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PROGRAMME

Building diversity in New Zealand dairy export markets for independent manufacturers

Kellogg Rural Leadership Programme

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Malinda Wynyard

I wish to thank the Kellogg Programme Investing Partners
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Executive Summary

New Zealand has a milk pool which is no longer growing, which means that all exporters must extract as much value from each drop of milk as possible. It is imperative that independent dairy manufacturers find customers willing to pay premium prices for products to optimise the value they generate from their decreasing (and increasingly subject to poaching) milk pool. Large dairy co-operatives can change the nature of their portfolio to meet market trends and make volume to satisfy significant customers to ensure their success. Meanwhile, independent dairy manufacturers are more likely to be significantly impacted by market changes or trends, without the operational means to adapt their business model dynamically in line with market or consumer behaviour.

New Zealand's dairy export industry has historically been heavily reliant on large, single markets to consume the volume of dairy produced. While New Zealand produces only 3% of the total dairy in the world, it comprises approximately one third of the dairy exports globally, making our nation a key, trusted player in the global dairy trade despite our relatively small size and distance from key markets.

This report will investigate how small independent dairy manufacturers in New Zealand, with limited financial resources and inability to flex production in line with market behaviour can best future proof themselves for financial sustainability and build reliable trade relationships.

My research method has been a combination of literature review as well as conducting semi-structured interviews with industry experts from a variety of backgrounds. From my interview data I prepared a thematic analysis to compare key outputs from my interviews, with key themes from my literature review.

Through my research I discovered that New Zealand's independent dairy manufacturers are in a good position to attract capital investment from external investors. Māori owned companies are in a particularly favourable position, with the current government's prominent drive for supporting the Māori economy. However, independent dairy manufacturers need to be able to maintain strong relationships throughout the value chain to ensure their products are truly valued at all points, for both the food quality and nutritional value it provides, as well as the intrinsic values that the company upholds, such as sustainability.

Developing nations are more are more likely to place a higher value on "credence attributes" such as sustainability and animal welfare. This suggests that independent dairy manufacturers who wish to extract value from these attributes should concentrate their market development in these areas. Within these developing nations, where there are indigenous peoples, Māori owned businesses who apply te ao Māori principles in their business interactions may more easily find alignment, as these values are commonly understood and respected.

Alternative methods of market access should be investigated both to circumvent tariff barriers, as well as combatting the "tyranny of distance" that New Zealand exports face. This can be a deterrent both due to cost of shipping as well as time to market. If co-manufacturing or establishing operations within target markets is economically feasible it can be a successful means to combat this difficulty.

Strong and well sustained relationships are key to mitigating geopolitical risk, as well as ensuring value is realised for New Zealand's independent dairy manufacturers.

How to build diversity in global markets to mitigate business risk for New Zealand's independent dairy manufacturers

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Acknowledgements

Acknowledgments must first be extended to my family and employers for giving me the time and support to dive headfirst into this incredible opportunity. My understanding of the challenges and opportunities faced by our industry and nation has been broadened beyond description. I must also thank my interview subjects, who are all incredibly busy and highly experienced. It was a privilege to be granted your time and knowledge; I greatly appreciate your support and encouragement through this process.

Next, Cohort 53 – you are all amazing! I could not have been accepted into a better group of people, with such a breadth of experience and desire to learn. But more than anything I have appreciated our robust debates and the ability for us to communicate in an open and challenging but respectful way.

Final acknowledgements must be given to the Kellogg Rural Leaders Programme and their funding and academic partners. The exposure to influential and inspiring leaders in New Zealand's Food and Fibre industry will support my growth and has changed my mindset forever. The significance of this programme cannot be overstated.

Abbreviations and Definitions

Abbreviation/Term	Definition
MFAT	Minisitry of Foreign Affars and Trade (NZ Government Department)
NZTE	New Zealand Trade and Enterprise
SME	Subject Matter Expert
FTA	Free trade agreement
NTB	Non-tariff barriers
WTO	World Trade Organisation
kgMS	kilograms of milk solids
WMP	Whole Milk Powder
SMP	Skim Milk Powder
OCD	Open Country Dairy
OFI	Olam Food Ingredients
SEA	South East Asia
CPTPP	The Comprehensive and Progressive Agreement for Trans-Pacific Partnership
METI	Ministry of Economy, Trade and Industry (Japan)
R&D	Research and development
Maori word/term	**English translation**
taiao	natural environment
whanaungatanga	connection, sense of kinship
whenua	land
manaakitanga	hospitality, generosity
kaitiakaitanga	sustainability

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1. Introduction

The follow-on effects of the Covid-19 pandemic (most notably, the Shanghai lockdown of 2022), as well as the continued build up of internal dairy production in countries which have traditionally relied on dairy imports to fulfill consumer demand, have highlighted the prevailing risks of dairy exports being heavily reliant on single large markets, such as China. This has been a subject of much discussion and concern amongst dairy manufacturers over recent years, but the New Zealand dairy export industry has been in a similar position before with the United Kingdom (Manatū Taonga — Ministry for Culture and Heritage, 2025). New Zealand's position as an export nation, with our exports to China totalling $20.85 billion for the year ended December 2024 (New Zealand Foreign Affairs & Trade, 2025), means we have been directly impacted by the above, with recent years requiring us to be more adaptable and seek different opportunities. This has been a challenging time for New Zealand's independent dairy manufacturers, as many lack the flexibility and long-standing business relationships that other manufacturers such as Fonterra enjoy. Having a better view of what opportunities are achievable for smaller manufacturers would be hugely beneficial and given the current state of geo-political chaos and lack of world trade governance the need to be adaptable and have strong business relationships is more vital than ever to ensure the survival of independent dairy manufacturers in New Zealand.

2. Objectives & Project Scope

New Zealand has several independent dairy manufacturers (and other smaller export manufacturers) who struggle to access markets with the same ease as larger manufacturers. A thorough analysis of market opportunities, and the barriers to market entry would be of immense benefit to these companies to align their strategies more efficiently with the most ideal market opportunities.

With this research project I hope to balance the unique nature of New Zealand's dairy industry with the benefits and complications this brings to the end customer globally, to identify our most aligned export nations. Key to this is identifying countries which value premium products, in order to build mutually beneficial trade relationships. I will have a specific focus on New Zealand's independent dairy manufacturers and are exploring opportunities with a differentiation competitive strategy in mind, rather than a cost leadership strategy. There are a number of countries that could be suitable trade partners for different dairy manufacturers dependent on production volume and technical capability of the manufacturers plant. I am reviewing these opportunities at a high level in terms of dairy demand versus internal dairy production, in the regions that are currently of most interest for dairy export growth.

3. Methodology

3.1 Literature Review

I have used the process of literature review to build my knowledge regarding the history of the dairy export industry in New Zealand, particularly our history with Britain and the development of our free trade agreement with China. Several of my interviewees highlighted this as key to understanding our trade relationship with China, and why it is crucial to our survival as an export nation despite the challenges we have faced in relation to this particular trade relationship. I also use this to understand the intricacies of dairy demand and supply in the regions that I review as potential collaborators with New Zealand's independent dairy manufacturers.

3.2 Interviews

Semi-structured interviews were conducted with the aim of gaining real-world perspectives from both within and outside New Zealand. I specifically aimed to interview people with in-market experience outside of New Zealand and wanted to get the perspective of the same issues from people with experience in alternative dairy products (plant-based or alternative animal sources) as this is an area which I see as facing similar problems to independent dairy manufacturers such as lack of manufacturing flexibility and ability to access markets. Two of my interviewees had experience in both the traditional dairy industry, as well as plant-based and alternative dairy milks, in this instance, deer milk. I had a target of 10-15 interviewees, and managed to secure 10 interviews, but given the breadth of knowledge in my interviewee's, I am confident the knowledge base was both specialised and varied. Table 1 below documents the area in which the interviewee had substantial experience as well as their positioning within this industry. Where an interviewee has experience across multiple knowledge area's they are documented twice. To maintain anonymity, I have used generic stakeholder descriptions, but the expertise of my interview subjects ranges from export salesperson to food technologist, to CEO. As a demonstration of the depth of knowledge in the interviewees in some cases, the interview subject has met all three of these criteria, and in two subjects, this depth of knowledge was across traditional dairy and alternative dairy (instance of both plant-based and alternative animal milks).

Table 1: Interviewee positioning and area of expertise

		Stakeholder Position		
		Export	Executive	Technical
Area of Expertise	Traditional	7	3	1
	Alternative	2	1	1

Thematic analysis has been conducted on interview minutes, using my interview questions as an initial guide to key themes, and then pulling out additional key themes that emerged during review of all interview minutes. All interviewees signed the Kellogg Rural Leaders Programme interview consent form and all information from these interviews is confidential and secure.

3.3 Limitations of Research

When considering the current state of geopolitical upheaval, especially given the Trump administration approach to trade relations, and the ongoing "battle" between China and the United States, my research could easily become outdated from one day to the next. I have made my best efforts to ensure any commentary or analysis on the current trade environment is as relevant to the current situation as possible. Another limitation is the number of countries which could be explored as favourable export partners for New Zealand's independent dairy manufacturers. I have largely focused my research on regions, highlighting some countries within these regions that are of particular note.

4. Literature Review

The purpose of my literature review is to understand the history of New Zealand's dairy industry and how this has shaped our trade relationship with China. Alongside this, is the development of the dairy industry structure in New Zealand, from a multitude of regional collectives to the formation of The NZ Dairy Board, to the evolution of Fonterra and its global and domestic domination of the dairy market. This informs the positioning of New Zealand's independent dairy manufacturers, the challenges they face in the context of Fonterra's dominant standpoint, from both a manufacturing and trade perspective. I will also review current challenges as far as milk supply and competition within the New Zealand milk market.

Once we have this contextual background, we can start to analyse what opportunities independent dairy manufacturers can look to when developing plans to capture value.

4.1 The What: Past to present state of dairy exports from New Zealand

4.1.1 Britain's farm to Fonterra's formation

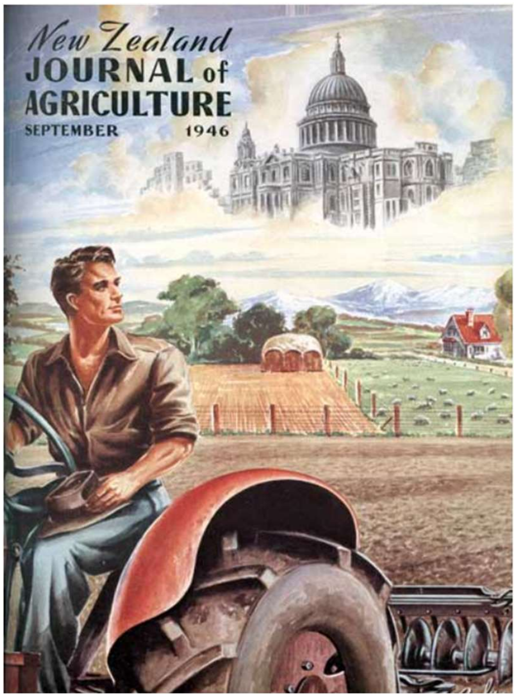

Figure 1: September 1946 cover of the New Zealand Journal of Agriculture depicts the New Zealand farmer as a supplier to Britain, which is represented by the skyline of St Paul's Cathedral in London (Pawson, The Economy: Te Ara - the Encyclopedia of New Zealand, 2010).

New Zealand's dairy industry first took on a global attitude with the advent of refrigerated shipping through the 1870's to 1880's. Prior to this our primary exports had been non-perishable goods such as timber, wool or tallow but this innovation opened doors for our primary industries in Britain (The Reserve Bank of New Zealand, 2007). New Zealand was the most remote of the British colonies, being 25,000 kms away, or 100 days transit via ship. Safe transportation of perishable items from New Zealand to Britain was further complicated by the necessity of travel through the Pacific, with the hot and humid environment adding risk that other trade partners may not have to contend with, in addition to longer travel timeframes (Love, 2008). The first export of chilled, perishable produce from New Zealand was frozen meat to Britain in 1882, from Port Chalmers in Dunedin; this was just five short years after the first ever successful southern to northern hemisphere refrigerated shipment, between Argentina and France in 1877 (Love, 2008). Following this, both meat and dairy products could safely be shipped from the bottom of the world to the top, supplementing British internal supply, or supply from other commonwealth nations, with New Zealand produce. This significant technological development meant that between 1880 and 1912 New Zealand's meat and dairy exports had grown to comprise 35% of total goods exported from New Zealand (The Reserve Bank of New Zealand, 2007). One might still have thought New Zealand's distance an insurmountable factor in trade relations with Britain, given the relative ease with which European and other Commonwealth nations with greater proximity could trade. However, trade with Europe and the UK were easy because “they were ‘us’, the same. We all come from Mother England” (Hall, 2017) – the ease of relationships, a common understanding, made our trade relationship with Britain easy to sustain.

However, the dependent trade relationship with the United Kingdom also meant that New Zealand’s economic viability was heavily susceptible to any economic woes felt by Great Britain. The First World War drove high demand for New Zealand agricultural produce, and commodity prices remained high both during the war, and in the years immediately post-war (McKinnon, 2015). At the beginning of the First World War, exported meat was responsible for approximately 90% of New Zealand’s export, revenue, with 80% of this produce destined for the United Kingdom (Manatū Taonga — Ministry for Culture and Heritage, 2025). Early into the second year of the conflict, Britain proposed a purchasing system, whereby they would purchase the entire produced volume of specific goods from a country, for a guaranteed price. In the case of New Zealand, the commodities covered by the purchasing agreement (otherwise known as “imperial preference” or “wartime commandeer”), included, but were not limited to, dairy produce (cheese and butter) and meat. However, in the years between the first and second world wars, the following graph demonstrates how New Zealand exports decreased markedly as the wartime commandeers ended and commodity prices dropped.

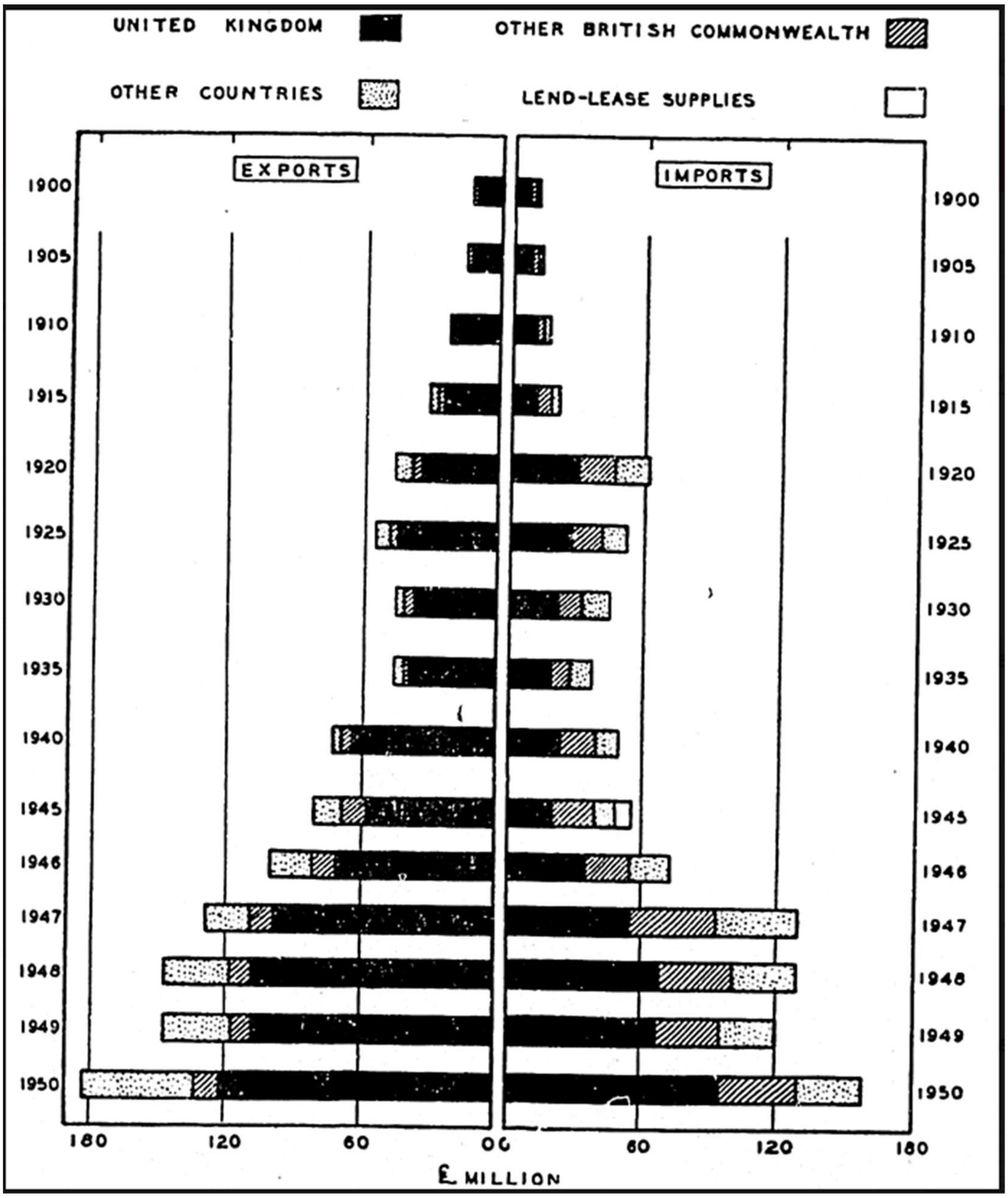

Figure 2: New Zealand imports and exports, 1900 – 1950 (Post-war economies, Malcolm McKinnon) (McKinnon, 2015)

Subsequently, the Great Depression hit in 1930, impacting economies worldwide and New Zealand’s geographical isolation did not provide any protection from this. Figure 2 illustrates this drastic reduction through 1930 and 1935. This compounded the impacts of slow economic recovery following the post-war bust and as Britain's economy suffered, so too did New Zealand's. As a small nation, New Zealand had little bargaining power with the export products they had to offer and therefore were reliant upon their relationship with Britain (Singleton, 1997). In 1932, the Ottawa Agreements were ratified, giving New Zealand certainty about the continued export into Britain of primary produce, with limited restrictions on volume and in exchange for stable tariffs on British imports (Baker, 1965).

But, as the world emerged from the Great Depression, it again faced a massive global conflict and demand for New Zealand's produce once again took off, exceeding previous years export volumes. With Britain's workforce either actively involved in the war effort, or labour redirected to munitions production, Britain could not sustain its population, at home or at war, on their internal dairy production. While a significant amount of New Zealand's population was also overseas, New Zealand primary producers had been mechanising farm practices since the 1930's (Hall, 2017) meaning that the less than 15% of the workforce was employed in the industry (Hall, 2017). This ensured the continued flow of produce out of New Zealand to sustain both New Zealand and British populations during the conflict. Britain reinstated the "imperial preference" over New Zealand produce and New Zealand reaped the rewards.

"Imperial preference" was maintained in the years immediately following World War Two, but Britain's internal supply conditions improved toward the mid 1950's and in 1954 the bulk purchasing agreement was cancelled (Singleton, 1997). However, post-World War Two Britain still felt themselves distinct from Continental Europe, and indeed closer in connection with the Pacific colonies than their European compatriots

"..we in Britain are far closer to our kinsmen in Australia and New Zealand on the far side of the world than we are to Europe…in language and origins, in social habits and institutions, in political outlook and in economic interest." (Hall, 2017)

However, as the 1950's progressed and Continental European countries grew and became wealthier, while Pacific nations had slower economic growth and began to diversify trade away from Britain, United Kingdom started to express interest in becoming a member of the European Economic Community (EEC) which had formed in in 1957.

The NZ Dairy Board was formed in 1961 through legislation and was intended to manage existing trade relationships and venture forth to seek out new ones (Dairy Exporter, 2025). Britain eventually joined the EEC in the early 1970's, but through this process managed to secure some provisions for New Zealand trade of dairy and lamb for a period, but with these quota's decreasing over time. This was known as the Luxembourg agreement and gave New Zealand some export stability while they sought diversified trade agreements with other nations (Nixon & Yeabsley, 2010). While the steadily decreasing quota on dairy placed strain on New Zealand's dairy exports, the removal of government subsidies in 1984 (Nixon & Yeabsley, 2010), and the drive of the New Zealand Dairy Board to seek out new markets increased competition and innovation in the industry (Dairy Exporter, 2025).

New Zealand participated in the trade discussions of the Uruguay round as a member of the Cairns Group, which was comprised of agricultural export nations. After the Uruguay round, the World Trade Organization was established in 1995, which allowed smaller nations such as New Zealand to engage on a more even playing field with larger trading nations (Nixon & Yeabsley, 2010). Thus New Zealand, and the world at large, enters a golden era of trade, where the established rules are enforced and free trade agreements have weight. New Zealand's dairy products are traded diversely, and prices are largely set by the commodities market (Nixon & Yeabsley, 2010).

In 2001 the Dairy Industry Restructuring Act was passed and resulted in the amalgamation of three organisations into the dairy industry behemoth, Fonterra (TDB Advisory, 2020). The intent behind the forming of Fonterra was to enable greater negotiation power in trade engagements. At this time, Fonterra was collecting 96% of New Zealand's milk supply, with the smaller independent dairy manufacturers, at this time being only Tatua and Westland collecting just 4%. However, by 2019 Fonterra's share has shrunk to 81%, with smaller independent manufacturers now processing close to 20% of the entire milk pool (Figure 3).

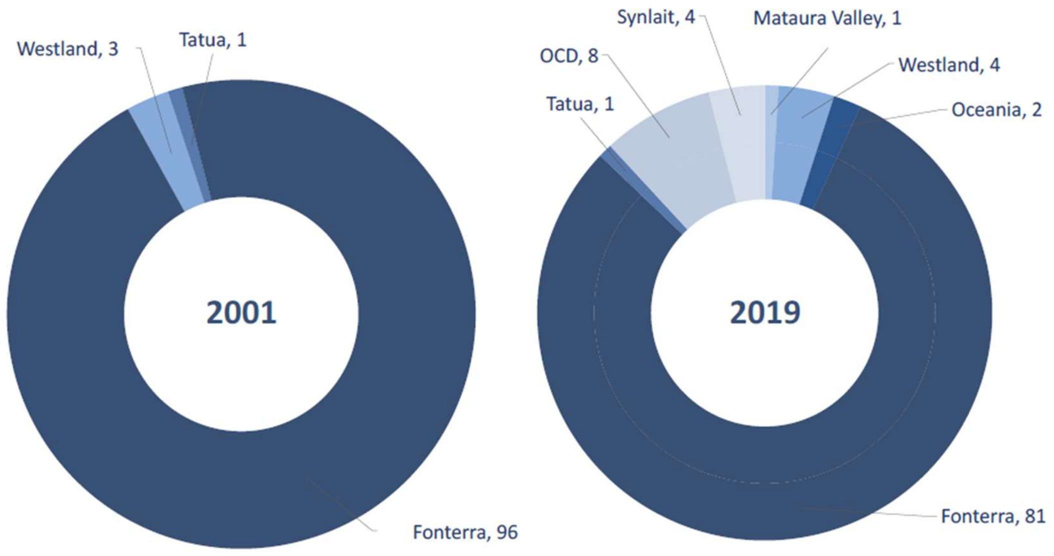

Figure 3: Domestic market share of dairy companies, 2001-2019 % (TDB Advisory, 2020)

Throughout the early 2000's, prior to the development of a NZ-China FTA, New Zealand's dairy trade relationships were quite diverse. Of the top ten export markets during this time, none purchased more than 7% of total exports, with China not featuring in the top ten export markets at all.

4.1.2 NZ-China Relationship

In 2008, New Zealand became the first developed country in the world to sign an FTA with China. The most significant aspect of this for the dairy export industry being the gradual removal of all tariffs on dairy imports and in January 2024, this outcome was realised. Since the advent of the FTA, New Zealand's exports to China have more than quadrupled, with the China trade relationship valued at $38 billion at the end of 2024 (New Zealand Foreign Affairs & Trade, 2025).

The below graph demonstrates the movements of value and quantity of dairy exports from New Zealand into China since the signing of the 2008 FTA. As you can see in Figure 4, the volume of imports through 2021 is the highest it has been since the FTA came into effect, and the sudden, sharp downwards trend is closely tied to the global Covid-19 pandemic (New Zealand export and trade handbook, 2022). As this put strain on worldwide supply chains, and consumer isolation reduced purchasing and therefore China's export demand for New Zealand dairy products floundered (New Zealand export and trade handbook, 2022).

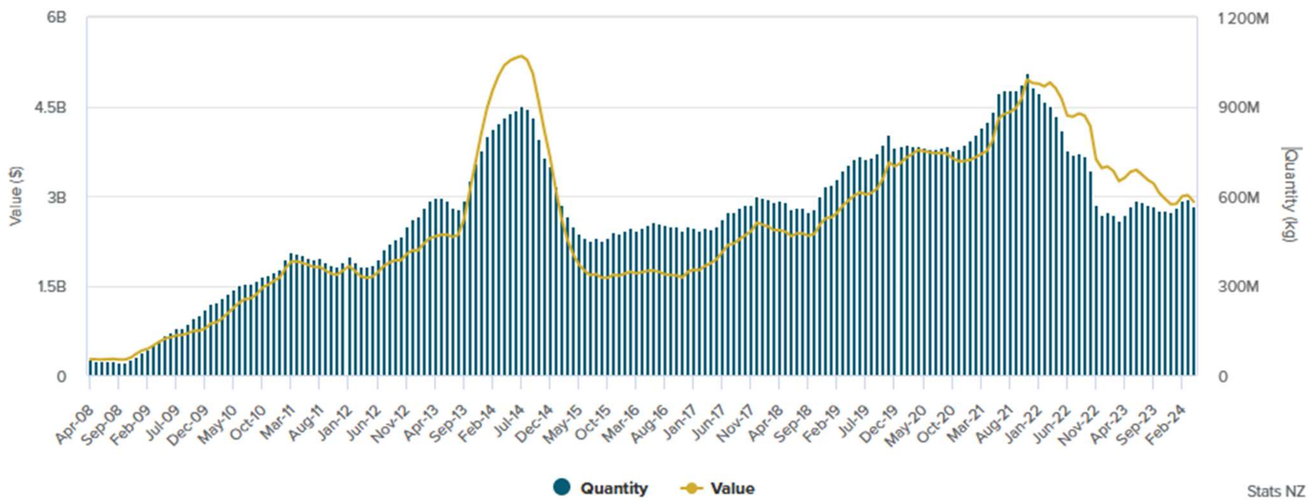

Figure 4: Milk powder exports to China value ($), and quantity (kg), April 2008-2024 (Growth in export markets for New Zealand milk powder: Stats NZ, 2024)

A further factor reducing demand for New Zealand dairy products is the increase in internal supply from Chinese farms. New Zealand's export of live dairy cattle to China had been increasing the internal Chinese milk supply for two decades by 2024, with China's dairy cattle numbers rising from 5.7 million in 2001, to 7.1 million in 2023 (Huld, 2024). Dairy is seen as key to ensuring the food security of China, given low inputs relative to meat production (Huld, 2024). However, food safety issues, such as the melamine scandal of 2009 which resulted in the death of at least six children, meant the Chinese populace struggled to trust in the safety of internally produced milk products (Saiwei Li, 2021). However, in recent years the government has been making substantial efforts to allay these concerns, establishing higher standards for both internally produced and imported dairy products (Huld, 2024). As Chinese consumer confidence has lifted, bolstered by the lower cost of domestic milk supply relative to New Zealand sourced goods, and a declining growth in the Chinese population, demand for imported dairy has tapered off (Treasury Staff , 2024). The New Zealand dairy export industry now finds itself once more in a position of high risk, due to over reliance, on a single market.

4.1.3 The end of the "golden age of trade"

The rules-based trade environment which New Zealand has existed within since the 1990's has come to an end. With no clear governance from the WTO, significant conflicts around the world, and the ongoing geopolitical chaos that the world has experienced since Donald Trump's successful second election as President of the United States, the global trade environment has become unpredictable and "every man for himself". The United States has blocked the appointment of new judges to the Appellate Body of the WTO since 2018, which is where trade disputes are settled (Miles, 2018). Without a quorum, the Appellate Body can hear cases but cannot settle any trade disputes. In the past, New Zealand has initiated several cases with the WTO's Appellate Body, with them finding in New Zealand's favour (Evans & Ridings, 2006). This has meant that larger powers such as Canada have been required to abide by the rules set out in trade agreements, something that New Zealand would have not been able to enforce on its own. Without the enforcement from the WTO's Appellate Body, New Zealand requires co-operation and strong relationships from its partners to ensure equitable outcomes in trade relationships. The recent tariff changes enacted by the Trump administration, and subsequent retaliation from China, have further highlighted the absolute disregard for the rules-based order of trade by the larger global players (The Contentious U.S.-China Trade Relationship: CFR, 2025).

4.2 The Why: Value of dairy exports to New Zealand, and the conundrum of our shrinking milk pool

4.2.1 Dairy Exports Value

New Zealand only produces 3% of the world's total dairy, yet it provides approximately a third of all exported dairy globally (Ministry for Primary Industries, 2025) and dairy, as an export commodity good for New Zealand, provides approximately 35% of New Zealand's commodity revenue (Ministry for Primary Industries, 2025). New Zealand's most significant contributions to the global dairy trade in 2022 were butter products and whole milk powder, at 41.99% and 54.3% of export market share respectively (Rabobank, 2023). While this is a significant chunk of the export dairy trade, both whole milk powder and butter are highly commoditised products which put New Zealand in the position of being a price taker rather than a price maker. New Zealand contributes significantly less skim milk powder to global trade at 13.8% in 2022, while the US contributes 32.1% and the EU 27.4%. The production of SMP generates a greater volume of cream than WMP, which can be turned into higher value outputs such as mascarpone, culinary cream, or cream cheese. The product mix of skim milk products and cream products are less subject to global whims of commodity prices and enables a diversification of product mix, particularly with cream applications, which enable access to value-add product streams.

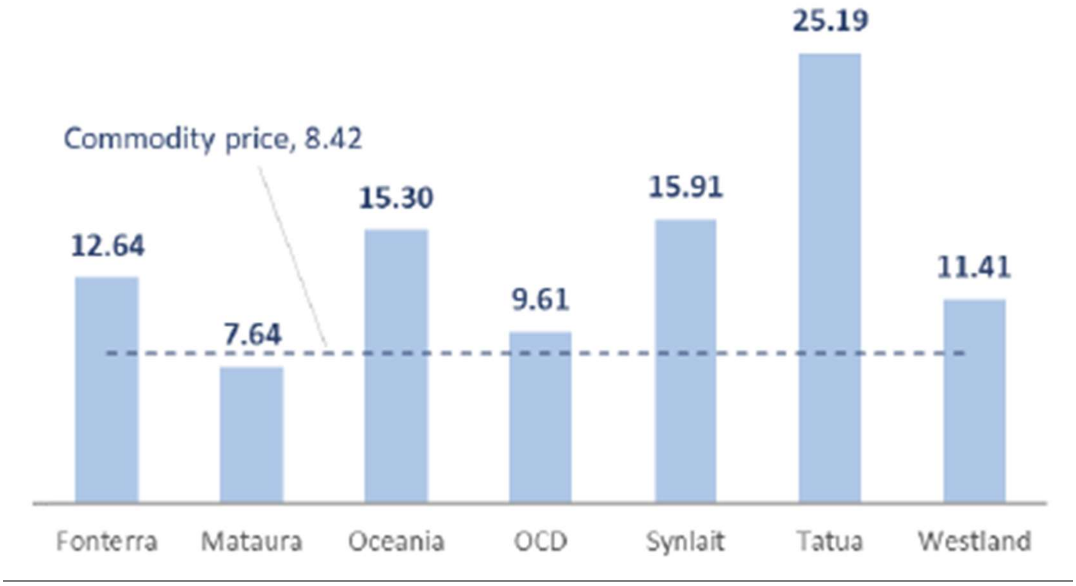

Figure 5: Revenue per kgMS 2019, $ (TDB Advisory, 2020)

Reviewing Figure 5, we can see in 2019, pre-Covid and at the end of the "golden era of trade", Fonterra was generating revenue in excess of the commodity price of dairy. Comparatively the revenue generated by independent dairy manufacturers varies quite substantially. Tatua is often presented as a shining example of what independent New Zealand dairy manufacturers can achieve, and the justification is clear when we can see from the above it is achieving substantially higher revenue than any other dairy manufacturer at $25.19 revenue per kgMS. This is recognised in its milk price to farmers, which has been above Fonterra's final milk price every season since 2015 (interest.co.nz, 2025). While Tatua might be well known amongst New Zealand consumers for their high-end consumer products on shelf in New Zealand supermarkets, the products driving their substantial revenue returns include specialist dairy offerings such as hydrolysates, bionutrients, caseinates and whey compounds (TDB Advisory, 2020). Tatua is also expanding its manufacturing footprint to keep up with demand, with an additional factory scheduled to commence operations in August 2025 (Steele, 2024). By comparison, OCD has a highly commoditised product base, with a small organic milk offering, and is generating revenue per kgMS that just exceeds the commodity price of $8.42 at $9.61. Tatua seems to have found a sweet spot of manufacturing and export diversification, that has generated strong returns and continues to show promise for the future with their planned additional site. Notably, the additional site is not to diversify into new product types, but to further the manufacturing capacity of their highly successful existing product mix, which is largely fat based consumer products such as mascarpone and culinary cream, as well as highly specialised offerings such as caseinates (TDB Advisory, 2020) (Steele, 2024).

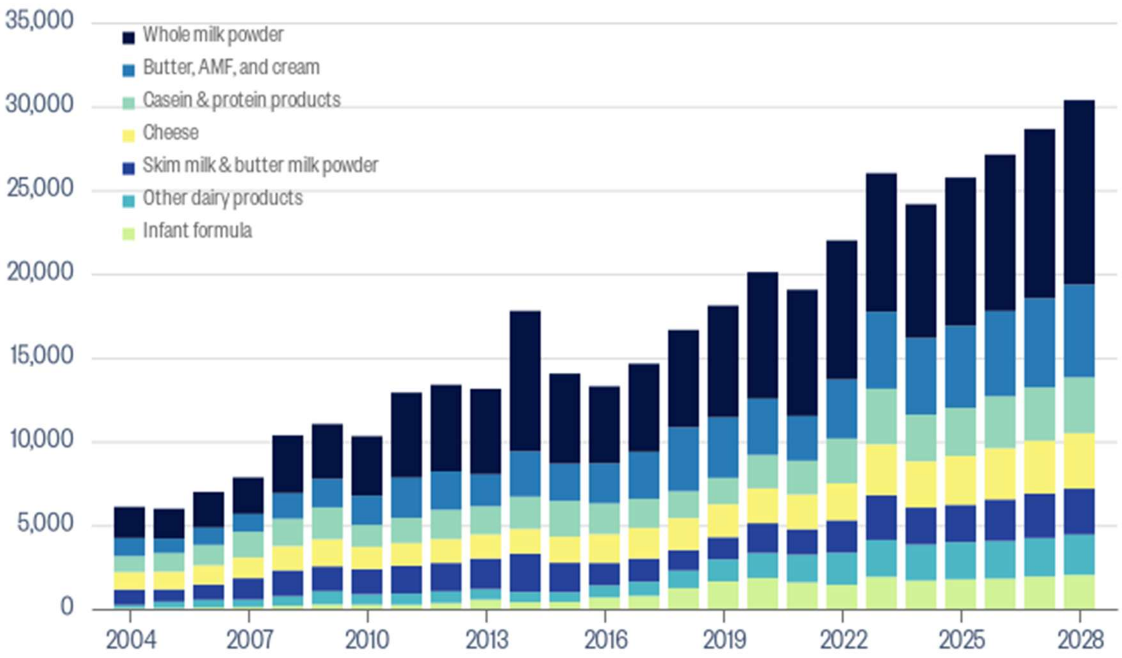

Figure 6: NZ dairy exports by sub-sector, year ended June 2004-2023, 2024-2028 forecast (NZD Millions) (Source: figure.nz)

Figure 6 demonstrates the growth in the value-add products, such as infant formula, other dairy products, cream and casein over the last 20 years, as well as forecast growth until 2028. Whole milk powder still dominates the majority of dairy exports currently, and this trend is forecast to continue, but the more specialist dairy products are expected to increase their contribution to dairy exports.

4.2.2 Milk market share

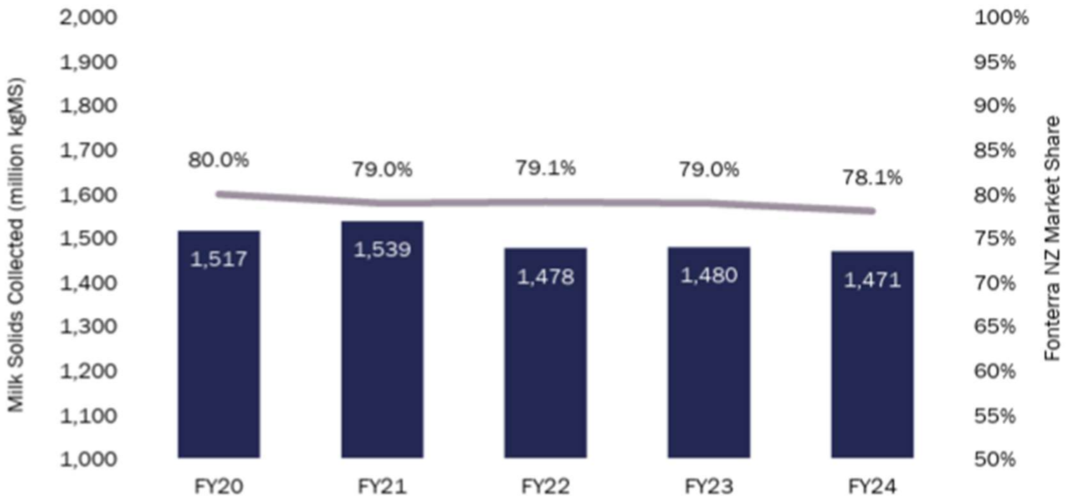

Figure 7 Fonterra market share of NZ milk supply collected, 2020 – 2024 (Northington Partners, 2024)

Fonterra processes a significant volume of New Zealand's total milk pool, as you can see in Figure 7 above, although market share has declined from 96% at formation in 2001 (TDB Advisory, 2020) to an estimated 78.1% in 2024 (Northington Partners, 2024). However, with over 28 manufacturing sites around New Zealand (Fonterra, 2025) Fonterra has the flexibility to shuffle milk between sites in order to adapt their product mix to suit market conditions and extract as much value from their milk as possible.

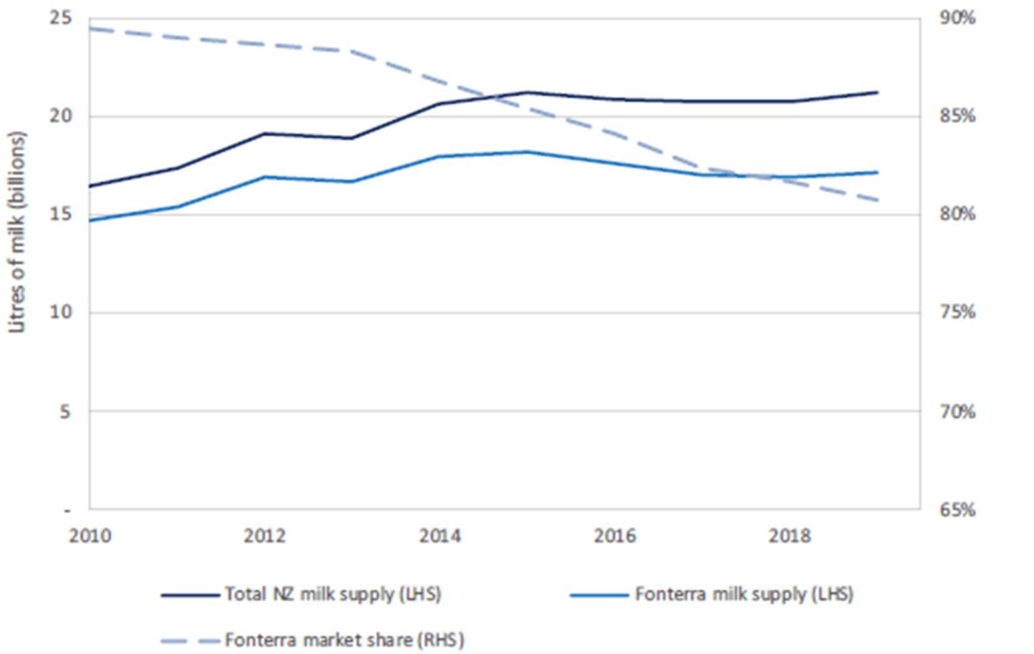

Figure 8: NZ milk supply and Fonterra market share 2010-2019 (TDB Advisory, 2020)

With a number of legislative changes regarding land use for dairy production in recent years, including restrictions around dairy conversions and cows per hectare, it is commonly accepted that without significant changes to farm operation or land use rules, New Zealand is past peak milk production for the country. Staffing is also a consideration, as the ongoing employment requirements of New Zealand's dairy industry is increasingly reliant on immigrant labour. AI and robotics will fill some of this employment gap, but it is a question of when the technology will be suitable for New Zealand farming operations, and also a matter of farmer investment in such technologies. Most sources indicate that New Zealand milk production remains, at best, stable for the foreseeable future or declines due to factors such as industry exits and the impact of climate change (Hancock, 2021). Genetic improvements and farm operation developments have led to higher milk production per cow, however, whether to pursue these opportunities or not is an independent decision made by the farmer.

Another factor impacting milk volumes available to independent manufacturers is the entry of overseas companies, such as Olam Food Ingredients (OFI). OFI is a Singapore listed company which has built a dairy manufacturing site in Tokoroa, South Waikato (OFI, 2023). This is a prime example of a New Zealand based dairy manufacturer with substantial capital support from a multi-national owner. This kind of targeted entry into New Zealand's dairy market can be challenging for independent manufacturers to compete with when it comes to securing milk volume.

4.3 The How: How do we close the gap to capture value?

4.3.1 The ideal trade relationship – key contenders

As discussed earlier in Section *4.1.3 The end of the "golden age of trade"*, the international trade environment is currently not operating in a way that is conducive to the export success of small nations such as New Zealand. Trade relations are unpredictable, and increasingly countries, both small and large, are ignoring the established rules-based approach as a means of retaliation against other nations in contentious trade discussions. This gives little faith that export nations that we would classify as favourable by traditional means such as FTA's, low tariff's and minimal NTB's, will abide by the established order of trade relations. New Zealand is at a disadvantage in export trade due to its significant distance to market, making logistics costs higher and exacerbating cultural differences. Let us now review several regions that are discussed as options for New Zealand's dairy exports and other trade relationships.

4.3.1.1 Southeast Asia

Southeast Asia is a large region, extending from the Solomon Islands just above Australia, up to India. The economic growth through this region has been extensive over the last decade, with it exceeding 6.9% in 2018 (Steff & Brady, 2019) collectively, the countries in this region form the world's fifth largest economy (Steff & Brady, 2019) (Hurrell, Opinion: Farmers Weekly, 2024). Including countries such as Thailand, India, Indonesia and Singapore, the relative proximity of these nations to New Zealand makes it attractive in terms of logistics and cost, as well as a burgeoning middle class which raises the demand for high value goods (Moore Markhams, 2024). Green energy is of particular interest throughout SEA with the Southeast Asia Economic Strategy to 2040 putting special focus on renewable energy sources (Moore Markhams, 2024). New Zealand can leverage its knowledge and commercial applications of renewable energy to its benefit in this. In terms of dairy, the gap between supply and demand for dairy is expected to grow to 30% by 2030 (Hurrell, Opinion: Farmers Weekly, 2024) which implies significant opportunity for New Zealand dairy in countries where our produce is already known and trusted (Hurrell, Opinion: Farmers Weekly, 2024). However, we cannot lose sight of the fact that SEA is made up of many countries, small and large, with varying levels of trade accessibility or appeal for New Zealand. While some nations such as Taiwan are relatively open, with limited internal dairy supply and zero tariffs now realised on dairy imports (Huang, 2024), some nations such as Indonesia are more complex, with a growing focus on promoting internal dairy supply and challenges in accessing market (News: The Bullvine, 2024). Thailand is another nation within SEA that held promise for dairy exports from New Zealand. The Closer Economic Partnership (CEP) signed in 2005 by New Zealand and Thailand was intended to remove dairy tariffs by January 2025. However, in January Thailand backed down on this deal, imposing quota restrictions on dairy imports (Rennie, 2025). India is another example of a nation with a lot of promise within SEA, but with additional considerations for dairy. India has the world's largest population and is expected to become the world's third largest economy by 2030 (New Zealand Foreign Affairs and Trade, 2025). However, India has a significant domestic dairy supply, they are in fact the largest dairy producing nation globally, which they could choose to protect from imported dairy products (eDairy News, 2025), using either tariff's, NTB's or quotas. New Zealand has a warm political relationship with India, and are currently working through FTA negotiations, but are advised to expect dairy access to be certain dairy categories, not all (Kissun, 2025). India's domestic dairy supply is substantial but hamstrung by limited technological improvements both on farm and in manufacturing meaning there is a space for New Zealand dairy to play a part, particularly in the value-add space (Kissun, 2025). There are several other notable countries, with varying levels of ease of access and tariff and NTB's, including the Philippines, Vietnam and Singapore. An entire report could be dedicated to the dairy export relationship possibilities with the countries in SEA. A key risk to trade access here is the South China Sea, as most shipping into this region is reliant upon this trade route which is described by Dr Euan Graham as a political "arena" in which many nations compete but largely comes down to battle for control between China and SEA (Graham, 2025). There is an increasing "westernisation" of Asian diets, which means dairy consumption is on the rise in this area (Hurrell, Opinion: Farmers Weekly, 2024). Between 50 and 90 percent of Southeast Asia's population have some level of lactose intolerance (Ng, 2023), meaning there is also demand for lactose free dairy solutions.

4.3.1.2 Latin America

Like SEA, the Latin America region is comprised of multiple countries at varying levels of development and internal dairy infrastructure. Since 2017 New Zealand has been negotiating a free trade agreement with the Pacific Alliance, comprised of Chile, Colombia, Mexico and Peru which all border the Pacific Ocean, (New Zealand Foreign Affairs & Trade, n.d.). Chile, Mexico and Peru are also involved in The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) which can be of benefit to New Zealand's negotiations with the Pacific Alliance.

Mexico, like India, has a large, and increasing, population at approx. 130 million people, with significant internal dairy supply but lacking substantial technological advancements to facilitate production in the higher value product space domestically (New Zealand Foreign Affairs and Trade, 2023). In the Latin America region, Mexico is New Zealand's most significant export partner, as well as being New Zealand's 24th biggest export market for agricultural exports (New Zealand Foreign Affairs and Trade, 2023). Similar again to the dynamics in SEA, there is a substantial population in the middle and upper class, which again lends credence to the concept of New Zealand providing high-value or more technologically advanced dairy products that these markets cannot service themselves. While New Zealand is a trusted country of origin by Mexican consumers, Mexico also imports a large volume of dairy products from the United States and Europe, which are more commonly known and trusted (New Zealand Foreign Affairs and Trade, 2023).

The Pacific Alliance is the world's eighth largest economy, with a growing population and inability to fulfil their internal dairy demand with domestic supply (New Zealand Foreign Affairs and Trade, 2025).

4.3.1.3 Japan

Another member of the CPTPP, Japan is a high value, but stringent, market for New Zealand's dairy manufacturers to gain access to as the world's fourth largest economy (New Zealand Affairs & Trade, 2024) and New Zealand's fifth largest export partner (Hurrell, Japan hungry for high value dairy ingredients: Opinion: Farmers Weekly, 2024). Japan has agreed to reduce New Zealand's beef import tariffs from 38.5 percent to 9 percent over 16 years, which is the most favourable term negotiated with Japan by any trade relationship partner (New Zealand Affairs & Trade, 2024). Japan's Ministry of Economy, Trade and Industry set import quotas on goods to protect domestic producers (New Zealand Trade & Enterprise, 2025). However, difficulties in attracting next generation farmers into the dairy industry has meant that Japan's domestic dairy supply has declined by over 10% since the year 2000, (Hurrell, Japan hungry for high value dairy ingredients: Opinion: Farmers Weekly, 2024) (Singh, 2022). Japan is different from the other nations discussed before this, in that it has substantial investment in innovation, and a growing demand for dairy which cannot be satisfied by their internal supply (Hurrell, Japan hungry for high value dairy ingredients: Opinion: Farmers Weekly, 2024). Dairy farms in Japan particularly have to contend with high input costs, particularly in the case of imported feed, in order to maintain supply (Singh, 2022). The cost of imported feed to Japanese farmers has been particularly impacted by the Ukraine conflict (Asia Media Centre, 2024). A unique factor with regards to Japan is their aging population, with nearly 30% of the population being over 65 (Asia Media Centre, 2024), which impacts consumer preferences, gearing it more towards fortified or health related dairy products.

4.3.2 The power of storytelling and relationships

In their paper, "New Zealand going global: The emerging relationships economy", Pawson & Perkins compare the difference in business relationships between New Zealand's commoditised, volume driven dairy export relationships (Fonterra), and the high-value merino fibre industry (Icebreaker). A key argument of their report is that higher value trade or marketing strategies require higher levels of collaboration between actors in the value chain. This is an insightful look at two of New Zealand's weighty primary industry agencies and the differing approaches they have taken in their approach to internationalisation of trade. Fonterra has largely enjoyed success due to the significant volume of dairy products that they export, while the roots of the success of the merino fibre industry lies in the relationships forged in 1870's between merino farmers and Bradford wool traders in England. Understanding the needs of the wool traders enabled the farmers in New Zealand to adapt and innovate their fibre output to suit the needs of the traders. Pawson & Perkins further posit that as a commodity-producer, Fonterra's business model is based upon (and is required by legislation to) turn milk into mass product for efficient and secure export. Fonterra was formed in 2001, and the NZ-China FTA was signed in 2008 – the following graph highlights the rapid increase in exports of the heavily commoditised milk powder since the signing of the NZ-China FTA, while higher value specialty products such as butter, cheese and caseinates have remained relatively flat. Given that through this period of time Fonterra was responsible for processing between 95% and 78% of New Zealand's milk pool, we can see how the significant commoditisation of dairy has stifled New Zealand manufacturers drive to innovate and access new higher value markets.

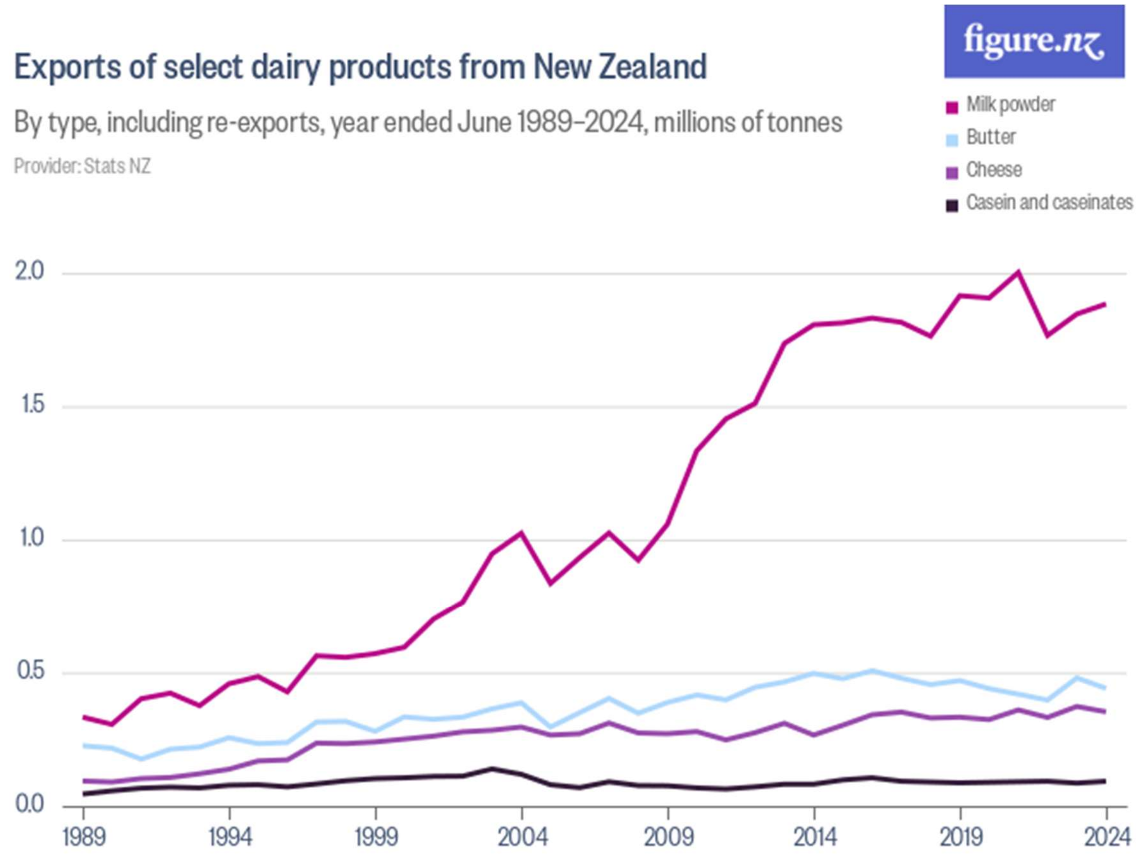

Figure 9: Export of select dairy products from NZ 1989-2024. (Source: figure.nz)

Merino fibre, on the other hand, has been identified and separated from bulk wool clip in order to extract value from the finer composition of the fibres (Pawson & Perkins, New Zealand going global: The Emerging relationships economy, 2017). The most notable development that led to merino wool being globally recognised as distinct from regular wool fibres was the 1990's development of "against the skin" layered clothing for outdoor activities. Marketed as having all the warmth and natural fibre benefits of traditional wool fibres, while being less irritating to the skin. It is not difficult to see how merino wool came to be viewed as a more user-friendly alternative to traditional wool fibres, and a more upmarket and sustainable alternative to man-made fibres such as polypropylene. The New Zealand Merino Company has played an important role in building and maintaining relationships from farm to market in order to successfully extract as much value as possible from the merino fibre proposition (Pawson & Perkins, New Zealand going global: The Emerging relationships economy, 2017).

4.3.3 The growth of the Maori economy

The Māori economy is forecast to have an asset based worth $100 billion by 2030, and is currently worth $70 billion (Munn, 2022). Two of New Zealand's independent dairy manufacturers, Miraka and Waiū, are either partly or majority Māori owned, and both are guided by te ao maori principles in their business operations, with both mentioning Kaitiakitanga, or guardianship, as a key value that they hold (Miraka, n.d.), (Waiu Dairy, n.d.). New Zealand is somewhat unique in that since 2001 there has been a Treaty of Waitangi/Te Tiriti o Waitangi clause in all New Zealand trade negotiations, to ensure the government can adequately represent these interests. A key feature of Māori culture is the role of kaitiaki, which both Waiū and Miraka mention as being important to them on their websites. A kaitiaki is a guardian or steward and is often used in reference to being a kaitiaki of the whenua (land) or taiao (environment). This underlying guidance lends itself to a multi-generational business perspective, such as the 500-year plan that Wakatū has formed, Te Pae Tawhiti (Te Pae Tawhiti: Wakatu, n.d.). Guiding te ao Māori (the Māori worldview) principles are a key feature of Māori owned businesses, and include kaitiakitanga (stewardship or guardianship), whanaungatanga (relationships), and manaakitanga (respect or kindness) (Jurado & Mika, 2022). These values have increasing relevance to commercial operations and can easily be applied within most business relationships or discussions. We also see that many indigenous cultures share similar values or cultural practices, enabling greater relatability between indigenous cultures than might be realised by homogenous peoples (Jurado & Mika, 2022). As Te Tiriti o Waitangi settlements return assets and wealth to Māori iwi (tribes) the Māori economy will gain further capital and assets to further grow their commercial enterprises (Jurado & Mika, 2022). We are now seeing Māori actively taking part in trade delegations, such as the 2023 Māori trade delegation to SEA, as well as Māori beliefs and values being actively considered in the initiation and development of trade relationships. The recently signed Comprehensive Economic Partnership Agreement with UAE has a dedicated chapter to represent Māori interests in the relationship (New Zealand Foreign Affairs & Trade, n.d.). The Indigenous Peoples Economic and Trade Cooperation Arrangement was first outlined by New Zealand in 2021, with the intent of expanding and uplifting indigenous trade and investment (New Zealand Trade & Enterprise, n.d.). Indigenous people worldwide are increasingly active in international trade, while facing additional barriers. The rapid rate of growth in the Māori economy is supported by government funding available which has been targeted specifically at Māori enterprises, such as the Māori Development Fund available via Te Puni Kokiri (Te Puni Kōkiri, 2025).

4.3.4 Develop adaptability to contend with volatile geopolitical context

Thinking outside the box and kiwi ingenuity has long been a proud hallmark of our country. We should be using this innate skill in relation to our business operations to get around difficulties and navigate the stormy waters of international trade. Ideas such as using intermediary nations for remanufacture or repackaging, setting up farms or manufacturing operations in other countries, as Fonterra has done in the past, are all ways in which we could combat the “tyranny of distance” which we face with our geographic location, as well as getting around tariff barriers.

Capital is necessary for innovation, which can be a difficulty for small firms to access, particularly if those small firms prioritise social responsibility alongside profits. So, does responsible innovation generate rewards? This is a question posed in *Rewarding responsible innovation when consumers are distant from producers: evidence from New Zealand*, where Dalziel et al. explore this idea. This is an effort to understand whether consumers are ultimately willing to pay for “credence attributes” such as environmental sustainability, animal welfare and social responsibility, particularly in the case of New Zealand where the cultural and geographical distance between consumer and producer is so great. This report identifies that the initial concern with any innovation is usually that this will increase cost without a corresponding increase in revenue. Interestingly, they found that developed countries valued these “credence attributes” less than developing countries. Likely, developed countries have faith in the responsible and safe production of goods within their country and so do not place the same value on it that consumers in developing nations do, who presumably have less confidence in domestic food safety standards.

New Zealand’s trade history, and the way in which we have exposed our primary industries to risk by over reliance on single, large consumption, export markets such as Britain and China, would imply that New Zealand’s independent dairy manufacturers should explore diverse relationships. However, is the risk and effort involved in building and maintaining diverse market relationships worth the result? In a fascinating study Casey & Hamilton (2014) find that the most successful small New Zealand firms they examined were heavily focused on research and development and “spread their internationalisation across several overseas markets”. This was in direct contrast to a previous studies finding which suggested that small firms should concentrate their internationalisation strategy on a single market. These findings were within what is described as a “mature, traditional, low technology” industry. While dairy could be considered mature or even traditional, the descriptor of “low technology” certainly does not fit the ever-evolving nature of food and beverage industries. The report also discusses that the wider access to export markets, i.e. greater internationalisation, strengthens the knowledge base of the small firm by the relationships they build externally. This in turn can support greater investment in R&D which can enable access to more markets again. It also suggests that distance from market may not be as significant a barrier as has been previously thought.

5. Interview findings

5.1 Thematic Analysis

The thematic analysis was conducted using a structured approach based on the interview questions. The interviews were transcribed and minutes generated using an artificial intelligence tool called Decisions, which transcribes and analyses meeting data to generate key insights and create meeting minutes. Key themes were identified initially using my interview questions as a guide. The key themes were then expanded and summarized based on interview content generated by Decisions as well as notes written by myself during the interviews to provide insights into the various aspects of dairy exports discussed during the interviews.

5.1.1 Perception of NZ Dairy Exports in International Markets

- Trusted and Clean-Green Image: Strong reputation in Southeast Asia, China, and Japan.
- Premium Quality: Seen as high quality, but price-sensitive markets like China are becoming more competitive and also seen as intimidating for domestic supply.
- Consistency and Reliability: NZ is viewed as a dependable supplier
- COO: NZ origin story is not enough to generate a premium anymore.
- WMP: biggest exporter of this – most other exports nations largely produce SMP to gain value from cream.

5.1.2 Barriers to Diverse Trade Relationships

- Protectionism and Tariffs: Especially in the US, Europe, and India.
- Shipping and Logistics: Distance, port inefficiencies, and freight costs are major issues.
- Market Complexity: India and Latin America are seen as complex and slow to open, distance and therefore freight cost also a barrier.
- Fonterra: independent NZ dairy manufacturers are often competing against Fonterra, not the world. Selling similar value proposition.
- Groupthink: small talent pool.
- Dairy trade: is often most difficult “get” in trade negotiations.

5.1.3 Strategies to Overcome Barriers

- Storytelling and Indigenous Branding: Leverage Māori values and sustainability.
- Strategic Market Investment: Focus on Japan, Australia, Southeast Asia.
- On-the-Ground Presence: Local reps and partnerships.
- Offshore farming or manufacturing: overcome the tyranny of distance.
- Understanding consumer patterns.
- Diversify product base: innovation.

5.1.4 Priorities for Independent Dairy Manufacturers

- Customer Relationships and Trust: Build and maintain strong ties.
- Flexibility and Innovation: Avoid fads, invest in adaptable equipment.
- People and Capability: Right staff and leadership are critical.
- Generating Value from Differentiators: difficult to find customers willing to pay for points of difference.
- Strategic Alignment: businesses need this to generate long term value.
- Reliable Export Availability: other dairy export nations are less consistent, sets NZ apart.
- Internal Partnerships Valuable: utilise domestic relationships with independent manufacturers to enable share knowledge and support each other.

5.1.5 Common Complaints About NZ Dairy

- High Cost: NZ products are expensive.
- Shipping Delays: Distance and port inefficiencies.

- Inflexibility Compared to Fonterra: Smaller players struggle to compete.
- Change in NZ: slow in comparison to rest of the world.

5.1.6 Market Access Priorities

- China Still Central: Stable but needs diversification.
- Southeast Asia: High potential, especially private sector, doesn't have the technical capability to produce value add.
- North Africa: high demand and complicated internal supply, proximity to Europe can deprioritize NZ supply
- Africa: significant market opportunities, largely in commodity space, price sensitive, growing wealth and population.
- Japan and Australia: Wealthy, stable, and aligned with NZ values, low-risk and high value.
- Latin America: internal supply but strong demand, key competitor being North America
- Pacific: small but beneficial, some larger opportunities such as Papua New Guinea.
- Middle East: dairy highly prized, versus Africa where it is considered fundamental nutrition.
- Middle East: has infrastructure and technical capacity to do value add well on their own, leaving NZ as ingredient provider.

5.1.7 Geopolitical climate

- No trade relationships explicitly dropped: Most advocate for diversification, not abandonment.
- India: Seen as difficult and slow-moving, high level of protectionism for internal farmers.
- High volatility: need to have diverse relationships to mitigate this risk.
- Fast Moving Environment: need to understand and adapt quickly.

5.1.8 Value-Add Product Opportunities

- Cream, Mozzarella, Whey Protein: High demand and potential.
- Fonterra Capability: strong internal knowledge, and adaptable production facilities give Fonterra an advantage over independent manufacturers.
- Functional Foods: Health and wellness products.
- Frozen Concentrates: Niche but promising.
- Plant based milks: high shelf competition.
- Fat-filled milk: potential ethical issues.

5.1.9 Response to Milk Pool Shrinkage

- Prioritize High-Value Products: Shift from powders to value-add.
- Focus on Core Markets: NZ, Australia, China.
- Relationships crucial, both with customers and farm supply.
- ABC (Anything But China): China is great for volume but not so much for value.

5.1.10 NZ-China Dairy Relationship

- Mutual Dependence: China relies on NZ for quality dairy, China requires significant dairy volume to feed their citizen.
- Long-Term but Risky: Needs diversification to reduce exposure.
- Domestic supply: less trusted but will undercut NZ supply at price point.
- Price-sensitive: Chinese consumer is price sensitive, especially in times of economic challenge

5.1.11 Global Competitiveness

- Differentiation Over Cost: NZ can't win on price alone.
- Sustainability and Indigenous Identity: Unique selling points.
- Collective Storytelling: effectively and commonly communicate Māori values.

- Indigenous collaboration agreements: new avenue to build strong business relationships.
- Fonterra's Stronghold: Fonterra has large volume, high quality dairy export supply, difficult to win customers away from this.
- Technical/Quality: decision to change supply often determined by appeal to technical/quality teams.
- Australia: Key competitor for New Zealand due to proximity, similar image, and similar market focus.

5.1.12 Cost Leadership vs. Differentiation

- Differentiation is Key: Especially through sustainability and Māori values.
- Cost Leadership Not Viable: NZ's cost base is too high.
- Organic Claim: high cost and volatile consumer behaviour – not recommended as differentiator.
- New Zealand high dairy volumes require some level of commoditised markets to consume.

5.1.13 India as a Trade Partner

- Challenging Market: Protectionist and slow to open.
- Non-Dairy Opportunities: Potential in food and beverage.
- Substantial demand and population.
- Like Middle East: societal disparity between wealthy & poor, potential for high value products given lack of technical capability/infrastructure.
- Relationships key: make it about more than money.

5.2 Conclusion

The thematic analysis of the interviews reveals multiple key insights into the challenges and opportunities facing the New Zealand dairy export industry. While New Zealand dairy products are generally perceived positively in international markets, there are significant barriers to diversifying trade relationships, particularly for independent dairy manufacturers. Large manufacturers such as Fonterra often have the benefit of decades long business relationships, and the confidence which that provides to both businesses and consumers creates challenges for smaller manufacturers who are now trying to secure relationships with these customers. Fonterra also has the added advantage of significant volumes of product, and the ability to flex their production planning across multiple sites to adapt to market changes quickly. Strategies for independent dairy manufacturers to overcome these barriers include leveraging indigenous ownership and understanding, investing in strategic markets, and maintaining strong customer relationships. Independent dairy manufacturers must prioritize flexibility, innovation, strategic partnerships and sustainability to remain competitive. Overall, the findings highlight the importance of differentiation, ability to move quickly, and strategic diversification to ensure the long-term success of NZ dairy exports, however the significant volumes which New Zealand produces means there will likely always be an aspect of commoditisation to our country's product base.

6. Discussion

New Zealand's "clean green" image has long been one of its most marketable features and continues to be of interest and valued by consumers. However, as many of my interviewee's mentioned, this is no longer enough. The world has caught up to New Zealand, and we need to differentiate ourselves further to continue to secure valuable trade relationships. While New Zealand has a good base of technical knowledge and skill regarding dairy manufacturing and farming practices, it is important for the industry to maintain and expand that knowledge to remain a key player on the global stage. One of the methods by which independent dairy manufacturers can achieve this is by securing funding or capital investment to support R&D investment, as well as broadening their market base and gaining industry knowledge via this avenue. My literature review and interviews revealed that externally, New Zealand dairy is seen as being of a safe nature and high quality. However, my interviewee's often reflected that this standard can make it difficult to generate a high return in price sensitive markets and also can raise barriers in markets with strong internal dairy supply. New Zealand's high-quality produce is seen to pose a significant threat to the success of local farmers, who cannot replicate the standards we have in New Zealand due to limited technology or lack of infrastructure. These developing markets are also often the nations which most value the "credence attributes" (Dalziel, et al., 2017) that New Zealand has in abundance, such as sustainability and animal welfare.

The strength of the Māori economy is only getting stronger here, and we should see this mirrored to some extent around the globe. Being a Māori owned enterprise grants access to funding that is not available to other businesses, which is a unique advantage for businesses such as Waiū or Miraka – two majority Māori owned independent dairy manufacturers. My interviewee's, notably, the ones who are present in international markets, pointed out that while being Māori owned might not generate a more significant value for the manufacturer, it is a distinction which has impact and draws in customers.

As I embarked on this report, I expected tariffs to play a considerable part in my determination of a desirable trading partner. While this still holds true, recent geopolitical events have exposed the risk in expecting that agreements will be upheld by all parties. Instead, current events as well as scholarly research and studies has revealed the vital importance of relationships, rather than agreements. There are strategies for gaining entry to markets which have unfavourable tariffs, but without strong, collaborative relationships trading partnerships are likely to favour one partner over another and in some cases, a partner may choose to disregard the rules laid out in these agreements. One interviewee who is involved in trade negotiations discussed the strategy of making trade agreements about "more than money" in an effort to form long standing relationships that withstand the ongoing geopolitical instability.

The findings of (Dalziel, et al., 2017) regarding the value of credence attributes by developing countries highlight even further the value that independent dairy manufacturers could generate in these areas. This further validates the Southeast Asia and Latin America regions, as there are many developing nations within these areas. While these areas may have internal dairy supply, or significant trade relationships with heavyweights such as the United States, it often is not enough to satisfy forecast demand. Additionally, New Zealand's independent dairy manufacturers are not a significant player in terms of export volume, only responsible for approximately 324 million kgms of New Zealand milk per Figure 3, a drop in the ocean of milk required by the world. However, as Fonterra's market share of domestic milk continues to decrease, the independent manufacturers become increasing responsible for generating domestic wealth, from a finite resource.

While the "tyranny of distance" can be barrier to New Zealand exports being the first choice in some markets, it is able to be overcome by establishing operations within the target market or building business partnerships with value chain participants who are already in place.

7. Recommendations

My recommendations based on this report's findings are:

- Investment is key to ensure independent dairy manufacturers can set themselves apart from other suppliers pursuing the value-add dairy space globally.
- Māori owned entities can have a unique access to funding that they should leverage to drive innovation and increase their export appeal.
- The application of te ao Māori principles have appeal to a wider audience beyond New Zealand, and can be a tool to support sustainable trade relationships with other indigenous populations, as well as traditional trade partnerships
- Developing countries are more likely to value "credence attributes" such as environmental sustainability, animal welfare and social responsibility than developed countries. New Zealand's farming systems and environmental standards enable manufacturers to gain traction in developing markets via these "credence attributes".
- We should be investigating alternate means of market access, such as co-manufacturing or establishing operations in markets which allow us to work around both tariff restrictions and the "tyranny of distance" we face due to our geographical distance from other nations.
    - These options need to be financially feasible and would best be done in partnership with established organisations in the region.
- Independent dairy manufacturers should be investing internal resource time into actively engaging with both domestic partners and global ones, to facilitate the development of strong, mutually beneficial trade relationships.
- The power of storytelling in explaining the value and distinction of New Zealand's dairy proposition is vital
    - This is a key contributor to the unmitigated success of New Zealand merino fibre globally
    - Collective and cohesive storytelling, with clear messaging, and substantiated supporting data was identified as necessary through my interviews. If everyone is going to market and telling the same story in a different way, no one else is going to understand it.

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Appendices

Appendix 1: Interview Questions

1. In the markets and countries you work within, how do you see New Zealand's dairy exports viewed?
2. How do you think New Zealand is held back from seeking or gaining diverse trade relationships for dairy exports,
    a. What do you think could be done to remove these barriers or bridge these gaps?
3. If you could tell independent dairy manufacturers to prioritise one thing to secure the future of their business;
    a. What would it be?
    b. And why?
4. What is the most common complaint you hear about NZ dairy exports in market?
5. If you could ease market access for NZ dairy exports into a single country
    a. Which would it be?
    b. And why?
6. What are your thoughts regarding dairy trade relationships that could be deprioritised by independent dairy manufacturers in New Zealand?
7. What supply gaps do you see in the value-add dairy product space internationally, that could be reasonably filled by independent dairy manufacturers in New Zealand?
8. Imagine New Zealand's milk pool was to shrink by 20% for the foreseeable future in the next 3 months due to a natural disaster;
    a. What would your priority be?
    b. How would you approach it?
9. Regarding New Zealand's dairy trade relationship with China, what are your thoughts on;
    a. The longevity of this relationship;
    b. Likelihood of continued prosperity from this relationship.
10. How do you think NZ dairy exports can become the first choice for importers globally?
11. Between cost leadership and differentiation strategies, how and where do you think NZ independent dairy manufacturers can leverage these international competitive strategies?
12. India is not considered a useful trade relationship for dairy exports;
    a. Do you agree or disagree?
    b. Please elaborate on your thoughts.