



cutting through complexity

AGRIBUSINESS

# FIELD NOTES

Weekly news update from the KPMG Agribusiness network

9 July 2014

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

AgResearch	Meat Industry Association
ANZ Bank	Ministry for Primary Industries
ASB Bank	Ministry of Business, Innovation and Employment
Beef + Lamb New Zealand	National Farm Research Unit
Bell Booth	New Zealand Pork Board
Brandworld	Olympus Capital Asia
Cawthorn Institute	PigCare
Dairy Crest	Plant and Food Research
Dairy NZ	Rabobank
Direct Capital	Rural General Practice Network
DSM	Scales Corporation
Farmwatch	Taranaki Investment Management
Fayrefield Foods	Taratahi Agricultural Training Centre
Federated Farmers	Fonterra Co-operative Group
First Pacific	The Institute of Environmental Science and Research
Food Safety Science and Research Centre	Unique Manuka Factor Honey Association
Inner Mongolia Yili Industrial Group Co	University of Auckland
Goodman Fielder	University of Otago
Horticulture New Zealand	Van Diemen's Land Company
Huaxia Farming	Westpac
Kuranui College's	Wilmar International
Labour Party	Yunfeng Capital
Massey University	

### This week's headlines

Water	<b>Diary support for water strategy</b> [4 July/ Radio New Zealand Rural]
Dairy	<b>World dairy prices plunge overnight</b> [1 July/ NZ Herald]
Food Safety	<b>Host proposals sought for food safety centre</b> [8 July/ Rural News Group]
Economics and trade	<b>Abe holds firm on TPP</b> [7 July/ NZ Herald]
Farmers and producers	<b>Rolleston elected Feds president</b> [7 July/ Rural News Group]



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HOT OFF THE PRESS:  
**KPMG AGRIBUSINESS  
AGENDA 2014 VOLUME 1**

**Horticulture**

**Labour policy under fire from Hort NZ** [2 July/ Radio New Zealand Rural] Horticulture New Zealand CEO, Peter Silcock said that if the Labour Party's new immigration policy is implemented it would penalise growers that are using the Recognised Seasonal Employer scheme, as they would be required to pay higher rates and as well accommodation. Labour immigration spokesperson, Trevor Mallard, said the policy was designed to promote the prioritisation of the development of the skills of the local workforce, as well as being fairer to foreign workers.

**Apple company picks float price** [4 July/ Business Day: NZ Farmer] New Zealand's largest apple growing and exporting operation, Mr Apple's owner, Scales Corporation announced that it had set the price for its 93 million share offer at \$1.60 per share, which will mean that the company will list with a market capitalisation of \$224 million. The offer of 18.75 million new shares is targeted to raise \$30 million for the expansion of the business, with the rest of the shares being sold by its main shareholders, Direct Capital and co-investors the New Zealand Superannuation Fund and the ACC, which will together retain a total of 20 percent of the corporation. Scales Corporation chairman, Jon Mayson said that 12 domestic institutions, several global agricultural funds and retail clients of broking firms are expected to invest. The demand for the shares had surpassed share availability and the offer is scheduled to close on July 22, with shares expected to first trade on the NZX on July 25.

**Honey**

**UK rip off riles honey firms** [3 July/ NZ Herald] General Manager of Unique Manuka Factor Honey Association, John Rawcliffe, has responded to an investigation by Britain's Grocer trade magazine's titled 'The Great Honey Swindle' that claims a lack of clarity as to what constitutes real manuka honey is facilitating the sale of unauthentic products. Mr Rawcliffe argues that the issues were damaging New Zealand Inc's reputation and highlighted the need to ensure the issue is addressed quickly. He said that the Association was spending \$1 million on a rating system for a "unique manuka factor". Ministry for Primary Industries deputy Director-General for regulation and assurance, Scott Gallacher said that it expects to issue guidelines for labelling of manuka honey this month.

**Forestry**

**NZ log prices fall further** [2 July/ NZ Herald] Westpac's fortnightly commodities update highlighted a further 20% drop in log prices from recent peaks, caused by the large log inventory accumulation in China due to weaker demand. Westpac expects the log prices to fall further in the short term while import supply volumes to China adjust. On a domestic front, the increase in construction activity has meant that the demand for structural logs has been maintained, with Westpac expecting residential construction to continue its growth. ASB bank outlined that until Chinese housing market recovers and the high volume of log inventories are cleared, the downward price pressure on export logs will continue, with the bank expecting the price pressure to be felt through the remainder of 2014.

**Wool**

**Plan for new wool levy** [3 July/ Radio New Zealand Rural] The consultation process for the proposal to reintroduce a wool levy was initiated at Federated Farmers Meat and Fibre Annual General Meeting on July 2, with sheep farmers getting the opportunity to vote on the proposal in a referendum to be held in October. The group chair and Gisborne farmer, Sandra Faulkner said that conditions in the industry have changed since the abolition of the levy in 2009, and highlighted the loss in research spend, the inability to collect accurate data and the loss of enthusiasm in the industry. She also mentioned that farmers wanted assurance that the new wool levy funded organisation will be lean, effective and efficient. The proposed levy is between \$0.02 and \$0.05 per kilogram of greasy or slipe wool at the first point of sale.

**Water**

**Diary support for water strategy** [4 July/ Radio New Zealand Rural] The Government said that the new minimum national freshwater standards are based on the work of over 60 freshwater scientists. While the opposition parties have criticised the quality standards for being too weak to address the polluted waterways, Dairy New Zealand sustainability, strategy and investment leader, Rick Pridmore said that local communities are able to set higher standards if they wish. He said that the dairy industry is in support of the national policy statement, and would like to be a part of the solution to any water quality issues. However, he stressed the importance of addressing any issues in a way that does not damage the socio-economic benefits from the industry. Horticulture New Zealand are also in support of the standards, and commended the requirement on communities to consider the value of food production in deciding water usage.

**Water rule changes seen as 'licence to pollute'** [4 July/ Business Day: NZ Farmer] Massey University environmental ecologist, Mike Joy said that although the Government's freshwater standards impose limits on the discharge of toxins and bacteria, it will lead to more pollution as there is a relaxation of certain limits. Dr Joy said that over 90 percent of rivers in lowland areas are already too dangerous to swim in, and the Government's new rules allow the growth of the agricultural industry at the expense of New Zealand rivers. He suggested that the productivity of the primary industry is in fact in decline, as it is using more to produce more. Primary Industries Minister, Nathan Guy said the changes balanced economic growth with environmental sustainability. The Government will be providing \$3 million per year to help councils comply with the standards, but it will be largely up to local authorities to regulate and enforce the standards.

**Dairy**

**World dairy prices plunge overnight** [1 July/ NZ Herald] Fonterra Co-operative Group's \$7.00 per kilogram farmgate milk price for 2014/15 is under pressure following the 4.9 percent drop in milk prices to USD 3,595 per tonne at the GlobalDairyTrade auction. Despite the co-operative reducing the volume at auction, whole milk powder dropped 5.4 percent to USD 3,459 per tonne. Bank of New Zealand said that the lower prices will negatively impact dairy farmer payout calculations and negatively impact New Zealand's terms of trade and current account figures. BNZ mentioned that the Reserve Bank will be monitoring the movement between falling dairy prices and the strong New Zealand dollar, which is currently at approximately USD 87.70. ANZ rural economist, Con Williams highlighted his downward adjustment of the farmgate milk price to \$6.25 from the previous forecast of approximately \$6.50 per kilogram. Mr Williams said that the international wholesale market seems to reflect the overhang of product inventory in China, as well as focusing on the high interest rate, rather than the downward pressure on dairy export prices. He believes that Fonterra may revise its forecast in July. Mr Williams said that although cash flow remains strong due to deferred payments from 2013/14, a drop in prices to the low \$6.00 per kilogram will rapidly diminish any discretionary spending.

**Goodman Fielder board agrees to takeover offer** [2 July/ NZ Herald] Goodman Fielder directors are supporting a 3.6 percent lower takeover proposal at AUD67.5 cents per share for 100 percent of the company from Singapore based Wilmar International and Hong Kong listed investment firm, First Pacific Co after the companies scrutinised Goodman Fielder's accounts. Goodman Fielder chairman, Steven Gregg said that the scheme for the 100 percent purchase will allow for the further leveraging of the consumer brands in Australia, New Zealand and to grow the business across the Asian region. The scheme will require majority shareholder approval with a minimum of 75 percent of total shares voted, which is lower than a straightforward takeover requiring 90 percent acceptance prior to being able exercise the compulsory acquisition right. The shareholders are expected to vote in November 2014. Goodman Fielder is to appoint an independent advisor to assess whether the scheme is fair. The company is scheduled to pay a final dividend of AUD1 cent per share for 2014.

**Fonterra inks deal with UK firm** [4 July/ Business Day: NZ Farmer] Fonterra has entered a five year deal giving it exclusive rights to market and sell two infant formula ingredients, prebiotic galacto-oligosaccharide and demineralised whey, produced by British based Dairy Crest. The Dairy Crest and Fayrefield Foods joint venture are expected to commence production in 2015. Fonterra CEO, Theo Spierings said that the contract aligned with the group's strategy to develop a leading position in the global infant-formula market. Infant formula is the fastest growing dairy category globally, with China currently leading the market. The co-operative is currently facing legal action by Danone as a result of the botulism scare in 2013.

**Fonterra targets audience of two billion** [4 July/ NZ Farmers Weekly] Fonterra CEO, Theo Spierings said that the co-operative wanted to be globally relevant by making a difference in the lives of two billion people by 2025. He said that the growth in dairy demand is expected to exceed growth in supply by 3 percent each year in the markets of China and India from now until 2020, with China's forecast compound annual growth rate at 7 percent and supply growth rate at 4 percent and India's forecast compound annual growth rate at 10 percent and supply growth rate at 7 percent. Mr Spierings and CFO, Lukas Paravicini's update to groups of stakeholders highlighted plans for a plant reconfiguration towards ultra-high temperature processing and mozzarella nutritionals and cream cheese, away from cheese and casein. Fonterra also intends to focus on five global brands (Fonterra, New Zealand Milk Products, Anchor, Anlene and Annum) with consistent propositions globally. Mr Spierings has also reorganised the senior leadership positions to reflect the new multi-hub approach by introducing global operations (Robert Spurway), global ingredients (Kelvin Wickham) and international farming (temporarily headed by Henk Bles). Mr Spierings forecasts that the market would take 8 billion litre equivalents of Fonterra milk annually by 2020, with some of it coming from outside New Zealand and the mix including larger proportions of food services and branded products.

**Fonterra milk collection up 10pc** [7 July/ NZ Herald] Fonterra Co-operative Group said milk collection across New Zealand for June reached 9 million kilograms of milk solids, 10.1 percent higher than the same month the previous year, with North Island collection having reached 7 million kilograms of milksolids (up 13 percent) and South Island collection having reached 2 million kilograms of milksolids (up 2 percent). The Co-operative's Australian operation reached 120 million kilograms for the 12 months ending June 30, maintaining the same level as the previous season, with the second half production having increased due to favourable market and pasture growth conditions, as well as additional farms having agreed to supply the Co-operative, resulting in a 16 percent rise for June, in comparison to the same month the previous year.

## Red meat

**MIA issues wish-list to the Government** [7 July/ NZ Farmers Weekly] The Meat Industry Association has published a booklet targeted at politicians with suggestions for improvements to the regulatory environment. Meat Industry Association CEO, Tim Ritchie said that the industry employed over 25,000 people and has achieved 8 percent annual export value growth in the last decade, with \$6.3 billion in export sales value in 2013. The industry's plan to invest \$178 million in three large Primary Growth Partnerships projects (expected to increase shelf life and quality of chilled meat, improve food safety, develop new value added products, increase meat processing automation and improve halal compliance and animal welfare) worth \$323 million is expected to generate an additional \$2.7 billion (a 40 percent increase) by 2025. The Association called for the Government to implement a special immigration programme to address the long term halal slaughter shortage in order to increase trade with Muslim nations. The booklet also called for the modernisation of the Government inspection regimes, ban on farm euthanasia of bobby calves for non-extreme circumstances, promotion of New Zealand regulatory model overseas and to ensure that the Ministry for Primary Industries was developed and resourced adequately. It also highlighted that the carbon footprint of lamb (down 22 percent) and beef (down 12 percent) have reduced since 1990, with energy used to process a tonne of meat reduced 34 percent, fossil fuel reduced 47 percent and water reduced 27 percent. The Association while highlighting the rigorous approval process for access to some key markets, said that the industry currently paid \$350 million per annum in tariffs and the Government should continue its aggressive free-trade agenda to obtain comprehensive access. Beef + Lamb New Zealand CEO, Scott Champion welcomed the publication and stressed the importance of the points made in it.

## Pork

**Pig farmers hit back over film** [4 July/ Business Day: NZ Farmer] Christchurch pig farmers accused of keeping pigs in squalid, overcrowding conditions believe that they are victims of a setup, with the farm's Nicola Chilton questioning the legitimacy of the footage. The Ministry for Primary Industries officials said that there were no dead animals or rats found during the Ministry's investigation that followed from the claims of dead animals, rotting pigs and rats running over the animals. Ms Chilton said that the PigCare auditor did not find any animal welfare issues on the property. Farmwatch spokeswoman, Jasmine Gray said that all the videos and photos were from the same farm, and as pig farms across the country are quite different, the Chilton property can easily be identified from the property features on the photos and footage. Ms Gray also rejected suggestions that the rats were planted by Farmwatch. The New Zealand Pork Board confirmed that the meat supply from the farm was stopped after its PigCare rating was downgraded to amber in May. New Zealand Pork Board chairman, Ian Carter said that it did not condone the conditions shown at the farm on the current affairs programme, and is not representative of a New Zealand commercial pig farm. Mr Carter said that it had been in contact with the farm and that it was prepared to aid in the resolution of the issues surrounding the farm.

## Rural infrastructure

**Rural GPs welcome prescription changes** [2 July/ Radio New Zealand Rural] The Rural General Practice Network said that the legislative changes allowing nurses, midwives and optometrists to prescribe medicines and controlled drugs to the same extent as a general practitioner, effective from July will remove another barrier to providing medical services for people in rural areas. The Rural General Practice Network deputy chair, Sharon Hansen said that nurse practitioners are also waiting on some other legislative changes currently in the pipeline, including the ability to sign off on medical certificates for being off work and being able to test people for licences.

**Facts not fluff boost sales and productivity** [4 July/ Brandworld] A recently launched interactive marketing platform, Field Trials is designed to assist farmers in finding valuable solutions to improve the productivity of their farm from the products available in the market. The platform is targeted to help farmers increase production, improve farm efficiency and possibly address environmental concerns using both television and online content. Brandworld highlighted how one of its first clients, Bell Booth is able to demonstrate how their Queen of Calves product can assist in the calf digestive process and improve the ability to milk by an average of 12 to 18 percent. Research indicates that with the use of Queen of Calves product, farmers are able to realise an additional \$230 per heifer in their first milking season, indicating a potential addition of \$2 billion to the New Zealand market if everyone used the product.

## Election 2014

**All colours green at conference** [7 July/ NZ Farmers Weekly] Prime Minister John Key, Labour Party leader David Cunliffe, Green Party leader Russel Norman and New Zealand First leader Winston Peters all acknowledged that agriculture was the backbone of the New Zealand economy, but it's future is dependent on good animal welfare and the environmental performance of the industry, at the Federated Farmers annual conference in Palmerston North. Mr Peters replying to a farmer's question stressed that migrant workers will not be allowed in to the country under its policy. He also criticised Federated Farmers for not engaging with his attempts to reform the Reserve Bank in 2012. Mr Cunliffe said that the Labour Party was concerned with the state of the red meat sector and that selling carcasses to Asia will only worsen the problem. In contrast to National's hands off approach, he said that the Labour Party wanted to transform the meat industry from one of volume to value using a 'Fonterra model' to maintain diversity. Mr Key and Mr Peters saw eye to eye on the risks of market concentration on China and being overly focused on two products, dairy and forestry. Mr Key also said that there was a need to for the Government and farmers to work together on environmental issues, but he expressed the National Party approach as one that is less extreme and more practical than that of the Labour and Green parties. Mr Norman said that farmers needed to accept the science behind climate change and engage in the environmental debate.

## Fieldays

**Fieldays set to get even bigger** [4 July/ NZ Farmers Weekly] National Fielddays CEO, John Calder said that the extra 100 exhibitor sites to be offered next year is likely not only to benefit large scale exhibitors who have been seeking a new area, but also other exhibitors in general, from an improved design and layout. Mr Calder said that the new pavilion model design will bring together exhibits devoted to the dairy industry into one area, which would include a herd of cows, live robotic milking, interactive plant and equipment displays and effluent systems. He mentioned that negotiations for new buildings in the central Fielddays precinct were underway. Mr Calder also mentioned that Mystery Creek's plans for a hotel is currently pending Waipa District Council district plan process.

## Food safety

**Host proposals sought for food safety centre** [8 July/ Rural News Group] Food Safety Minister, Nikki Kaye said that the Ministry of Business, Innovation and Employment and the Ministry for Primary Industries are working collaboratively to appoint a host for the Food Safety Science and Research Centre, which is being established to promote, co-ordinate and deliver food safety science and research in response to a key recommendation from the Government Inquiry into the Whey Protein Concentrate Contamination incident. She said that criteria for the host to include good linkages to international regulators, research organisations and the food industry. The Minister for Business, Innovation and Employment, Steven Joyce said that a workshop held in May was to determine how best to establish a Centre that will help ensure that New Zealand remains a trusted, high quality food producer. The seven organisations that are eligible to submit proposals to host the Centre are AgResearch, The Cawthorn Institute, The Institute of Environmental Science and Research, Massey University, Plant and Food Research, University of Auckland and the University of Otago. The deadline for submissions are August 29, with the centre anticipated to be operational by late 2014.

## International

**DSM keen on fueling innovation in China** [2 July/ China Daily] DSM CEO, Feike Sijbesma said that China cannot depend on manufacturing for sustained growth anymore and needs to focus on innovation such as alternative energies and new methods of manufacturing food. He said that DSM is interested in partnering with China in the food and energy sectors. Mr Sijbesma also highlighted that as the consumption of power by the middle class grows, there will be demand for a higher standards of food quality. DSM opened its China Animal Nutrition Centre in Bazhua, Hebi province in May, with a focus on swine and poultry nutrition and aims to cater to the fast growing market in China, which accounts for over 50 percent of the global market. DSM has also been working on a coating product that can raise the efficiency of photovoltaic solar panels as well as a number of other products for the solar sector. Premier, Li Keqiang has repeatedly highlighted China's food security issue during the State Council meetings this year, and indicated the need to implement a strict food security supervision system. China's food safety law, which was submitted for final approval last week is expected to adjust to the changes. DSM's total sales in China exceeded over \$1.7 billion in 2013, with Mr Sijbesma highlighting the need to adopt to the needs of the Chinese food market in order to grow the business.

**WH weighs another try at IPO** [3 July/ The Wall Street Journal] People familiar with the matter have said that the Chinese pork producer, WH Group which attempted a \$5.3 billion initial public offering earlier in 2014 is to decide whether to relaunch the initial public offering at a lower valuation by the end of the week. Shanghai based private equity firm CDH Investments (with 38 percent stake) is thought to be seeking cornerstone investors who will commit to purchase and hold shares for a certain period. WH Group is also considering refinancing its debt, with the company intending to hold off going public soon if a good debt proposal is secured.

**New Plymouth Council talks up sale of Australia's biggest dairy farm** [4 July/ The National Business Review] New Plymouth District Council's Investment manager Taranaki Investment Management Ltd CEO, Mike Trousselot said that it is assessing range of indicative offers for its \$152 million dairy interests in Tasmania, but clarified that it was not under any pressure to sell and will only settle for a price it was comfortable with. Through Tasman Farms, the Council owns 98.5 percent of Australia's largest milk farm with about 30,000 dairy cattle, Van Diemen's Land Company, also the largest supplier to the Fonterra Co-operative Group in Australia. Tasman Farms reported a net loss of \$10 million and a bank debt of \$76 million to Rabobank (relating to Van Diemen's Land Company) for the year to May 31, 2013. Mr Trousselot said that Rabobank was content with the account and selling was not something that had been discussed. The Australian Financial Review report in February said that the National Australia Bank had been attempting to sell a stake in the farm to fund managers. Mr Trousselot said that the company expects approximately AUD 25 million turnaround this year and expects strong ongoing performance in 2015. He said the sale and capital raising is being initiated by Taranaki Investment Management Ltd as an asset rebalancing opportunity after providing a successful investment for the fund.

**Only 10% of Scottish farmers back independence** [4 July/ The Times] The Scottish farmers in the National Farm Research Unit survey of almost 2,500 farmers throughout the UK between April and June indicated that 72 percent wanted to remain within the European Union, and only 10 percent wanted independence. The research also indicated that 63 percent of farmers from England, Wales and Northern Ireland wanted Scotland to remain part of the UK. Some concerns that were highlighted from the survey were the damage to trading between Scottish and English farmers and the potential loss of farm subsidies. National Farm Research Unit managing director, Jim Williams said that the survey did not reflect the responses the pro-independence campaign has had, and that there were guarantees by the Scottish Government to underwrite support for farming, as well as there being no indication that Westminster has sought to remove farm support. The pro-Union group, Rural Together chair, George Lyon said that remaining within the UK is essential to farmers as it gives access to a market of over 63 million people. A YouGov poll for The Times indicated that the support for independence is declining with only 39 percent of Scottish voters intending to vote in favour of independence, compared with the 61 percent that back the Union.

**Superfoods or superfrauds** [5 July/ The Sydney Morning Herald] University of Newcastle biochemist, Paul Roach said although the term 'superfoods' is a marketing tool used to promote certain types of food, it is hardly referenced in peer-reviewed journals. He said that the term is deceiving as it implies to contain all the nutrients the body needs and will fend off certain diseases or cure a health problem. Deakin University lecturer and Geelong doctor, Michael Vagg said that to prove the disease fighting properties of a nutrient requires population studies over a long period of time and examinations as to how a compound works inside a cell. Dr Vagg said that the randomised trials (which are needed to establish causation) that have been conducted have not indicated the anticipated benefits from the nutrients. He highlighted that marketers are using the term 'superfood' to promote products, although the scientific evidence does not support it. He further highlighted that the increased demand for foods such as quinoa has meant that poorer countries are now not able to afford their own crops. Dr Vagg however highlighted some collateral benefits from the increased demand such as the reduced consumption of other unhealthy alternatives and the preservation of rainforests in order to harvest the seeds of the 'superfood' acai berries.

**Chinese dairy firms catch private equity fancy** [5 July/ China Daily] Yunfeng Capital has acquired a 60 percent stake in a unit of dairy giant Inner Mongolia Yili Industrial Group Co Ltd for 2 billion Yuan, with the investment expected to help sustain milk supply sources, enhance farm building capacity and expand and upgrade the dairy source network to boost profitability. CIconulting analyst, Jiang Aihua said that one of the founders of Yungeng Capital, Internet tycoon and Alibaba Chairman, Jack Ma will raise the profile of the dairy sector, drawing in more private equity firms to the industry. In addition, high-end milk producer in Sanhe, Hebei province, Huaxia Farming received investment from an investment group led by Singapore's sovereign wealth fund, GIC and Asian focused private equity firm, Olympus Capital Asia increasing Olympus Capital's investment to a total of USD 108 million. Huaxia Dairy supplies major dairy companies in China with premium products. Industry analyst, Song Liang said agricultural investments have become more attractive to private equity firms resulting from the slowdown in economic growth, providing investors opportunities from rising milk prices.

#### Agribusiness strategy

**Massey to adopt big picture view** [8 July/ Radio New Zealand News] Massey University vice-chancellor, Steve Maharey said that the university is intentionally widening its focus to cover food production, the food chain and food systems, rather than merely agriculture. He highlighted that New Zealand needed to be smarter about capturing the value of the food it produces in order to achieve the Government's economic targets. Mr Maharey said that traceability, waste, processing, retailing, packaging and distribution are opportunities where value can be captured.

#### Agribusiness education

**Taratahi and school join to provide marae farm training** [7 July/ NZ Farmers Weekly] Taratahi Agricultural Training Centre will provide on-farm training to Kuranui College's year 12 students as part of the Primary Industries Trades Academy funded by the Education Ministry. The programme named Ringa Raupa, Ringa Ahuwhenua, Industrious Hands, Agricultural Hands will include a mixture of agricultural skills and Maori cultural components to emphasise the connection of Maori with the land and hard work to create success. Taratahi CEO, Donovan Wearing said the programme was a pilot with potential to be extended nationally and fits with Taratahi's vision of greater collaboration with Maori.

## Economics and trade

**Abe holds firm on TPP** [7 July/ NZ Herald] Prime Minister, John Key recently said during a visit to Washington that if Japan cannot meet the terms on which they entered the Trans Pacific Partnership negotiations, which were that it was a comprehensive, high quality deal, then they should be left out of the agreement. When asked about the potential to be left out of the partnership, Japanese Prime Minister, Shinzo Abe highlighted how the world's third largest economy contributes to the strategic importance of the Partnership and said that Japan is seeking to make the agreement well balanced while maintaining its ambition. Mr Abe said that Japan will reform the agricultural collective system for the first time in 60 years to bring it to a competitive growth industry, including the abolishment of the 'rice acreage reduction', a price protection mechanism where the Government pays farmers to reduce rice output. Although a Cabinet reform panel has called for the abolition of the Central Union of Agricultural Cooperatives, which holds a strong opposition for the liberalisation of trade to international competition, the plan's final draft released in June only calls for the body to reorganise itself within five years. Mr Abe said that Japan will address the projected declines in its working population by increasing female participation in the workforce and by increasing the intake of foreign workers.

## Farmers and producers

**Dairy farmer confidence falls** [3 July/ Radio New Zealand Rural] The Rabobank quarterly survey indicates that overall farmer confidence had dropped, with only 25 percent of participants feeling positive about the agricultural economy over the next year, compared with 42 percent the previous survey. A Rabobank spokesperson attributed the drop to the expected reduction in milk payouts from the falling dairy commodity prices, as well as the strengthening New Zealand dollar. However 57 percent of sheep and beef farmers reported a positive outlook, compared with 37 percent in the previous survey. The survey also indicated that farmers were concerned about the rising interest rates, with Rabobank New Zealand CEO, Ben Russell saying that it would influence farmers' plans in terms of spending and investment in the coming year. The survey indicated that 93 percent of farmers intended to increase or maintain the level of investment, while dairy farmers had lowered their intentions in that respect.

**Farm buildings escape quake assessment** [6 July/ Business Day: NZ Farmer] Building and Construction Minister, Nick Smith and Primary Industries Minister, Nathan Guy announced that farm buildings will not be subjected to the proposed Building (Earthquake-prone Building) Amendment legislation's earthquake risk assessment, based on the fact that the buildings had a low occupancy rate and no record of fatality caused by earthquake collapse. The exception will save each farmer \$3,000.

**Young farmer of the year betters dad's efforts** [7 July/ NZ Farmer] The ANZ Young Farmer Contest 2014 grand final winner, manager and partner of a beef breeding and finishing farm at Shelley Beach on South Kaipara Head Peninsula, David Kidd is the first winner to come from the Northern region in the competition's 46 year history. The off-farm component of the competition included the making of a market innovation presentation, a written exam, an interview, an HR challenge and a speech, while the on-farm component included hanging gates, cutting a lamb carcass, welding and splitting firewood. Mr Kidd won the televised quick fire farm and general knowledge quiz show by just two points, beating Tasman's Reuben Carter. Mr Kidd's \$68,700 in prizes included cash, agricultural products and entry into the Kellogg's Rural Programme.

**Rolleston elected Feds president** [7 July/ Rural News Group] Federated Farmers former vice-president and new president, William Rolleston said given scientific evidence of agriculture's contribution to climate change, science and innovation are crucial to the future of farming and water quality. Dr Rolleston said that he was very pleased that the Federation's grain and seed industry group chairperson, Ian Mackenzie, would extend his tenure on the board for another year given his work in the Land & Water Forum, his expertise and wise counsel. He commended the work of the association on the \$170 million savings for farmers from the removal of farm structures from the earthquake prone building Bill. He acknowledged the skills of board member Katie Milne (especially in the areas of rural security, employment and adverse events), and Chris Allen (who is developing expertise in water policy). Dr Rolleston also said that he was looking forward to working with Industry group chair, Rick Powdress (meat and fibre) and Andrew Hoggard (dairy) as well as new vice-president, Anders Crofoot. He outlined his intention to continue the approach former president, Bruce Wills has led, with the Federation focusing on contributions to modern farming such as environmental collaboration and communication. Dr Rolleston also mentioned that the handover process for the new CEO Graham Smith is underway.

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