



AGRIBUSINESS

Field notes

Weekly news update from the KPMG Agribusiness network

KPMG

10 April 2013

Organisations referenced in this week's Field Notes include:

ANZ Bank	National Agricultural Fielddays Society
Camira Fabrics	New Zealand Grain and Seed Trade Association
Citrox	New Zealand Stock Exchange
Crafar Farms	New Zealand Treasury
DairyNZ	PGG Wrightson
Federated Farmers	Port of Tauranga
Fonterra Co-operative Group	Reserve Bank of New Zealand
Forest Growers Levy Trust	Silver Fern Farms
Fruitgrowers Federation	Skellerup
Landcorp Farming	TBfree New Zealand
McKinsey & Co.	Waikato Regional Council
Meat Industry Excellence Group	Wellington Regional Council
Metservice New Zealand	Westpac Bank
Ministry for Primary Industries	Zespri

This week's headlines

Horticulture	Drought saves gold kiwifruit harvest in North [4 April/ Radio NZ Rural]
Forestry	'Clear yes vote' for forecast growers' levy [4 April/ Otago Daily Times]
Dairy	Drought pushes dairy prices up 14.2pc [3 April/ New Zealand Herald]
Water	Wairarapa water storage sites to be identified [8 April/ Radio NZ Rural]
Farmers and producers	\$8b potential in Maori land [3 April/ Rural News Group]

Drought and dry weather spreads across New Zealand

Here comes the drought breaker [8 April/ Business Day] Heavy rain is forecast to reach New Zealand next week as a low develops over the Tasman Sea. The rain-making system is scheduled to move in from the north and will move over the Bay of Plenty, Northland, and the West Coast of the South Island, said Metservice Analyst Stephen Glassey. He said that it is common for lows that develop over the Tasman to bring heavy falls in places exposed to the north. This week, Mr Glassey said that a weak front would spread north over the South Island, and then on to eastern parts of the North Island, which would then bring rain to Wellington and the East Coast. The system has been labelled a "drought-breaker" and Climate Scientist Jim Salinger said that it will be an important game-changer for areas that have been greatly affected by this year's dryer than average, warmer weather.

Animal Health and welfare

Starving stock cases reported as drought lingers [3 April/ Business Day] DairyNZ Regional Leader for the lower North Island Kevin Argyle is urging farmers to keep a close watch on the condition of their cows as isolated cases of stock being kept in poor condition are reported around the country. He said that farmers had been generally showing great care for their cattle during the drought however the industry has now reached a critical time. If farmers are thinking that their cows are losing condition, then they are advised to take immediate action. Mr Argyle said that the condition cows maintain over the next two months was very important for calving and milk production next season and also because farmers would be starting to prepare their stock for winter. He also said that most dairy farmers had dried off or stopped milking their cows and others had reverted to milking on a once-a-day basis, both of which meant that farmers were sacrificing milk production to protect their cows.

Pro-active control of TB in Taranaki [8 April/ Rural News Group] Bovine Tuberculosis (TB) found in several Taranaki herds is being carefully monitored by TBfree New Zealand and the company is wanting to reassure farmers that their programme is working hard to keep on top of the situation. Four infected herds are being carefully monitored in the Taranaki region, one close to Opunake and three near Inglewood. Initiatives implemented to contain the outbreak include the use of stock movement restrictions and on farm management plans. Once the extent of the recent TB outbreak is fully assessed and planning for on-going control of the disease is complete, TBfree New Zealand will organise community meetings to update farmers on the situation in Inglewood and Opunake.

Arable

Growers eager for positive signal on seed exports [5 April/ Business Day] Seed growers will be paying close attention to the trade talks surrounding Prime Minister John Key's official visit to China. The seed industry is hoping the talks could lead to the reopening of a multimillion dollar vegetable brassica export market that has been stalled for the last two years. Seed exports were stopped by Chinese regulatory authorities in 2011 because of a one-off discovery of black leg fungus. When the market closed annual exports were around \$4.5 million and Thomas Chin, the Manager of the New Zealand Grain and Seed Trade Association said he believed the trade would now be around \$20 million if it had continued with a potential to grow to \$40 million. NZGSTA was concerned that competitors from Europe and the United States might take over the brassica seed market if the issue was not resolved. New Zealand growers had multiplied Chinese supplied seed over the NZ summer to ship it back to be grown for fresh vegetables for Chinese consumers.

Horticulture

Drought saves gold kiwifruit harvest in North [4 April/ Radio NZ Rural] While the drought has had many negative impacts on New Zealand's agriculture industry over the summer, an unexpected reprieve has been given to kiwifruit growers. The impact of Psa vine disease that has spread throughout many kiwifruit grower's vines over the past year seems to have been partially limited thanks to the dry weather. Growers have gone as far as to say that Northland's gold kiwifruit harvest is shaping up to be a good one. Fruitgrowers Federation Northland director Rick Curtis says growers feared for the worst when the troublesome strain of PSA was reported in several orchards in and around Kerikeri last spring. He said that the onset of wet weather over the next few months will no doubt change the current lull in the disease's movement but in the meantime, Northland growers are preparing for a reasonable crop which could likely be their last harvest of the susceptible Hort16 A gold kiwifruit variety.

Cleaning chemicals compromise kiwifruit [9 April/ Business Day] Traces of a chemical used in sanitising and cleaning products has been identified in this year's organic kiwifruit crop, which may result in some growers losing their organic certification. Growers have been using Citrox BioAlexin to battle Psa, but recent testing by Zespri has identified traces of the chemical antimicrobial didecyl dimethyl ammonium chloride (DDAC), a product commonly used in sanitation products. Zespri has said that it expects the bulk of the fruit to be unaffected and added that none of the product in question had been picked or packed for sale. DDAC residues were batch specific, so it was noted that it would take time to identify any affected batches. Zespri has a 100% residue testing programme for the 2013 season which tests fruit from all orchards for 300 compounds and if fruit fails to meet each of the required standards it would not be exported. Growers have been advised not to use Citrox BioAlexin and the manufacturer, Citrox, is working with Zespri and the Ministry for Primary Industries to identify the source of contamination.

Honey

Bees also starving [4 April/ Rural News Group] The drought has put a limit on bees' ability to collect nectar and as a result is causing increased numbers to face starvation, says Head of Federated Farmers' Bee Group John Hartnell. He said that the troubles facing bees is now evident in the South Island with overall clover crop now being well down compared to previous years. Mr Hartnell said that the lower crop yield was simply a reflection of a very cold spring and a rapid change to an almost totally dry environment that's been rolling in ever since late last year. He also highlighted that moving into autumn, bees have a critical need for good pollen for next year and that is another challenge that beekeepers face. There has also been a lack of supply of flowering plants such as gorse, of which bees are able to collect pollen from. He stated that every year bees face the challenge of stockpiling a considerable amount of pollen to build up hives. However, this year this has not occurred nearly enough to meet the levels that have been reached in years gone by, particularly in the South Island. He contrasted this to the North Island, stating that the Waikato in particular had great flowering of white clover and many bees have done well.

Forestry

'Clear yes vote' for forecast growers' levy [4 April/ Otago Daily Times] A majority of growers are in support of a compulsory forest growers' levy that will help fund research and development into forestry. Forest Growers Levy Trust Chairman Geoff Thompson said the long-awaited Forest Voice Referendum would deliver a clear yes vote in favour of the commodity levy when final results were released in a few days after the counting of postal votes. Mr Thompson said that interim results showed that there is substantial support from forest owners both by area of forest and numbers voting for the proposed work programme and the levy that will fund it. Concerns were raised over a fortnight ago that the required numbers might not be reached for a favourable outcome of the referendum. The law requires more than half of the estimated 10,000 small forest owners to vote for the levy in the referendum. In addition to this, the Commodities Levy Act requires support from those holding more than 50 per cent of the total forestry area around the country. The proposed compulsory levy would boost funding from around \$1.7 million in annual voluntary contributions to an estimated \$6.75 million, based on last year's harvest. Wood products and logs would be levied at 27 cents per tonne when delivered to a sawmill or the wharf for export with up to 60% to 70% of the levy being used for science funding and 20% to 30% for wood marketing and promotion.

Fishing and aquaculture

Coromandel closer to reeling in fish-farm fortune [9 April/ Waikato Times] Dramatic growth in the Waikato region's marine industry is expected to result from new aquaculture reforms that have created specific areas for fish farming in the Coromandel. Wilson Bay and a 300-hectare zone about 10 kilometres off the Coromandel coastline, are expected to receive greater growth as fish farm tendering begins around the middle of this year. Waikato Regional Council Coastal Policy Adviser, Graeme Silver, said that the tenders will be done in two stages, the first being a promotional phase before tenders are called that will be directed at just raising the profile of fish farming and towards distributing information guides to interested parties. He estimated that it may still be another two years before the first fish farms were operating off the Western Coast of the Coromandel Peninsula. The tendering process for fish farm application is set to give a person the ability to apply for consent but they've still got to go through the usual Resource Management Act system process to obtain operating consents. The proposed fish farming schemes have been estimated as having the potential to develop 6000 tonnes of fish, generating \$100 million in revenue and creating 470 jobs. Mr Silver has said that the fish farms have the potential to be quite lucrative businesses if approached correctly.

Dairy

Drought pushes dairy prices up 14.2pc [3 April/ NZ Herald] Fonterra's latest GlobalDairyTrade (GDT) auction achieved record prices for dairy products as traders competed for limited supplies of milk powder as the impact of the drought on supplies increases. The Global Dairy Trade Weighted Index rose 14.2 per cent compared to the last sale two weeks ago. This marked the Index's eighth straight gain with the average winning price increasing to US\$4,966 a tonne. This average winning price was the highest ever recorded on the GDT platform since records began in July 2008. The largest dairy product by volume, whole milk powder, increased 7.7 per cent to US\$5,100 a tonne. Total volume of dairy products sold at the latest auction was 13,912 tonnes which was down from 15,994 tonnes a fortnight ago, marking the lowest volume offered since the sale on 17 May 2011. Westpac Bank Economist Nathan Penny highlighted the fact that overall dairy prices had now increased almost 50 per cent in the last four auctions and have doubled since May 2012. Mr Penny said that the jump in the recent GDT auction prices had surprised many, given the various struggles facing many New Zealand farmers at the moment. He said that prices for this season's production could still rise to even higher levels as drought and strong Chinese demand continues to push GDT prices upwards. Although Westpac had forecast prices at levels that were on average 30 cents higher than Fonterra's current forecasts, Mr Penny said that the difference was reflected by the large price movements that had been witnessed over the last two auctions which may not have been fully incorporated into Fonterra's forecasts. He also outlined that while expectations are that dairy prices will eventually settle at a lower level, underlying demand, from China in particular, remained strong.

Fonterra's new China push [8 April/ NZ Herald] Fonterra's plans to launch its own brand of infant formula have been described by one top economist as one of the most positive developments for the New Zealand economy that's taken place in many years. Criticisms of Fonterra's lack of involvement in the Chinese baby formula trade have been ever-present as this US\$6 billion market is set to double in size by 2016. The Chinese melamine scandal that spread throughout the region in 2008 could explain Fonterra's restrained presence in the Chinese infant formula market. The scandal resulted in a huge rise in demand for imported formula, which carry significant price premiums over locally-made products, however to date Fonterra's own infant formula brand, Annum, has only been sold in Malaysia and Indonesia with the Co-operative not entering the large Chinese market. A spokeswoman for Fonterra said that the company would begin selling New Zealand made Annum infant formula in China during the second half of this year. She also indicated that maternal health products were already being sold in China under Fonterra's Annum brand which was set to align well with the company's strategy when pilot sales of infant and follow-on formula were distributed under the same name. Sales of its infant formula are planned to start in Beijing, Shanghai and Guangzhou and then expand to other parts of the country if the launch is successful.

Meat

SFF firms stance against co-op [3 April/ Business Day] Competing views exist towards the future of the red meat industry. Silver Fern Farms Chief Executive Keith Cooper has positioned the company away from calls to centralise the red meat industry saying that he does not believe that it necessarily reflected the best interests of its shareholders and that Silver Fern Farms does not support the idea. The Meat Industry Excellence Group held a meeting in Gore last month, which attracted about 1000 farmers wanting to see changes made in the red meat industry structure. Mr Cooper reaffirmed his position in a brief statement which said that the company would not support merging but instead they did support a reform model with fewer meat processors. He also said that Silver Fern Farms and other industry leader Alliance agree that merging the two co-operatives would not solve the current problems facing the red meat industry and was likely to bring about more challenges. Alliance Group chairman, Owen Poole, reiterated Mr Cooper's view towards not merging both companies earlier this week.

Eckhoff leaves Meat Industry Excellence Group [4 April/ Radio NZ Rural] A difference of opinion has led farmer and former MP Gerry Eckhoff to leave the new Meat Industry Excellence Group. Mr Eckhoff said he feels it is necessary to get a mandate supported by farmers throughout the country before the Group engages with the meat companies, whereas other group leaders thought that it was better to engage with the companies first. Meat Industry Excellence Group spokesman Allan Richardson said that the campaign to gain support and momentum from around the country will continue and that Mr Eckhoff's departure will not hinder the development of a stronger structure in the meat industry.

North Island farmers add weight to meat industry overhaul [4 April/ Radio NZ Rural] A new farmer campaign aimed at developing the restructure of the industry will be built on when North Island sheep and beef farmers meet later in the month. 1000 farmers met in Gore in March to discuss the amalgamation of meat companies where talk was focused on bringing together at least 80% of processing and marketing of red meat into the hands of a single operation. Former Meat Board Director John McCarthy said that there is a strong mood for change among North Island farmers. He said that many believe that the industry cannot continue in its present state and that the livelihoods of farmers and their families depend on a restructure.

Focus on meat industry improvements [5 April/ Business Day] The Meat Industry Excellence (MIE) Group has elected West Otago farmer Richard Young to the position of Chairman as the Group seeks to gain better returns for those in the meat industry. Mr Young said that the seven person executive consists of active sheep and beef farmers who are totally committed to improving the returns for all farmers who rely heavily on the red meat industry. He said that greater communication with all groups in the meat industry was set to be improved by the MIE Group and they will be focusing on gaining a national mandate from farmers aimed at bringing change to the industry.

Wool

Fabric manufacturer wants cleaner NZ wool [5 April/ Radio NZ Rural] UK-based fabric manufacturer Camira Fabrics has increased its purchasers of New Zealand lambs' wool recently however contamination from plant material found in recent exports of the wool has prompted the manufacturer to ask suppliers to take more care. Concern about one particular container sent the Supplier Development Manager, John Quarmby, to New Zealand earlier this year to talk to growers and others handling the wool to get the message across about removing the unwanted bits of plant material. Mr Quarmby says that his company has not rejected any wool, but there have been a lot of costs which the company has had to pass back to the supplier. He said that Camira Fabric's orders of New Zealand's lambs' wool have grown from an initial four containers to 14 containers this year and he expects that to continue to rise.

Unity essential for wool [9 April/ Otago Daily Times] Disunity and a lack of collective enthusiasm to invest by wool farmers have been just a couple of traits that ANZ economists have identified in New Zealand's wool industry. A report released by the bank indicated the continued decline facing the industry which has around 35 wool exporters, many with low levels of profitability, constant exposure to volatile movements in commodity prices and an overall lack of collective collaboration. The report also identified critical changes that need to be implemented as increased investment, greater consolidation between farmers and exporters through fewer channels, closer partnering with retailers, clearer benchmarks, better information flow and price signals, and the repositioning of strong wool and its associated end products as fashion items. A proposed "national wool schedule" has been identified as a simple mechanism that would help increase the information feedback loop and price signals from consumers and retailers to farmers on value differences. Buyer preferences would also be highlighted through the schedule, identifying various values for different categories of wool according to buyers' preferences. Wool prices have improved in recent months, with benefits arising from improved demand from China and India and a 17% increase in cotton prices since November.

Deer

Deer milk cheese offers health benefits [4 April/ Business Day] Cheese produced by New Zealand red deer has been labelled as a world first from a collaboration between scientists and an Oamaru cheese maker. The unique cheese has also been identified as containing bioactive compounds that could potentially improve the immune system of humans. Dr Alaa El-Din A Bekhit, Senior Lecturer in the University of Otago's Food Science Department said that if red deer milk was supplied in a niche health food market it could potentially be worth as much \$100 a litre and a single red deer hind could potentially produce up to \$20,000 worth of milk in a single lactation. Ideas around producing cheese from red deer milk came from a report the Senior Lecturer had researched on the internet. He said that cheese from donkey milk sold for about \$1800 a kilogram and while this particular dairy source does have some bioactive properties, he believes that red deer milk has properties that are even more beneficial. He also noted that if researchers could confirm the unique benefits that have been observed thus far in the laboratory, then red deer cheese could yield properties that are superior to other cheeses currently available and potentially yield higher returns. Deer have the ability to produce at least twice the amount of milk solids found in cow's milk and at present, New Zealand deer farmers produce approximately half of the world's farmed red deer production. Dr Bekhit is a specialist in identifying and developing value from agricultural by-products and is working with fellow Otago researchers biochemist Dr Alan Carne and immunologist Dr Michelle McConnell to further their research into bioactive compounds in milk collected from red deer and sheep. So far the red deer cheese has been made by Oamaru's Whitestone Cheese with their first sample blocks planned to be auctioned to help raise funds for the Cancer Society.

Rural infrastructure

Drought is no bar to Fieldays exhibitor numbers [9 April/ Waikato Times] The National Agricultural Fieldays has not seen any registered exhibitors withdraw due to the drought and organisers are cautiously confident the event will be another hit. There are currently 803 exhibitors signed up for the event, which has a theme of Getting Down to Business in the Global Economy. Fieldays Chief Executive, Jon Calder, said that there has been strong interest from overseas companies and groups and delegations would be attending from India, Russia, China, North America and South America. The show which will take place between June 12 and 15, will also see New Zealand Trade and Enterprise sponsor the international business visitor centre, Vodafone partner in the innovation centre and the Ministry for Primary Industries sponsor the Premier Feature.

Research and development

New anti-bird strike grass attracting world interest [8 April/ Radio NZ Rural] Serious international interest has resulted from AgResearch's developments into grasses that help to reduce the risk of bird strikes around airports and insect damage at sports grounds. The company released its research and development findings earlier this year into the new grasses that contain a special endophyte, or natural fungus that makes them particularly unattractive to insects and birds. More than a billion dollars a year in damage to aircraft is estimated to be directly related to bird strikes at airports and AgResearch is now in the process of setting up large scale trials of the new grasses. A spokesman for Grasslanz Technology, a company that has commercialised the grasses said that airport representatives from around the world are now very interested to try the grass out. He said that the company is now in the process of setting up large scale trials at JFK Airport in the United States, as well as Heathrow, Stansted and Gatwick airports in England. Melbourne Airport was already in the stages of trialling the grass, he said.

Water

Wairarapa water storage sites to be identified [8 April/ Radio NZ Rural] Farmers are waiting to hear where the potential water storage sites will be located for the proposed Wairarapa Water Use Project, a large scale irrigation scheme for the Wairarapa area. The Wellington Regional Council will announce a short-list of the water storage sites early next week and Federated Farmers Wairarapa President Jamie Falloon has said that with the losses the drought has caused this year, farmers can't wait for the irrigation scheme to be up and running. Mr Falloon said that although it can take some time for consents to make it through the resource management process, the Irrigation Trust is working hard with all stakeholders to ensure that problems are kept to a minimum so that the consent process flows smoothly. He also said that the Wairarapa region is well placed to cope with intensification of agriculture and the expansion in dairy farming that the irrigation scheme is set to greatly help.

Primary sector education

Foray into farming stories for children proves fruitful [8 April/ Otago Daily Times] Southland resident and mother Lee Lamb has successfully self-published three books that give young children the opportunity to read stories directly related to farming. Her *On The Farm* Series features the titles *Shearing*, *Autumn Muster*, and *Milking Time*. The books are now available throughout the country and have been selling well, with sales growing in momentum every year, Mrs Lamb said. She said that her aim was to keep the stories true to life so that they were both educational as well as entertaining for children. She plans to eventually get her books into bookshops in the United Kingdom and Australia.

Farmers and producers

\$8b potential in Maori land [3 April/ Rural News Group] The Ministry for Primary Industries has released a report indicating the potential held in over one million hectares of Maori freehold land. Growing the Productive Base of Maori Freehold Land is the report commissioned by the Ministry and estimates that lifting productivity to average industry benchmarks could result in an additional \$8 billion in gross output and 3,600 new jobs for the primary sector. An investment in the land of just under \$3 billion would be required. Minister for Primary Industries, Nathan Guy, said that opportunities exist for Maori in terms of the freehold land that they currently hold and for the wider primary sector and New Zealand as a whole. He said that some Iwi are well organised and have their asset base generating good returns, while others haven't realised their true potential just yet. He also said that an important step towards unlocking the potential of Maori land could be drawn from the proposed reforms to the Te Ture Whenua Maori Act announced by Minister for Treaty Settlements Chris Finlayson and Minister of Maori Affairs Dr Pita Sharples. Collectively, the Maori asset base in New Zealand is estimated at \$37 billion and about 30 per cent of this is estimated to be in the primary sector.

Landcorp names new chief executive [4 April/ Business Day] Steven Carden, currently PGG Wrightson Seeds General Manager in Australia, has been appointed to the position of Chief Executive at state-owned farming company Landcorp Farming. Mr Carden will take up the position as successor to long-standing CEO Chris Kelly who is retiring after 12 years in the role. Landcorp Chairman Bill Baylis said that Mr Carden has a wide experience from a number of industries including a five year position with New York business consultancy McKinsey & Co. He also said that Mr Carden made an ideal appointee to the Chief Executive position coupled with his consultancy experience and five years' operational experience in agriculture with PGG Wrightson. Mr Carden holds an MBA from Harvard and is expected to take up the new role on August 5 this year.

Landcorp records pre-drought net profit [8 April/ Business Day] Half year results for state-owned farming company, Landcorp Farming, show net operating profit of \$2.5 million for the year ended December 31. Although income during the first six months was down on soft produce prices, production increased with operating expenses being tightly controlled and targets for major developments remained on track. The drought has brought about repeated warnings from Directors who have said that extended impacts from the issues faced during the drought will mean that neither a full-year profit nor dividend will be likely. Net operating profit was down from \$11 million in the first half of the previous year and total revenues for the latest half year fell 7.4 per cent to \$95.4 million, reflecting a fall-off in dairy, meat and wool prices.

Capital Markets

NZX to target agricultural firms [9 April/ New Zealand Herald] NZX Chief Executive, Tim Bennett, has said that about 20 firms could become new entrants onto the exchange board as the NZX looks to boost the number of listed agricultural firms. He said that the agricultural sector is under-represented at present compared to industries such as retail and manufacturing. With New Zealand having a significant export presence in agriculture, Mr Bennett said that providing capital to this sector was important. He highlighted the existence of listed firms with strong links to the sector, including rural services provider PGG Wrightson, Skellerup, A2 Milk and the Port of Tauranga. He also noted Fonterra's sharemarket debut last year with the listing of the Fonterra Shareholders' Fund (FSF), which gave investors access to the dairy co-operative's dividend flow. Craigs Investment Partners Head of Private Wealth Management, Mark Lister, said that many investors see the lack of investment opportunities in the agricultural industry as a source of frustration despite the addition of the Fonterra Shareholders' Fund to the market. However, this could soon change if the NZX provided greater representation of the agricultural industry on the exchange, Mr Lister said.

Field Notes

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Economics and trade

Treasury doubles central bank's forecast for drought impact [8 April/ NZX Agri] The summer drought is expected to reduce annual economic growth by 0.7 of a percentage point according to recent Treasury forecasts. This is more than two times the 0.2 to 0.3% forecasted by the Reserve Bank of New Zealand in its latest monetary policy statement earlier in March. The Treasury says that the spike in dairy prices will help offset some of the drought's impact and that the rest of the national economy is feeling more positive, especially in the Auckland and Christchurch city regions. The current fiscal year is likely to contain most of the 0.7 percentage point impact on inflation-adjusted, or real, gross domestic product. This means that GDP growth in 2013 will be about 2.0%, compared with the 2.7% forecast in last December's half year fiscal and economic update. The Treasury said that they note that estimates were more uncertain given the wide range of possible developments in agricultural prices and incomes and that there would likely be offsets in the March quarter between lower milk production and earlier meat slaughter, with a larger negative impact resulting in the June quarter. The Treasury also indicated potential improvements in other sectors, including the wine industry, which expects a bumper vintage, and the hospitality and construction sectors.

Foreign Investment

Chinese land grab 'won't happen' [7 April/ Business Day] More major farm purchases by Chinese buyers are unlikely as China's ambassador says New Zealand has "over thought" the extent to which China has interests in acquiring New Zealand land. This week will see one of New Zealand's largest ever international trade delegation fly to China, marking five years since the signing of the historic free trade agreement. It has also been highlighted that predictions exist towards China one day overtaking Australia as New Zealand's largest trading partner. The top Chinese official in New Zealand, Xu Jianguo said that while foreign investment was an essential part of strong bilateral relations between New Zealand and China, he did not expect Shanghai Pengxin's controversial purchase of the collapsed Crafar Farms dairy empire to be the start of a pattern of Chinese investment. Although Mr Jianguo said that China had no specific agenda for foreign investments, with deals representing "market forces", the purchase of more than 8000 hectares of dairy farms in the North Island by Chinese interest resulted in calls for limits placed on foreign investment in land. Officials have signalled that China is aware of the controversy surrounding land investments and Prime Minister John Key has said that his experience in dealing with Chinese interests highlights their responsiveness to domestic politics. He said that the Government was always upfront with the Chinese about what investments were desired. Mr Key also indicated that he understood why people felt anxiety towards Chinese investment when the scale of the country and their large holdings of foreign currency reserves were considered.

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Field Notes presents a summary of some of the media comment on the Agribusiness sector in the last week. The views expressed do not necessarily represent the views of KPMG but are summaries of the articles published.

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