



Central Otago Industry Snapshots

Understanding our local economy

May 2020
Central Otago District Council

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Introduction

In a time of economic crisis, it is of utmost importance for decision makers, industry groups and partners to understand the many facets of the local economy and learn what areas are likely to need support.

The Industry Snapshots Project was initiated in collaboration with the Otago Regional Economic Development (ORED) Working Group. It seeks to engage our industries, collate information and undertake analysis to provide insight into Central Otago's key industries, their strengths and their role in economic recovery. Each industry snapshot outlines critical issues and looks to present possible initiatives to drive recovery.

The snapshots will inform, but also enable the sharing of ideas, solutions and the identification of recovery projects for which Council and industry groups can seek Central Government support and pursue partnering options. The Central Otago snapshots are part of a series of reports to be undertaken by the ORED Working Group across the region. Other districts' snapshots will also be publicly available.

This report was developed following interviews with a number of industry representatives and focus groups. Their contributions have been invaluable and have added a level of insight to this report which would not have been possible from quantitative data alone. Economic data from Infometrics and publicly available sources have also been useful in drawing inferences in this report.

Summary - Project outcomes and value propositions:

- Provide decision makers with a clear understanding of the local economy in time of crisis
- Identify individual industry challenges, opportunities and actions that will support economic recovery across the Otago region
- Identify a portfolio of existing and possible future local and regional economic recovery projects
- Strengthen collaboration opportunities with local and regional industry groups
- Support sharing of ideas and solutions across the District, region and beyond
- Provide the foundation for the development of regional economic recovery plans.

Next steps - Stage two

In addition to the qualitative industry snapshots the next stage of this project will involve a series of industry employment forecasts and scenarios being undertaken. A first draft of this work in Central Otago is estimated to be finished early June.

This analysis will focus on economic activity through forecasted industry employment levels and will take the following steps:

- Identify driving forces
- Identify critical uncertainties
- Develop a range of plausible scenarios
- Analyse implications.

Construction

The Construction Industry is the largest employer in the Central Otago economy encompassing a wide range of construction activities and services across the District.

Over the past decade, the District has seen rapid growth in population, particularly in urban centres like Cromwell. This has driven growth in construction and a range of other sectors which service this industry. In the last 12 months, construction has contributed 130 new jobs to the District, a growth of 7.3%. Parts of this growth can be contributed to high levels of activity in neighbouring Queenstown Lakes District. Because of this link, sector is vulnerable to changes to the Queenstown Lakes economy.

<i>Critical issues</i>
Likely drop in demand for both residential, commercial, and civil construction in 6 months' time.
Lack of forecasting for longer term demand in light of COVID-19.

Industry bodies:

- Master builders
- Certified builders
- Civil Contractors NZ
- Master electricians
- Industry training organisations.

Employment:

Central Otago's construction industry share of employment at 14.4% is significantly higher than the national average of 9.6%. With almost 1,900 jobs and rapid growth in recent years, it is one of the most significant employers in the District.

Market issues / opportunities:

Residential

During Alert Levels 3 and 4 it has been difficult to ascertain from the industry how demand is likely to change. This is most likely due to longer lead in times of 12-24 months on construction projects when compared with general consumer spending. Demand scenarios will develop over time with possible future monthly reports being available from the Otago Construction Labour Forecasting Project. The Otago Construction Labour Forecasting Project funded by the Provincial Growth Fund (PGF) was set up to understand labour requirements using regional analysis to ensure sufficient labour for large construction projects such as the new Dunedin Hospital. The project group will continue to update their forecasting in relation to COVID-19 and share this information.

Anecdotal evidence reveals that several significant residential projects will not proceed in the short term, particularly those due to take place in the Queenstown Lakes District. Much of the decrease

in projects in the Queenstown Lakes District will directly affect Central Otago construction firms and employees. It is estimated that approximately 10% of work carried out by Central Otago construction firms takes place in the Queenstown Lakes District.

Short term

The industry is predicting adequate work in the immediate term, however, 3-6 months down the track they anticipate facing difficulties in maintaining a sufficient portfolio of work. The wholesale market is directly linked with residential construction market outcomes. Wholesale suppliers are anticipating normal levels of activity up until Christmas. The focus is mainly on a reduction in activity after the initial 6-12 month period, where orders are expected to bottom out. Industry representatives have noted the potential risk of insolvency of developers and the flow on effect this would have on the contractors.

National forecast

New Zealand economists are predicting a significant decline in residential housing activity over the next 2-3 years. Beyond forecasted negative house demand and sales prices (8-12%) for the next 2 years, the market is very difficult to predict. Critical to recovery of housing activity is employment returning to normal and migration returning to Pre-COVID-19 levels. Economists anticipate this occurring in 2024 or 2025.

Regional comparisons

Central Otago is as difficult as any to predict due to its unique mix of social and economic drivers. In attempting to draw insights on Central Otago's prospects, it is useful to examine neighbouring who present some very different but all together clearer situation.

Queenstown

In the Queenstown Lakes District, the housing market and construction industry has grown quickly to a point where a significant over-supply of expensive housing and commercial infrastructure has been created. This has been driven through high profits from private investment and speculation attached to its formerly thriving international tourism sector. With tourism and overseas investment opportunities suddenly removed, the Queenstown Lakes District is expected to experience a profound market demand crash.

Dunedin

Construction in Dunedin has been driven by low housing supply, high levels of public investment and a strong tertiary education sector. High levels of public spend are due to be accelerated as part of the national recovery plan. In Dunedin, this includes major infrastructure projects such as the new hospital. This project alone is projected to create demand which draws labour into the city from other regions. Despite housing construction demand declining in the immediate term, much of the excess capacity within the construction industry will have the opportunity to pivot towards public projects

Clutha

Clutha's economy is heavily concentrated on the primary sector, the industry likely to be the least impacted by COVID-19. With historically steady demand and growth of its housing stock, little change is anticipated for construction in the Clutha District apart from those firms and workers who are involved in the Queenstown market.

Central Otago forecast

Central Otago shares aspects with each of its neighbours' economies, namely: high primary industry dependency, a booming tourism industry (dominated by domestic tourism at 73% of total) and a lower level of housing over-supply compared to Queenstown Lakes. Its diverse economy means there both areas of vulnerability as well as areas of strength within the local economy which can be leveraged.

Supporting factors

Apart from the region's foundation in primary production, the market will be supported by the District's historically steady population growth and low unemployment levels. If population levels can be maintained and unemployment kept low, the construction industry will have a strong foundation to build its future on.

Risks

As discussed above, Central Otago's construction sector is sensitive to changes in the Queenstown Lakes District. The Queenstown Lakes demand bubble can be expected to have caused a "halo effect" on the Central Otago market. Central Otago's growth areas such as Cromwell are closely linked with the Queenstown Lakes District economy, meaning there is likely to be short and medium-term negative flow-on effects for those areas.

Recent history provides a cautionary tale for the Central Otago construction industry. In the lead up to the Global Financial Crisis (GFC) 2007-08, some regions who were late to experience the housing boom were found to have faced the economic pressures of increased house prices and demand as a result of the 'halo effect' from neighbouring areas. Growth in regions which experienced the 'halo effect' was inorganic and driven by external factors. House price growth in these regions was not driven by traditional factors such as: Low levels of housing stock (supply), increased productivity, rising wages, increased employment and population growth. Instead, price growth was driven by speculation in neighbouring regions. This left many areas/districts exposed to sharp decreases in housing prices, demand and activity following the economic crisis. For these types of districts/regions, house prices and construction activity dropped significantly over the years following the GFC (e.g. extreme house price drops ranged from 48% in Wairoa to 25% Kaikoura).

Verdict

The Central Otago construction industry is expected to run well over the next two quarters. Residual demand from pre-crisis projects will ensure worksites remain busy. However, beyond this initial period the outlook is very uncertain. To support a better future understanding of the industry and broader local economy, Stage 2 of the Industry Snapshot Project will undertake studies to forecast future local demand and input effects. This will provide a range of local and regional employment scenarios for our key industries which will be updated on a quarterly basis.

Commercial / public sector construction

To support the survival of the Central Otago construction industry, industry representatives have highlighted the importance of fast-tracking public works and procurement through local construction firms. The message is clear that local businesses should be at the top of the list of contractors for consideration.

For larger public construction projects there will be a challenge for smaller contractors to comply with standard onsite requirements. To bring these smaller operators into these contracts, coordination and subcontracting with larger contractors will need to occur which could be encouraged through the procurement process.

Input issues:

Productivity

Significant inefficiencies are likely to occur in construction industry operations under all Alert Levels, which is likely to result in slower progress on projects and a higher cost to the client. A key question for the industry is if clients are willing to accept this. Anecdotal evidence from firms point to a productivity loss of around 30% during the time they are under lockdown Alert Level 2 and 3.

Labour supply

The price of labour has been high while its availability was low prior to the crisis. A weakened construction market and higher than normal availability of labour (caused by higher unemployment) might provide an improvement in the supply of labour and lead to downward pressure on wage costs. Despite this, the industry explains that they do not expect wage pressures to materialise significantly over the first 6-12 months. It is acknowledged that labour costs may need to decrease following the crisis, however, this move is likely to be slow since it is hard to lower wages while local living costs remain high. Good staff cannot afford to stay in the District if low wages are not matched by lower living costs. Industry representatives also highlight that it is not the amount of labour available but the quality of labour which is important to their businesses. The redeployment of non-skilled labour from the tourism or hospitality industry is unlikely to be a quick process.

The industry further explains that changes in demand is likely to lead to the now is common 50-55 hour week (overtime), becoming more of a 40 hour week. This effect on workers income could compound if coupled with possible lower wages over time.

Long-term labour demand

There are concerns around labour supply and the retention of skilled labour within the industry over the long-term. With over 5 years of planned large-scale public work in Dunedin, parts of the skilled workforce are expected to migrate with this demand of work. Adding to this concern is that large scale local and regional public infrastructure projects are likely to call on labour to move from

residential projects to the infrastructure sector, which is now being fast-tracked with Government funding.

Supply chain

The construction industry perceives its supply chain to be working well. Indications from key suppliers are positive, and according to the wholesale sector the industry seems to be taking a responsible approach.

Potential industry support initiatives:

- **Advocacy** - Advocate to Central Government for procurement processes of public works projects to be weighted to support local firms and staff.
 - Parties: Council, local Members of Parliament, industry representatives
 - Delivery model: Partnership
 - Start: Immediate
 - Indicative cost: Low
 - Measure of success: Procurement processes are implemented which prioritise using firms with locally based staff.
- **Council** - Fast-tracking infrastructure projects. Review policies and procedures to encourage commercial and residential property development.
 - Parties: Council
 - Delivery model: Internal
 - Start: Immediate
 - Indicative cost: Low
 - Measure of success: Delivery of planned infrastructure projects. Securing of government funding to bring forward delivery of projects.
- **Education** - Development and provision of retraining opportunities for locally unemployed construction workers to aid transition into civil construction.
 - Parties: Building and Construction Industry Training Organisation (BCITO), Enterprise Dunedin, NZ Institute of Skills and Technology (NZIST), Regional Skills Leadership Group, Roadtrain, Civil Construction New Zealand.
 - Delivery model: Partnership
 - Start: Immediate and ongoing
 - Indicative cost: Medium
 - Measure of success: Establishment of a locally based retraining pathway.
- **Information** - Accurate forecasting of construction levels to enable workforce planning at a business and sector level provided through the Otago Construction Labour Forecasting Project.
 - Parties: BCITO, Enterprise Dunedin, Industry representatives
 - Delivery model: Partnership
 - Start: Immediate and ongoing
 - Indicative cost: Medium

- Measure of success: The construction industry is able to accurately forecast and plan for future work requirements.

Recovery / growth potential:

As a result of general economic decline, it is expected that the mobility of people will increase. This would be driven out of necessity as people are forced to relocate find work. In New Zealand this has historically seen New Zealanders moving overseas. For example, during the GFC a significant number of New Zealanders migrated to Australia to pursue better economic opportunities. COVID-19 is likely to be different, overseas destinations won't be as attractive or indeed possible.

Domestically there is an expectation that more affordable and lifestyle focused rural areas will be an attractive alternative to city living. Remote working has now been more extensively tested and could further support migration flows to the provinces. With attractive lifestyle options, reasonable living costs, a solid economic foundation and the roll out of fibre broadband, Central Otago is well placed to take advantage of positive internal migration flows. This could aid the recovery of the construction industry, driving new demand and creating employment.

At a national level, a number of early forecasts have been released on employment and population growth:

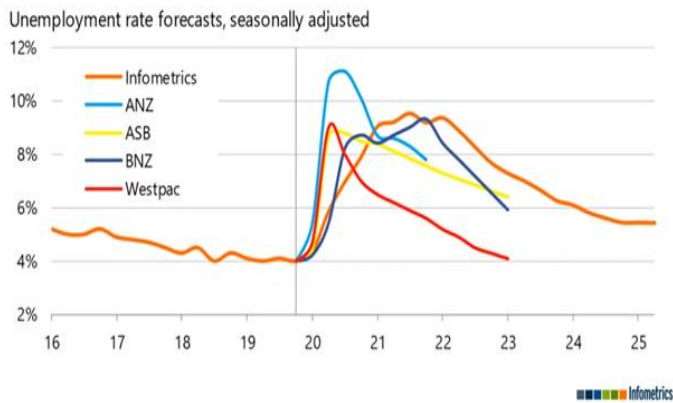


Figure 1: National unemployment forecasts

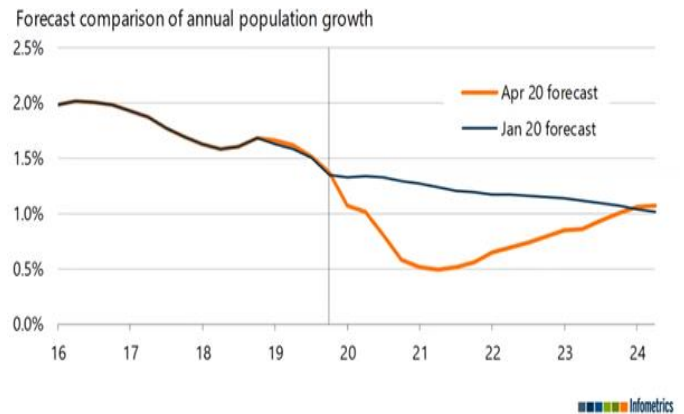


Figure 2: Population growth falls to lowest levels in 30 years

Tourism

The Tourism Sector has been a key contributor to economic growth over the past two decades. Its share of the total economy has grown from 2.8% in 2000 to 8% in 2019, well above the New Zealand average of 5.4%. Apart from its direct economic contributions, the tourism industry has been critical in contributing to the vibrancy of many of our smaller communities, providing facilities that are enjoyed by the local community and showcasing Central Otago heritage, natural landscape and local produce.

COVID-19 will have a significant negative impact on the industry and there is a significant amount of uncertainty facing the District's operators and related services. Despite this, Central Otago is in a stronger position than many regions due to its high proportion of tourism spend coming from domestic visitors.

<i>Critical issues</i>
No international tourism for the foreseeable future
Reduced domestic demand
Loss of key staff
Loss of key businesses
Reduction of domestic flights

Industry bodies:

- Tourism Central Otago
- Tourism Industry Aotearoa
- Tourism New Zealand
- Regional Tourism Organisations NZ
- New Zealand Cycle Trails
- Central Otago Wine Growers Association
- Hospitality New Zealand

Employment:

Tourism in the Central Otago District directly employed 1,522 people in 2019, accounting for 11.6% of total district employment. This figure has almost doubled since 2000, when 780 were employed.

Market issues / opportunities:

The domestic tourism market is essential to the Central Otago tourism industry's survival. Domestic visitors to Central Otago accounted for around 76% of total visitor spending in 2019, compared to the national average of 60% and 37% in Queenstown Lakes. This figure is supported by Central Otago Rail Trail operators who confirm that 70% of their customers are from New Zealand. 72% of domestic tourists are visiting from Otago, Southland, and Canterbury. This is positive for Central Otago as these markets are resilient and likely to be able to return quickly.

The first return of tourism under Alert Levels 1 and 2 is likely to be limited to regional or South Island domestic travel. Regional domestic travellers are likely to have less discretionary spend

available at a time of economic crisis. This may require operators to decrease prices in order to attract this cohort.

Central Otago experiences a natural decline in visitors over winter months and businesses adapt to this seasonal impact annually. If the industry can survive the initial six months post-COVID-19, there is hope that operators and services will be able to adapt to the new normal for next season. The start of the Central Otago high season will be the critical point for the industry, rescuing as much of the high season will be of utmost importance for the ongoing viability of many operators.

Local operators report that excess supply of accommodation in Queenstown could negatively affect Central Otago's ability to get value from the accommodation sector. Local operators believe we need to market Central Otago as an experience distinct from Queenstown. There is a real need to promote that Central Otago is open for business.

The hospitality sector is being significantly impacted by COVID-19 restrictions and a lack of tourists. Restaurants and bars will likely face a long period of reduced productivity due to social distancing requirements as well as general economic decline and uncertainty.

There is anecdotal evidence that approximately 80% of Central Otago operators will try to stay open through the crisis and persevere despite low demand. The general consensus is that if industry operators manage to break even in terms of cashflow over the next 12 months, they will have been successful.

Segments of the industry that are likely to be resilient over the short/medium term are those which allow for physical distancing. With this in mind, the cycle trails and cycling in general is an important asset to capitalise on and will be integral to driving domestic tourism.

As discussed in the horticulture and viticulture snapshot Central Otago wineries are being hit very hard by COVID-19. Central Otago wineries are a key visitor attraction for the District and rely heavily on sales via cellar doors.

There is a possible reputational risk for the District and its tourism marketing should COVID-19 cluster become present. The industry, Council and partners need to have a plan around its messaging if this occurs.

National macroeconomic perspective

International Tourism

It is anticipated that border restrictions will remain in place for at least the next 12 months. Encouragingly, there is increasing support for a 'trans-Tasman bubble' to be introduced later in the year if COVID-19 is brought under control. Infometrics expect that this could result in 50% of usual tourist travel on Australian and Pacific Island routes. Even with this arrangement, travel will be very limited until November. The Government have not given any indications on when the border is likely to open. Local industry expects a 'trans-Tasman bubble' to open in or around September based on progress to date.

Domestic tourism

New Zealanders spent around \$5.4 billion on international tourism in 2019. Because of travel restrictions, some of this spend is expected to be diverted to domestic tourism opportunities over the next 12-24 months.

Infometrics estimate that total spending on a holiday in New Zealand is on average 30% less than what would be spent on an equivalent holiday overseas. While some of this can be attributed to lower spending on airfares, people who holiday domestically tend to spend less on accommodation and activities.

The coming economic downturn is expected to contribute to a reduced willingness for New Zealanders to spend on tourism and holidays. The GFC saw an 8.6% drop in annual spending on restaurants and hotels and a similar if not larger decline is predicted to occur as a result of COVID-19.

In light of these considerations, Infometrics estimate that domestic tourism spending will fall between 20-35%. If this does occur, domestic tourism spending will be roughly equivalent to 2012 levels (\$142m in 2012 compared to \$208m in 2019).

Input issues:

Interdependence

Local tourism infrastructure and its operators are highly interdependent. All aspects of the industry need to be coordinated and COVID-19 free.

Labour

A loss of tourism talent and experienced operators may become an issue. More labour will inevitably become available through the crisis in the short-term, however, a loss of expertise could affect the industry over the medium and long-term. Operators observe that Central Otago is an increasingly expensive place to live and that population growth and inflow of essential skills will stall in the coming years.

Investment

Sales for of tourism and hospitality businesses were slowing pre-COVID-19 and several Rail Trail hospitality facilities remain on the market. New operators of these businesses as well as other small and boutique operators might arise as the market picks up. Many of these may need support to become successful in the short/medium-term.

Supply of goods

Bulk distribution of food and beverage supply could become an issue if Queenstown distribution centres are significantly affected by the crisis.

Potential industry support initiatives:

- **Information** - Industry webinars to date have been valuable during lockdown and should be continued. These webinars are currently being run by the local Chamber of Commerce and Tourism Central Otago.
 - Parties: Tourism Central Otago, Tourism New Zealand, Chamber of Commerce, Hospitality NZ
 - Delivery model: Partnership
 - Start: Existing and ongoing
 - Indicative cost: Low
 - Measure of success: Local industry have access to accurate information to support decision making.
- **Collaboration** – To ensure tourism offerings remain connected and visitor experience remains high, particular focus should be given to ensuring retention of key tourism infrastructure and skills into the future. An effective and clear cancellation policy would help protect the industry going forward.
 - Parties: Tourism Central Otago, Rail Trail operators, Cycle Trails, neighbouring Regional Tourism Organisations, Central Otago Wine Growers Association.
 - Delivery model: Partnership
 - Start: Existing and ongoing
 - Indicative cost: Low
 - Measure of success: Individual operators can open or plan to open knowing that complementary operators will also be operating.
- **Marketing and product development** - Effective marketing and promotion to cut through an increasingly competitive environment is required to reach the domestic tourism market. Marketing could also include the delivery of ambassador programs. Products and packages need to be developed specifically for the domestic market in line with our regional offerings.
 - Parties: Tourism Central Otago, Rail Trail operators, Tourism New Zealand, promotional groups.
 - Delivery model: Partnership
 - Start: Existing and ongoing
 - Indicative cost: Low
 - Measure of success: Retention of market share and spend of domestic tourism.
 - **COVID-19 mitigation** - The industry, Council and partners need to plan for how the industry would adapt to both a local COVID-19 cluster, or an outbreak in a neighbouring region post lock-down. There is a significant reputational risk to the District if this is not well managed.
 - Parties: Council, Tourism Central Otago
 - Delivery model: Internal
 - Start: Immediate
 - Indicative cost: Low
 - Measure of success: Plan in place and communicated with industry.

Recovery / growth potential:

The tourism industry's future will heavily depend on external forces such as: When will borders be reopened, how quickly will international demand for travel normalise and to what extent will the international airline industry be able to recover.

Domestically the challenge will also be related to freedom of movement, but perhaps more importantly on how well the economy and individual income recovers. It is likely that the willingness to spend on travel and leisure time will be restricted for a large segment of the domestic customer base in the short/medium-term.

A positive area for Central Otago is that its main tourist drawcards, such as its rich heritage, scenic environment and point of difference (even with a New Zealand perspective) will not disappear as a result of an economic downturn, no matter how significant.

Horticulture and viticulture

The horticulture and viticulture industry is the backbone of the Central Otago economy with around 1,000 people directly employed through the industry. In addition to this 'normal' employment, over 4,000 seasonal workers are employed in the industry over the summer/autumn picking season. The industry creates a critical economic vibrancy and a distinct part of the Central Otago identity.

<i>Critical issues</i>
Supply of seasonal labour for summer
Continuation of Recognised Seasonal Employer (RSE) scheme
Ability to airfreight fruit to market
Alternative market options for wineries
Opportunity to secure quality permanent staff
Understanding future market demand for premium product

Industry bodies:

- Central Otago Labour Governance Group
- Central Otago Winegrowers Association
- Central Otago Fruitgrowers Association
- Horticulture New Zealand
- New Zealand Winegrowers
- Summerfruit NZ
- Seasonal Solutions

Employment:

7.5% of Central Otago's workforce are directly employed in horticulture and viticulture. In total industry, it is the fourth largest employer behind the broader industries of construction (14.4%), retail trade (9.4%), and administrative and support services (8.1%). If seasonal worker flows are considered; the industry becomes the largest employer in the District.

Market issues / opportunities:

Horticulture

Cherries and stone fruit

The stone fruit market had finished most of its season exports before the impacts of COVID-19 set in. A small part of the late cherry season needed to be diverted away from China.

Future market demand is uncertain. High value products like cherries may be hit hard in the predicted economic downturn. Growers do not expect to know market demand until November. Stone fruit may fare better as it is not a specialised high-end product and demand is expected to remain high.

Apples and pears

The Central Otago apple and pear industry is strongly focused on the export market and does not generally supply the local or domestic market. Most domestic product comes from Nelson and the Hawkes Bay.

While COVID-19 began during harvest, demand has remained high in European and Chinese markets. The United States is a closed market due to domestic over supply, and product has successfully been diverted to other international markets. Logistics around international transport and clearance at destination ports have been difficult during COVID-19 and continue to be an uncertainty.

Local sellers

Some smaller producers that generate a significant income from roadside stalls and local market sales. These operators will suffer during the lockdown and as a result of the subsequent loss of tourists over the coming 12-24 months.

Viticulture

Despite domestic wine sales volumes increasing close to 50% in the retail/online market, Central Otago wineries and growers are being significantly impacted by COVID-19. Industry representatives estimate that this year's revenue may reach 15-35% of normal levels. There is a high risk that many wineries will be forced to close leading not only to the loss of businesses but also the erosion of the Central Otago visitor brand which pinot noir is closely associated with.

With an industry built on small boutique brands supplying high end products, there are numerous ways that the lockdown and economic decline negatively effects the industries demand:

- During an economic downturn wine with a price point above \$20 will normally see a big drop in sales, predicted at around 60%.
- Central Otago wine does not typically have an established distribution network into the mainstream retail/online market.
- The industry is heavily reliant on two sales channels:
 - Cellar door sales - This market has now and will be for some time almost non-existent (heavily dependent on tourism).
 - Hospitality sector – This sector is slowly reopening but has historically been heavily reliant on tourism.
- There are reports that larger brands who purchase grapes from Central Otago grape growers are walking away from grape contracts.
- Export market demand has dropped and there is fear that many international boutique wine distributors may be forced to close in the coming years.
- Many smaller brands are on the verge of folding due to cash flow issues after years of significant capital expansion.
- Some will be left with significant unused stock, cash flow requirements may require dumping of prices and product, leaving others unable to sell wine at their normal price point.

Input issues:

Cherry and stone fruit

Labour supply

A major concern going forward for the cherry and stone fruit industry is the 2020/21 season. Reliance on overseas workers to pick the crop is high and the industry estimates it needs 4,500 people over its picking season with 50-60% coming from overseas.

In addition to backpackers, the national Recognised Seasonal Employer (RSE) scheme is important to many growers. There is current uncertainty around the timing of workers returning to their home country from the recently concluded season and the future arrival of more workers come next season due to travel restrictions. Industry believes that COVID-19 events are unlikely to deter future workers and may result in the popularity of the RSE scheme increase from host nations, mainly due to the economic effects in those countries from declining tourism. The industry urgently require certainty on the matter from Central Government as the next cohort of workers would normally arrive in September.

It is almost certain that an increased number of New Zealanders will end up working in the coming harvest. Despite this, meeting labour demand through a domestic employment will be challenging. Affordable and adequate accommodation is scarce, and backpackers often have their own camping accommodation organised which may not appeal to the domestic worker. The Government has a role to play in incentivising the newly unemployed to be mobile in and relocate to areas where labour will be in high demand.

A study following the 2007-08 recession presented at the "Job Summit 2009" mapped employment and unemployment areas. The findings were clear, even with economic incentives, very few people were willing to move far for low paying unskilled work. Given the seasonal nature of the jobs available the industry believes labour input from outside Otago will be limited at best.

A possible source of employment could involve secondary and tertiary students. An issue to consider with this is that there are discussions within the tertiary education sector to extend the academic year through to Christmas. This would likely leave an important supply of student labour unavailable until after Christmas, too late for the start of the industry's early picking season in December. A further issue exists around the level of attractiveness of this line of work to students from outside of the District.

Logistics

Air freight has gone from \$2.50/kg last season to \$8/kg at present due to an increased reliance on chartered flights. Uncertainty exists around how quickly air freight prices will return to normal levels. Cherries are normally transported internationally in the hulls of passenger flights. Pricing will depend on the number of international flight arrivals in late 2020 and early 2021. The industry believes that continued government air freight subsidies are needed to sustain its export industry.

Collaboration between producers will be important this year if the chartering of flights is required. However, to date collaboration has been a challenge for the Central Otago cherry and stone fruit industry. New growers will find the future challenging. Many new producers have relied on established processes and may not have the experience to adjust to adverse events as well as the

more seasoned producers. Reliance on people with leadership experience will be high. The challenge being that these key players in the market will be facing their own issues and will have limited resources to spare.

Apples and pears

Similar to the cherry and stone fruit industry, the main concern for next year is on labour supply and the reliance on backpackers. It is expected that a large proportion of overseas workforce will be unavailable.

Viticulture

This year's harvest has been difficult and expensive due to restrictions associated with the lockdown. With vineyards generally paying an hourly rate, the newly instated minimum wage increase has further added to rising costs.

To limit falling sales from cellar doors, hospitality, retail and overseas boutique distributions, many brands are attempting to set up new direct and online sales channels. This has so far been done by individual vineyards without a centralised approach or platform. Small and medium companies are generally not set up with the capacity to support this type of marketing and as a result it is unlikely to have a significant impact on sales. Adding to this challenge is that all vineyards are in the middle of their picking/production season, leaving the industry with little resources available for new marketing and sales initiatives.

For vineyards where the cost of input is expected to be significantly higher than revenue, there is a risk that closing vineyards and mothballing activities will be required. There are questions on how this can be effectively undertaken so as not to undo years of careful farming of the land.

Potential industry support initiatives

- **Securing seasonal labour** - Identify and enact initiatives to secure seasonal labour for the whole of next season. Creative thinking and collaboration with government and amongst industry will be critical to fill the forecasted gap in seasonal workers.
 - Parties: Central Otago Labour Governance group, Central Otago Wine Growers Association, Central Otago Fruit Growers Association, Ministry of Social Development (MSD), Ministry of Primary Industries (MPI), Summerfruit NZ.
 - Delivery model: Partnership
 - Start: Immediate
 - Indicative cost: Low
 - Measure of success: Adequate staffing for seasonal labour requirements.

- **Advocacy** - Lobby for measures to ensure RSE workers can move through border controls, and mechanisms to allow the extension of other visa types.
 - Parties: Central Otago Labour Governance Group, Seasonal Solutions, MSD, Horticulture NZ, Immigration NZ.
 - Delivery model: Partnership
 - Start: Immediate and ongoing

- Indicative cost: Low
- Measure of success: RSE workers able to arrive on time, extension of work visas for those already in New Zealand.
- **Market analysis** - Establish predictions on export demand for vulnerable higher value products (such as cherries and Central Otago wine). Identify lessons from previous economic down turns and seek out real-time data to understand key exports market demand.
 - Parties: New Zealand Trade and Enterprise, New Zealand Wine Growers Association, Horticulture NZ
 - Delivery model: Partnership
 - Start: Immediate and ongoing
 - Indicative cost: Low
 - Measure of success: Producers feel they have access to accurate market data to aid decision making.
- **Transport logistics** - Advocate for the continuation of government airfreight subsidies and understand the options for getting fruit to market through collaboration within the industry or with other industries.
 - Parties: National and local industries bodies, local MPs, Horticulture NZ, MPI, New Zealand Transport Association, Air New Zealand, Freight companies.
 - Delivery model: Partnership
 - Start: Immediate and ongoing
 - Indicative cost: Low
 - Measure of success: Produce gets to market on time and at a reasonable cost.
- **Attraction and recruitment of skilled staff for permanent roles** - Raise the awareness of opportunities and development of pathways into the horticulture and viticulture industry.
 - Parties: Central Otago Labour Governance Career Progression Group, MSD, Horticulture NZ.
 - Delivery model: Partnership
 - Start: Existing initiative underway and ongoing
 - Indicative cost: Low
 - Measure of success: Positive feedback from industry that they have access to recruit and pathways to develop permanent staff.
- **Alternative sales channels** - Development of alternate avenues for wineries to sell their product.
 - Parties: Central Otago Wine Growers Association
 - Delivery model: Partnership
 - Start: Immediate and ongoing
 - Indicative cost: Low
 - Measure of success: Industry is able to access efficient sales channels while maintaining margins.

Recovery / growth potential:

Much like the primary sector in general, future demand for horticulture products (apart from cherries) has not been negatively affected by COVID-19. If anything, the New Zealand brand of products is likely to strengthen in key markets such as Asia and Europe due to an image of quality, high levels of food security and a clean/green product.

Higher end products such as cherries and the Central Otago viticulture industry may see demand fall over the next season or two (depending on the length of the global economic downturn). With cherries and viticulture, both being high value products, downward global price pressures and narrower markets could create a lasting impact on the industry's recovery and future growth prospects beyond 2020-21.

It will be critical for Central Otago cherry and pinot noir products to find affordable and efficient export transport and distribution options. Being smaller players within their own industry segments, with their own unique issues, there is a risk their voice will not be heard at a national level or receive adequate support.

Uncertainty will remain around the global political economy following a crisis of this magnitude and type. Increased protectionism has been mentioned in the global media as a possible consequence of COVID-19, which may negatively affect the wider primary industry export market.

Retail

The retail sector is the third largest employer in Central Otago and contributed \$72.7 million to the local economy in 2019. The sector has been severely affected by COVID-19 restrictions which have prevented large sections of the industry from operating at a functional level. Beyond these restrictions, it is anticipated the sector will experience reduced demand for several years as a symptom of general economic decline.

<i>Critical issues</i>
Loss of business over the lockdown period
Operational capacity at various Alert Levels
Reduced demand over due to fewer visitors and tight economic conditions

Industry bodies:

- Chamber of Commerce
- Local business groups
- Retail New Zealand

Employment:

Retail provides 9.4% (2,141 jobs) of total employment in Central Otago. It has created 246 new jobs over the last decade, with 96 of these in the last year alone.

Market issues / opportunities:

Alert Level 4 restrictions saw a near complete loss of revenue for retailers not deemed an essential service. Encouragingly, the transition through Alert Levels 3 and 2 have seen a high uptake in online shopping with more retailers being able to provide an online offering. Despite this, sales volumes still remain well short of pre-COVID-19 levels and will likely continue to do so for some time as result of tourism being greatly restricted. Online sales create difficulties for retailers, and some will see smaller profit margins from selling online. In the case of franchises, this is compounded by head office often taking a higher commission from online sales.

Over the next 6-12 months, the retail sector will be severely impacted by reduced tourism and major events takings. Adequate and effective 'shop local' campaigning will be important in order to influence the behaviour of consumers and residents of Central Otago. Any spikes in demand following relaxed rules as we move through COVID-19 alert levels are expected to tail off relatively quickly.

For rural towns, farming community shops are expected to open quickly but smaller general retail shops will likely be slower to re-open and will struggle to compete in a highly competitive market. Central Otago is in a stronger position to much of the rest of the country given our focus on small towns. Central Otago does not have the big malls and can offer a safer shopping experience. Local communities are small with people often having a personal connection to their retailers. There is an expectation within the sector that they will fare better than the large segment of retail that is linked with urban malls.

Industry representatives have highlighted that the over 70s group should be a focus, with over 70s making up around 15.5% of our population. Options to support this cohort include contactless payment, spaced out parking options or dedicated shopping hours.

Transitioning to Alert Level 2 will continue to constrain operations and reduce capacity. There is a hope that transitioning to Alert Level 1 will result in a return to near normal inter-district consumption and a return of some of domestic tourism which is estimated to be between 65-80% of normal levels nationally over the next 12 months. Increasing activity is unlikely to make up for the loss of sales from due to lockdown restrictions.

Input issues:

Overheads continue

Many businesses running tight margins will struggle to pay rent, even with online sales. These businesses are at risk of failure in the medium term.

Workforce.

There is currently an oversupply of labour in the retail sector due to business operating below their usual capacity. This is compounded by reduced productivity due to health and safety requirements and social distancing regulations. There is a particular concern for the well-being of older employees in this workforce and their vulnerability to health issues.

Redundancies will likely occur when the wage subsidy scheme comes to an end. Industry representatives predict that a 25% reduction in staffing levels across the sector may be necessary to ensure business survival.

It is commonplace in the retail sector to have a high proportion of staff employed on casual contracts. These workers are likely to face a reduction in their hours leading to critical shortfalls in their income. This will result in a rise in the number of the 'working poor,' people who are ineligible for benefits and don't appear in unemployment figures. The high cost of living in Central Otago is likely to result in an increase in material hardship for this group and their families with some being forced to move elsewhere in search of cheaper living and higher income.

Retail representatives report few issues around the supply of domestic goods and services with supply chains considered to be resilient at the current time. At the national level, wholesale goods are starting to flow through, despite a backlog and many cancelled orders resulting from a reduction in demand. Time sensitive supply of international goods remains a challenge across the sector.

Potential industry support initiatives:

- **Business Support**
 - Business access to contact-tracing apps.
 - Support with meeting customer facing collateral pressures
 - Contactless payment options (incl. pre purchase vouchers) and separate shopping hours for our over 70s.
 - Access to business support, advice and mentoring.

- Advocacy for rent relief.
 - Parties: Chamber of Commerce, Regional Business Partner Network.
 - Delivery model: Partnership
 - Start: Underway and ongoing
 - Indicative cost: Medium
 - Measure of success: Businesses feel they have the tools and support to respond in the current environment.
- **'Shop local' campaign** – Develop a campaign to shop local and eat local. Promote greater brand awareness for these outlets and to change the consumer behaviour of locals.
 - Parties: Multiple.
 - Delivery model: Partnership
 - Start: Underway and ongoing.
 - Indicative cost: Low
 - Measure of success: Local businesses feel well supported by locals.
- **Domestic tourism** – Implement a strong destination marketing strategy as soon as restrictions allow.
 - Parties: Tourism Central Otago, Promotional groups, Tourism New Zealand
 - Delivery model: Partnership
 - Start: Underway and ongoing.
 - Indicative cost: Medium
 - Measure of success: Domestic tourism returns to normal levels quickly.
- **Resilience** - Support for traditional retailers to develop an online presence individually or collectively in order to build resilience for future events.
 - Parties: Chamber of Commerce, Retailers Association,
 - Delivery model: Partnership
 - Start: Late 2020
 - Indicative cost: Medium
 - Measure of success: Businesses are more resilient to similar future events.

Recovery / growth potential:

It is important for the vibrancy and longevity of our local communities that the local retail industry survives. For smaller towns and communities, empty shop fronts can contribute to a negative cycle which reduce the attractiveness of the town to new residents as well as future tourists.

Recovery in the retail industry will come from a return of usual household spending levels and normal tourist numbers. In the interim, a shift by the local community to shop local and an increase in domestic tourism being attracted to Central Otago offset some of the effects.

Education

Education and training is the ninth largest employment sector in Central Otago, with 5.1% of total employment. The majority of funding for these education providers comes from Central Government. Some institutions make additional income from international students such as The New Zealand Institute for Skills and Technology and several high schools which promote the District as an attractive place to study.

The provision of education will play a key part in the economic recovery through upskilling, retraining, and supporting career shifts in the workforce to meet changing economic demands.

<i>Critical issues</i>
Identification of future training requirements
Establishing pathways into and between education providers
Reduced income from international students

Industry bodies:

- New Zealand Institute of Skills and Technology – Cromwell Campus
- Education New Zealand

Employment:

Most of employment in the education sector is found in preschool (150 employees) primary (233 employees) and secondary (168 employees) education providers. The New Zealand Institute for Skills and Technology (NZIST), through its Cromwell Campus (Otago Polytechnic), is the main tertiary provider with 100 employees/contractors based in Central Otago. Private training establishments such as Central Otago REAP also contribute to the Education Sector.

Market issues / opportunities:

Preschool, Primary and Secondary education

Pre-tertiary education has been challenged in a variety of ways by COVID-19. While existing enrolment levels could be negatively impacted through outward migration, employment is likely to remain stable. The sector does not foresee any significant changes to its organisational structure.

Tertiary education and Vocational training

The focal point of the tertiary education sector in Central Otago is the New Zealand Institute of Skills and Technology's Central Campus in Cromwell. Their offerings are tailored towards vocational, career-focused education with options such as snow sports, outdoor adventure, and horticulture.

COVID-19 restrictions will lead to significant challenges for tertiary providers such as a drop in international student numbers. There will also be opportunities for this sector with the people seeking to retrain and upskill following the expected rise in unemployment. Upskilling and retraining opportunities could involve pragmatic short courses on interview skills and CV preparation to recognised qualifications.

International students

The industry predicts that international education will be nearly non-existent over the next 18-24 months, creating a significant gap in enrolment and income over this period.

Domestic students

Historical trends have shown that periods of increased unemployment are met with an increase in tertiary education enrolments. The Central Campus could play a big in crisis recovery by providing vocational options for workers seeking redeployment.

The current economic downturn is expected to be quicker than previous recessions. People have had very little time to plan ahead and the Institute for Skills and Technology expect an initial slow uptake of new students for this year. To allow flexibility they will be accepting enrolments on an ongoing basis and providing new opportunities to access study. In the medium term, it is expected that increased domestic demand will make up for any shortfall in international students arriving to Central Otago.

Specific vocational study programmes might be significantly affected, particularly in the areas of tourism and hospitality. However, there may be demand coming through from experienced newly unemployed staff needing to validate their skills to re-enter an increasingly competitive job market. An opportunity in this area could be to explore way to increase the attractiveness of agriculture and horticulture as both of these industries are likely to be looking for staff and have traditionally struggled to attract them.

Input issues:

A large portion of Central Otago residents have always been in work but do not have a formal qualification. Many people in this situation are from lower socio-economic backgrounds and are among the most vulnerable groups in an economic crisis. It is critical that these groups have the opportunity to upskill in order to participate in economic recovery.

Tertiary / vocational and community training education

Short-term

Alternative options for delivering education courses online is being explored to provide quality education through distance learning. For example, the Central Campus trades academy has gone online and, in some cases, triggered an accelerated learning process. Other courses and subjects have had to turn to theory work with most hands-on training being put on hold until Alert Level 3 restrictions were lifted.

Unemployment figures are predicted to rise, creating a much tougher environment for school leavers entering the local labour market. There is concern that the District will lose many young people that normally would stay in the District to take up employment alongside vocational training courses. This could lead to significant skills gaps which hindering economic recovery.

Medium-term

Critical for the Institute for Skills and Technology to understand is what type of pathways students and employees will be seeking. An influx of new and young skilled talent will be important for most of the District's industries as we emerge from the crisis. However, apprenticeship positions often become more difficult to find during economic downturns. Employers become risk averse and retrench to minimal staffing levels. To secure a medium/long-term flow of new talent, the education sector needs support and collaboration across industries and government to develop sustainable apprenticeship programmes.

Potential industry support initiatives:

- **Future training requirements** - Understand future education and transitional needs.
 - Parties: Regional Skills Leadership Groups, New Zealand Institute of Skills and Technology (NZIST) and CO REAP.
 - Delivery model: Partnership
 - Start: Immediate
 - Indicative cost: Low
 - Measure of success: Education programmes meets the current and future needs of community and industry.
- **Community Education** - Building resilience and wellness in the community through short interest courses.
 - Parties: NZIST and CO REAP.
 - Delivery model: Partnership
 - Start: 2021
 - Indicative cost: High
 - Measure of success: Training provided meets the current and future needs of community.
- **Education Pathways** - Establishment of a Central Otago forum to promote transitional pathways (secondary to tertiary, community to vocational) into vocational education.
 - Parties: Secondary schools, MSD, NZIST, CO REAP
 - Delivery model: Partnership
 - Start: Late 2020
 - Indicative cost: Medium
 - Measure of success: Those requiring education can access it.
- **Apprenticeships** – Develop and support sustainable apprenticeships based on areas of industry need.
 - Parties: MSD, NZIST, industry representatives, secondary schools
 - Delivery model: Partnership
 - Start: 2021
 - Indicative cost: High
 - Measure of success: Retention of apprentices to ensure that our workforce meets future requirements.

- **Micro-education** – Develop smaller courses which allow for flexibility, agility and greater customisation of study programmes. These may not require typical semester start times and could be attractive to individuals who have not studied for some time or are requiring upskilling at short notice.
 - Parties: MSD, NZIST, CO REAP, industry representatives
 - Delivery model: Partnership
 - Start: 2021
 - Indicative cost: High
 - Measure of success: Training provided meets the current and future needs of community.

- **International students and workers** – Advocate for greater access for international students and those on different visa types.
 - Parties: Immigration NZ, NZIST, secondary schools, industry representatives
 - Delivery model: Partnership
 - Start: Low
 - Indicative cost: Immediate
 - Measure of success: International student numbers increase.

Recovery / growth potential:

Studying in New Zealand has been historically attractive for international students. This is unlikely to change post COVID-19 and New Zealand could become more attractive if it remains free of the virus. Access to international markets through education has the potential to increase productivity in the District and complement other areas of the economy.

Education can be a mechanism of keeping people in the District and driving domestic migration. A quality education system, with a broad range of options will be a critical factor. With unrivalled lifestyle locations, lower living costs compared to neighbouring Queenstown Lakes District, a solid economic foundation in its primary industry and the roll out of fibre broadband, Central Otago is well placed to take advantage of positive internal migration flows.

Primary Industry

The Central Otago primary industry is dominated by dairy and sheep/beef farming and is the second largest employer in the District. Being an essential service, the sector has been working at full capacity and has fared well through COVID-19, despite certain productivity issues identified with processing stock at the end of the season. These issues have largely been resolved through transitioning to lower alert levels, and processing plants adapting to new regulations in order to maintain high levels of productivity.

Employment demand is on the rise in the wider primary sector. A closer analysis shows that growth within the sector has been apparent not just in the flourishing horticulture and viticulture sectors, but also in sheep and beef farming over the last decade. The sector is likely to face workforce constraints due to border restrictions in the coming season.

<i>Critical issues</i>
Future availability of skilled migrant labour
Access to finance
Uncertain regulatory environment

Industry bodies:

- Silver Fern Farms
- Dairy NZ
- Fonterra
- Federated Farmers
- Alliance Group
- NZ Beef and Lamb.

Employment:

The primary sector has a 12% share of the total workforce, a small part of which includes forestry with around 0.2% of workers.

Market issues / opportunities

With the farming being an essential service, the industry has been resilient during COVID-19. Industry representatives observe that they are operating at full capacity and issues have primarily been surrounding export market uncertainty and supply chains.

Beef and Lamb

The Otago Daily Times reported during the first week of May that exports of New Zealand red meat and co-products in March passed the \$1 billion mark, a first for monthly exports. Analysis by the Meat Industry Association showed total exports reached \$1.1 billion, an increase of 12% on March 2019.

Sheep export volumes were up 4% and prices up 13% compared with last March and while lamb exports to China were down 11% from the year prior, they still recovered significantly from February, doubling to nearly 25,000 tonnes.

There was a similar increase in beef exports, up 3% by volume and 14% by value. China was the only major market in which beef exports decreased compared with last March, but recovered significantly from February, doubling to 13,400 tonnes.

Processing and exporting companies have been agile enough to pivot away from the heavily impacted hospitality sector, to other markets such as retail and online channels. The strong export performance is also due to processing and exporting companies implementing additional safety protocols to keep their businesses operating.

Market Uncertainty

Some uncertainty remains around future export markets. It will be critical over the next year or so to understand how increased protectionism will affect the primary industry exports. If new tariffs are implemented, Central Otago farms could be significantly impacted given its high dependency on the overseas markets. Farmers highlight that the dairy industry would be particularly vulnerable following the market slump of 2014-16 where milk prices almost halved.

The Chinese market has cautiously reopened for beef and lamb products. New Zealand remains a strong country of origin and the red meat industry is well placed to succeed in the Chinese market thanks to trusted food security and compliance processes.

“While certainly the market is increasingly competitive, NZ remains a strong origin brand with positive sentiment towards its perceived isolation and confidence in our food production systems.” (B+LNZ’s Global Market Intelligence & Research Manager Hugh Good.)

Prior to COVID-19 sheep and beef prices had grown significantly due to the implications of African swine flu in China, which resulted in 40% of Chinese pigs dying or being culled. The shortage of local pork had a knock-on effect which saw market demand for New Zealand meat drastically increase.

Chinese online sales of red meat are thriving while traditional retail, especially wet markets, (now banned) are suffering as are restaurants. This likely permanent shift in purchasing behaviour is driving demand for different packaging formats with more hygienic, easily stored and multi-use packaging formats gaining in popularity.

Domestic market

The domestic market accounts for only a small share of Central Otago production. Domestic demand is likely to remain steady and will not significantly affect overall revenue.

Dairy

The market demand for dairy products follows seasonal patterns with the end of the dairy season coming before COVID-19. Most dairy products are sold on forward contracts, meaning that most

stock has been pre-sold, with little impact on the return to farmers in the short-term. Overseas markets, particularly China, have started to re-open. This has allowed international exports to move freely and meet international market demand.

The consumer trade for high end products has been heavily impacted by restaurant closures. However, this accounts for only a small percentage of the sector and domestically, there has only been a minor effect on products that supply hospitality. Where impacts might have otherwise been felt, an increase in retail produce from supermarkets has offset these effects.

As the dairy season in the Northern Hemisphere commences, there is concern that their markets will move away from fresh produce in favour of powdered products in light of the pandemic. This could depress this area of the market and could significantly drive the price of New Zealand dairy products down. Despite this risk, there is a high degree of confidence that the Chinese market for New Zealand dairy produce will continue to remain strong.

Forestry

COVID-19 has impacted the industry since mid-January as major international markets have come to a halt. Ports are slowly reopening in China and the industry is starting to return to normal volumes.

Input issues:

Overseas labour

Movement restrictions and border controls are impacting migrant workers and are likely to become a major concern come spring/summer 2020-21 for the wider farming industry. Industry representatives explain that skilled migrant workers are very important and have a skill set that cannot be replaced in the short-term. It was estimated Central Otago contractors require around 200 skilled machinery operators to support the industry from October each year.

Domestic labour

Older workers have needed to stay home during lockdown, creating skill shortages in some places. Labour demand is at risk of outstripping supply.

Supply chain

For the dairy industry there is a potential concern that imported goods from China such as magnesium oxide, may not be available by spring if COVID-19 has further effects on the supply chain.

Compliance costs

The industry is very concerned with rising regulatory and compliance costs. Like all industries, farming businesses are closely reviewing their income and balance sheet during current uncertainty. Mounting regulatory costs add to this pressure and stress and can cause farmers to delay investment due to uncertainty.

Farmers face further uncertainty regarding their access to water for irrigation. A proposed interim consenting regime is creating a lot of uncertainty in the sector. Delays to water rights will put

existing and future capital investments and initiatives on hold. Often capital investments will have up to a 50-year timeframe.

Processing

Meat processing plant capacity has been reduced as a result of COVID-19 meaning that some farmers have had to hold stock for longer despite a national shortage of winter feed. However, the processing industry has stepped up to the challenge and managed backlogs as New Zealand transitions through Alert Levels and is expected to clear the backlog soon. However, if there is a persistent issue with depopulating stock, there could be a flow-on effect on winter grazing plans across farms, e.g. dairy winter feed not being available.

Winter in a 'normal' year is a time when farms prepare their land for next spring and the coming season. In 2020, a lot of focus has been on overcoming COVID-19 restrictions around processing and sale yards, limiting the time farmers have had available for other essential maintenance and forward planning.

Business finance

Debt and business costs may impact farming businesses and the wider rural economy, it is believed that if the economic crisis deepens, seasonal finance and cashflow could become difficult for farmers.

Forestry

A slowdown of demand and production has resulted in reduced workforce capacity since the end of January. Alert Level 4 restrictions have resulted in nil workforce production and overall, the industry has seen a 3-month reduction in production.

Forest owners and corporate forests are less at risk from input issues as production harvesting continues with trees growing. The main risk is being able to provide work for its contracted workforce.

Potential industry support initiatives:

- **Attraction and recruitment** – Explore measures to recruit new staff and develop retention measures such as development pathways and opportunities.
 - Parties: Dairy NZ, Ministry for Primary Industries (MPI), Ministry for Social Development (MSD), Industry Training Organisation, Young Farmers
 - Delivery model: Partnership
 - Start: Existing and ongoing
 - Indicative cost: Low
 - Measure of success: Farmers have adequate access to skilled staff.

- **Training** - Establishment of training programmes and fast tracking of licences to fill skills gaps with domestic labour. This could include training on operation of harvesting equipment and shortening the heavy machinery licensing process.
 - Parties: Rural Contractors NZ, NZIST, Private Training Providers, MSD
 - Delivery model: Partnership

- Start: Existing and ongoing
- Indicative cost: Medium
- Measure of success: Adequate supply of labour for the summer harvest.

- **Advocacy** – Advocate for regulatory reform on areas such as water storage, water quality, and environmental regulation.
 - Parties: Federated Farmers, Otago Region Water Users Group, Irrigation NZ
 - Delivery model: Partnership
 - Start: Existing and ongoing
 - Indicative cost: Low

Measure of success: Farmers believe that their concerns have been accurately communicated to regulatory authorities.

- **Resilience** – Explore the roll out of better access to high speed internet and supporting processes such as online stock sales.
 - Parties: Council
 - Delivery model: Partnership
 - Start: Existing and ongoing
 - Indicative cost: Low
 - Measure of success: Rural communities have access to quality modern internet.

Recovery / growth potential:

The primary industry has been described as the engine room of the New Zealand recovery. It is expected to provide the economic strength and resilience that the rest of the economy can grow around. A key opportunity to leverage its strong foundation will be the training of domestic skilled labour that can support the industry's rapid modernisation.