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AGRIBUSINESS

FIELD NOTES

Weekly news update from the KPMG Agribusiness network

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Organisations referenced in this week's Field Notes include:	
Alliance Group	Meat Industry Excellence
ANZ	Ministry for Primary Industries
Aotearoa Fisheries	Ministry of Business, Innovation and Employment
Arla Foods	Miscanthus New Zealand
Austrex	NZX
Beef + Lamb New Zealand Genetics	Potatoes New Zealand
Coles	Produce Marketing Association Fresh Connections
Export NZ	Sea Dragon
Federated Farmers	Sealord
Foley Family Wines	Shanghai Pengxin
Forest Owners Association	Silver Fern Farms
Higgins Group	Simplot Australia
Horticulture New Zealand	Synlait Farms
Irrigation New Zealand	Three Over Seven
Landcorp Farming	Transpower
Lincoln University	UN Food and Agriculture Organisation
Marks & Spencer	United Fresh NZ
Martinborough Vineyard Estates	Waimate District Council
Matua Marlborough	

This week's headlines	
Horticulture	**Coles' decision freezes out Kiwi veggies** [3 February/ New Zealand Farmers Weekly]
Forestry	**Forestry safety review team named** [29 January/ stuff.co.nz]
Dairy	**NZX eyes US investors thirsty for dairy derivatives** [3 February/ NZ Herald]
Research and development	**New rules for importing palm kernel** [3 February/ Radio New Zealand Rural]
Farmers and producers	**Synlait Farms Takeover approved** [4 February/ Radio New Zealand Rural]

Horticulture

Spuds take over as favourite vege [24 January/ stuff.co.nz] With over $119 million in sales, potatoes have ended tomatoes ($118.7 million in sales) 10 year reign as the favourite vegetable in New Zealand. Spending on both potatoes and tomatoes has increased by over $10 million since 2010. Horticulture New Zealand CEO, Peter Silcock, said that Kiwis are spending more on fruit and vegetables, but also more on imported fruits, increasing the competition for New Zealand growers both in and off season. Mr Silcock believes that shoppers often do not realise the origin of the fruits they buy. HortNZ has been advocating for mandatory country-of-origin labelling on all food sold in New Zealand. Imported fruits such as bananas (1st place), grapes (3rd place) and pineapples (11th place) moved up the list at the expense local produce such as oranges (5th place), pears (8th place) and watermelons (18th place).

Big produce conference comes to NZ for the first time [30 January/ Rural News] Produce Marketing Association Fresh Connections, a Produce Marketing Association Australia-New Zealand and the Australian Chamber of Fruit and Vegetable Wholesalers' partnership, has joined Horticulture NZ and United Fresh NZ to create a global business-building event for fresh produce buyers and sellers, from June 24 to 26 at the Auckland's Viaduct Convention Centre. HortNZ CEO, Peter Silcock, expects the event with over 60 exhibitors from New Zealand, Australia, China, Russia, US, UK, Canada and the wider Pacific Rim to bring in up to 1000 visitors. Mr Silcock says that the educational and networking conference will be a prime opportunity for both New Zealand and New Zealand companies to showcase its products, services, innovation and technology. The event is expected to bring together all segments of the supply chain from seeding companies to retailers, including government agencies and industry services providers. Produce Marketing Association CEO, Michael Worthington, says PMA Fresh Connections facilitates Australasian and wider Pacific Rim businesses to further their trade opportunities as well as providing a forum for addressing common issues. United Fresh NZ General Manager, Paula Dudley, believes the event will provide an opportunity to strengthen networks as well as share best practices.

Humble spud most popular vege [31 January/ Radio New Zealand Rural] Potatoes New Zealand is using the vegetable's new popularity to launch the largest marketing campaign in the industry body's history. The campaign will focus on the benefits of potatoes over other carbohydrates, and will promote potatoes as cheap, easy to prepare and nutritious. Potatoes NZ CEO, Champak Mehta said that the results from the organisation commissioned indicated that every New Zealander consumed 23 - 24 kg of potatoes a year and a study that healthy eating, freeform foods, optimal nutrition, green issues and sustainability are important factors in the consumer's potato-purchasing behaviour. Mr Mehta indicated that the marketing may include the versatility of pre-prepared or semi-prepared potatoes over frozen foods.

Coles' decision freezes out Kiwi veggies [3 February/ New Zealand Farmers Weekly] Coles has signed a five year contract with Simplot Australia to source only Australian grown vegetables for its Smart Buy frozen range, in addition to its agreement with Simplot for Coles brand frozen vegetables. The arrangement will require Simplot to supply an additional 2.7 million kg of produce (a 12% increase in the volume of private label frozen vegetables supplied to Coles by Simplot), at the expense of international growers in China, Thailand, NZ and Europe. Coles currently stocks over 32 Simplot sourced Coles Brand and Smart Buy frozen vegetables and potato products, as well as over 200 Simplot brands. The deal is in line with Coles' commitment last year to source all of its private label canned peaches, pears and apricots from Victorian growers and tinned pineapples from Queensland growers. The deals denote a 7 million kilogram internalisation of fruits and frozen vegetables production to Australian growers. Under Coles' Australia-first sourcing policy, 96% of Coles fresh fruit and vegetables, 100% of fresh milk and meat and 90% of Coles Brand food and drink products are Australian sourced. Australian farmers have welcomed the Coles' announcement to source 100% Australian grown produce for its private label frozen vegetables range.

Viticulture

Foley keen to add more Martinborough vineyards [3 February/ NZ Herald] American billionaire, Bill Foley is intending to acquire the pinot noir pioneer, Martinborough Vineyard Estates, which is self-described as a "trailblazer in pinot noir in the southern Wairarapa". Mr Foley's New Zealand holding company owns 80% of Foley Family Wines and 50% of the distributor, EuroVintage. NZAX-listed Foley Family Wines' CEO Mark Turnbull said that the parties are anticipating the transaction will be completed by March 31, although noted that due diligence is yet to be completed and that the parties are not at the stage of agreeing on a price. The company's expansion includes the 2011 acquisition of Te Kairanga Wines company and the 24.9% stake in celebrity chef Simon Gault's Nourish Group restaurant chain, indicative of what Mr Turnbull has called the company's "vertical integration strategy". This is in line with Mr Foley's US approach, where his ownership consists of vineyards and interests in approximately 700 restaurants.

Cuts crucial to cope with bumper grape crop [4 February/ Marlborough Express] Marlborough grape growers are actively managing their vines in the face of a bumper crop, which some suggest is the biggest they have ever seen. One contractor estimates the crop is between 18 and 30 tonnes a hectare and said that his company has been actively thinning crops in every vineyard that they are contracted to, to ensure the grapes ripen and the quality of the fruit is maintained. Grower relations manager for Matua Marlborough, Anton Groffen, said that the large crop can be attributed to the weather about 18 months ago, when warm, dry and windy weather got bud fertilisation off to a good start along with favourable weather in December 2013 which helped with flowering. Another winery manager said that while thinning was normal the active dropping of fruit from the vines was "not normal by any means". It was also noted that the harvest was likely to start earlier this year.

Forestry

Forestry safety review team named [29 January/ stuff.co.nz] As a result of the recent serious and fatal injuries in the forestry sector, including 11 deaths since the start of last year, the industry has appointed an independent review panel to make recommendations on safety improvements. The panel members are business leader George Adams, employment health and safety lawyer Hazel Armstrong and business safety specialist Mike Cosman. The review, which is expected to take up to 6 months, is funded by the Forest Owners Association, Forest Industry Contractors Association and the Farm Forestry Association. Forest Owners Association ex-president, Bill McCallum said that the panel will be looking at workplace cultures, current safety programmes and training, activities of Worksafe NZ and ACC, worker engagement and the unique structure of the industry. Mr McCallum is hopeful that the panel will provide practical solutions to the current unacceptable rate of serious injury and death. It was noted said that the panel appointment and its terms of reference have been approved by forestry organisations, ACC, relevant government agencies, the Council of Trade Unions and the Business Leaders' Health and Safety Forum.

Fishing and aquaculture

Chinese corruption crackdown hits New Zealand paua industry [29 January/ Timaru Herald] New Zealand paua is among the luxury goods that affluent Chinese officials are shying away from, along with shark fins and bird nests, as the Chinese government's anti- corruption measures start to impact demand. The decline in demand has impacted Aotearoa Fisheries which has made significant investments in farming and processing the world's only black abalone. While demand and sales remain firm for fish and lobster sales, the company says that the austerity measures have impacted on sales of paua products. This has resulted in the supply being directed into other Asian markets impacting on the prices being achieved. The Chinese anti-corruption measures ban cigarettes and expensive liquor as well as classic delicacies from official banquets.

Argentinean losses push Sealord into the red, North Island Mussels stake for sale [30 January/ Yahoo Business and Finance, Business Desk] Sealord, which is jointly owned by Aotearoa Fisheries and Japan's Nippon Suisan Kaisha, made a net loss of $44.3 million in the 12 months ended September 30, compared to a profit of $3.5 million the previous year, according to holding company, Kura's financial statements. The Company, which made a $46.9 million loss on the sale of its Argentinian unit last year, has begun the sale of its North Island marine farm licences and put its 50% stake in North Island Mussels up for sale. The Company's gross profit declined 23% to $75.3 million and revenue declined 6.1% to $457.3 million. Aotearoa Fisheries chairman, Whaimutu Dewes, in its annual report expressed the disappointment of the Maori fisheries company in the result. He said that Aotearoa Fisheries will continue to monitor the group's strategy to ensure 2013 is not repeated. In addition to the Yuken sale loss, Sealord booked a $2.6 million provisioning charge on the closure of a joint venture and faced $1 million in restructuring costs. Mr Dewes said that Sealord has approved a profit plan for the year of $19.5 million, and is expecting a turnaround. Sealord trimmed its dividend payment to $2.6 million from $16 million the previous year.

Sea Dragon's capital-raising goes well [30 January/ Otago Daily Times] Nelson fish oil manufacturer, Sea Dragon has reused $4.1 million in capital from the shareholder share-purchase plan, a $1.6 million oversubscription from its target. Sea Dragon chairman, Dr Doug Wilson in a statement said that the $4.1 million, along with the $2 million raised from the private placement (November 2013) and the $2.4 million from selling its stake in Snakk Media would be used to pay off debt, provide working capital and construct a refined fish oil plant near Nelson. The company's shares rose +$0.02 in light of the news. Craigs Investment Partners broker Peter McIntyre said that the market capitalisation reached $37 million, adding that with over a billion shares in the market management would have to focus on operations. Oak Building Group is to fund the construction of the new fish oil refinery in Stoke, to be leased to Sea Dragon for 10 years with rights of renewal. Oil engineering specialist Desmet Ballestra is to fit out the building at a cost of approximately $4 million. Sea Dragon CEO, Ross Keeley said the plant will have an annual capacity of over 5,000 tonnes, generating up to $50 million in sales. Mr Keeley said the plant will produce an oil high in Omega-3 from hoki, sourced mainly from the Southern Ocean fishery. The Richmond site is to continue with its shark oil products.

Dairy

NZX eyes US investors thirsty for dairy derivatives [3 February/ NZ Herald] NZX, now a registered Foreign Board of Trade under the US Commodity Exchange Act, creating the opportunity to expand its dairy derivatives market into the US by allowing direct access for US investors to trade in NZ dairy derivatives. Trading of NZX dairy futures, although growing fast is still relatively small with 36,748 lots exchanged in 2013 (up 52%) and open interest positions of 9,070, as at 31 December 2013 (up 316%). NZX head of derivatives, Kathryn Jaggard said that it can take up to ten years for the market to fully mature. Ms Jaggard, highlighted the 20 skim milk powder futures contracts traded in the London Futures Exchange since October 2010 and the delisting of the skim milk powder contracts on the Chicago Mercantile Exchange in 2010, to indicate that the NZ market is doing well. She stated that the market operator has a five year view and would like to increase the current 200 lots traded a day to 500 and 1000 in the future. The NZX contacts to buy or sell at a future date are for cash settlements, and the futures are generally used to smooth out price volatility. Global demand for dairy has increased with a heavy contribution from Asia. NZX extended its derivative market trading hours in 2013 to accommodate international customers. Ms Jaggard said the future market was a good opportunity to build on NZ's lead in the dairy industry and to become the financial hub of dairy trade.

Cool heads needed in NZ's heifer trade with China [4 February/ Business Day] Port Timaru shipped approximately 34,000 heifers to China last year. Premiums paid for the animals amount to $100 to $200 which together with shipping and handling costs $500 to $600 make the animals valuable cargo. Austrex is an Australian company specialising in heifer trade, and its NZ manager of livestock, Chris Nowell said that the company was responsible for the animals until approved for disembarkation by the Chinese. With the potential of future exports being cancelled anytime, the company must be financially sound to be able absorb such a "mega risk". The heifers are meticulously scrutinised to meet Chinese import regulations, to ensure they are not rejected at disembarkation, or before pre-shipment quarantine. Mr Noel said that the lengthy preparation period and premiums paid make it impossible to find replacements or obtain refunds for rejected heifers, and therefore this must be built into the costing. Contracts to supply heifers in November are confirmed in February. Even with the high risks associated with the trade, NZ's live heifer trade to China is a reliable source of income for farmers and South Canterbury businesses supporting the trade.

Red Meat

British retailer funds on-farm research [4 February/ Radio New Zealand Rural] New Zealand's biggest sheep meat processor and exporter, the Alliance Group, marketing head, Murray Brown said that the exclusive contract it won last year to supply chilled lamb to the British retailer, Marks & Spencer, has been extended for another two years. Mr Brown said that Marks & Spencer is helping fund various research projects as part of the arrangement, resulting in lamb production trials being conducted on a range of New Zealand farms. He said that the research included looking at the effect of different environments and types of feed on lamb growth rates.

Push to get Monaghan on Alliance board continues [21 January/ Business Day] Supporters of the Meat Industry Excellence (MIE) reform group are calling on the board of the meat processor, Alliance Group to appoint John Monaghan as an independent director. Mr Monaghan's nomination to stand in the Directors election was rejected last year as he did not hold the minimum 5000 share interest in the Alliance Group required by the company's constitution. The Alliance shareholders' non-binding special resolution passed at the annual meeting requested Mr Monaghan appointed to the board has been unsuccessful due to the lack of board backing. Although the board has not made a determination, it is thought that the board is looking for an independent director with Asian experience. MIE chairman John McCarthy highlighted the level of shareholder support for Mr Monaghan, and said that profitability was still an issue, with farmers looking at dairy and other land uses. MIE is encouraging farmers to commit their stock to co-operative-owned companies to advance their own wellbeing. He said that the board's scope to appoint four independent directors mean that Mr Monaghan can be appointed without compromising the board's existing plans. Former Fonterra chairman Sir Henry van der Heyden said that Mr Monaghan has the qualifications and capabilities needed by the board and has a strong understanding of the global marketplace, co-operative business models and management. It is believed that Mr Monaghan's legal advice indicates that he was within his rights to be nominated as a supplier director.

SFF says tastier beef on the way [1 February/ Otago Daily Times] Over the last two years, Silver Fern Farms has developed an Eating Quality (EQ) system, following a testing programme consisting of 97,000 taste tests, with 13,900 taste-testers conducted around NZ and US with the purpose of improving beef quality. The predictive beef-grading model was built with the help of 38 scientists from Texas Tech University and the University of Otago's Department of Food Sciences. Silver Fern Farms group category manager Grant Howie said that the system will give the consumer a guarantee of their eating experience. The group will be targeting top-end markets this year. A range of branded beef retail packs including porterhouse steak, tenderloin, medallions stir-fry and roast beef are to be launched in NZ in approximately four weeks time. Mr Howie said that grass-fed beef was growing in importance to the company's "beef story". Silver Fern Farms livestock farming performance manager, Lochie MacGillivray believed fodder beet to be a promising option for farmers and the red meat sector to meet consumer demands. Lincoln University trials last year indicated "astronomical" growth rates. In 2013 16,000ha of fodder beet was grown in NZ by dairy farmers (2010: 400ha). This year's trial is expected to involve 5,300 cattle over 16 farms fed on around 200 hectares of fodder beet. Fodder beet achieved a very high dressing-out percentage, a high percentage grading premium reserve and a consumer preference for the meat.

Water

Irrigators urged to lift game [30 January/ Radio New Zealand Rural] Irrigation New Zealand says its members will need to do better at irrigating efficiently. Irrigation New Zealand says that the 65% of allocated water used by irrigators throughout Canterbury during last year's dry period is a better than expected result, but CEO, Andrew Curtis, says that members need to do more to better schedule irrigation, which can be achieved by using methods such as soil moisture monitoring. Mr Curtis believes that the use of such methods will increase "massively" as farm environmental plans will be required through the land and water regional plan in order for farmers to continue receiving consents to take water. He estimates about a quarter of its members are already using such methods.

Poll shows Kiwis support irrigation [4 February/ Business Day] A phone poll commissioned by Irrigation NZ shows that of the surveyed population from Auckland, Canterbury, Wellington, Wairarapa and Hawkes's Bay, 70% rated irrigation overall was good for NZ, 9% rated it bad and 21% were unsure. The poll established that New Zealanders recognised the link between irrigation and the price and abundance of food. The poll also highlighted food production, water management and economic growth as major benefits of irrigation. The environmental impact was highlighted as a concern, with a call on irrigators to limit nutrient losses and wastage. Irrigation NZ CEO Andrew Curtis said he did not expect such a positive response, and expressed the need for a bi-partisan approach to irrigation by calling on political parties to develop a vision for modernising the irrigation infrastructure and systems for sustainable development. He emphasised the importance of efficient water use by all New Zealanders, and mentioned the need for urban and rural water storage development. Mr Curtis stated that irrigators are working on minimising the impact on rivers and river flows. Water quality limits for irrigators were being set for sustainable management.

Wool

Sock-less shoe idea gets $30,000 kickstarter [30 January/ NZ Herald] Former All White's skipper, Tim Brown's new company, Three Over Seven's campaign on crowd fundraising site Kickstarter took around 24 hours to reach its $30,000 breakeven point in order to commence production. Mr Brown said that the total investment so far, which included funding from the Wool Industry Research Limited and Grow Wellington, is well into the six figures. The unique material made from mid-micron New Zealand wool uses a patent pending process to knit wool fibres, melt-bond fibres and multifilament yarn together. Three Over Seven's shoe concept was recently awarded a place in the British Government-backed business accelerator programme. A Portuguese factory is to start production in April, with the first shipment of the Wool Runners scheduled for June. Mr Brown who believes that Kiwis need to be more prudent about intellectual property says that one of the key strategic aims is to license the proprietary fabric to other footwear companies and manufacturers using a GoreTex type model.

Research and development

$15 m sheep, beef genetics research boost [29 January/ Business Day] Science and Innovation Minister, Steven Joyce announced a 5 year investment of $15 million in genetic research to improve sheep and beef profitability, which increases the total annual funding from government and industry sources to $8.8 million. A new partnership, the Beef + Lamb New Zealand Genetics will bring together the current sheep and beef genetic researchers, consisting of the Sheep Improvement Ltd, the Beef + Lamb New Zealand Central Progeny Test and Ovita. AgResearch is to play a significant role in the partnership, along with other research partners such as Abacus Bio, Lincoln University, Massey University and Otago University. The funding by the Ministry of Business, Innovation and Employment will focus on genetic research to improve traits for farming in hill-country environments. Mr Joyce said that the partnership will help New Zealand maintain its lead in animal and plant genetics, as well as improving meat quality, on-farm profitability and meeting consumer needs. Over the next decade the partnership is expected to increase on-farm profit by $5.90 per lamb sold. For every dollar of on-farm profit, another 50c is estimated to be captured off-farm.

Research boosts NZ biofuel industry [30 January / Business Day] During a 6 year project funded by the Government and Chevron, a Lincoln University research team tested 15 plant types, which identified that canola can be turned into biodiesel capable of being used in any diesel engine. Professor of Ecology, Steve Wratten said the research involved mixing the fungus Trichoderma with canola seeds. Small field trials which used Trichoderma with canola seeds with material such as dried sewage waste has resulted in 30% yield increases. Professor Wratten said results of large field trials are expected this year. Research has also been focusing on improving pollination and the biological control of pests. Canola is seen to have advantages over other crops due to its mild environmental impact, minimal inputs and its subsidiary products such as animal feed and cereals. The researchers are also examining the production of renewable diesel from a type of giant grass, miscanthus. Miscanthus is also considered to have notable advantages such as low moisture content at harvesting, higher biomass and its perennial nature. Additionally, the process of making the biofuel does not require large industrial plants and feedstock. A plant could produce 150 litres per hour of renewable diesel from only 12 tonnes of dry matter a day, and a price of $1.10 per litre would allow for a return on investment. Miscanthus New Zealand managing director, Peter Brown said that he had been approached by US parties who had access to the required technology for renewable diesel production. He expects a couple of farms to be operating in New Zealand within a year.

Biosecurity

New rules for importing palm kernel [3 February/ Radio New Zealand Rural] Palm kernel expeller (PKE), a cattle feed imported mainly from Indonesia and Malaysia is to be regulated by the Ministry for Primary Industries requiring all feed to be screened in New Zealand by importers to ensure it is free from sharp pieces of metal. Currently 60% of PKE is screened in New Zealand, with the remainder screened at the country of origin. The Ministry's acting Deputy Director-General of standards, Ben Dalton, said the "hardware disease", that perforates the animal's stomach wall is difficult to diagnose, hence is likely to be under-reported. Mr Dalton believes that PKE imports will increase over time making the hardware disease more of an issue (2013 imports amounted to 1.5 million metric tonnes and 2014 projections are at 2 million metric tonnes). He said the regulations will require 4mm mesh screening and better record keeping enabling improved tracing of contamination. The Veterinary Association said such contamination is not a frequent cause of potential lethal disease in cows. The Association's Waikato-based dairy cattle spokesperson, Neil McPherson said that experience from the Waikato did not show evidence connecting hardware diseases to palm kernel, but he is pleased with the upcoming regulations.

International

Agriculture 'engine of growth' that Africa needs [29 January/ UN Food and Agriculture Organisation Press Release] Speaking at the margins of the African Union Summit in Addis Ababa, the Director General of the UN Food and Agriculture Organisation, Jose Graziano da Silva, said that agriculture must become the engine for growth that Africa needs to eradicate hunger and boost sustainable food production. The Director General noted one in five of the citizens of Africa is denied the right to food, however with most of the 10 fastest growing economies in the world in Africa the region had the opportunity to change the situation by including agricultural and rural development, women and young people within their economic development plans. The population in Africa is expected to remain largely rural for the next 35 years, making agriculture the only sector that has the capability to absorb the growing workforce. Mr Graziano da Silva noted that 2014 is the year of African Agriculture and Food Security, which he said was an important step towards a hunger-free and sustainable Africa. In connection with the celebration of Family Farming across the world in 2014, it was increasingly apparent that small scale farmers, pastoralist families and fisher folk are no part of the hunger problem but with support can be an important part of the solution to eliminating hunger in across the world.

US farm bill to cut $23bn clears impasse [29 January/ Financial Times] The US House of Representatives have passed a controversial USD956 billion farm bill, which gives generous subsidies to agribusiness. The bill which cuts approximately USD23 billion in federal spending, including USD8 billion cuts in food stamps for low-income households, came as a defeat to conservative Republicans who advocated for bigger cuts in food stamps. The new legislation will expand government backed insurance programmes which will only pay out during bad years. The meat and poultry industry, which was seeking to restrict regulators' authority over contracts and the mandatory country-of-origin labelling, pledged to lobby for the bill's defeat. Six trade groups have expressed their opposition to the leaders of the House and Senate agricultural committees. The head of the Senate agriculture committee, Debbie Stabenow said that there were not sufficient votes to repeal the country-of-origin labelling. The Senate is expected to take up the bill this week.

China now the world's biggest red wine consumer [30 January/ Food Navigator Asia/ William Reed Business Media] China has passed France and Italy to become the world's biggest red wine market as consumers have driven growth of 136% over the period from 2007 to 2013. China is estimated to have consumed 1.865 billion bottles of red wine in 2013 higher than France's 1.8 billion and Italy's 1.7 billion, although wine consumption in China actually fell in 2013 after 10 years of growth, reflecting a government crackdown on luxury goods and a decline in consumption of white wine. In Chinese culture, white is the colour of mourning, thus many consumers steer clear of white wine on the grounds of superstition, however analysts expect still and sparkling white wines to gain traction with Chinese consumers as the market matures. Interestingly, a survey prepared for Vinexpo shows that 80% of wine consumed in China is now produced domestically.

China renews farm produce pricing mechanism [1 February/ China Daily] The National Development and Reform Commission of the Chinese Government has announced a proposal to sever the link between produce prices and government subsidies to build a price mechanism that will benefit both customers and farmers. The proposed reform will result in consumers being subsidised when the market price is too high and farmers being given allowances when the market price is below the target. The proposal will be piloted on selected farm produce in regional markets to allow the market to play the key role in setting a target price which will factor in overall cost, margins for farmers and price gaps between domestic and overseas markets. Currently, China sets the grain price by deciding the floor purchase price and adjusts it according to conditions, which has raised the cost of government purchases and distorted the market for grain.

Major investment to boost Arla's profitability [3 February/ Arla Group Press Release] Arla Foods has announced an ambitious investment plan for 2014 intended to support its ambition to double its exports of European dairy products to markets outside the EU by 2017 and improve the environmental footprint of the group's production facilities. The board has approved an investment of DKK2.2 billion (NZD491 million) into 10 dairy production sites during 2014 to prepare the group to meet the rapid growth in demand for its products from markets outside the EU, particularly Russia, China, the Middle East and Africa. The largest single investment in 2014 is a DKK530 million (NZD118 million) investment in the construction of a new lactose production site in Denmark which will produce added value lactose ingredients based on whey from Arla's nearby cheese production facilities. The ingredients will be sold to customers in a range of sectors including child nutrition products that are in high demand in Asia. Investments will also be made in plants producing UHT, quark and powder products in Germany and cheese facilities in the UK, Denmark and Sweden. The group has also earmarked DKK125 million (NZD28 million) to spend on projects that are focused on reducing the emissions footprint of manufacturing operations with an expected saving of 2.3% of the group's total power usage.

Agribusiness education

'Innovative' farmer offers Kiwis a new angle [28 January/ stuff.co.nz] Joel Salatin, from Virginia, US, described by the Time magazine as the "world's most innovative farmer" is scheduled to speak at an Auckland workshop this February about his farming philosophies. The workshop organiser and Hawke's Bay farmer, Greg Hart said the workshop will focus on new perspectives on farm succession and possibilities in agriculture careers for the next generation, including complementary marketing, farm enterprise planning and land access. Mr Salatin describes his farm on its website as a "diversified, grass-based, beyond organic, direct marketing farm". According to Mr Salatin, his farm does not use chemical fertiliser, ploughs, disks or silos, and does not plant from seeds. Mr Hart said that an increasing number of farmers are selling their farms to corporate farming businesses with overseas ownership, which puts long-term sustainability of the land and community at risk. Mr Salatin's models address this risk and provide opportunities to retiring farmers and the next generation looking for careers in agriculture. Mr Hart says that the average age of the New Zealand farmer is in the mid to late 50s, making farm succession important to New Zealand.

Economics and trade

TPP 'top priority': Key [28 January/ Rural News] Prime Minister John Key told the Parliament that an outcome to the Trans-Pacific Partnership negotiations consistent with the vision agreed in the 2011 Honolulu statements, which includes comprehensive duty-free access to markets together with improved conditions for services, investments and government procurement will be a top priority for the Government this year. Mr Key said a successful TPP will significantly improve NZ's access to key economies, including the US and Japan. Mr Key also highlighted that the whey protein concentrate inquiry has demonstrated that the NZ regulatory processes are "among the best in the world", and the Government will be implementing the recommendations of the inquiry, including investment in food safety and considering the establishment of a centre for food safety science and research. The Prime Minister said that the Government will continue to support the Primary Growth Partnership, which drives innovation in primary industries, and mentioned the 17 programmes that have been announced, which have a total Government and Industry funding of $700 million.

Landcorp Chairman To Step Down [28 January/ Landcorp Farming Limited press release] Bill Baylis announced that he will be resigning as the Chair and from the Board of Landcorp, effective as of 30 April 2014. Mr Baylis said that he derived much satisfaction from successfully overseeing an important transition within Landcord consisting of a wide ranging strategic review, which is expected to be completed by the end of April. Mr Baylis said that Landcorp is in very capable hands, with a new CEO and a "revitalised" executive leadership team dedicated to bringing increased value to its shareholders and New Zealanders. Deputy Chair of Landcorp, Traci Houpapa thanking Mr Baylis, saying that his decision was received with regret. The successor to the Chair will be appointed by the Minister of State Owned Enterprisers in due course.

Russian Minister sees FTA in 2014 [3 February/ NZ Herald] Russia's Deputy Economic Minister, Alexei Likhachev, has been reported as telling journalists that Russia, together with its customs union partners Belarus and Kazakhstan, was 'very likely' to sign a free trade agreement with New Zealand this year. Negotiations on the agreement began in 2011. A spokesperson for the Ministry of Foreign Affairs and Trade in Wellington said that the NZ government was focused on a high quality outcome and while negotiations are progressing well, outstanding issues remained. They added that the key outstanding issue relates to market access for New Zealand's agricultural exports into the customs union, predominately dairy products, meat and fish to Russia, which are currently subject to tariffs (levied at 9% on dairy products for example). Export NZ Executive Director, Catherine Beard, noted that while exports are currently small compared to other countries the prospects for growth are strong, provided the trade agreement provided comprehensive access for our agricultural products.

Farm groups wary of TPP backdown [3 February/ The NZ Farmers Weekly] The bodies for the dairy, meat and seafood industries wrote to Trade Minister, Tim Groser and Primary Industries Minister, Nathan Guy, indicating that they could not support the Trans Pacific Partnership if it allowed some countries to retain farming industry protections. The letter warned that such exceptions would mean that other countries would reassess their position for reducing trade barriers. A similar letter was sent to the US Government by an American farm lobby group criticising Japan's refusal to remove its high tariffs protecting local farmers. Trade sources indicated that NZ lobby groups were equally concerned with both North American and Japanese aversion to allow access to its local markets. The North American and Japanese stalemate is preventing progress in the negotiations. NZ agricultural trade envoy, Mike Petersen indicated that the talks are at risk of getting stagnant if parties fail to make progress.

NZ commodity prices rise to a record in January [4 February/ New Zealand Herald] Gains in butter have led the ANZ Commodity Price Index to a record level in January, up 1.2% on December and 23% above January 2013. Butter was up 4% on December and 33% on January 2013, while prices for wood pulp, skimmed milk powder, wool, cheese, whole milk powder, casein and logs also increased. The forestry products sub group reached an all time record while the dairy sub-group was at a nine month high. Prices for beef and pelts fell while the other categories were unchanged. In New Zealand dollar terms the index rose 0.6% from December and was up 24% on January 2013.

Farmers and producers

Transpower changes stance in pylon fight [29 January/ Business Day] Transpower has backed away from insisting on the stringent rules on farming, which required a buffer zone increase from 12 metres to 32 metres on either side of the pylons and cables. Federated Farmers dairy chairman, Willy Leferink said that the Federated Farmers and Transpower have agreed to keep the zone at 12 metres, in line with the agreement Transpower made with Waimate district. The agreement between Waimate District Council and Transpower, which has been ratified by the Environment Court, dispenses the need for the hearing, which was scheduled for later this year. Mr Leferink said that the agreement only restricts the building of dairy sheds under powerlines. Federated Farmers' South Canterbury Pylons Group spokesman, Miles Anderson said the compromise will only have a minimal effect on a few farming activities. Waimate Mayor, Graig Rowley said that the compromise has saved at least $50,000 in legal fees, and the district plan can now be signed off. Transpower in a statement expressed its satisfaction with the agreement, highlighting the good outcome for both the community and for the protection of the national grid.

Synlait Farms Takeover approved [4 February/ Radio New Zealand Rural] The Overseas Investment Office has given approval for Shanghai Pengxin and its partners to complete their acquisition of Synlait Farms. This follows 99.6% of shareholders supporting the transaction – believed to be the highest acceptance rate of any takeover in New Zealand since the Takeovers Code was introduced in 2000. The deal remains conditional on approval from Chinese regulators for the transfer of funds out of China, however this is considered to be procedural and a quick decision is expected. Shanghai Pengxin will have a 74% interest in 13 Synlait Farms properties in Canterbury in addition to the 16 former Crafar Farms the group previously acquired which are being managed by Landcorp Farming.

Ex-Crafar farm buy a 'strategic purchase' [4 February/ Business Day] Higgins Group has confirmed that is has purchased a former Crafar farm, which was also owned by the initial bidder for the Crafar Farm portfolio UBNZ Assets Holdings. The company paid $5.6 million in an auction for the farm which borders land owned by Higgins Aggregates. Higgins Group CEO, David Geor, said that the purchase was a logical, strategic purchase, as the company mines alluvial gravels and there are alluvial gravels under the property. Mr Geor added that the Group wished to own the property and now does so.

Landcorp 1H earnings soar on rising dairy income [4 February/ New Zealand Herald] Landcorp Farming, the State Owned Enterprise, has reported a tripling in first half profit as milk prices drove up dairy income. Operating profit for the six months ended 31 December was reported as $12.2 million compared to $2.5 million in the prior year. The company expects to report a full year operating profit of about $35 million (more than three times prior year earnings of $13 million). With a forecast payout over $8 per kilo milksolids and the increased production from the joint venture arrangement with Shanghai Pengxin, dairying income jumped 58% in the first half of the year, although costs were higher as a result of the joint venture. Net profit increased from $25 million to $109 million as a result of significant gains in the value of livestock during the period.

FF well placed for changes [4 February/ Radio New Zealand Rural] Federated Farmers president, Bruce Willis and several other farmer representatives on the Federation's national board will be stepping down this July along with Conor English, who has completed a 6 years term as the chief executive. Mr Willis stated that discussions around the changes at the top have been in motion for some time, and that the organisation has sufficient depth to handle these. Mr English acknowledged the upcoming challenges, and mentioned water management as the biggest ongoing issue. He stated the reforms as the biggest seen in water management for about 100 years. Mr English believes the changes have been underestimated by the farming body and the wider population.

Pork

Pig-virus vaccine helping to curb deaths in US, manufacturer says [2 February/ Globe and Mail] A new drug developed to reduce deaths from the porcine epidemic diarrhoea virus is said to be showing promise at controlling the disease which has already killed more than a million young pigs in the US and has now been found in Canada. The disease was only discovered in the US in April last year but 23 states are now grappling with the disease. Since first identification in Canada two weeks ago, the disease has been reported in six locations and pork producers are bracing for more with an expectation the disease could cost the industry C$45million in the first year. The disease causes severe diarrhoea and death in suckling pigs although it is not a risk to people or food safety. The vaccine has been found to reduce the level of deaths and severity of infection on farms and it will be made available to Canadian farmers having received approval last week, with veterinarians being allowed to import the vaccine with an emergency permit.

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