KPMG

AGRIBUSINESS

Field notes

Weekly news update from the KPMG Agribusiness network

KPMG

20 March 2013

Organisations referenced in this week's Field Notes include:	
Alliance Group	Meat Industry Excellence Committee
Beef and Lamb New Zealand	Ministry for Primary Industries
Dairy New Zealand	Ministry of Foreign Affairs
DMS ProGrowers	New Zealand Merino Company
EastPack	New Zealand King Salmon
ENZO Nutraceuticals	Oritain Global
Environmental Protection Authority	Overseas Investment Office
Environmental Southland	Rural Support Trust
Federated Farmers	Soprole
Fonterra Co-operative Group	Satara Co-operative Group
Fruitnet	Seeka
Irrigation New Zealand	Sunchang Corporation
Marlborough District Council	Turners & Growers
Massey University	West Coast Drought Committee

This week's headlines	
Drought	**North Island declared a drought zone** [15 March/ New Zealand Herald]
Horticulture	**Satara and EastPack merge** [16 March/ Radio New Zealand Rural]
Meat	**Green light for red meat restructuring** [19 March/ Radio New Zealand Rural]
Pork	**Court dismisses pork import challenge** [19 March/ Business Day]
Farmers and producers	**Rural towns key to city's big growth in housing** [18 March/ New Zealand Herald]

Drought and dry weather spreads across New Zealand

Big income blow for farmers [14 March/ Waikato Times] DairyNZ representatives at a recent regional drought meeting for farmers said that the effects of the drought were likely to cost the average north Waikato dairy farmer $100,000 to $150,000 income this season. This was a major negative outcome of the drier-than-average weather as farmers drop to once-a-day milking or start drying off cows because of feed shortage. Major outcomes from meetings of farmers that have been undertaken throughout the country included focusing on preparation for calving and next season. Farmers are encouraged to determine their feed situation, forecast where they will be situated come May 31, then assess their feed deficit and figure out ways to address this.

North Island declared a drought zone [15 March/ New Zealand Herald] The lingering drought which has covered many parts of New Zealand has now brought the whole of the North Island to be declared in a state of drought. Primary Industries Minister Nathan Guy announced the state of drought at a Manawatu sheep and beef farm. The announcement means that farmers in the added regions of Manawatu, Rangitikei, Taranaki, East Coast, Wairarapa and Wellington will be able to receive Government assistance. The announcement from the Government recognising the entire North Island as being in a state of drought is welcome by many farmers, said Federated Farmers Manawatu

Alien weeds feared in imported hay [15 March/ Business Day] Southland Federated Farmers president Russell MacPherson has said that farmers need to be vigilant at all times when importing feed from outside of the province. The spread of weeds in hay was certainly an issue that Environmental Southland Biosecurity Manager Richard Bowman highlighted. Mr Bowman said that the organisation was very keen for no foreign weeds to be brought into the area. Federated Farmers Waikato President James Houghton agrees with the Biosecurity concerns and said that regional councils need to be more aware of the potential risks of spreading weeds.

First South Island region asks for drought help [16 March/ Radio New Zealand Rural] The West Coast of the South Island has requested to be listed under a state of drought. At a recent meeting of rural and local body representatives, the decision was reached to request the government extend the official drought declaration to the South Island as well as the entire North Island. Members of the West Coast Drought Committee said that these were the worst drought conditions the region had witnessed in more than 60 years. The Ministry for Primary Industries said that it was monitoring the region closely but it could be more than two weeks before a decision was reached, said Federated Farmers West Coast President Katie Milne. Getting the declaration now is urgent and the situation is severe she said. Many farmers have started using their winter feed now Ms Milne added.

What it takes to end the big dry [17 March/ Business Day] The worst drought in 70 years may be remedied by three days of consistent rain say meteorologists. At least 362 millimetres of rain is required in the North Island to get grass growing again. Climate scientist, Jim Salinger said that another three days of moderate rain would nurture new seedlings however if this doesn't occur by May, it may be too late to salvage good growth. Although recent weather in the North Island may have brought some moisture to some North Island areas, dry and sunny spells are still forecasted to continue for the rest of this month. The total North Island fire ban and recently declared state of drought is hoped to alleviate some of the pressures created by the very dry weather. Averages for much of the North Island dictate that 11 rain days are normal in March and 12 to 14 in April, however most areas have not received anything since February 5. New Zealand has been expected to receive longer dry spells into the future, with expectations of the current patterns of these spells to double by 2040 as the country heads towards a Mediterranean climate. The current drought is expected to cost the New Zealand economy up to $1 billion and in the past droughts cost around $2.5 billion between 1997 and 1999, and $2.8 billion in 2007 to 2008 Mr Salinger said.

Water storage 'key' to drought-proofing agriculture [18 March/ Radio New Zealand Rural] With the drought costing the country $1 billion so far, New Zealand can no longer carry the significant cost of drought every five years says Irrigation New Zealand Chief Executive Andrew Curtis. He said that the key to aiding New Zealand into the future was to invest in more water storage. He also said that even farmers who have invested in proficient irrigation schemes previously are still facing significant troubles from the drought. The Hawke's Bay's Ruataniwha plan was highlighted by Mr Curtis as a good example of how such a scheme could be successfully planned.

Animal Health and welfare

Genetic co-operation needed in NZ farming [12 March/ Business Day] The success of Irish cattle breeding could teach many of those involved in the New Zealand beef and dairy industries, says a visiting Geneticist, Dr Brian Wickham. More efficient organisation of the New Zealand genetics industry was required said Dr Wickham. He is a New Zealander who has lived in Ireland for 15 years. He was hired to help bring 40 organisations into the Irish Cattle Breeding Federation (ICBF). Together, the Federation and the Ministry of Agriculture in Ireland were able to greatly enhance genetics in Ireland. Today the ICBF is up and running as one dairy and beef breeding federation. He said that Ireland has established a database for beef and dairy, and with a bit of modification it can be used for farm improvement, farm advisers, animal health, and many more related fields. Massey University Geneticist Professor Hugh Blair said that Dr Wickham's streamlining of the genetics industry in Ireland empowered farmers and changed lives. He outlined the importance for New Zealander's to take notice of the Irish system.

Horticulture

Plan would turn green into gold [15 March/ Bay of Plenty Times] Kiwifruit conversion is set to receive finance from Western Bay of Plenty management and post-harvest operator DMS ProGrowers. If growers take up a proposal to convert their green kiwifruit crops, then gold G3 kiwifruit could be bankrolled into orchards around the region in the near future. Director, Paul Jones said that with all of the negativity surrounding the industry, it was time to make a stand. He said that kiwifruit export earnings were in excess of $1 billion, was the Bay of Plenty region's main employer and made up 30 per cent of the community's GDP. While kiwifruit would continue to be profitable in green and gold varieties, the G3 variety was the future replacement for gold hort 16A despite growers having concerns about its susceptibility to the PSA vine disease. Mr Jones said that it was not resistant to PSA, however he believed it was sufficiently tolerant to be commercially viable and highly profitable. Kiwifruit operator Seeka was watching the development closely. Seeka Chief Executive Michael Franks said that there was no immediate pressure to cut over to a new variety of kiwifruit and he warned growers who might be thinking about the proposed deal to read the fine print.

Turners & Growers boss Hipkins leaves after firm played down exit rumour [15 March/ Business Day] Chief Executive of fruit marketer Turners & Growers Geoff Hipkins has left the company just one week after it played down speculation his departure was imminent. The company is to be lead by Chief Financial Officer Harald Hamster-Egerer and General Manager of International Markets Alastair Hulbert while it looks for a new head. Reports in the National Business Review and Fruitnet stated that Mr Hipkins was close to resigning after a breakdown in his working relationship with the group's senior management. Shares for Turners & Growers fell 0.7% to $1.54, and have fallen 6.1% this year.

Satara and EastPack merge [16 March/ Radio New Zealand Rural] A second voting round determining the consolidation of the kiwifruit packing companies Satara and EastPack has gone ahead with the merger being approved. EastPack's growers and all other groups within Satara had already backed the merger with the second round of voting securing the merger. Satara's growers voted 88 per cent in favour of the merger. The companies will amalgamate under the name EastPack, which will process between 25 and 27 million trays of kiwifruit will be processed per season. The merger will mean several kiwifruit packing sites in the Bay of Plenty which are owned by Satara will be shut down. The announcement come as the kiwifruit industry looks to consolidate in the wake of the damage caused by the PSA vine disease. Kiwifruit volume in New Zealand has been reduced by 22 per cent in the past two years.

Forestry

S Koreans buy land in Waihopai Valley [15 March/ Business Day] 1000 hectares of land in the Waihopai Valley has been sold to a South Korean company as it expands its forestry holdings to almost 4000 hectares. The South Korean company was given consent to buy just over 1000 hectares of land in Benhopai, Waihopai Valley Road in January. The price paid for the land was undisclosed and Overseas Investment Office documents showed SCFNZ Ltd, which is owned by South Korean company Sunchang Corporation, planned to harvest and replant the land to ensure a steady supply of timber. This particular sale was the company's second Marlborough land purchase within six months. In August it bought 2900 hectares of forestry land on Northbank. Sunchang Corporation specialises in the manufacture of plywood, fibrewood and lumber for commercial and industrial purposes.

US approves use of NZ pine bark extract [19 March/ National Business Review] A pine bark extract that is used in health food products has received a 'Generally Recognised as Safe' certification from US authorities creating significant opportunities for Paeroa based, ENZO Nutraceuticals. The extract, Enzogenol, can be used in a range of supplement and functional food products with clinical research evidence suggesting it can assist users with brain, cardiovascular and inflammatory conditions. The product has been determined to be safe at considerably higher concentrations in food than other polyphenol ingredients, such as maritime pine bark and grape seed extracts. ENZO Managing Director, David Giles, said that the company is seeing a lot of interest from companies operating in the functional food sector, noting that not only the clinical research evidence surrounding the product, but its sustainable sourcing from New Zealand's pinus radiata forestry is appealing to them.

Fishing and aquaculture

The cost of democracy [15 March/ Business Day] The Marlborough District Council has spent $550,000 so far on legal and related costs in opposing New Zealand King Salmon's application to expand its farming operations in the Marlborough Sounds. The Council decided last week to continue its involvement in opposition of NZ King Salmon's proposal. King Salmon Chief Executive Grant Rosewarne said that his company has spent $10 million to get the application this far. The Environmental Protection Authority's Board of Inquiry decided in its final decision in January that King Salmon could have four new salmon farms in areas of the Sounds that the Council had banned marine farming from, but turned down four others and rejected a resource consent application for a ninth farm. Councillor Peter Jerram said that the processes involved were to ensure consistency and that local decision making was for local communities. He said that the costs were significant but these was what were expected in a democracy.

Dairy

Fonterra plans for Latin America [16 March/ New Zealand Herald] Fonterra's Managing Director in Latin America, Alex Turnbull, has high expectations for the company's investment and trade in the region as he overseas operations. Milk processing company Soprole is currently held by Fonterra and was the first investment the New Zealand dairy giant made in Latin America. Interest in Soprole was gained in 1986 and the group has since raised its stake to 99.4 per cent. Mr Turnbull recently took Prime Minister John Key to one of the two farms that Fonterra owns in Chile which Soprole use in producing safe, good quality milk products. Fonterra is also developing a pilot farm in Brazil which has 1000 dairy cattle born from embryos exported to Brazil from New Zealand, with this number planned to increase to 2500. However, Mr Turnbull indicated that the region is relatively difficult to do business in due to a variety of facts such as Venezuela's very high inflation and price controls imposed by their government. Other aspects of doing business in the area involved language barriers and a variety of cultural subtleties, however it was highlighted that these were not as large as in China or Japan. The New Zealand Dairy Board first turned to Latin America to do business in the 1970s when the European Union was first formed. This effectively blocked trade links with Europe. Fonterra identified Latin America as having greater advantages from doing business there compared to other countries such as China; milk is a more common staple part of the Latin American diet than in many Asian countries. This supply opportunity then spread further throughout the Latin American region. Mr Turnbull also said that Fonterra was looking to expand its investments in Latin America both in terms of scope and space, including expansion into even more locations.

How much will be spent on new Fonterra HQ [18 March/ National Business Review] Goodman Group, who will develop Fonterra's new corporate headquarters in Auckland expect the building to cost between $60 and $80 million. The building which will be located on Fanshawe Street (between Vodafone and Air New Zealand) will be developed by Goodman Group in a joint venture with Fletcher Building, who will also construct the building. The building will have an area of between 12,000 and 14,000 square metres and will enable Fonterra to consolidate its teams under one roof. Goodman Group CEO, John Dakin, said that the site has the potential to hold three or four buildings, and although Fonterra will lease only one it is the anchor tenant for the site. Mr Dakin added that the joint venture was delighted to be selected as the preferred option as the company had run a long process with a lot of high quality developers. It is expected construction will start late this year with completion in mid to late 2015.

Meat

Farmer questions Beef and Lamb mandate [14 March/ Radio New Zealand Rural] Questions have been raised by a North Island farmer towards whether Beef and Lamb New Zealand has a mandate to put farmer reserve money into a new collaborative research programme. Former Meat Board Director John McCarthy disputes the process that Beef and Lamb New Zealand has followed towards committing funding towards the research programme. Beef and Lamb Chairman Mike Peterson says that despite the low response, the result still gives it a mandate to commit funding to the programme; however this is something that Mr McCarthy disputes. The proposal put forward by Beef and Lamb New Zealand has received 77 per cent support in a farmer referendum, but the votes cast represented just over 21 per cent of the total potential poll, based on livestock numbers. Mike Peterson agrees that low farmer participation in decision making is an issue, especially for the overall agricultural sector. He said that the organisation will be reviewing its constitution relating to voting powers based on livestock numbers.

Working on certification [18 March/ Otago Daily Times] Scientific analysis is being undertaken by Otago-based food certification company Oritain Global in order to help certify the origin of New Zealand sheep meat. Alliance Group is working closely with Oritain Global to develop the certification measures. A chemical test is being developed and used to help verify that sheep meat exported to customers actually originated from New Zealand. The rapid increase in global food fraud now meant that the ability to scientifically prove the origin of a product was increasingly important for both producers and processors, Oritain Global Chief Executive Dr Helen Darling said. Alliance Group Marketing General Manager Murray Brown said that the company was looking forward to the potential to utilise science in enhancing its existing verification systems.

Green light for red meat restructuring [19 March/ Radio New Zealand Rural] An amalgamation of meat companies was unanimously voted for on Monday this week after 1000 farmers gathered in Gore to discuss the restructuring of the red-meat industry. The voting was in favour of putting at least 80% of processing and marketing into the hands of a single Fonterra-style operation. South Otago farmer and spokesman for the Meat Industry Excellence Group, Allan Richardson, said the sheep and beef sector is currently facing a situation in which farmers want change. The main point raised at the meeting was towards the need for consistency in meat prices. Fiona Hancox, one of the organisers, said that New Zealand needs to strengthen the sheep and beef industry in order to stop the large fluctuations that see only one or two years in ten bring good meat prices. A similar call for mass amalgamation of the meat industry in 2008 failed, when two of the largest meat processors could not agree on the consolidation process. More meetings were scheduled between farmers in the North Island in the next few weeks.

'Key day' for meat industry [19 March/ Otago Daily Times] The newly formed Meat Industry Excellence Committee has sought a mandate from farmers to work with New Zealand meat companies to develop a plan for consolidation of the industry. Following input from farmers and meat industry representatives, long-time farmer Harry Brenssell raised the fact that farmers support the six key principles outlined by the committee. West Otago farmer Fiona Hancox said that if farmers did not show unity or strength, then they would continue to face the same frustrations and inefficiencies, and more would leave the industry. Chair of the meeting, Gerry Eckhoff, said that the industry was failing and for many people the tipping point was not far away. Owen Poole, Alliance Group Chairman, said that there was not a meat processor or exporter in the country that did not think a better model should be employed. He also said that a merger would be highly costly and this meant that many would have to bear the amalgamation costs. Mr Poole estimated the cost of the amalgamation between $250 million and $300 million.

Pork

Court dismisses pork import challenge [19 March/ Business Day] A case that was taken to the Court of Appeal by the Pork Industry Board has been dismissed after the Court decided against imposing barriers towards the importation of pork from countries where a disease potentially fatal to pigs occurs. More than $1.5 million has been spent by the Pork Industry Board since 2006 in fighting the import regulations. Pork Industry Board Chairman Ian Carter said that the changes to the importation of the type of pork under scrutiny posed an unacceptable risk to the industry. He said that the disease, porcine reproductive and respiratory syndrome, would not be easily stopped from spreading to New Zealand pig herds should an outbreak occur. The disease does not affect humans; however it is one of the most severe diseases caught by pigs internationally. Mr Carter said that the Board did not agree with the way the Ministry for Primary Industries had developed the import standard as it had not resolved scientific concerns about the risk from imports. New Zealand is one of the few countries where herds had not been infected by the disease. Before 2001 raw pork was imported for more than 10 years and the disease did not spread to New Zealand, now the standards are set to increase the number of countries from which Pork can be imported from. The European Union, Canada, the United States and Sonora state in Mexico would all be locations from where Pork may be sourced for New Zealand, if it is in consumer ready cuts of up to 3 kilograms.

Goat

Opportunity missed on goat meat exports [18 March/ National Rural News] New Zealand has missed an opportunity to capitalise on large worldwide demand for goat meat, according to one of the world's leading judges of the South African Boer goat breed. Celia Burnett-Smith is a Stud Director of Australian Breeding Services and a partner in the Terraweena Boer Stud in Queensland. Mrs Burnett-Smith was in Wanaka last week to assess the quality of animals shown by Boer goat breeders at the annual Upper Clutha A&P Show. She said that there was a large international export market for goat meat, particularly in South America and the Middle East. Her surprise came in the small numbers of goats in New Zealand as she believed the environment was perfect for their breed. She also highlighted New Zealand's skills when it comes to marketing and said that higher levels of goat farming was an opportunity that looked to be missed in New Zealand. Mrs Burnett-Smith said also compared her experience in Australia, saying that the Australian goat industry had received a lot of interest from overseas markets.

Farmers and producers

Roadshow spreads word on lifting returns [15 March/ Business Day] Sheep farming has been one of the largest driving sectors of the agricultural industry throughout the 20th Century in New Zealand. Over the recent decades, the dairy industry had taken first place as it adapted to capture market opportunities more readily. However, now, sheep farming has been identified as becoming once again a mainstay of the New Zealand economy, says a top merino leader. New Zealand Merino Company (NZM) Chief Executive John Brakenridge has said that for sheep farming to return to its previous position, farmers had to become far more involved with global markets and accept scientific developments such as genomics research so that sheep could be adapted to meet market opportunities. He said that creating more diversity in term of income streams was essential for future progression. A series of sheep industry meetings that NZM will be holding throughout the South Island has been set to repeat this message. The roadshow began at Methven and Tekapo on March 18 followed by stops at Omarama, and Cromwell on March 19, Ranfurly on March 20 and ends in Blenheim and Greta Valley on March 25. Mr Brakenridge said that the active outdoors market has been very successful for merino and mid-micron wool with the biggest challenge being found in sourcing enough fibre in New Zealand and avoiding sourcing it from overseas.

Rural towns key to city's big growth in housing [18 March/ New Zealand Herald] Auckland Council's plans to extend the metropolitan limits of Auckland City will include 160,000 new homes which are set to be built outside of the current city limits. Rural areas which are set to be included in Auckland's population count include Pukekohe, Warkworth, and communities served by the Northwestern Motorway including Kumeu and Brigham Creek. Approximately 90,000 of the new homes planned for development will be constructed on new land at Warkworth, Silverdale, Whenuapai, Kumeu, Huapai, Pukekohe, Paerata, Drury and Karaka. The 70,000 remaining homes come from within the existing large towns of Warkworth and Pukekohe and smaller rural and coastal villages such as Beachlands and Bombay. This new "rural urban boundary", as it is being called, will rewrite the metropolitan urban limit which was created in the 1990s to help limit urban sprawl. Building population within the proposed new area will contain 280,000 new dwellings in urban Auckland and 160,000 new dwellings in rural Auckland.

Agriculture alone boosts productivity [18 March/ Rural News Group] An increase in labour productivity by 1% in the March 2012 year can be attributable to the agriculture sector, Statistics New Zealand says. Output grew 2.7%, with growth strongest in the agriculture industry, which increased 30%. Excellent growing conditions were the primary reasons for the growth Statistics NZ National Accounts Manager Rachael Milicich said. She also said that if agriculture had been excluded, then labour productivity would have fallen. The quantity of goods and services produced for each hour of labour is how labour productivity is measured. Latest figures show that if 100 products could have been produced in one hour of labour in 1996, then 126 could have been produced in one hour of labour in 2012. The number of paid hours of labour per week in productivity statistics increased 1.4% in the year ended March 2012, to 54.9 million hours. The efficiency measure of how goods and services are produced in the economy grew 0.7%. A major driver of gross domestic product is attributable to productivity and is important to increasing New Zealand's standard of living.

Economics and trade

Agriculture a vital link [15 March/ New Zealand Herald] Increased commercial opportunities should be realised from the strengthening relationship New Zealand has with Burma, Foreign Minister Murray McCully said after Burma's President and former General U Thein Sein arrived in New Zealand last week. Talks between Prime Minister, John Key, and the President on ways of improving the agricultural industry in Burma, which New Zealand officially calls Myanmar, is one of the poorest nations in its area of Asean and is planning to develop its agricultural sector as a means of greater economic growth. Mr McCully said that agriculture was identified by both New Zealand and Burma as being a value proposition that both sides were discussing. The commercialisation of agriculture has been said to be an important opportunity for Burma as well as a commercial opportunity for New Zealand.

Japan move to join TPP could 'seriously delay' talks [19 March/ Radio New Zealand Rural] Japan's introduction into the Trans-Pacific Partnership free-trade agreement is being described by some as slowing down the speed of negotiations for those involved. New Zealand officially welcomed Japan's expression of interest in joining the TPP negotiations last week and acting Trade Minister Steven Joyce said that their involvement strengthened the broad platform for regional integration TPP could form. However, New Zealand Agricultural Trade Envoy, Alistair Polson says that it will be hard for a country of the scale of Japan to join negotiations without slowing them down. He also said that while many countries in the negotiations have one industry and want to protect these through trade barriers, Japan has many, hence slowing down negotiations further. Japan wants to be the 12th nation in the talks, with negotiations being undertaken by 11 countries including New Zealand, the United States and Australia.

International

Guy meets Brazilian counterpart [13 March/ Rural News Group] The end of a nine-day trade mission in Latin America has ended with Minister for Primary Industries, Nathan Guy, meeting Brazilian Agricultural Minister Mendes Ribeiro Filho. In the meeting, Mr Guy said that he outlined the expertise, innovation and efficiency which characterises the agricultural sector in New Zealand. He also said that he highlighted the need for New Zealand and Brazil to lower trade restrictions on New Zealand exports to Latin America. Both men agreed at looking at strategies to help lower trade costs and barriers, including tariffs, between the two countries. Mutual recognition of accreditation schemes between the two countries' food products, directed at officials was also said to have been discussed. Mr Guy also said that the agricultural potential in Brazil was large, with potentially millions of hectares waiting for development. Brazil has a population of over 200 million people and at least 200 million beef cattle. The country also has 1.35 million dairy farmers and produces 33 billion litres of milk annually. Mr Guy said that he had extended the invitation for Mr Filho to visit New Zealand so that a greater understanding of what New Zealand had to offer Brazil could be gained. He also said that he was positive about the potential for New Zealand agricultural exporters of both goods and services.

MEPs will continue to fight for CAP greening flexibility – Lyon [18 March/ Farmers Guardian] The European Parliament last week adopted its final position on reform of the Common Agricultural Policy (CAP) to take into negotiations with European Agricultural Ministers. The vote was notable as a result of a surprise move to omit flexibility for member states to declare certain groups of farmers 'green by definition' despite the idea being endorsed by the Parliament's Agriculture Committee. The measure would have enabled governments to define groups of farmers (for example organic farmers) as 'green' exempting them from the proposed greening requirements. Scottish MEP, George Lyon, says the measure is of major significance to UK farmers, and he is convinced it can be reinstated during negotiations with Ministers and the European Commission. Mr Lyon also vowed to fight moves, led by French MEP's, to reinstate protectionist measures back into CAP, including the effective retention of milk quotas after 2015, adding that there remains a strong political drive for protectionism in European Agriculture which would go unchecked at the expense of British exports, should the UK leave the EU. The British government has a clearly stated position that it will oppose moves to return to subsidies linked to production, while ensuring schemes are designed to reward farmers for doing the right thing by the environment, given it is increasingly apparent that the market does not reward farmers that do the right things.

Japan's farmers dig in against trade deal [18 March/ Financial Times] Small farmers and rural communities across Japan are concerned that thier way of life will be damaged if Japan joins the Trans Pacific Partnership negotiations. Japan's Prime Minister, Shinto Abe, and his advisers think that freer trade would boost Japan's economy by improving access to foreign markets for manufacturers and forcing protected local industries, such as agriculture, to become more productive. However traditional farmers can see no way they will be able to compete with products from Australia or the US due to the cost structures of Japanese agriculture, meaning they argue that farmers will go out of business and the environment will be ruined. Farmers now account for less that 4% of Japan's workforce and generate just 1% of its GDP yet the agricultural sector has historically had significant political influence. The rural lobby has meant Japan has been a laggard on trade deals as farmers have sought to protect their incomes, half of which come from subsidies and price support. The farm lobby claims Japan joining the TPP would bring an end to safe, secure domestic food and see production shrink in the country by 50%, yet recent newspaper polls suggest that around 60% of the population support Mr Abe's initiative to enter the TPP negotiations. There will however be issues, with most support for Japanese farmers coming from tariff based price support, which sees Japanese consumers pay around 75% more for food than they would without barriers to trade and differs to the direct support payments used by many other governments, where the taxpayer funds the support provided.

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