

MEMORANDUM

Date: 20 December 2007

To: Helen Clark, Prime Minister

From: Jim Anderton, Minister of Agriculture

Re: Pastoral and Food Innovation initiative

This note updates you on the progress of the developing Pastoral and Food Innovation initiative.

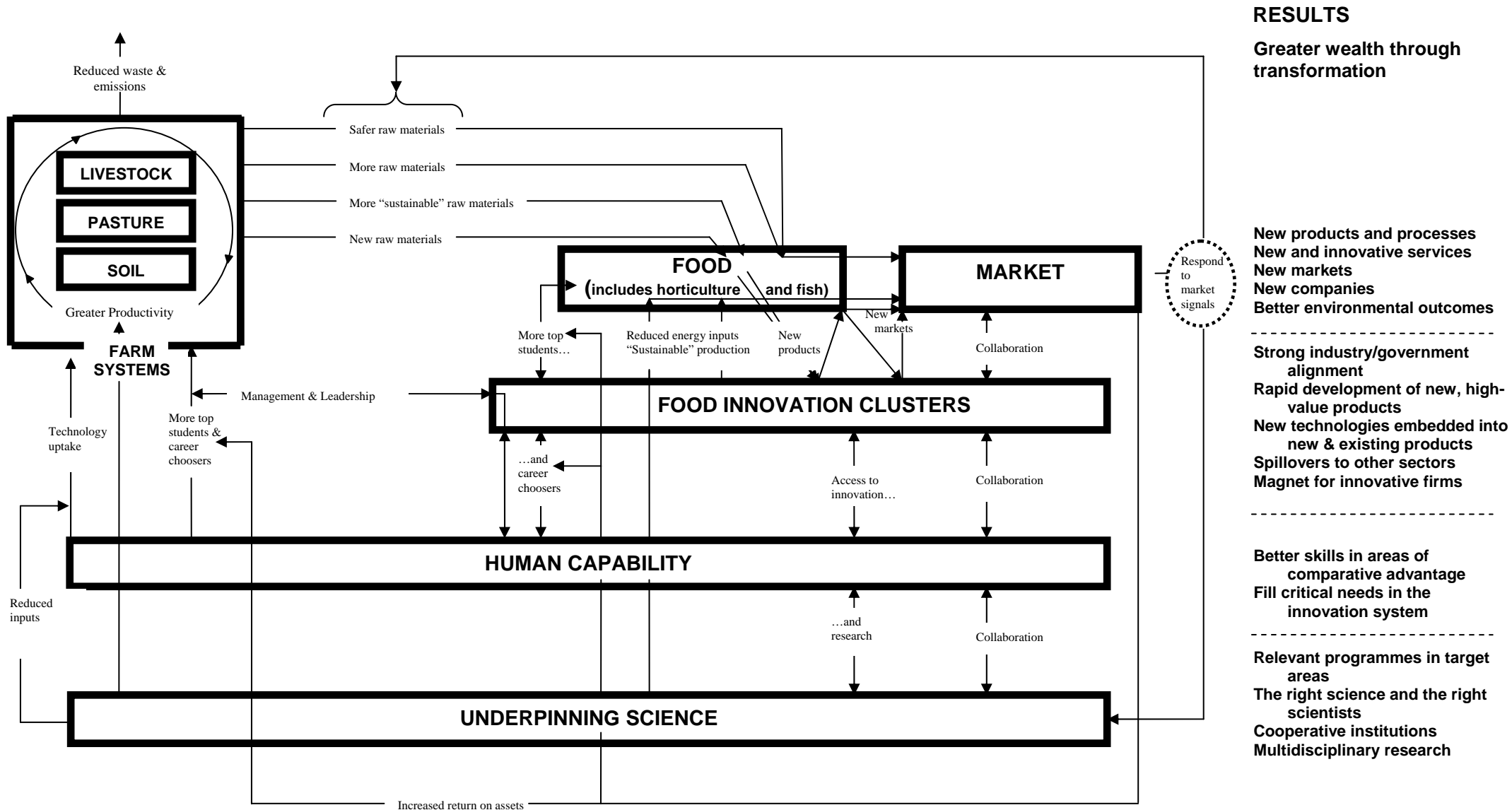
The initiative arose from discussions about Fonterra's capital restructuring, out of a desire to ensure that Fonterra retained its innovative functions within New Zealand. However, it is wider than just Fonterra and the dairy sector. It has the broad objective of enhancing the attractiveness of New Zealand as a location where domestic and international firms (from large, established ones such as Fonterra to emerging businesses) choose to undertake high-value, innovative activities. Due to their overwhelming importance to the New Zealand economy the initiative has specific weight and interest in pastoral systems and food, encompassing the entire value chain from "farm to fork". Other agricultural, horticultural and aquacultural industries that produce foods and food products are also included. Figure 1 (attached) shows a picture of the initiative and what it could cover.

This initiative will build a partnership based on co-investment that will use the experience, expertise and wealth of large, existing industries to transform the overall innovation system supporting not only themselves, but also smaller and emerging industries. The work envisages a significant government commitment yielding approximately \$85-100 million per annum, subject to aiming for comparable overall private investment alongside. It will continue the momentum of the Primary Industries Summit I held recently in Christchurch and embody the Government's Economic Transformation policy by building on New Zealand's existing strong comparative advantages, catalysing new activities that grow from our core capabilities and enhancing our sustainability.

I engaged with key stakeholders during the Summit, and my officials are following up with these stakeholders. **[Withheld under Section 9 (2) (b) & 9 (2) (ba)]**

The Ministry of Agriculture and Forestry is also chairing an interdepartmental steering group including Deputy Secretary-level officials from the Ministry of Economic Development; Ministry of Research, Science and Technology; Treasury; Department of the Prime Minister and Cabinet; Foundation for Research, Science and Technology; Tertiary Education Commission; and New Zealand Trade and Enterprise. The steering group is overseeing ongoing work around the governance of the initiative as a partnership and the initial strategy for investment. I expect to bring a paper to Cabinet on this work early next year.

Figure 1: Pastoral and Food Innovation initiative: activities and outcomes within scope



[Withheld under Section 9 (2) (b) & 9 (2) (ba)]