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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:	
Addiction Foods	Lincoln University
Air New Zealand	Livestock Improvement Corp
Alapa Viticulture Services	Massey University
ANZ	Ministry for Primary Industries
ASB	MunichRe
Biophive	Murray Goulburn
Bio-protection Centre	New Zealand Winegrowers
Coriolis Research	Ngai Tahu
Dairy NZ	Ngati Kahungunu ki Wairarapa
Deer Industry	PGG Wrightson Seeds
Department of Conservation	Real Estate Institute of New Zealand
Direct Capital	Red Meat Profit Partnership
Egg Producers Federation	Resource Management Service
Federated Farmers	Riddet Institute
First Pacific	Rural General Practice Network
Fristlight Venison	Scales Corporation
Goodman Fielder	Standard and Poor's
Hanos	The Green Party
Hawke's Bay Regional Council	University of the Fraser Valley
Hawke's Bay Regional Council	Wilmar International
HoneyLab	World Trade Organisation
K9Natural	Ziwipeat
Lamb Co-operative	

This week's headlines	
Forestry	**Roadblock ahead for NZ log prices** [20 May/ NZ Herald]
Water	**Ngai Tahu follows Trustpower in quitting Ruataniwha scheme** [19 May/ NZ Herald]
Red Meat	**Americans want what we've got** [19 May/ NZ Farmers Weekly]
Budget 2014	**$40m for irrigation** [15 May/ Rural News Group]
Environment and emissions	**DairyNZ reassures farmers over ECan water plan** [14 May/ NZ Farmers Weekly]

Horticulture

Scales Corp poised to give NZX an agri boost [19 May/ NZ Farmers Weekly] Although Scales Corporation managing director, Andy Borland stressed that no final decision had been made regarding listing the company on the NZX, indications are that the company will list in the NZX. Through the private equity investor, Direct Capital's 84 percent ownership of Scales Corporation, both the New Zealand Superannuation Fund and the Accident Compensation Corporation hold an interest the company. Scales is moving property and investments valued at approximately $50 million to a separate company, allowing the potential listing group to contain the core operating businesses of apple growing and exporting, cold and cool storage of agricultural product and pet food manufacturing. The Scales Corporation made a record after tax profit of $20.4 million and sales of $278 million in the year ended December 2013, with the higher apple volumes and prices increasing operating earnings before interest, tax, depreciation and amortisation to $44.4 million (34 percent increase from the previous year), and operating cash flow to just under $34 million. Scales Corporation has reduced its debt to less than half of the 2011 amount, with the latest asset backing at $4.88 per share, which will be reduced to approximately $2.93 per share after the divestment of the property assets (industrial sites worth approximately $28 million and a 10 percent shareholding in Turners & Growers worth $22 million). If the company decides to list on the NZX, borrowings of $60 million will be financing total assets of approximately $220 million after the asset split, resulting in an interest-bearing debt ratio of 27 percent, with the asset divestment not expected to have a substantial impact on earnings. The company had sales of $94 million from New Zealand ($85.8 million in 2012), $40.56 million from Asia ($29.57 million in 2012), $77.86 million from Europe ($54.2 million in 2012), $39.47 million from North America ($40.52 million in 2012) and $21 million from elsewhere ($17.3 million in 2012).

Arable

From bad to worse for croppers [19 May, NZ Farmers Weekly] Federated Farmers national grain and seed vice-chairman, David Clark said that a wet winter, followed by wind storms, a dry summer and a wettest April on record have resulted in a shocking Mid Canterbury harvest. Mr Clark said that some crops would have been lost due to sprouting, and expects there to be some vastly disappointing germination results, which will also affect exporters that have already contracted to deliver seeds. He said that the rain last week means that unless there is an unusually hot and dry week ahead, the wheat runs the risk of not being planted. The Foundation for Arable Research is concerned about the late plantings, with general manager, Rob Craigie having said that the more rain, the less seed that can be planted, with some paddocks with heavier soils having to hold of wheat planting until spring. He expressed his concern for cereal growers who may not be able to get next year's crop on time. He said that the high moisture levels also meant that there was a quality loss in storage, leading to increased risk of insect damage, mould and sprouting. Mr Clark said that the Arable Industry Marketing Initiative survey indicated that a startling amount of wheat and barley are allocated for purchases pre-harvest, with only 68,000 tonnes of wheat available for sale (compared with 139,000 tonnes in 2013 and 180,000 tonnes in 2012) Similarly, approximately 56,000 tonnes of barley was available sale (compared with 188,000 tonnes in 2013 and 210,000 tonnes in 2012). Mr Clark said that planting intentions for the coming season estimated before the autumn wet weather challenge indicated that that milling wheat was down 19.5 percent, feed wheat down 5 percent, malting barley down 21.5 percent and feed barley down 13.5 percent. While mentioning that the figures could have deteriorated further, Mr Clark attributed most of the figures to growers' dissatisfaction with returns and the industry structure, as well as mentioning the worldwide shortage of grain.

Viticulture

UN look to Marlborough grape vine pruning crews [15 May/ NZ Farmers Weekly] Alapa Viticulture Services owner, Alan Wilkinson has a team of 230 wine pruning workers, who are from Thailand, Japan, Samoa, China, Malaysia and the Czech Republic. The team will stay in New Zealand from May to the end of the season in September, by then approximately four million plants would be pruned, stripped and wrapped. Mr Wilkinson said that his team hand strip as well as machine strip the plants, although hand stripping was slower and more labour intensive. He said that the workers were pruning the plants to three canes a plant, instead of the four canes done last year, and mentioned that a lot of people are only laying three canes this year. Mr Wilkinson said that the team work six days a week and are only hindered by heavy rain. He mentioned that the harvest was complete on most vineyards, with some fruit for dessert wine left to come in.

Deal to develop wine tourism [20 May/ Radio New Zealand Rural] New Zealand Winegrowers and Air New Zealand have entered an agreement which will see them jointly promoting New Zealand as a destination for wine tourists, with the two parties believing that with over a million visitors having toured the vineyards and wineries over the last five years, the industry has strong opportunity for growth. New Zealand Winegrowers and Air New Zealand expect to hold familiarisation tours for international food and wine media as well as targeting consumers and trade events in the US, Canada and China. New Zealand Winegrowers CEO, Philip Gregan said that the North American and Asian markets will be targeted in the promotion.

Honey

Humming over medical uses of honey [19 May/ Business Day] Pharmaceutical research company, HoneyLab's kanuka honey product, Honevo has undergone laboratory and clinical studies including one performed at the Mayo Clinic in the US in order to establish its effectiveness for the treatment of common skin conditions including acne, rosacea and cold sores (with an overall over-the-counter market value for the three conditions worth approximately $28 billion). HoneyLab CEO, Laurence Greig said that its goal was to license its technology and platforms to a big pharmaceutical company, and mentioned that it was not currently generating revenue out of the product. The company has signed a Memorandum of Understanding with the Department of Conservation to access kanuka plantations on Department of Conservation estates. Mr Greig said that a 10 percent of the share of HoneyLab is owned by Maori, whom also had considerable stands of untapped kanuka, which may be able to provide a better return than converting to dairying. He highlighted the company's desire to keep the business in New Zealand and work in conjunction with Maori land owners in order to generate revenue for their communities.

Forestry

New way to cut out timber fumigation [14 May/ Radio New Zealand Rural] Currently, in order to prevent the burnt pine longhorn beetle from entering Australia, all sawn timber requires fumigation with methyl bromide prior to export to Australia, Ministry for Primary Industries director of plants, food and environment, Peter Thompson said a successful trial into an alternative method has demonstrated that exporters are able to store their product in a secure area that will prevent the beetle contamination, provided that they are processed and packed into containers in a specific method. With the increased exports of logs to China, the use of the ozone depleting methyl bromide has also been increasing. The Green Party's Steffan Browning said that New Zealand is using 81 percent more of the gas than in 2008, although the country had committed to reducing the use of ozone depleting gases. Currently there are numerous initiatives underway in New Zealand investigating methods of reducing methyl bromide use, or alternatively its increased recapture.

Forestry deal prompts concerns over soil conservation and log processing [17 May/ Business Day] Although the Greater Wellington Regional Council says that the sale of cutting rights to the 5,430 hectares of forests in Wellington and the Wairarapa to US company Resource Management Service should not impact the public or the local timber industry as most of the logs are already being exported, some local sawmillers and iwi said the sale could impact on log supplies and erosion control. Kiwi Lumber's Adam Gresham said that there was a growing concern that foreign forest owners were ignoring local millers, and suggested that this was something that the Overseas Investment Office should be controlling. Ngati Kahungunu ki Wairarapa environmental manager, Ra Smith highlighted the importance of soil conservation and said that the main reason for the trees is protect soil in erosion prone forests. LJ Hooker agent, Warwick Searle said the price of the deal exceeded the valuation of $28.5 million and the $31 million of council debt held against the forests. The Council's estate covers 12 forestry blocks including land in the Akatarawa Saddle and Puketiro near Wellington, Hiwinui Stoney Creek and Tauanui in the Wairarapa. The Council chairwoman, Fran Wilde said that the deal means that the Resource Management Service is taking on the risk of the timber market declining, while the Council is able to pay off the debt attached to the forests as well as having the proprietorship interest in the land. She mentioned that the Council retained the recreational use of the land on weekends and public holidays. Forestry consultancy PF Olsen's Peter Clark said that the foreign sale was not surprising given that it was an investment that suited the pension funds.

Roadblock ahead for NZ log prices [20 May/ NZ Herald] Economists have warned that New Zealand log prices may decline if market conditions in China deteriorate. Northern Hemisphere foresters have also increased exports in order to take advantage of the higher log prices that are driven by the Chinese market, with key producers coming from the American northwest and Canada, as well as increased exports to China from Russia. ASB Bank rural economist, Nathan Penny said that the increased supply and signs of decreased demand in China's housing markets is expected to decrease prices that have currently flattened off. The latest Ministry for Primary Industries figures for the March quarter indicated that prices were still elevated at $171 to $198 per cubic metre, freight on board, having increased from $144 to $153 since the March quarter 2012. The ASB forestry price index which peaked in mid April with a 20 percent rise from the end of 2012 has since declined by 1.2 percent (in US dollar terms). China's new home prices only rose in 44 of the 70 cities tracked by the Government, compared with 56 in March. ANZ commentary stated that developers are offering deep discounts, as well as some local Governments easing property curbs. China's home sales fell 18 percent between March and April, with annual house price inflation easing rapidly. While highlighting the housing oversupply and unsustainably high prices, ANZ stated that increasing lending to the sector runs the risk of worsening the eventual correction of the market.

Water

Ngai Tahu follows Trustpower in quitting Ruataniwha scheme [19 May/ NZ Herald] Hawke's Bay Regional Council confirmed that Ngai Tahu has withdrawn from the Hawke's Bay's Ruataniwha Water Storage Scheme, which is part of the wider Tukituki Catchment Proposal that received resource consent by a Board of Inquiry in April. The Board of Inquiry constrained the economics of the scheme for farmers by imposing stringent conditions on run-off into waterways. Hawke's Bay Regional Council CEO, Adnrew Newman said that Ngai Tahu had been relying on the technical expertise of Trustpower which withdrew from the memorandum of understanding to fund up to $60 million of the scheme's cost in March. The Council's Hawke's Bay Regional Investment Company is continuing to seek 'workable' resource consents through the Environmental Protection Authority's Board of Inquiry, as well as signing of Water User Agreements with farmers. The Council is currently continues to talk with potential investors.

Irrigation nitrogen limits 'go too far' [19 May/ Radio New Zealand Rural] In its submission on the Board of Inquiry's draft decision on the Ruataniwha dam and irrigation proposal, Dairy NZ said that the Board has gone too far in the nitrogen discharge limit it has proposed in the Tukituki River catchment, with senior policy advisor, Oliver Parsons saying that the limit set by the Board will reduce farming in central Hawke's Bay by 40 percent. Mr Parsons called for the board to allow the Hawke's Bay Regional Council to set the limit through a plan change process that would involve accessing all the evidence and allowing for full community involvement. The Government has agreed to extend the deadline for the Board of Inquiry to produce its final report on the irrigation project to June 28.

Science logic loses out to emotion [20 May/ NZ Farmers Weekly] Waikato University Agribusiness professor, Jacqueline Rowarth said that New Zealand farmers are suffering from an "era of illogic" with the Government's push for economic growth being hindered by the Environmental Protection Authority and the Environment Court. Professor Rowarth said that the expert evidence used by the Board of Inquiry in the Ruataniwha Irrigation Project was based on emotion, rather than science. Her comments come as the Hawke's Bay Regional Council's staff said that the Board of Inquiry decision will reduces the region's Gross Domestic Product by $50 million per annum, as well as requiring 6,000 hectares of farmland to be converted to forestry. The Board's draft decision imposed tighter nitrogen flow limits while not adopting the Council's nitrogen management approach. The Council commented that if the decision means that the Ruataniwha dam will not be a viable commercial model.

Dairy

SI dairy numbers still rising steadily [14 May/ Otago Daily Times] According to Statistics New Zealand, dairy cattle numbers in the South Island have increased by 1.3 million since 2003, while sheep numbers have decreased by over 5.3 million. There were almost 6.5 million dairy cattle nationally at 30 June 2013, a 1 percent increase from the prior year, while sheep decreased 476,000 to 30.8 million, beef cattle decreased 36.000 to 3.7 million and deer decreased 3 percent to 1 million, with Otago and Southland recording the biggest deer reductions of 10,000 and 17,000 respectively. The South Island Diary numbers have increased 3 percent (84,000) since last year, with Canterbury numbers second only to Waikato. Federated Farmers Otago dairy chairman, Stephen Crawford of South Otago said that farmers have seen opportunities in diary that they probably did not see in sheep and beef. He also mentioned that the farmers did not want to damage the environment and also hoped that the sheep industry would see an improvement.

Poultry

Egg prices rise as cage farmers embark on $200m upgrade to meet welfare code [15 May/ The National Business Review] The Egg Producers Federation said that part of the 5.5 percent rise in egg prices in the past year is attributed to the changes made under the Animal Welfare (Layer Hens) Act, which require hens to be housed in larger colony cages. The Government estimated the change will increase prices by 10 to 14 percent, while the Federation said it will cost its members $150 to $200 million. Egg Producers Federation executive director, Michael Brooks said that there are currently 118 cage egg farmers (83 percent of the egg market) and said that they expect the majority to move to colony type caging. The change requires the current minimum of 550 square centimetres of space each to be increased to 750 square centimetres, along with other requirements such as providing scratching pads, perches and space for nesting. The change to colony cages is staggered with 40 percent of the industry required to change over by 2018. Farmers have indicated that along with initial costs of compliance, colony cages are less efficient. Mr Brooks expects approximately 8 percent of farmers to close down their operations once the 2022 deadline for the change is reached. Farmer Browns general manager, Hamish Sutherland said that over the past three months a dozen cage eggs on average cost $3.67, while a colony laid eggs cost $4.67 and free range eggs cost $7.20. Mr Brooks also attributed some of the price increase to the cost of feed (increased approximately 50 percent over the last five years), which accounts for approximately 65 to 75 percent of the cost of an egg.

Red meat

Board appointed for Red Meat partnership [15 May/ Rural News Group] The Red Meat Profit Partnership established through a red meat sector and Government collaboration to increase sheep and beef farmer productivity and profitability has been established as a limited partnership, with its appointment of the board of directors also completed. The programme is co-funded by partners including the Alliance Group, ANZCO Foods, ANZ, Beef + Lamb New Zealand, Blue Sky Meats, Greenlea Premier Meats, Progressive Meats, Rabobank and Silver Fern Farms, along with the Ministry for Primary industries through its Primary Growth Partnership. The appointed board include the independent chairman Malcolm Bailey, Beef + Lamb New Zealand chairman James Parson, Beef + Lamb New Zealand CEO Scott Champion, Blue Sky Meats chairman Graham Cooney and Brown Glassford director Graham Brown, as well as two independent directors Tom Sturgess (owner of Lone Star Farms Ltd) and Jane Smith (who along with her husband was the National Supreme winners of the Ballance Farm Environment Award 2012). The Red Meat Profit Partnership's chairman Malcolm Bailey said that the programme focuses on establishing practical projects to deliver on a number of recommendations by taking on board the output of the Red Meat Sector Strategy, with the primary focus being productivity behind the farmgate, rather than structural change in the industry. The Primary Growth Partnership will enable the Red Meat Profit Partnership to capitalise on its ideas in order to raise New Zealand's red meat sector to a new level.

NZ petfood exports on a roll [19 May/ Business Day] A Ministry of Business Innovation and Employment report stated that the $78 billion global petfood industry is one of the six best 'emerging growth opportunity' sectors of the New Zealand food and beverage industry, with sales increasing at 9 percent per annum. Coriolis Research (the company which prepared the report) retail analyst, Tim Morris said that export sales for 2012 were worth $300 million per annum (with $70 million in the highest value retail product form and the rest consisting of meat and bone meal or seafood meal). While New Zealand's main current markets are Australia, the US, Japan, Taiwan and Canada, the report points towards opportunities in heavy import reliant markets such as Germany, Britain, Italy, France, Belgium and the Netherlands. K9Natural CEO, Calvin Smith highlighted a growing trend towards natural, freeze-dried food. Mr Smith said that the main barrier to growth is the cost of marketing, with an extensive marketing campaign in the US costing up to $50 million. Singaporean owned new entrant, Addiction Foods CEO, Jerel Kwek said growth has been at 30 percent per year, with the company's turnover close to $10 million per annum. Ziwipeat produces the only air-dried petfood in New Zealand, with CEO, Geoff Morgan highlighting the light petfood as having advantages in transportation, and mentioned that it was approached by Amazon wanting to enter the industry. Mr Morgan said that the company attempts to replicate the diet of a wild animal in its petfood. The company has a turnover of over $15 million, and has been running at a growth rate close to 40 percent per year.

Americans want what we've got [19 May/ NZ Farmers Weekly] The Lamb Co-operative (owned by a consortium of Australasian meat companies, including the Alliance Group, Silver Fern Farms and ANZCO) CEO, Shane O'Hara said that New Zealand produced safe, sustainable, pasture-fed, free-range meat that a lot of new generation Americans are increasingly looking for, but providing products throughout the year was problematic. Mr O'Hara said that although consumption in the US remained reasonably stable (only declining 500 grams per head per year), US lamb production has been declining. NZ lamb kill was estimated at 18.5 million this year, whereas the US kill was approximately 2.3 million, with New Zealand providing a third and Australia providing two thirds of the 50 percent of lamb the US imports for consumption. Mr O'Hara said that price is one of the barriers to lamb sales in the US with lamb retailing at US dollars 6.92 per pound, whereas chicken pork and beef retailed at US dollars 2.27, 2.71 and 4.86 respectively. He also mentioned that the perception of lamb as strong and gamey was another barrier to sales. He highlighted the fact that most success came from providing the meat for barbecuing. Mr O'Hara highlighted the opportunities for New Zealand farmers in the demand for more free-range, grass fed, meat with no growth promotants, antibiotics, hormones or genetic modifications. He mentioned that there has been a 50 percent increase in the use of "free range" and a 100 percent increase on the use of "all natural" on restaurant menus, as well as highlighting that there was a 13 percent increase in the availability of lamb on restaurant menus.

Deer

NZ venison rebranded in Europe [15 May/ Radio New Zealand Rural] While competition from cheaper European deer meat has resulted in New Zealand sales declining over the past few years, the largest food service distributor in Netherlands, Hanos, has commenced a promotion that aims to differentiate New Zealand venison from the game meat trade by renaming and packaging it in barbecue-ready cuts for year round use. One New Zealand suppliers to Hanos, Fristlight Venison Managing Director, Gerard Hickey said that the promotional approach to have the meat offered during the summer months had been under discussion for some years. Mr Hickey said that following Hanos visiting New Zealand, they acknowledged that the New Zealand product is different to the wild game product in Europe, and is suited to summer barbecues. Deer Industry New Zealand CEO, Dan Coup commended the approach and said that it was a very positive development to the industry's long-held strategy of repositioning venison away from the reliance on the European game season.

Rural infrastructure

LIC aims for $1b of revenue [14 May/ NZ Herald] The farmer owned Livestock Improvement Corp (LIC), responsible for supplying 75 percent of the New Zealand dairy industry with bull semen is planning on changing its capital structure with the aim of reaching $1 billion in revenue by 2025. Livestock Improvement Corp CEO, Wayne McNee said that farmers will continue to remain in complete ownership and control of the corporation. Mr McNee said that while the company generally records a growth of 10 percent per year (with revenues at $199.5 million in the May 2013 year), a growth rate of approximately 15 percent per year would be required to reach its target by 2025. The corporation spent $21 million in research and development last year, and expects to spend more this year. Mr McNee expects growth from new product streams (especially animal health), information technology and LIC's farm automation business. Growth is anticipated to take place through its own products and partnerships as well as acquisitions. The funding options included debt funding for some of its growth along with joint ventures and some form of capital raising. Although any change to LIC's constitution requires ministerial approval, but McNee stated that such constraints are no longer valid. LIC is currently in the process of transferring ownership of the dairy industry's database to Dairy NZ. Mr McNee declined to say if it would take a similar approach to that of the Fonterra Co-operative setting up a NZX-listed Fonterra Shareholders' Fund. LIC hired external consultants are scheduled to advise the board of its options in August. Currently only dairy farmers can own shares in the corporation, with maximum ownership per individual restricted to 2.5 percent of the investment shares, which closed at $8 on May 13. Bull semen constitutes approximately 44 percent of revenue, while herd testing accounts for 14 percent, a heard management system used by approximately 90 percent of dairy farmers accounts for 10 percent and ear tags account for approximately 8 percent. The company currently sells bull semen to the UK, Ireland, Australia, US, South America and South Africa, as well as small orders to China.

Budget 2014

Budget 2014: $25m to fight kauri dieback [15 May/ NZ Herald] The Government said it will spend over $25 million to fight kauri dieback, the outbreak of a kauri-killing disease, which has been found in Northland, the Waitakere Ranges, Great Barrier Island and the Coromandel. The Government plans to invest $15 million in operating funding and $10.7 million in capital funding over four years, targeted at improving Department of Conservation walking tracks, boardwalk and hygiene stations, research, surveillance, as well as co-ordinating a response to the disease. There is currently no known cure for the disease. Investment in research, monitoring and preventative measures for the disease was a substantial part of Labour Party's conservation policy, which was announced earlier in 2014. The Government has also dedicated $20 million for freshwater management, with over $10 million allocated to communities to improve planning and decision making in respect to local freshwater recourses, $5 million to help restore waterways though initiatives such as riparian planting and constructing artificial wetlands and approximately $3 million for the implementation of resource management reforms. The total conservation budget remained at approximately $340 million.

$40m for irrigation [15 May/ Rural News Group] Primary Industries Minister, Nathan guy said that the $40 million of new funding for irrigation projects will help develop the potential benefits that water storage and irrigation can offer, including improved jobs and exports in regional economies. The $40 million from the Future Investment Fund, which is in addition to the $80 million from the last year's budget, will be used to purchase shares in Crown Irrigation, enabling further investments. The New Zealand Institute of Economic Research indicate that if the current proposals are eventuated, an additional 420,000 hectares of irrigated land will become available, and could result in approximately $4 billion a year in exports by 2026. Mr Guy, while highlighting the difficulties faced by the drought from last year, said that more than the current 2 percent of rainfall should be captured and used for irrigation. Crown Irrigation makes targeted bridging investments in irrigation schemes possible, which would not otherwise be feasible through private finance alone. All decisions are made by an independent board. In April, Crown Irrigation announced its first investment of $6.5 million in the Central Plains Water Scheme in Canterbury.

Budget boost for Lincoln [16 May/ Rural News Group] The Lincoln University assistant vice-chancellor, Stefanie Rixecker welcomed the Government's decision to increase the level of Student Achievement Component funding for science and agricultural based programmes by saying that it was a first step towards supplying skilled graduates into New Zealand's most important sector. Student Achievement Component funding is the Government's contribution to the direct costs incurred by a teaching institution, as the student fee does not cover the total cost of delivering the course. Lincoln University had argued that the level of funding was not adequate relative to the cost of delivering primary sector science and business programmes, and that the funding did not reflect the contribution of the primary sector to the New Zealand economy. Ms. Rixecker said that countries such as Australia with a significant Gross Domestic Product contribution from the primary sector provide much more funding for primary sector programmes. She indicated that the increased funding, along with initiatives such as the Lincoln Hub indicate a change in attitudes towards the primary sector science and business.

Second chance for research centres [16 May/ Radio New Zealand Rural] The Government has designated an extra $53 million over four years to fund further centres of research excellence, which will allow the creation of three additional centres. The centres with a potential for funding on the second round include the Riddet Institute at Massey University and the Bio-protection Centre at Lincoln University. Riddet Institute co-director, Paul Moughan expressed his confidence that the centre had a good chance of having its funding which accounts for $3 million of the $10 million annual income renewed. Professor Moughan highlighted the benefit of the institute's work for the food industries and the agrifood sector, and said that it would be a waste for the work over the last six years to be lost. The bio-protection centre also receives approximately a third of its funding from the Government, with the centre's director, Travis Glare having said that the Government portion of the funding was essential to its research into developing the next generation of solutions to New Zealand's bio-protection problems.

Rural GPs foresee fish hooks in Budget [16 May/ Radio New Zealand Rural] Although the Rural General Practice Network is pleased with the $1.8 billion of extra funding for health, with almost $9 million more for rural practices over four years, the Network's chairman, Jo Scott-Jones said that it must be ensured that rural services had access to increased funding for services such as elective surgery and cancer treatment. While highlighting the lower socio-economic index, higher Maori index and access issues, Dr Scott-Jones said that there are worse outcomes for those living in rural communities across a range of conditions. He said that these conditions along with the distance from the centre results in an increased cost of providing services to rural communities. Dr Scott-Jones said that if practices make some significant changes in the way they are currently funded, there is an opportunity for District Health Boards and Primary Health Organisations to obtain more funding through alliance teams. But he noted that although this is encouraging, it will require a lot of work and there are quite a few "fish-hooks" in it for rural practices through shifting funding into alliances.

Environment and emissions

DairyNZ reassures farmers over ECan water plan [14 May/ NZ Farmers Weekly] Dairy NZ, which is conducting meetings throughout the Canterbury region in order to maintain farmer confidence, said that farming will continue to be profitable in the region even after the Environment Canterbury Land and Water Regional Plan comes into effect. Dairy NZ Canterbury regional policy manager, James Ryan said that it wanted to create better understanding as to the effects of the new plan and to address the uncertainty undermining farmer confidence. Dairy NZ will be advising farmers on farming practices in order to comply with nitrogen leaching rules, as well as advising farmers about the matrix of good management project, a collaborative approach by Environment Canterbury and agricultural industries to define good management practice and associated nutrient loss. Mr Ryan said that in order to give farmers confidence, they will be informed of Dairy NZ research on how farm management practices minimising environmental impacts affect profitability, and mentioned that Dairy NZ has specific research that is being applied in Canterbury which will help farmers in maintaining or improving profitability, as well as managing their environmental footprint more effectively.

Chelsea Flower Show: the rise of urban farming [16 May/ The Financial Times] Abandoned city land in Detroit and New Orleans are one of the many areas being made use of by the locals including the unemployed and dispossessed to grow food reflecting a growing trend for urban farms in the developed world. With a warm environment, ample spaces and people with time, along with demand within close proximity, cities have proven to be good places to grow food. While supermarkets remain to be convenient sources for food, farmers' markets and allotment shops have the potential to expand choice for consumers. Chelsea Barracks, one of the most expensive residential developments in the world in London is being designed around growing food, with Westminster City Council having granted planning consent to landscape the Chelsea Barracks redevelopment ahead of the building work. Public parks have the potential to be designed to absorb water, filter air, grow food, provide relaxation for adults, provide recreation for children and teenagers and provide a sanctuary to wildlife.

Research and development

Sheepskin science to bust low value reputation [14 May/ NZ Herald] Massey University PhD student, Melissa Basil-Jones's discovery as to why sheepskin is weak, has provided the foundation for nanotechnology that can strengthen sheep leather for the use in products such as shoes. The concept is pending patenting by industry group, New Zealand Leather and Shoe Research Association. The Association which co-commissioned the work said that the finding could result in $125 million in export returns for New Zealand. Ms Basil-Jones's PhD supervisor and professor of nanotechnology, Richard Haverkamp and PhD student, Katie Sizeland has since conducted work into developing a technique that strengthens sheep leather to be used in high value products, such as shoes. New Zealand Leather and Shoe Research Association director, Geoff Holmes said that major New Zealand meat companies and shoe manufacturers have indicated enthusiasm towards the concept and are closely involved in the process. He said future work will explore the application of the same process to deer skin, cattle hides and other products.

Biosecurity

Fine adds to PGW cost over black grass spill [19 May/ NZ Farmers Weekly] PGG Wrigthson Seeds has been fined $57,000 in the Ashburton District Court under the Biosecurity Act, as a result of charges laid by the Ministry for Primary Industries for a spillage of red fescue seed contaminated with pest black grass in Mid Canterbury in July 2013. The company also contributed $300,000 to the spillage response. After the Denmark imported seed was found to be contaminated, PGG Wrightson Seed outsource manager took two kilograms of the contaminated seed to a seed-cleaning plant where it was left on an office floor, in breach of the Biosecurity Authority Clearance Certificate conditions that was in place. Additionally, the seed was transported to the seed-cleaning plant in Methven, 40 kilometres away, without adhering to the Biosecurity Authority Clearance Certificate condition that the seed was to be moved in sealed containers. It was later determined that 24.4 kilograms containing approximately 180 grass seeds were lost in transit. The Ministry for Primary Industries response manager, David Yard said that the outcome was more about sending a clear message to other organisations about the responsibility around risk and biosecurity. He commended PGG Wrightson Seed on its co-operation from the outset. Mr Yard said that the herbicide resistant, invasive black grass weed has not been detected from the surveillance conducted between October 2013 and April 2014. The Ministry for Primary Industries will continue to conduct another two and a half years of surveillance in the spillage area.

International

Despite being at 'peak farm,' land is getting less protection [19 May/ The Globe and Mail] The Canada Research Chair in Food Security and Environment at the University of the Fraser Valley, Lenore Newman said that just as they are reaching "peak farm", the provincial Government in British Columbia is removing the power the Agricultural Land Commission has had for 40 years in order to protect farm land. Under legislative changes, two zones of farmland will be created, with zone one (containing approximately 10 percent of the most valuable agricultural land in British Colombia) subjected to current regulations, and zone two (containing approximately 90 percent of British Colombia's farmland) subjected to regulations that will make removals from Agricultural Land Reserve much easier. Dr Newman said that she is worried about the impact the changes will have when combined with the structural realignment of the Agricultural Land Commission, which will put land use decisions within the jurisdiction of local boards. She said that this will run the risk of land being lost for urban development. She said that the impacts which will be seen overtime will mean that the capacity of the province to grow its own food may be lost. The provincial Government has argued the need for flexibility to remove less productive land in the Kootenays and Northeast, but Dr Newman said this land will be increasingly valuable for crops in the future. While highlighting the 800,000 acres of land lost in California due to drought, she said that globally the world is at "peak farm", with no new land to be brought into production as well as land being lost, which requires more protection, rather than removal of current protections.

Asian bidders to take control of Goodman Fielder [19 May/ The National Business Review] The Goodman Fielder board has recommended higher offer of AUD 71 cents per share, from the Singapore commodities trader Wilmar International and Hong Kong investment company First Pacific. The proposed scheme worth AUD 1.39 billion, requires approval from the Australian Foreign Investment Review Board. Wilmar International and First Pacific confirmed on May 16 that it already had agreement from Goodman Fielder's two largest shareholders, Perpetual and Ellerston Capital, both with 12 percent stake each. The bid was conditional on Goodman Fielder retaining the New Zealand dairy interest which it was initially planning on disposing. Goodman Fielder currently only has two main customers in each country, which it competes with cheaper house brands. Also as a commodity purchaser, the company is subjected to changing prices over which it has no control. Wilmar International and First Pacific has considerable expertise in Asian markets (with First Pacific and Wilmar International containing extensive food interests in the Philippines and Indonesia respectively), allowing the company the potential to focus on Asia.

Climate change set to affect credit risk [19 May/ Otago Daily Times] In a report, Standard and Poor's said that alongside effects on societies from an ageing population, impacts from climate change, more specifically global warming would negatively impact sovereign credit ratings, with the report stating that climate change will be one of the global mega-tends to affect sovereign creditworthiness. Vietnam, Bangladesh, Fiji, Philippines, Papua New Guinea and Indonesia were some of the nations in the bottom ten places to be affected. The report's author, Moritz Kraemer, Standards and Poor's chief sovereign credit risk officer said that the vulnerability of these nations were in part due to their reliance on agricultural production for employment, as well as their weaker capacity to absorb the financial cost. The report highlighted that extreme weather events have been increasing since the early 1980s, with data collected by reinsurer, MunichRe also indicating that weather related loss events had increased in all continents, but with more than fourfold increases in Asia and North America. Mr Kraemer said that losses in Eastern Asia regularly exceeded US dollars 20 billion, with a peak of US dollars 50 billion during the past decade, compared with the below US dollars 10 million seen previously. Although, Standards and Poor's has not revised a credit rating resulting from an extreme weather event, Mr Kraemer said that with the weather events being on the rise, its impact on the sovereign nations needs consideration. Standards & Poor's had created a composite of three variables (share of the population living in coastal areas below 5 metres of altitude, share of agriculture in national Gross Domestic Product and the vulnerability index compiled by Notre Dame University Global Adaptation Index which measured the degree to which a system was susceptible to and unable to cope with adverse effects of climate change) to establish a vulnerability ranking of the 116 sovereigns it rated. Luxembourg, Switzerland and Austria were ranked as the top least vulnerable sovereigns.

Helou forecasts dairy processor consolidation [19 May/ Financial Review] Murray Goulburn managing director, Gray Helou alerted Australian diary industry towards a wave of consolidation among processors that will see the current nine processors that are currently focused on the domestic market reducing to half over the next few years, in anticipation of an Asian export boom. Murray Goulburn is Australia's largest dairy exporter, collecting and processing a third of Australia's 9 billion litre milk pool from its 2,500 farmer shareholders. Mr Helou said that Australia should be producing 15 to 20 billion litres of milk, with processors such as Saputo and Murray Goulburn wanting the extra milk to be turned into powders, infant formulas, cheeses and other products to export to Asia. He said that China (which will remain import dependent) will define dairy foods globally over the next 10 to 20 years. French Lactalis owned, Parmalat Australia's CEO, Craig Garvin said that Australia's clean and green image meant that its products were valued in Asia, and that the company is keeping its eye on the Asian market.

Saudi halts Brazil beef imports over suspected mad cow [20 May/ Agence France Presse] The Saudi Arabian agricultural ministry has temporarily suspended Brazilian beef imports due to a suspected case of atypical mad cow disease detected in the country. In April, the World Organisation for Animal Health issued a warning after a case of bovine spongiform encephalopathy was detected in the Brazilian state of Mato Grosso. Brazil said that the alleged case was traced to a single cow that was slaughtered due to old age and that it did not have any symptoms of the disease, and all animals that were in contact with the cow were identified and isolated. In 2012 and early 2013, almost ten countries suspended beef imports from Brazil after a case of atypical mad cow disease was detected in an animal that died in 2010, although a subsequent investigation showed that the animal did not die of the disease.

Economics and trade

NZ renews efforts to restore beef, farm commodity volumes in Indonesia with WTO complaint [14 May/ The National Business Review] New Zealand, along with the US has for the second time made a complaint to the World Trade Organisation about what New Zealand calls "unjustified and trade-restrictive" licensing requirements on imports, "unreasonable and discriminatory" pre-shipment rules and insufficient published details as to how the restrictions work. Indonesia is New Zealand's ninth largest market, with overall exports having increased 17 percent to $961 in the 12 months ended March 31, although beef exports decreased due to the Southeast Asian imposed volume-based quotas in 2011 (decreasing to 10,355 in 2011 from 48,405 in 2010). Despite Indonesia having eased restrictions since, the levels remain well below that prior to the quota imposition. The Meat Industry Association trade and economic manager, Philip Houlding said that although regulations have allowed trade to pick up again, there are still some major concerns, including a reference price below which no imports are allowed, along with other stringent restrictions. Under World Trade Organisation rules, the parties are allowed 60 days to mediate a solution, after which New Zealand and the US are able to request a World Trade Organisation panel to hear the dispute. A Ministry of Foreign Affairs and Trade spokeswoman said that New Zealand remains concerned regarding the issues in Indonesian laws which are unclear and overly burdensome, not providing the certainty regarding the trading environment required by New Zealand exporters in order to plan their business affairs effectively.

Farmers and producers

Dairy demand lifts farm prices [20 May/ Radio New Zealand Rural] The Real Estate Institute's latest figures indicate 1,849 farms were sold in the year to April, which is a 27.2 percent increase, with a median price per hectare of the sold farms in the three months to April recorded at $24,574 (up 21.4 percent from last year). Real Estate Institute's rural spokesman, Brian Peacocke said that the rural sector has rebounded from the drought, demonstrating the confidence in the industry, mostly driven by the income levels from the dairy sector, as well as strong performance in sheep and beef properties (with an unsatisfied demand for the properties) in certain parts of New Zealand. However, Mr Peacocke highlighted that prices have not yet reached the 2007 to 2008 levels.

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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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