

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 4**

13 November 2013

Organisations referenced in this week's Field Notes include:

Agrecovery	Landcorp Farming Limited
Alliance Group	Lincoln University
Bank of New Zealand	Massey University
Beef + Lamb New Zealand	Mastitis Research Centre
Central Plains Water	Molesworth Station
Crown Irrigation Investments	New Zealand Front of Pack Labelling Advisory Group
DairyNZ	New Zealand Shark Alliance
Dairy Women's Network	Olives New Zealand
Environment Southland	PGG Wrightson
Federated Farmers	Seafood New Zealand
Fonterra Co-operative Group	Silver Fern Farms
Heartland Bank	Tamar Valley Dairy
International Farm Comparison Network	Trans Tasman Business Circle
Irrigation New Zealand	University College London
Kiwifruit Vine Health	University of Otago

This week's headlines

Fishing and aquaculture	Shark finning banned in New Zealand waters [10 November/ New Zealand Herald]
Dairy	Dairy prices may have peaked: economist [7 November/ New Zealand Herald]
Meat	Alliance bounces back [11 November/ NZX Agri News Group]
Water	Cash flows to support water plan [9 November/ Business Day]
Research and development	Star rating system for food could benefit primary industry sector [11 November/ Radio New Zealand Rural]

KPMG Agribusiness Agenda

New Zealand's primary sector must remove its 'weakest links' in order to build a world-class, sustainable sector. That is the key message delivered in Volume 4 of the 2013 KPMG Agribusiness Agenda.

Titled "Balancing the needs of the environment, communities and businesses", this is the fourth of five volumes in the Agribusiness Agenda series.

SOME OF THE KEY FINDINGS AND RECOMMENDATIONS:

- The New Zealand primary sector cannot afford to tolerate its weakest links – and must be prepared to remove those who do not meet baseline standards.
- In today's connected world, it only takes one person – failing in their duty to the environment, their animals or the community – to put at risk the whole sector's license to operate.
- Regulation needs to be balanced to avoid overburdening a strategic sector of the New Zealand economy. The challenge is to set regulation that incentivises the sector to reduce its environmental impact; and bear an appropriate share of cost, while not overburdening it.
- An inappropriately high level of regulation would leave the New Zealand primary sector 'uneconomic and un-investable'. Global research by KPMG, quoted in the Agenda, indicates the effect of requiring the food production sector to fully pay its direct and indirect environmental costs (i.e. it would turn an operating profit of US\$89b in 2010 into a US\$110b loss).
- Primary sector companies need to develop more meaningful ways to engage with their local communities. Corporate Social Responsibility (CSR) programmes are becoming a core part of the investment necessary for a sustainable business.
- New Zealand companies must be active in tracking global market trends – and forecasting the sustainability standards customers will set in the future. And they should be implementing those higher standards today, in order to secure an advantageous market position.
- The conversion of agricultural land to dairy was a key point of discussion in this Agenda – particularly the need to strike a balance between maximising economic value, and managing the environmental impacts.
- The future intensification of production levels was another key theme. At the core of the discussion is public concern around more intensive, housed farming systems.

[Download the Agribusiness Agenda 2013 – Volume 4](#)

Peter Farley's insightful book *Irrigation Scheming*

KPMG is delighted to endorse Peter Farley's insightful book *Irrigation Scheming*. The book is a detailed history of government involvement in the development, ownership and sale of 48 irrigation schemes throughout the country from 1916 to 1990.

The book describes the "shocking" financial management under government control and the impressive achievements under irrigator ownership, along with the events leading up to the sale decision and the process by which the sales were negotiated and settled.

For information on how to obtain your copy of the book please visit <http://www.fieldnotes.co.nz/irrigation-scheming/>

Horticulture

Kiwifruit industry optimistic at three year PSA anniversary [11 November/ Radio New Zealand Rural] This week marks three years since the PSA disease was discovered at a kiwifruit orchard on the outskirts of Te Puke. Kiwifruit Vine Health Chief Executive Barry O'Neil said that more than \$12 million has been spent during the last three years on researching and developing ways to effectively manage the disease. He added that since November 2010, 2292 orchards had been infected with a virulent form of PSA, PSA-V, or around 77 per cent of the country's kiwifruit hectares. Mr O'Neil said that he was confident that 12 months from now growers would be in an even stronger position than previously and that they would gain from further research and experience with the PSA disease.

Sunny outlook for Marlborough produce [12 November/ Business Day] This season's produce quality is looking to be just as good as last year's as longer sunnier days are on the forecast. Olive industry commentators have said that the young industry is on a learning curve as growers grapple with New Zealand's maritime climate, which promotes prolific growth but can lead to low yields and poor profitability. Olives New Zealand Chief Executive Gayle Sheridan said that kiwi oils were ranked highly internationally and that the industry was currently involved in a three-year Sustainable Farming Fund project to improve yields. Federated Farmers Meat and Fibre Chairman for Marlborough Greg Harris said that sheep farmers had enjoyed a similar reasonable season last year and that it was hard to generalise because of the district's micro-climates. Horticulture farmers in particular have been told that the largest thing for them to manage in particular was the soils in order to make sure that they retain moisture, because 90 per cent of hill country farms can dry off in a couple of weeks. Dominic Pecchenino produces grapes for a number of wineries and said that the Marlborough region's 2014 grape harvest was shaping up to be a good one.

Fishing and aquaculture

Shark finning banned in New Zealand waters [10 November/ New Zealand Herald] Conservation Minister, Nick Smith, and Primary Industries Minister, Nathan Guy, have announced details of the draft National Plan of Action for the Conservation and Management of Sharks. The proposals include a ban on shark finning, which was welcomed by conservation groups. It is already an offence under the Animal Welfare Act to fin a shark and return it to the sea alive, however it is lawful to catch a shark, kill it and remove its fins before returning its carcass to the sea. Mr Smith said it was that kind of activity that was targeted under the proposal. Seafood New Zealand CEO, Tim Pankhurst, said that no shark is targeted for their fins alone and in tuna fishery where blue sharks are a significant bycatch, the focus needs to be on reducing that catch. A spokesperson for the New Zealand Shark Alliance said the proposal was good news for sharks and New Zealand's environmental reputation. The proposal gained cross party support, although opposition parties suggested that New Zealand should have joined the over 100 countries with a ban on the practice sooner. Consultation on the proposal runs into December, and Mr Guy said that the plan will be able to be implemented in some fisheries from 1 October next year.

Wool

\$35,000 for merino [11 November/ Business Day] Marlborough farmers have bought a sought after Australian merino ram for \$35,000. Australian Farmonline reported the ram owner Ross Wells was in no hurry to sell his prized poll merino ram called Willandra Desmond, but the offer put forward by the New Zealand buyers was too high to say no to. Although the buyers, Marlborough Merino stud breeders Steve and Mary Satterthwaite from Muller station, were not at the auction event, they asked a sheep stud classer to inspect Desmond on their behalf. The successful buyers said that the merino ram was easily the best poll ram they had ever seen. They said that his constitution and wool was unfaultable and that it was a bonus that the ram had an extremely good foot score tolerance of 1-2, an important feature in rams.

Dairy

Dairy prices may have peaked: economist [7 November/ New Zealand Herald] With dairy auction prices continuing their decline, it has been suggested that the prices are likely to have reached their peak. Economists are still positive that the current season is shaping up to be a record one both for production and for farmer payouts. Production is up by an estimated 5 to 6 per cent over the same period last year, economists have indicated, with production now coming five months into the season. Rural economists expect farmgate 2013-2014 payouts to be in excess of \$8 per kilogram of milk solids – which again would be comfortably ahead of Fonterra's last record set in 2010-2011, of \$7.60 per kilogram. The most recent GlobalDairyTrade auction saw prices fall overall by 1.8 per cent from the previous auction's results. Prices in the most important segment for dairy farmers, whole milk powder, fell by 3.7 per cent to US\$4891 (\$5830) a tonne. BNZ Economist Doug Steel said that prices would take on a slightly negative bias for the rest of the year, however the Bank was confident that prices would not fall too much more due to a stronger outlook in demand.

Fonterra chief admits sustainability failings [8 November/ New Zealand Herald] When it comes to dairy sustainability, Fonterra Cooperative Chief Executive Theo Spierings says that the organisation is eight to ten years behind other dairy leaders overseas. Mr Spierings was talking at the Trans Tasman Business Circle Luncheon in Auckland earlier in the week and he highlighted how he was disappointed that Fonterra was so far behind the general pack. He said that Fonterra needed to re-assess their growth path as they cannot grow in the same way that they grew over the past 10 years otherwise they will stall in terms of the environment and sustainability. Mr Spierings said that although Fonterra had pursued various sustainability projects in the past, they weren't directly linked to the cooperative's strategy. He added that Fonterra's latest annual report was the first from the company to have an extensive section on sustainability. Federated Farmers President Bruce Wills said that he was surprised with Mr Spierings comments, but he said that he could see how it was likely that the dairy boom got slightly ahead of where environmental responsibility should have been.

Fonterra white knight for Aussie yoghurt maker [11 November/ NZX Agri News Group] Fonterra has paid an undisclosed price for the processing equipment, related services, and intellectual property and trademark of the Tamar Valley Dairy yoghurt brand. The yoghurt maker is a 17 year old Matteo family business in Launceston, Tasmania and employs about 170 people. The company is currently under administration. Tamar Valley Dairy has reportedly suffered a slowdown in sales and pressures on margins while operating in an extremely competitive sector. Fonterra Managing Director in Australia, Judith Swales, said that Fonterra had been a long time partner of Tamar Valley Dairy and that the organisation had created a business with strong capability and innovation. Fonterra has reportedly said that it would improve the manufacturing assets, upgrade quality and safety systems and build a platform for more innovation in the yoghurt category.

Fonterra units falling [12 November/ New Zealand Herald] Fonterra Shareholders' Fund units traded at their lowest point in just under a year after the dairy cooperative said that it had factored in a \$157 million loss provision for the first quarter due to higher milk prices affecting profit margins. Closing at \$6.62, the units had fallen 20 cents or 2.9 per cent from Friday's finishing position. Fonterra Cooperative said that the first quarter increases in the price of its reference commodity products was significantly higher than the price of non-reference commodity products. These reference commodity products are those used to calculate the farmgate milk price. The overall result from the tighter margins from non-reference commodity products causes input costs to increase disproportionately to the sales price, with some streams recording the selling price as being lower than the input costs. Last week's global dairy auction saw prices on average 1.8 per cent lower than the last trading event. The average winning price at the auction was at US\$4797 a tonne.

Fonterra writes down \$157 million from inventory [12 November/ Radio New Zealand Rural] Fonterra's first quarter reporting period has recorded a inventory write down of \$157 million as it has been costing the cooperative more to produce value-added products than the price which it has been able to sell them at. Fonterra said that the increase was significantly higher than the increase in the price of specialised ingredients and consumer-branded products. Massey University Professor of Agribusiness Hamish Gow said that the write off was a paper loss and that it was a transfer pricing issue between Fonterra's commodity and value added businesses. He added that it raises the issue of how Fonterra calculates its costs, in particular the price of raw milk. Mr Gow said that outside investors would likely be asking questions about the cooperative's method of calculating prices.

High input costs in China's milk benefit NZ [12 November/ Radio New Zealand Rural] A dairy industry commentator has said that New Zealand farmers are lucky that it costs substantially more to produce milk in China than it does to produce the same volume domestically. Producing 100 kilograms of milk in New Zealand costs \$US35, where in the United States it costs \$US44 and the same amount costs 50 per cent higher in China again, according to the International Farm Comparison Network 2013 Dairy Report. Market commentators highlighted this as being a main reason behind China's dependence on importing dairy products from countries such as New Zealand. It was also highlighted that a large cost for Chinese producers was in the importation of feed. The cheapest place to produce milk was in Cameroon where it cost \$US4 to produce and the most expensive place was Japan at \$US128.

Meat

Less lamb likely for Christmas dinner tables [6 November/ Business Day] Meat industry experts have said that there could be less sheepmeat on supermarket shelves in the lead-up to Christmas due to a sharp reduction in mutton killed in the coming months. This has been attributed to the large amount given up for slaughter in the autumn dry period and due to farmers holding on to the remaining older ewes. Beef + Lamb New Zealand Southern South Island Director Leon Black said that it was quite possible that consumers would notice less sheepmeat on supermarket shelves in the lead up to Christmas. Mr Black said that mutton products such as sausages, mince and patties would become quite scarce. Only approximately 4 to 6 per cent of the New Zealand sheepmeat produced here is consumed by the domestic market, with the rest being exported overseas. Alliance Group General Manager Murray Brown said that the number of lambs processed had slowed in recent years and that the amount of stored sheepmeat products in its freezers had declined. He highlighted the amount as being down 60 per cent on the same time last month. Silver Fern Farms Chief Executive Keith Cooper shared similar news, saying that the company had sold or was about to ship its entire stored product, whereas during the same time last month stored product had lingered.

Alliance bounces back [11 November/ NZX Agri News Group] While Alliance Group is still operating at relatively unsatisfactory level, the company is back in profit, Chairman Murray Taggart has said. Mr Taggart highlighted return on equity as being at 1.6 per cent for the year ended September 30, however this compared poorly with the return of 4-5 per cent available on term deposits. Alliance Group's pre-tax profit of \$10.9 million after last year's loss of \$70.5 million included restructuring costs of \$13.5 million. Sales turnover was \$1.383 billion up from \$1.369 billion. Mr Taggart said that the results were also attributable to a large improvement in operating cashflow with a positive \$89 million figure being recorded, compared to the previous year's outflow of \$163 million and was partly attributable to Alliance Group's sell-down of the heavy inventory count of \$190 million at 2012 balance date. The organisation reported China as being the largest market for sheep meat by volume, taking 30 per cent of its output.

China factor 'requires balancing act' in meat exports [12 November/ Radio New Zealand Rural] Demands from New Zealand's biggest sheepmeat market, China, has provided the industry with a balancing problem. Fewer lambs to process this season and changes in market requirements has put new pressure on the industry, along with higher demand from the Chinese market. Usual demand from Britain, Europe, and North America means that exporters are now faced with the prospect of choosing which markets they want to send their products to, industry commentator Allan Barber said. Mr Barber added that the Chinese market was one which can give producers effectively greater profitability for less input which then made it a balancing act.

Rural infrastructure

Dairy women invited [8 November/ Otago Daily Times] Nominations for the 2014 Dairy Woman of the Year close on November 15 and women working in the dairy industry are being urged to get their nominations through for the competition. Sponsored by Fonterra, the award includes the chance to attend the year-long Women in Leadership programme valued at \$25,000 and delivered by Global Women. Michelle Wilson is the Dairy Women's Network Executive Chair said that the Dairy Woman of the Year award celebrated and advanced women who were making a real difference in the dairy industry, in their dairying businesses, and in their rural and local communities. The annual Dairy Women's Network annual conference held on the 20 March 2014 in Hamilton will include naming the Dairy Woman of the Year.

Heartland to target livestock financing [11 November/ NZX Agri News Group] Boosting growth is the main goal for Heartland Bank as it works to increase rural livestock financing over the next several months. Heartland is working with PGG Wrightson to follow on from its revamped store funding arrangement and develop a new livestock initiative. The full initiative should be announced later this month and pilots are already working in some areas including South Canterbury, Hawke's Bay, and the West Coast. The rural bank announced that it has increased what it called high-value product growth in targeted, niche livestock and general rural seasonal finance lending by approximately ten per cent in the last reporting year. An operating subsidiary of listed Heartland New Zealand (HNZ), Heartland Bank lifted rural net operating income to \$21 million for the June 31 year from \$19 million last year.

Scientist warns of ‘black hole’ [12 November/ Business Day] Jon Hickford, Lincoln University Associate professor of animal breeding and genetics, has warned that farmers contemplating a levy vote on a new genetics body could be pouring money into a “black hole”. Mr Hicks said that the results of levy and taxpayer dollars spent by Ovita over the last 15 years had been unimpressive. A plan to merge Ovita, Sheep Improvement Limited (SIL) and the Beef + Lamb New Zealand Central Progeny Test to form Beef + Lamb New Zealand Genetics is dependent on investment from the Ministry of Business Innovation and Employment and farmer levypayers. A proposed investment of \$8.8 million for five years, with \$2.89 million coming from Beef + Lamb New Zealand, \$1.5 million from industry investors and \$4.4 million from the Government will be required for the project. Professor Hickford said that the sheep gene area had been a black hole for money in the past and that he was not convinced that it was a good investment area. However Beef + Lamb New Zealand Chairman Mike Petersen said that he strongly denied accusations that the organisation had not done much with the \$100 million or more that they received in funding over the past 10 or 15 years. He said that many gene markers had come out of the Ovita work and that they had been widely used throughout the industry.

Farmlands notches up \$2 billion turnover [12 November/ Business Day] Recorded turnover of \$2.17 billion in trading has placed newly merged rural service trader Farmlands Cooperative among New Zealand’s top 15 companies. Farmlands was created recently by the merger of Farmlands Trading Society and CRT in March. The co-operative’s performance has been measured on a rolling 12-month period of the two companies in the transition to its own full trading year. Both co-operatives have had their financial years lined up for the end of June. Farmlands Chief Executive Brent Esler said that the 10 business sections of the co-operative were in a strong position and that they were 11 per cent ahead of the same time last year in terms of sales. Mr Esler said that good progress had been made in the eight months since merging and that the organisation was confident the merger expectation of \$38 million in net benefits over three years would be comfortably exceeded.

Water

Cash flows to support water plan [9 November/ Business Day] The commencement of construction of the Central Plains Water’s irrigation scheme is getting closer after farmers pledged enough financial backing to fund the first stage. The pledge came just in time after the capital-raising timetable deadline had been extended a week until last Friday evening. Central Plains Water General Manager Derek Crombie yesterday said that the company had crossed the line in terms of farmer acceptance of the capital-raising proposal yesterday. The scheme is designed to cover over 60,000 hectares in its entirety, at a total cost of \$375 million. Mr Crombie said that the company would, from early this week, continue to pursue negotiations with its banks, Westpac and ANZ, on about \$120 million of debt funding required for the first stages of construction. An estimated 180 jobs will be created from construction of the project, with stage one planned to be completed by September 2015.

Government waters down standards to protect lakes, rivers [11 November/ NZX Agri News Group] The Government has set some minimum standards to protect water quality, however these are set to change after rounds of consultation. Exceptions will be allowed and the Greens, Labour, and environmental groups say the limits are weak and will fall short of recommendations from the Land and Water Forum. The proposed development of the legally binding environmental standard under the Resource Management Act to set water-quality limits has been rejected by the Government. 26 public meetings along with meetings with Maori hui will be held by the Government to discuss how to improve the water management regime.

Irrigation projects ‘must be sound’ [11 November/ NZX Agri News Group] Crown Irrigation Investments Director Lindsay Crossen has said that the Crown would invest in certain irrigation schemes based on sound business cases. He added that once a scheme was up and running, the Crown would be keen to get its money out as soon as additional private capital was secured. Mr Crossen said that as an investor the Crown was receptive to improving existing schemes as well as being a potential backer of greenfield plans. He added that the Crown would only commit sufficient funds to bringing a scheme to life.

Workshops foster irrigation skills [11 November/ Otago Daily Times] Training and education schemes are being set up by IrrigationNZ as the organisation aims to improve the skills of people at the forefront of the irrigation industry. A series of irrigation manager workshops in Central and North Otago are to be held later this month. The dates are set at November 18 for Omakau, November 19 for Cromwell, and November 20 for Oamaru for the workshops which are set to outline core knowledge needed for “high performing” irrigation, Chief Executive Andrew Curtis said. He said that it was vitally important that people knew how to irrigate effectively especially with various water quality and quantity limits coming into force.

Environment and emissions

Southland to trial carbon bio-reactor [8 November/ Otago Daily Times] A carbon denitrification bio-reactor is to be built by Environment Southland in order to extract nitrates from run-off water next summer. An experimental treatment wetland complex will include the carbon bio-reactor in its operations to remove phosphorus and sediment from the surrounding environment. Lead researcher and developer of the project, Aquatic ecologist Dr Andy Hicks said that a carbon bio-reactor could be as simple as a plastic-lined trench full of woodchips, which nutrient-laden water passes through, allowing nitrates to be converted to nitrogen gas. He said that the cleaner water then is allowed to enter the waterway. Dr Hicks said that the group will be experimenting with wood chips and oyster shells to determine how effective they are in removing nitrates and phosphorus from farm run-off. Trials into the system will be carried out during the summer in partnership with NIWA and DairyNZ.

Farmer says rain needed before Christmas [8 November/ Radio New Zealand Rural] Northland dairy farmer Bill Guest of Dargaville is warning that a repeat of last season’s drought could be in store for the region unless more rain falls before the December/January Christmas period. Mr Guest said that water tables were low throughout the winter and in October there was 30 per cent more sunlight than in the previous year. He said that if farmers in the region don’t receive 100 millimetres of rain this side of Christmas, then there will be a real risk of a repeat of last summer’s drought.

Farmers opting to bury, burn plastic [11 November/ Business Day] Agrecovery, the agricultural waste collection agency, has blasted farmers' response to not recycling their empty plastic containers and instead opting to dump or burn the waste instead. The Agrecovery collection depot at Waverley received only four containers with farmers leaving over 200 containers at Okato and just over 100 at Inglewood. This fell well short of Agrecovery's expected pickup amount of over 2000 containers, which the company shreds on the spot. Taranaki Regional Council Director of Environment Gary Bedford shared Agrecovery's disappointment with the outcome saying that many saw the recycling initiative an opportunity for farmers to demonstrate leadership and that it was a shame that many let the opportunity slide. Agrecovery North Island Sales and Relationship Manager Leon McPhillips said that farmers told the organisation that they either burned or buried the plastic containers.

Research and development

Treatment for mastitis could boost dairy profit [11 November/ Otago Daily Times] The Mastitis Research Centre has developed a mastitis product involving researchers at the University of Otago which is set to result in significant savings to New Zealand's dairy industry. The Mastitis disorder is inflammation of the udder and is a large burden to the dairy industry, both in New Zealand and globally. The Mastitis Research Centre has developed X-imm24 which involves expertise from Bayer Animal Health, the University of Otago, Massey University and the University of Auckland. The Research Centre was also a finalist in three categories – innovation in the environment and agriculture, innovation in health and science, and innovation excellence in research – at the recent New Zealand innovators Awards. The research was primarily undertaken at the University of Otago and was led by Professor Ian Tucker and Dr Olaf Bork. Both said that it was quite exceptional work to be sponsored by the industry. The X-imm24 product was now in the registration process and had undertaken a large trial with "fantastic results". Dr Bork said that the first market would be New Zealand and that he hoped it would be available by the end of next year.

Star rating system for food could benefit primary industry sector [11 November/ Radio New Zealand Rural] A new food safety labelling scheme involving the use of a star rating system could benefit the primary industry sector in New Zealand, Food Safety Minister Nikki Kaye has said. The star rating system would essentially rate the nutritional value of products. The Minister said that a voluntary star rating system would be the focus of research as to how effective it could be and how consumers and producers respond to the new rating system. She added that it was important that consumers had the best possible information about making healthier eating choices. This was one of the primary reasons why the New Zealand Front of Pack Labelling Advisory Group decided the system should be looked into. Ms Kaye said that the star rating system was already being worked on in Australia.

International

EU backs new GM corn for planting [7 November/ New Zealand Herald] Despite widespread apprehension about Genetically Modified Organisms in food among European consumers, the European Union has moved closer to approving the cultivation of a second genetically modified corn. The EU Commission's executive arm has sent the plan to approve DuPont-Pioneer Maize 1507 to the EU's 28 member nations for consultation and consideration. A decision on the issue could be made within the space of a few months. Sharply diverging views that EU member states have on the cultivation of Genetically Modified Organisms exist and decisions have sometimes been stuck for years. Mute Schimpf of Friends of the Earth Europe said that the European Commission had once again buckled under industry pressure and that the GMO corn was highly toxic and would harm the delicate habitat of butterflies and moths. The European Union has strict guidelines on authorising and informing consumers about foods containing GMOs. This has been a policy that has caused problems for producers of genetically modified seeds which are commonly used to less stringent rules around the world.

The world's insatiable hunger for phosphorus [8 November/ BBC News] Pressure for artificial fertilisers in food production has increased to record levels as the world's population has tripled to seven billion since 1945. Extraction of an ore that is in limited supply is one of the ways phosphate is produced. The mineral is then spread onto farm land as a fertiliser, which has a high tendency to eventually wash into the ocean. Chemist Andrea Sella of the University College in London highlighted that crop yields will eventually decline as phosphate levels fall. Dr Sella highlighted phosphorus as being essential for life and well being of farming crop stock. It was also stated that people had to remember that the world's population was growing every year and that demand for the substance would also be steadily increasing. Phosphorus is known to spontaneously combust in its natural form and is used by plant and animal cells to store energy. Two caveats have been highlighted by the warning of diminishing phosphate levels, however. Firstly, supply of the substance is forecast to last for more decades, if not centuries to come. So humanity is at no immediate threat of running out of the fertiliser. The second warning is that phosphates have been offered at a price too cheap into the market, which means that there has been limited incentive to use them carefully. Some markets commentators have said that until the price is higher, people will continue to use them at high levels.

Kiwi dollar falls on early US taper talk [11 November/ New Zealand Herald] Better US jobs data has resulted in the New Zealand dollar declining after the data boosted speculation the Federal Reserve Bank may pull back its monetary stimulus sooner than most investors expected. The New Zealand Dollar dropped to 82.34 US cents on Monday morning after being at a level of 83.27 cents early on Saturday. The trade-weighted index fell to 77.05 from 77.51 in Wellington on Friday. The United States Dollar index is measured with the dollar against a basket of currencies, and this level increased on Friday, highlighting a key labour market indicator watched closely by the Federal Reserve as increasing by more than what was expected in November. Imre Speizer, markets strategist at Westpac Bank in Auckland highlighted the surprisingly strong United States payrolls report pushing the United States interest rates and United States Dollar to higher levels.

'Rural America' slow to recover [11 November/ Financial Times] Records have indicated that employment growth in the United States' sparsely populated rural land has stagnated since the economy began to recover in 2010. The results come from this year's United States Department of Agriculture's Rural America at a Glance report. The report shows that while employment in both rural and urban area fell by 5 per cent during the 2007-2009 recession and recovered by a similar level in 2010, their outlooks have since deviated. Net job growth in rural areas has been near zero, while it averaged 1.4 per cent annually in urban areas. The results obtained coincide with the first-ever recorded net population decline in those regions, driven by a drop in the number of migrants flowing into rural regions. The report highlighted the apparent historic shift where rural area population loss was as a result of growing demographic challenges facing much of rural and small-town America.

Economics and Trade

Cunliffe brokers Labour resolution on TPP [2 November/ New Zealand Herald] A meeting of affiliated unions was convened by Labour Party Leader David Cunliffe at the party conference in Wigram recently in order to broker a compromise resolution on the Trans Pacific Partnership. Labour had received a motion from the Engineering Printing and Manufacturing Union, pushing Labour to oppose the Trans Pacific Partnership. This was set to be in line with the position taken by the Council of Trade Unions last month. At the end of the Union Council meeting, Mr Cunliffe received consensus to support a Dairy Workers' Union resolution to withhold support for the TPP until full details are made available and that there was clear evidence that the TPP agreement was in the best interest of the New Zealand economy and its people. The main aspects of the motion said that the party currently withholds support on the ground that the Government had not been adequately transparent in the process and secondly that the Government was undertaking unacceptable risks on a range of matters.

Farmers and producers

ES allays fears over dung beetles [9 November/ Business Day] A recent scientific review has suggested that exotic dung beetles living on a farm near Wymndham could become flying faecal bombs and spread disease to Southland residents. University of Auckland Dean of Science Grant Guilford said that a key concern people have about dung beetles is that they scurry around in faeces which gives them the potential to spread these pathogens to animals and people. He said that farmers and vets who would have constant contact with the insects, would have a lower risk of catching diseases from them, however people with lower immunities such as children and infirm elderly people would have a higher chance. Dung Beetle Release Strategy Group project manager Andrew Barber said that public health experts in Australia were surprised by the public health concerns over beetles in New Zealand. He added that among other things, dung beetles remove a habitat and feeding resource for flies, which have been known to spread disease to humans and animals.

Stock shift sees Molesworth road open earlier [10 November/ Business Day] Instead of opening on the usual December 28 date, the Molesworth Station road has opened earlier as a result of a change in farming practice and continuing efforts to show the historic high country area off. Molesworth Manager Jim Ward said that the organisation's goal was that over their lifetime, everybody in New Zealand comes and has a look and a feel of what they own. The 59-kilometer road has normally been closed to the public until closer to the New Year because of fears that they could interfere with farming operations. Molesworth Station is a 183,000 hectare farm and is the largest in New Zealand. It is administered by the Department of Conservation, with Landcorp responsible for farming operations. The road is set to remain open to the public until Easter Monday, April 21 next year.

Landcorp focus to stay at home [11 November/ NZX Agri News Group] Chief Executive of Landcorp Farming Limited, Steven Carden, has said that although the organisation has received many approaches to develop operations overseas, they will not be pursuing the potential to expand their foot print, except for adjunct purchases adjacent to existing farms. He said that in many cases, Landcorp will be the manager of properties rather than the owner. He added that existing operations were part of the Landcorp growth strategy, where they managed dairy farms in the North Island for Chinese farm owner Shanghai Pengxin and developed dairy farms on several thousand hectares of land elsewhere in New Zealand. Mr Carden also said that there were discussions on how Landcorp could best extract maximum value for the Crown as shareholders, selling farms and returning surplus funds, strategic sell-downs and buying better properties, or farming as profitably as it was able to within New Zealand. Landcorp highlighted dairying as the growth driver of its main operations, expected to bring in 60 per cent of revenue by 2018, up from 50 per cent. The increases were indicated as being attributable to the Shanghai Pengxin arrangements and Wairakei partnership in the North Island.

Subscribe

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

Field Notes

Weekly news update from the KPMG Agribusiness Network – 13 November 2013

8

Contact Us			
Auckland/ Audit	Hamilton/ Taxation	Tauranga	Wellington
Ian Proudfoot	Rob Braithwaite	Robert Lee	Graeme Edwards
09 367 5882	07 858 6517	07 571 1773	04 816 4522
021 656 815	021 586 517	027 451 1035	027 296 5050
iproudfoot@kpmg.co.nz	rbraithwaite@kpmg.co.nz	relee@kpmg.co.nz	gdedwards@kpmg.co.nz
Christchurch	Financial Advisory Services	Risk Advisory Services	Business Advisory Services
Andrew Hawkes	Gary Ivory	Jamie Sinclair	Hamish McDonald
03 353 0093	09 367 5943	09 363 3460	07 858 6519
027 508 0135	021 932 890	021 475 735	021 586 519
ahawkes@kpmg.co.nz	givory@kpmg.co.nz	jsinclair@kpmg.co.nz	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.