

AGRIBUSINESS

# FIELD NOTES

Weekly news update from the KPMG Agribusiness network



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31 July 2013

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

Alliance Group	Ministry for Primary Industries
Anzco Cooperative	National Citrus Growers' Association
Ballance Agri-Nutrients	New Zealand Green Party
Comvita Health Products	New Zealand Wine Growers' Association
Citrus Growers' Incorporated	NIWA Meteorological Service
Derma Sciences	Orange & Tangelo Group New Zealand
E.I. du Pont de Nemours & Co.	PGG Wrightson
Federated Farmers	Primary Growth Partnership
Fonterra Cooperative	Rabobank New Zealand
Horticulture New Zealand	Ravensdown
Independent Kiwifruit Growers' Association	University of Otago
Livestock Improvement Company	Westland Milk
Massey University	Westpac Bank
Midlands Seeds	

#### This week's headlines

<b>Viticulture</b>	<b>Chile, Australia join NZ in bumper wine harvest</b> [25 July/ Radio New Zealand Rural]
<b>Forestry</b>	<b>Boost for 'stump to pump'</b> [25 July/ Rural News Group]
<b>Red meat</b>	<b>New chairman for Alliance Group</b> [26 July/ Media Release]
<b>Environment and emissions</b>	<b>Drought worst in nearly 70 years</b> [25 July/ Business Day]
<b>Research and development</b>	<b>Food innovation HQ launched in Palmerston North</b> [30 July/ Radio New Zealand Rural]
<b>Biosecurity</b>	<b>Insects and geckos found in palm kernel imports</b> [30 July/ Radio New Zealand Rural]
<b>KPMG Perspective</b>	<b>Our Coming Food Crisis</b> [21 July/ The New York Times]

### KPMG Perspectives

To build on the KPMG Agribusiness Agenda publications, we intend to use Field Notes and our [www.fieldnotes.co.nz](http://www.fieldnotes.co.nz) web portal to provide perspectives on some of the stories that catch our attention in preparing this weekly newsletter. This week, a story from the New York Times, "**Our Coming Food Crisis**" (in the International section) raised some issues that reinforced the key Agenda theme around the need for well considered regulation and importance of looking for whole of community solutions to issues the sector faces:

While New Zealand is not currently experiencing a record heat wave, this New York Times story caught my attention as the message at its core is relevant to any farming system around the world. It highlighted that innovation must be a constant within the industry and in particular the need to be aware that regulation designed to fit the status quo does not stifle necessary development.

A recurring theme from the Roundtables we held in preparing the Agenda was the impact that weak regulation was having on investment and innovation in the sector. Inadequate and inconsistent regulation across the country is already impacting the industry today, but much of this regulation that lacks the depth of analysis to understand the impact it will have if the weather, or some other variable, differs significantly from the norm. It has the potential to cause much deeper problems in the future unless it is guided by well analysed and considered National Policy Statements.

The last year has demonstrated that we are as prone to severe weather volatility as any country, and consequently there is a need for us to build greater flexibility into systems. We need to be aware that doing something the same way it has always been done may not be the best or most cost effective approach for a future which will likely see further volatility. It may be time, as Mr Nabhan notes, to reconsider solutions discarded in the past as they may offer solutions for the future. It is also important to retain a wide perspective to the challenges we face as there may be smart, opportunities and profitable opportunities from taking a whole of community approach to an issue, rather than trying to find a solution from solely within the industry.

### FDA - Foreign supplier verification programs for importers of food

The United States Food and Drug Administration (FDA) has released a proposed rule that would create foreign supplier verification programs (FSVPs) for importers of food for humans and animals.

The FDA proposed regulations would require importers to determine that food imported into the United States:

- Is produced in compliance with processes and procedures, including reasonably appropriate risk-based preventive controls, that provide the same level of public health protection as those required under the hazard analysis and risk-based preventive controls and standards for produce safety sections of the *Federal Food, Drug, and Cosmetic Act*
- Is not adulterated
- Is not misbranded with respect to food allergen labelling

There are some certain types of foods that are exempt from the proposed FSVP requirements, being:

- certain juice, fish, and fishery products (which are already subject to verification under FDA's HACCP regulations);
- food for personal consumption;
- alcoholic beverages;
- food that is transhipped;
- food that is imported for re-export; and
- food for research or evaluation.

There are also reduced verification requirements that apply in the following scenarios:

- Imports by very small importers (annual food sales of US\$500k or less)
- Imports from a very small supplier (annual food sales of US\$500k or less)
- The foreign supplier is in a country with an officially recognised or equivalent food safety system as the United States

Below is a link to the full text of the proposed rules. Diagram 1 on page 8 of the full text has a useful summary in determining whether the proposed rules apply to you as a food importer. Diagram 2 on pages 12 and 13 outlines the compliance requirements for importers subject to the proposed rules. [http://www.ofr.gov/OFRUpload/OFRData/2013-17993\\_PI.pdf](http://www.ofr.gov/OFRUpload/OFRData/2013-17993_PI.pdf)

### Horticulture

**Immature oranges leaving a sour taste for consumers** [25 July/ Radio New Zealand Rural] Some New Zealand citrus growers and marketers have been sending immature navel oranges to market. This has resulted in the National Citrus Growers' body responding to the substandard fruit. Orange & Tangelo Group Chairman David Ingoe said that it was disappointing the fruit was being distributed and warned that consumers would not be back for more in they bought poor-tasting fruit. Brix acid ratio testing on navel oranges sourced from the Hawke's Bay indicated that they were below the industry standards. Citrus Growers Incorporated Chairman Rick Curtis said that it was a seasonal issue for the industry and that variability among fruit lines was common. Mr Curtis agreed that more in-depth testing was required on the fruit before they were allowed into the market.

**Resource management cases consume 1/3 of Hort. NZ's income** [30 July/ Radio New Zealand Rural] A third of Horticulture New Zealand's levy income is spent on fighting Council Resource Management issues that threaten the livelihoods of growers, a spokesperson for the organisation has said. Andrew Fenton is the group's outgoing president and he said that currently more than 40 cases are being fought with local Councils. He said that approximately \$750,000 is spent to work on such issues every year.

**Call to push careers in horticulture** [30 July/ Business Day] Horticulture and agricultural careers offer good options to many, however too few students are taking the career path, Massey University Lecturer Dr Nick Roskrug has said. Dr Roskrug said that the University had eight post-graduate horticultural students however only two of them were from New Zealand. He highlighted the fact that many good job opportunities exist for under-graduates in the areas. He said that technical jobs that existed in the kiwifruit industry and other large horticultural operations were favoured by many graduates. Dr Roskrug said banks, fertiliser companies, and chemical suppliers also wanted graduates. He emphasised the importance of New Zealand's primary industry and how further study related to careers in these areas were important.

### Viticulture

**Cheers to a bumper year of wine** [24 July/ New Zealand Herald] New Zealand winegrowers have achieved a new production record for the 2013 season at 345,000 tonnes. An increase of 28.5 per cent was recorded for the season on the very short 2012 crop. The crop was 5 per cent higher than the previous record set in 2011, according to the latest issue of Rabobank's *Wine Quarterly*. New Zealand Winegrowers Chief Executive Philip Gregan said that the summer was terrible for pastoralists but excellent for winegrowers. Mr Gregan said that demand from overseas would determine pricing and he also said that wine prices had increased over the past 12 months. New Zealand wine export volumes declined by 8 per cent in the first four months of the year as exporters waited for larger volumes from the 2013 vintage to become ready for production.

**Chile, Australia join NZ in bumper wine harvest** [25 July/ Radio New Zealand Rural] Competition with above average crops from other Southern Hemisphere wine producers is set to provide challenges for the New Zealand wine industry. Rabobank's quarterly wine report highlights that this year's New Zealand vineyard harvest is 28 per cent above last year's small crop, and also 5 per cent more than the previous year's record. However, as bank Senior Analyst Marc Soccio pointed out, the results coincided with big harvests in Chile and Australia as well. He said that there will be more wine to sell and increased competition. He also said that the New Zealand wine industry was on a stronger footing to deal with additional supply as a result from the bumper harvest, which should result in positive use of the excess stock. New Zealand 2013 Sauvignon Blanc had already started to be exported.

### Honey

**Deal with US firm rewarding, Comvita says** [25 July/ Business Day] Natural health and beauty products company Comvita and Nasdaq-listed Derma Sciences are realising the benefits of their licensing deal, Chairman Neil Craig, told Comvita's AGM. Comvita acquired a 5 per cent stake in the American company after licensing deals in early 2006 and 2009, which allowed Derma Sciences exclusive worldwide rights to manufacture and sell its range of Medihoney woundcare and skincare products to the professional and medical markets. Derma's Medihoney sales are now US\$15 million (\$19 million) a year from which Comvita receives a royalty stream of about \$1.2 million a year. A second capital payment of US\$1 million has also been received by Comvita which was based on Medihoney sales reaching the targets agreed in the licensing deal. Comvita reported a reduced net profit after tax of \$7.4 million in May, which was down from \$8.2 million recorded in the previous year, for the financial year ending March 31. The company reported these results as being primarily attributable to constrained honey supply and costs for honey rising 50 per cent year on year. It was noted a key strategy for the coming year is to continue to shore up its honey supply.

**Bee numbers up as threat lessens** [26 July/ Business Day] Despite the varroa mite disease having negative effects on bees in New Zealand, commercial bee numbers have increased. The increase has been attributed to hive treatments that have allowed many bees to withstand the disease's spread in recent years. Approximately 7 per cent more registered beehives have been recorded from last year, bringing the number up to 450,000. An increased number of beekeepers have also been recorded in New Zealand. Federated Farmers North Canterbury Chairman Barry Hantz said that good prices for manuka honey had encouraged beekeepers to construct more hives especially in the North Island. Favourable prices that are being obtained for manuka honey has encouraged more people to enter the industry. Midlands Seed is a carrot seed grower and is among beekeepers increasing hive numbers in order to help pollinate crops. A spokesman for the organisation said that beekeepers entering the industry needed to do much research about hive health in order to help prevent the spread and contamination posed by the varroa disease.

### Forestry

**Boost for 'stump to pump'** [25 July/ Rural News Group] Government research assistance is set to be given to a project exploring energy conversion processes from forestry waste. The Primary Growth Partnership (PGP) will support 14 month 'Stump to Pump' programme that has been approved by the Ministry for Primary Industries. MPI has approved co-funding of \$6.75 million. Stump to Pump partners Norske Skog and Z Energy will match funding of \$6.75 million which will bring the project's total funding to \$13.5 million. The programme is set to study the feasibility, including the cost-effectiveness, of making biofuel from forestry waste and will help to determine the commercial viability of establishing a modular test plant to process New Zealand forest waste into sustainable transport fuel. Minister for Primary Industries Nathan Guy said that the project has obvious sustainability and environmental benefits.



### Fishing and aquaculture

**Foreign fishing charter rules amended** [26 July/ Business Day] An amendment has been made to a bill designed to end human rights abuses aboard boats fishing in New Zealand waters. The bill will allow Japanese boats to chase an endangered fish with the new changes proposed. Most of the blue fin tuna which is fished by many New Zealand boats is sold to Japan and the changes will mean that the Japanese will be allowed to catch fish in NZ waters without having to reflag the boats. Japanese boats have cheaper labour rates and tariff advantages with the amended bill set to allow them to retain these. The low changes around foreign flagged vessels were introduced after revelations of human rights and labour abuse was revealed aboard foreign charter boats fishing in New Zealand's exclusive economic zone. It will require all foreign boats operating in New Zealand waters to be reflagged to New Zealand by 2016.

### Dairy

**Fonterra to miss forecast** [26 July/ New Zealand Herald] A 21c drop in the unit price of the Fonterra Shareholders' Fund was recorded last week soon after the cooperative signalled that its earnings would fall slightly short of prospectus forecasts in the current year. From Wednesday's close last week, units were trading at \$7.20, down from 28c from Wednesday's close before eventually closing at \$7.27. Reshaping of the cooperative's Australian business as well as extended impacts from the drought meant that forecast normalised earnings before interest and tax was likely to be around \$1 billion which was below the prospectus' forecast of \$1.08 billion. Chief Executive, Theo Spierings, said that the drought had contributed to a 64 per cent increase in whole milk powder prices on the GlobalDairyTrade Auctions since early 2013, having a temporary, but significant, negative impact on margins for consumer products.

**Westpac upgrades Fonterra milk price forecast** [26 July/ New Zealand Herald] Westpac Bank has upgraded its Fonterra milk price forecast to \$7.40 per kilogram of milk solids for the 2013-2014 season. The upgrade lifts the result up 90 cents from the Bank's previous forecast. The movement has been attributed to a combination of a weaker New Zealand dollar in addition to a persistently strong global commodity prices. Westpac Economist Nathan Penny said that the forecast could rise even higher over the next few months. He said that the Bank predicts a rebound in production from the drought of around 5 per cent on last year's level. Fonterra has signalled growth of approximately 2 per cent.

### Red Meat

**Lambing season will be a beauty: Farmers** [25 July/ Hawke's Bay Today] Although the drought will reduce lamb numbers this September, this year's lambing season is set to be excellent. Rabobank New Zealand Chief Executive Ben Russell said that farmers were relieved that the major difficulties of the past 12 months were behind them and felt that conditions could only improve. Taranaki sheep farmer Grant Massie said that his stock was in good order and that he expected half of his stock to have twins. He added that his stock was showing no effect of the recent very dry summer. He said that lamb pricing for next year also looked very positive so he hoped that farmers would be able to capitalise and benefits from this.

**Kiwi meat in Oliver's kitchen** [26 July/ Business Day] Meat supplied by New Zealand Southland farmers will be served at Jamie Oliver's new Italian restaurant in Russia. The announcement comes after leading meat exporter Alliance Group was chosen as the restaurant's sole supplier of lamb last month. The restaurant, set to be located in St Petersburg will receive regular shipments of Pure South-branded racks, hind shanks, and legs sourced from Alliance Group suppliers from Southland as well as throughout New Zealand later in 2013. Murray Brown, Alliance Group Marketing General Manager, said that Jamie Oliver had built a strong global brand for himself and that Russia promised to provide significant opportunities for growth. He also said that expectations were that Jamie Oliver would open up other Italian restaurants in Europe that would also provide further sales for New Zealand meat.

**New chairman for Alliance Group** [26 July/ Media Release] Alliance Group Limited has appointed Murray Taggart as Chairman effective from the 1 October this year. Outgoing Chairman Owen Poole announced at a shareholder meeting of the company in 2012 that it was his intention to retire in 2013. Mr Taggart was a farmer-elected Director from 2002 to 2007 and was re-elected to the board in 2010. The board of Alliance Group comprises of nine directors, six elected by farmer shareholders and three independent directors appointed for the commercial skills they bring to the board. Mr Poole was the Chief Executive of Alliance Group from 1995 to 2005 and was appointed to the board as an independent Director in 2008. Since his appointment to the board, Mr Poole has been Chairman.

### Rural infrastructure

**LIC dividend payout a record** [25 July/ Business Day] Farmer-shareholders of the Livestock Improvement (LIC) company are to be paid a record dividend of \$16.75 million for the 2013-2013 year. \$13.6 million was paid in 2011 and \$11.9 million in 2012. Improved sales was largely contributing to the increase in profit, although the result also benefited from fair value adjustments on elite biological assets, Chairman Murray King said. Cashflows for the year generated \$25.8 million of cash, compared with \$27.7 million in 2011/2012. Mr King said that while the drought provided challenges to many agribusiness companies, demand for LIC's services was strong, particularly in their artificial breeding area.

**Fertiliser price cut aids dairy** [29 July/ Business Day] Ravensdown fertiliser cooperative has been the first to issue its new price list, this week. The price of urea was lowered by the cooperative by \$55 a tonne to \$660 per tonne and diammonium phosphate (DAP) was reduced by the same amount to \$865 per tonne. DAP is a fertiliser mix applied particularly in spring for arable and horticulture crop growing and for feed crops such as brassicas, while urea is a major fertiliser for dairy pastures. A 15 per cent reduction has been recorded in urea prices since December last year. Ballance Agri-Nutrients reduced the price of six of its products on Tuesday of this week, including a \$75 drop in urea prices to \$640 per tonne and \$70 to \$850 per tonne for DAP and \$13 to \$335 per tonne for superphosphates. Ballance Chief Executive Larry Bilodeau said that the lower prices would aid farmers in planning ahead with confidence. He added that although the volatility that existed in the current market was here to stay, signs pointed to international fertiliser prices holding at lower levels in the medium term. He also highlighted farmer confidence as returning at a subdued pace which resulted in demand coming back online.

### Environment and emissions

**Drought worst in nearly 70 years** [25 July/ Business Day] New Zealand's recent drought that covered much of the country has been confirmed as the worst seen in nearly 70 years. The unusually widespread dry conditions were noted by many commentators, drawing similarities to that of the 1945-46 drought. An assessment prepared by Niwa for the Ministry for Primary Industries highlighted the importance of comparing the drought to those witnessed in previous years especially from soil water content comparison. The duration and intensity of the latest drought could be compared with historically similar events by a calculation called the evapotranspiration deficit (PED). PED could be thought of as the amount of water needed to be added as irrigation in order to keep pastures growing at optimum levels. Results indicated that for much of southern Northland, Auckland, Bay of Plenty, Gisborne, Hawke's Bay, and West Coast, the July 2012-May 2013 PED accumulation was the largest in the 41 year VCSN record. It also highlighted how high pressure centres over New Zealand during summer months were increasing in recent years and is a trend that is expected to continue.

**2013 drought was worst since 1945 - study** [25 July/ New Zealand Herald] It has been 70 years since New Zealand had seen anything slightly similar to the drought that recently covered the country. The Ministry for Primary Industries (MPI) commissioned a comparative study undertaken by Niwa which highlighted its intensity as making it one of the worst droughts since that of 1945-46. Only the 1972-73 drought in Wairarapa, Tasman, Otago and Southland came close to the recent event in terms of geographical spread. Virtual climate station network data was analysed by Niwa researchers, dating back to 1972, as well as longer-term station records dating back to the early 1940s. Niwa principal scientist Brett Mullan said the data from last July to May this year indicated the worst results since 1972 for more than one third of the North Island.

**Westland holds off signing accord** [25 July/ Agri HQ News Group] Westland Milk Products is delaying signing the Sustainable Dairying Water Accord as the cooperative works through final catchment rules. Chairman Mat O'Regan said that the company measures rainfall in metres rather than millimetres and that the accord appears to be more closely suited for lower-rainfall areas. He also said that the company had an environmental code that he would be happy to have compared with other regions. Other differences to the Sustainable Water Accord were identified by Mr O'Regan as region-reach. He said that Westland differed from other regions by having a small farming reach over a big area. The cooperatives home supply base reached over a road line of 470km and was bigger than Waikato but dairying took up only 2 per cent of that area.

**Judge warns farmers over 'One Plan'** [30 July/ Business Day] The Environment Court's rulings on the Horizons One Plan's to control nitrogen from leaching into waterways has been met with appeals from multiple farmer bodies. Justice Stephen Kos made it clear in the High Court in Wellington yesterday that the appeal could only cover questions of law and that generalised condemnation for the idea should not be used as a reason for appealing. The Environment Court ruled that, under the Horizons Regional Council's One Plan, the measurement of nitrogen leaching would be by a scheme that used the computer programme Overseer to model leaching on a range of land classes. HortNZ lawyer Helen Atkins told the judge that the Environment Court was wrong in law to include commercial vegetable growing due to the Overseer programme not being reliable enough and that results were based on pastoral farming only. She highlighted the requirement for a different programme to be used and that the Court had not taken account of the Government's National Policy Statement on freshwater management. She has asked the High Court to refer this back to the Environment Court for reconsideration. Many of HortNZ's submissions were agreed on by Federated Farmers, the organisation's lawyer Richard Gardiner said.

### Research and development

**Food innovation HQ launched in Palmerston North** [30 July/ Radio New Zealand Rural] The Food Innovation New Zealand partnership formed four years ago has had its latest step launched at Massey University. Food HQ plans to invest \$250 million over 20 years in order to develop the country's first food-orientated campus in Palmerston North. Six partners are involved in the project and include two research institutes, Fonterra Cooperative Group, the Riddet Institute at Massey, and the Bio Commerce Centre supported by two local Councils. Food HQ's Project Manager, Mark Ward said that the proposal will help foster new collaborative research and development. High value food innovation is expected to be a result of the project.

### Water

**Efficiency vital to raising farm profits** [26 July/ Business Day] Environmental conditions surrounding irrigation funding are due to tighten market commentators have said. Canterbury farmers will need to develop more innovative ways to make their inter-generational investment in new irrigation projects feasible, BNZ Rural Water Infrastructure Manager Guy Ensor has said. Approximately \$2 billion has been invested in Mid-Canterbury projects in the last 15 years, with this amount set to increase into the future. Mr Ensor has also highlighted the requirement by many farmers to weigh up if investing in more irrigation would be financially worthwhile. He indicated that water reliability would be critical for farmers under the Canterbury Land and Water Plan in order for many to have the opportunity to irrigate less and more often so that this could be matched with the moisture holding capacity of soils.

**Traces of abandoned pesticide found in waterways** [29 July/ Radio New Zealand Rural] The University of Otago has undertaken research that has found traces of long-abandoned pesticides in waterways on New Zealand farms. Organic farms have not been found to be exempt from the findings either. Researcher Pourya Shahpoury looked at five sites across the east coast of the South Island and at each site took sediment samples from a stream. Samples were also taken from a conventional farm as well as an integrated and an organic farm. The results showed that although the overall quality of the streams investigated was good, some of the individual samples exceeded the toxicity thresholds.

**Strong backing for CPW share structure** [30 July/ Agri HQ News Group] Strong backing has been received by Central Plains Water from farmers attending a recent meeting consider with the share structure and construction approvals necessary for first stage construction to commence. The meeting resulted in unanimous votes being received for construction to proceed on an irrigation scheme planned for early 2014. CPW is now to prepare a prospectus to raise the shareholder equity to build the 20,000 hectare Stage 1 of the scheme. Further discussions are planned to be held next month.

## Biosecurity

**Insects and geckos found in palm kernel imports** [30 July/ Radio New Zealand Rural] Insects and geckos posing a threat to New Zealand's biosecurity have been found in shipments of palm kernel over the past several months. The Ministry for Primary Industries has released a list of insects and other wildlife found in the imported PKE shipments. Various beetles, soldier flies and Asia's household geckos were amongst those named. The Ministry said that some of the flies and the gecko found were regulated pests in New Zealand.

## International

**Our Coming Food Crisis** [21 July/ The New York Times] Near record temperatures being recorded across the western USA is posing a threat to a cornerstone of the American food supply. The 17 western states contribute roughly 40% of US net farm income from cattle and sheep, horticulture and arable production. The heat wave is diminishing the quality and quantity of production, for instance Idaho potato yields are falling as heat stressed plants are not developing their normal number of tubers. The heat also increases the demand for water which is already diminished following years of drought. It is likely that food prices, particularly for animal based proteins, will increase. The traditional response (crop insurance payouts) only provides a temporary response to a long term problem. The commentator, Gary Paul Nabhan, argues we need longer term solutions, an example being the use of locally produced compost to increase the water retention capacity of soil with cities being a huge potential source of green compost waste (rather than it being directed to landfill). He argues that the restrictions on harvesting rain and grey water should be lifted to give farmers flexibility to innovate with their use of water. The suggestion is made that government initiatives should be directed towards encouraging farmers to adopt perennial crops and pastures rather than focusing on subsidising annual biofuel crops. Concern is expressed that funding is being cut for federal plant material centres, which will help the most damaged regions of the US recover from the climate challenges of recent years. Funding should also be directed to evaluating seed cultivars for drought and heat tolerance, including re-examining the heirloom vegetables and heritage grains already in seed collections. Mr Nabhan concludes that adapting to a changing climate will be far more cost effective than doling out crop insurance payments year after year.

**DuPont to get out of paints, focus on agriculture** [23 July/ The Globe and Mail] E.I. du Pont de Nemours & Co. has said that they will sell their chemicals business in order to focus their efforts on growth in agriculture and nutrition. The move comes as the company moves away from their traditional business model in chemicals and towards meeting the nutritional and agricultural demands that are resulting from an expanding global population. The highest level recorded for the company's shares were reached last week, at above \$US60 with the stock settling at \$US57.12 a share. DuPont Chief Executive Ellen Kullman said told investors that the company faced volatility and low growth from the cyclical chemical market. DuPont reported sales of performance chemicals down 9 per cent in the second quarter compared to last year. Volumes increased 12 per cent. In contrast, the agricultural arm of the company saw a 7 per cent increase in sales in the second quarter ended June 30. This was primarily attributable to increased seed prices, the company reported.

**China question divides wheat bulls and bears** [24 July/ The Financial Times] Forecasts for Chinese wheat imports are being doubled by the US Department of Agriculture for the 2013-2014 crop year from 3.5 million tonnes to 8 million tonnes. This is the highest estimate since 1995-1996. China has accumulated wheat reserves over recent years, buying them from the US, Australia, and Canada. This has led traders and analysts to worry about the seemingly no-effect the action has had on wheat prices. Traders have said that rains have damaged some crops, however the overall quality of the wheat has not been affected, leading to rising demand in quality milling wheat used for food. China has bought about 4.5 million tonnes of wheat so far however this figure is not likely to increase much more, a leading trader has said. Most of China's leading wheat-producing provinces have had a good harvest, the UN Food and Agricultural Organisation has said.

## Economics and Trade

**Dollar dominates for agribusiness** [25 July/ New Zealand Herald] Primary Industry sector leaders are increasingly concerned about the effect of the high and volatile New Zealand dollar on exports. Forty per cent of those surveyed in a recent Boardroom survey classed the dollar as the biggest domestic economic headwind faced by their industries. This was said to be followed by wage increases, insurance costs and regulation. When the idea of Government intervention was raised, Anzco Chairman Sir Graeme Harrison said that it was impossible for a small economy like New Zealand to sensibly intervene. Many have touted China as becoming the top export market for New Zealand within the next five years. Zespri's Chief Executive Lain Jager expects China to be the kiwifruit marketer's single biggest market within the next five years.

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### Farmers and producers

**Last of Graeme Hart farms sell** [25 July/ Business Day] All 30 Carter Holt Harvey farms have been successfully sold by businesses associated with, Graeme Hart. The farms were converted from forests in Rotorua and South Waikato after a four-year sales process. Marketing agent PGG Wrightson said that the last five farms out of 30 converted properties were sold by tender, with the 30 farms totalling 8600 hectares and selling for more than \$200 million. The sales of the properties had an impact on the market by changing the median bare-land price for Waikato dairy properties from \$26,000 per hectare compared to about \$34,000 per hectare previously, PGG Wrightson sales manager for the area Paul O'Sullivan said. Three of the final group of five farms were bought by local farmer company Trinity Lands, with Southern Pastoral being another significant buyer.

**Rabobank cracks down on fracking – not farmers** [26 July/ Radio New Zealand Rural] The business of fracking has lost financing from Rabobank as it cracks down on practice. Fracking is the process where fluid containing sand and chemicals is injected at high pressure to fracture rock in order to access previously inaccessible oil and gas. Rabobank said that the importance of prime agricultural land in meeting global food demand is simply too important to lose to fracking. Gareth Hughes, Green Party spokesman, said that Rabobank's move shows that fracking can have a large negative impact on agriculture. He said that the move should act as a wake-up call for farmers and the Government.

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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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