

Project 98 - Green initiative for New Zealand's food and beverage industry : A vision of leadership

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Introduction

From now to 2010, it has been estimated that over 70% of the growth in world trade is likely to take place in emerging economies such as China, India, South Africa, Argentina, Brazil, Poland and Turkey. These countries are likely to double their share of world GDP in that time to 20%.

You only need to walk down the aisle of your local supermarket to see that many more countries are selling their goods here, and underbidding on price. Despite New Zealand's significant improvements in cost competitiveness, we are always going to have difficulty beating them on price. We have to beat them on product quality and consumer preference. That is our best prospect for competitive advantage in the 21st century. Project 98 is about basing that advantage upon environmental reputation and best practice. That is our vision for the New Zealand food and beverage industry; to lead the world in establishing such an advantage.

In my time with you today, I want to take you through our Project in some detail; to share its vision; to show how so many different companies and organisations who have been aiming independently for the same goal have come together to help each other achieve it; to present formally our objectives, strategy and structure; and to outline the practical steps to achieve the vision.

Vision

Food and beverages remain one of this country's largest and most important industries. Their continued success underpins the aspiration for the New Zealand economy. It must, because it earns us close to \$9 billion in export returns each year. Project 98 encapsulates or embodies the vision of this critical industry to establish the world's first country-of-origin eco-label.

Of course there are a host of environmentally-friendly labels on products here, and internationally, that seek to derive marketing and sales advantage from one

environmental attribute or another. Despite the proliferation of these brands, the evident importance of the environment to consumers, and the encouragement that some governments are giving to their producers to embrace standards, no country has been successful in establishing a country-of-origin eco-label for food and beverages.

Background

Project 98 is no accident. It reflects two things:

1. The increasing consciousness of consumers of the hidden harms of poor environmental practice - pesticides, hormones, irradiation.
2. Among our leading business people, the widespread and intense awareness of the requirement for assurance of food safety and sustainable environmental practices.

Perhaps the most fascinating aspects of our project has been the revelation of how many of our companies and organisations have been responding independently to the same need - clean food and environmental improvement. For example, HortResearch has been researching the sustainability of the food production system; the Kiwifruit Marketing Board had a project called Kiwi Green, Heinz-Watties has led the commercialisation of organic crop production and shared the learning of these programmes with conventional growers; and Tradenz had been promoting the enormously important ISO 14001 environmental management system.

These were quite separate and distinct programmes and it was the challenge from Dr Tony O'Reilly of Heinz that got people thinking about doing something together. At a FBEC forum Tony O'Reilly challenged the industry to package New Zealand's extraordinary advantages in a way that withstands scientific scrutiny and excites the global consumer. Dr O'Reilly put this

challenge into the context of the achievements of Heinz Italy, a major producer of perhaps the world's most consumer-sensitive food, baby food.

In Italy in the early 1980s Heinz developed for its baby food products a very strict standards regime for suppliers of raw materials. These standards were monitored. This system proved a winner following the Chernobyl disaster. While all of Europe was worried about the radiation effects on the food supply, Heinz Italy was able to show that it had a way of tracking shortcomings of its raw materials. It cleaned up the baby food market, with an environmental oasis branding position.

Tony challenged New Zealand - so far from the pollution of Europe and parts of Asia - to create its own environmental oasis. In doing so he stressed the importance of ensuring that any standard or label was able to stand up to scientific scrutiny.

In a consumer world where there has been a proliferation of green marketing claims, this need for scientific scrutiny is backed up by Guy Salmon, the chief executive of the Maruia Society and a Project 98 Trustee. He warns us that the green consumer is not naïve but rather sceptical or even cynical about clean, green marketing claims. There has been a backlash against "greenwash" - efforts to exploit the consumers' environmental concerns with sometimes spurious claims. This is why Project 98 is so keenly focused on research and development.

Consumer Research

As its initial response to its Chairman's challenge, Heinz-Wattie carried out some consumer research, studying consumer preferences and expectations on environmental issues. This was done over several markets - Australia and Japan, as well as New Zealand. There are some striking lessons.

After taste and appearance, consumer's prime concern is for health - their own and that of their immediate family. Increasingly, however, they are conscious of hidden harms. We mentioned them earlier and they are environmentally related - pesticides and hormones. Progressively these lead to issues of sustainability, and questions about whether the product itself and the process for producing it are friendly to the environment.

This Heinz-Wattie research is very telling. It shows that international consumers do not look to New Zealand products as being cleaner and safer than others. It also tells us that while New Zealand is perceived as scenic and rich in agricultural products, it is not seen as committed to the environment.

Desk Research

It is clear that we can't sit back and rely on our own perceptions of a "green" reputation to position us in an increasingly environmentally conscious world. Desk research reveals some gathering clouds for New Zealand exports on the European horizon. There is a new environmental performance certification scheme that is gathering strength in Europe. It has the potential to block us out of some markets, as participating companies discriminate in favour of suppliers who are also in the scheme. This is an exclusive scheme for European companies only.

It is apparent that ISO 14001 will become the minimum environmental standard for business. I am not sure that this is widely recognised, but it is relevant. As far as I am aware only one food company in New Zealand has achieved ISO 14001 certification. This is J. Wattie Foods in Hastings. In achieving its certification, Watties has highlighted for others the economic win that has been achieved. Sounder environmental systems have reduced costs.

Our Common Objectives

Project 98 was launched in March 1996. Since then it has attracted enormous interest, even outside the food and beverage industry.

The objectives of the Project are quite simple:

- To create a competitive preference for food and beverage products based upon the environment. Remember that preference in any market is more enduring than premium.
- Facilitate sustainable practices in the industry, from farm to plate ... and everywhere in between.
- Build a practical improvement framework for clean food and green processes.

Based upon this work and the activities of producers, leverage the environmental brand values of New Zealand.

Project Strategy

Just as there are simple objectives, there is a clear strategy. This is the establishment of a partnership between government, industry and environmentalists. Each of these partners is integral to the Project.

The strategy extends to joint funding of the Project - in cash and sweat equity, as well as pooling a wealth of government-industry talent. This includes scientists and marketers as well as research information.

Organisation

The project is guided by the Trustees who represent quite widespread industry interests. There are still gaps in terms of coverage and we are looking to close these. The Project Manager is Sally Garrett who was involved with this Project at basement level and was largely responsible for getting it up and running. Task Groups have been established to progress specific tasks within the work plan which has been prepared to guide the programme. The administration is managed by Melissa Hodd, executive director of the Food and Beverage Council.

As we have indicated, Project 98 is most fundamentally a research and development exercise. There has been some debate about whether the project aims to establish a label or brand. The Trustees are firmly of the view that final decisions about such matters are further down the track. Meanwhile we are on a journey of discovery and our immediate task is to establish some standards.

The focus right now is very much on researching market opportunities and market-led science.

Market Research

While we have the benefit of market research undertaken by Heinz-Wattie, we have established a Task group, lead by Ray Nichols of Heinz-Wattie, to establish the nature of any advantage that New Zealand might derive from a scientifically based clean, green image.

We want to ascertain the strength and uniqueness of this advantage - and importantly put a dollar value on such an advantage. As this Group has looked at its task it has clearly recognised that because of the commodity nature of New Zealand's exports, people other than consumers make decisions about access and availability. These people include trade officials, customs officers, politicians and supermarket buyers. These people are the gatekeepers of our food and beverage exports.

An international literature search forms a significant part of the search package.

The initial, principal objective of this Work Group is to write the standards which food producers must meet to qualify for use of the eco-label. Guy Salmon leads this Work group looking at the two types of standards to be considered — the "clean" standard and the "green" standard.

Together these standards will give the consumers the assurance that the food is safe and environmentally friendly. The resulting standards will be the integration of three strands of information: that gathered by the

Market Research Work group, an understanding of environmental issues and a scientific model of the process of production from paddock to packaging, or in other words, a life-cycle model.

This is pioneering stuff. Work like this has not been done anywhere in the world, so we are feeling our way to ascertain extent. In drafting its standards, the Group is conscious of the need to know the nature of non-tariff barriers for New Zealand foods and the structures that exist for certification and accreditation in our markets. The work of this group will include a major emphasis on consultation, working with industry parties to help them dock their environmental modules into the Project.

One of the strengths of the project is the resources on which the Task Groups can draw. These are industry and government.

Communication

We have a third Task Group that is responsible for communication. By linking groups and individuals inside and outside the project, the work of this group is effectively the "oil" which keeps the other parts growing.

The Group is responsible for growing understanding of the project across a broad audience. It will do this with a newsletter, eventually through the Internet and through other media. Case studies will be used to inform, encourage and excite people about the progress of the project.

Funding

This is a million dollar project. The understanding is it will be jointly funded by industry and government. Some funding has been made available from the Sustainable Management Fund. Industry has also provided cash funding. Aside from cash, there is an enormous amount of equity being generated by sheer hard work. Many people are doing Project 98 work in addition to their regular job. This is the sort of commitment that is being made.

Conclusion

There have been real achievements to date but the momentum needs to be maintained. This is a unique journey of discovery; a landmark strategy for the benefit of our food and beverage industry. We have the opportunity of differentiating our products in a very positive way and adding to the security of our future.

Comparisons have been made between our Project and the refrigeration of meat exports in 1882. Although

it was not clear at the time, that turned out to be the export opportunity of the Century. We should also be mindful that this export revolution did not occur overnight. The first years were very difficult ones. But the journey had begun, and at the heart of it there was an opportunity and the potential for a growing market.

That is the essence of Project 98.