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FIELD NOTES

Weekly news update from the KPMG Agribusiness network

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Organisations referenced in this week's Field Notes include:	
Accolade Wines	Ministry for Primary Industries
Alliance Group	Morton Estate
ANZ	New Zealand Veterinary Association
Australian Competition and Consumer Commission	New Zealand Winegrowers
Coles	Nutricia
Dairy Goat Cooperative	Philip Wareing
DairyNZ	Plant and Food Research
Danone	QWIL
Dear Industry New Zealand	Regal
Fonterra Co-operative Group	Rorisons RMD
Forest Owners Association	Sanford
Gardians	Saputo Inc
GMP Pharmaceuticals	Scales Corporation
Greenshell NZ Limited	Silver Fern Farms
Hawkes Bay Regional Council	Solid Energy
Horticulture New Zealand	Statistics NZ
Irishman Creek Station	Sutton Group
Lion New Zealand	Westland Milk

This week's headlines	
Viticulture	**Wine exports surge past $1.3b** [1 May/ Radio NZ Rural]
Dairy	**French food giant to buy NZ dairy processing firm** [30 April/ NZ Herald]
Dairy	**China cuts NZ formula exporters to just five** [1 May/ NZ Herald]
Animal health	**Use medicines wisely** [2 May/ Rural News Group]
Economics and trader	**Exports hit $5billion in March** [30 April/ Rural News Group]

Horticulture

River water could hit fruit and veges' price [5 May/ Business Day] Horticulture New Zealand has expressed concerns that the growers in the Pukekohe and Pukekawa regions could be impacted if Watercare's application to take an extra 200,000 cubic metres of water a day from the Waikato River, in additions to the current 150,000 cubic metres is successful. Hort NZ Natural Resources and Environment Manager, Chris Keenan, said that the decision could be fatal to some smaller growing operations and that it will affect the supply as well as the resilience of the food production system. Mr Keenan said that under the regional plan, supply to Auckland takes priority during low summer flow periods, which will compromise the growers' supply. He said that if the plans are approved, growers would have to cut back surface water takes by up to 60 percent. The Government targets focus on phasing out over-allocation by 2030. Council spokesperson Stephen Ward said that any over allocation in any catchment in the future would need to be addressed, but said that there was no mention of a 60 percent cutback for growers. Pukekohe Vegetable Growers Association's estimates indicated that there were between 2,500 and 3,000 people directly employed by horticulture in the Pukekohe and Pukekawa regions.

Onions, apples lead lift in horticultural exports [6 May/ Business Day] In the year ending 30 June 2013, onion exports increased 47 percent to $90 million and apple exports increased 40 percent to $475 million. Plant & Food Research said that overall horticulture exports are worth $3.6 billion or 8 percent of all merchandise products sold overseas, which has increased from 7.8 percent the prior year. Wine ($1.2 billion) and kiwifruit ($934 million) accounted for most of horticultural export revenue, with total production from horticulture valued at $6.7 billion, including $770 million domestic spending on fruit and $1.09 billion on vegetables. Plant and Food Research CEO, Peter Landon-Lane said that the Pacific Rim countries are taking an increasing proportion of export product, having increased to 71 percent of exports from 59 percent in 2000. Horticulture New Zealand spokeswoman, Leigh Catley said that PSA impact dampened the upward trend, with avocado also being impacted slightly.

'Stellar year' for Scales [6 May/ Business Day] The agribusiness group, Scales Corporation has increased profits by 50 percent to $20.4 million (2012: $13.6 million) for the year ending 31 December 2013, mainly contributed by its Mr Apple subsidiary. Revenue increased 17 percent to $278 million. Scales Corporation Managing Director, Andy Borland said that Mr Apple's vertically integrated operations saw a superior year, producing a record 2.82 million cartons, which contributed to the 4 million cartons the company exported in total (including external grower production). Responding to speculation, Scales chairman Jon Mayson said that the board regularly reviewed whether an NZX listing would be beneficial, but was not in a position to confirm anything at this stage.

Viticulture

Chinese buy five vineyards [30 April/ The National Business Review] Hong Kong owned QWIL and Accolade Wines have received Overseas Investment Office approval for the purchase of five vineyards (Marlborough's Woolshed Vineyard, Canterbury's Home, Mound and Deans vineyards and Otago's Claim Vineyard) and 596 hectares of land valued at $46.4 million. The second part of the arrangement consists of the acquisition of a leasehold interest in the five Vineyards, along with approximately 15 hectares for a café business by Accolade Wines. QWIL's Hong Kong corporate owners include Rainbow (45.31 percent), Trueway International (22.05 percent), Triluck Assets (7.45 percent) and Hong Kong Public (25 percent), whereas Accolade Wines NZ is owned by US interests (38 percent), Australian (19 percent), Netherlands (8 percent) China (8 percent), and others (27 percent). The Overseas Investment Office said that the investment will provide the Accolade Group with an entry into the New Zealand wine industry, while adding to QWIL's existing investments. The Overseas Investment Offices also added that the parties intend to continue operations of the vineyards and related businesses.

Wine exports surge past $1.3b [1 May/ Radio NZ Rural] New Zealand Winegrowers' CEO, Philip Gregan said that wine export returns increased by over 9%in value in the past year, resulting from an increase in supply from the 2013 vintage, as well as strong foreign demand. Mr Gregan expects strong growth in the upcoming year when the 2014 vintage wines are released, around the August-September period. He mentioned that the growth has been occurring both in terms of markets and wine varieties (sauvignon blanc represents 85% of New Zealand exports, with strong contributions from pinot noir, pinot gris and sparkling wine). Mr Gregan said that the industry was cautious of the supply and demand position and is keeping a close watch to ensure it is kept in balance. But added that the balance can only be managed on an individual company basis, noting that a number of wineries had already run out of wine from the 2013 vintage.

Lion buys Morton Estate, vineyard [1 May/ NZ Herald] Lion New Zealand, which is owned by Japanese brewing giant Kirin, has acquired the Morton Estate wine label along with its Stone Creek vineyard in Marlborough for an undisclosed amount. The sale is conditional on Overseas Investment Office approval. Lion Managing Director, Rory Glass, believes the purchase will help expand Morton Estate to its full potential and supplement Lion's wine portfolio, which includes Huntaway, Corbans, Wither Hills and Jackman Ridge. Morton Estate has won national and international prizes, including the best chardonnay in the world from the London International Wine Challenge in 1995. The company handover is expected to be completed by June.

Forestry

Forest owners seek safety solutions [5 May/ Radio New Zealand Rural] Forest Owners Association president, Paul Nicholls said that the independent review panel investigating the high death and injury toll from forestry accidents will need input from across the forestry sector, in order to come up with practical solutions. Mr Nicholls said that steps to lower accident rates were started years in advance of the current review, and those will continue while the review panel and the Coroners Court carry out investigations. He mentioned that they received approval in 2013 for a jointly funded project from the industry and ACC to look at tree felling and breaking-out certification studies to identify improvements to the way tree fellers and breakers out are certified. Mr Nicholls also mentioned that they are continuing to promote safety culture workshops that are conducted in conjunction with ACC.

Fishing and aquaculture

Sanford agrees to buy assets of Greenshell NZ, Greenshell Investments from receivers [5 May/ The National Business Review] Sanford has agreed to buy the assets of Greenshell NZ Limited and Greenshell Investments from its receivers Brendon Gibson and Grant Graham of KordaMentha, with Sanford CEO, Volker Kuntzsch, saying that the assets were a ideal fit for Sandford, allowing the company to improve supplies from a wider geographical range. The liabilities had exceeded assets by $179,000 as at 30 September 2013. Mr Kuntzsch said that Sanford will be working with farmers and staff to ensure that the harvesting operations continue seamlessly. In 2012, Sanford and Sealord acquired North Island Mussel Processors from receivers, which was a Sealord, Sanford and Greenshell New Zealand joint venture. Sanford shares which have fallen 8.4 percent this year increased 0.7 percent to $4.29.

Water

Dam decision delayed by three months [2 May/ Radio NZ Rural] Hawke's Bay Regional Council's investment company has delayed the close deadline for making the final decision on whether the $80 million of ratepayer funds should be invested in the Ruataniwha Dam, from 30 June to 30 September. The council indicated that the delay was intended to allow time to satisfy certain prerequisites, including obtaining sufficient farmer signatures, finding a major investor to replace Trustpower and determining whether the project is viable under the strict resource consent. The council has agreed to spend $80,000 on consulting the public regarding the project, with a deadline for written submissions set for June 3.

Dairy

French food giant to buy NZ dairy processing firm [30 April/ NZ Herald] The French food giant, Danone has entered into a purchase agreement for the purchase of New Zealand dairy processing firms Sutton Group and Gardians. The purchase is conditional on regulatory approval. The Sutton Group contract manufactures infant formula while the Gardians and Sutton joint venture operates a milk powder spray drying plant in Balclutha, Otago. Danone is currently suing the Fonterra over the claimed loss from the precautionary WPC recall in 2013.

China cuts NZ formula exporters to just five [1 May/ NZ Herald] Five of the 13 infant formula manufacturers have been approved to export products into China under the new Chinese regulations that came into force on May 1. The five manufacturers are Fonterra, Sutton Group and its joint venture partner Gardians, GMP Pharmaceuticals, Nutricia and the Waikato-based Dairy Goat Cooperative. The Government stated that the five manufacturers represent approximately $200 million (90 percent) of infant formula exports to China annually. Primary Industries Minister, Nathan Guy said that the Ministry of Primary Industries is working on obtaining registration for the remaining manufacturers, but mentioned that it was up to the manufacturers to ensure that they meet the requirements. The Ministry's deputy director-general for China Relations, Roger Smith said that unregistered manufactures will not be able to export products to China that were manufactured after May 1. Food Safety Minister Nikki Kaye said that the approximate 50 infant formula companies that did not operate factories but instead had products produced by contract manufacturers will find it difficult to meet the regulations, due to many of them having a lack of a "close relationship" with the manufacturers. Mr Guy said he expects some brands to dropout and said that the Ministry has been working to give brand owners more clarity as to what closer association will mean and when this will apply. He said that this will require vast oversight from the brand through to the manufactures. .

Westland Milk gets China export accreditation [2 May/ NZ Herald] The Hokitika based dairy co-operative, Westland Milk has received accreditation to export infant formula products to China one day after five other exporters received approval. The other five manufacturers represent approximately 90 percent of New Zealand's infant formula exports to China by volume. Highlighting the fact that Westland Milk does not have its own branded consumer product, CEO, Rod Quin said that the company sells ingredients based on powders. Mr Quin said that the tougher regulations provide customers with certainty, and that it supports Westland Milk's strategic move into high value added nutritional products portfolio. Synlait Milk missed out in the first round of registrations as it waits on the completion of a new facility in Dunsandel. A2 Milk Co, whose Platinum infant formula is manufactured by Synlait is also waiting on registration.

Fonterra launched responsible dairy video series [6 May/ NZ Herald] Fonterra has launched a series of videos on responsible dairying initiatives that are taking place on New Zealand farms. Supply Fonterra programme director, Lisa Payne said that New Zealand farmers are aware of the importance of protecting New Zealand's waterways and natural resources. She mentioned that over 92 percent of farm waterways have been fenced and that there were good initiatives taking place in the area of nutrient, effluent and herd management. The 'Farm Focus' video series will feature a farm each week over the next four weeks.

NZ formula exports to China blocked [6 May/ Radio NZ Rural] The Minister for Primary Industries has told the dairy industry that the Ministry's initial expectations that infant formula product manufactured and shipped prior to 1 May by producers that failed to be included on the initial register of approved formula exporters will be accepted by China appears to be incorrect. Evidence is suggesting that Chinese authorities have changed their minds and shipments are not being cleared over the border. Mr Guy pledged that the government would do what it can to save exporters of infant formula from losing product committed to China, adding officials would work hard to make sure products from New Zealand companies were not left stranded in transit. Mr Guy said it was not clear how much product was affected but it was a minority of all the volume sold to China.

Red meat

First conference for Alliance suppliers [5 May/ Rural News Group] The Alliance Pure South Conference scheduled for May 27 to 29 will have a range speakers from across the supply chain to speak on a range of topics, including research and development, farm management, global economic trends and the international trading environment. Speakers include Beef + Lamb New Zealand CEO, Scott Champion, adventurer Mark Inglis and Minaret Station owner Jonathan Wallis, as well as the NZ Pure South Sharp Blacks Butchery Team demonstrating their skills, along with Pure South chef, Graham Hawkes. Delegates are set to be informed about innovation in getting products to market, the co-operative's innovative hoofprint programme and understanding pasture for lambing. Alliance Group's general manager livestock, Murray Behrent said that the event is an example of Alliance Group supporting the supplier shareholders to make informed decisions that will benefit their farms.

New Zealand focus on quality reaping rewards [5 May/ NZ Farmers Weekly] Following a tour of several big markets, Alliance Group CEO, Grant Cuff said that top end retailers and food service businesses have become more concerned with where product was coming from and the integrity and sustainability of the supply chain. He stated that prices were strong across most products with movement in cuts that generally have limited price volatility, such as middles and loins. Mr Cuff highlighted that all the work New Zealand did on meat quality and animal welfare is bringing benefits. He highlighted that customers are concerned with factors other than price, with customers making decisions based on suppliers and supply chain rather than just price tenders. He said it was too early to speculate on whether the movement will make New Zealand a price-maker. Mr Cuff added that the Group's marketing manager, Murray Brown visited Singapore, which is a key hub into other markets such as China, India and Taiwan, as well as the UK, Switzerland, Germany and Hong Kong. A visit to China is also scheduled for later in the year. Although it was not a pressing concern at the time, the industry is aware of the risks of over reliance on China.

Sheep farming vital, ripe for higher returns [6 May/ NZ Farmers Weekly] Hawke's Bay sheep farmer, Steve Wyn-Harris said that New Zealand sheep farmers should be earning more for their products. He said that only 10 percent of farms made a $650 per hectare farm surplus, and a key feature of these farms were high lambing and calving percentages, high slaughter weights, high production of wool and low loss rates. Mr Wyn-Harris said that farming practices such as using the right fertiliser on the right places, good subdivision to control pastures, good water systems, genetics and management needed to be used. He mentioned that only 10 percent of sheep farmers and 30 to 40 percent of dairy farmers used a feed budget. While stressing the importance of science and technology, Mr Wyn-Harris highlighted that lambing percentage had increased from 100 to 122 percent (from 1990 to 2010) on lesser-quality land, while land better for sheep farming has been converted to dairying. He also mentioned the increase in average lamb weights from 13 to 14 kilograms to 18.3 kilograms from 1990 to 2010. Among other issues mentioned by Mr Wyn-Harris were the sharp declines in wool income and over reliance on the Chinese market.

Deer

Deer detente with Korean farmers [1 May/ Radio New Zealand Rural] South Korea imports over 60 percent of New Zealand's velvet production either directly or through China. Dear Industry New Zealand CEO, Dan Coup said that although the Korean Deer Breeders Association had been strongly against New Zealand imports, that opposition has been weakening over recent years. Mr Coup said that a memorandum of understanding has been proposed with the Korean Deer Breeders Association which will be worked on over the coming months. In light of the reduced velvet supply from Asia and North America, along with the outbreak of foot and mouth disease in South Korea, Korean farmers have acknowledged the need for imported velvet. Dear Industry New Zealand estimates indicate that 20 percent of New Zealand's velvet production was used in health-foods and tonics in South Korea, with a retail value of over USD 100 million per annum. Mr Coup mentioned that this has helped increase the farmgate price of velvet from the $60 per kilogram average six years ago to almost $100 per kilogram in the season just ended.

Rural infrastructure

Ag sector faces trucking shortage [5 May/ NZ Farmers Weekly] Earlier this year, the Waikato based trucking company, Regal informed 700 of its mainly rural customers that it will not be able to meet their needs. Regal director, Brett McHardie said that the company has decided to focus more on hauling bulk product from point of delivery to company depots and satellite storage depots. He mentioned that the logistics of getting trucks in and out of farm gates impacted on the number of jobs the trucks could do in a day. Philip Wareing sales manager, Mark Wareing said that it had become difficult to service the farm delivery sector over the recent years. He referred to a Waikato University report on the industry that found the rural transport sector as delivering the lowest returns of any transport sector in New Zealand at approximately 2 percent return on investment. Mr Wareing attributed the lack of viability to changes in the market conditions, such as changes to the availability of back-haul material. Increases in maize cropping in Canterbury were also taking trucks away from bulk-delivery routes at autumn harvest. The North Island was also facing difficulties where the drought has put pressure on operators to move bulk fertilisers into other regions such as Waikato. Rorisons RMD managing director, Mike Rorison highlighted the need to increase prices on farm delivery operations to account for shorter distances, difficult locations and lack of back-haul material. He said that rates had fallen to as low as $2.20 per kilometre, whereas they should be $4.00 per kilometre. Mr Rorison mentioned the need for Fonterra to bring younger drivers into the industry rather than increasing wages. He further mentioned that the problems with delivery had also been affected by a shortage of skilled drivers, which has been backed up by a recent Road and Transport Forum survey which indicated that 85 percent of transport companies were reporting shortages.

Environment and emissions

SFF forced to pour more waste into river [30 April/ NZ Farmers Weekly] Silver Fern Farms was forced to discharge trade waste into the Waimakariri River, as the Christchurch City Council's Bromley treatment plant was unable to process it due to the flooding. Although SFF discharged the treated effluent legally by using an old resource consent, SFF CEO, Keith Cooper said it was only due to the lack of a better alternative. An Environment Canterbury spokeswoman said that SFF had discharged approximately 2,600 cubic metres on both days which contained significant amounts of storm water and effluent. Mr Cooper said that they had invested heavily in order to move away from river discharges to the council's trade waste system, but it was letting them down. SFF has been promised that the flooding issues will be fixed. Mr Cooper said that the recent announcement of a taskforce into the flooding and water infrastructure issues in Christchurch was a step in the right direction, and hoped that the completion of an essential pump station would be prioritised.

Animal Health

Use medicines wisely [2 May/ Rural News Group] New Zealand Veterinary Association President, Steve Merchant emphasised the threat of antimicrobial resistance to humans and animal health, and said that it was a high priority for the veterinary sector. Mr Merchant said that there are currently a number of bacteria that are resistant to one or more antimicrobials. The NZVA is appealing for the responsible use of antimicrobials, which covers anti-bacterials, anti-virals, anti-fungals and anti-protozoals. Mr Merchant said that resistant bacteria can be passed from animals to humans and vice versa. Antimicrobials are used for the health of livestock and companion animals, resulting in the production of safe meat, milk and other animal products made for consumption, as well as for the welfare of animals. He said that antimicrobial use should only be part of, and not a replacement for an integrated animal disease control programme, which is likely to include measures such as hygiene and disinfection procedures, biosecurity measures, management alterations, changes in stocking rates and vaccinations. Mr Merchant stressed the need for education to protect against the ineffective use of antimicrobials, which can result in the development of resistance.

NZ to join foot & mouth exercise in Nepal [5 May/ Radio NZ Rural] As part of a new agreement between New Zealand and Australia to combat livestock disease, Primary Industries Minister, Nathan Guy said a team of approximately 10 New Zealanders will join an Australian foot and mouth training programme in Nepal, one of the countries battling the disease. Mr Guy said that New Zealand will be heavily involved with Australia on a national livestock standstill exercise, which is an exercise organising as much resources as possible and as quickly as possible to restrict the movement of animals. Mr Guy said that reports indicated that during the 2001 foot and mouth outbreak, Britain slaughtered 35 to 50 percent more animals than they needed to if they had managed to put a animal movement ban in place within two days, rather than four. Mr Guy said that the Ministry for Primary Industries is currently reassessing the economic impact of an outbreak, while an outbreak in Australia is estimated to cost over AUD 50 billion over 10 years.

International

Asia appears ready for El Nino [1 May/ The Wall Street Journal] The Australian Bureau of Meteorology stated that there is a 70 percent chance of an El Nino developing in the Southern Hemisphere's winter. Asia's high stock piles of staples are expected to help lessen the impact of such an event. The London based International Grains Council said that the global rice market in the 2013/14 year is well supplied, having risen approximately 24 percent from a year earlier to 8.2 million tons. The UN Food and Agriculture Organisation said that the world stock-to-use ratio (a major indicator of food security) of rice is predicted to rise to 35.9 percent in 2013/14 from 25.7 percent. Capital Economics mentioned that El Nino could have negative impacts on food crops such as rice, palm oil and sugar. The International Grains Council's Amy Reynolds forecast Australian wheat production in 2014/15 season to be 25.5 million metric tons, slightly down from the previous harvest. Significant impacts could be seen in India where food accounts for almost half of the goods in the consumer price index, compared with approximately a third in Philippines, Thailand and China. India's Meteorological Department predicts lower summer rains than normal. India's monsoon rains were 23 percent below normal levels during the 2009 El Nino, which reduced rice production 10 percent and drove up sugar prices. Although the weather system is sufficiently far from China not to have a strong and direct impact on its climate, the Chinese weather agency warned that an El Nino event could result in a cold summer in the Northeastern farm belt, damaging soybean and corn. However, 1997 results show that El Nino may not be the only contributing factor to the Chinese weather. A Zheshang Tianma Futures Co analyst Zhou Jun said that the El Nino is not expected to impact China dramatically, but is expected to impact Australia, Southeast Asia and Latin American countries such as Brazil and Peru.

Dairy processors predict 'pain' from EU deal, seek compensation from Ottawa [2 May/ The Globe and Mail] Saputo Inc and other dairy manufactures are seeking compensation from the Canadian government based on the Canada-European Union free-trade agreement which will increase the duty free cheese Europe can sell to Canada from 13,500 metric tonnes to 31,100 metric tonnes. The claimants are arguing that they are most impacted from the change, rather than farmers. In a submission to the federal and provincial governments, the industry warns that the additional duty-free European cheese will heavily impact Canadian cheese manufacturers. It is predicted that losses could reach USD 180 million a year. The industry is asking Ottawa to assign the majority of the new cheese import quota from the trade agreement to existing Canadian cheese processors to mitigate the damage. The manufacturers also want the phase-in of the higher European cheese quota extended to more than seven years and staged gradually. The cheese quota enables importers to import cheese at low world prices and resell at high Canadian prices, which are one of the highest in the world. The document states that as dairy manufactures hold a large share of existing quota, they are in the best position to ensure orderly marketing of the new allocation at minimal disruption to cheese makers. The cheese industry is also complaining that it is impacted with numerous external competitive challenges, including raw milk prices, interprovincial trade barriers, cheese composition standards and the allocation methods of milk to provinces. Jeffery English, a spokesman for Agriculture Minister, Gerry Ritz, said that the views of the dairy processors are being considered in line with Prime Minister, Stephen Harper's pledge, in order to compensate for their loss arising from the deal. Canadian and European negotiators are currently working on a final text of the free trade agreement.

Beijing slaps ban on all British cheese [4 May/ NZ Herald] China has banned all imports of British cheese based on hygiene standards at one UK cheese factory. The decision has sparked outrage, with the Farming Minister, George Eustice stating his disappointment at the decision. 'The Mail on Sunday' has learned that the factory in question does not export to China. The secretary for the All Party Parliamentary Cheese Group, said that the Chinese actions seem to be an overreaction and are disproportionate. He stated that if the issue is not resolved quickly, there may be the option of possible retaliatory actions. The decision follows what was assumed to be a general visit to a UK cheese factory, but resulted in a thorough audit. Although the Chinese report has not yet been published, DairyCo, which works on behalf of Britain's dairy farmers, said that the Chinese concerns were regarding the maintenance of equipment, air sanitation, temperatures of raw milk during transportation and chemical storage. Although the Government and Industry sources maintain that the issues were minor and do not pose a threat to public health, the ban will remain until the eight exporting plants have been assessed for compliance. The Environmental health officers are currently inspecting the dairies on behalf of the Food Standards Agency. The fact that Irish factories inspected have been approved for Chinese export is worrying for Britain as they may now be in a better position to win Chinese orders. The export figures for January and February are valued at GBP 93,003.

Aussie's Coles facing scrutiny [5 May/ Business Day] The Australian competition regulator, the Australian Competition and Consumer Commission (ACCC) has commenced legal action against Australia's second largest supermarket chain, Coles, over the treatment of suppliers, saying that the chain had engaged in "unconscionable conduct" and breached consumer law. The ACCC allege that Coles attempted to increase profits by AUD 16 million from 2011 by demanding suppliers to participate in a scheme termed the Active Retail Collaboration. ACCC said that over 200 suppliers were required to agree to the rebates within a short period of time, with suppliers targeted with commercial consequences if they refused to agree. The ACCC said that Coles had provided suppliers with misleading information about the savings and value from the changes, used undue influence and unfair tactics to obtain payment and had taken advantage of its superior bargaining power to seek payments without a legitimate basis. The ACCC stated that it was seeking pecuniary penalties, declarations, injunctions and costs, while a Coles spokesperson stated that it would vigorously defend the allegations. The hearing has been scheduled for June 8 at the Federal Court of Australia. The Australian owned New Zealand supermarket chain Countdown is independently being investigated by the New Zealand Commerce Commission over accusations of unfairly demanding payments from suppliers.

Economics and trade

Exports hit $5billion in March [30 April/ Rural News Group] Exports increased $671 million in March to $5.1 billion, exceeding the $5 billion level for the first time, with milk powder, butter and cheese up $474 million (45 percent) in comparison to February. International statistics manager, Jason Attewell said that the record dairy exports pushed the value of trade to record levels. Imports increased $483 million (13%) to $4.2 billion (contributed by a large one-off capital purchase), resulting in a $920 million trade surplus for March. According to Statistics New Zealand, the total value of export goods increased by 2.1 percent to $13.6 billion in the March quarter, lead by meat and fruit exports. Mr Attewell said that this was the second consecutive quarter that both values and quantity of exports increased for meat and fruit, with seasonally adjusted meat values and quantities up 8.7 percent and 6.8 percent respectively and seasonally adjusted fruit values and quantities up 27 percent and 20 percent respectively. This was slightly offset by the 2.4 percent decline in milk powder, butter, and cheese. Despite the slight decline, dairy is the leading contributor accounting for 31 percent of total exports. Imports increased 1.5 percent to $12.5 billion in the March quarter, with the seasonally adjusted trade balance for March quarter sitting at a $1.1 billion surplus, following a $986 million surplus in the December quarter.

Commodity price fall in April [2 May/ NZ Herald] ANZ stated that its commodity price index declined 4 percent in April, contributed mainly by declines in dairy prices, with the annual index falling 2.8 percent. ANZ said that dairy products accounted for three of the four largest declines in commodity prices. The price of butter and pelts both declined 14 percent in April, followed by a 12 percent decline in skim milk, 10 percent decline in whole milk powder, 4 percent decline in cheese and 1 percent decline in beef. ANZ also noted Aluminium prices increased 6 percent, followed by a 3 percent increase in sheepmeat, 1 percent increases in each of wood pulp, seafood and wool and 0.25 percent increase in lumber. The prices of logs, kiwifruit, apples and venison remained unchanged for the month. Resulting from the rise of the New Zealand dollar against all trading partners, with the exception of Australia, contributed to the fall in commodity prices when converted to New Zealand dollars, resulting in a 5 percent decline in the ANZ NZD commodity price index for April, resulting in a 13 month low.

TPP deal on cards this month: Bollard [3 May/ NZ Herald] Asia Pacific Economic Co-operation (APEC) Executive Director, Alan Bollard said that it is possible that a Trans Pacific Partnership (TTP) trade deal will be agreed by the end of May. An APEC trade ministers' meeting in Qingdao, China is scheduled for May 18 and 19. Mr Bollard said that the ministers might visit Singapore immediately after the meeting if they believe they can get a sign-off. The APEC economies account for almost 50 percent of world output and more than 50 percent of global trade. Mr Bollard mentioned the difficulty faced by the Japanese reluctance to open up its agricultural sectors. The recent Japanese and Australian bilateral agreement is widely seen as falling below expectations in terms of agricultural market access. Mr Bollard stated he was not sure if the TTP partners that are expecting an ambitious outcome, including New Zealand would sign up if the agreement reached was of mediocre outcome. APEC leaders in 2010 declared that it was time that a Free Trade Area of the Asia-Pacific (FTAAP), a region-wide trade and investment pact was established into a concrete vision. China, which is not one of the TPP partners, is looking to address the concept this year. Mr Bollard stated such a multinational national agreement is not in the interests of New Zealand. The current Regional Comprehensive Economic Partnership (RCEP) and the Pacific Alliance has been described as "TPP with training wheels", which is a free trade agreement among the ten members of the Asean and six other countries including New Zealand.

Farmers and producers

Interest in 9 dairy farms 'positive' [3 May/ Otago Daily Times] The sale of nine Southland farms amounting to over 2,000 hectares and millions of tonnes of low-grade lignite coal, owned by state-owned enterprise Solid Energy appears to be progressing towards a conclusion. An over 40 percent drop in coal prices that hit after Solid Energy's heavy investments into research and development, resulted in the company suffering from a significant increase in debt levels. The farms are part of the assets put up for sale as part of the company's debt restructuring. All farms are within a 5 kilometre radius between Mataura and Gore. An unknown industry source stated that interest in the farms has been high and that it is possible that all farms have now been sold.

Irishman land up for private sale [6 May/ Business Day] Land Information New Zealand's preliminary tenure review proposal for the Irishman Creek Station suggests that approximately 5,800 hectares of the 9,800 hectares of the Irishman Creek Station be offered for freehold private ownership and the remainder be put into Crown ownership. Much of the land placed into freehold ownership would still be protected by Crown covenants in order to maximise the regeneration and succession of indigenous plant communities. A Department of Conservation report states that the station provides habitat for several rare birds and fish and contains chronically threatened flora and fauna, as well as being an important part of the Mackenzie Basin landscape, with qualities rarely experienced anywhere in New Zealand. The report also states that the land transferred to Crown ownership provides scope for recreation and opportunities for the Te Araroa trail. Forest and Bird Canterbury field officer, Jen Miller expressed concerns about the scope of the land that is to be put into freehold ownership, and indicated that it did not seem to have a clear strategy. She however acknowledged the benefits of setting aside land for conservation. The Irishman Creek farm currently farms over 8,000 merino and approximately 200 angus cattle. Submissions on the proposal are scheduled to close on June 30.

Dairy farmers must be 'better' bosses [6 May/ Radio New Zealand Rural] DairyNZ said that the industry required 1,000 graduates a year at diploma level and above, to fill positions in farms. A recent survey by labour inspectors indicated that most of the farms surveyed were in breach of employment laws. DairyNZ strategy and investment leader, Mark Paine said dairy farmers needed to make changes in order to attract the staff they required. Dr Paine also mentioned that it extends beyond employment relations to health and safety and staff wellbeing. DairyNZ will focus on employment issues and provide advice at a two-day farmers' forum at Mystery Creek on May 7 to May 8. DairyNZ has been lobbying for changes to minimum wage rules to allow farmers to average worker pay over a fortnight, instead of a week. The Council for the Trade Unions said this would enable farmers to force employees to work longer hours before the reaching the penalty threshold, where employees needed to be paid for the extra hours worked.

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Field Notes presents a summary of some of the media comment on the Agribusiness sector in the last week. The views expressed do not necessarily represent the views of KPMG but are summaries of the articles published.

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