

AGRIBUSINESS

# FIELD NOTES

Weekly news update from the KPMG Agribusiness network

11 June 2014

**Organisations referenced in this week's Field Notes include:**

AgResearch	Livestock Improvement Corporation
Agricultural and Marketing Research and Development Trust (AGMARDT)	Ministry for Primary Industries
AgriFax	National Federation of Fishermen's Organisation
AgriSea	National Milk Producers Federation
Avanza	New Zealand Kiwifruit Growers Inc
Avoco	NZ Avocado
Beef + Lamb New Zealand	Otago University
COFCO Meats	Royal Mail
Dairy Companies Association	Sealord
DairyNZ	Seaweed Association,
Federated Farmers	Shanghai Hui Zhang Logistic
Fonterra Co-operative Group	Shanghai Neuhof Trade Company
Food Innovation Network	Sheep Genomics Consortium
Forest Owners Association	TB Free New Zealand
Hill Laboratories	Telecom
KKR	United Nations Food and Agricultural Organisation
KPMG	Zespri
Lincoln University	

**This week's headlines**

<b>KPMG Agribusiness Agenda 2014</b>	<b>Primary sector election fears</b> [9 June/ Business Day]
<b>Horticulture</b>	<b>Chinese kiwifruit importers suing Zespri for \$33.5 million</b> [5 June/ The National Business Review]
<b>Dairy</b>	<b>Record result for dairy industry levy vote</b> [6 June/ The National Business Review]
<b>Animal Health</b>	<b>Ban on calf killing by bashing</b> [4 June/ Radio New Zealand Rural]
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**HOT OFF THE PRESS:  
KPMG AGRIBUSINESS  
AGENDA 2014 VOLUME 1**

### KPMG Agribusiness Agenda 2014

We are pleased to announce that the first volume of the [KPMG Agribusiness Agenda 2014](#) has been released. This volume sees Primary sector leaders approaching the 2014 election with “some degree of trepidation”.

Volume 1 of the 2014 KPMG Agribusiness Agenda, titled “Facilitating Growth in an Uncertain World” is based on contributions from more than 150 industry leaders and reveals that many are concerned about the unknowns surrounding the September election outcome.

For instance, securing high-quality trade agreements and market access for New Zealand’s products was ranked an increasingly important issue in the 2014 Agenda. Other areas that could potentially be affected after the election included: the future direction of environmental policies; continued investment in water infrastructure; policies around foreign direct investment/immigration; and the level of public funding for R&D.

Food safety is another key issue in this year’s Agenda, highlighted by the wide impact of the mid-2013 Fonterra WPC recall.

[Download](#) your copy of the KPMG Agribusiness Agenda to explore these issues, and more, in depth. Please don’t hesitate to get in touch if you would like to discuss any of the key findings in more detail.

### KPMG Agribusiness Agenda 2014

**The state of the NZ agribusiness sector** [9 June/ NZ Herald] [Click here](#) to see the online interview with Ian Proudfoot, KPMG and the NZ Herald regarding the KPMG Agribusiness Agenda 2014 – Facilitating Growth in an Uncertain World.

### KPMG Agribusiness Agenda 2014

**Ag leaders wary of election results** [9 June/ NZ Farmers Weekly] KPMG Partner, Ian Proudfoot said that many primary sector leaders are anxious about the September general election, which if the National party fails to form a Government, leaves the policy position of a left of centre coalition uncertain. Mr Proudfoot said that a primary concern of industry leaders was that a new coalition Government could increase regulation and establish charges for natural capital. He highlighted the first volume of the fifth annual KPMG Agribusiness Agenda, Facilitating Growth in an Uncertain World, saying that it was a state of the nation analysis of the key issues and priorities of industry leaders. Among the concerns were the withdrawal of support for water schemes and irrigation projects, loosening focus on trade access efforts such as the Trans Pacific Partnership and hindering of foreign investment. He mentioned however that a new coalition may support sustainable business with a focus on research and development investment on greenhouse gases, nutrient leaching and water quality. Mr Proudfoot said that although policy positions of housing, education, health and the economy are likely to dominate the election, the new Government’s ability to implement its policies will be highly dependent on the growth of the primary sector, which is likely to be overlooked during election discussions. The report highlighted that urban New Zealand is being instilled with a concern over the primary sector’s management of the natural environment caused by the primary sector, with increased regulation demonstrating a lack of faith in the primary sector. The report emphasised the industry leaders as being in agreement over the fact that sustainability was now vital. It highlighted the public perception that irrigation is linked to environmental degradation. The report also emphasised the damage that was done to New Zealand’s reputation from the failed communication issues surrounding the WPC recall by Fonterra last year.

**Primary sector election fears** [9 June/ Business Day] A key theme of the KPMG’s fifth Agribusiness Agenda, Facilitating Growth in an Uncertain World, which interviewed over 150 leaders, is the unease regarding the outcome of the general election, and its impact on issues such as water quality and infrastructure from a potential left of centre coalition. KPMG Global Head of Agriculture, Ian Proudfoot said historically, National and Labour have been consistent with their policies towards the primary sector. Mr Proudfoot said that it was mainly the coalition partners that were causing the unrest, with indications such as that of the Green party’s announcement of its carbon tax, concerns over the Trans Pacific Partnership and potential impediments for use of foreign labour by horticulture and wine industries. He said that many leaders indicated, since investments in improving water quality and pollution reduction will not demonstrate results immediately, it could result in a coalition increasing regulation and imposing charging mechanisms for the use of natural capital. The report indicated the leaders’ main priority as biosecurity, followed by the importance of food safety, securing high quality trade agreements, investment in water irrigation and storage. Mr Proudfoot said that the industry is demonstrating an enthusiasm for managing risks, although there are concerns over potential costs.

**Red meat sector needs to get past survival mode: report** [9 June/ Otago Daily Times] KPMG’s latest Agribusiness Agenda stated that a long term approach and a strong leadership to New Zealand’s sheep and beef sector will enable the industry to maximise its potential through collaboration and trust based relationships. Majority of those involved in the roundtable discussions recognised the need for the industry to continue to evolve. Some of the potential options included the consolidation of processing assets to create an open access processing entity, which would allow the reduction of overheads, which were estimated to be between \$300 and \$500 million per annum. Some leaders mentioned that the industry was unlikely to progress without the investment from of at least one international partner. The wool sector’s uncertainty was highlighted as a key challenge to sheep farmer viability. Although there were talks of reform in the red meat sector, there had been limited change over the past 12 months with farmers having lost confidence according to many leaders. However, there were many industry participants that were delivering exceptional results. The report highlighted some progress towards cultural change being made with initiatives such as FarmIQ and the Red Meat Profit Partnership.

## Horticulture

**Chinese kiwifruit importers suing Zespri for \$33.5 million** [5 June/ The National Business Review] Two of Zespri's former Chinese importers, Shanghai Neuhof Trade Company and Shanghai Hui Zhang Logistic filed suit against Zespri in the Auckland High Court on May 30, alleging a breach of their trade relationship and a wrongful termination of a contract between the parties. Zespri senior communications advisor, Rachel Lynch stated that the allegations were rejected by the Chinese courts and expects them to be dismissed by the High Court. Although Ms Lynch's statement stressed that the allegations relate to matters that occurred in the "last decade" the statement of claim mainly relate to matters in 2011. Ms Lynch said that Zespri was writing to growers to inform them of the legal proceedings. New Zealand Kiwifruit Growers Inc had been unaware of the proceedings until June 4.

**Kiwifruit industry must stay in NZ hands** [9 June/ Rural News Group] Kiwifruit Industry Strategy Project's independent chairman, Neil Richardson said that when compared with its overseas counterparts, the New Zealand's kiwifruit industry is incredibly profitable and sustainable, as well as having effectively handled Psa. He attributed its success to the single point of entry system, where Zespri is the sole marketer of New Zealand kiwifruit to all export markets, apart from Australia. Mr Richardson said that while overseas investment is important, it must be done in a controlled fashion. He said that the single point of entry system allows the industry to innovate to allow an all year round product, enabling the industry to command a premium price and maintain capacity to respond obstacles such as the Psa. New Zealand Kiwifruit Growers said that although overseas investment in partnership with New Zealand growers was acceptable, losing ownership and control of the industry was not. He mentioned the small orchard sizes and the ownership by growers as a disincentive for major foreign acquisitions.

**Avocado sales hit record \$136 million** [10 June/ NZ Herald] New Zealand avocado sales reached \$136 million for the season ended April 30, surpassing the \$84.1 million record set in 2010/11. NZ Avocado CEO, Jen Scoular said that the focus over the last 12 months had been to promote collaboration across the industry, with a successful union seen between New Zealand's two largest exporters, Primor and Southern Produce to form Avoco. Although Avoco only exports to Australia, its combination with Just Avocados has resulted in the formation of Avanza, which exports to Asian markets. The Avocado Industry Council, in partnership with the Ministry for Primary Industries expects to increase sales to \$280 million by 2023. This season, \$102.9 million worth of avocados were exported, while \$33 million were sold in New Zealand.

## Arable

**Farmers Mill reaping rewards** [6 June/ Business Day] The first independent grower-owned and operated flour producer in New Zealand, the Washdyke-based Farmers Mill is already realising rewards in its first year of production. The company has received funding from the Agricultural and Marketing Research and Development Trust to produce flour and baking products with a low glycaemic index. Company CEO, Grant Bunting, while highlighting the importance of controlling the entire supply chain, said they that wanted to produce a product with both nutritional elements and taste. The plant is expected to produce a range of low glycaemic index products, that can be used to bake breads, muffins and pancakes. He said that the prices will be higher than standard competitors, and the Mill is aiming to target groups interested in nutrition such as hospitals and aged care. Mr Bunting praised the support it is receiving from AGMARDT, as well as the Lincoln University and the Food Innovation Network. He mentioned that a third of the funding was coming from external parties, while the remaining is self-funded. The company expects to invest over \$200,000 over the next 12 months, and Mr Bunting stated that the company has exceeded initial expectations.

## Honey

**Honey tests could save millions** [7 June/ Business Day] The largest honey testing lab in New Zealand, Hill Laboratories has purchased an ultra performance liquid chromatography for its Waikato Innovation Park laboratory, which decreases the testing time of honey from an hour and a half to seven minutes has reduced the cost of three tests from \$315 to \$70. Hill Laboratories marketing manager, Martin Brock said the acquisition could save hundreds of thousands of dollars depending on the operation. He said that the savings made by producers should be passed on to customers. The tests check for "manuka factor" in the honey, which is an indicator of antibacterial activity used to determine manuka honey's authenticity. Manuka exports are estimated to earn the New Zealand economy \$120 million a year.

## Forestry

**Cooling Chinese demand fells log prices** [5 June/ Business Day] Impacted by the downturn in the Chinese property market, export log prices have declined 20 percent in the last two months, with the national average price of an A-grade log declining \$24 from a record \$124 per tonne and pruned log exports declining \$17 per tonne to a 24 month low. NZX's Agrifax service said the decline was probably a "correction", with Agrifax agricultural analyst, Ivan Luketina emphasising the large size of the correction. A Morningstar research note stated that Port of Tauranga was also vulnerable to a significant slowdown in Asian log demand. Mr Luketina stressed concerns over further declines, and said that until September it will be unclear whether Chinese demand was definitely slowing down. He said that the pressure on credit availability from the slowdown of the Chinese property market, in conjunction with high log inventories on Chinese ports have resulted in the price correction. Mr Luketina is not expecting an improvement in log prices for several months, while inventory levels are being reduced. He stressed that the supply demand balance will be dependent on the Chinese property market. However he said that in the long-term, Chinese property market is likely to be supplied by New Zealand logs, with Russian log exports not expected to recover soon and Pacific Northwest supplies expected to reduce over the next five years.

**Forest industry backs safety finds** [9 June/ Radio New Zealand Rural] The panel investigating the forestry industry's accident record, the Forestry Safety Review panel's first report released last week identified the lack of consistency in training and observing codes of practice on safety as one of the big obstacles to improving safety standards. Forest Owners Association president, Paul Nichols agreed with the findings and said that minimum training standards and practices need to be put in place. The panel also highlighted the lack of mandatory safety standards in the industry, while Mr Nichols said that forest owners would support the industry's safety code of practice having some regulatory enforcement authority. He stated that the current code of practice does not have official legal standing, although breaches could still result in prosecutions. The Safety Review panel is expected to start a series of public consultation meetings this week.

### Water

**\$7m boost to Hunter Downs scheme** [6 May/ NZ Farmer] The Primary Industries Minister, Nathan Guy said that if the Hunter Downs scheme proved to be viable, it has the potential to increase income in the Waimate and Tlmaru Districts by \$830 million per annum and create 1,800 jobs. Mr Guy stated that the Government's Irrigation Acceleration Funds will provide more than \$7 million over two years to equally co-fund the scheme along with shareholders equity and partner Meridian Energy. The money will enable the scheme to conduct technical investigations and design work in order to establish if an irrigation scheme is viable. If the scheme is determined viable, it will draw water from the Lower Waitaki River and construction could commence by late 2016 to be completed by the end of 2019. Hunter Downs Irrigation has consents to irrigate up to 40,000 hectares of South Canterbury farmland north of the Waitaki River.

### Fishing and aquaculture

**Sealord inks fishing deal with iwi** [3 June/ Nelson Mail] Sealord and Ngati Kahungunu have signed a five year agreement with a renewal clause, which will allow Sealord to catch Ngati Kahungunu's deep sea fishing quota. Ngati Kahungunu holding company deputy chair, Mike Paku stated that its post fisheries settlement fishing on its own account has not been successful, resulting in it making the decision to lease its annual catch entitlement. The agreement also included a programme to increase training and employment, which would offer stability to the iwi company and offer jobs to Ngati Kahungunu. Sealord fishing general manager, Doug Paulin said that the agreement consisted of a range of species, including hoki, bluenose, alfonsino, jack mackerel and oreo. Mr Paulin said that Sealord would be able to return more than an annual lease would do, and it would also give Sealord security of supply providing for better planning of its future fleet.

### Dairy

**Fonterra introduces auction for GMP** [4 June/ NZ Farmers Weekly] Fonterra Co-operative Group has amended its guaranteed minimum milk price scheme for this season offering four times the volume of the pilot last season and will use a new auction-style method of setting the price, but with the guaranteed minimum milk price option only available for 4 percent of the co-operative's forecast total of 1616 million kilograms of milksolid supply for the season. The first offer of 40 million kilograms will be in June and the second offer of 20 million kilograms will be in December. The price determination of the guaranteed minimum milk price will be similar to that used by the GlobalDairyTrade platform to auction commodities. Intending farmers will be able to nominate volumes from 10 to 75 percent of their production at different price points, which is capped at \$7 per kilogram, with the opening price to be announced on May 28. The scheme will allow farmers who are willing to contract at the lowest price to secure the largest volumes. Last season, the guaranteed minimum milk price offer price was \$7, with the co-operative receiving 37 million kilograms of applications, which was scaled back to 40 percent of all requests. The season outcome is expected to be \$8.40 per kilogram of milksolids, with the scheme participants taking a 16 percent discount for price certainty. Fonterra CFO, Lukas Paravicini said that feedback indicated that the scheme was a useful tool for farmers to manage price volatility and achieve income certainty, while allowing the co-operative to lock in longer term contracts at a set price attracting a premium.

**Pressure builds on dairy payout forecast** [5 June/ NZ Herald] The latest GlobalDairyTrade auction saw the most important product group for New Zealand dairy farmers, whole milk powder decline 8.5 percent to USD 3,590 per tonne, while the GlobalDairyTrade Price index declined 4.2 percent from the last auction. ASB Bank rural economist, Nathan Penny said that the latest auction result indicates a higher risk of a downward revision to Fonterra milk solids opening milk price forecast. Fonterra has announced a lower \$7.00 per kilogram farmgate milk price in May, resulting in a \$2.3 billion reduction to dairy farmers' income. ANZ stated that its forecast between the low to mid \$7 per kilogram range remained unaltered. Westpac mentioned that the latest results indicated a downward risk to its \$7.10 per kilogram forecast, with Westpac senior currency strategist, Imre Speizer saying that the decline has come as a surprise. The ANZ Commodity Price Index declined 2.2 percent, 5.8 percent lower than the record high of February. However, ANZ mentioned that seven commodity prices have posted an increase, including a 5 percent increase in wool prices.

**Record result for dairy industry levy vote** [6 June/ The National Business Review] Voting for the dairy industry levy vote closed on May 31, with interim voting results indicating that of the 60 percent (68 percent when weighted by milksolids) of 14,426 eligible farmers had voted with a record 78 percent (82 percent when weighted by milksolids) in favour of continuing the levy vote which funds ongoing research and development, environmental work and other industry initiatives. The current 3.6c per kilogram of milksolids levy will remain unchanged until at least May 2016. DairyNZ CEO, Tim Mackle said that the sharemilker turnout was 13 percent higher than last time. Mr Mackle highlighted the key strategic targets to be achieved over the next six years, which included the delivery of farm systems research to help reduce the environmental footprint by 30 percent, while increasing profits.

**Fonterra appoints Robert Spurway to new managing director of global operations role** [9 June/ The National Business Review] Fonterra Co-operative Group has appointed Robert Spurway as the head of its global operations division. Mr Spurway, the current acting director of New Zealand operations for New Zealand milk products, has also worked for Goodman Fielder, Australia. The co-operative's CEO, Theo Spierings said that Mr Spurway will lead the integration of the Group's global milk production capacity. He mentioned one of its top business priorities as the optimisation of the co-operative's global ingredients sales and operations footprint, in order to better manage price volatility and increase value, while ensuring a focus on food safety and quality. Mr Spierings said that although the co-operative's primary commitment will be to its New Zealand farmer shareholders, it is important to have diversity as to its products and where it is made.

### Fieldays 2014

**Farmers 'won't mind a little rain' at Fieldays** [10 June/ NZ Farmer] The MetService, Niwa, the New Zealand Transport Agency, the Waikato Regional Council and the National Agricultural Fieldays sent out safety messages for June 10 and 11, with those travelling from Auckland and Wellington for the Fieldays at Mystery Creek urged to take extra care. Fieldays opens on June 11 and runs until June 14. Fieldays Society chairman, Peter Numan said that spirits were high at Mystery Creek, despite the looming rain. Fieldays CEO, John Calder emphasised safety and visitor comfort as its number one priority and said that the rain would impact some of the outdoor exhibitors and demonstrations. Some planned outdoor exhibitions at the Fieldays are the Suzuki extreme air demonstration, tractor pull, fencing championships and the Waikato rescue helicopter winching demonstration. While Mr Calder does not expect the weather to hinder plans substantially, he stressed that safety standards at outdoor exhibition, marquees and tents would be closely monitored and adhered to.

### Food safety

**Fonterra increases fight against food fraud** [10 June/ Business Day] Fonterra's Director of Food Safety and Quality, Ian Palliser said that systems had to be put in place to handle food counterfeiting and fraud. He mentioned of an incident in 2013 where the co-operative's milk powder bags were collected from a rubbish tip and resold under an alternative name. Mr Palliser stressed the growing consumer expectation for transparency and extra information about products. He also mentioned the importance of the response to an issue in the market, as well as maintaining the integrity of the product itself. Given Fonterra cream recall as an example, he emphasised the fact that although a local issue they are not confined to remaining local. He also stated that repeated events created an expectation of close scrutiny and significantly increased reputation damage. Mr Palliser said that the co-operative was also working on improving the standard of milk it collects and processes globally, including Australia, China and South America. He emphasised the role played by improved technology in contaminant detection and measurement, with the current ability to measure contaminants down to parts per billion.

### Rural connectivity

**Farming tastes 4G network** [5 June/ Rural News Group] A Waikato dairy farmer, Bruce Thomas and three key New Zealand agribusinesses are using Telecom's high speed (over 700 Megahertz ) 4G data connectivity as part of a non-commercial trial to see how it will enable them to achieve efficiency and innovation gains. While highlighting its benefits in an environment where compliance is becoming more important, Mr Thomas said that Livestock Improvement Corporation's pastures MINDA app which eliminates the need for multiple data entering saves them approximately 15 minutes each walk. Livestock Improvement Corporation's farm management software, MINDA is used by over 93 percent of New Zealand dairy farmers to maintain accurate records about their farm and their herd. He also said that the new phones were much faster at uploading and downloading, allowing them to enter data on farm. While the Government's 700 Megahertz spectrum auction is not yet complete, the Ministry of Business, Innovation and Employment has approved temporary use of the spectrum for trials. Livestock Improvement Corporation CEO, Wayne McNee said that the Telecom's 4G network will support the smart technology that the corporation is developing as a result of increased information, compliance and reporting needs of dairy farmers. Anixa Animal Health Head Vet, Andy Collier is also trialling Telecom's 4G over the 700 Megahertz spectrum, and said that the availability of on-farm wireless broadband will assist the day to day work of vets.

### Research and development

**Sheep genome shows link between wool, health: study** [6 June/ Agence France Presse] An eight year study which has mapped the entire genome of the sheep, allowing improvements to be made for the health of the sheep for better meat and wool was published in the journal, Science. The study involved 26 institutions from eight countries, including Australia, Britain, China, France, Denmark and New Zealand, which are part of the International Sheep Genomics Consortium. The study has identified the workings of the sheep's digestive system and unique fat metabolism process that allows it to produce and maintain its thick coat. Researchers hope that the findings will help develop DNA testing to improve stock through accelerated breeding selection programmes, as well as facilitating research that mitigate diseases affecting sheep. Researchers expect that the finding relating to wool production could have a substantial impact for the rural economy through sheep meat, milk and wool products.

**NZ scientists map sheep genes** [6 June/ Radio New Zealand Rural] Scientists from AgResearch and Otago University have been part of an eight year international project, which consisted of researchers from 26 institutions in eight countries working on sequencing the sheep genome. AgResearch Invermay principal scientist, John McEwan said that they have already been using the information achieved from the project to improve sheep production in New Zealand. Mr McEwan mentioned the use of SNP chips in profiling all the variations in the sheep genome. He compared the sheep genome to a toolbox which researchers could use for the faster discovery of gene variants affecting production and disease traits in sheep.

**Research on seaweed's potential winding up** [9 June/ NZ Farmers Weekly] Four years of private sector research costing almost \$750,000 led by AgriSea on the harvesting of the seaweed species *Ecklonia* (sought for its high mineral and sugar content, as well as its trace elements) on the Bay of Plenty coast concludes this month with participants mentioning that the results were promising. AgriSea co-founding director and Seaweed Association New Zealand chairwoman, Jill Bradley said that the research demonstrated that *Ecklonia* grew back much denser post harvesting. Ms Bradley said that along with the Seaweed Association, she was in discussions with Maori organisations and other marine fishery users regarding the preparation of options to present to the Government, including the inclusion of the seaweed under the fisheries management quota jurisdiction. She said that while the potential of the industry was huge, AgriSea and other Seaweed Association members wanted to grow the sector slowly within a managed system. The marine ecologist, who conducted the research, Dr Tim Haggitt emphasised the importance of the habitat by stating that it drives the coastal food chain in multiple ways. He expressed the aim of using the sector to provide small scale employment for local communities. Mr Haggitt said that one of the aims of the research was to establish if wild sea-harvested seaweed contained more nutrients than the beach-cast seaweed, and mentioned that the research is currently in its final stage of data analysis.

### Animal health

**Ban on calf killing by bashing** [4 June/ Radio New Zealand Rural] Following Primary Industries Minister, Nathan Guy's request to the National Animal Welfare Advisory Committee to inquire into changing the rules on the welfare of dairy cattle, Mr Guy confirmed that the use of blunt force to euthanize calves will be banned, except in unforeseen emergencies. The code of welfare for dairy cattle will be reissued with amendments addressing the humane destruction of calves, effective from June 13. Mr Guy said that the Ministry will be working with dairy farmers to provide training on alternative methods, such as captive bolt. Dairy NZ and the Dairy Companies Association are supporting the changes.

**TB eradication scheme funding review** [4 June/ Radio New Zealand Rural] TB Free New Zealand, which runs the national scheme for the eradication of bovine tuberculosis from cattle and deer herds (which costs approximately \$80 million per year), is expected to complete a funding review in August. OSPRI New Zealand CEO, William McCook said that the programme conducts over 5 million tuberculosis tests on farms every year, as well as conducting a possum control and surveillance programme on over 10 million hectares. Mr McCook said that the review is being conducted at the request of the funders, which currently include farmers in the dairy, beef and deer sectors, the Crown and landowners in regions where there were possum control and surveillance programmes. The review will examine the broader benefits of the scheme and how the funds are allocated. The Waikato Regional Council has agreed to continue its \$650,000 funding to the programme for one more year, while the review continues.

### International

**Half of world's forest species at risk: UN** [4 June/ Agence France Presse] The United Nations warned that approximately half of the world's 8,000 forest species and subspecies are at risk from climate change and farming, and called for "urgent action". In its first global study of forest genetic resources, the United Nation's Food and Agricultural Organisation said that woodland was contracting fastest in Brazil, Indonesia and Nigeria. The United Nation's report stated that Brazil, Indonesia, Nigeria, Tanzania, Zimbabwe, Democratic Republic of Congo, Myanmar, Bolivia, Venezuela and Australia lost the most forest area between 1990 and 2010. The FAO said that biodiversity increased the productivity and nutritional value of forest products such as leafy vegetables, honey, fruits, seeds, nuts, roots, tubers and mushrooms, as well as genetic diversity protecting forests from pests and changing environmental conditions. The FAO called for more to be done about raising awareness of the importance of biodiversity and to combat invasive species, as well as the development of national seed programmes to ensure the availability of genetically appropriate tree seeds.

**Fishermen furious at stamps that warn of shrinking stocks** [5 June/ The Times] Britain's fishermen are angered over The Royal Mail's new stamp campaign calling for fishing to be banned in many areas. The stamps include five species of fish that are threatened in the UK waters (common skate, spiny dogfish, wolffish, sturgeon and conger eel) and five species of sustainable fish deemed safe to eat without threatening stocks (herring, red gurnard, dab, pouting and Cornish sardine). Royal Mail said that the campaign was targeted at raising awareness, and also called for fishing vessels to be excluded from large sections of UK waters. According to the Royal Mail, York University professor of marine conservation, Callum Roberts had said that only one thousandth of one percent of UK seas are fully protected from fishing. A survey commissioned by the Royal Mail indicated that although 99 percent of people had heard of the term 'sustainable fishing', over 50 percent knew either little or nothing about it, with over 80 percent saying that there was no information available about the level of sustainability of the species when purchasing or ordering fish. The National Federation of Fishermen's Organisation stated that the Royal Mail was overemphasising the threat.

**PE firms take stake in COFCO unit** [7 June/ China Daily] KKR and Baring Private Equity Asia, Hopu Investment Management Co and Boyu Capital Advisory Co Ltd will invest as a consortium in COFCO Meat, with a source knowledgeable in the matter having stated the investment amount as being in the “hundreds of millions of dollars”. Reuters reported that KKR will invest approximately \$150 million from its second Asia fund, and the consortium will invest approximately \$270 million in total for up to a 70 percent stake. The investment is expected to help COFCO establish and manage large scale hog farms and meat processing facilities in China, where the current hog breeding market remains fragmented. According to the US Department of Agriculture and the China Animal Industry Yearbook, although China consists of over 50 percent of global pork consumption, large scale farms (farms with an annual output of 50,000 or more hogs) account for less than 1 percent of total domestic supply. The yearbook stated that the number of large scale farms are expected to increase by over sixfold by 2020. China Galaxy Securities Co Ltd research director, Wu Li said that large breeding facilities are stronger in terms of funding and risk management, whereas smaller ones have lower labour and land costs. COFCO Group chairman, Ning Gao-ning said that meeting China’s single largest food category demand is critical and a natural extension of COFCO’s value chain. Mr Gao-ning mentioned that there will be synergies among shareholders that will improve the operations and management of COFCO Meat. KKR’s Julian Wolhardt said that they will be assisting COFCO Meat in setting the bar for food safety in China.

### Agribusiness strategy

**Workers wanted** [6 June/ NZ Farmers Weekly] The People Powered: Building Capabilities to Keep New Zealand’s Primary Industries Internationally Competitive report by the Ministry for Primary Industries, DairyNZ and Beef + Lamb New Zealand said that the primary industries and support sectors will need to add an additional 48,100 skilled workers and another 223,200 skilled workers to account for natural attrition, in order to achieve the goal of doubling exports by 2025. The report stated the requirement for an extra 90,800 workers with post-secondary school qualification, while shedding 42,700 unskilled workers. Primary Industries Minister, Nathan Guy said that an industry working group would meet at the end of the month to decide how to attract the new workforce. The report forecasts the need for a workforce that has been up skilled in primary industry occupations such as farm work, as well as professional skills such as engineering, science and management, along with the need for support services. The report stated that there will also be an increased demand for integrated farm systems knowledge, which will be critical for implementing innovation and productivity improvements on farms and for meeting environmental sustainability, animal welfare, managing risk and food safety requirements. The report also forecasts the need for professional services, non-traditional skilled services, as well as more skilled and flexible employees with the appropriate aptitude and attitude. It is expected that 62 percent of primary sector workers will need a post school qualification by 2025, compared with the 36 percent in 2002 and the 44 percent in 2012. Ministry for Primary Industries deputy director-general, Carol Barnao said the working party would bring together all the work of all industry sectors to develop a strategy for attracting young people towards the primary industry sector careers.

**Dip in primary exports tipped** [10 June/ NZ Herald] The Ministry for Primary Industries’ latest Situation and Outlook for Primary Industries highlighted 2013/14 as an exceptional year for dairy and forestry, while the Ministry forecasted that export returns will decrease to \$35.8 billion from \$37.7 billion in 2013/14, they forecast an increase up to \$40.8 billion by 2017/18. The high export prices including dairy, logs, meat and aquaculture were partly offset by a high New Zealand dollar. The Ministry mentioned that international dairy prices were expected to decline to a more sustainable \$7.20 per kilogram of milksolids, with exports forecasted to decline 10.2 percent to \$15.8 billion for year ending June 2015, but increasing to \$18.4 billion in export value by 2017/18. The Ministry also said that growth in China was expected to slowdown in 2014 and 2015. Other forecasts highlighted were meat and wool (expected to increase by 1.8 percent to \$8.2 billion for year to June 2015 and reach \$9.4 billion by 2018), forestry (expected to decrease 8.5 percent to \$4.7 billion for year to June 2015 and reach \$5.0 billion by 2018), horticulture (expected to increase 5.2 percent to \$3.8 billion for year to June 2015 and exceed \$4 billion by 2016) and seafood (expected to decrease to \$1.4 billion and reach \$1.6 billion by 2018).

### Economics and trade

**Warnings from dairy industry as US releases complete TPP objectives** [6 June/ The National Business Review] The US Trade Representative, Michael Froman’s statement of US objectives for the Trans Pacific Partnership (TPP) outlined the Obama Administration’s top priorities as the elimination of tariffs and achieving commercially meaningful market access and provisions that address longstanding non-tariff barriers, including import licensing requirements and other restrictions. The document also highlighted the special preferences for TPP goods and services, liberalised access for investment in TPP markets, ensuring cross border data flows, achieving consistency of fundamental labour rights across TPP states, a chapter on regulatory coherence and prioritising environmental laws when they conflict with trade or investment. The report comes following strong criticism of the TPP from the media and many activist groups for lack of transparency. Ambassador Froman said that the US is committed to providing good information regarding its goals, and promised to maintain a timely release of information through the press, the Government and social media. Certain farming groups in the US and New Zealand, along with other TPP countries released strong statements calling for Japan to be dropped from participating in the TPP talks, stating both Japan and Canada’s reluctance to allow market access as undermining the integrity of the negotiations. Along with the wheat and beef industry, the majority of US dairy farmer co-operatives, including the National Milk Producers Federation and the US Dairy Export Council threatened to withdraw support for the TPP. National Milk Producers Federation president and CEO, Jim Mulhern said that their letter to Ambassador Froman makes it clear that a TPP agreement must result in more open dairy markets in Japan and Canada. Japan is the fourth largest goods trading partner for the US, with US dollars 65 billion in goods and estimated US dollars 48 billion in services exported to Japan in 2013.

## Farmers and producers

**Aussie named as new Fed Farmers CEO** [5 June/ NZ Farmer] New Zealand rural group Federated Farmers announced its appointed of Australian, Graham Smith as its CEO, replacing Conor English who is resigning after a six year term, in July 2014. Mr Smith, who has an MBA from the University of South Australia and a Bachelor of Economics from the University of Adelaide, has been in New Zealand for more than a decade has previously held the positions of CEO of Institute of Environmental Science & Research, CEO of Soda Inc, and General Manager at AgResearch. Federated Farmers president, Bruce Wills highlighted Mr Smith’s commercial and people-leadership skills, as well as his science and innovation background.

**Cancer claims farming leader, trade envoy** [6 June/ NZ Farmer] Former Federated Farmers president, agricultural trade envoy and NZ Farm Environment Trust chairman, Alistair Polson has died at age 58, as a result of an aggressive cancer. Mr Polson was involved in the Labour Government’s Doha Round trade negotiations, as well has having served in many rural-based organisations such as AgITO, the National Animal Welfare Advisory Committee, Veterinary Council of New Zealand, NZ Landcare Trust, Waitotara Meat Co and PPCS (now Silver Fern Farms). His funeral is expected to be at the Wanganui Collegiate School on June 11.

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## 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.

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