

Hon Gerry Brownlee

Minister of Economic Development

11 March 2010

Media Statement

New \$21 million food innovation network

The government will spend up to \$21 million to establish a network of open-access food development facilities across the country, Economic Development Minister Gerry Brownlee announced today.

“New Zealand's export base is reliant on our food and beverage industries. The government wants to encourage them to create more value from their products to help raise our economic growth rate,” Mr Brownlee says.

“Small and medium sized companies need access to facilities that allow them to develop, test and prove new products but it is uneconomic for these companies to individually build such facilities and purchase all the required equipment.”

Mr Brownlee says this new initiative, called Food Innovation Network New Zealand, will be a collaboration between the government, industry, research and education providers and local government. It will have four regional hubs in Manukau, Waikato, Palmerston North and Canterbury and an overarching network organisation.

By providing the infrastructure that firms need to develop new food and beverage ingredients and consumer products, this investment by government will enable a high value food export industry to develop more rapidly, Mr Brownlee says.

“The food and beverage sector is responsible for over half of New Zealand's export earnings. Directly or indirectly, the sector employs one in five of the working population. Given its importance, maintaining and improving the performance of this sector is essential to achieving the government's economic growth agenda.”

As an example, New Zealand's exports of processed foods have experienced strong compound annual growth of 18 per cent over the last decade and now account for \$2.1 billion of exports. This has potential to at least double in the next few years with the assistance of initiatives such as the Food Innovation Network New Zealand, Mr Brownlee says.

“The absence of open-access facilities in New Zealand to enable product development and testing is a significant gap for our food and beverage industry and a constraint to growth. Such facilities exist in most OECD countries.”

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Questions and answers

1. What is the aim of the Food Innovation Network?

By providing open-access facilities to enable product testing, the Food Innovation Network initiative aims to reduce barriers to new product development.

This will enable New Zealand's food and beverage industry to more easily respond to consumer demands and international market opportunities. It will also increase speed to market. In addition the initiative aims to:

- Encourage collaboration between firms to create the scale necessary to succeed in international markets.
- Help make the links between science and research, and food manufacturers. New Zealand has some world class science capability, but often we are unable to convert these bright ideas into real, value-added products for our food manufacturing sector to successfully take to market.
- Improve firms' access to experience and skills in business development and commercialisation, thus reducing the risk of product failure – wise heads who know from in-market experience the pitfalls of taking a new product to market.
- Improve knowledge of market opportunities to better enable research and product development to be informed by, and respond to, international consumer demand.

2. How will the four hubs work?

The government has worked with regional stakeholders and private sector experts to develop the initiative, which includes plans for four regional hubs in Manukau, Waikato, Palmerston North and Canterbury as well as an overarching network organisation.

Each hub will have a different focus, building on the strengths and capabilities in each location. The facilities will be located at:

- Manukau – focusing on processed foods;
- Waikato – focusing on meat-based products and dairy ingredients;
- Canterbury – focusing on plant-based ingredient and consumer food product development;

- Palmerston North – building on existing strengths as a centre of excellence for food research and training to strengthen connections between research and the industry. It is seeking research scale equipment to support this work.

3. Why focus on the food industry?

The food sector is one of the most significant sectors in the New Zealand economy. It is at the centre of production, employment and export earnings, and advances our international reputation for innovation and quality.

The sector has undergone significant transformation over the last 10 years increasing its contribution to GDP. Exports have doubled to around \$15 billion annually and today account for more than half of total merchandise exports, a significant proportion of which can be characterised as added value.

The sector's growth rates and productivity increases have consistently been above the average for the whole economy, and there is significant potential for this level of growth to be maintained and enhanced. The sector involves more than 30,000 companies and provides jobs for 20 per cent of the total workforce or about one in every five New Zealanders.

4. When will these facilities be operational?

We expect the first of the four regional hubs to be operational later this year or early next year. The others will follow in stages and we expect them to be all operational within the next two or three years. However, this is dependent on a number of factors, including finding and appointing key personnel.

5. Will these be new purpose built facilities or will they utilise existing facilities?

The four regional hubs will be mainly new purpose built facilities although the Palmerston North support for food innovation will be provided through Massey University's recently upgraded pilot facility and the support of the research partners located in Palmerston North.

6. When will the government expect to see results?

The Food Innovation Network is a long-term investment in the improvement of the food industry, but the government will expect to see an increase in new product development in the first two years of its operation.

7. How will the Food Innovation Network be funded?

The government has agreed to provide up to \$21 million over five years through re-prioritisation of existing funding. The proposal is fiscally neutral.

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