



AGRIBUSINESS

Field notes

Weekly news update from the KPMG Agribusiness network

KPMG

29 May 2013

Organisations referenced in this week's Field Notes include:

Alliance Group	Massey University
Aduro Biopolymers	Meat Industry Excellence Group
Airborne Honey	Ministry for Primary Industries
Ballance Agri-Nutrients	New Zealand Food Safety Authority
Comvita New Zealand	New Zealand Institute of Economic Research
DairyNZ	New Zealand King Salmon
Deer Industry New Zealand	NZ Wood
Federated Farmers	Pipfruit New Zealand
Fonterra Cooperative	Sanford New Zealand
Food Standards Australia and New Zealand	Transpower
Horticulture New Zealand	Wood Council of New Zealand
Hawke's Bay Regional Council	Zespri Group
Marlborough District Council	

This week's headlines

Horticulture	Irradiated tomatoes and capsicum imports approved [24 May/ Radio New Zealand Rural]
Honey	Honey trade damaged as blackmarket sales grow [28 May/ New Zealand Herald]
Dairy	Response delights Fonterra [28 May/ Business Day]
Meat	Chinese meat blockade lifted [23 May/ New Zealand Herald]
Water	Water will become a 'political issue' [27 May/ Business Day]

Horticulture

Irradiated tomatoes and capsicum imports approved [24 May/ Radio New Zealand Rural] Australian tomatoes and capsicums that have been irradiated are likely to be available to New Zealand consumers within several weeks. New Zealand Food Safety Minister Nikki Kaye and her Australian counterparts have decided not to review the decision which approved irradiation for these categories of produce. Ms Kaye said that she is researching the various ways available to ensure that irradiated produce is properly labelled for consumers to be able distinguish it at point-of-sale. It has also been decided that it will not be necessary to review the regulatory body, Food Standards Australia and New Zealand's, recommendation to allow such produce from Australia into New Zealand. Food which has been irradiated has been subjected to ionizing which helps to kill off bacteria and pests. This process can also delay the ripening process. After rigorous analysis of the scientific evidence over such processes, Ms Kaye said that in her view the irradiated food is safe to eat. In order to import the first irradiated tomatoes and capsicums, New Zealand will have to alter an Import Health Standard which is likely to occur in June or July.

Blocked fruit costs growers [27 May/ Business Day] Compensation from the Government is being sought by New Zealand apple growers after produce was blocked on its way into Russia. These compensation requests come in addition to the requests from New Zealand meat exporters who were affected by the lengthy trade block placed on New Zealand meat products going into China. It has been highlighted by the Government that the Ministry for Primary Industries (MPI) had issued unauthorised documentation which prompted Chinese ports to refuse entry for all beef and sheep meat earlier this month. Primary Industries Minister Nathan Guy joined Prime Minister John Key in highlighting the issue that surrounded New Zealand officials initially underplaying the significance of the hold up. Mr Key said that it was possible that compensation would be paid for the incident. The comments prompted calls for compensation from the apple industry, which suffered a similar, smaller issue in March. This issue was initially denied by MPI. Chief Executive of Pipfruit New Zealand, Allan Pollard, said that approximately 40 containers were delayed entering Russia because of documentation problems. This was only later revealed by the MPI and Mr Pollard said that the later claim was "disingenuous" as another 60 containers were also affected. Mr Pollard said that he was disappointed that MPI had not admitted the issue earlier. He added that New Zealand apple exporters had faced additional demurrage costs for containers stranded at ports which were calculated as costing approximately \$4300 for each container. It was signalled by Mr Pollard that if the Government does decide to compensate meat companies then they need to also consider the impact on apple growers who suffered significant costs from similar delays.

Record return to kiwifruit growers but net profit down [28 May/ Radio NZ Rural] Zespri has reported record returns to growers for the year but has seen profit fall to \$7.6 million as a result of funding the company has provided to the industry response to the Psa disease and full provisions for court-imposed penalties relating to the China customs investigation. Orchard gate returns averaged \$51,000 per hectare as a result of growing demand for green kiwifruit. Returns for green fruit were up 21% per tray on the season before as demand has continued to grow while supply has fallen as growers switched to gold kiwifruit. Gold fruit production was down 16% in the last season. For the current season, Zespri is forecasting similar or stronger returns next year. The Board says it plans to declare a final dividend of 1 cent per share to take the full year dividends paid to 5 cents per share.

Honey

Australian honey imports likely to be some years away [22 May/ Radio New Zealand Rural] It is likely to be a considerable period of time before Australia will be allowed to send honey and other bee products to New Zealand. The Ministry for Primary Industries (MPI) is three years into a five year programme of developing a generic system of import health standards for all animal products which is also considering the legally challenging proposal of whether or not to accept bee products from Australia. Matthew Stone, the MPI Director of Animals and Animal Products Standards, says that the Ministry has been working on gaps in the proposed import standard for Australia that an independent review panel identified in 2009 after Court action by beekeepers. He said that research into the heat and activation parameters of the Israeli paralysis virus were inconclusive and so the experiments now have to be repeated. These experiments are set to be re-tested and will likely run into next year, Dr Stone indicated. He also said that the MPI has had to update the risk analysis for bee product imports from Australia, done back in 2004 and he highlighted the importance of taking a broader view because many health risks exist for bee species and vary between countries, such as New Zealand and Australia.

Honey trade damaged as blackmarket sales grow [28 May/ New Zealand Herald] Major listed natural health products manufacturer and exporter Comvita has said that the New Zealand Government should take more action to curb blackmarket sales of New Zealand honey in China. Unofficial sales of New Zealand honey products were recently seen on websites such as the Chinese equivalent of Trade Me, Taobao. These concerns were raised by Canterbury-based Airborne Honey, and spokesperson for the company John Smart said that traders were purchasing honey at New Zealand supermarkets, shipping them to Hong Kong and then smuggling it into mainland China. This effectively helped smugglers avoid paying a 17 per cent Chinese value-added tax. Comvita Chief Executive Brett Hewlett, whose company's products include Manuka honey and honey-based lozenges, said that it was inexperienced traders who were selling its products online in China and the law needed to be enforced more stringently. He said that in his opinion, the New Zealand regulatory bodies, including the Ministry for Primary Industries, were simply observing this behaviour and not doing anything immediately proactive. General Manager of the New Zealand Honey Cooperative Peter Cox said that the online sales of his company's products were not a concern and the traders were purchasing the honey from the firm's Chinese agents as opposed to New Zealand supermarkets.

Forestry

NZ Wood Responds to Market Conditions [22 May/ Forest Owners Association] The promotional arm of the Wood Council of New Zealand, NZ Wood, has confirmed that it is planning on scaling back its operational activities. This has been attributed to be a direct result of the high New Zealand Dollar which has led to funding cutbacks. It was announced earlier in the month that the wide-ranging programs for the promotion of wood and wood products for domestic construction are no longer possible in the short to medium term. The NZ Wood board has confirmed that its Chief Executive Jane Arnott will be leaving the organisation to pursue new opportunities. NZ Wood is planning on concentrating its efforts on promoting the use of sustainably grown New Zealand plantation wood through its website and the 2014 Timber Design Awards.

Fishing and aquaculture

Seafood company posts increased profit [27 May/ Business Day] Sanford, the listed New Zealand seafood company, has recorded a half-year profit increase to \$14.1 million for the six months to March. This comes despite lower margins created by the high New Zealand dollar and more than \$2 million in fines from a United States court. The interim profit was up from \$13.3 million for the same period a year ago, with revenue increasing 6.2 per cent to \$244.6 million. The relatively high New Zealand dollar was attributed to have impacted sales by around \$6 million, the dollar having averaged approximately US83 cents for the period, compared with US80 cents a year ago. Interim reporting prices for most fish had remained stable during the period, said Managing Director Eric Barratt. He said that there was a supply shortage for greenshell mussels because of slower growth rates in the Marlborough Sounds caused by the recent drought. Sanford noted that it expects the second-half result to match the profitability of the first, provided fishing catches and production levels meet the company's expectations. Mr Barratt also referenced the United States District Court case in Washington which saw the company fined US\$1.9 million (NZ\$2.3 million) in January this year in addition to a mandatory US\$500,000 donation to the US National Fisheries Foundation.

Jobs loss warning at start of appeal [27 May/ Business Day] Chief Executive of New Zealand King Salmon Grant Rosewarne has said at the beginning of a High Court Appeal in Blenheim, that this week is pivotal to the future of his company and its 450 workers. Sustain Our Sounds and the Environmental Defence Society have both appealed a decision allowing King Salmon to add four new salmon farms to its existing five. New Zealand King Salmon is moving to "biosecure" management of its farms, meaning that all salmon will be harvested from a farm before fresh smolt (very young salmon) is introduced. Mr Rosewarne said that the process would have a major effect on production from the existing 2 hectares of surface water space the farms currently occupied, cutting production by 1800 tonnes next year. He highlighted the desperateness of the situation, stating that the 450 jobs the company has depends on two surface hectares in the Marlborough Sounds and that the license for one of those 2 hectares was up for renewal next year. The Marlborough District Council Chief Executive Andrew Besley said that the submission merely reiterated what the Council had originally presented to the Environmental Protection Authority's two-month board of inquiry hearing last year.

Dairy

Peter McClure: Fonterra head says light-proof bottle doing well [22 May/ New Zealand Herald] Managing Director of Fonterra brands, Peter McClure, has said, in an opinion article, that with just over a month since the launch of Anchor's new light-proof bottle, New Zealand consumers are voting for the new product with their wallets. Mr McClure said that Anchor Milk sales are up 8 per cent year on year and 10 per cent up from the immediate pre-launch period. He said that the growth was particularly noteworthy in the context of declining milk consumption over a number of years. From in-store trials consulting more than 40,000 New Zealanders nationwide, results showed that more than 80 per cent prefer the taste of Anchor milk. Mr McClure said that while some consumers may dislike the fact that they can no longer see the levels of milk remaining in the bottle, the trade-off in this case is the improved milk quality and taste from eliminating light exposure. Two of milk's main negative forces are reportedly heat and light, and milk exposed to light can be damaged long before consumers take their product home. Not only does light damage produce what some describe it as an "off" smell, it also interacts with vitamins A and B2 which are broken down at a quicker pace with light exposure. Mr McClure said that the light-proof bottles are set to stay on the shelves with much market research indicating that so far consumer feed-back has been positive.

A change from 'poo in the creek' [23 May/ Business Day] A balance is sought to be struck between being competitive and being environmentally responsible, according to an reinvigorated DairyNZ strategy due for release in July, Federated Farmers Dairy Chairman Willy Leferink said. He said that the strategy refresh came about when the Ecological Foundation, the Greens, and Greenpeace had highlighted their concerns regarding the environmental sustainability of some development projects being undertaken in the dairy sector. He added that in the past some farming schemes had failed to manage effluent appropriately, putting it in to waterways instead of onto farmland. The new attitude towards an improved environmental relationship has been reflected in the new strategy, which focuses on actions under two headings, Competitiveness and Responsibility. Mr Leferink said that profitable farming headed the Competitive list, highlighting that if you can't generate profitable cash flows from farming operations, then you can't take green measures.

Dairy farm profit down but still high [23 May/ Business Day] Farmer owner-operator profits slid by \$186 a hectare as higher operating expenses were incurred in an otherwise successful 2011-2012 dairy season. However, the 2011-2012 DairyNZ Economic Survey said that operating profit, which declined 6.6 per cent to \$2,624 per hectare, was still at a relatively high level. DairyNZ said that the season was characterised by an excellent summer and autumn resulting in record milk production for all New Zealand regions. A 9.2 per cent increase in milksolids per hectare was offset by a decline in milk prices of the same amount which left revenue per hectare almost unchanged. The report highlighted milksolids production per cow rising 30 kilograms of milksolids or 8.8 per cent to 364kg per cow. Milksolids per hectare increased by 11.4 per cent or 105kg, to 1028kg per hectare. The previous record for both measures was set in the 2010-2011 season. The average cost of producing milk (operating expenses per kg/milksolids) decreased to \$4.73/kg, down 22c/kg on the previous season with farm working expenses also declining by 11c/kg to \$3.95/kg. Lower milk prices of \$3.34/kg and a small increase in expenditure were offset by record milk production. Operating costs decreased 17c/kg milksolids to \$2.81. Average cash operating surplus increased 5.2 per cent on the previous season to \$235,759 per farm.

Response delights Fonterra [28 May/ Business Day] A significant \$255 million premium has been attached to the value of Fonterra farmers' shares in the past six months according to Fonterra Chairman, John Wilson. This comes after Fonterra announced that 20 per cent of its 10,500 farmer shareholders sold the economic rights to their milk supply shares to the Fonterra Shareholders Fund in last week's supply offer. 75.22 million shares (worth almost \$600 million) were tendered by farmers into the offer, at a price of \$7.92. In November last year, the shares were valued at \$4.52 each which was an estimated fair value set by Fonterra's directors attributable from a range recommended by an independent valuer. Mr Wilson said that the supply offer final price of \$7.92 was instructive if an analysis was given of what global markets were currently doing. Fonterra's first supply offer to farmers was responded to by only a small portion of farmers. Mr Wilson attributed the 20 percent response last week to the Trading Among Farmers Scheme having been operating for six months and growing farmer confidence in the fund. He also said that farmer need for cash after this year's drought, mounting debt and the need for operational funds were also attributable to the results. Waikato University Agribusiness Professor Jacqueline Rowarth said that many farmers would have sold into the offer because they were short of cash. She highlighted the fact that farmers were faced with high feed costs and two years of low payouts. The final amounts accepted by Fonterra from the tendered shares will be scaled.

Deer

Bold new strategy for DINZ [24 May/ Rural News Group] The new deer industry initiative, Passion to Profit, or P2P, is seeking to deliver more quality deer at earlier times for distribution. At present, New Zealand venison is facing increasing pressure from competitors such as Poland and Spain. Silver Fern Farms Sales and Marketing Manager and Deer Industry New Zealand (DINZ) Board Member Glenn Tyrrell said that over the past seven years, the volume of Polish venison coming into New Zealand's key European markets had increased four-fold. The amount of Spanish venison going into these markets had increased three and a half times. Mr Tyrrell said that New Zealand has gone from having 10,000 tonnes of New Zealand venison down to 5,000 tonnes of product going into these markets. With market share reducing from approximately 60 per cent to around 30 per cent, leaving New Zealand no longer as the market leader in terms of volume. The P2P initiative is a coordinated, value-chain approach to aligning all five parts of the venison industry strategic intent and the key aspects of the velvet industry strategic intent, DINZ Board Chairman Andy Macfarlane said. The main components to P2P are outlined as achieving demand-led premium positioning of New Zealand venison, supporting long-term commitment to product and market development, the encouragement of farmers, processors and customers towards long-term supply commitments, the improvement of on-farm productivity, and ensuring the industry has freedom to operate.

Meat

Chinese meat blockade lifted [23 May/ New Zealand Herald] Primary Industries Minister Nathan Guy has said that China's freeze on New Zealand meat imports has been lifted. He said that a resolution has been agreed which will see authorities clearing New Zealand meat exports to China from next week. China is set to release consignments under the name of the New Zealand Food Safety Authority. New Zealand officials were reportedly working around the clock to reissue certificates for all the meat consignments held up at the Chinese ports or which were still on the water. Mr Guy said that this news came at the right time for what had been a frustrating time for New Zealand farmers and exporters. He said that he was grateful to Chinese authorities and to the New Zealand meat industry for their patience and willingness to work constructively. He also indicated how he felt let down by some officials who did not inform him on the scale and seriousness of the issue in a timely manner.

Support grows for reforms [24 May/ Business Day] Farmer support has given momentum to a group seeking reformation in the red-meat industry. The Meat Industry Excellence (MIE) Group's goal of transforming the industry into a profitable business for all red-meat parties has gained more support after recent meetings held around the country. MIE Chairman Richard Young said that a farmer mandate had been secured at five meetings to pursue a healthy and growing meat industry. He said that farmers realise that there much to be changed in the red-meat industry in order to help prevent further losses of farms and farmers to other land uses such as dairying or forestry. Mr Young said that the MIE's role was to get farmers thinking about the state of the red meat industry because the status quo had no foreseeable future. He said that some interest seemed to be present in a system of locking in stock numbers allowed to be processed by companies and a tradeable slaughter-rights system. Under such a system, each company would be allocated a set number of animals that there were legally allowed to slaughter each year, and if a company wanted to slaughter more, it could buy more rights from other companies. Mr Young emphasised the commitment to change that was required in the red-meat industry before the new season was entered into.

Compensation possible for China meat delay [24 May/ Business Day] While officials are continuing to be blamed for the delays meat companies have experienced getting their product to China, Prime Minister John Key has raised the possibility of the companies being compensated for the delays. Mr Key said that officials were slow to relay the significance of the situation to everyone concerned and added it was possible that compensation would be paid for the incident, although noted that chilled meat was allowed through the Chinese border and that the frozen meat would still be in good condition. A source has estimated the cost of the incident in the order of \$2 million to \$3 million, relating to the fees of having containers stuck at ports.

Alliance to start selling lamb in India [28 May/ Radio NZ Rural] Alliance Group, the country's biggest sheep meat exporter, hopes to quickly benefit from a joint access agreement the New Zealand and Indian Government's have recently signed. Alliance Marketing Manager, John Rabbitt, says the growing middle class in India will make the country an increasingly important market for the co-operative, but he recognises that being successful in the market will be a long-term investment and notes the Group is only at the start of its journey in the market. Mr Rabbitt added that Alliance has taken 10 to 15 years to build its market position in China and it could take as long to develop the market in India. As the Hindu population in India does not eat beef and the Muslim population does not eat pork, there is a clear market opportunity for lamb, but during a trade tour, Mr Rabbitt noted that there is confusion between goat, mutton and lamb.

Rural infrastructure

Hort NZ and Transpower sign agreement [27 May/ Radio New Zealand Rural] An agreement has been signed between Horticulture New Zealand and Transpower with the aim of trying to avoid disputes that have been recently raised between the national grid operator and growers in some areas. Growers have challenged the national grid operator's push to have buffer zones for transmission lines and towers crossing farmland built into district plans, with controls on farming activities within those zones. On-going mediation exists in regions such as the Western Bay of Plenty and Waimate, in which the issue has been put to the test. Horticulture New Zealand says that it is an issue for orchardists, of which there are up to 70 in the Western Bay of Plenty alone and who have high voltage transmission lines crossing through their land. The agreement with Transpower is designed to find solutions that will work for both the company and with growers, Environment Manager Chris Keenan said. The agreement is set to encourage best practice around lines that may be obstructed by such farming structures such as shelter belts or big plantations of avocado trees. The agreement is also set to allow growers to negotiate solutions for individual properties.

Research and development

Blood-based plastic a green bonus [27 May/ New Zealand Herald] A method for making bio-plastic out of blood meal, a by-product of the freezing works process has been developed by Hamilton-based Aduro Biopolymers. The company is focusing efforts on taking its lead product Novatein, to the market within the next three to four years. Darren Harpur, Acting Chief Executive for Aduro, said that the manufacturing process involved adding water and various agents to the blood meal that altered its protein structure. This mixture is then entered into an extruder that processes it into plastic granules that will be sold as Novatein, the company's lead blood-based plastic product. Novatein will act as an alternative to regular plastics made from petrochemicals and is the result of considerable research by chemical engineer Johan Verbeek at the University of Waikato. Mr Harpur said that his company's production of the bio-granules would be as far as production would go. Manufacturers will then be required to mould these granules into plastic products such as trays, container and clips used in the horticulture industry. Aduro also plans to establish a manufacturing facility in Australia and commercialise the products in that country by 2016 or 2017. He also said that a manufacturing plant was also planned to be set up in New Zealand after the Australian operation was up and running. It is expected that the bio-granules will be sold for around \$2.50 to \$3.50 a kilogram, which Mr Harpur said was relatively more expensive than some of the company's regular products which were sold for less than \$2 a kilogram in some cases. KiwiNet Research Commercialisation Awards have made Aduro one of its finalists for this years award.

Environment

NZ's natural assets need better valuation: NZIER [22 May/ Business Day] Natural assets such as untouched land, rivers, and lakes should all require proper and consistent economic valuations in order to promote predictability, the New Zealand Institute of Economic Research has said. A paper released by the Institute last week indicated that natural assets included land in its natural state, rivers, lakes and marine foreshores, and the animals and plants that existed within them. The assessment also included tangible resources such as mineral deposits and intangibles such as clean air and clean water. Valuing such assets could come from direct commercial uses such as timber or tourism or non-commercial uses such as recreation, the Institute said. The Institute is a specialist consulting firm that uses economic research and analysis to give advice to private and public sector clients both in New Zealand and overseas. What was raised by the Institute was the call for more consistent approaches to valuing natural assets, which it says would help decision-makers increase the efficient use of natural resources. Techniques that the NZIER wants implemented include making economic-value estimates more consistent, more cost-effective to prepare, and make comparison of alternative uses of natural assets easier. The value of natural assets and the approach used to reach this value would also be improved, according to the NZIER's proposed approach.

Water

Auditor-General satisfied on consultation plan [23 May/ Radio New Zealand Rural] The proposed Ruataniwha Water Storage Scheme set to be constructed in the Hawke's Bay has satisfied the Auditor-General's Office and they have said that they will not be acting on complaints alleging a lack of consultation and conflicts of interest raised by public and commercial bodies. The Scheme is set to irrigate up to 25,000 hectares and 200 to 300 farms if the project is allowed to go ahead. Complaints made by a group of Hawke's Bay residents raised concerns about the lack of consultation by the Hawke's Bay Regional Council regarding the proposed dam, which would receive considerable funding from ratepayers. However, the Auditor-General's Office have said that they will not be looking any deeper into such complaints. The group, Transparency Hawke's Bay, raised concerns about potential conflicts of interest, stating that many of the same people in the Council are involved in the Council's investment company. This concern was addressed by the Auditor-General with them stating that such overlaps of people in organisations are common in local Government. The Office added that the Council had recognised this potential overlap and they said that the current board of the investment company was only a transitional one and was to be replaced in January of next year.

Dam attracts expressions of interest from 20 farmers [27 May/ Radio New Zealand Rural] The Hawke's Bay Regional Council has indicated that 20 farmers have signed expressions of interest to buy water from a proposed \$600 million water-storage dam in the Central Hawke's Bay area. Employment in the region is expected to be increased by 3.5% as a result of the Ruataniwha Irrigation Scheme in addition to an increase to local GDP of 4%. Farmer uptake is key to determining whether the dam is financially viable, the Council said.

Water will become a 'political issue' [27 May/ Business Day] Dr Matthew Henry and Associate Professor Christine Cheyne of Massey University's School of People, Environment and Planning have said that little thought is given to water until it runs out as evidenced in the recent national drought. Dr Henry said that water was often taken for granted, but the drought had put pressure on water supplies in several urban communities. He added that the security of supply for local authorities and the households they represent is becoming more of an issue as New Zealand's climate changes. He also said that while a Council or a community may have aspirations concerning water, they were often faced with financial restraints. Water management was governed through the Resource Management Act and the Local Government Act and Dr Henry said that the Government would soon be likely to legislate to allow Councils to use a joint approach to managing water.

Farmers and producers

Ballance becomes DWN prime sponsor [27 May/ Business Day] Ballance Agri-Nutrients is to become the new prime sponsor of the Dairy Women's Network from June 1. The fertiliser company's new partnership will increase the network's ability to provide more opportunities for dairying women to improve their skills and leadership. Liz Muller, Ballance General Manager Agro-Science and Marketing, said that in farm ownership and partnerships, women are involved in many of the key business decisions. Ballance's active role will be to help dairying women develop their leadership skills by supporting organisations such as the Dairy Women's Network, which is focused on developing female leaders. The company said that they want to see more women in influential roles contributing to the success and direction of the industry.

Economics and trade

TPP could revitalise Japan's agri sector: Study [22 May/ Rural News Group] A revitalisation of the Japanese agriculture sector could occur with an event such as Japan joining the Trans Pacific Partnership (TPP), according to research results released by the New Zealand Asia Institute, which is helped with funding from Fonterra. Professors Hugh Whittaker and Rob Scollay from the University of Auckland conducted the independent research with the pair investigating the potential implications of the TPP on the Japanese agriculture sector. This sector is currently considering a proposed free trade agreement between 12 countries including New Zealand. With Japan joining the negotiations earlier this year, Professor Scollay said that the Japanese agriculture sector faces a number of challenges including the current issue of uneconomic farms being operated in the country as well as the current increase in average farmer age and farm abandonment numbers. Mr Scollay said that the pair's research found that participation in TPP could actually be the trigger needed to revitalise and transform Japan's agriculture into a more vibrant and productive sector with long-term growth potential. Economic modelling also suggested that participation in the TPP could increase exposure to beneficial competition which could also help increase the productivity of Japanese agriculture. Fonterra funded the research because it wanted to ascertain from an independent source the potential impacts the TPP might have on the Japanese agriculture industry after previous opposition coming from the sector, Fonterra's Director Policy and Advocacy Sarah Paterson said.

Drought takes toll on trade balance [25 May/ New Zealand Herald] Last month saw the trade balance take an adverse turn as exports exceeded imports by only \$157 million, equivalent to 4 per cent of exports. However, market commentators have said that it is normal for April's trade flows to be in the black. The surpluses have averaged 10 per cent of exports over the previous five Aprils. Markets were disappointed with the surplus which was lower than forecasts by about \$500 million. The annual trade balance decreased to a deficit of \$694 million, \$179 million wider than in the year ended March. A decrease by 7 per cent in volume terms was seen by dairy exports. Dairy exports fell 18 per cent in March on a seasonally adjusted basis in both volume and dollar terms. ASB Economist Christina Leung said that the intensifying drought conditions seen over late February and March had led farmers to bring forward livestock slaughter and this led to a strong increase in meat export volumes in March this year. She said that this had proven to be a temporary spike with meat exports falling back to levels seen at the beginning of this year. It is expected that further decreases in meat export volumes will occur. Another main event in New Zealand's international trade spectrum this year has been in China overtaking Australia as New Zealand's largest export market. It is expected that forestry export volumes will hold up as New Zealand becomes the largest supplier of logs to China, Ms Leung said.

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International

Oxfam urges Kiwis to avoid Dole bananas [28 May/ New Zealand Herald] A new report has been released by the New Zealand arm of Oxfam which is urging New Zealanders to be wary of buying Dole bananas after it was revealed that the company's treatment of plantation workers is unethical. The report found that the world's largest fruit importer employs underage workers in its Philippines plantations, paying less than the minimum wage and forces them to work up to 12 hours a day. Oxfam is also calling for Dole to stop labelling its bananas as the "ethical choice". The findings raise serious concerns about Dole's claim to support ethical choices, stating that consumers need real information about the way in which the company's bananas are produced. Dole New Zealand said that they were still investigating the findings. Dole has lodged a trademark application for the label of being the "ethical choice", even two months after the Commerce Commission warned the company that the campaign could breach the Fair Trading Act.

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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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