to the NZ economy accounting for 56% of NZ's merchandise trade exports and one in five jobs across the wider value chain. Food & Beverage also acts as a vital ambassador for the country, in most cases it is the first exposure global consumers get to "Brand New Zealand". In the 15 years leading up to 2012, NZ's Food & Beverage exports grew at a compound annual rate (CAGR) of 7% per annum. The Governments Food and Beverage Information project is an attempt to understand what has been driving our success in Food & Beverage exports in order to continue to grow exports at the same rate into the future.

The Food & Beverage industry is segmented into three super categories: 'Produce', 'Processed Foods' and 'Beverages'. A forth less well understood category 'Nutraceuticals' also presents opportunities to grow NZ's export earnings. A synopsis of the performance of these three segments at the national level is provided below.

PRODUCE – WHOLE OR MINIMALLY TRANSFORMED PRODUCTS, TYPICALLY ONE SINGLE PREDOMINANT INGREDIENT

- In 2012 produce exports declined (-2%, US$36M) compared with 2011. New Zealand is a major producer and exporter of kiwifruit and apples but has limited scale elsewhere. Global produce production is growing and the growth is being driven by China and the developed world. NZ produces 0.1% of total global produce (fruit and vegetable, 3 million Tonnes, 2011).
- Acquisitions are driving industry consolidation, the number of produce processing and wholesaling firms was declining but appears to be stabilised since 2010. Consolidation has increased scale and productivity. The amount of area in production is stable and NZ is achieving greater productivity through increasing yield. Further growth and success is dependent on continued innovation around new varieties and cultivars and improvement in industry structure.
- Employment in the produce industry has grown over the last 2 years.
- Key industry organisations in the produce industry include Horticulture New Zealand, United Fresh New Zealand Incorporated, Horticulture Exporters Authority, Pipfruit Industry Council, New Zealand Kiwifruit Growers Inc.
- Plant & Food Research is the primary research organisation for the produce industry.
- NZ's top export earning produce are – kiwifruit, apples, onions, squash/other veg, frozen peas, avocados, frozen mixed veg, capsicum, dried peas, frozen sweet corn, cherries, blackcurrants, dried vegetables, potatoes, frozen beans, other fruit frozen, tomatoes, apricots, frozen veg, carrots, pears, dried fruit mix, strawberries, mandarins, asparagus, blackberries. lemons/limes, oranges, dried apples (Based on US$, 2012)
- Top ten produce firms are – Zespri, Turners & Growers, MG Marketing, Mr Apple, Fresh Direct, AS Wilcox, Leaderbrand, Balle Bros, Eastpack Satara, Freshmax (Based on annual turnover NZ$, 2012).

PROCESSED FOODS – PRODUCTS MADE FROM A MIXTURE OR COMBINATION OF INGREDIENTS

- In 2012 processed foods was the second fastest growing Food & Beverage super-category in absolute dollar terms (US$66M, 2012) and has the fifth largest percent growth (4%) behind pet & animal foods (14%), beverage (10%), and seafood (4%).
- NZ produces a large and growing amount of raw materials for producing processed foods (particularly dairy). The country has significant untapped potential to both produce more product and add value to abundant existing raw material ingredient exports.
- Processed foods have a complex supply chain. Smart investment is required that gives access to global salesforce and route to market.
- Growth of processed food firms in NZ, both in number of firms (CAGR 3%) and export value of products (15% CAGR) has increased over the last 10 year period.
- There has been a shift in regional employment in the processed foods sector, particularly towards Auckland (growth of 300 employees over 5 years) with a drop in employment in Wellington/Manawatu/Taranaki regions (down 674 employees over 5 years). The top 15 processed foods firms account for 57% of industry employment.
- Processed foods growth is linked to productivity improvements. Major investment in new plant/equipment has occurred in Hastings, Wanganui, Te Awamutu, Hamilton, Auckland, and Canterbury and since 2011. The investment supports vegetable and prepared meal production (freezers, processing, packing facilities), honey extraction, dairy, flour/baked goods, bioactives and tea products.
- Processed foods have a strong growth potential for NZ but significant further growth will require continued capital investments both by global multinationals and domestic firms.
- Industry organisations that represent NZ's processed foods industry include New Zealand Food & Grocery Council, Baking Industry Association of NZ, United Wheatgrowers NZ Association, NZ Petfood Manufacturers Association, NZ Ice Cream Manufacturers Association.
- Key scientific research organisations are collaborating in processed foods research in NZ (FoodHQ, Food Innovation Network, Callahan Innovation).
- Nutritia, Hansells Food and McCain Foods led the NZ processed foods firms in terms of absolute growth and rate of growth in 2012. Griffins Foods, Mars NZ, Vitaco Health, Goodman Fielder, Mondelez NZ also showed positive growth.
- Innovative foods, infant formula retail honey and sauces were the largest processed foods export categories and led export value growth in 2012.

BEVERAGES – JUICE, FERMENTED OR NOT

- In 2012 beverages was the fastest growing super-category in absolute dollar terms ($117m) and the fifth largest percent growth (10%).
- Outside of wine, the NZ beverage industry is focused on domestic market, however exports are growing. NZ exports wine, beer, cider, spirits, juice, flavoured beverages (soft drink, energy drink) and water. Export growth has been primarily to western countries.
- The beverage industry has a relatively simply supply chain.
- NZ's beverage industry has attracted significant foreign investment.
- NZ is well positioned for export growth of premium non-wine beverages.
- Beverage Industry Organisations include New Zealand Winds, Distilled Spirits Association of New Zealand, New Zealand Juice & Beverage, Brewers Guild of New Zealand, Brewers Association of Australia and New Zealand.
- Key research organisations include Marlborough Wine Research Centre, Wine Research Institute (UoA), Plant & Food Research, Centre for Viticulture and Oenology, Nelson Marlborough Institute of Technology, Ministry for Primary Industries.
- Bottled wine continues to be NZ's largest beverage export.
- The top 10 beverage firms in NZ are Lion –Beer, Spirits & Wine NZ, CCA, DB Breweries, Independent, Frucor, Pernod Ricard, Delegat's, Constellation, Villa Maria, Treasury (based on NZ$ turnover in 2012).

NUTRACEUTICALS – EXIST AT THE INTERSECTION OF FOOD AND MEDICINE, ESSENTIALLY 'FOODS FOR HEALTH'.

- At a global level, this industry is fragmented. It is consolidating as the sector matures. The nutraceuticals industry appears to be splitting into fashion nutraceuticals and science based ones.
- There are now strong indicators as to whether a new nutraceutical is likely to be a fad or a long-term success. Indicators of success include actual functionality, scientific support, immediate effect, alignment with pre-existing concepts that are recognised by consumers e.g. fruit and health, yogurt and health.
- It is difficult to untangle most nutraceuticals from the trade data, However, available data shows exports from all regions except North America are growing. NZ industry participants identified three key themes for driving the growth and development of NZ neutraceuticals sector: (1) the industry must be legitimate and credible; (2) industry collaboration and consolidation is required; (3) industry and science must align.

GOVERNMENT'S AGENDA

In 2012 a working group convened by the Riddet CoRE produced "A Call to Arms", a high level Agri-food strategy aimed at bridging the CAGR gap between business-as-usual export growth and the government's growth agenda target years (tripling food and beverage exports over the next 15 years, Government Business Growth Agenda). Four transformational strategies were identified:

1. Selectively and profitability increase the quantities and sales of current agri-food products.
2. Profitably produce and market new, innovative, high value food and beverage products.
3. Develop value chains that enhance the integrity, value and deliver y of NZ products and increase profits to producers, processors and exporters.
4. Become world leaders in sustainability and product integrity.

Strategy 1 is a continuation of business as usual, strategies 2 and 3 require increased effort and capital including the deployment of new capabilities to meet their potential, and strategy 4 is essential to meet customer requirements plus retain the right to farm and process in the future.

The Government is making considerable investments to support growth of NZ's Food & Beverage exports: investing in fundamental science (High Value Nutrition National Science Challenge), supporting research for major industry groups (Primary Growth Partnerships), and investing in regional initiatives (Sustainable Farming Funds). A series of Coriolis reports have been released that provide a factual source of high quality information on the current situation in the New Zealand Food & Beverage sector. The reports form part of the wider Food & Beverage Information Project, and the intention is that they will be updated annually to provide a significant resource for NZ's visionary exporting Food & Beverage companies.

The Government's Food & Beverage Information project identified 'limited vision of farmer-ownership of key ingredient producers' as a weakness of the processed food industry and 'limited culture or mentality of super-premium branding or positioning' as a weakness of the non-wines beverages category. Potential opportunities for the broader Food & Beverage sector included improving supply chain efficiency, implementing strong food safety and biosecurity systems and leveraging a point of difference (underpinned by branding,).

FOOD & BEVERAGE INDUSTRIES IN KAPITI / HOROWHENUA

The Kapiti/Horowhenua region's Food & Beverage industry is composed of producers of:

- Primary produce – vegetable, fruit, wine grapes, grain, chicken, beef, sheep, fish
- Processed foods – olive oil, jam, sweets/chocolate, bread, cheese
- Beverages – fruit juice, beer, wine

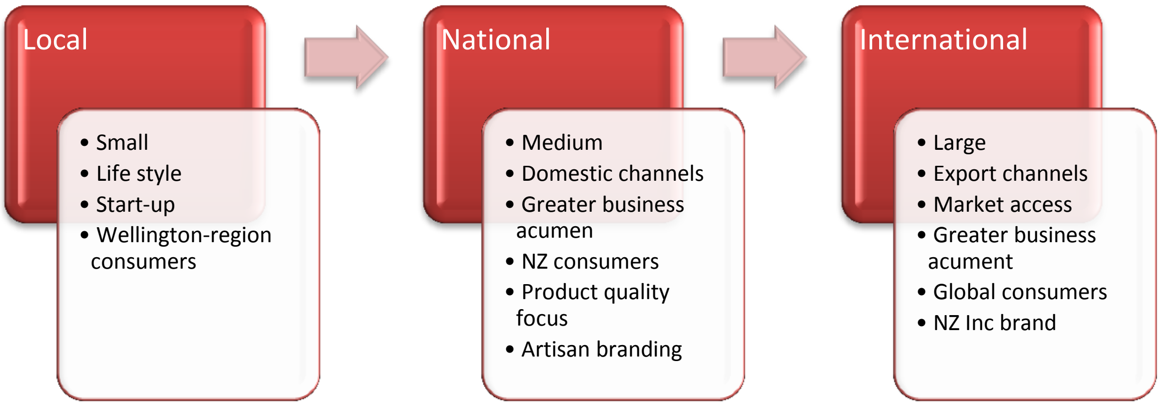
The Food & Beverage companies supply to three markets

- Local (lower North Island region)
- NZ domestic (national distribution networks)
- Export markets, including Australia, China, Japan.

The choice of market reflects the vision, strategy, and business confidence of each Food & Beverage company. The supply chains are more complex for processed foods than produce or beverages.

There is an underlying struggle between 'lifestylers' and business operators. People tend to move to the region for a rural lifestyle with a good climate that is close to a major city (i.e. Wellington). However, once situated the 'lifestylers' complain about the farming/production operations that they are exposed to (smell, noise, etc).

The three markets that are supplied by Food & Beverage companies could be seen as a progression for business growth. Although this model is limited by the aspirations of the business owners, with many Kapiti/Horowhenua Food & Beverage owners preferring to stay in the category of 'life-style' operations.



The Food & Beverage Industry is a network where connections need to be actively sought and managed. There may be opportunities for the local regional councils to support Food & Beverage businesses through their start-up growth phase to nationally scaled operations. The challenge will be to identify those businesses with the vision and potential to grow versus the firms who focus primarily on life style.

SURVEY OF LOCAL FOOD & BEVERAGE COMPANIES

In order to understand the Kapiti/Horowhenua region's attributes that are attractive to Food & Beverage companies and the major barriers and challenges to growth of Food & Beverage sector in the region, we undertook face-to-face interviews with local Food & Beverage companies. The questionnaire is provided in Appendix 1, and the respondents are listed in Appendix 2.

FOOD & BEVERAGE BUSINESSES SURVEYED

Twenty one companies participated in the survey. The company's premises were located at Te Horo, Paraparaumu, Waikanae, Foxton, Levin, Otaki, and Shannon. Approximately, one half of the companies provided a full account of their operations as requested. The remainder chose not to answer certain questions, but where possible all information was collated into a single report.

- The businesses ranged from small owner operator to larger firms that employed over 100 staff (Table 1).
- The Food & Beverage industry in Kapiti/Horwhenua is supported by a diversity of operations including a range of land types and farming infrastructure, fishing boats, processing facilities, coolstore facilities and distribution hubs/fleets. The Food & Beverage companies produce products for the produce, processed foods and beverage super-categories.
- Seven companies focused on production, processing, and the distribution of their products.
- Four companies were active in all parts of the value chain growing, processing, distribution, wholesale and retail.
- Two of the companies employed more seasonal and part time staff than full time staff, reflecting the seasonality of their operations.
- One company has limited its activity to providing a service for the value-add primary producers (cool storage and packaging).

Table 1. Number of staff employed by surveyed Food & Beverage firm.

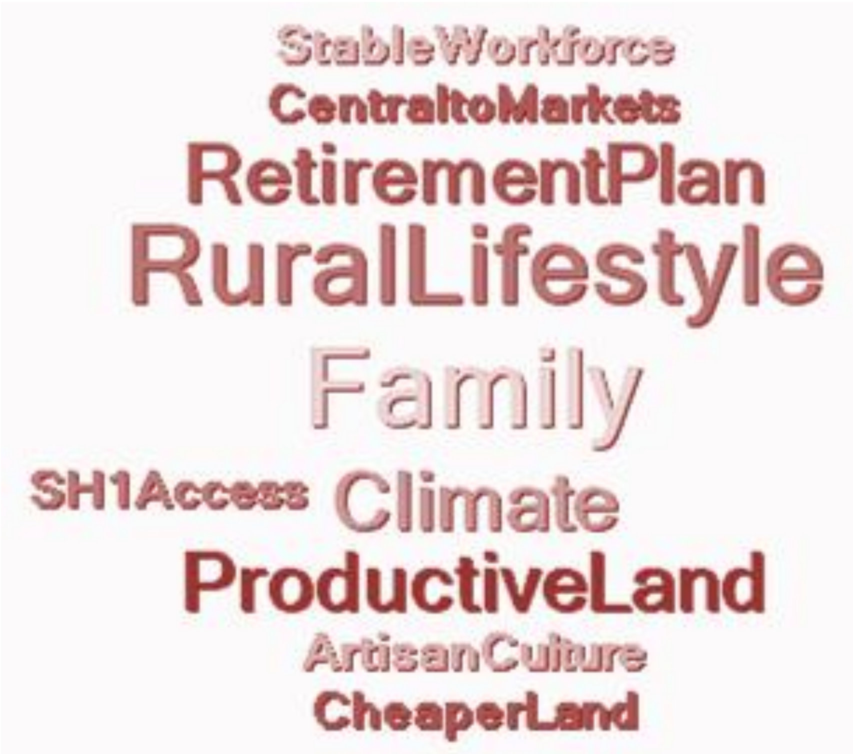
Number of Employees	Number of Companies
≤ 5	3
≤ 10	1
≤ 50	3
≤ 100	1
≤ 200	2
No response	10
Total	**20**

ATTRACTION TO KAPITI/HOROWHENUA

The surveyed businesses were attracted to the Kapiti and Horowhenua regions for a range of reasons. The primary reasons for location of Food & Beverage firms in the Kapiti/Horowhenua regions were lifestyle and family connections (Figure 1). The survey responses were collated into 10 primary reasons for their business's current location:

1. **Family** – "wanted a business so could stay and work with family", "business opportunity developed to stay", "family history", "family owned", "family here"
2. **Rural lifestyle** –"rural lifestyle and no neighbours", "move out of city and have rural lifestyle"
3. **Productive land** - "good land for cropping", "close to grain and wheat", "soils good for olives"
4. **Retirement plan** – "retirement/investment property", "beach house for 30 years … semi-retired"
5. **Climate** – "good climate (temperature, rainfall)"
6. **Artisan culture**
7. **SH1 access**
8. **Stable workforce** – "good work pool"
9. **Land cheaper than city**
10. **Central to markets**

Figure 1. Reasons why Food & Beverage companies are located in Kapiti/Horwhenua region, and (B) their perceived challenges to business growth.



BUSINESS GROWTH STRATEGIES

Two of the companies surveyed stated they had no vision or strategy for growth. They were solely in the Food & Beverage industry because it met their lifestyle needs. Of the remainder, the majority were focusing their growth on domestic sales only while five of the firms had a clear export focus. Export growth was aimed primarily at the increasing Asian markets.

Business growth strategies included increasing production, product diversification, improving the value add proposition of their products, and looking for more efficient distribution channels.

One respondent noted that securing capital investment brought with it better management, governance and marketing capability to support the companies export business growth strategy.

CHALLENGES TO BUSINESS GROWTH

The respondents suggested that the most significant challenges to achieving business growth were related to labour, promotion and merchandising, and facilities. Attracting ‘good young staff’ and ‘management staff’ to the region was a challenge. Capital investment (particularly for small operators), and governance skills in family-owned businesses were also key issues raised by the Food & Beverage companies (Figure 2). There were obvious issues with distribution of highly perishable products, but economies of scale evident in the larger companies appeared to manage issues of distribution. Similarly, the larger firms were able to attract both seasonal and part time labour.

Challenges to business growth for the surveyed Food & Beverage companies included:

1. **Labour** – “hard to keep good young staff”, “casual labour is hard work”, “limited pool of technically skilled workers in the district”
2. **Promotion and Merchandising** – “hard to get good merchandising in Auckland”, “expensive to develop market in China”, “marketer of niche products using networks”, “brand promotion and merchandising efficiencies”, “health claims”
3. **Facilities** – “need for new processing/retail space”, “suitable land harder to buy”, “distance to processing/packing facilities a challenge”
4. **Council** – see comments below
5. **Competition**
6. **Technology** – “move to cloud based software – integration of people, hardware, software, customers challenging”, ‘limited broadband connectivity”
7. **Management Skills** – “attracting management staff limited by poor reputation of schools and medical services in the town” (Foxton), “managers coming from internal promotions need training”, “limited management capacity”
8. **Governance Capability** – “governance is an issue”
9. **Energy** - “cost of upgrading power connections”
10. **High Debt Position**
11. **Food Safety**
12. **LifeStylers** – “lifestylers restricting business, we were here first (30 years) and they complain of the noise”

Figure 2. The perceived challenges to business growth for Food & Beverage firms.

There was also a considerable level of dissatisfaction with the local councils. It was felt that the local council was slow, were inflexible and lacked the skills to support business development, particularly with an export focus.

A regularly articulated solution to the problem encountered with the local council was the suggestion that council provide a single point of contact – someone to take the businesses through all of the council requirements rather than the practice of being passed from one pair of hands to the next which caused significant frustration and delays.

Respondents stated that the local councils:

… "did not play a useful role in economic development focused on export opportunities".

… "took too long and delayed business progress", "all takes ages".

"Different council staff provided different answers to the same question" and it was felt that there was a *"lack of business-competent people".*

"Issue with having dual purpose site and how we cope with them under district planning rules" … "needs to be flexible to encourage multi-use, or will limit growth".

…"don't bother getting council consents (as a start-up) all too hard and expensive for start-up company" … "when firms a going-concern, council keen to keep firm going".

ADVICE TO FOOD & BEVERAGE START-UPS IN KAPITI/HOROWHENUA

The respondents were asked to provide advice to Food & Beverage start-ups in the region. The advice was generic in nature and could be applied to a start-up Food & Beverage business in any region of NZ, for instance:

- Skills in distribution and marketing
- Economies of scale in marketing, mechandising, distribution
- Capital
- Working cash
- Passion
- Need to seek expert advice (health & safety, labelling regulations, etc)
- Less staff, more technology, smarter people
- The right people in management and governance roles

OPPORTUNITIES IN FOOD & BEVERAGE IN KAPITI/HOROWHENUA REGION

While none of the primary challenges to business growth identified in this report are unique to Food & Beverage businesses (i.e. difficulties securing good labour, promotion and merchandising in distant markets (e.g. Auckland, Shanghai), regulations and behaviours of local councils, competition, management skills, and governance capability), two initiatives that may raise the profile and performance of Food & Beverage companies in the Kapiti/Horowhenua regions have been identified. Namely:

1. Developing food processing technology hub(s) to support the wider Food & Beverage industry.
2. Encouraging a greater use of Food & Beverage Networks to build business acumen, increase awareness of the Food & Beverage Industry, and link to research and innovation hubs to support growth.

FOOD & BEVERAGE PROCESSING HUB

Purpose - Identification and investment in food processing technologies for food companies in the region who have the economies of scale to support the large initial capital investment and ongoing use of new technologies.

The business case for a food tech hub would hinge on:

- Products that achieve high premiums through more efficient and effective processing;
- Economies of scale achieved through volume and through-put efficiencies;
- Export market focus;
- Opportunity driven by a limited processing capacity within New Zealand.

This type of Food & Beverage processing hub is likely to employ a limited number of technical experts in food processing and business efficiencies will be driven through lower production costs (i.e. greater throughput, lower labour).

Any business case for a specific food processing hub should be undertaken by the company's engaged in the activity. It should consider (to name a few):

- Capital investment
- Return on investment
- Competition
- Volume and source of raw material
- Seasonality of production
- Potential product ranges to leverage efficiency
- Scale of activity – local, regional, national
- Distribution and logistics
- Market channels
- Location

FOOD & BEVERAGE NETWORKS

Purpose - Access to networks (structural and virtual) for the small Food & Beverage companies that lack economies of scale[1]. This activity would make Food & Beverage companies more aware of the risks associated with a whole of value chain approach and perhaps encourage greater partnership and collaboration to achieve business success.

- *Virtual versus Structural* – New Zealand's Food & Beverage industry does not fit neatly into a hub/spoke model, it is a rather less well defined network of activities (along a somewhat linear value chain) with a backbone up/down the country. The Food & Beverage companies in this region need to be able to connect in and out of this network at will. Therefore it is the ability to 'know' and 'connect' into the network that is primarily important.
- *Competition from larger centres*. It is noteworthy to mention that the Auckland region has shown the greatest growth in processed foods over the last five years (increase of 300 jobs), while Wellington/Manawatu/Taranaki employment in processed foods is flat.
- *Value proposition*. Food & Beverage companies in the Kapiti/Horowhenua region need to be clear about their value proposition to consumers. Business growth opportunities require distribution and marketing to national and export populations – so what is the value proposition for these consumers? What will cause their repeat purchase of Kapiti/Horowhenua foods and beverages? Companies may wish to align their brand with artisan products, and investigate consumer perceptions and brand resonance of premium 'crafted quality' products, and be cognisant of the fact that the consumers are not local.
- *Success rate*. There is a need to factor in the high turnover of business start-ups in the Food & Beverage industry and ensure that any support network is diversified or strong enough to withstand these minor shocks when suppliers or customers may cease to exist.
- *Kapiti/Horwhenua multi-use hub*[2] – learning through mentoring, observing and practice cannot be overlooked. There has been some suggestion that a structural hub rather than virtual network be located locally. This may provide an anchor that changes the Kapiti/Horowhenua region from a nice place to drive through to a business and tourist destination. However, the two (business and tourism) are not comfortable bed fellows – particularly when the business is food, which is not generally well understood by the public who will see the rather 'unnatural' processes used to make 'natural' products. There is also a considerable challenge associated with mixing food production companies with others due to health and safety, food grade requirements, waste streams (smell and noise). There are also challenges in mixing retail with processing/production (e.g. parking).
- *Competition in the hub space* – there are a number of lower North Island initiatives or hubs of business and research activity focused on the Food & Beverage sector (e.g. BioCommerce Centre, Vision Manawatu, Grow Wellington, FoodHQ).

[1] Economical retail space, food-safe kitchen facilities, effective food-grade cool storage facilities, efficient distribution mechanisms, innovative marketing networks, skilled management and governance expertise.
[2] There has been no discussion with the 'Kapiti Landing' initiative as part of this report.

GREATER BUSINESS-FOCUSED BEHAVIOUR AT REGIONAL COUNCILS

Based on the information gathered in the current survey, local councils are seen as one of the major challenges to business growth in the region – "it's just too hard".

There is an opportunity for the local councils to acknowledging the lost opportunities that come with regulatory/consent delays and become more business-focused in their behaviours. One could argue that the local councils should provide a key touch point for local business information and provide links to initiatives that support the development of greater business acumen that leads to business growth (Grow Wellington, Trade & Enterprise, Callaghan Innovation, Ministry Primary Industries, FoodHQ[3]) rather than trying to replicate that at a local level.

The challenge for local councils is to achieve a balance between business growth agendas and lifestyle aspirations of the local community.

[3] Kapiti/Horowhenua is on the doorstep of FoodHQ which provides a significant opportunity for greater innovation in the Food & Beverage Sector. FoodHQ is a super campus being developed in Palmerston North to give current and future Food & Beverage companies one-door access to the very best in NZ food innovation. It generates value for the global food industry through innovation across the value chain. The collaborative approach creates a faster, easier way for food companies to work with the FoodHQ family (AgResearch, Fonterra, Massey University, Plant & Food Research, the Riddet Institute and the BCC with support from the Manawatū District and Palmerston North City councils). Food & Beverage companies may access FoodHQ's expertise in agri-science, consumer science, commercialisation, food processing, food science and technology, nutrition and health by picking up the phone and/or driving up the road. This unique situation lends itself to supporting future Food & Beverage business growth initiatives in our region.

RECOMMENDATION

The Kapiti/Horowhenua region's Food & Beverage industry is composed of producers of

- Primary produce – vegetable, fruit, wine grapes, grain, chicken, beef, sheep, fish,
- Processed foods – olive oil, jam, sweets/chocolate, bread, cheese,
- Beverages – fruit juice, beer, wine,

The primary reasons for location of Food & Beverage companies in the Kapiti/Horowhenua regions were lifestyle and family connections. The issues that were perceived to have the greatest impact on growth of current businesses were difficulties securing appropriate labour, promotion and merchandising in distant national and international markets (e.g. Auckland, Shanghai), regulations and behaviours of local councils, competition, lack of management skills and governance capability.

Local Food & Beverage companies supply three markets - local (lower North Island region), NZ domestic, and export markets (including Australia, USA, China, Japan) – and the greatest potential for growth for this industry is arguably in export markets. It is recommended that the results of this report are socialised with Food & Beverage survey respondents in a focused workshop chaired by Ron Parkin. The aim of the workshop will be to:

- Report the findings of the current work.
- Provide speakers that will share experience and encourage discussion of key areas important to successful export growth, e.g.
    - The value of well-focused R&D
    - Leveraging connections
    - Channels to market (finished product vs ingredient, fresh vs shelf stable)
    - What does it take to develop successful distribution networks?
    - The challenge of staying in the market
- Investigate interest in a scoping study to gauge export growth readiness for local Food & Beverage businesses.

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Kapiti Coast District Population and Household projections (Property Economics growth model from 2006 census population and household counts, Statistics NZ medium series projections and building consent data (1996-2011).

ACKNOWLEDGEMENTS

I wish to acknowledge Jenny Fraser for setting up and conducting the interviews with local Food & Beverage companies.

APPENDIX 1 - QUESTIONNAIRE – FOOD & BEVERAGE

Background
Following the Regional Enterprise Forum in April 2013, an Establishment Board was formed to support and attract business growth and development in the Kapiti and Horowhenua region. Four initiatives were set up to investigate different areas of business activity with the aim of identifying opportunities to grow those activities in the region.

- Distribution & Logistics
- Service Business
- IT & Technology
- Food & Beverage.

Terms of Reference for Food & Beverage
The Regional Business Growth Initiative Co-ordination Committee (RBGICC) has adopted an overall goal of increasing employment in the region by 5% over 5 years. The Terms of Reference for each of the themes of this Business Growth Initiative are:

1. Produce a stock take of the current regions businesses in the business activity.
2. Identify the region's resources/attributes that support the business initiative.
3. Identify the current gaps and roadblocks preventing the activities growth in the region.

Outputs
It is envisaged that the final output of the Food & Beverage initiative will be a report to the RBGICC outlining the issues impacting the growth potential for the Food & Beverage industry in the region and follow-on initiatives that could be undertaken to improve the environment for growth.

Aim of interview
To determine the region's attributes that are attractive to Food & Beverage companies and the major barriers/challenges to growth in the Kapiti/Horowhenua region.

Use of survey data
The information gained in this survey will be used to develop an understanding of the barriers to growth for the Food & Beverage industry in Kapiti/Horowhenua. With your approval, surveyed businesses will be acknowledged in the final report, a summary of information will be presented and specific details will not be associated with named businesses.

Regional Business Growth Initiative - Food & Beverage Questionnaire

1. Business Name:
2. Business Location:
3. Where in the FOOD & BEVERAGE value chain does your business fit?
   - Grower
   - Manufacturer
   - Distribution
   - Wholesale
   - Retail
   - Business to business
   - Business to consumer
4. Size of Business:
   - Annual turnover - $
   - Number of staff -
   - Infrastructure:
     - Hectares (production)
     - Manufacturing plan (m2)
     - Cool store facilities
     - Distribution facilities
5. What attracted your business to the Kapiti/Horophenua region? *(family history, climatic conditions, location, competitive advantage, specific opportunities….)*
6. Do you have a business growth strategy?
   a. No – why not?
      i. *Lack of vision*
      ii. *Limited capital*
      iii. *Competition*
      iv. *Other…*
   b. Yes – *please continue questionnaire*
7. Where do you plan to grow?
   a. *Domestic (regional, national)*
   b. *Export (which countries?)*
   c. *Thoughts on market segmentation, competitive advantage?*
8. How do you plan to grow your business?
   a. *Increase production (growing manufacturing)*
   b. *Production efficiencies (more profitable)*
   c. *Improved distribution/storage*
   d. *Capital investment*
   e. *Other*
9. What do you believe are the most significant challenges to you achieving business growth?
   a. *Consents (hurdles with councils)*
   b. *Capital investment (difficult to attract)*
   c. *Distribution network efficiencies*
   d. *Supporting industries (limited ability to leverage)*
   e. *Raw materials*
   f. *Competition (limited competitive advantage)*
   g. *Technology*
   h. *Employees (skill base limited, can't attract, too expensive)*
   i. *Management (limited capacity)*
   j. *Strategic vision (limited capability)*
   k. *Succession (in leadership)*
10. If you were to advise a start-up Food & Beverage company in this region, what issues would you highlight that need attention in order to succeed?
11. Other observations?

APPENDIX 2 - KAPITI AND HOROWHENUA COMPANIES

Kapiti and Horowhenua Food & Beverage Companies interviewed as part of this research.

1. Easton Agriculture
2. Fonterra Kapiti Cheeses
3. Genoise
4. Halford and Associate - Agricultural and horticultural Consultants and Managers
5. Horowhenua Freeze Dry and Country Treats
6. Kapiti Candies
7. Kapiti Greens
8. Kapiti Olives
9. Lavender Impressions
10. Otaki Cold Storage
11. Pescini Brothers
12. Pure Bread
13. RJ's Liquorice
14. Ruth Pretty Catering
15. Te Horo Foods
16. Tender Tips
17. Tuatara Brewing
18. Turks
19. Waikanae Crab
20. Western Harvest
21. Woodhaven Gardens