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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:	
AgResearch	Meatworkers and Related Trade Union
Beef + Lamb New Zealand	Ministry for Primary Industries
Comvita	New Zealand Pork
Craggy Range	Oravida
Federated Farmers	Red Stag Timber
Foley Family Wines	Riddet Institute
Fonterra Co-operative Group	Silver Fern Farms
Forest Genetics	Soil Association UK
Just the Berries	Tertiary Education Commission
Lincoln University	Vynfields
Lowe Corporation	Zespri

This week's headlines	
Horticulture	**Apples, peaches recalled in Hepatitis A scare** [14 March/ NZ Farmer Weekly]
Dairy	**Fonterra needs more capital as many miss out** [9 March/ NZ Farmer Weekly]
Dairy	**Fonterra accepts charges** [14 March/ NZ Herald]
Meat	**Minister invites meat industry collaboration** [17 March/ Otago Daily Times]
Rural Health	**Politicians talk on rural health** [17 March/ Radio New Zealand Rural]

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Horticulture

25th anniversary for kiwifruit industry [13 March/ Radio NZ Rural] Some of the main players involved in setting up the single desk systems for exporting kiwifruit celebrated its 25th anniversary in Bay of Plenty. One of the members behind the single-seller system, which later evolved into Zespri, Leo Mangos who at the time chaired the Labour Party's primary industry council committee and was a Bay of Plenty director of the Fruitgrowers Federation said the single desk was established in March 1989 in order to rescue the industry. Mr Mangoes said the programme initiated by the Labour Government of the day to provide marketing regulations under the Primary Industry Act which prevented exporters from competing on just price. He said the fact there is a united industry now facilitates growers to be united, and has helped address the vine-killing PSA disease.

Apples, peaches recalled in Hepatitis A scare [14 March/ NZ Farmer Weekly] The Ministry for Primary Industries has warned that some Royal Gala, New Zealand Beauty apples and Golden Queen peaches, which were on sale between February 27 and March 13 could be carrying Hepatitis A, after a packhouse worker was found to have the virus. Ministry for Primary Industries Deputy Director General, Scott Gallacher warned that washing will not decontaminate the fruit, and symptoms of the virus, which take six weeks to present include skin jaundice, dark coloured urine, and pale bowel motions, with early signs such as fever, loss of appetite, stomach pains and nausea. Although some of the affected fruit has been withdrawn, about 14,000 cartons have been sold and possibly consumed.

Blackcurrant growers are aiming for purple patch [17 March/ NZ Farmers Weekly] The land at Omihi, North Canterbury consisting of 130ha of blackcurrant bushes, owned by Mark and Louise Eder supplies blackcurrants to Ribena and the Just the Berries nutraceuticals brand which uses powdered blackcurrants in capsules. The blackcurrants are also used to produce a line of alcoholic sparkling blackcurrant wine, called Omihi Creek. Long and warm summers, frosty winters, favourable soil from the limestone chip underground and the access to one of three of the natural bores in the area supplying a subterranean drip-line provided ideal conditions for blackcurrants. Mark Eder said the machinery used in the land also services his contracting business. Mr Eder noted that the next breakthrough would be having Just the Berries classed as pharmaceuticals, a dream shared by his farther David, a co-founder of Just the Berries. Mr Eder said the major challenge to the harvest is the risk of frost, which is managed by the use of helicopters that are needed for approximately three weeks. The planned Hurunui Water Project could bring irrigation to Omihi. Mark and Louise Eder are also involved in the Greening Waipara biodiversity project sustained with help from Four Leaf Japan Co, an Eders' partner in the health supplement business, and involve approximately three dozen properties in the area.

Forestry

Sawmill argues for 'wood-first policy [18 March/ Business Day] Red Stag Timber is waiting on whether political opinion endorses a wood first policy before committing to building New Zealand's first super mill. The mill, which would cost around $120 million to build, relies on a wood first policy, that encourages the use of wood as the primary material in new government buildings of upto four storeys, to be successful. Pro-wood policies have been embraced in Canada, Japan, France and Finland and are also being supported by forestry contractors in Australia. Labour has flagged its support for a wood first policy and is expected to release its forestry policy at the Forestwood conference this week however Associate Primary Industries Minister, Jo Goodhew, has said that putting a preference on wood ahead of other building materials is not currently high on the government agenda. Red Stag CEO, Martin Verry, said that a wood first policy would inject investment into a range of new and existing processing plants that were currently unviable because of the small size of the domestic market and boom-bust cycle. Many industry commentators are calling for more onshore processing of wood before it leaves the country and suggest the necessary investment would be easier to secure if there was a government procurement programme.

Viticulture

Lusi threatens record harvest [14 March/ NZ Farmer Weekly] Grape growers are hoping the negative weather forecasts for Cyclone Lusi will not damage what is meant to be one of the biggest and best harvests yet. Industry estimates expect the harvest to be 20% larger than the previous year's big harvest of 345,000 tonnes. However there could be pressure on processors and exporters, with Marlborough's processing capacity having been reduced by last year's Seddon earthquakes. The strong New Zealand Dollar is not expected to be favourable for exporters seeking markets for the extra wine. New Zealand Winegrowers CEO, Philip Gregan stated that export wine earnings are expected to top last year's record of $1.27 billion at an estimated $1.3 billion by the end of the financial year.

Wairarapa vineyards in demand [17 March/ NZ Farmer Weekly] Several Wairarapa vineyards are changing ownership. The sale of Martinborough's Vynfields to business analyst Harry Guo is expected to be completed by the end of April. Mr Guo mentioned his intent to promote the wine to the growing Chinese market. Alana Estate's shareholders have reached an agreement to sell the vineyard to Charlie Zheng and Nan Li, who also purchased the local winery Murdoch James three years ago, and Murdoch's former owners, Roger and Jill Fraser. The winery is not expected to run under the Murdoch James brand. Majority owner Bill Foley's Foley Family Wines has expressed its interest in Martinborough Vineyards, but CEO Mark Turnbull said the purchase is yet to pass several barriers, including shareholder approval, due diligence and Overseas Investment Office clearance. Bill Foley also has a 50% stake in wine distributor Euro Vintage, 24.7% stake in celebrity chef Simon Gault's Nourish Group, and majority owns the luxury lodge Wharekauhau in south Wairarapa. Foley Family Wines also bought the New Zealand Wine Company in 2012. The company reported a $5.65 million loss in 2012, but recovered by breaking even in 2013, and has reported a net profit of over $1 million for the six months ending in December. Palliser Estate managing director, Richard Riddiford welcomed the new investment said that the new owners would lift the profile of the wineries in both China and the US.

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Craggy Range Winery to stay in family for 1000 years [18 March/ Hawkes Bay Today] The founder of the Craggy Range winery business, Terry Peabody, has set up a 1000 year trust to keep the business assets in the family, with the intention of creating an intergenerational family legacy, reminiscent of some of the great family wine dynasties. Mr Peabody, an American born businessman, said that the wine industry lends itself to family legacy and it was one of the driving factors for choosing to locate in New Zealand and invest in the wine industry. He added that he had a strong belief in the future of the business and that his family were excited about the trust and the opportunities to work together as a strengthened unit. Mr Peabody said that he had been introduced to the New Zealand wine business through his other business interests (which include waste management and selling trucks and buses) when one of his New Zealand truck distributors was also the owner of Montana wines. Craggy Range has vineyards in Marlborough, Central Otago, Martinborough and two in Hawkes Bay.

Dairy

Fonterra needs more capital as many miss out [9 March/ NZ Farmer Weekly] Professor of Farm Management and Agribusiness at Lincoln University, Keith Woodford said that Fonterra will make a big loss if it pays farmers the price which the Fonterra's Milk Price Manual calculations indicate. Fonterra's intention to retain 70c/kg from the theoretical milk price will result in approximately a $1 billion retention, which will avoid major new borrowings. For most farmers the reduction in the price will be reflected by a gain in book asset. However the sharemilkers who do not own Fonterra shares will simply be missing out on a contractually entitled cash payment, and not receive any value from asset increases. Their loss is estimated at $100 million. Farm owners who have sold their Fonterra shares under the Trading Amongst Farmers scheme will also be losing approximately $75 million. The two benefiting groups will be non-farmer investors and farm owners who contract with sharemilkers. Professor Woodford states that the conclusion from this is that either the rules of the Milk Price Manual are poorly designed, which is rejected by Fonterra, leaving the result that based on these rules, Fonterra is unprofitable. He indicates that the retention decision indicates that the milk price is not set by transparent rules, but by the board, which lack sharemilker representation. Professor Woodford said that the Trading Amongst Farmers capital structure has resulted in this predicament, and that Government authority responsible for approving the scheme will be in a hard place, as the Government's position has always been for clear rules for setting the milk price.

More rate rises coming [10 March/ New Zealand Farmers Weekly] BNZ senior economist, Doug Steel said that most farm debt consisted of floating mortgage rates and they were impacted by the OCR increase from 2.50% to 2.75%, with the possibility of interest rates rising from the 5.6-5.8% average to almost 8.0% over the next three years, if RBNZ's current outlook is confirmed by events. He encouraged farmers to use the high milk price to repay debt, and mentioned that this seemed to be happening. The aggregate debt levels in the farm sector had been falling in recent months. Mr Steel said that there were increases in things like tractor registrations and farm building consents, as well as increases in deposits into the banking system. The biggest farm lender ANZ's rural economist, Con Williams encouraged farmers to boost production per cow to maintain their income cash position as interest rates rose. He expects the repayment trend to build over the next few months, supported by in future seasons. Mr Williams said that the overall debt level was fine if the milk price stayed above $6.50/kg milk solids. ANZ's forecasts are above $7.00 for next season, and $6.50 for 2016 and a long-run average between $6.50 and $7.00. He outlined that a mortgage rate rise to 6.75% from 5.75% would result in approximately a $30,000 addition to the annual repayments. Mr Steel said some forecasts were expecting milk price to drop below $7.00/kg milk solids next season, largely based on increased supply from overseas. He said that there were many factors that will contribute to the prices, and it was possible that the prices could hold up into the next year. He also highlighted the need for the increase in OCR to control inflation.

Fonterra accepts charges [14 March/ NZ Herald] Fonterra's Managing Director People, Culture and Strategy, Maury Leyland said Fonterra accepted responsibility for the whey protein concentrate related charges filed against it by the Ministry for Primary Industries (MPI) in the Wellington District Court relating to breaches of the Animal Products Act. Ms Leyland said that Fonterra had fully co-operated with the MPI investigation, and the charges were consistent with the results of the internal operational review. Ms Leyland also said that Fonterra was implementing improvements identified from the review as well as working with the Government to progress all the recommendations of its review of New Zealand's dairy food safety regulatory framework last year. He emphasised the importance that customers know New Zealand's food quality and safety regulations are being enforced. Prime Minister John Key and Fonterra chairman John Wilson will be travelling to China on Monday to explain the botulism false alarm to Chinese authorities.

NZ milk fetches big bucks in China [15 March/ Otago Daily Times] A 2 litre bottle of Oravida's milk in Shanghai supermarket is selling at $23, in comparison to $2 to $3 per litre of local milk, reflecting the complicated supply chain and Chinese demand for the product. Oravida's milk producer, Green Valley Dairies sells its milk to Oravida at the domestic rate, leaving Oravida to bear the cost of transport to China. Milk which leaves the factory on Monday is flown to arrive in Shanghai on Tuesday night. According to Oravida's Chinese-language website 1,224 bottles of milk were flown into China in February 2013. Oravida's exports are currently restricted to milk and Sanford's seafood (salmon and scampi, with scampi selling for $180 per 2kg in Shanghai), but Oravida's corporate network, on its website show an interest in exporting products such as beef and lamb, fruit, honey, milk, seafood and swamp kauri. At a seafood and wine function in 2011, where Oravida's scampi was featured, the Trade Minister, Tim Groser stated that New Zealand is not the place to find the cheapest produce, but there are many products that offer the best value for money. Mr Groser also said that when speaking to exporters and their Chinese clients and distributors, he emphasised that New Zealand is renowned for producing high-quality, safe and sustainable food and beverage products.

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PM urged to defend dairy industry [18 March/ Radio New Zealand Rural] Federated Farmers Dairy Chair, Willy Leferink, is calling on Prime Minister, John Key, to defend the actions of those working in New Zealand's dairy industry on his visit to China this week. Mr Key is heading to China to smooth the waters after Fonterra's botulism food safety scare last year. Mr Leferink said he would like the Prime Minister to tell the Chinese that we do our darndest to get things sorted, and that we are still a first class country with a first class system which produces very high quality dairy products. He added that the timing of the visit was good as it enabled the Mr Key to provide assurance that the issues had been dealt with and processes introduced to prevent similar issues occurring in the future.

Meat

Conditional deal to sell hide plant [14 March/ Otago Daily Times] Silver Fern Farms CEO, Keith Cooper said in a statement said that it has entered into a conditional agreement with Lowe Corporation to sell its Napier hide processing plant as a going concern, which includes the transferral of 76 staff on their existing terms and conditions. Mr Cooper said under the proposed agreement, Silver Fern Farms would toll process the majority of its North Island hide business through Lowe Corporation facilities. He said the multimillion-dollar agreement will have long-term benefits for both parties, and the agreement has the potential to avoid duplication of capital investment across the industry and improve returns. Lowe Corporation Managing Director, Andy Lowe said that the 2013 toll processing agreement for North Island pelts had already brought about benefits for both parties. Staff have entered into a period of consultation, and due diligence is expected to be concluded by March 21, with the final decision expected to be announced on March 25.

SFF zero pay offer criticised by union [14 March/ Otago Daily Times] With 97% of staff at Silver Fern Farms rejecting the status quo offer, Silver Fern Farms and the Meatworkers and Related Trade Union have agreed to mediation. The Meatworkers union national secretary, Graham Cooke indicated that the Silver Fern Farms' offer of 0% pay rise in the first year and only 2% increase in the second is unacceptable in light of the 22-month high for beef and lamb and paying its directors, chairman and CEO double-digit percentage increases. Mr Cooke stated that Silver Fern Farms' directors' fees increased by 15% in 2012 and 7.8% in 2013 (total 22.8% increase) and chairman's fees increased by 15% and 8.2% (total 23.2% increase). Mr Cooke also stated that the staff only received a 2% increase last year. Silver Fern Farms' communications manager Justin Courtney has refused to discuss details, stating the offer is pending mediation.

Minister invites meat industry collaboration [17 March/ Otago Daily Times] In light of the threat to the industry by dairying, Primary Industries Minister, Nathan Guy stated that innovation, collaboration and development of market opportunities are needed to lift profitability in the red meat industry. Earlier this month, Meat Industry Excellence asked Mr Guy to call an urgent industry summit to address the "crisis". Rejecting the call on the basis that he is not prepared to interfere without the industry's support, Mr Guy mentioned that a meaningful event must have commitment of all parties including Meat Industry Excellence, Beef + Lamb, Meat Industry Association, Federated Farmers, processors and the banks. He stated that if any of the parties organised a pan-industry summit focused on resolving the issues in the sector, he would attend and engage in the process. He also said that he would be open to discussions if a significant portion of the sector agreed on a solution, but mentioned that it must come with very clear and broad support. Northland farmer James Parson will be taking over as the elected chairman of Beef + Lamb New Zealand following ratification of his nomination at the AGIT.

Live exports likely to help FTA [17 March/ NZ Farmers Weekly] A free-trade agreement with the Gulf Co-operation Council (GCC) states of Saudi Arabia, Kuwait, United Arab Emirates, Oman, Qatar and Bahrain to phase out annual tariffs of almost $60 million on New Zealand exports was reached in 2009, but was not ratified by the states due to New Zealand's cessation of live sheep shipment for slaughter to all countries in 2003. The biggest beneficiary of the ratification will be Fonterra, where a 5% tariff was imposed on the $500 million of dairy products exported last year. During a visit to the Middle East, Primary Industries Minister Nathan guy announced an agreement of protocols between the governments allowing live sheep exports for breeding purposes only, commencing with a shipment to a demonstration farm near Damman, Saudi Arabia later this year. A $6 million Government investment to build a meat-processing and wool-handling facilities adjoining the demonstration farm, which is financially backed by a prominent Saudi meat retailer, is expected to be functional by the middle of this year. Mr Guy said that the New Zealand investment was a positive for agricultural technology exporters, where there is a potential for exporting technology such as robotics for upgrades in Saudi Arabian slaughterhouses. Trade Minister Tim Groser said he was hopeful that the commencement of live shipments and the investment will result in the ratification of the free-trade agreement.The European Union is currently negotiating a free-trade agreement with the GCC, and the industry could lose ground to its rivals in Brussels if the EU secures a deal without tariffs, before New Zealand does. Exports to GCC states last year amounted to $1.4 billion, with exports of sheep meat amounting to $104 million (down from $147 million in 2010)

Pork

Pig farming is a 'rewarding career' [15 March/ NZ Farmer Weekly] While mentioning that there are many employment opportunities in the industry, the New Zealand Pork chairman, Ian Carter said that his biggest challenge is encouraging young people to take up a career in the industry. Mr Carter's 272ha property, which includes a 190-sow intensive piggery, produces 410 tonnes of meat annually, which would require an approximately 4,500 cattle. He says that pork is the most widely consumed meat in the world, accounting for approximately 40% of meat consumption. Mr Carter said that there is a need to provide better understanding of pig farming among young people, and mentioned that the industry is an early adopter of technology, and has made significant relative genetic gains as well as applying modern nutritionally and environmental practices. However he stated that cheaper imports amounting to approximately 800 tonnes weekly, and a high New Zealand Dollar over the past years have posed a challenge to the industry. Mr Carter said that his goal as chairman of New Zealand Pork is to build the profile of the industry, reduce misconceptions around pig farming and to gain consumer confidence.

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Wool

High hopes for wool levy return [14 March/ NZ Farmer Weekly] Beef + Lamb New Zealand's (formerly Meat & Wool) Outgoing chairman, Mike Petersen believes farmers will vote in favour of a proposal to restart the wool levy. Mr Petersen said that the vote to cancel the levy in 2009 was based on frustrations with past investments, but mentioned that there is a feeling wool farmers are not being represented, and their investment is limited to the farmgate, despite there being commercial opportunities. Mr Petersen said that there was no funding on farm for wool or contribution to sheep health. The Sheep Improvement Ltd indexes are being funded by Beef + Lamb's residual wool levies. The remit is being proposed by the Wool Levy Review Group, which is independent of Beef + Lamb New Zealand. Mr Petersen said that the Meat Industry Excellence reform group is doing themselves an injustice by playing down the performance of the sector and being too hard on themselves.

Climate

Drought declaration ruled out [13 March/ NZ Farmer Weekly] The Primary Industries Minister, Nathan Guy visiting Waikato on 13 March to observe challenging dry conditions faced by farmers said that there has been no requests to the Government to declare an adverse event such as a drought. Mr Guy acknowledged the difficult conditions and said that the rain forecasted for the upper North Island from remnants of Cyclone Lusi will be gratefully received by farmers. He said that farmers are not interested in a handout, but they want to know that the Government understands the challenges they are facing, and stated that farmers were doing well in managing feed and making early decision to dry off milking cows or selling stock. The Minister highlighted New Zealand farmers' strong rebound from the worst drought in 70 years last summer, and encouraged farmers to seek professional advice and use Rural Support Trusts, DairyNZ and Beef + Lamb NZ, as well as approaching the IRD for tax flexibility on a case-by-case basis.

Cyclone Lusi a rain letdown for farmers [17 March/ NZ Farmer Weekly] Although Cyclone Lusi delivered rain to some parts of Waikato, many farmers are saying that more rain is needed. The Waikato civil defence emergency management group controller, Lee Hazlewood said the region suffered minimal damage and that the cyclone was mainly a "wind event" He also mentioned that while the Coromandel got a reasonable amount of rainfall, many other areas, especially central areas required much more. MetService meteorologist Elke Louw said rain bands associated with cyclone Lusi brought heavy rainfall to parts of Waikato but it weakened within a few hours. Many Waikato events were postponed or shifted, including the Cambridge Autumn Festival, which was moved indoors. Mr Hazlewood said that the postponing of Waikato events was a sensible move given the weather forecasts.

Rural health

Politicians talk on rural health [17 March/ Radio New Zealand Rural] Rural General Practitioners met at their annual conference last week and discussed how effectively the health service is meeting the needs of rural New Zealand. Wellsford GP, Dr Tim Malloy, said that the country continues to fail in the distribution of the medical workforce, creating an inequity in access to health care for vulnerable rural communities. Addressing the conference, National MP, Dr Paul Hutchinson, said health workforce planning was unpredictable but the government had eight targeted initiatives including reserving places on medical courses for students of rural origin. Labour Health spokesperson, Annette King, suggested that a stick might be needed along with a carrot suggesting that there may be a need to require health professionals to spend time in rural communities to reflect the investment that was made into their training. The Green Party spokesperson, Kevin Hague, suggested that things needed to be done differently and he would bring together all the relevant parties into one room to work through possible solutions. New Zealand First suggested that they would be open to student loan abatement and fees reductions for health professionals prepared to work in rural areas.

Research and development

Research and development: Forest Genetics [14 March/ NZ Herald] Rotorua business, Forest Genetics breeds and propagates superior varieties of radiata pine by conventional cloning methods. The company has developed 25 varieties, by focusing on growth rate, wood density, log quality, timber stiffness and disease resistance. One of the founders of Forest Genetics, Mike Carson says the varieties can increase returns to growers in excess of $20,000/ha, as well as having a 25% higher carbon capture rate than other varieties. Forest Genetics supplies approximately $2.5 million of the $55-60 million of the seedlings planted in New Zealand annually. Forest Genetics seedlings are over double the price of other genetically improved seedlings at $720 for 1,000 seedlings. Mr Carson says that the taxpayer funded R&D grant will significantly boost the company's aim of improving its stock at a faster rate than the overall breeding population, and mentioned that he hopes there will be more demand for clonal forestry from larger forestry companies.

AgResearch to work on GE forage crops [17 March/ NZ Radio Rural] AgResearch science group leader for forage improvement, Tony Connor said they are getting close to being able to deliver new genetically engineered technologies, and mentioned that they are hoping to field test some new products over the next two to three years. Dr Connor said it is not sure whether the tests would be conducted in New Zealand, but mentioned that they will not be done without consultation with the industry, the pastoral sector and the New Zealand public. He stated that the trials will be testing lipid accumulation in plants as an energy source for animal nutrition and the condensed tannins in forage to protect protein degradation in the ruminant of animals.

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Funding loss stuns Riddet boss [17 March/ NZ Farmer Weekly] The Tertiary Education Commission has excluded the Riddet Institute from consideration for a $26 million fund. Riddet co-director Paul Moughan said it could survive the loss of the grant, but with its standing as a food researcher and innovator, it was surprised at the exclusion. Mr Moughan said that this indicated that the Riddet's funding was at risk. Riddet is the country's only centre dedicated to the food industry, with staff from Massey, Auckland and Otago universities, as well as staff from Plant & Food Research and AgResearch. Mr Moughan said that the link between core commission funding and commercially directed science helped secure funding from companies such as Zespri, Goodman Fielder and Fonterra. Tertiary Education Commission CEO, Tim Fowler said Riddet's research capability did not meet the elite world class standard that was required to be eligible. He also mentioned that the Crown policy regarding funding had not changed that that the commission had more money in its Performance-Based Research Fund than the last round of decisions six years ago, where Riddet was a recipient. Mr Fowler assured that the process had been fair and rigorous and confirmed that Riddet will continue to have its existing commission funding until the end of 2015.

Agribusiness strategy

World still spends big on agricultural subsidies [14 March/ Radio NZ Rural] A Worldwatch Institute study indicates that the top 21 food-producing countries made pay outs of farming subsidies estimated at USD486 billion in 2012, with China paying USD165 billion, Japan paying USD65 billion, European Union paying over USD100 billion and US paying over USD30 billion. New Zealand's special agricultural trade envoy, Mike Petersen said that along with tariffs, agricultural subsidies are one of the biggest barriers to free trade. Mr Petersen said that since free trade agreements and agreements such as the Trans-Pacific Partnership do not address the level of subsidies, the World Trade Organisation Doha round of talks has been important to New Zealand, as it is the only forum that can bring relief in subsidies.

International

Boost for imports after farmers shun organic food [13 March/ The Times, UK] A new report from the UK Soil Association indicates that farmers are abandoning organic farming methods despite an increase in demand from consumers. British shoppers spent GBP1.8 billion on organic food, drink, textiles, health and beauty products last year an increase of 1.8% on the previous year. Certified organic land fell by 7.7% with a particularly pronounced reduction in the production of organic pork, were pig numbers fell 34% and organic vegetable production falling by 22%. The Soil Association described confidence in the sector as fragile with high feed prices, extreme weather, tight organic premiums and mixed signals from retailers and policymakers all having a negative impact. It is likely that demand will have to be met from offshore organic supply if production continues to fall, which a spokesperson for the Soil Association said would mean that the UK's countryside would miss out on the increase in wildlife on the land that produces the products. It was also suggested that the low subsidies that the British government provides to organic producers is forcing more production overseas.

GM maize heads for British fields [15 March/ The Times, UK] Proposals that will allow European countries to decide at a national level whether to permit farmers to grow genetically modified crops could see GM maize being grown commercially in the UK by next year. The EU has maintained tight restrictions on GM crops, due to opposition from anti-GM governments such as France, however appears to be shifting its position to one which allows governments to make local decisions on cultivation of GM crops. The change is believed to be supported by the British, Danish and Belgian governments as well as other countries. It is hoped that providing countries with an option to opt out from using GM crops locally will mean that the governments are less likely to continue to block the approval of new cultivars. To date only one GM crop is grown commercially in Europe (a pest resistant maize that is only cultivated in Spain) while a further six cultivars have been assessed to be safe by the European Food Safety Authority although have not been granted final approval due to resistance from some member states. The British government would be able to fast track the approval of these cultivars, at least one of which (the Roundup Ready GM maize by Monsanto) would be able to be used in British conditions.

Economics and trade

Asian enthusiasm for natural health boosts NZ industry [17 March/ NZ Herald] Bay of Plenty based, Comvita, which markets products such as manuka honey lozenges and bee pollen capsules and operates over 450 retail sites across Asia. Comvita's South Asia general manager, Ronnie Butt said that Asian consumers are increasingly considering health supplements and natural skincare products as investment rather than an expense. Mr Butt said that the natural product category in China was growing at a rate of 15% to 20% a year, and is the growth engine for the industry in Asia. He also mentioned that the ageing populations in Japan, Korea, Taiwan and Hong Kong were also driving growth. The New Zealand's natural products industry's annual revenue, inclusive of domestic sales amounts to approximately $1 billion. Comvita's Asian sales amounted to $96 million in the year to March last year. Other substantial industry players include spirulina exporter Lifestream International, NZX listed shark liver and Omega 3 oil maker SeaDragon and honeybee propoils and honey based wound care products producer Manuka Health.

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