

AGRIBUSINESS

FIELD NOTES

Weekly news update from the KPMG Agribusiness network



LAUNCH OF:
FIELDNOTES.CO.NZ

HOT OFF THE PRESS:
**KPMG AGRIBUSINESS
AGENDA 2013 VOLUME 4**

14 May 2014

Organisations referenced in this week's Field Notes include:

ANZ	Ministry for Primary Industries
ASB	Mohair NZ
Bank of New Zealand	MYOB
Central Otago District Council	New Zealand Trade and Enterprise
Federated Farmers	New Zealand Infant Formula Exporters Association
First Pacific	NZ Goats
Foley Family Wines	Plant and Food Research
Fonterra Co-operative Group	Primary Wool Co-operative
Goodman Fielder	Rabobank
Horticulture New Zealand	US Centers for Disease Control and Prevention
KPMG	US Department of Agriculture
Martinborough Vineyard Estates	US Food and Drug Administration
Meat Goat NZ	Wilmar International
Meat Industry Association	Zespri

This week's headlines

Horticulture	Zespri's regular claim has scientific backing [13 May/ NZ Farmers Weekly]
Dairy	World dairy prices slip 1.1pc [7 May/ NZ Herald]
Dairy	Goodman Fielder accelerates NZ dairy sale [8 May/ Business Day]
Food safety	Final part of botulism inquiry to start [8 May/ Radio New Zealand Rural]
International	Capital markets: Graham Turley: Agribusiness for investors [8 May/ NZ Herald]

Horticulture

Zespri's regular claim has scientific backing [13 May/ NZ Farmers Weekly] The kiwifruit marketer Zespri said that 10 years of clinical trial data and literature reviews by independent scientists indicate that green kiwifruit contribute to regular bowel function, and it is consequently seeking recognition from Food Standards Australia-New Zealand on the benefits of green kiwifruit for healthy bowel function. Zespri global marketing manager, Veronique Parmentier said that in order to make such a claim, it needed to be scientifically proven. The research showed that the high fibre content and the actinidin enzyme broke down food proteins faster than digestive enzymes alone were capable of. She said that the emptying rate was increased, as well as improving the digestive comfort. Ms Parmentier said that the three drivers for purchasing fruit, and particularly kiwifruit were taste, quality and health. She also highlighted that according to Zespri research, the more the consumers knew about the health benefits of kiwifruit, the more likely they were to include it in their diet. She highlighted the increased importance of health marketing in light of current global trends towards an aging population, rising middle classes in developing countries and the increased interest in healthy living. Ms Parmentier mentioned that the claim provided further reinforcement to Zespri's aim of becoming a world leader in kiwifruit.

Viticulture

Foley makes offer for Martinborough vineyards [9 May/ NZ Herald] Foley Family Wines, owned by American businessman and vineyard owner Bill Foley is planning on making a \$1.9 million takeover offer for the Martinborough Vineyard Estates. Foley Family Wines is offering one Foley share for every 27.95 shares in Martinborough Vineyard. The Martinborough Vineyard directors have recommended the offer to its shareholders. Foley Family Wines said that it has secured agreements to buy 41.28 percent of shares under a pre-bid agreement. The offer is conditional on gaining 90 percent of shares, as well as the Overseas Investment Office approval. Foley Family Wines expect that its large scale in Marlborough and Wairarapa (currently controlling approximately 364 hectares) will increase efficiency and profitability. The Company said that it plans to continue the Martinborough Vineyard's operations, supplemented with the additional opportunities to export its wine to the US and elsewhere using its distribution channels. A successful total acceptance will mean that new shareholders will make up 2.8 percent of the enlarged company. According to the takeover document, Foley Family Wines will pay \$708,450 to Martinborough Vineyard to pay off loans and \$1.40 per share for 506,036 new shares in Foley Family Wines. Foley Family Wines shares have increased 23 percent on the NZAX over the past year, with a current company valuation of \$65 million.

Honey

Hamilton goes to war on foulbrood [9 May/ Radio New Zealand Rural] Scientists and beekeepers in Hamilton are attempting to eradicate the killer honey bee disease, American Foulbrood from the city, as an initial step in a long term plan to eradicate the disease from the entire country by destroying infected hives. Plant and Food Research leading bee scientist, Mark Goodwin said that due to a growing number of hobbyist beekeepers that are not as experienced, the Hamilton project could wipe out entire colonies by infecting bee larvae. Mr Goodwin said that if it was possible to eradicate the disease from a city, it can be stopped from being reintroduced. He mentioned that if a colony became infected, it had to be destroyed, and approximately 0.4 percent of colonies had to be destroyed every year due to the disease. He also noted that New Zealand is unique in its attempt to eradicate the disease, whereas other countries try to control the disease with the use of antibiotics, although if successful, it could provide a model for others. Researchers will present the 200 odd trees and plants that provide the protein-rich pollen essential for honey bee health and survival at the Trees for Bees conference at Eastwoodhill Arboretum.

Fishing and aquaculture

Sea cucumbers could be suitable for farming - research [8 May/ NZ Herald] Researcher, Leo Zamora has found new information about the highly sought after sea cucumbers, and identified one species in New Zealand that could be suitable for farming. Mr Zamora said that sea cucumbers are a delicacy in China and often served at special occasions such as weddings, with the top species selling for approximately \$1,155 per kilogram after being dried. He said that the New Zealand species are considered to be worth approximately \$318 per kilogram, with 100 kilograms of fresh sea cucumber producing 10 kilograms of dried cucumber. His research also found that sea cucumbers grew faster at lower temperatures and could reach commercial harvesting size of 100 grams in 18 months, compared to 30 grams over 18 months at higher temperatures. Mussel farmers have expressed interest in growing sea cucumbers as they can be grown in the same environment for little additional cost.

Dairy

World dairy prices slip 1.1pc [7 May/ NZ Herald] The GlobalDairyTrade price index declined 1.1 percent to USD 3,950 per tonne from USD 4,047 per tonne two weeks ago, hitting its lowest price since February 2013, with approximately 38,174 tonnes of product sold (36,549 tonnes sold at the previous auction). The biggest seller by volume, whole milk powder declined 1.7 percent to USD 3,928 per tonne (a 14 month low), Rennet casein increased 6.8 percent to USD 11,353 per tonne, cheddar declined 1.8 percent to USD 4,195 per tonne, skim milk powder declined 2.3 percent to USD 3,873 per tonne and butter milk powder declined 1.2 percent to USD 3,713 per tonne, with milk protein concentrate and lactose not offered at the auction. Of the 724 qualified bidders (764 last auction), 207 participated with 138 winning bidders. Lead by dairy products, the ANZ Commodity Price Index declined to an eight month low in April.

Not every formula brand will enter China: Guy [8 May/ NZ Farmers Weekly] Primary Industries Minister, Nathan Guy and Food Safety Minister, Nikki Kaye announced that five exporters, amounting to 90 percent of exports of infant formula, were approved for export under the new Chinese regulations. Mr Guy said that of the eight companies that remained, some had applied to be audited, but not every brand would meet the regulatory requirements due to the close association rule, which assess the relationship between the brand owner and the company that manufactures the product. Mr Guy noted that China represents only 38 percent of New Zealand's infant formula export markets, with infant formula representing only 4 percent of dairy exports to China. He mentioned that the Ministry was doing everything possible to help brands pass muster.

Goodman Fielder accelerates NZ dairy sale [8 May/ Business Day] In order to bolster up its defence against an AUD 1.7 billion takeover offer by Singapore based oils trader, Wilmar International and Hong Kong investor, First Pacific, Goodman Fielder has accelerated a sale process for its New Zealand dairy business, which could be worth at approximately \$647 million, but has a current book value of AUD 450 million and a market valuation of approximately AUD 460 million. According to a flyer sent to prospective buyers and joint venture partners, the New Zealand dairy business has annual sales of approximately \$500 million and earnings before interest, tax and depreciation and amortisation of \$60 million. The figures are based on average sales and earnings figures for the last three years and forecasts for 2014, when earnings were expected to be impacted by a 50 percent rise in farmgate milk prices. It also excludes losses from the meat business which was recently sold and includes sales and earnings from dairy and UHT milk sales into Asia. The business is thought to have had interest from approximately 20 potential buyers, including global and Asian-based food and dairy companies such as Danone and Saputo. Goodman Fielder's two largest institutional shareholders, Perpetual Investments and Ellerston Capital who own 25 percent of shares are thought to be seeking AUD 0.75 per share, with the company saying that the takeover offer of AUD 0.65 was "opportunistic". Analysts believe that Wilmar and First Pacific could afford to pay as much as AUD 75 to 80 cents per share. The offer is conditional on no material asset sales or joint ventures taking place. The First Pacific CEO, Manuel Pangilinan said that they were maintaining their offer price. It is thought that First Pacific's primary interest is the New Zealand dairy business.

Small formula makers want MPI help [9 May/ NZ Farmers Weekly] Seven infant formula plants, accounting for over 50 small brands have not yet received registration from the China's Certification and Accreditation Administration for import into China, and are calling for action by the Ministry for Primary Industries. Contrary to earlier advice, the Ministry for Primary Industries director of marketing assurance, Tim Knox stated last week that consignments of brands produced in non-registered plants that were sent to China before May 1 will not gain entry into China. New Zealand Infant Formula Exporters Association member criticised the Ministry for Primary Industries, stating that they are not seen to be managing the brands and exporters, but rather waiting for directions from China. Exporters said that while China was entitled to register and audit NZ manufacturing plants, it is against free-trade agreements to extend control over brands and exporting companies. Mr Darling said that it was the Government's responsibility to uphold the spirit of the China-NZ free-trade agreement. Primary Industries Minister, Nathan Guy said the Government was helping the remaining manufacturers, but was not sure which brands would be accepted. A spokesman for Mr Guy said that there was the possibility that the product stuck at the border could be accepted on a case by-case-basis. The Labour's primary industries spokesman, Damien O'Connor said that the Government needs to show initiative and help infant formula producers who have their products confined at the Chinese border.

Red meat

Kiwi meat in UK halalbaloo [9 May/ NZ Herald] New Zealand meat has become entangled in an on-going controversy in the UK, with a number of supermarkets and fast-food outlets having been accused of selling halal meat without informing their customers. Meat Industry Association CEO, Tim Ritchie said that nearly all of New Zealand export slaughter houses are certified to comply with the halal requirements. He mentioned that all commercial slaughter of New Zealand animals is required to be carried out humanely. He said that New Zealand is able to meet the requirements of the Muslim market, while complying with the Animal Welfare Act. Beef + Lamb CEO, added that there was a misconception that halal practices meant that animals were not stunned before being killed, which is not possible under New Zealand law. The confusion seems to have been caused from the fact that a large number of UK supermarkets import New Zealand meat, all of which is pre-stunned, regardless of whether the meat is prepared according to halal requirements or not. Religious leaders in Britain have called for all meat to be labelled with the method of slaughter. Representatives of Jewish and Muslim groups have said that consumers should be informed of the precise method of slaughter, at the point of sale.

Conference to extol merits of goat meat [12 May/ NZ Farmers Weekly] NZ Goats, established recently by Mohair NZ and Meat Goat NZ to add value to the goat sector is holding its inaugural conference in Queenstown from May 23 to 25, with the focus being the benefits of goat meat to New Zealand's red-meat farming business. The event is being held by the Federated Farmers goats industry group in conjunction with Meat Goat NZ and the NZ Boer Goat Breeders Association. NZ Goats chairwoman, Dawn Sangster said that the conference was aimed at experienced goat farmers and those interested in opportunities in goat farming. The conference will include a presentation from the Federated Farmers national meat and fibre chairwoman, Jeanette Maxwell on a possible Commodity Levies Act application to raise funds to assist the group's work. The conference speakers include AgResearch senior scientist, Richard Shaw speaking on gastrointestinal parasites and immunity, AbacusBio's Anna Campbell speaking on food integrity and the value-chain approach, Beef + Lamb NZ project manager and nutritionist, Fiona Carruthers speaking on whether goat meat is superior to beef and lamb, Totally Vets' Ginny Dodunski speaking on practical guidelines to improve management of internal parasites on goat farms and Lean Meats CEO, Richard Thorp speaking on goat meat processing.

Wool

Campaign taking wool to NZ's main streets [12 May/ NZ Farmers Weekly] The Primary Wool Co-operative have funded a large Campaign for Wool promotion including approximately 40 designers and retailers headed by stylist Anna Caselberg, to make the We're Loving Wool Week during the last week of May. While the promotion involves shop front displays in regional centres around New Zealand, Britomart, Auckland will be the base of the campaign. The Primary Wool Co-operative is investing approximately \$110,000 of 'industry good' funds, secured through its shareholders into We're Loving Wool. Although Ms Caselberg has been working on the concept for over three years, it was when she got the attention of National Council of New Zealand Wool Interests secretary, Janette Osborne and the then Primary Wool chairman Bay de Lautour towards the latter part of 2013 that the project gained momentum. Mr de Lautour believed that the large displays were the only way that the international Campaign for Wool would have an impact in New Zealand. Ms Caselberg is focusing on the urban setting and the desirability of owning luxury wool products. The promotion is part of Mr de Lautour's strategy for Primary Wool Co-operative to be New Zealand's strong wool company.

Rural infrastructure

BNZ grabs more agribusiness lending, upbeat on rural sector [8 May/ One News] Bank of New Zealand, is succeeding in its effort to build capacity in rural lending, and has captured more of the agribusiness lending market, increasing its share to 22.2 percent, from 21.7 percent in 2013 and 19.2 percent in 2010. The growth in business lending and lower impairment charges on distressed loans lead to a 3.4 percent increase in BNZ's first half cash earnings to \$400 million. The current head of business banking and incoming CEO, Anthony Healy said that Canterbury has driven the growth in agribusiness, partly on the strength of the dairy sector, strong forestry sector and on the recovery of viticulture. The Reserve Bank has expressed concern that high levels of agriculture debt heavily concentrated in the dairy sector was a threat to the stability of the financial system and left the industry vulnerable to a drop in commodity prices and a rise in interest rates.

Dairying 'singled out' in road levy debate [9 May/ NZ Farmers Weekly] A Central Otago District Council meeting ended with a majority in favour of a development contribution policy review that included the possibility of charging a road development contribution levy on dairy conversions. Development engineer, Peter Morton said that it is arguable that dairy farming increased demand on roading more than other farming activities and mentioned that the most likely trigger for a contribution would be the construction of, or alteration to a dairy shed. Maniototo ward councillor, Stuart Duncan questioned the difference in roading impact of dairying and other types of farming such as intensive cropping, and called not to isolate dairying. Federated Farmers Otago president, Stephen Korteweg expressed his disappointed at the singling out of dairying, and highlighted other farming operations with frequent traffic movements. He said that any damage to roads would be offset by the benefits to the entire region from dairying, including the increase in Gross Domestic Product. The council's development contribution policy which was introduced in 2004 collected funds totalling \$5.1 million. The policy review did not suggest any change, but confirmed that the issue would receive active consideration and determination.

Chance for ag companies to attract new investors [12 May/ NZ Farmers Weekly] New Zealand Trade and Enterprise is inviting agribusiness companies to showcase their expansion plans and need for capital to investors at the National Fieldays at Mystery Creek on June 11. All companies are small-to-medium sized businesses requiring \$2 million to \$20 million in capital. New Zealand Trade and Enterprise general manager capital, Quentin Quin is expecting 120 people including 30 foreign investors, with the US, China and the Middle East expected to provide the majority of overseas interest. Mr Quin said that New Zealand Trade and Enterprise had established 10 to 15 contenders for capital injections and partnerships, of which 6 to 8 will present on June 11. All contenders are made investor-ready through the participation in the Better by Capital programme, which consists of orientation (diagnosis), challenge (external analysis by KPMG) and connections with qualified investors. As part of the Government's Business Growth Agenda, New Zealand Trade and Enterprise is focusing on sectors in which New Zealand has points of difference globally. New Zealand Trade and Enterprise is joined by ASB and KPMG for the agribusiness showcase.

Environment and emissions

'Major defects' in environmental bill [8 May/ NZ Farmers Weekly] Environment Minister, Amy Adams announced in August 2013 that the Government will be implementing mandatory environmental reporting, with air, climate, fresh water, seas and land conditions to be measured every three years. Sir Geoffrey Palmer, is calling for change to the proposed legislation, said that the need for independence of the reports will not be met if the ministers have the power to set the topics as proposed in the Bill. Sir Geoffrey said that the topics should be set by the Parliament, with the ability for the Parliamentary Commissioner for the Environment to make recommendations. He added that Parliament should be able to add new metrics measured, but not delete any, other than by means of the legislature. Federated Farmers stated that this would also mitigate the perception that farmers were the main cause of environmental issues, with the national board member and environment spokesman, Ian MacKenzie saying that farmers need to know that they are addressing the issues they have caused, rather than being held responsible for what they have not caused. Dairy New Zealand policy advisor, Oliver Parsons said that it needed to be ensured that the money was being used to obtain community valued outcomes, with the focus being real, rather than perceived issues.

New rules 'threat to young farmers' [12 May/ The Southland Times] A new dairy farm plan change which came into force in March requires all new dairy farms to obtain resource consent from the Environment Southland before becoming operational. Federated Farmers Southland president, Russell MacPherson said that this makes it harder for family farms that are unprofitable to remain in the family by converting to dairy, as it could now be deemed unsuitable for land change. He said that new dairy farms are more likely to be taken up by established farmers or corporate companies, as they were better able to absorb conversion costs, whereas young farmers are unlikely to have the financial resources to meet the compliance costs of the conversion. He also mentioned that the change will slow down land sales, due to the reluctance to buy land encumbered with the risk of not receiving consent. Mr McPherson said that the role of Environment Southland under the Resource Management Act was to monitor and enforce best practice, which can be done without further regulation which put family farms and land use change at risk. Environment Southland chair, Ali Timms said that the Plan Change 13 is not a barrier for dairy conversions, and that none of the conversion applications have been rejected, but farmers on heavy or leaky soil will be required to take additional steps to avoid further degradation in water quality. Mr Timms also said that the cost of a farm plan and mitigation procedures were reasonably insignificant when compared with the cost of a conversion.

Research and development

NZ helping US fight citrus disease [8 May/ Radio New Zealand Rural] Otago University statistician Matthew Parry has been helping citrus growers in Florida, that have been badly affected by citrus greening, a bacterial disease spread by psyllids, which has cost the US citrus industry \$4.5 billion in lost production in Florida alone. Mr Parry said that the preventative responses being taken by the growers is spreading the disease further as well as making it difficult to establish how the disease is spreading. He mentioned that the aim was to determine the key parameters characterising the epidemic, such as the distance psyllids are travelling when they are infecting the trees, and the rate at which the infection is spreading. Mr Parry said psyllids had spread to California, and the model he has helped design was giving growers a better understanding of what to expect.

Millions in funding for new CoRes of learning [8 May/ NZ Herald] The Royal Society of New Zealand has completed the selection process and made recommendations to the TEC Board on the allocation of the \$210 million of funding to cover a six years for specialist, tertiary education based research centres. Tertiary Education Commission CEO, Tim Fowler said that the six Centres of Research Excellence (CORE) which received funding were in research areas such as health, nanotechnology, photonics and quantum technologies and working with and exploiting large data sets. The president of the New Zealand Association of Scientists, Nicola Gaston said that there was a shift towards more physical sciences, away from the primary industries. The Riddet Institute, which has been a specialist food focused CORE, was not included in the six Centres of Research Excellence which received funding for the next six years.

Food safety

Final part of botulism inquiry to start [8 May/ Radio New Zealand Rural] The Government will be launching the third and final part of the inquiry into Fonterra botulism false alarm, on May 12, which will investigate how the suspected dairy ingredient entered the international markets and how it was handled. Primary Industries and Food Safety Ministers, Nathan Guy and Nikki Kaye said that the Ministry's internal compliance investigation which led to Fonterra admitting to four charges and being fined \$300,000 had to be concluded prior to the final part of the inquiry commencing. The first part of the inquiry included measures to strengthen regulations covering dairy food safety. The Fonterra Co-operative is currently being sued for over \$300 million by the French owned food multinational, Danone, in regards to the whey protein that Co-operative supplied. Resulting from the botulism scare, China is continuing to restrict some of the bulk dairy ingredients from being exported to China from Fonterra.

Push for country of origin labels grow [12 May/ Radio New Zealand Rural] Labour food safety spokesperson, Damien O'Connor is proposing an amendment to the Food Bill to include compulsory country of origin labelling, and stated that the Government is becoming increasingly isolated on the issue. Horticulture New Zealand spokesperson, Leigh Catley said that country of origin labelling is important to almost all commercial fruit and vegetable growers in New Zealand, as well as consumers, who want to know where their food is coming from. Ms Catley also mentioned that New Zealand is out of step with other countries in regards to the country of origin labelling, and said that of the 120 countries New Zealand export horticulture products to, there are only about five or six countries without some form of mandatory country of origin labelling.

International

Genes that can resist antibiotics abound [9 May/ The Washington Post] A study published in the journal Current Biology, which examined environmental samples around the world, indicated widespread antibiotic-resistance genes. Researchers discovered antibiotic-resistant genes in 71 environments. Although most of the genes are harmless, there is the occasional possibility of transfer between animals to humans. George Washington University epidemiologist and expert in antibiotic resistance, Lance Price said that resistant genes are becoming more and more abundant in pathogens, which can carry antibiotic resistance to new organisms. Once this happens, the resistant genes tend to thrive and multiply, resulting in the potential for serious health consequences. Scientists are working on identifying the method and the frequency at which resistant genes in nature get incorporated into pathogens such as E. coli. The World Health Organization stated that the issue is serious enough to threaten the achievements of modern medicine, and has highlighted very high rates of resistance in different parts of the world, as well as noting the few new antibiotics in current development. Mr Price said that the threat originates from the human misuse of antibiotics, and therefore the solution is within the human compass. In September 2013, the Centers for Disease Control and Prevention warned of the potential catastrophic consequences if the growing threat of antibiotic-resistant infections that infect approximately 2 million Americans and kill an estimated 23,000 every year is not addressed. The Centers for Disease Control and Prevention noted the overuse of antibiotics as the strongest contributing factor to the increase in resistance. The majority of antibiotics in the US are used in animal agriculture to promote growth and treat and prevent diseases in livestock. In December 2013, the Food and Drug Administration asked the agricultural industry to voluntarily phase out the use of certain antibiotics in livestock and to prevent their use in enhancing growth.

USDA: US corn yields to offset lesser acreage [10 May/ NZ Herald] A federal forecast stated that US corn growers may exceed last year's record production, despite the lesser acreage devoted to the grain, but corn prices could edge lower later in the year. US Department of Agriculture's first World Agricultural Supply and Demand Estimates higher corn production this year at 13.9 billion bushels. Higher yields are expected to offset the lesser acreage devoted to corn. The report estimates that farmers will harvest 165.3 bushels per acre, up 6.5 bushels from last year, with corn acreage expected to be at 91.7 million acres, down from 95.4 million acres last year. The season-average price of corn was forecasted to be lower, between \$3.85 and \$4.55 per bushel, down from \$4.50 to \$4.80 last year. The US Department of Agriculture estimates the global corn production to remain unchained from previous year at 979.1 million tons. The US soybean production is expected to increase by 346 million bushels to a record 3.64 billion bushels, driven by the expectation that farmers will plant 5 million acres more of the crop than last year, at 81.5 million acres of the crop. Soybean yields per acre are expected to be 45.2 bushels (up 2 bushels), with the price forecasts indicating a possible reduction to between \$9.75 and \$11.75 per bushel (down from \$13.10). The US Department of Agriculture estimates are based on the assumption that summer weather will be normal across the Corn Belt. The US Department of Agriculture also said that cold spells last month declined the condition of winter wheat, with crop production this year expected to be down 9 percent to 1.40 billion bushels.

Genetically modified foods confuse US consumers [10 May/ NZ Herald] Although the US Food and Drug Administration said that genetically modified food do not require labelling, Vermont has become the first state to introduce legislation requiring the labelling of genetically modified organisms. The food industry and companies that genetically engineer seeds have resisted the labelling laws, stating that genetically modified organisms are safe and that labelling will be misleading. They highlighted that the only difference between genetically modified organisms is that engineers speed up the process of achieving the desired gene by gene transference from one organism to another. The majority of scientific research has found that genetically engineered foods to be generally safe. A publication linking genetically modified corn with rat tumours was retracted in 2013 by the publisher, citing weak evidence supporting its conclusions. The well known critic of food companies and artificial and unhealthy ingredients, the Center for Science in the Public Interest, has not opposed genetically modified foods on the basis that there is no evidence indicating its harm. The main concern is of genetically modified food in the future becoming allergenic or toxic through the they cause process. The US Food and Drug Administration is only required to approve genetically modified animals, but not crops, although most companies go through a voluntary safety review process prior to entering the market. Opponents of genetically modified foods have approached individual states, in order to establish labelling laws at state levels, with ballot measures in California and Washington failing, whilst it was successful in Vermont. Maine and Connecticut have also passed labelling laws, but only to take effect if other states follow suit. The food industry is attempting to halt a House Bill that would head off efforts to enact mandatory labelling of genetically modified ingredients by suggesting a voluntary labelling system nationwide. The Food and Drug Administration has said that there was currently no need for labelling as the nutritional content is the same as non-modified foods.

Agribusiness strategy

Capital markets: Graham Turley: Agribusiness for investors [8 May/ NZ Herald] ANZ NZ Managing Director Commercial & Agri, Graham Turley said that although 25 percent of New Zealand's productive sector is in agribusiness, it is widely perceived by retail investors, large fund managers and overseas investors as one of the more difficult and inaccessible sectors for investment. He mentioned that only a very few agribusiness based businesses are listed on the NZX. In late 2012, ANZ Insights Report, Greener Pastures highlighted that with up to \$210 billion in international and domestic investment to enable production growth and \$130 billion to support farmer turnover, there was potential for the agribusiness sector to capture another \$0.5 to \$1.3 trillion in exports by 2050. Mr Turley highlighted the work done by ANZ's agribusiness team to help owners improve productivity, governance and management through improvements driven by research, innovation and good management, as well as helping owners and potential investors overcome concerns regarding transparency of revenue streams and liquidity of the investment. He highlighted the need to increase the current 3 to 7 percent return to high single and low double digit returns in order to attract new investment, as well as helping solving farm succession issues. He said that ANZ research indicates that over 70% of farmers want a family member succeeding them in the business, but only 47 percent have family members working in the business, and only 10 percent have a succession plan. The issue is further impacted by the low number of graduates qualifying from agri-based university courses. He also addressed the need for investors to understand that although there needs to be a degree of caution in making predictions, the long term trend in commodity prices are rising. The fact that demand for agriculture output could grow as much as 60 percent by 2050, along with the global population growth, Mr Turley highlighted the opportunities for New Zealand and Australia to be the biggest food provider for the region. Mr Turley highlighted the need for overseas investment to meet the growth requirements, as well as mentioning equity partnerships as another source of investment.

Ag education

Challenge promotes ag careers [9 May/ Rural News Group] The Enterprising Primary Industries Career Challenge launched by the Education Minister, Hekia Parata and Primary Industries Minister Nathan Guy requires school students to identify different careers within the primary industries and develop a strategy promoting them to the target market of Year 10 students. The competition is run by the Young Enterprise Trust and is co-sponsored by the Ministry for Primary Industries and DairyNZ. Mr Guy mentioned industries such as farming, fishing and horticulture as well as marketing, remote sensing, robotics, chemical engineering, genetics, nutrition, policy, communications, product design, science and IT as the powerhouse of the New Zealand economy which generates \$35 billion per year in exports. He said he was confident that the competition will alert Year 10 students to career opportunities in the primary industries they wouldn't have otherwise considered.

Agribusiness leadership

Nominations open for 2014 agribusiness leadership awards [12 May/ Rabobank] Nominations for 2014 Rabobank Leadership awards, recognising the contribution of outstanding leaders in New Zealand and Australia's food and agribusiness industries opened on May 12. Last year's award was won by New Zealand wine industry luminary and founder and owner of Villa Maria Estate, Sir George Fistonich. Last year's Rabobank Emerging Leader Award was awarded to Australian grains industry advocate and Grains & Legumes Nutrition Council managing director, George Aley. Both awards are peer-nominated with judges looking for individuals who create sustainable growth and prosperity at both a corporate and industry level, as well as demonstrating a wider commitment to society. Rabobank Australia & New Zealand Group managing director, Thos Gieskes who opened the nominations said that the task of providing for the growing global population provides New Zealand and Australia with great economic opportunities. He highlighted the importance of having the correct leadership and strategic direction in place to take advantage of the opportunities. The nominations will close on June 12, with the winners scheduled to be announced at the annual Rabobank Leadership Dinner in Sydney in October.

Field Notes

Weekly news update from the KPMG Agribusiness Network – 14 May 2014

7

Farmers and producers

Farmers see good times ahead [13 May/ Business Day] A survey of over 1,000 small and medium business owners and managers based outside of cities indicated that 34 percent reported improved revenue in the year to February 2014, which exceeded expected growth in the last Business Monitor Rural Report by MYOB. Small and medium sized operators in rural areas are expecting even higher revenues this year, with 41 percent forecasting higher sales. Federated Farmers president, Bruce Willis said the survey was in line with its own confidence survey, but also said that although confidence levels are encouraging, the inflationary pressure on farm inputs were a negative. MYOB accounting manager, Adam Ferguson said that when over 40 percent of the sector, with normally conservative predictions expects improved revenues, it speaks to the strength of the rural economy. Approximately 33 percent of surveyed businesses reported increased work from February to April and over 20 percent of the businesses planned to increase wages this year, with most of them intended to maintain a stable workforce. The increasing wages are expected to raise the prices. Additionally almost 25 percent of businesses planned to improve their margins. The main pressure on businesses was from rising fuel prices and interest rates.

Subscribe

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

Contact Us

Auckland/ Audit

Ian Proudfoot

09 367 5882

021 656 815

iproudfoot@kpmg.co.nz

Taxation

Greg Knowles

09 367 5989

021 307 332

gknowles@kpmg.co.nz

Tauranga

Robert Lee

07 571 1773

027 451 1035

relee@kpmg.co.nz

Wellington

Graeme Edwards

04 816 4522

027 296 5050

gdedwards@kpmg.co.nz

Christchurch

Andrew Hawkes

03 353 0093

027 508 0135

ahawkes@kpmg.co.nz

Financial Advisory Services

Gary Ivory

09 367 5943

021 932 890

givory@kpmg.co.nz

Risk Advisory Services

Jamie Sinclair

09 363 3460

021 475 735

jpsinclair@kpmg.co.nz

Hamilton/ Private Enterprise

Hamish McDonald

07 858 6519

021 586 519

hamishmcdonald@kpmg.co.nz

Farm Enterprise

North Island

Julia Jones

07 858 6553

027 524 8901

juliajones1@kpmg.co.nz

South Island

Brent Love

03 683 1871

027 528 1537

blove@kpmg.co.nz

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

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

© 2014 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (KPMG International), a Swiss entity. All rights reserved. The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International Cooperative ("KPMG International").

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