AGRIBUSINESS

Field notes

Weekly news update from the KPMG Agribusiness network

KPMG

16 January 2013 – Holiday catch up edition

Organisations referenced in this week's Field Notes include:	
AgResearch	National Farmers Union (UK)
Beef + Lamb New Zealand	New Zealand King Salmon
BNZ	New Zealand Winegrowers
Canadian Food Inspection Agency	New Zealand Wool Services International
Cargill Inc	Pernod Ricard
Delegat's Group	Ravensdown
Douglas Creek	Sanford
Federated Farmers	Satara Co-operative Group
Fonterra Co-operative Group	Sealord Group
Food and Drug Administration (USA)	Southern Produce
Gisborne Milk Co-operative	Westland Milk Products
Inner Mongolia Yili Industrial Group	Wool Equities
Lempriere	Wools of New Zealand
Livestock Improvement Corporation	Yashili International Holdings
McDonalds	Zespri

20 December 2012

Marlborough Sounds fish farms approved [The Marlborough Express] Four new salmon farms have been approved for the operation in the Marlborough Sounds by The Environmental Protection Authority. The decision comes after about 1200 submissions were heard over a nine week enquiry by the Authority's board in Blenheim. New Zealand King Salmon's proposal was to set up nine new salmon farms in the Marlborough Sounds; an area where marine farming is banned under the Marlborough District Council's resource management plans. Four farms at Papatua, Ngamahau, Waitata, and Richmond have been approved in the recent report whereas five others that were applied for were declined. Marlborough Mayor Alistair Sowman highlighted the need for the council to understand why the board went against long-established rules regarding restricted marine farming. He said that the council has stated that they do not believe that its resource management plan should be set aside, however the council will also need to consider the implications of the plan for future aquaculture activity in the Marlborough Sounds. A final report and decision will be provided by the board by February 22 of this year.

Exporters ready to milk Chinese tariff cuts [The Australian] China's plans to cut major tariffs on infant milk formula in a move to liberalise trade ties with the rest of the world will greatly benefit both Australia and New Zealand's dairy farming industries. More than 540 tariffs have been marked to be reduced in 2013 with those on infant milk powder said to be reduced from 20 percent to 5 percent. New Zealand's position as the largest milk powder exporter, followed by Australia means that both countries will find the reductions advantageous, especially considering their market share. Sale in these dairy products peaked three years ago when China was hurt by the melamine milk scandal which infected 300,000 babies and killed six. The action to reduce tariffs also provides an indication of China's interest in proceeding with a free-trade agreement with Australia for which discussions have been ongoing since 2005. The move is also hoped to provide price reductions for imported milk products into China which have sometimes reached three times the price of local milk products. Chinese Group Wahaha has already noted their plans to spend at least $220 million on dairy products from Australia and New Zealand over the next year.

21 December 2012

Making most of research advances [Business Day] A $7.5 million government funded project is planned to help stimulate the agriculture industry with New Zealand's economy expected to gain from scientific research into innovations in the primary sector. The initiative, funded by the Ministry of Business, Innovation and Employment, will span five years and help to ensure that innovative ideas get the support they require in order to make it to the farm. Project leader James Turner, from AgResearch, said that the government was serious in its funding to identify and improve innovation. He said that farmers have a stronger motivation to implement new ideas into their farms if policy makers encourage innovation in agriculture. Mr Turner also emphasised that farmers are looking for better profits and that if they can't make improved cash flow from taking up innovations then it is a threat to their business. The costs of taking up an innovation are major hurdles for many farmers. Examples of innovative collaboration can be drawn from Dutch farmers who are avid users of technology in areas of greenhouse growing, pig farming and dairying.

Livestock Improvement boss retires [Business Day] Dairy genetics company, Livestock Improvement (LIC) has announced chief executive Mark Dewdney will retire on May 31. Dewdney joined the company in 2006 and recently was appointed to the board of Morrinsville-based Tatua Co-operative Dairy Company. LIC Chairman Murray King said that Mr.Dewdney had resigned to pursue his interest and goal of being a "hands-on" dairy farmer, while expanding further professional director roles. Mr.King noted that Mr.Dewdney had delivered outstanding financial returns to shareholders during his time at LIC and had developed the company's world-class team of staff. Before joining LIC, Dewdney had held senior management roles at Fonterra, and with NZ Dairy Group, LIC International, Crean Foodservice and Tatua.

$4.1 million so far raised for wool capital plan [Otago Daily Times] $4.1 million worth of capital has been raised so far in Wools of New Zealand's recent share offering. The company has a minimum level of $5 million that is required to be raised and has extended the deadline for its share offering to February 25. Directors have stated that their objectives remain the same, to raise $10 million of capital and to have shareholders who annually produce 20 million kilograms of wool or more. A number of growers have indicated that they are still to subscribe for shares. This provides directors with confidence that their targets will be met, chairman Mark Shadbolt said. Strong-wool growers had been asked to subscribe to shares at a ratio of one share for every 2 kilograms of their annual strong wool production, with a minimum subscription of 5000 shares at $1 per share.

24 December 2012

Fairlie farmer re-elected [Otago Daily Times] The board of Beef + Lamb New Zealand has had South Canterbury farmer Anne Munro re-elected. Originally from West Otago, Mrs Munro has previously served one term on the board. Her nomination was the only one received for the central South Island electorate. Two nominations have been received for the farmer director position in Beef and Lamb's western North Island electorate: incumbent director Kirsten Bryant (Fordell) and John McCarthy (Ohakune).

26 December 2012

Russia lifts ban on GM corn imports from EU – Onishchenko [Financial Newswire] Bans on modified corn NK603 imports from the European Union have been lifted by Russia's sanitary service the bans had been in place since September 2012. Head of consumer rights watchdog Rospotrebnadzor, Gennady Onishchenko, said that the ban was lifted after further investigations and the receipt of new materials from the EU confirmed that the product is safe. Onishchenko said that after analysis of the use of the corn in food in 15 countries around the world and EU during the whole period of its use did not result in any adverse effects. It was said that the use of the corn is not toxic for humans and is not an allergen. The genetically modified corn was banned on September 24 from being imported into Russia after publications were released claiming the corn product had a negative effect on the health of laboratory animals. Such effects have not been recorded with use of the corn product in countries in which the recent study considered.

27 December 2012

Red deer fibre socks $1700/pair [Otago Daily Times] Tauranga-based company Douglas Creek has provided the fibre for some of the world's most expensive socks. Luxury men's footwear and accessories brand Harrys of London, launched a limited edition production run of 100 pairs of socks which retail for £895 (NZ$1713). The socks are made from the superfine down fibre of the New Zealand red deer, Cervelt fibre. Some of the fibre is sourced from Otago, taking 12 years to bring to market managing director Bert McGhee said. The company developed the equipment required to process the fibre and after doing multiple tests the company decided it was worth the venture. Mr McGhee has said the fibre has proven to be extraordinary, with only about 20 grams of fibre collected from each deer. It is much finer than cashmere and a lot more durable, in addition to its ability to be easily dyed almost any colour. McGhee said that the project proved to be more difficult than the company had initially anticipated, however the company persevered due to the favourable view the market has towards the fibre. Most of the fibre is sourced from the South Island where New Zealand red deer were first introduced in 1870. Being able to be used in socks emphasises just how strong the fibre is, says McGhee. He said that the company is excited for future prospects in Asian markets, which is the company's next target.

Chinese dairy firm to build $214m plant in South Canterbury [NZ Herald] South Canterbury is to see Chinese dairy firm Inner Mongolia Yili Industrial Group build a $214 million infant formula plant in a deal that will see the company take over Oceania Dairy Group. The acquisition will allow Inner Mongolia Yili Industrial Group access to Oceania's land resource consents to build a plant of over 38 hectares in South Canterbury. According to a report submitted by the company, the Chinese company is attracted to New Zealand's relatively cheap raw milk and a free trade agreement with China that will completely remove import tariffs by 2020. If the Overseas Investment Office and Chinese Government sign off on the deal then the plant will be able to reach production of 47,000 tonnes when at full capacity in the 2016/17 year. Oceania Dairy sold milk supply contracts to Synlait Milk, which is half owned by China's Bright Dairy, last year after failing to raise about $75 million to build a new milk powder plant near Glenavy that would have processed 220 million litres of milk a year, producing 32,000 tonnes of powder. Yili has preliminary cooperation agreements with local farmers to supply the plant, and has indicated plans to draw on Fonterra Cooperative Group's regulated supply of raw milk. Oceania Dairy director Don Brash said that Yili had decided to announce the deal once its board had decided to go ahead.

McDonald's halts from sourcing chicken from China's problematic Liuhe [China Economic Review] US fast food chain McDonald's Group has said that it has stopped sourcing chicken from Shandong-based Liuhe Group Co, in china one of the largest chicken suppliers. The Liuhe factory was shut down for selling chickens which were found to have excessive antibiotic residues. McDonalds has said that they have temporarily stopped using raw chicken products from Liuhe Group starting from December 18. The restaurant operator said that it maintains a strict supply chain management system and standards to ensure food safety. The Group did not elaborate how they test for drug residues in their products nor who is responsible for the testing. McDonalds has not detailed who has taken over from Liuhe as its chicken supplier.

30 December 2012

Kiwi beef cleared in Canadian E.coli investigation [NZ Herald] The Canadian Food Inspection Agency has not found a link between Australian and New Zealand beef and E.coli in frozen hamburgers that sickened 5 people in mid December. The hamburgers, produced by Canada's Cardinal Meat Specialists were recalled after a cluster of illnesses in Ontario and Alberta. Beef from Australia and New Zealand was used in producing the burgers but authorities found that the meat met all import certification and testing requirements. The Canadian beef ingredients and spices used in the burgers were also investigated but tested negative for E.coli. The Agency has said that all its lines of inquiry had been exhausted and the investigation will not progress any further.

31 December 2012

Weather sets scene for good crop [Malborough Express] Viticulturists say that the hot, dry start to summer has created ideal flowering conditions for grapes, however expectations remain for only an average crop given the poor flowering conditions last year. One grower said the conditions had been perfect for flowering, leaving the Sauvignon Blanc looking like a 'humdinger' and the chardonnay looking good to. The good flowering will boost the potential of the vines however the potential number of bunches and berries would not be huge because they were set during flowering last year, when the weather was cool and wet. Growers suggest the best the region can hope for in 2013 is an average crop, however that would be an improvement on last year which was down 23% on the 2011 vintage. The ideal flowering conditions this year mean that the 2014 harvest could be large. The conditions have also reduced the risk of infection and disease.

1 January 2013

UK farmers seek to plug GBP1 billion 'black hole' [Financial Times] Extreme weather has left British farmers with a GBP1.3 billion black hole according to the National Farmers Union (NFU) in the UK. Relentless rain in Britain devastated crops, while droughts in the US pushed up feed prices prompting farmers to cull pigs and chickens rather than face prohibitive feed prices. The President of the NFU, Peter Kendall, said that 2012 had starkly demonstrated the cost that extreme weather events can wreak on farmers and the food supply chain. Arguing that climate change is causing far greater damage than had once be expected, Mr Kendall called on European politicians not to cut subsidies to farmers, noting that in years like 2012 it is very clear to see that the support that farming receives from the Common Agricultural Policy is an absolute lifeline to many farmers. Mr Kendall also noted that support should be consistent across the European single market, adding that there was no justification for farmers in the UK to receive less support than a Danish or Dutch competitor. Mr Kendall said that the current position that the British government was taking, arguing that support payments are worthless and any payments should be linked only to environmental goals, had the potential to result in further discrimination against British farmers.

4 January 2013

Global dairy prices bounce back [NZ Herald] The first Global Dairy Trade auction of the year saw a 2% increase in average auction prices. The average winning price increased to US$3,357 per tonne, with gains being led by a 4.7% increase in the achieved price for skim milk. Prices for whole milk powder, the largest product traded through the auction, increased by 1.6% with increases also recorded for butter milk powder and milk protein concentrate. Prices for anhydrous milk fat, rennet casein and cheddar dropped in the auction which saw 45,252 tonnes being sold for a total sales price of US$152 million.

Farmers forced to dump milk [stuff.co.nz] Dairy farmers on the West Coast have been forced to dump milk after heavy rain washed away a section of road near the Wanganui River bridge in South Westland bridge. Westland Milk Products general manager of operations, Bernard May, said that about 50 dairy farmers had been forced to dump a 'fair percentage' of milk because the company could not transport the milk to Hokitika. The co-operative was flying a representative into the region by helicopter to talk to farmers as communications were difficult and plans had been put in place to drive tankers into the area to take milk to other South Island facilities. The damage to the bridge closed State Highway 6 and a spokesperson for NZTA said that reopening the road would take several days, while Chorus had put a temporary cable over the river to restore communication services.

FDA proposes sweeping new food safety rules [The Associated Press] The Food and Drug Administration (FDA) has proposed the most sweeping food safety rules in decades requiring farmers and food companies to be more vigilant in the wake of recent deadly food scares. It is estimated that the new rules could cost businesses US$500 million a year to implement but should reduce the estimated 3,000 deaths a year from food borne illnesses. The rules will require farmers to take new precautions against contamination (including ensuring that workers hands are washed and irrigation water is clean) and food manufacturers to submit food safety plans to show how they are keeping their operations clean. While many responsible farmers and food companies already follow these practices, the FDA say if the requirements were mandatory lives would have been saved from many of the large scale food scares that have occurred in recent years. A spokesman for the FDA said the rules go directly to preventing the types of outbreaks that have been seen, although it could be some years before the rules are in place given the time it will take to draft the rules and then allow a period for businesses to implement the procedures.

6 January 2013

Change in attitude essential to feed the world [Farmers Guardian] The challenge of sustainable intensification of agriculture was discussed during a conference at Chatham House in London, where speakers from across the globe gave their views on the issues and the potential solutions to meeting the increased demand for protein and associated issues. While Chatham House rules prevent the attribution of comments to the speakers, actions identified included agricultural embracing technology in the way many other sectors of the economy have been prepared to do. It was suggested that agriculture is battling a regulatory environment that is getting tougher around the globe rather than working in an environment that encourages the use of technology, genetic modification and better land management practices providing the potential to tripe food production. One speaker noted that livestock are very inefficient at converting food into protein (for instance only 15% of the food an animal eats is converted into meat), they contribute significantly to greenhouse gases and take up around 70% of arable area to grow food for them, suggesting that significant effort should be directed towards developing test tube meats and protein replacements rather than having cattle take up precious resources. It was argued that biofuels could contribute to the world's energy solution without compromising food production by using land more efficiently and effectively based around innovative land mapping techniques. Another speaker suggested that without widespread adoption of precision agriculture it will not be possible to use land to its full potential.

8 January 2013

New man heads Ravensdown [stuff.co.nz] Ravensdown Fertiliser Co-operative has introduced its new Chief Executive, Greg Campbell, who has replaced long serving CEO, Rodney Green. Mr Campbell was previously the CEO of Ngai Tahu, but has wide international and governance experience. Mr Campbell said that the agriculture sector was the pillar of New Zealand's economic prosperity and the industry faces a challenge to expand the sector in line with the government's goals while responding to concerns about the environment. Mr Campbell said the work done by the team at Ravensdown was leading edge in managing soil, water and air sustainably but solutions will require all sections of the industry to work together. He added that the co-operative structure of Ravensdown appealed to him as it was not driven by share price or short-term focus, meaning that the business is able to invest in products and services that will underpin the company and its owners business into the future.

9 January 2013

Cargill profit quadruples, led by grain sector [Globe and Mail] US Agribusiness giant, Cargill Inc, reported a four-fold increase in quarterly earnings for the period to November 2012 as the US struggled with the consequences of the worst drought in more than 50 years. Cargill's global reach helped the group to navigate turbulent commodity markets and resulted in the group reporting a US$409 million profit for the three month period to November compared to US$100 million a year earlier on a 6% rise in revenue. Strong profits were generated from trading operations, however the quarterly result was half of the earnings of US$975 million reported for the June to August quarter. Analysts noted that the results show that earnings volatility is likely to continue, particularly due to low commodity supplies and shipping concerns related to the US drought and high raw material and feed costs in US beef processing. Cargill's CEO, Greg Page, said the company would be more restrained towards acquisitions in 2013, focusing on its large capital investment programme to grow the company's earnings, with plans to spend US$2.4 billion on large construction projects in 13 countries to strengthen the group's supply chain, risk management and innovation capabilities.

10 January 2013

NZ wine sells at half the price in US [NZ Herald] The NZ Herald has identified that Oyster Bay wine is being sold in New Zealand for nearly double the price that it is on the shelves for in the USA, something the winemaker says Kiwi's should blame on the tax man. The wine was on sale in Auckland for $25.99 while it was on sale in a liquor store in Annapolis, Maryland for US$11.99 (NZ$14.30). The US store owner said the wine sold well with him having sold 40 cases in the last year although noted that his purchase price tended to float, although his worst-case retail price including taxes would be US$16. A spokesperson for Delegat's, the owner of Oyster Bay, said the wine usually retailed in New Zealand for around $20 and could be sold on special for $14.99 and explained the main element driving the difference in price was taxes – in New Zealand these include 15% GST, excise and the Alcohol Liquor Advisory Council levy while tax in the US would include state and federal sales taxes. CEO of New Zealand Winegrowers, Philip Gregan, said that he was confident that New Zealanders were not paying more across the board for New Zealand wine here than consumers overseas were paying but noted the US market is the world's largest and worth $250 million a year to the NZ wine industry.

Gisborne Milk caught in 'perfect storm' [stuff.co.nz] The Gisborne Milk Co-operative has failed in a court bid to get back surrendered Fonterra shares and supply arrangements. The co-operative, which is in liquidation, had claimed that Fonterra had breached its constitution by requiring it to surrender its shares, however the court found that the Gisborne Milk's decision to surrender its shares was a voluntary one, taken for valid commercial reasons. In her decision, Justice Rebecca Ellis, said it was difficult not to think of the shareholders of Gisborne Milk as sailors caught in a perfect storm and to have considerable sympathy for them but their claims could not succeed. Gisborne Milk operated outside of Fonterra's standard supply conditions from the time of the industry mega merger in 2001, only supplying excess milk to Fonterra while processing milk for its local area. While Fonterra's reading of the Dairy Industry Restructuring Act that Gisborne Milk could not be a shareholder in Fonterra was incorrect, Gisborne Milk was not obliged to sell its shares and had disregarded legal advice that Fonterra's position was wrong. The claim failed as Gisborne Milk did not apply to share up when Fonterra required the co-op to comply with its standard terms.

Vine killer to cause higher kiwifruit prices [stuff.co.nz] Kiwifruit industry distributors expect retail prices to rise by up to 20% as a result of crop losses caused by the Psa-V vine disease. Export volumes are expected to fall by 10 to 13 million trays this season and the domestic market can also expect to take a supply hit, particularly of the Hort16A gold variety. The disease now impacts 69% of the nation's orchards and one industry leader, Tony Ponder of Southern Produce, said that gold fruit prices could rise by up to 50 cents per kilo in the coming year. There is less expectation of a shortage of supply of the traditional green variety in the coming year and it is expected the supply trough will start to ease in 2014. For many growers the gold harvest starting in March will be their last for two years or more as they await production from new gold variety vines and consumers should not expect prices to continue at levels seen in recent years, were gold and green pricing had been fairly similar.

China a bright spot for exports [stuff.co.nz] An upsurge in log exports to China was not enough to prevent the country's exports falling 2.4% in November with falls in the exports of milk powder, butter and cheese leading the decrease. Exports to China were up 60% on November 2011 according to figures from Statistics New Zealand however these were offset by falls in exports to many other countries. The trade balance in November stood at a deficit of $1.5 billion compared to an unusually strong surplus of $288 million a year earlier. On a seasonally adjusted basis, exports grew 8.9% between October and November, led by dairy products and imports rose 11% on the same month a year ago.

Pernod cuts asset value by $119 million [NZ Herald] The New Zealand subsidiary of Pernod Ricard reported a widened loss for the year ended 30 June 2012 in recently released financial statements after writing down the value of assets and investments by $119 million. Falling sales and higher costs also flattened the margins reported by Pernod Ricard's New Zealand holding company, Millstream Equities, resulting in a reported loss of $182.4 million. The company wrote down assets by $19 million and booked a $100 million impairment charge against goodwill in the year as well as recording a $6 million impairment charge on biological assets as part of a decision to exit 'non-strategic' vineyards in Hawkes Bay. The company received an injection of equity from its parent company and booked a $24.1 million provision for legal claims in the period.

Satara boss amazed by 'commercial arrogance' [NZ Herald] Tom Wilson, the departing Managing Director of Satara Co-operative Group, has challenged Zespri's brokerage fees at the expense of growers in his last update to shareholders. Mr Wilson said Satara remains in talks with Zespri over its brokerage rates which he says are costing growers between $60 and $140 million every year, noting that he "continues to be amazed at the politics, patch protection and commercial arrogance that prevents this money going to growers". Mr Wilson notes that the industry has a smart single exporter structure that just needs to focus on the grower's commercial welfare. Mr Wilson finishes his role at Satara at the end of January having led the company since 2010, a period during which he attempted to merge the business with Eastpak, a transaction that was scuttled by the outbreak of the Psa V vine disease.

11 January 2013

Schools warm to free-milk scheme [stuff.co.nz] More than 520 schools nationwide have registered an interest to receive milk this year as part of Fonterra's Milk for Schools project. This will see around 88,000 school children receiving a daily 180ml of serving of milk by the end of this year. A spokesperson for Fonterra said almost 200 schools contacted the company within 3 hours of its announcement in December that that the project was going to be rolled out nationwide, after a pilot project in Northland schools last year. The nationwide project will cost Fonterra around $15 million a year and will start with a rollout in Southland towards the end of term 1, with Christchurch to follow next. Schools are given a fridge to keep the milk packs cool. Schools will be requested to make formal applications to receive milk in the coming months. The programme is part of Fonterra CEO, Theo Spierings', drive to position the co-operative closer to communities, build milk's reputation as a nutritional building block and create future milk drinkers.

Commodities rise for fifth month [NZ Herald] Export commodity prices continued to recover in December with the ANZ commodity price index firming for a fifth consecutive month. The index is now 7.5% above the low in July 2012 in currency terms, the uplift has been limited to 4% in NZ dollar terms, with commodity prices easing 0.1% in December in NZ dollar terms. The 1% growth in the index was driven by dairy prices, which were at a nine-month high, however the meat industry continued to enjoy mixed fortunes, with beef prices up 3% to an all time high while lamb prices slipped 1% to a 32 month low. Wood pulp and sawn timber prices rose 1%, but logs slipped 0.5%.

12 January 2013

Sanford hit with $2.27 million fine [NZ Herald] New Zealand fishing company, Sanford, has received its sentence from a US Federal Court in Washington after being convicted in August last year in relation to offences relating to waste oils from its tuna fishing vessel, the San Nikunau, in US waters off American Samoa. The company received a fine of US$1.9 million (NZ$2.27 million), was ordered to pay a further US$500,000 community service payment to the National Fisheries Foundation and given a three year probationary period where the company's vessels can't enter US ports until certain audits have been performed over the company's environmental compliance plan. Eric Barratt, Sanford's Managing Director, said that they are pleased the court issue is now behind them and they will now concentrate their efforts on improving overall environmental compliance.

Argentina exit part of Sealord restructure [stuff.co.nz] Sealord Group is proposing to sell its Argentinean business and is consolidating mussel interests into an existing joint venture with Sanford as part of a series of initiatives to sharpen the business's focus on its largest growth opportunities. CEO, Graham Stewart, said the company had found Argentina a tough, hard market with rampant inflation and other factors that made it very hard for foreign companies to do business in the country and the group was consequently looking to get out. The decision to exit Argentina had been taken three years ago but it had taken until now to prepare the business for sale, but now as a wholly business it would be offered for sale on the international market and Mr Stewart hopes a deal will be concluded within a year. It operates two freezer trawlers focused on commodity business which is not consistent with the group's Australasian focused, value add vision. The company's new management structure will see the Australian arm of the business, together with New Zealand consumer goods businesses and aquaculture interests form the Sealord Consumer business unit, led by Jason Plato. Sealord fishing will encompass all deep water trawling except for the Argentina business and will be headed by Doug Paulin.

Chinese infant-formula maker plans NZ factory [stuff.co.nz] Chinese infant milk production and distribution company, Yashili International Holdings, says it plans to build a 1.1 billion yuan (NZ$210 million) processing plant in New Zealand. The plan approved by the board of the Hong Kong listed company, calls for establishment of a manufacturing facility for the production of finished products and semi-finished products, including base milk powder, in New Zealand. According to industry experts the plant, which could be located in the Tokoroa area, is expected to have a capacity of around 52,000 tonnes. The company already uses milk powder sourced from Fonterra in its infant formula's using the slogan "Genuine New Zealand, Love from Yashili" on its products. The purchase of land and construction of the plant is expected to cost around NZ$181 million with the remainder of the investment being for working capital for the Yashili New Zealand Dairy Company. The plant is expected to up and running in the second half of 2014 and the company has entered into a conditional purchase agreement to acquire the land for the plant which is subject to an application to the Overseas Investment Office

14 January 2013

This year looking good for beef, dairy [NZ Herald] Signs are mildly positive for the dairy and beef sectors this year according to agricultural economists however the outlook is not so good for sheep farmers. Most economists expect to continue to see the New Zealand dollar rise during 2013, with the BNZ suggesting that dips below a US/ NZ exchange rate of 80 cents are likely to be short lived. Beef and dairy farmers can expect to benefit from the severe drought conditions that continue to impact the US and have led to herd sizes being reduced in response to higher feed costs, and has seen beef prices at record levels in the US. The weather has started well for farmers across most of New Zealand, although Gisborne and Hawkes Bay are drier than usual, which should support production levels for the next few months. On the flipside sheepmeat and wool have recorded large price falls. Federated Farmers President, Bruce Wills, remained upbeat about the prospects for pastoral farming in New Zealand, highlighting that the growth in the world population and growth in the number of people that can afford better nutrition are positive long term factors for the sector.

15 January 2013

Takeover of wool company closer [stuff.co.nz] Melbourne wool merchant, Lampriere, is edging closer to completing its $31 million takeover of New Zealand Wool Services International. In an announcement to the market, the company said it had now received 87% acceptances of its 45 cent per share offer, just short of the 90% threshold when it can compulsorily acquire the remaining shares in WSI and delist the company. The offer was made in October with lock up agreements having already been entered into with the receivers of Allan Hubbard associated companies and senior employees of the company which provided it with a 75% interest in the company. One industry leader, Wool Equities chair, Cliff Heath, said he could see only upside to the proposed deal, which he considers the best option after farmers taking over the company. The deal will ensure competition in the wool scouring industry which would not have been the case under a previous bid by Cavalier Wool Holdings according to Mr Heath and he suggested that as a family owned company that had been in the wool industry for 150 years, Lampriere was purchasing WSI as a serious block in a greater wall of a wool conglomerate. He added the deal could see Australian wool being scoured in New Zealand as part of Lampriere developing a more vertically integrated model as it was a textile industry participant not just a wool trader.

Food prices fall for fourth straight month [NZ Herald] New figures from Statistics New Zealand show a further fall in food prices in December, with prices down 0.2% on November and 1% on the same time last year. The price fall in December was driven by cheaper prices for non-alcoholic drinks which were partly offset by higher prices for chicken and seasonal price rises for fruit. The price falls for non-alcoholic drinks were predominately driven by shop discounts. Lamb prices plummeted to their lowest level since February 2009, falling 14% while fruit and vegetables rose 0.7% (driven by seasonal price increases for apples, potatoes and kiwifruit). On an annual basis, grocery prices are about 3.6% below the same time last year while dairy prices are significantly lower, with fresh milk being down 9.4% and cheese 8.2%.

16 January 2013

British farmers blame NZ lamb imports for low prices [Radio NZ Rural] British farmers are claiming New Zealand lamb is costing them about GBP29 (NZ$55) for each animal they sell as supermarkets are opting for meat imported from New Zealand over locally produced lamb. The National Sheep Association in the UK says that the current pricing is a bitter blow to farmers when farm gate prices have dropped by more than fifth in the past year and farmers have had to contend with poor conditions and rising costs. The National Farmers Union is calling on the country's supermarkets to support British producers and is questioning why prices to farmers have fallen when supermarket prices remain high and demand from consumers is strong.

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