



Federated Farmers - past, present and future



Examining the challenges impacting Federated Farmers future viability

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Executive Summary

Federated Farmers is a strong lobby and advocacy organization that has proudly represented New Zealand's primary production sector since 1946.

In the period from 2014 to early 2018 Federated Farmers experienced a 7.5% decline in membership subscriptions. While much of this decline can be attributed directly to a significant downturn in dairy farming returns in 2015, it is also reflective of more systemic problems that threaten the organization's traditional membership model and future viability. This raises the key study question; *is the current Federated Farmers membership model sustainable?*

To address this question the primary aims of the project are to;

- Understand Federated Farmers history and lessons that can be learnt from this.
- Describe the current operation of Federated Farmers, its weaknesses and strengths.
- Understand and articulate the membership story, its complexity and implications.
- Identify current issues, disruptive trends and the key challenges that threaten Federated Farmers long term viability.
- Consider and discuss organizational changes and strategies that might support the Federations future viability and important ongoing contribution to New Zealand's rural sector.
- Make recommendations on actions identified.

Qualitative data and information from a variety of different sources have been gathered, studied and analyzed. These have informed and helped identify the key issues and challenges and contributed to the formation of ideas and discussion on future strategy and recommendations.

The key disruptions and challenges identified are;

The growing demand for food security, safety and traceability with ever rising environmental and animal welfare standards has created a complex, highly politicized and crowded market space for Federated Farmers to operate in.

Increased competition from levy funded organizations, other member based advocacy groups and rural support groups make it very difficult to maintain and grow a membership base.

The long-term, but potentially growing trend of urban expansion competing for land, farm amalgamations and multi-farm ownership threatens Federated Farmers traditional membership model.

Being predominantly a public good provider for the rural sector is another long-term problematic trend that enables members and non-members alike to enjoy the benefits of Federated Farmers success in lobbying and advocacy.

Arguably the number one challenge identified is a perceived lack of relevance particularly amongst younger non-member farmers. Awareness of the scope of Federated Farmers amongst non-members was largely limited to contracts/agreements at best or only very vague notions at worst. A common theme was that the organization lacked visibility in the farming community and as such was easily dismissed as remote and distant.

Answering the study question;

The implication of these challenges and the symptoms of decline that the organization has experienced in recent years suggest that the current Federated Farmers membership model *is not sustainable*.

Exploring the Solutions;

Three key themes are identified to help bridge the perceived irrelevance gap and encourage growth. These are vision, identity and transparency.

Vision relates to Federated Farmers' leadership role as a public good provider for the entire rural sector. A clear vision and purpose is required to attract new members, commercial partners and collaboration with other advocacy providers.

Identity and/or belonging relates to realigning membership so that members identify more closely with and are better connected to their local province. Federated Farmers' provincial structure is a unique strength of the organization as it provides nationwide representation and the best opportunity for growth and alignment with non-members at grass-roots level.

Transparency relates to the national governance structure. The lack of membership understanding and engagement in this process adds to the perception of a remote and distant organization. Also the current structure potentially misses the opportunity to introduce specific skill sets that bring experience in the governance of large not-for-profit organizations.

Recommendations are specific actions based on the three key themes;

1. That Federated Farmers identifies a vision statement that encapsulates the Federations original purposes of; *'protecting, fostering and advancing the interest of all farmers and of farming generally'*
2. That Federated Farmers conducts a review of and analyzes the opportunity to strengthen provincial operations to improve visibility and non-member perceptions.
3. That Federated Farmers reviews its current national governance and representation model.

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1. Introduction

While its role and purposes may, to a larger or lesser degree be misunderstood, Federated Farmers of New Zealand [Inc.] nevertheless has a high profile in the rural sector and good brand recognition amongst the general public of New Zealand. Federated Farmers often, from either a negative or positive perspective features in mainstream news media and is regularly called upon for expert comment. In addition, Federated Farmers is a significant player in the rural sector nationally, engaging closely with Government and key industry sector organizations, demonstrated by Federated Farmers role as signatory to, or representing the sector in such major initiatives as the Land and Water Forum¹ and the Dairy Tomorrow Industry Strategy².

Federated Farmers has a strong identity in the areas of policy, advocacy and contracts and is generally regarded as a highly effective rural sector lobby organization. This work is linked to farmer members through a nationwide provincial structure of farmer representatives. Farmer representatives also go on to fill key governance roles in Industry Groups, the National Council and the National Board, thus maintaining vital links with grass-roots farming. An effective network of staff is also employed amongst the provinces working in the areas of local policy, advocacy and membership promotion.

A long and proud history, passionate staff and strong farmer representation suggest that, Federated Farmers is a strong organization and its imminent demise is highly unlikely.

Federated Farmers has however experienced considerable decline and churn in its traditional membership base, particularly since 2014³. This trend suggests that the Federation faces some significant issues and challenges which potentially threaten its long term viability and raises the question as to whether the organization in its current form is sustainable.

This study will consider Federated Farmers history and examine its response to similar threats in the past. Results will show that it has demonstrated a resilience and willingness to change in response to disruption. The expectation is that it will adapt to the current challenges and remain a relevant and effective player in the future of New Zealand's rural sector.

¹ <http://www.landandwater.org.nz/>

² <http://www.dairytomorrow.co.nz/>

³ See chapter 8 The membership story

2. Research Aims and Objectives

Key study question; *is the current Federated Farmers membership model sustainable?*

In order to answer this question the primary aims of this project are to;

- Understand Federated Farmers history and lessons that can be learnt from this.
- Describe the current operation of Federated Farmers, its weaknesses and strengths.
- Understand and articulate the membership story, its complexity and implications.
- Identify current issues, disruptive trends and the key challenges that threaten Federated Farmers long term viability.
- Consider and discuss organizational changes and strategies that might support the Federations future viability and important ongoing contribution to New Zealand's rural sector.
- Make recommendations on actions identified.

The broad objectives are;

- To grow and expand my own understanding of the organization, the challenges faced and develop ideas and strategies for use at a provincial level.
- To give readers a broad understanding of Federated Farmers as an organization, its history, current operation and past and present challenges.
- To make a positive and informed contribution to Federated Farmers NZ [Inc.] that might encourage and support its future growth and evolution.

3. Methodology

3.1 Telephone Survey

A small telephone survey of seven North Taranaki farmers was conducted in May 2018. These were all emerging farm owners, being mainly experienced sharemilkers. They were surveyed regarding their contact and/or involvement with Federated Farmers, their understanding of what the Federation does and how it is organized both nationally and locally. The survey results helped clarify key challenges the Federation faces. Survey description, results and discussion are found in appendix 1.

3.2 Previous Kellogg work

In 2001 as part of that year's Kellogg rural leadership program, John F Vincent presented his paper; '*Federated Farmers of New Zealand [Inc.] 1941 to 2001*'.⁴ Vincent provides a detailed account of the history, structure and changes to the Federation, particularly through a period of significant change and restructuring during the mid 1990's to 2001. Vincent's paper is recommended background reading. It has provided much of the historical background and has been utilized to glean insights and lessons from the past that led to a period of significant transformation in the organization and which are considered in light of the current challenges.

3.3 Recent Research Papers

In response to declining membership since 2014, Federated Farmers National office commissioned two external research papers;

1. '*Future Proofing the Federated Farmers Membership Strategy*' - A Discussion Paper. Elcome et al (2016) Victoria University MBA program. (Identified as the 'MBA report')

In this paper a group of MBA students utilized a focus group and other analysis to examine '....how Federated Farmers can create a unique value proposition to retain existing members for longer terms and recruit new and more diverse members.'

2. '*Federated Farmers - Strategies for Growth*'. Phillips and Brannigan (2017) Nielsen Research. Research sponsored by FMG on behalf of Federated Farmers.(Identified as the 'FMG report')

In this paper Nielsen Research conducted a series of interviews with members, non-members and lapsed members in order to '...uncover actionable insights that will inform Federated Farmers' member value proposition development.'

These papers are the IP of Federated Farmers of New Zealand [Inc.], however have been made available by Federated Farmers National Office as background qualitative data on membership concerns and opportunities. They have helped to build a picture of the challenges the Federation faces and insights and learnings from these papers are discussed and quoted where applicable.

⁴ https://researcharchive.lincoln.ac.nz/bitstream/handle/10182/5838/Vincent_2001.pdf?sequence=1

3.4 Comparisons with Irrigation NZ

Irrigation NZ has a number of similarities to Federated Farmers in that it is a nationwide membership-based organization that primarily exists to represent members and advocate on behalf of the irrigation sector at a national level. Like Federated Farmers much of its work falls into the category of 'public good services' and as such the benefits of its advocacy impact members and non-members alike. Therefore it faces similar challenges to Federated Farmers.

An interview was conducted with Irrigation NZ's CEO, Andrew Curtis in May 2018. An outline of the points and issues raised are included in appendix 2. Similarities and differences are noted and insights from this discussion incorporated and referenced where applicable.

3.5 Federated Farmers personnel

As an elected member of a provincial executive team I have had opportunity to discuss issues around membership and strategy with both provincial and national staff, national board members and senior executive staff. A meeting and interview was conducted with Lyndel Stone, Federated Farmers GM for membership. I have also made contact with provincial presidents in two significant membership growth regions. All of the above have contributed through enthusiastic conversation, personal views and informed opinion.

Section One - Federated Farmers, past and present.

4. History⁵

4.1 Background

Federated Farmers roots go back to 18 September 1899, with the first meeting of the New Zealand Farmers' Union.⁶

The modern iteration of Federated Farmers has its origins in the late 1930s and the early war years. Greater Government involvement in primary production and produce marketing at that time stimulated greater involvement of the various farming organizations in political lobbying and demonstrated the need for a unified, influential primary producer's voice.

Following years of effort to establish a unified organization encompassing all New Zealand farmers, in 1941 the *Farmers Federation*, a loosely knit group of fourteen producer organizations, including the original New Zealand Farmers Union and the NZ Sheep owners' Federation was formed.

In 1944 the Sheep owners Federation and the Dairy Producers Association together with the other bodies in the *Farmers Federation* agreed to join to establish a new organization. Separate commodity or industry councils were to be created at provincial and national level for each produce section, with an overall dominion council to operate as the controlling body. After protracted negotiations agreement was finally reached on the constitution of Federated Farmers of New Zealand [Inc.] which then allowed the organization to be officially established in 1946.

The first Dominion Conference of Federated Farmers was held in Wellington on October 1st 1946.

4.2 Funding⁷

Prior to 1973 National Office funding had been reliant on an annual ex-gratia payment from the three Producer Boards [Meat, Wool and Dairy].

Then in 1973 Section 84a[l] of the Meat Amendment Act 1973, declared that the proceeds from the meat levy shall be used; 'for the purpose of assisting that body [Federated Farmers] defray

⁵ 'History' except where noted is a contracted account of Vincent (2001) see the chapter; *How Federated Farmers Started*. pg7

⁶http://www.fedfarm.org.nz/FFPublic/About/News/FFPublic/about/Our_History.aspx?hkey=f6664b92-90af-410b-befa-82c855f0b4b4

⁷ 'Funding' is an adapted account of Vincent (2001). See chapters; *Funding* pg9 and *Removal of Meat levy*. pg10

expenses incurred or to be incurred in carrying on such of the activities of its head office as the Minister from time to time specifies.’⁸

The meat levy collection was compulsory and was thus collected from all slaughtered stock proceeds owing to members and non-members alike. Justification of the compulsory nature of a levy was mainly based on the 'public good' argument.

By 1991 though questions were being asked of Federated Farmers regarding the compulsory levy, especially in light of their support for labour market reform.

During the period of the fourth Labour Government [1984] and National after 1990, Federated Farmers found itself in a compromising position regarding the levy. The organization was being seen to support a 'deregulation frenzy' and needed to 'practise what it preached' by placing its fate firmly in the hands of subscription-paying farmers.

Following a considerable period of debate it was agreed at the July 1993 annual conference that Federated Farmers '*adopt a proposal of funding based on voluntary subscription*'. This set in motion the steps to remove the compulsory meat levy which ceased 1 January 1996. The Federation has been a voluntary membership only organization since then.

4.3 Restructuring

The debate around removal of the meat levy subsequently proved to be the beginning of the most significant change in the recent history of the Federation. Whilst the loss of up to \$2.2m in funding was a significant disruption, much of the debate actually focused on providing tangible membership services and benefits, also the need for the organization to maintain its position as the dominant lobby group focusing on its core roles of representation and advocacy for the sector.

In order to accomplish its core role and better provide membership services under the new funding regime a complete restructure of the organization occurred. One staff member at the time described the existing system as... "a crazy federal system of 24 individual parliaments, daily replicating each other's efforts right across the country".⁹

After the restructure, members now belonged directly to the National body and a capitation was paid to support the work in the provinces. Previously this was the other way round, whereby provinces paid a capitation to support the National office. In addition;

- A National database was maintained. Previously databases were held by individual provinces.

⁸ http://www.nzlii.org/nz/legis/hist_act/maa19731973n72163.pdf

⁹ Vincent (2001) pg16

- A National staff infrastructure was established. Previously provinces employed their own staff.
- A uniform subscription rate was set. Previously each Province had set their own subscription levels
- A single centralized processing centre was established; again this was previously undertaken by each individual province.

Restructuring as a result of the lost levy income also resulted in a downsizing of national staff numbers from 91 to 53 and in due course the sale of the Federations long standing agricultural publication *Straight Furrow* to Rural Press. This was to enable the federation to remain focused on its core business - that of representing farmers' interests.¹⁰

5. Federated Farmers today

5.1 Structure and operation

Structurally Federated Farmers in 2018 is largely unchanged from the Nationalization that started in 1997. At that time all provinces joined the new organization except Northland. Northland province decided to remain independent and not support the National organization. A separate organization was established and a long running battle over naming rights ensued. However, some members remained loyal to the Federation and by 2017 the breakaway group was defunct and Northland province had one of the fastest growing memberships in NZ.

With Northland province well and truly back in the fold Federated Farmers has nationwide coverage with 24 functional provinces. Traditionally each province consisted of local area 'branches' that represented the interests of members in their farming district. Local branches also provided an avenue for aspiring leaders to be nominated for the Provincial Executive Committee. In 2018, except for in some of the larger provinces the branch structure has largely gone. In Taranaki for example, at its height there were over 30 active branches, in 2018 there are none. This is a reflection of the changing demographics of rural communities, a steady process of farm amalgamations and increased mobility that has resulted in most Federated Farmers provinces operating the executive committee only.

Executive committee members are voted on at the provincial AGM, some of these positions maybe district related, partially covering the role of the former branch structure. Primarily though the exec committees are made up of members representing the various industry sector groups.

Industry sector groups consist of a committee and usually the chair and vice chair (in the case of the larger sectors) will represent their sector on the provincial executive committee. Industry sector groups (called sections) will vary depending on the predominate farming type of each

¹⁰ Oosterman A.(2000) Communicating agriculture: the media & interest group politics (1997 - 1998)
<http://hdl.handle.net/10292/5201>

province but could include Dairy, Meat and Wool, Arable, Sharemilker Farm owners and Sharemilkers section. Each of these industry sections in turn, holds an annual 'national council' gathering at which delegates from each of the provincial industry section committees will attend and vote for a national executive team. This executive team will then represent and guide policy for the sector at a national level. In addition the chairperson of the Dairy section, Meat and Wool section and Arable section will become members of the national board of Federated Farmers NZ.

The national board consists of the high profile National Presidents role, a vice president, the chairperson from each of the three big industry sections (Dairy, Meat & Wool and Arable) and two or three positions 'at large'. The National President, vice president and positions 'at large' are voted on by the provincial presidents, who collectively with the national board form a national governing council. The national council meets twice per annum, the June national council meeting, at which elections take place, doubles as the Federations annual conference and other delegates from the provinces will attend. This high profile event is held in Wellington each year and it is not unusual for the Prime Minister, other high ranking ministers and/or leaders of the opposition parties to speak at this event.

5.2 Staff

Federated Farmers employs about 52 National staff members. These consist of an administration team, based in largely in Hamilton, a policy team, based both in Wellington and in regional locations and a national sales team or territory managers who are also regionally based. It is at the policy level where the nitty gritty of the Federations work is done. Policy staff represent members and indeed the wider rural sector at district council, regional council and national government levels, making submissions, advocating and lobbying on a wide variety of matters impacting on the rural sector.

5.3 Operational strengths

The provincial and Industry section structure provides an avenue for aspiring leaders to gain experience, develop skills and be elevated up the ranks. Presidential and chairperson roles are high profile starting at a local or provincial level through to national prominence for the industry section chairs. This has been a pathway that successful politicians and other prominent rural sector leaders have come through over the years. Rob Storey for example was a former National party MP having previously been president of Federated Farmers in the 1980's. Owen Jennings is another example of a former Fed Farmers president turned MP for the ACT party in 1996. Malcolm Bailey a successful company director for organizations like Westpac New Zealand and previously Fonterra Co-operative was also a former Federated Farmers president in the late 1990's.

Another strength of this operating structure is that leadership all the way through to board level remains closely linked to grass roots farming. All of the board members have generally started

out as interested and engaged farmers and continue primarily as farm owners/operators throughout their terms in leadership. A key strength of Federated Farmers is this close link with farming from the top down and by providing mechanisms such as remits and discussion items brought through the provinces and industry sector groups, for input from the ground up. Farmers' speaking for farmers is one of the things that Federated Farmers does well.

6. Current threats

Organizational life-cycles are analogous with biological organisms, they are born (or start-up), experience growth, maturity and then decline¹¹. Over time, growing and mature organizations become increasingly complex, they are likely to face increased competition, economic downturns, and changes in technology and/or ideology and experience a resistance or atrophy towards change. These influences can lead to long periods of stagnation, ultimately though unless an organization diversifies its structure or offerings to meet current market needs it will contend with decline.

In recent times Federated Farmers has exhibited symptoms synonymous with organizational decline. These include;

- Budget deficits,
- Issues with staff retention,
- Declining membership,
- Membership churn,
- Reduced 'market share'.

1. Budget deficits

It has not been in the scope of this report to examine the financial performance of the Federation, however as has been reported in the rural press¹² and from discussions from with those closely involved in the organization, it is understood that for a number of years in succession, deficit budgets have been posted and some of these have represented considerable losses.

¹¹ <https://bizfluent.com/info-8494503-causes-organizational-decline.htm>

¹² <https://www.ruralnewsgroup.co.nz/rural-news/rural-general-news/federated-farmers-in-the-red>

2. Staff retention

Staff retention was raised as an issue in 2016 when there was high staff turnover, some of whom were senior managers¹³. It was speculated that a restructuring was taking place¹⁴, possibly associated with the budget deficits mentioned above. However anecdotal evidence indicates that discontent amongst staff at the time was the primary cause. In 2018 this situation appears to have reversed, a new CEO and other senior roles have been filled and staff spoken to are positive about the organization.

3 & 4. Membership and Market share

The most significant issues the Federation faces are around declining membership, retention of members and subsequently it's relative 'market share'. Membership decline is not a new challenge, it has often been raised as a point of concern¹⁵, however a variety of factors including the 2014-2016 Dairy downturn has taken membership subscriptions to record lows as at the start of 2018.¹⁶ If the Federation is to continue to effectively represent the rural sector in the long term, the membership challenge needs to remain at the forefront of planning and strategy implementation for the organization. In chapter 8 the membership story is examined in greater detail and implications of decline discussed.

7. Membership

7.1 The membership story

[The term 'membership' is defined as; the number of membership subscriptions. Each membership subscription may have up to two members listed on it; therefore the total number of persons who are members could be double the 'membership' number. However for the purposes of this paper and in most other contexts membership refers to the number of subscriptions paid within a calendar year.]

Prior to the removal of the meat levy in 1996 members belonged directly to their respective provinces and a capitation were paid to support the national office. In response to the meat levy

¹³ <https://www.ruralnewsgroup.co.nz/rural-news/rural-general-news/feds-in-meltdown>

¹⁴ <https://www.ruralnewsgroup.co.nz/rural-news/rural-general-news/federated-farmers-in-the-red>

¹⁵ <http://www.stuff.co.nz/business/farming/9046/Fed-Farmers-battles-falling-membership>

¹⁶ See chapter 4 - Membership

funding cut the capitation was increased 195%, as a result average subscriptions rose 39% from \$173 to \$240. At the time a 5% drop in membership was predicted.¹⁷

Vincent reported 'assumed membership' for 1996 of 19760 members¹⁸. The significant increase in fees undoubtedly had a negative impact on membership as 1997 membership was about 17,500¹⁹. However, Oosterman²⁰ points out that membership had been slowly eroding for many years; she quotes 1985 membership as 30,000 or an estimated 80% of those eligible to join. By 1990 this had reduced to 22,500 or 57% of eligible members. Oosterman reported 1999 membership as 13000, however this was at 31 May 1999, therefore is not a full years result, Federated Farmers stats indicate a final tally of about 15,150

In the period 1997-1999 restructuring took place and the organization was nationalized. Members now belonged directly to the national body. Membership numbers prior to 2000 are regarded as best estimates, as when the restructuring was completed and a consolidated national database was formed it was found that some provincial databases had not been kept fully updated and differing methods of reporting membership were employed, therefore some of the records kept were patchy at best. By 2000 however, the new national database was in place and numbers were steady at about 16,000. Benefits of the new regime were presumably being appreciated and membership rose to 18,000 by the mid 2000's.²¹

By 2009 concerns about declining membership were again being reported with numbers of 15,000 being quoted²². In reality actual membership was even less than this, probably under 14,000²³. The decline at this time was due, in part, to a change in the membership categories which eliminated 'small farms' and 'retired farmer' options. Also in 2007 the original national sales team had been made redundant. Following a failed attempt to run with commission only sales agents a new national sales team was appointed in 2009 and over the next 5 years total membership was reasonably steady, remaining just over 14,000 until 2015.

In the 2015/16 season the Dairy sector experienced a significant decline in milk price severely impacting farmer's discretionary income, which in turn impacted Federated Farmers subscriptions. 2017 membership only reached 13,003 and in early 2018 membership was at 12,889.²⁴ *NB: This number was considered a reasonably good result for the time of the year and memberships were expected to rise throughout 2018 on the back of strong milk and beef prices.*

¹⁷ Vincent (2001) pg. 16

¹⁸ Vincent (2001) pg. 15

¹⁹ Federated Farmers in-house stats

²⁰ Oosterman A.(2000) Communicating agriculture: the media & interest group politics (1997 - 1998)

²¹ Federated Farmers in-house stats

²² <http://www.stuff.co.nz/business/farming/9046/Fed-Farmers-battles-falling-membership>

²³ Stone, L. (2018) Interview

²⁴ Federated Farmers in-house stats

7.2 Membership Churn

Total membership numbers only tell part of the membership story. Another significant concern is membership churn²⁵. Churn is not necessarily the same as lapsed membership; members may decide to leave for any number of different reasons. Churn specifically refers to members who sign up simply for the purpose of acquiring a specific good or service, usually a contract or legal advice, then once they have what they require, they leave again. The MBA report referred to this as an opt-in-opt-out trend. Anecdotal evidence suggests it is often younger farmers who are starting out in business and they may repeat this cycle several times. This action is consistent with the findings of the telephone survey conducted in that all the 'emerging farmer' respondents associated Federated Farmers with employment contracts and in 40% of cases contracts were the only thing they associated Federated Farmers with and one respondent had previously opted-in-opted-out for the purpose of obtaining contracts and advice.

7.3 Market share

Perhaps of greater concern than total membership is relative 'market share' i.e. membership subscriptions as a proportion of those farms that are eligible to join.

Statistics NZ Agricultural Production Survey 2016 showed a total number of Farms of 52,785.²⁶ This includes all types and all sizes from less than 1ha upwards. Of that total an estimated 34,300 are considered potentially eligible as Fed's members. This is based on land use type and likely commercial scale, plus an allowance for 'small farm' and/or 'other land use' members. Based on the 34,300 farms estimate, membership of 13,000 represents about 38% of those eligible to join. The 'MBA report' had estimated this figure as low as 30%. These figures are considerably lower than Oosterman's earlier estimates from the 1980's and early 90's of 80% and 57% respectively²⁷. This data suggests that a real opportunity for the Federation exists in achieving 45-50% market share, thus lifting membership to much stronger levels of 15-17,000.

What the statistics don't show however is the number of farms owned as multiple entities. Multi-farm ownership has the effect of reducing the potential membership pool; however the extent of this practice is unknown. See chapter 9.3 for more discussion on this point.

7.4 Impact of declining membership

Declining membership leaves the Federation exposed on two fronts; firstly membership is the primary source of income, representing 75-80% of budget. During the Dairy downturn from 2014-2016 when on-farm discretionary expenditure was challenged many farmers were

²⁵ Membership churn is a term used and defined in the 'FMG report'

²⁶ http://archive.stats.govt.nz/browse_for_stats/environment/environmental-reporting-series/environmental-indicators/Home/Land/farm-size-and-numbers.aspx

²⁷ Oosterman A.(2000) Communicating agriculture: the media & interest group politics (1997 - 1998) <http://hdl.handle.net/10292/5201>

prepared to let their membership lapse. Total Membership during this time period decreased by nearly 7.5%.²⁸ This level of fluctuation leaves Federated Farmers financially vulnerable.

Secondly strong cross sector membership provides a mandate to represent the rural sector at a political and industry wide level. A perception that that mandate has been lost or that the Federation has lost its relevance could further escalate membership decline. When commenting on the Federations low 'market share' the MBA report stated that this "*...also limits the organizations' status as an industry representative in the eyes of policy decision makers.*" This in turn limits the Federations ability to attract new members and a downward spiral can occur.

²⁸ Federated Farmers in-house stats

Section 2 - Key findings and discussion.

While the self-imposed removal of the meat levy was arguably the single most disruptive event in its modern history, in 2018 there are numerous disruptive trends that are contributing to the current symptoms of decline the organization faces.

In the next chapters we will examine some of these key disruptive trends, discuss the challenges facing the Federation and consider actions required for it continue to effectively represent the rural sector in the long term future.

8. Disruption and challenges

8.1 Future food production vs environmental outcomes

The most significant trend impacting all levels of the rural sector is the increasing global demand for food in the face of rising environmental and animal welfare standards.

A UN DESA report “World Population Prospects: The 2015 Revision” predicts world population to reach 8.6 billion by 2030 and 9.7 billion by 2050.²⁹ The associated food demand is expected to increase anywhere from 59% to 98% by 2050.³⁰ The increased demand for food is a combination of increased population and rising incomes in developing nations which cause dietary changes such as eating more protein and meat. The large range in estimated food demand varies mainly due to associated socioeconomic assumptions.

This demand will shape agricultural production in ways we have not seen before as alternative proteins and synthetically multiplied foods come more to the fore. Demand and competition for land will continue to increase. Much of the growth however is expected through increased production from existing agricultural land using new methods and technologies and all this is expected under ever rising environmental demands.

The New Zealand Planning Institute (NZPI) identified water quality and availability, rapid urbanization and impact of natural hazards and climate change as the three biggest environmental challenges New Zealand faces in 2018.³¹ In response to climate change the 2017 Labour Coalition Government has proposed creating a zero carbon act, with the aim of achieving zero net emissions by 2050.³² Outside New Zealand the demands and expectations are mainly around food security, safety and traceability. For example PwC’s Global food supply

²⁹ <http://www.un.org/en/development/desa/news/population/2015-report.html>

³⁰ <https://onlinelibrary.wiley.com/doi/abs/10.1111/agec.12089>

³¹ https://www.planning.org.nz/Story?Action=View&Story_id=2866

³² <https://www.mfe.govt.nz/news-events/zero-carbon-act>

and integrity services quote a 2014 study that showed food fraud costs the global food industry US\$30-40 billion every year, in addition to the public health risks and damage to brand reputation.³³

New Zealand farmers have the opportunity and potential to deliver high quality food locally and internationally that meet these environmental, welfare and safety demands of consumers. Federated Farmers, by aligning itself as an organization that primarily represents this high quality, high integrity food growing industry, is in perhaps in the best position of the rural sector advocacy groups to front the general population of NZ on behalf of food producers. By demonstrating and supporting science based progress in environmental outcomes and working to develop trust with consumers regarding quality, integrity and cost of food production, Federated Farmers has potential to raise its profile and that of the often maligned rural sector. Utilizing an organization such as PwC's Global food supply and integrity services, could be a strategic investment in developing a positive profile in this space. The challenge however is that the confrontational approach taken by the environmental advocacy organizations such as Fish & Game and their 'dirty dairying' campaign, has often put Federated Farmers at odds with the perceptions of the urban public and potentially damaged brand reputation. Developing clear and consistent messaging going forward will be critical to succeeding in this role.

8.2 The crowded 'market' space

As a result of the increasing demands and conditions around food production and greater politicization of environmental outcomes the rural sector lobby space has become increasingly crowded. Levy funded organization such as DairyNZ, Beef + Lamb and HortNZ are more proactive in advocacy as are member based organizations such as Irrigation NZ and Deer Industry New Zealand. In addition Fonterra, although generally not lobbying Government directly, has been much more active in public advocacy and promotion of the Dairy industry as a whole. One member at an Irrigation NZ forum accurately described the scene as not just crowded but 'cluttered'.³⁴ Cluttered in the sense that there are not only numerous players but also an element of confusion as to who is responsible for what.

For some farmers there is perhaps justification for the perception that they have already paid for lobby work via their respective industry levy and paying an additional membership fee to another organization is like paying twice. Closer examination would reveal that the work the different organizations does is quite unique, however those differences are not clear to many farmers.

The levy funded organizations also provide most of their training and extension services for 'free', having already received sufficient funding via the levy. Membership based organizations such as Irrigation NZ who also offer additional services such as training and expert advice have

³³<https://press.pwc.com/News-releases/fighting--40bn-food-fraud-to-protect-food-supply/s/44fd6210-10f7-46c7-8431-e55983286e22>

³⁴ Curtis, A (2018) Interview

to charge on a user pays basis as the membership subscription is only sufficient to cover their national advocacy roles.³⁵ Competition therefore makes it very difficult to maintain and grow a membership base.

Adding further to competition for farmer's discretionary expenditure is the rising profile of rural support organizations. Rural Support Trust (RST) being the most prominent of these. While not a member based organization RST has successfully attracted a great deal of financial support by way of donations, fundraising and service industry support. Based on personal experience with RST in Taranaki, many farmers are willing to provide financial assistance to the likes of RST as there seems to be a 'feel good' factor about donating, knowing that your support might make a huge difference in someone's life. Farmer support was a role traditionally aligned with Federated Farmers and indeed Federated Farmers remains very active and effective in emergency response situations, however much of the publicity now seems to be directed to specialist organizations such as RST.

Ironically it was the increased involvement of various farming organizations in political lobbying in the late 1930's and early 1940's that led to the formation of Federated Farmers in 1946, as the need for a unified, influential primary producers voice was identified. Today that same scenario could potentially contribute to Federated Farmers undoing!

Collaboration, leading to a unified influential primary producer's voice is as vital in 2018 as it was in the early 1940's however differentiating oneself in this crowded space is a challenge.

8.3 Farm Demographics

The third disruptive trend impacting Federated Farmers is the long term trend of farm amalgamations and multi-farm ownership. Amalgamation of smaller farmers has long been identified as a threat to Federated Farmers traditional membership model as it reduces the number of farm owners and hence potential members. In the case of multi-farm ownership, the owner or entity may well be a Federated Farmers member, but it is unlikely they pay additional subscriptions for each of the properties owned.

Since 2017 there has been potential for further escalation of amalgamations and multi-farm ownership given the record numbers of dairy farms, in particular, that have been on the market.³⁶ A lack of buyers probably curtailed any speeding up of change. As it is raw Stats NZ data supplied to Federated Farmers indicates that the total number of farms in NZ fell by 4.6% between 2012 and 2016. Farm numbers over 40 ha decreased by 3.3% or about 1000 properties over the same time period and even more significantly small farms from 5 to 40 ha decreased by 10.2% or nearly 1800 farms. Some of this reduction will reflect land lost from agricultural production, the balance of the reduced number of farms will be from amalgamations,

³⁵ See INZ challenges appendix 2

³⁶ <https://www.stuff.co.nz/business/farming/99106084/record-numbers-of-dairy-farms-on-sale-but-few-buyers>

the ratio between the two is not known. The extent of multi-farm ownership is also unknown and not available from Stats NZ data.³⁷

8.3.1 Comparisons with Irrigation NZ

Irrigation NZ (INZ) like Federated Farmers is primarily a membership based organization. Members are charged on the basis of irrigated hectares rather than a flat subscription rate. This has the advantage of accounting for differences in scale between users and a similar system could be considered in Federated Farmers membership pricing as large scale or multi farm owning members generally only pay the same as a single entity average sized farm. For example livestock farmers could be charged on a per stock unit equivalent basis within certain size bands, similarly arable farmers could be charged on a per hectare basis or some combination of stock units and hectares. Like INZ a minimum flat rate for smaller farms and other membership categories would still be required.

Any system will have advantages and disadvantages. In INZ's case many members contribute through the irrigation schemes they are a part of and the system largely relies on honesty as the schemes grow and add additional irrigated hectares. INZ estimates that it receives membership funding for just over 50% of total irrigated land. Although this is a larger respective 'market share' than Federated Farmers 35-40%, it demonstrates the difficulties associated with voluntary membership regardless of the subscription mechanism.

8.4 The challenge of Public Good provision

The Objects and Mission of the Federation have remained essentially the same throughout its 62 year history, that being, in the shortened version; 'to add value to the business of farming'.

There has though been what appears to be a subtle change of focus from the original 1946 Objects.³⁸ In the 1946 version the focus was on '...advancing the interests of **all farmers and farming generally**'. This of course reflected the fact that the Federation received a form of levy funding via the producer boards of the time.

In modern versions of the Objects³⁹ (or aim of the organization) the focus is on advancing the interests of **members** only. However this aim is in stark contrast to what Federated Farmers actually does. The 'in-house' fact sheet; *Federated Farmers Top 10 - Summer 2018*⁴⁰ identifies

³⁷ Summarized farm data stats are available at; http://archive.stats.govt.nz/browse_for_stats/environment/environmental-reporting-series/environmental-indicators/Home/Land/farm-size-and-numbers.aspx

³⁸ *The objects and powers of the Federation are to protect, to foster and to advance the interest of all farmers and of farming generally and to do all things necessary for or incidental or ancillary to the protection, fostering or advancement of the interest of such farmers and farming and to have all the powers necessary for or incidental or ancillary to the achievement of such objects. 1946 constitution rule(2)*

³⁹ http://www.fedfarm.org.nz/FFPublic/About/FFPublic/About_us.aspx?hkey=e30f8cb6-f377-42a9-89fb-3dd43c009206

⁴⁰ Appendix 3

10 key work streams that are, in one way or another all 'public good services' for the rural sector and therefore members and non-members alike enjoy the benefits of these successes.

Public goods are defined by the two core characteristics of non-excludability and non-rivalness in consumption.⁴¹ Non-excludability means that no individual can be economically or technically excluded from consuming the good. Non-rivalness means that the good can be used collectively by various users without constraining any individual from benefiting from the good.

Federated Farmers work in the areas of management and lobbying regarding biosecurity incursions, lobbying for the axing of proposed Labour Government Water Taxes during the 2017 election campaign and opposition to livestock emissions being prematurely pushed into the ETS, are all examples of where non-excludability and non-rivalness apply for the entire rural sector. However in Federated Farmers attempts to demonstrate a value proposition for 'members only' they may have inadvertently created a perception of rivalness and excludability towards non-members that leaves them feeling outside the circle and negative towards the organization. Overcoming this challenge is discussed further in chapter 11.2

Some farmers however will always take advantage of these public good services without contributing and this is to be expected to a certain extent. In response to this reality a number of people spoken to throughout the course of this study have raised the question of Federated Farmers being levy funded again, or, at least sharing in some of the levy funding that is already being gathered. From a pure economist's perspective this would be entirely justified given the public good nature of much of the Federations work. However sooner or later levy funding would lead to the same compromised position the Federation found itself in in the early 1990's. Its position as a lobby organization is strengthened by the voluntary nature of membership and therefore all avenues of growing membership support should be considered first and foremost.

8.5 Lack of relevance & visibility

The net result of the complex and crowded 'market space' and arguably the number one external challenge that Federated Farmers faces is a lack of perceived relevance amongst potential farmer members, particularly younger farmers. The FMG report⁴² was consistent with the telephone survey⁴³ result that revealed only a limited awareness of the Federation amongst non-member farmers and as such it was easily dismissed as a remote and distant organization.

The FMG report stated that; 'awareness of the scope of Federated Farmers was largely limited to contracts/agreements at best or only very vague notions at worst.'

⁴¹ Sommerrock K - 2010 The Challenge of Public Goods Provision https://link.springer.com/chapter/10.1057/9780230298033_5

⁴² See Information and Data sources chp. 4.2

⁴³ See appendix 1

The FMG report also reported; one of the key findings was that, “across all the (farmer) interviews there was a common perception that Federated Farmers is not particularly visible in the farming community.” The researchers described the current (Federated Farmers) brand as lacking visibility amongst younger farmers, old-fashioned, traditional and for older farmers.

Federated Farmers response to this lack of relevance and visibility has been primarily in working to develop a stronger member value proposition. Clearly articulating this value to members and non-members alike is vital work that Federated Farmers is already engaging in.

To further bridge the gap of Federated Farmers being a remote and distant organization the following key themes of vision, identity and transparency are explored.

9. Exploring the solutions

9.1 Vision - overcoming the public good challenge

Farmers who take advantage of access to public good outcomes without contributing financially as members have frequently been labelled as ‘freeloaders’,⁴⁴ that is they receive the benefits of advocacy and policy work leading to such things as minimizing rate rises and eliminating unnecessary bureaucracy etc. However criticizing freeloaders while simultaneously identifying as a truly voluntary member based organization potentially adds to the perception of rivalness and excludability towards non-members. A better approach maybe to celebrate and embrace the fact that the Federation is primarily a public good organization that it doesn’t exist just for members benefit only but for the benefit of the wider rural sector and have a **vision** that encapsulates that purpose. Membership then is the opportunity to participate in the delivery of that vision for the benefit of others and the sector as a whole.

Federated Farmers tagline of; ‘A voice for farming in New Zealand’ is a message that goes some way in capturing this idea as a voice is strengthened with more participants.

9.2 Identity - Provincial connectedness

A problem highlighted in the telephone survey was a complete lack of understanding as to how Federated Farmers is structurally organized. The observation is that the operating structure is complex and confusing to both the casual observer and indeed too many members. The problem being, that unless a member is engaged and actively involved they generally have minimal understanding of how it is organized or operates and as such lack connection with the organization.

The MBA report⁴⁵ also highlighted this issue as a ‘key takeaway’. They described the problem as a *misalignment between farmers and head office* and coined the term ‘suits vs boots’, whereby ‘suits’ represented head office policy makers and ‘boots’ referred to farmer members.

Interestingly in this case even the MBA researchers themselves seemed to misunderstand Federated Farmers operation. Although they correctly described the structure, they incorrectly identified policy makers as the organizations spokespeople, when in fact the spokespeople role is filled by farmer board members. As mentioned previously, Farmers speaking for farmers is one of the things the Federation generally does well.

This example though further highlights the lack of understanding in this space and the MBA researchers are probably correct in their overall analysis of a disconnect between particularly younger farmers and the work being done by Federated Farmers head office. The key issue at

⁴⁴ <https://farmersweekly.co.nz/topic/organisations-lobby-groups-campaigns/view/freeloaders-worry-feds>

⁴⁵ See Information and Data sources chp. 4.2

stake here is **identity**. The MBA report described the concept of a 'bond of identification' relating to a sense of belongingness to the organization of which one is a member. If members identify well with their organization there is increased loyalty and decreased turnover.

A greater overall sense of **identity** and **belonging** could be achieved by members having a stronger alignment with their local province. At present there appears to be a significant disconnect between members and their province. The telephone survey results indicated that even amongst members there was a distinct lack of knowledge about the local provincial branch of Federated Farmers.

The nationalization of the organization in the late 1990's was essential to bring about the efficiencies required in the wake of the removal of the meat levy however the trends impacting the sector in 2018 are quite polarizing in nature and could be contributing to the sense that Federated Farmers is a remote and distant organization. Realigning members with their local province through personalized membership subscriptions without losing national efficiencies may help improve connection.

9.3 Transparency - Governance challenges

Another weakness identified is that of a lack of transparency in governance. Vincent (2001) pointed out that for some time there had been reluctance within the organization to scrutinize how democracy is conducted. At that time (2001) it seemed that the scene was set for what was described as a 'third wave' of change and perhaps a move away from what had been termed the 'elevator' system of governance.⁴⁶ This is where leaders progress from provincial leadership roles through to filling the industry section chairs and national board roles.

In the time since 2001 there appears to have been little or no change to this process. The key issue here is that the so called 'elevator' system lacks **transparency** from the outside. There is no interaction with the wider membership in the formation of the national board and this potentially helps reinforce the weaknesses identified in the FMG report of old-fashioned and traditional. The current election system for national president, vice president and positions at-large would be best described as an Electoral College system, whereby provincial presidents carry a certain number of votes based on the size of the membership in their province and they will probably vote according to some guidance given from their provincial executive committee.

Not only is this system disengaged from the general membership but it also means that outside governors and expertise are not brought into the organization. These are potentially a source of fresh ideas, skills and diversity that could assist in refreshing the organization.

⁴⁶ Vincent (2001) pg. 22-23

10. Discussion

In the late 1980's and early 1990's Federated Farmers was impacted by the political disruption of the so called Rogernomics and deregulation era from firstly the 1984 Labour Government and then National after 1990. The Federations general support for this deregulation left it in a compromising position regarding its own funding via the regulated meat levy. Debate on this subject and the need to focus on its core role of representation and advocacy set in motion the wheels of change that led to the removal of the meat levy on 1 January 1996 and the subsequent restructuring that followed in the period 1997 - 1999.

In the lead up to these events at the 48th Annual conference in July 1993, a background report was tabled by Rogers and Partners who had been commissioned to audit and analyze the performance of the provinces.⁴⁷ In speaking to the report Rogers and Partners director Mr. Graham Rogers stated:

"The Federation is a mature organization exhibiting classical signs of decline. If it is to be rejuvenated, it needs to be challenged to consider new ideas, values and assumptions".

In a similar vein, at the National Council meeting in November of that same year (1993) Then CEO Mr. Theo Simeonidis stressed the need for frank discussion and debate on the Strategic Plan and that *"everything the organization did had to be challenged ... as we cannot afford the luxury of retaining sacred cows for no valid reason."*⁴⁸

In organizational life-cycles, unlike biological organisms, decline does not necessarily lead to death if the organization diversifies its structure or offerings to meet current market needs.

History shows that Federated Farmers responded to these challenges and in the late nineties successfully reorganized itself and subsequently experienced a period of growth through the early 2000's.

In 2018, twenty years on from those events, the Federation, is again being impacted by external disruptive trends including the highly politicized environmental focus on the rural sector, and has again *exhibited classical signs of decline.*

Graham Rogers and Theo Simeonidis' statements in 1993 on the need for *'everything to be challenged'* could hardly be more pertinent for today's context.

If the organization is as Graham Rogers put it; *to be rejuvenated* in the 2020's then the recommendation of this report is that Federated Farmers considers reorganizing itself to better align its vision, structure and purposes with the expectations and demands of a new, millennial generation of farmers and growers.

⁴⁷ Vincent (2001) pg. 13

⁴⁸ Vincent (2001) pg. 14

The millennial generation⁴⁹ tends to be associated with a strong sense of community and of social and ethical responsibility, as such they demand greater transparency and want the opportunity to engage, participate and make a difference in the world.

Federated Farmers has in comparison been identified as distant, remote, old fashioned and largely irrelevant in the minds of many younger farmers.

Perhaps the best opportunity Federated Farmers has to bridge this gap is to return to its origins and strengthen its provincial operations. The provincial structure is a unique feature of Federated Farmers amongst lobby organizations and as such presents a unique opportunity.

In 2009, Ruth Rainey, the then Manawatu/ Rangitikei Federated Farmers president, quoted in a rural news article⁵⁰ put it this way:

"The national organization will only ever be as good as the strength of feds at a local level. We need a strong province that members can feel aligned to, make a contribution to, and lobby on local issues."

Mrs. Rainey's observations are an accurate assessment of the action required. Nationally Federated Farmers gets its mandate to be 'a voice of farming in New Zealand' not from a specific number of membership subscriptions but from the fact that it has nationwide representation through the provinces.

Members are likely to feel more aligned to provinces that are strong and active; this creates opportunities for engagement and provides the people power required to lobby on local issues, which in turn strengthens the whole organization. It is a win-win situation for all.

One barrier to developing a stronger province is that the financial incentive for a local Exec team to actively focus on growing membership is very low. This is a responsibility that generally resides with the national sales team, known as territory managers. This team consists of eight people and as the MBA report identified; *"We found that the eight Territory Managers are already stretched in their duties, and often do not have the time to visit their existing members, let alone get out to meet prospective members. The huge distances and number of farmers that each Territory Manager covers means that this strategy is counter-productive."*

As Federated Farmers lacks the funding to invest in more territory managers the opportunity for growth is in better alignment between the national sales team and provincial executive committees, working together in developing business plans for membership growth that share in the rewards.

⁴⁹ As an example of defining characteristics see; <https://luckyattitude.co.uk/millennial-characteristics/>

⁵⁰ <http://www.stuff.co.nz/business/farming/9046/Fed-Farmers-battles-falling-membership>

11. Recommendations

Having accomplished the primary aims of this project the following recommendations are made.

1. Vision and purpose

That Federated Farmers identifies a vision statement that encapsulates the Federations original purposes of;

'...protecting, fostering and advancing the interest of all farmers and of farming generally'

This vision needs to embrace Federated Farmers role as a 'public good' service provider for the entire rural sector. It needs to offer leadership and encourage a collaborative approach with other sector advocacy groups for the benefit of the wider primary sector.

In addition it needs to present an attractive proposition to non-members and commercial business partners, which in turn can add to the value proposition for members.

2. Provincial growth model

That Federated Farmers conducts a review of and analyzes the opportunity to strengthen the provincial operations in order to improve visibility and non-member perceptions.

The review needs to take into account the issues of identity and belonging as discussed in chapter 11.2

The scope of the review needs to include the national sales team and overall membership strategy. It should also consider the value proposition at a provincial level from such things as;

- membership growth,
- commercial activities e.g. contract sales and
- Commercial business partner relationships.

Additional advice and support for the development of provincial business plans also needs to be considered.

3. Governance review

That Federated Farmers reviews the current national governance structure.

The scope of this review should consider the issues discussed in chapter 11.5, that the current method of selecting governors for the organization lacks transparency and engagement for the majority of members.

The review needs to consider a structure that provides both good representation and governance skills. Federated Farmers needs governors with high level sector wide understanding, that have experience in large Not-For-Profit organizations and who can contribute diversity and specific skill sets to further the organization.

The review needs to identify the specific skill sets and attitudes the organization requires to change and grow and find a mechanism that enables both better membership engagement and ensures that the right mix of skills are brought to the table.

12. Conclusion

Federated Farmers in 2018 finds itself operating in a complex and crowded market space. This competition makes it very difficult to maintain and grow a membership base. It is also up against significant trends which threaten its traditional membership model. In addition Federated Farmers has been identified (arguably somewhat unfairly) as a remote and distant organization that is old-fashioned and traditional.

These trends and challenges have contributed to the symptoms of decline that the organization has experienced in recent years and the conclusion in response to the study question is that the current Federated Farmers membership model is not sustainable.

However the voluntary membership based model remains a highly effective and responsive model for genuine lobbying and representation on behalf of the primary sector and therefore should continue to be pursued and solutions sort to return the Federation to a position of growth.

This study has shown that Federated Farmers has faced similar threats and challenges in the past and that it has demonstrated a willingness to change and reorganize itself in response to disruption.

The general recommendation of this report is that Federated Farmers considers reorganizing itself to better align its vision, structure and governance with the expectations and demands of a new, millennial generation of farmers and growers.

The key opportunity for Federated Farmers; lies in strengthening its unique provincial model, as the national organization will only ever be as good as the strength of the provinces.

The provincial structure provides nationwide representation and strong provinces give the best opportunity for growth and alignment with non-members at grass-roots level.

At the time of writing this report Federated Farmers had just appointed Terry Copeland as their new CEO. Terry comes to Federated Farmers with experience in rejuvenating Young Farmers branding and image, as well as growing its membership throughout the country.

This appointment bodes well for Federated Farmers as it faces similar challenges to Young Farmers and equally has opportunity for growth that will see Federated Farmers continue to be a relevant and effective player in the future of New Zealand's rural sector.

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Appendices

Appendix 1 - Telephone survey results

A small group of 7 North Taranaki Farmers were surveyed in May 2018 regarding their knowledge and contact with Federated Farmers. The survey method was via telephone contact.

The respondents

The group were identified on the basis of being 'emerging or potential future farm owners'. In practice this meant that they were all experienced (10 years+) sharemilkers, who were actively engaged in industry activities and events such DairyNZ discussion groups and as such had knowledge of the wider industry and issues surrounding the rural sector.

The group consisted of six 50:50 sharemilkers and one contract milker. Four of the six 50:50 operators were on family farms and were at various stages of transition into ownership. The other two of the six were long-term 50:50 operators who had off-farm property investments. The contract milker is also a long-term operator with the aim of moving up to 50:50 sharemilking.

Five of the seven were employers of full time farm staff. The other two operated with family assistance and casual relief milkers.

Prior to the survey it was unknown if the respondents were Federated Farmers members or not, nor whether they had had any dealings with Federated Farmers in the past.

The Questions

Following a brief discussion of the purposes of the survey the following questions were asked;

Question 1. Are you a member of Federated Farmers?

Question 2. What in your view is the main purpose or role of Federated Farmers?

Question 3. What can you tell me about how Federated Farmers as an organization is structured or organized?

Question 4. What do you know about the local provincial branch of Federated Farmers?

The questions were asked with little or no prompting except for providing clarification where asked. After the questions were completed further discussion regarding Federated Farmers was held, which did prompt some additional feedback and information from respondents.

The results

Question 1. 3 of 7 or 43% were members, above the 2018 year-to-date provincial average for Taranaki of 27% membership for sharemilkers but the same as the 44% membership for Dairy farm owners. One respondent was planning on becoming a member for employment contract purposes..

Question 2. All of the respondents Identified employment contracts/legal advice/standing behind contracts as at least one of the main things Federated Farmers does. In 4 cases this was the only function they identified with Fed Farmers, all of the 4 were non-members. The 3 members, not surprisingly, also associated Fed Farmers with a political/government/fight for farmers or voice of farmer's type role.

Question 3. Results for this question were surprising in that members and non-members alike had limited or no knowledge about how Federated Farmers was structured or organized and apart from identifying that the organization had a president in one case, no other information was offered.

Question 4. Results were similar for this question in that; knowledge of the provincial branch was none at all or very limited. 2 of the members identified that there was a local rep (territory manager) only one was able to name who that person was.

Discussion

The high level of awareness of Fed Farmers for employment contract purposes is a reflection of where this group of emerging farmers are at in their careers and the fact that 5 of the 7 are employers of full time staff. 3 of 5 employers are members and one other employer wanted to sign up for membership, the other employer sourced contracts elsewhere. This highlights the important role employment contracts play in connecting with potential members. The encouraging information was that those who had become members had some grasp of the big picture or broader scope of Feds on the political scene. This is likely to help secure them as long term members.

The concern however is the dearth of understanding regarding Fed Farmers beyond that point, particularly the lack of any knowledge or identity with the local province. This suggests a real opportunity lies here to improve connectedness with members.

Amongst non-members it was clear that Fed Farmers is well off their radar unless they reach the point of needing full time employment contracts. It is important at that stage that the organization makes a good connection to help lock these potential members in.

Further thoughts

An idea that was not tested in the survey but arises out of the results is that if the employers understanding of Fed Farmers is limited, how much more so the employees?

The employees on these farms represent the longer term future members and utilizing the employment contracts as a means of introducing them to membership at an early stage could be beneficial. This could take the form of including an entry level membership as part of their employment contract conditions.

Appendix 2 - Irrigation NZ

Notes from an interview with Irrigation NZ CEO Andrew Curtis 15 May 2018

INZ runs on a tight budget with little or no reserves, as is typical for member based organizations. It does however have arguably a more stable income split of approximately 50:50 between Irrigators and the service industry, who contribute mainly through sponsorship. Federated Farmers in comparison has an approximately 75:25 split leaving it more vulnerable to volatility in the commodity markets that impact farmers discretionary expenditure.

INZ challenges

1. **Purpose**; INZ was established to provide a leadership role for irrigation in NZ. Its aim is to provide thought leadership, to be a future thinking organization. This approach tends to attract the big scheme operators and users as they have capital to invest and are interested in technology uptake. This also supports the service industry as they have market potential in this space. The risk however is that older members or traditional farm users can be left feeling disenfranchised and their support lost.
2. **Focus**; INZ identifies the need to clearly define its scope. Lobbying and advocacy is focused on a national level, not on individual schemes or irrigators. This helps to maintain focus on key role and manage a tight budget.
3. **Crowded market space**; Maintaining membership is challenging with the likes of DairyNZ, Beef + Lamb and other organizations proactive in the advocacy space. Also because these organizations are levy funded they provide their services for 'free'. INZ also so provides significant training opportunities for irrigators, the service industry and scheme management teams, however this is all provided on a user pays basis. Some members think that their membership should cover this, but membership is just sufficient for funding core goals and aims at a national level.
4. **Member value proposition**; Challenge is to clearly articulate the benefits to members, demonstrating where the money is spent and differentiating from the user pays services.

5. **Governance;** Challenge is developing the most suitable governance structure that provides both good representation and governance skills. Also a challenge to find future governors that contribute specific skill sets to further the organization. Skills required include: thought leadership, high level sector wide understanding, market analysis, social trends and specific experience in large Not-For-Profits.
6. **Transitioning organization;** Need to maintain long-term viability. This involves taking a long-term approach, lessons can be learnt from iwi examples looking out over multiple generations. The challenge is attracting and maintaining emerging generation of progressive farmers while maintaining the existing base.
7. **Communication;** Older generation are more likely to read INZ magazine or email news, younger generation using social media platforms. Younger generation more captured by the likes of DairyNZ providing 'free' services. However this generation also wants opportunity to engage, their participation is more immediate and they are concerned about ethical and social responsibility issues.

In addition to the interview I have added a pertinent quote from Andrew's report to the 2017 INZ AGM.

"Equally we need to become better at telling the public how irrigation is part of their lives. To do this, over summer, Irrigation NZ will be running a social media campaign inviting people to share photos of food they have grown with irrigation – either on their farm or in their garden. In far too many urbanites minds irrigation is something farmers do, and it carries negative connotations. We need to make the link between the backyard vege patch, along with the food people buy from the supermarket and the irrigation taking place in the countryside."

Appendix 3 – Top 10 summer 2018

FEDERATED FARMERS TOP 10

SUMMER 2018



1 Biosecurity – Protecting your farm

2017 was a challenging year for biosecurity. Federated Farmers, along side MPI, Regional and District Councils and your industry good organisations have been working hard to keep pests and diseases out of New Zealand and seeking to eradicate them if they arrive.

Federated Farmers opposed the proposed Import Health Standard for Mushroom Compost and Processed Animal Manure on the basis the processes outlined were not sufficient to manage the risks associated with the importation of these products. MPI has put any further development of this Import Health Standard on hold until the risks can be appropriately mitigated.

Federated has been deeply involved with the following incursions:

- Mycoplasma bovis
- Velvetleaf
- Pea Weevil
- Blackgrass

Federated Farmers gained a commitment from MPI to fund the long term management plan for velvetleaf and ensured affected Wairarapa farmers received financial assistance from MPI as part of the Pea Weevil eradication programme.

2 Stock Exclusion

Federated Farmers, as part of the Land and Water Forum, achieved a practicable agreed position of staged stock exclusion that targeted cattle and deer (not sheep) on plains and rolling land (not hill country) from certain waterways, with the proviso that any proposals would be fully costed out.

Federated Farmers defeated subsequent attempts to introduce a one size fits all, impractical regulation that would have been in breach of the Land and Water consensus, would have applied to large areas of hill country and would have cost farmers billions of dollars.

Feds utilised its unique GIS mapping capability, member knowledge and ability to use precise confidential farmer information to quantify the significant costs and impracticalities of the previous Government's draft proposals.

3 Feds Wool Initiative - Baa Baa Baa

Federated Farmers, in collaboration with a number of industry players, was successful last year in getting tertiary qualifications in wool technology reintroduced for the first time in over 20 years.

Harnessing the momentum of this success and the type of collaboration which hasn't been seen in the industry for many years, we are working with industry leaders in identifying and putting actions in place to help pull the strong wool industry out of its current crisis. Some of these are around the promotion of the attributes of wool in modern media channels, cataloguing of research in the industry so it is accessible, and support for capability in the sector. As part of this we hosted a wool showcase in Wellington on February 20th that promoted the qualities and myriad uses of crossbred wool to a range of stakeholders.

4 Transpower buffer zones - common sense prevails

Following extensive discussions, Federated Farmers and Transpower have reached a workable compromise in Canterbury in relation to crop stubble burning beneath transmission lines. The Canterbury Air Plan decision placed strict requirements on farmers wishing to burn stubble within 100m of Transpower's lines and pylons/towers.

As a result of our negotiations, Transpower has now agreed to provide blanket approval for stubble burning provided that prior to burning, landowners notify their Transpower's land liaison officer either directly or by calling 0508 LANDOWNER (0508 526 369).

Other existing Fire Permit obligations must still be met.

5 Water Tax Axed

Federated Farmers, Horticulture NZ and Irrigation NZ successfully defeated the Labour Party's proposals to tax irrigation water. What started as a resource rental for all water use changed into a tax on commercial water use and then just a tax on irrigation, with a possible tax on exported bottled water as a side issue.

Winston Peters came to the rescue and promised to farmers at a Federated Farmers organised meeting in Ashburton that NZ First would not support a water tax. In its coalition agreement with Labour, NZ First fully delivered on this promise.

Feds will be keeping a close eye on this issues as it is only dead in the water for this Parliamentary term.

6 Livestock Emission Tax still on the table

Federated Farmers recognises that human induced Climate Change is an internationally important issue and that increases in climate variability have a significant effect on New Zealand farmers. Feds supports New Zealand playing its part in global efforts to reduce net greenhouse gas emissions.

Federated Farmers, however, strongly opposes livestock emissions (methane and nitrous oxide) being included in the ETS until cost-effective mitigation options are available and our competitors in other countries face similar costs. New Zealand livestock producers are already among the most efficient producers in the world.

Federated Farmers gained a partial win with respect to livestock emissions coming into the ETS.

In its coalition agreement with Labour, NZ First stated that if the (yet to be established) Climate Change Commission determines that agriculture (livestock emissions) is to be included in the ETS, agriculture will initially pay 5% of its obligation and the money used to encourage agricultural innovation, mitigation and additional planting of forestry. Labour's election policy was for the sector to start at 10%.

The Federation will continue to be a strong, independent voice of farmers in Wellington as the new Government seeks to implement its climate change agenda.

7 Small workplaces recognised - 90-day Trial Period for new Employees Retained

Federated Farmers considers the 90-day trial period has advantages for all workplaces and has long advocated for its retention.

We are pleased the Labour-led Government proposes to retain the provisions for small scale workplaces - businesses that have fewer than 20 employees.

Federated Farmers is one of the few organisations that advocates for small scale workplaces. When acting as the independent voice of farming in meetings with Ministers and government officials and when appearing before Select Committees, we are often the only organisation that understands and represents family and small scale business.

Some of the other changes proposed by the Government to employment law are, however, of concern. We will be working hard on farmers' behalf as we provide formal and informal feedback on the proposals – seeking to ensure the other changes are sensible, practical and affordable and that the current proposals regarding the 90-day trial period are retained.

8 Federated Farmers Apprenticeship Dairy

Federated Farmers recognises the importance of attracting and retaining keen young people to work on farms. As part of our work in this regard, Federated Farmers has teamed up with the Primary ITO on a new dairy apprenticeship programme to attract and upskill motivated people to work on dairy farms.

The Federated Farmers Apprenticeship Dairy scheme was launched on 29 September 2017 as a pilot.

To date around 90 farmers have registered interest in employing someone new to enter the programme, or to put an existing staff member into the programme.

The next stage is underway, which is to identify and enrol current and prospective employees into the scheme.

9 District and Regional Plans

Each year Federated Farmers' staff and farmer members spend thousands of hours working on farmers' behalf at region and district council level. Currently we are working on over 65 separate draft plans, regional policy statements, bylaws, rating reviews and court appeals. Each of these have the potential to add significant costs to farmers' businesses or prevent farmers from using their land in a sustainable or economic way.

Federated Farmers advocates for responsible and sustainable land management, at the same time seeking SPA (sensible, practical and affordable) solutions. We are often the only organisation representing farmers through to Environment Court level and beyond.

10 Councils should concentrate on core business

2018 will be a big year, with all 78 councils consulting on their draft Long Term Plans. We will be working hard throughout these processes to ensure your council spends ratepayers' money wisely and that you pay your fair share, and no more, of rates.

Federated Farmers will be highlighting the need for councils to concentrate on their core business, particularly the provision of public services.

Recent coverage of the inability of Auckland city to prevent raw sewage from flowing into its harbours and onto its beaches when it rains more than 5mm, and the estimation that town water supplies are losing more than 100 billion litres of water each year through leaks and wastage, calls into question whether councils have been paying enough attention to the most important issues in their communities.

Federated Farmers continues to be concerned that councils are making rules and regulations under the Resource Management Act that duplicate, overlap with, or deal with matters addressed by other legislation, such as the Biosecurity Act or work carried out by the EPA (Environmental Protection Agency).