

AGRIBUSINESS

FIELD NOTES

Weekly news update from the KPMG Agribusiness network



LAUNCH OF:
FIELDNOTES.CO.NZ

HOT OFF THE PRESS:
**KPMG AGRIBUSINESS
AGENDA 2013 VOLUME 2**

21 August 2013

Organisations referenced in this week's Field Notes include:

AgResearch New Zealand	New Zealand King Salmon
Biosecurity New Zealand	New Zealand Stock Exchange
Central Otago Pinot Noir Limited	New Zealand Veterinary Association
DairyNZ	PGG Wrightson
English Beef and Lamb Executive	Potatoes New Zealand
Environmental Defence Society	Rabobank New Zealand
Federated Farmers	Ravensdown
Fonterra Cooperative	Real Estate Institute of New Zealand
Forest Owners Association	Tatua Cooperative
Inner Mongolia Yili Industrial Group	Turners & Growers
Intellectual Property Office	University of Otago
Landcorp Farming	Westland Milk Products
Ministry for Primary Industries	Wine Marlborough
National Farmers Federation Australia	Yealands Estate
New Zealand Grain and Seeds Trade Association	Zealong Tea

This week's headlines

Viticulture	Wineries suffer further damage from latest quake [19 August/ Radio New Zealand Rural]
Arable	Grain, seed export sector is thriving [15 August/ NZX Agri News Group]
Dairy	Fonterra milk scare inquiry details revealed [19 August/ New Zealand Herald]
Dairy	New contamination scare complicates inquiry [20 August/ Business Day]
Farms and producers	Farm sales 20pc higher than last year [16 August/ New Zealand Herald]

KPMG Perspective

Agribusiness Agenda 2013 – Volume 2, Maintaining Our People-Powered Performance

The capability of the people in New Zealand's primary sector has been a key contributor to global successes that have been achieved and is critical to the sector's future.

While competitors can replicate equipment and processes, it is not easy to replicate the insight and relationships that people have developed over decades.

A fundamental issue facing businesses and organisations in the industry is sourcing the right people, with the correct skills, to facilitate their success in an evolving global agri-food system.

However KPMG's There is still a strong perception that primary sector careers are viewed by many as second-class opportunities – not for our best and brightest people.

The importance of securing an appropriate share of the talented people this country produces was consistently raised as a high priority for the industry leaders we talked to in researching the 2013 KPMG Agribusiness Agenda.

As a result the second volume of this year's KPMG Agribusiness Agenda focuses on the issues and opportunities associated with people in the primary sector.

The leaders we spoke to recognise that this is an industry issue and needs collaboration between organisations to address the issue. Initiatives are needed throughout our schooling system, at university level, in the workplace and the boardroom to ensure the best talent is attracted into the sector and then developed and retained.

Some of the root causes of the people challenges facing our primary sector are identified in the Agribusiness Agenda as:

- A lack of recognition of agriculture within our school curriculums given its importance to the economy, and a need to educate teachers and careers advisers on the challenging technical, global careers the sector can provide.
- A continuing tendency amongst people in the industry to place a low priority on people management and development, and a need to move beyond a "just farmer" mentality to recognise a career in agriculture as a professional career.
- A rapidly approaching wave in retirement in our national science community which will start to seriously reduce our capability in the next five years, and a need to look beyond our competitive science funding regimes to preserve our national institutional knowledge.
- The increasing scale and cost of farming businesses are raising the barriers for young people wanting to get into the sector at the same time as many older farmers are looking at how they can retire from their business.
- The industry continues to be challenged by diversity, be this recognising and leveraging the contribution women make to agribusinesses or supporting the integration of migrant workers into rural communities. We need to ensure everybody's talents are directed towards the long term success of the sector.

One comment summed up the issue, when it was noted that the industry has to give Granddad back the confidence to recommend that his grandkids should look at a career in New Zealand's primary sector.

The challenge to the industry is to take the steps now that will grow its prosperity and maintain its people-powered performance into the future.

Download the KPMG Agribusiness Agenda 2013- Volume 2

Horticulture

Potatoes strategy [August/ Grower Magazine] New direction for the New Zealand potato industry has been offered by Potatoes New Zealand Chief Executive Champak Mehta. Mr Mehta, together with consultant Dr James Morrison, revealed the draft strategy aimed at increasing growth and improving profitability at a recent Potatoes New Zealand Incorporated conference. It was revealed that eight key themes for achieving the strategy were needed to be followed. Mr Mehta said that Potatoes New Zealand Inc. was looking to increasing value significantly from both exporting activities as well as from the domestic market within the next ten years. He added that an analysis of the opportunities and threats that face the market had been used as an indicator of the best way to orientate the industry. He also said that the strategy seeks to increase profit from productivity by \$150 per hectare per annum over ten years, double the value of fresh and processed based exports by 2025, and improve the value of the domestic market by 50 per cent by 2025. The key theme at the centre of the draft strategy was improving grower productivity through a platform that provided improved growth and competitive positioning in the New Zealand industry. Improving the management of waste streams so that market value was not compromised was also identified as another key aspect. Dr Morrison indicated that China was significantly increasing its potential, regionalising production and was participating in the manufacture of highly sophisticated agricultural machinery. China was said to also have the capacity to potentially produce an extra 52 million metric tonnes of potatoes annually, a significant amount over New Zealand's 500,000 annual metric tonnes worth of potato production.

Tea growing is tough going [17 August/ The Northern Advocate] Growing tea in New Zealand is very challenging, however Zealong Tea sees a positive future for its Waikato tea plantation. The past three years has seen kiwifruit growers visit Zealong's 48 hectare Gordonton plantation as they attempt to change their operations away from kiwifruit growing. Company Manager Gigi Crawford said that she welcomed their visits to the plantation however warned that establishing a tea growing operation in New Zealand was difficult. She said that tea is very susceptible to frost and drought and that this makes the growing conditions difficult to maintain. She also said that harvesting was labour intensive and demands considerable time and expertise that is not readily available in New Zealand culture. Zealong's craftsman tea-makers are recruited from Taiwan's tea-growing regions and are skilled in the art of tea production. Ms Crawford said that even picking the tea crop is not just something that anyone can do. Zealong's teas are grown organically and satisfy converted into a range of high quality teas that are suitable for the company's niche market. The company's founder Vincent Chen said that he faced large challenges when he first tried to grow tea in the Waikato on a 3 hectare site just outside of Hamilton. His father, Tzu Chen, and he imported 1500 plants from Taiwan but after a lengthy period in quarantine, the majority of the plants died. This was overcome once help was given from a Taiwan propagation expert and a New Zealand plant scientist however the two men said that the process was very challenging.

NZ tomato name causes sensation [19 August/ Business Day] Turners & Growers, the New Zealand specialist horticultural company, has lost a bid to trade mark its Sweet Sensation brand of tomato following a rare intellectual property case. The

launched the year before. However around the same time, competing grower JS Ewers had also begun using the name Sweet Sensation for one of its lines of cocktail tomatoes. JS Ewers then applied to the Intellectual Property Office to declare the trademark as invalid. The hearing in July was followed by the office finding the trademark was invalid as the brand did not have distinct characteristics. In addition, the office found the JS Ewers as "aggrieved" as the Sweet Sensation brand was profitable for the company and it found his business would suffer if he was forced to stop using it. An order for Turners & Growers to pay Mr Ewers more than \$3600 in costs was made by the office. Jo McCarroll, New Zealand Gardener Editor, said that it was unusual for a horticultural organisation to trademark a brand. She said that in this case, the Sweet Sensation name was too generic to trade mark.

Viticulture

Wineries suffer further damage from latest quake [19 August/ Radio New Zealand Rural] Friday's magnitude 6.6 earthquake that hit the North of the South Island has caused losses to Marlborough wineries. General Manager for Wine Marlborough Marcus Pickens said that a number of wineries in the region closed after the large earthquake struck and structural engineers were to assess damage levels throughout this week. Mr Pickens said that wineries were reporting minimal damage to bottled wine stock. Yealands Estate winery in the Awatere Valley had suffered greater loss from this event than from previous earthquakes and Peter Yealands said that some tanks holding this year's vintage had split.

Arable

Grain, seed export sector is thriving [15 August/ NZX Agri News Group] New Zealand's grain and seed sector is thriving despite poor recent economic conditions globally. The sector has outperformed the global market and increases in export values have been recorded year on year. New Zealand Grain and Seeds Trade Association (NZGSTA) General Manager Thomas Chin said that total exports value rose 25 per cent in 2012 from 2011 and reached a record \$168 million, compared to about \$60 million ten years ago. The five largest markets for the year ending 2012 were the Netherlands at \$53m, Australia \$21m, United States \$11m, Japan \$10m, and Germany \$9.5m. Strongest growth came from the United States, which was up 113 per cent, Germany, up 62per cent, the Netherlands, up 51per cent, and South Korea, up 48per cent. New Zealand's largest seed export products were the \$70m vegetable seeds market, ryegrass at \$60m, clover at \$20m and forage at \$8m, Chin said. A recent BERL economic impact study showed the grain and seeds sector contributed more than \$950m a year to the national economy in total economic activity generated.

Herbicide-resistant seed likely to have been imported [20 August/ Rural News Group] It has been revealed that seed houses that have contracted growers to multiply lines of grass seed may have accidentally imported herbicide-resistant lines of product. PGG Wrightson Grain's Winter Agronomy conference earlier in the month highlighted the news which has alarmed many industry participants. Federated Farmers Herbage Seed Section Chairman, Hugh Wigley, said that the organisations rely on importing fresh seed that is not resistant to herbicides. Murray Kelly is a herbage seed production agronomist and has warned growers to be aware of the risks that are associated with resistant varieties and to consider more than just the dollars per kilo return from the seed crop when taking on the contract. He highlighted the cases that he was aware of and said that he was aware of at least three cases of herbicide resistant ryegrass being imported, one in wheat, one in clover, and one in a seed beet crop. PGG Wrightson said that the important message for growers was to increase their vigilance and to look out for survivors of chemical control.

Forestry

Forestry forum targets Maori strategy [17 August/ Rotorua Daily Post] A Maori forestry forum in Rotorua has been attended by approximately 210 people as the first steps towards the development of a national Maori land and forest strategy commence. The Maori Forestry Forum was held at Waiariki Institute of Technology last week, where speakers discussed the global forestry scene, opportunities in innovation and research and their own experiences and challenges faced in the forestry industry. Speakers also discussed developments in manuka honey, eco-tourism and ginseng, and how these innovative ideas could be incorporated into commercial propositions.

Forrest owners reject Groser's criticism [19 August/ Radio New Zealand Rural] Climate Change Minister, Tim Groser's, criticism of the Forest Owners Association stance on the Emissions Trading Scheme has been rejected by the organisation. The Government's ETS scheme has received much criticism from the association as well as from others in the forestry sector. Many believe that the price of carbon in the scheme is too low due to the Government allowing unrestricted use of cheap foreign credits. They have gone on to say that this act has removed the incentive for land owners and investors to plant trees for carbon storage and had weakened its effectiveness as a means of reducing carbon emissions. Association Chief Executive David Rhodes said that he was confused by Mr Groser's accusation that the group was deliberately making misleading statements. He said that all the Association was doing was reporting on how the forestry sector is reacting to the signals that the Government is sending. He added that with the prices the Government has set, there has been an increase in deforestation and less new plantings.

Fishing and aquaculture

Salmon boss defends right to costs [15 August/ Business Day] New Zealand King Salmon Chief Executive Grant Rosewarne has claimed that the organisation has every right to consider pursuing costs from those who took legal action against them. It has been claimed by Environmental Defence Society Chairman Gary Taylor that Mr Rosewarne was bullying those who sought legal action against New Zealand King Salmon in particular Sustain Our Sounds. Mr Rosewarne responded by saying that NZ King Salmon was entitled to consider its legal options just as the society was seeking legal advice on a further appeal.

Dairy

New Chinese-owned dairy factory on way [14 August/ Business Day] Glenavy in South Canterbury will see the construction of a new Chinese-owned dairy factory adding another production facility to the area. The milk powder plant is located on the corner of Cooneys Road and State Highway One, 61 kilometres south of Timaru. Estimated to be worth a combined \$214 million, the dairy factory follows the go-ahead for Chinese company, Inner Mongolia Yili Industrial Group, to purchase Oceania Dairy in April this year. The milk powder produced at the site will be exported to China and used in the production of infant milk formula. Approximately 100 people will be employed at the plant with processing capacity to be set at 47,000 tonnes per year.

Fonterra milk scare claims first scalp [14 August/ New Zealand Herald] Gary Romano, Managing Director for New Zealand Milk Products at Fonterra has resigned from the co-operative with immediate effect. Mr Romano is the first executive to leave the company. Chief Executive Theo Spierings said that he had accepted Mr Romano's resignation. While Mr Spierings travelled directly to China following the scare, Mr Romano was the face of Fonterra during New Zealand interviews. The contamination was isolated to 38 metric tonnes of whey protein concentrate (WPC80) which was manufactured at Fonterra's Hautapu plant near Cambridge. The product is used in the manufacture of infant formula, juice and dairy beverages, yoghurt, body building powder and animal stock food.

Veterinary Association criticises vet over botulism views [16 August/ Radio New Zealand Rural] Qualified Vet Frank Rowson has suggested that the Fonterra botulism contamination may have come from cow's milk. This suggestion has been publicly attacked by the Veterinary Association with the organisation saying that Mr Rowson's comments were speculative and unhelpful. Mr Rowson is not currently a registered vet and the association has said that he does not represent to profession. The Veterinary Association is working with the Ministry for Primary Industries in its investigation into the botulism scare.

Sri Lanka court suspends sale of Fonterra products [16 August/ New Zealand Herald] A temporary order has been given by a Sri Lankan judge, ordering New Zealand dairy giant Fonterra to discontinue selling its milk products or advertising them as being safe to use. Issued last Friday, the ruling is valid until August 30 and was placed in effect after the Sri Lankan Health Ministry said two batches of milk product showed traces of an agricultural chemical and a recall was ordered.

Making money on dairy futures – post botulism [18 August/ Business Day] The botulism scare may have helped financial traders in making profits off milk powder through the trading of milk powder futures. NZX Dairy Futures accumulated a record trading result month last month and in the past week, had a record trading day. NZX's Head of Derivatives Kathryn Jaggard said that the week had seen new participants join the market. She highlighted the fact that the scare had highlighted the need for risk management products in dairy. She also said that increasing dairy prices were not the primary reason why Dairy Futures were increasing in volume. She said that the risk involved in futures trading is one of the keys to much success in the area and is probably a reason why the trading of milk powder future is likely to take off. For July, Dairy Futures had a record volume of 5,337 lots worth US\$23 million and technical liquidity will be achieved when it is trading 20,000 lots a month. Ms Jaggard said that New Zealand is well suited to Dairy Futures because dairy completely dominates the economy and the public understands the area. Since the dairy derivative product launch in 2010, just under 50,000 lots have been traded which have a combined worth of US\$167 million.

Fonterra milk scare inquiry details revealed [19 August/ New Zealand Herald] Lawyer and Director Miriam Dean has been requested by the Government to chair the review into the Fonterra food scare. The inquiry will be jointly led by Primary Industries Minister Nathan Guy and Food Safety Minister Nikki Kaye. The Ministerial-lead Government inquiry is to be divided into two separate parts with the first looking at how the contaminated whey protein concentrate entered New Zealand and international markets and the second will look at the responses of the regulators and their best practice requirements. Miriam Dean is a past President of the Bar Association and a former Partner at Russell McVeagh. Other inquiries are being held by Fonterra and the Ministry for Primary industries.

New contamination scare complicates inquiry [20 August/ Business Day] A new contamination scare uncovered in China threatens to bring more challenges to New Zealand's dairy trade. Earlier this week, the Government released the draft terms of reference for an inquiry into the detection of a bacterium linked to botulism in Fonterra products. Subsequently, the Ministry for Primary Industries revealed that export certificates for Westland Milk Products had been revoked, after it was found that high nitrate levels, attributable to a cleaning fluid, had been detected in lactoferrin. This is a naturally occurring dairy protein used in products including infant formula. Chief Executive of Westland Milk Rod Quin said that the company's own testing had not picked up the contamination. This was met with Prime Minister John Key questioning why testing in New Zealand had not picked up the problem and admitted that it came at the worst possible time considering its proximity to the Fonterra issue.

Nitrate find hits dairy cred [20 August/ New Zealand Herald] The lactoferrin powder quarantined in China is a protein used in a variety of products, from infant formula to yoghurt. The cooperative was of the view that the elevated nitrate levels were the result of an isolated incident in the lactoferrin plant only, Westland Milk Chief Executive Rod Quin said. He added that the incident had come about because of traces of cleaning products which contained nitrates. The cooperative also announced that it was confident that the contaminated product did not reach shop shelves in China. Mr Quin said that the higher nitrate levels did not show up in local testing but came to light when one of its distributors in China conducted an individual batch test. The company had reported to the Ministry for Primary Industries that two batches of lactoferrin, totalling 390 kilograms, showed nitrate levels of 610 and 2198 parts per million respectively compared to the New Zealand limit of 150 parts per million. The full amount of this batch had been exported to China.

Regulatory shakeup due for dairy industry [20 August/ Business Day] Tatua Co-operative has announced that some of the lactoferrin product that it received from Westland Milk was tainted with cleaning fluid which was then sold to a Chinese customer. A total of 390 kilograms worth of batches of the product have been quarantined by Chinese representatives in a warehouse in China and have not yet reached shop shelves. It was also announced that no new New Zealand products have been involved in the incident. Tatua Chief Executive Paul McGilvary said that his specialist dairy product company was surprised and equally disappointed to be advised of the alert on Friday afternoon last week. He was also relatively certain that the Ministry for Primary Industries would change the regulation and testing regime that currently exists in the market. Westland Milk was informed of the discovery by its Chinese distributor on August 1 and told the Ministry the following day. Westland Chief Executive Rod Quin said that tracking, quarantining and testing had delayed their announcement. Mr McGilvary said that he was certain that after the botulism scare and the discovery of the Fonterra DCD nitrate inhibitor residues in January, the Chinese Government will demand the New Zealand processing industry be strongly regulated.

Meat

UK sheep, beef farmers share common concerns [15 August/ Rural News Group] The concerns that New Zealand farmers have about the profitability in the red meat sector are shared by a group of UK sheep and beef farmers, a meat industry representative has said. The English Beef and Lamb Executive (EBLEX) visited New Zealand last week to assess the current production outlook for the industry. They highlighted the two countries' market outlooks as being inextricably linked. The members said that a mutual understanding between both countries should be reached in order to increase sector profitability and efficiency. They also said that in several years, meat protein will be in short supply and China will come into the market as a significant purchaser.

Food safety

Labour says independent food safety agency required [16 August/ Radio New Zealand Rural] Repeated food safety incidents in New Zealand has prompted the Labour Party to say that stricter rules and regulations are required. They argue that the Primary Industries Super Ministry is not working as efficiently as it should be. They highlighted the fact that the ban on Fonterra products by Russia, Kazakhstan and Belarus is a sign the Ministry for Primary Industries is not able to reassure New Zealand's trading partners about the safety of our food. Food Safety Spokesman for Labour Damien O'Connor said that the Ministry is simply too big to deal with such incidents. He also said that a variety of other agencies such as the food safety authority, Biosecurity New Zealand, and the agriculture authorities have all been put together making it difficult to specialise authorities. He said that a separate food safety administrator is required.

Rural infrastructure

No Ravensdown rebate for first time in 35 years [15 August/ Otago Daily Times] No rebate will be distributed among Ravensdown shareholders this year, something which has not occurred in the fertiliser company's 35 year history. This comes after a loss-making operation in Australia caused profit to fall. Profit before tax was recorded as \$6 million, which was down \$46 million on its 2012 result. A company spokesperson said that it was very disappointing that a rebate was not able to be paid this year however they said that the company was in a strong position to keep fertiliser prices competitive. Revenue was \$1.04 billion, down from \$1.07 billion last year, net debt requirements were down \$98 million and Group fertiliser sales volumes were down 4.4 per cent to 1.49 million. Core fertiliser operations for Ravensdown were hit by the drought however operations remained strong. Chief Executive, Greg Campbell, said that losing profit from the company's Eco-n products due to suspension and the cost of stock disposal had an impact of \$4 million.

Animal health

Cow deaths blamed on contaminated PKE feed [19 August/ Business Day] The death of cows on two North Island dairy farms has been attributed to livestock feed contaminated with pieces of steel and rock. The affected farmers have asked not to be identified and were both located in the Waikato and Bay of Plenty areas. They responded to the deaths by saying that contaminants in Palm Kernel Expeller (PKE) were to blame. The Waikato farmer said that while the PKE product is a commercially viable feed option, there have been a few mystery illnesses linked to the feed. The farmer claimed that he has lost at least a dozen cows to the issue. He added that everything else was eliminated, health wise; however there was still the issue that a metal problem could exist in the cow's stomach. Because of the significant veterinary expenses associated with the farms, no autopsy was ever carried out on the dead cows so no cause of death could be reached. The farmer claimed to have found rusted bolts, metal objects of all descriptions and rubber gloves in the PKE feed. The farmer also said that he is aware of many other farmers who are having similar problems with the product. During the 2012–2013 season, the farmer said that he was getting all of their brought-in-feed through INL (International Nutritionals Limited). Also during this time he said that many foreign particles were showing up in the product. Dairy farm supplier RD1 did not comment to media outlets on the incidents however, according to the company's website the PKE product is fumigated at origin, then thoroughly inspected and sampled on discharge in New Zealand to ensure that it is free from contaminants and meets strict quality standards. It is also highlighted by the company that all shipments of RD1 Nutrition PKE meets Biosecurity New Zealand standards.

Herd manager admits breaking cows' tails [20 August/ Radio New Zealand Rural] A series of tail-breaking cases that have occurred on dairy farms has resulted in an Ashburton herd manager being convicted of animal welfare charges. The accused, 38 year old Kevin Craig Smith, appeared in the Ashburton District Court this week where he admitted to deliberately breaking the tails of more than 150 dairy cows in addition to striking cows with a plastic pipe. His sentencing is due to take place on the 14 October. The case is the fourth of its type heard in front of a New Zealand Court this year. Taranaki, West Coast and Waikato farmers were also charged for similar behaviour towards dairy cows. Both DairyNZ and Federated Farmers have said that the increase in incidents of such abuse was likely to be attributable to increased reporting of the violence.

Research and development

Scientists fear brain drain [16 August/ Otago Daily Times] The announcement that AgResearch's staff are likely to be relocated to Lincoln and Palmerston North has resulted in scientists warning that "brain drain" effects that could result. Neil Gemmill, University of Otago Professor of Anatomy has said that he believes the AgResearch announcement was based on monetary reasons and politics, and could result in a loss of expertise in science in New Zealand. The announcement Mr Gemmill is referring to is the proposal which would see 85 roles at Invermay and 180 at Ruakura shifted to the Crown Research Institute's Lincoln and Palmerston North campuses. He highlighted his belief that scientific progress could be significantly impaired in the short term due to the move.

International

Farmers scan policies as Aussie goes to polls [20 August/ Rural News Group] The National Farmers' Federation (NFF) has said that it hopes that politicians will be clear on their policies and commit to action for the agricultural sector as the polls come nearer. President of the NFF, Duncan Fraser, said that Australian agriculture needs to be a priority for all sides of Parliament in this election. It was important for the policies to show clear direction, Mr Fraser said. He added that between now and September 7 the major political parties will be judged by their commitment to the agriculture sector in addition to their long-term policy vision. The five key policy priorities that the NFF has involve growing Australian agriculture, investing in research and development, increasing competitiveness and profitability, building a stronger workforce, and balancing agriculture and the environment.

Agribusiness strategy

Book suggests NZ too reliant on primary sector [16 August/ Radio New Zealand Rural] Claims that New Zealand relies too heavily on the dairy and agricultural sectors have been dismissed by the Government. The late Sir Paul Callaghan and Professor Shaun Hendy have completed a book that indicates the Government as needing to invest more heavily in science and technology. The book "Get off the Grass" says that New Zealand's economy relies too heavily on the primary sector and is lagging behind because of a lack of innovation. It argues that if New Zealand wants to build on its clean and green image then the country should focus on industries that weren't agriculture related Professor Hendy said. He added that expanding the country's export base would also help the country prosper in addition to creating more job opportunities.

'Paleo' diet spurs Auckland business boom [20 August/ New Zealand Herald] The growth in Auckland residents starting the 'Paleo' diet has increased the supply of a new types of food and businesses. The diet, sometimes referred to as the 'caveman' diet, emphasises a return to the basic raw eating habits of original 'hunters and gatherers'. The movement to the diet has been very popular in New Zealand and globally which has sparked the development of new local businesses. Snack Pack is one of these new businesses and launched four months ago by Nick Larsen and Monique Satherley. The couple prepare Paleo-friendly snacks using locally sourced ingredients from their North Shore home. Customers who order their products have Snack Pack deliver them to their home or office every Monday. Mr Larsen said that demand for their product offerings has grown significantly in recent times. New store Wilder and Hunt in Auckland was opened by owner Amy Gibson last week and she said that the consumer response to "real, pre-industrial food" has been positive. She said that her products on offer contain no grain, no sugar and no artificial products. She said that since opening the new store's doors business had been very brisk.

Economics and Trade

Work needs to be done on Russian relations – ex diplomat [15 August/ Radio New Zealand Rural] The New Zealand Government needs to do some work on its trade relations with Russia following the damage done by the Fonterra botulism scare, a trade advisor has said. Russia, Kazakhstan and Belarus have all suspended imports of dairy products into the region following the Fonterra scare. This came despite Fonterra assuring these countries that none of the contaminated whey protein concentrate was sent to those markets. Former ambassador to Moscow Stuart Prior said that the response came due to poor communication and lack of connection with the authorities there. He said that a large exporter of food such as Russia was very cautious about trade relations with foreign countries such as New Zealand. He also highlighted the sensitivity in Russia about the impact a proposed trade agreement with New Zealand will have on local producers.

Belief NZ's agriculture will not be hurt by scare [16 August/ Otago Daily Times] Stakeholders have said that New Zealand's wider agricultural sector is in good health, despite Fonterra's botulism scare. The announcement earlier this month that some of Fonterra's products may be contaminated with the botulism bacteria resulted in the halt of some importation of dairy products by some countries, including China. Federated Farmers' North Otago President Richard Strowger has responded to the incident by saying that New Zealand's wider agricultural reputation will remain strong. He said that the Fonterra scare was not likely to have an impact on the meat and wool sectors of the country, although this would depend on how Fonterra handled the rest of the situation. Mr Strowger is also a member of Federated Farmers' meat and fibre industry group. He added that the timing of the incident was not good considering the difficulties the meat and wool industry was undergoing and because China was a growing export market for those sectors. Backing up Mr Strowger's comments was Central Otago Pinot Noir Limited's Acting Chairman Blair Walters' comments. He said that he was not aware of any fallout for wine producers and that China was a growing importer of New Zealand wine. He said that the country imported \$31.8 million worth of wine in the year ended June 2013, and anything that impinges on the reputation of New Zealand's food quality should be treated as a total concern. He also said that for the wine industry in particular, he didn't think there would be any medium or long-term effects.

Farmers and producers

Confidence on the rise [15 August/ The Northern Advocate] The year ahead is looking very positive for farming, with a large rally recorded in the latest Rabobank rural confidence survey. The survey was completed last month and highlights that 54 per cent of farmers expected the rural economy to improve over the next year, compared with 28 per cent in the previous survey. Approximately 8 per cent of those respondents expected conditions to worsen which was down from 29 per cent in the past quarter. Higher dairy commodity prices and expectations of a supply shortage in lamb and beef following the drought were all part of a number of factors that were helping lift farmer outlook, Rabobank New Zealand Chief Executive Ben Russell said. He also said that many farmers will also be relieved that the major difficulties faced over the past 12 months are behind them and that conditions can only be set to improve. He added that the severe drought that had impacted the country over the past summer had really hit farmer confidence as had the consistently high currency and overall difficult economic conditions.

Farm sales 20pc higher than last year [16 August/ New Zealand Herald] An increase in farms sales by more than 20 per cent has been recorded this year, an indication of a supply shortage heading into spring the Real Estate Institute of New Zealand has said. 438 farms were sold in the three months to the end of July this year which was down from 474 in the previous three months. The Institute said that despite the monthly fall, sales volumes were 23 per cent higher than in the same three months last year. A total of 1,536 farms were sold in the year to July which was 6.7 per cent higher than in the year to July 2012. Brian Peacocke a spokesperson for the REINZ said that the outlook for farms around the country was looking positive. He said that ideal late winter and early spring conditions combined with strong payout predictions for primary produce had raised the levels of confidence in the rural sector. He said that the median price per hectare had increased by 15.1 per cent from last year, reaching \$20,667 with the median price per hectare rising 4.8 per cent compared to June. The All Farm Price Index that the REINZ uses to measure average prices while adjusting for farming size, location and farming type rose by 2.1 per cent from June to July. The largest annual increases in sales recorded were in the Waikato region, followed by Auckland and the Bay of Plenty. The biggest falls in sales were recorded in Wellington, Manawatu, Wanganui and the West Coast and Gisborne.

Farms face fair wage inspection [20 August/ Business Day] The Ministry of Business, Innovation and Employment has announced that its Labour Inspectorate is to visit Southland farms in order to check employment compliance. A particular focus will be given to salary averaging and the accuracy of time and wage records. Antoinette Baker, the Ministry of Labour Inspectorate's Southern Regional Manager, said that averaging out pay across season, especially for workers earning low salaries, was likely to breach legislation. She added that workers should be receiving at least the minimum wage for the hours worked and this should not be averaged out across a season. It had been revealed that farmers who did not keep accurate time and wage records were also unlikely to meet their obligations for the payment of public and other holidays. Ms Baker said that a breach of minimum employment rights could attract fines of up to \$10,000 for an individual and \$20,000 for a company. Most farmers were complying with legal requirements, Federated Farmers Southland President Russell MacPherson said. He said that because of the seasonal nature of the work that they were carrying out, there had to be some give and take. He also said that salary averaging was common practice in farming that helped ensure that workers were paid the same amount through the non-busy season compared to the hours worked during the spring and summer months.

Field Notes

Weekly news update from the KPMG Agribusiness Network – 21 August 2013

8

Seeds sown for world's first hemp industrial base [20 August/ Business Day] Gregory Flavall of Hemp Technologies hopes to see the world's first hemp industrial village located in his home province in Taranaki. He learnt first-hand about processing hemp for a variety of uses especially from his year he spent living in the United Kingdom and the United States. He said that during the 2012–2013 season in Taranaki, there were a few farmers in the region who grew 4.45 hectares of hemp and he hopes to see this number increase in coming growing seasons. He said that the business model employed would be that of a co-operative which will be results and sales driven. He added that the plan would see a facility costing \$500,000 built which could produce pressed oil, protein and flour. It would also produce fibre insulation, along with material for animal bedding, garden mulch and fibre for paper making.

Stronger iwi links [20 August/ Rural News Group] A goal of new Landcorp Chief Executive Steven Carden is to build stronger relationships with local iwi. He said that he wants to expand on the existing base of the company and see as many farms and meet as many people as possible in the coming six months. Retiring head Chris Kelly will stay on with the company until the end of August in order to aid a smooth transition of leadership. Mr Carden was the General Manager of PGW Wrightson Seeds in Australia before taking up the role with Landcorp. He graduated from the University of Auckland with an LLB and BA and an MBA from Harvard. Mr Carden was also a Fulbright Scholar. Previous roles have also seen him work for McKinsey & Company in New York, in addition to being the General Manager of the online retailer Flying Pig. He said that he was excited to get involved with the sheep and beef industry as it presents an opportunity to get involved with new technologies.

Subscribe

To subscribe to future editions of Field Notes please [click here](#).

Contact Us

Auckland/ Audit Ian Proudfoot 09 367 5882 021 656 815 iproudfoot@kpmg.co.nz	Hamilton/ Taxation Rob Braithwaite 07 858 6517 021 586 517 rbraithwaite@kpmg.co.nz	Tauranga Robert Lee 07 571 1773 027 451 1035 relee@kpmg.co.nz	Wellington Michael Day 04 816 4599 027 293 8338 michaelday@kpmg.co.nz
Christchurch Paul Kiesanowski 03 371 4832 021 272 7087 pkiesanowski@kpmg.co.nz	Financial Advisory Services Gary Ivory 09 367 5943 021 932 890 givory@kpmg.co.nz	Risk Advisory Services Jamie Sinclair 09 363 3460 021 475 735 jpsinclair@kpmg.co.nz	Business Advisory Services Hamish McDonald 07 858 6519 021 586 519 hamishmcdonald@kpmg.co.nz

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.

The information provided herein is of a general nature and is not intended to address the circumstances of any individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received nor that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2013 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (KPMG International), a Swiss entity. All rights reserved. The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International Cooperative ("KPMG International").

KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative ("KPMG International"), a Swiss entity.