

AGRIBUSINESS

# FIELD NOTES

Weekly news update from the KPMG Agribusiness network



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#### Organisations referenced in this week's Field Notes include:

Auckland Council	Fonterra Co-operative Group
AgResearch	Food Safety New Zealand
ATS Farm Supplies	Icebreaker
AVANZA	Landcare Research
Beef + Lamb New Zealand	Massey University
Customs New Zealand	Ministry for Primary Industries
Crown Irrigation Investments	Ravensdown Fertiliser Co-operative
DairyNZ	Rural Contractors New Zealand
Federated Farmers	Waikato University
Fonterra Co-operative Group	

#### This week's headlines

<b>Biosecurity</b>	<b>Guy says dairy farming sustainable despite relying on PKE</b> [28 June/ Radio New Zealand Rural]
<b>Dairy</b>	<b>Govt unveils sweeping infant formula probe</b> [27 June/ New Zealand Herald]
<b>Wool</b>	<b>Rob Fyfe steps up to Icebreaker chair</b> [1 July/ New Zealand Herald]
<b>Research and Development</b>	<b>Two new primary growth partnership projects approved</b> [27 June/ Radio New Zealand Rural]
<b>Farmers and producers</b>	<b>Houses gobble up city's most productive land</b> [28 June/ New Zealand Herald]

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### Agriculture education and development

**Agriculture begging for graduates** [29 June/ Business Day] Agriculture is New Zealand's most productive, innovative sector with higher than average entry level pay and strong opportunities to progress in New Zealand and internationally yet it struggles to attract students. The availability of skilled workers could restrict the sectors opportunity to realise its full potential. Only 68 of the 22,820 undergraduate degrees in 2011 were for agricultural science and 90 were for farm and agribusiness management compared to the 1,250 graduates a year that Dairy NZ estimate we need to keep the industry healthy and growing. Professor Jacqueline Rowarth of Waikato University is on a mission to make agriculture a more appealing choice for school leavers and argues those guiding young people need to focus much more on asking what type of life the student wants rather than what do they want to do. With international and urban equity flowing into the agriculture sector, the industry presents a varied range of opportunities on farm, in R&D, in food processing, logistics and the scope continues to grow. With salary, status, security and variety being identified by research as the top priorities for the workforce, Professor Rowarth should have an easy sell, particularly, as she encourages students to ask themselves what the world wants and align their careers to those requirements. This will help a job become a passion and people are more engaged in careers that they are passionate about and where they can see a future. Professor Rowarth is supporting reforms in the high school curriculum to include agriculture throughout national certificate science subjects to ensure it attracts the best and brightest at school level, as it is too late once people realise the salary gap in their fourth year at university. The Professor also suggests that young people may see the opportunity if the government subsidised the fees and offered scholarships for agricultural programmes, although she is not confident this will happen, without a ground swell of opinion.

### Biosecurity

**Guy says dairy farming sustainable despite relying on PKE** [28 June/ Radio New Zealand Rural] Despite the New Zealand dairy industry's increasing reliance and use of imported palm kernel expeller (PKE) as a supplementary feed, the Minister for Primary Industries Nathan Guy still believes the dairy industry is sustainable. New Zealand imported about 1.5 million tonnes of PKE last year, 15 times more than what was imported 10 years ago. The PKE is largely sourced from Malaysia and Indonesia and is the by-product from palm oil production. However, the industry has been associated with deforestation, biodiversity loss and questionable biosecurity practices. Mr Guy said that the Government is making changes to the import health standard and to containment facilities to keep pests out in response to these recent developments. He noted that New Zealand is primarily a pastoral based economy and palm kernel is a very important source of feed. He also said that if the feed had not been available during the recent drought that covered the country, then there would have been an increased proportion of animal welfare cases.

**Frenchman fined at border after stowaway snail found in boot** [28 June/ New Zealand Herald] A French traveller has been fined \$400 after they were found to be carrying a stowaway snail and were covered in goat excrement. The traveller arrived at Auckland Airport on a flight from Papua New Guinea earlier this month. He had said that he had scrubbed his boots with bleach, however, this was not the case. Ministry for Primary Industries Quarantine Inspector Paul Ruttlely said that the boots posed a high biosecurity risk to New Zealand. He said that as the boots had come from a farm, they could have been carrying diseases with the potential to have a devastating impact on New Zealand's farming industries.

### Dairy

**Willy Leferink: NZ must fight for its dairy reputation** [25 June/ New Zealand Herald] In an opinion piece, Willy Leferink, the Dairy Chairperson for Federated Farmers, highlights that reputation is being held up as one of the most important considerations to Chinese customers across many business lines. Dairy is no exception. The Ministry for Primary Industries (MPI) and Customs New Zealand are moving to register all dairy exporters no matter their scale of operations. Many market commentators are viewing these moves by the MPI and Customs as an action that was well overdue, however it is still a positive step in the right direction. Research undertaken in Asia, commissioned by Fonterra, found that 72 per cent of the 9000 people surveyed saw dairy as an important part of a balanced diet. Although less than half actually consume dairy on a daily basis, it is still considered to be an important product by both export numbers and consumer preferences in many Asian countries. Reputation, trust, quality and safety all are important factors that count with consumers in Asia. It has also been highlighted that the market pays a premium for products that can verify these credentials.

**Govt unveils sweeping infant formula probe** [27 June/ New Zealand Herald] A wide-ranging plan has been announced by the Government which is aimed at strengthening and protecting the country's food assurance systems. This comes as the Government attempts to keep up with the rapidly growing infant formula export industry. This rapid growth has been witnessed in the wake of the 2008 Chinese melamine scandal as demand for imported brands increased dramatically in China. Approximately \$600 million worth of product was exported from New Zealand last year. The Ministry for Primary Industries has announced a brand register for infant formula manufactured in New Zealand earlier this month. Food Safety Minister Nikki Kaye said that the change was aimed at enhancing consumer confidence and ensuring the integrity of New Zealand branded products in the Chinese market. She also said that the Government announcement will help to ensure food safety, quality and product integrity is maintained in this multi-million dollar industry.

**Farmer levy raises mooted for new strategy** [2 July/ Business Day] The decision on whether or not to raise the farmer levy to help fund a new strategy that will guide future investments and industry activities in the dairy sector until 2020 is yet to be concluded on by DairyNZ. The new industry strategy is to be launched on July 9 and will influence how DairyNZ invests its levy as well as the Government funding it receives, DairyNZ Chief Executive Tim Mackle said. Mr Mackle said that the strategy would influence the organisation's board and how they invest their farmers levy. He added that it would also be useful in determining how the Government's money is leveraged as well. All dairy farmers who produce milk from cows that is supplied to a dairy company currently pay a levy to DairyNZ of 3.6 cents per kg MS produced. To supplement this, DairyNZ also receives money through Government funding. The next levy vote for farmers is set to be pursued in May 2014.

### Water

**Crown irrigation investment company set up** [2 July/ Rural News Group] Crown Irrigation Investments, the Government's irrigation investment company, has been set up successfully, Primary Industries Minister Nathan Guy has said. He said that the company will act as a bridging investor for regional water infrastructure projects, helping kick-start projects that would not otherwise get off the ground. Mr Guy said that the Government has set aside \$80 million in the 2013 Budget for such projects. The board is to be chaired by Alison Paterson, with members Don Huse as Deputy Chairman, Debbie Birch, Lindsay Crossen, Chris Kelly, Graeme Sutton, and Michael Webb. Mr Guy highlighted the fact that a large need existed for better water storage after issue were observed during the recent drought that hit New Zealand. He said that there existed the opportunity for 420,000 hectares of land to be irrigated and available for a variety of use over time.

### Horticulture

**Hope for price stability in avocado industry** [26 June/ Radio New Zealand Rural] The AVANZA export association has highlighted that the biennial nature of avocado trees makes managing supply and marketing of avocado crops a real challenge. However, spokesperson for the organisation Steve Trickett said that a surge in planting new avocado orchards in the north Island will lead to a more steady supply of fruit, and a crop that is more easily marketed in years to come. He also said that there are particularly large plantings in the Bay of Plenty area which should be noted and production in this area should stabilise year to year fluctuations as the far north production comes online. Mr Trickett also emphasised the frustrating situation that exists with the complete lack of access that exists to Chinese markets for avocado exports.

### Food safety

**Strengthening NZ's food assurance systems** [27 June/ Rural News Group] A working plan to further protect and strengthen confidence in New Zealand's food assurance systems has been confirmed by Food Safety Minister Nikki Kaye. The plan will be designed to match the rapid grow in infant formula exports. Ms Kaye has asked the Ministry for Primary Industries (MPI) to audit New Zealand's existing regulatory regime in order to identify areas for improvement, check that New Zealand's Overseas Market Access Requirements keep up to date with on-going changes in China's infant formula regulatory framework, and to investigate mechanisms to better collaborate and communicate with markets in Asia, particularly in China. Ms Kaye highlighted the fact that exports are estimated at about \$600 million a year with approximately \$170 million going to China annually. The food sector accounts for 54 per cent of total export values.

### Wool

**Rob Fyfe steps up to Icebreaker chair** [1 July/ New Zealand Herald] Former Air New Zealand CEO Rob Fyfe is stepping up his involvement with Icebreaker as he becomes the clothing brand's executive chairman later this year. Mr Fyfe holds a small stake in the firm and has been on the board of the company for 12 months. The role will be taken up in September this year and will include management responsibilities as well as involvement in the strategic input that is inherent within the board. Mr Fyfe said that the company has a large growth potential as well as being one of New Zealand's global business success stories. The company has 400 staff around the world and stores across Australasia, Europe and North America.

### Red meat

**Tougher demands after horse-meat scandal** [28 June/ Business Day] International food retailers are imposing stricter requirements on suppliers in light of the horsemeat scandal in Europe according to Professor David Hughes, a marketing specialist from Imperial College in London. Professor Hughes recognises that New Zealand has a strong understanding of the responsibilities of managing international supply chains for high value food but noted that customers trust in the food we producer is its most precious and fragile asset. He highlighted that Findus, a US\$2 billion company, was not expected to recover from the horsemeat scandal while Tesco executives had been left to make a public apology and the company has changed the way it is dealing with suppliers to ensure the accuracy of labelling, shortening supply chains and rebuilding trust. The shorter supply chain should not be a concern to New Zealand companies, as many deal direct with the supermarkets, but they would be expected to conform to greater demands around the way food is produced and managed. Professor Hughes added that big business was increasingly concerned about ethical food production, the provenance of the food and its story, noting that consumers expect sustainable, green products rather than being willing to pay more for them.

### Rural infrastructure

**ATS and Ravensdown launch card** [28 June/ Rural News Group] A joint venture between farm supplies firm ATS and fertiliser cooperative Ravensdown has been formed in order to provide a nationwide charge card service. The venture has been named Ruralco and ATS Chief Executive Neal Shaw said that the goal of the venture would be to utilise the company's expertise in card services and Ravensdown's customer base. He added that the company would go the extra mile to work with small local businesses. Another key difference with CRT Farmlands' card service is that only bonafide farmers, not urban or lifestyle block holders, will be eligible for a Ruralco card, Mr Shaw said. He highlighted the card as providing a 'no-frills' approach for real farmers with no gimmicks or point system.

**New president for RCNZ** [1 July/ Rural News Group] Steve Levet has been named as Rural Contractors New Zealand's (RCNZ) new President. The organisation is the only national group of its type for rural contractors. The Wellsford-based agricultural contractor was elected President of the association at its annual conference, held in Cromwell last month. Mr Levet will replace John Hughes who stood down after four years in the role. Southland's David Kean was elected Vice President. Mr Levet said that he was looking forward to collaborating and working with Mr Kean and the new national board. The organisation helps give a voice to 2500 to 3000 workers who exist in the rural contracting sector.

### Research and development

**Two new primary growth partnership projects approved** [27 June/ Radio New Zealand Rural] Funding has been approved for two more primary growth partnership programmes, the biggest of which involves a \$10 million project aimed at improving hill and high country farm production. Utilising remote sensors which will analyse soil fertility, Ravensdown Fertiliser Cooperative is providing half of the overall funding for the seven year project. The company has said that improving hill country productivity and reducing nutrient runoff could generate \$120 million a year in economic benefits by 2030. Ravensdown has recruited AgResearch and Massey University's Precision Agriculture Group to undertake the research. A \$3.5 million project is also receiving funding from the Government for approximately half of the money, which aims to develop new dairy health products and give a boost to Maori agribusiness. The three year Whai Hua programme also involves AgResearch in a partnership with Wairarapa Moana Incorporation and is set to develop natural probiotic dairy products targeting health-conscious consumers in New Zealand and in Asia.

### Economics and Trade

**New trade envoy looks to TPP** [1 July/ Radio New Zealand Rural] New Zealand's new special agricultural trade envoy has placed the Trans-Pacific Partnership negotiations as one of their foremost priorities. Mike Petersen, Beef + Lamb New Zealand chairman and a central Hawke's Bay farmer, will take over the role next week from Alistair Polson who has been in the role since 2005. Mr Petersen said that working with farmer groups from other countries involved in the TPP negotiations will be a key part of getting a good outcome for agricultural trade. He also highlighted the fact that with Japan entering the talks, large opportunities will be created from the country's presence. He added that he will be stepping down as chair of Beef + Lamb New Zealand in March next year when his term ends.

### Farmers and producers

**Houses gobble up city's most productive land** [28 June/ New Zealand Herald] Approximately 4 per cent of Auckland's most fertile rural land has been lost over the past two decades as the increasing population places pressure on the city's housing supply. High-class agricultural land at Henderson, Massey, Greenhithe, Albany, Takanini, Weymouth and Papakura has been lost to urban sprawl, according to Landcare Research. Precisely 4.1 per cent of the available high-class land was lost to urbanisation and 35 per cent to lifestyle blocks. The Auckland Council has been cautioned by Landcare Research when it comes to opening up more rural land for housing as the company stresses the point that not all rural land is equal. They highlighted the fact that certain parts of rural areas had more valuable, fertile soils such as Pukekohe. John Dymond and Robbie Andrew, Landcare Researchers said that the urbanisation of agricultural land was essentially an irreversible process. The Auckland Council's Land and Soil Scientist Dr Fiona Curran-Cournane said that spatial analysis showed that about 10,400 hectares of elite and prime land had been lost to urbanisation between 1996 and 2010. She also supported Landcare's observation that some of the best, most productive soils in New Zealand are located in South Auckland. She said that the area supports a significant proportion of New Zealand's outdoor vegetable production. Federated Farmers Chief Executive Conor English has said that Auckland needed to stop consuming productive land and subdue the urban sprawl that has continued to occur over the past 30 years. He said that instead of spreading all the way to Taumarunui, Auckland needed less traffic congestion, more public transport, better utilisation of resources, and more integrated and diverse communities.

**Winter storms send farm feed prices soaring** [1 July/ Radio New Zealand Rural] The storms that recently delivered heavy snow to much of the South Island and left some areas under water have sent supplementary feed prices soaring. More wild winter weather could prove to be an issue for Southern farmers where feed shortages are already causing issues. Otago Federated Farmers president Stephen Korteweg said that farmers in the South did not go into winter with big surpluses of hay or straw. Many South Island farmers have already reportedly used up their winter feed as crops and pastures have become inaccessible. Mr Korteweg said that if the winter pans out to be around previous averages then farming will be tight, however, more severe conditions could result in critical feed conditions.

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