



cutting through complexity

AGRIBUSINESS

FIELD NOTES

Weekly news update from the KPMG Agribusiness network

13 August 2014

Organisations referenced in this week's Field Notes include:

A2 Milk	New Hope Group
AFFCO	New Image
Alliance	New South Wales Farmers
ANZCO	New Zealand New Milk
Balance Agri-Nutrients	NZ Yarns
Christchurch Yarns NZ	PGG Wrightson
Coca-Cola	PowerNet
Cofco Group	Primary Collaboration New Zealand
DairyNZ	Primary Wool Co-operative
Danone	Rabobank
Deer Farmers Association	Ravensdown
Deer Industry New Zealand	ServeCo
Elders Primary Wool	Shanghai Pengxin
European Commission	Silver Fern Farms
Family of Twelve	Synlait Milk
Federated Farmers	Tuhono Whenua Red Meat Coalition
Fonterra Co-operative Group	Turners & Growers
Forest Hill Farm	United Fresh
Forest Owners Association	United Nations FAO
Landcorp	Villa Maria Estate
Livestock Improvement Corporation	Wageningen University
Meat Industry Excellence	Wilmar International
Ministry for Primary Industries	Wood Processors and Manufacturers Association

This week's headlines

Forestry	Wood prop would stimulate \$1 billion-plus investments says timber industry [7 August/ National Business Review]
Dairy	Milk prices take another hit [7 August/ Otago Daily Times]
Poultry	The free-range egg scam: 2.47m eggs really from caged hens [6 August/ NZ Herald]
International	Russia hits West with food import ban in sanctions row [7 August/ BBC News Europe]
Economics and trade	Primary groups in joint China push [8 August/ Business Day: NZ Farmer]



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HOT OFF THE PRESS:
**KPMG AGRIBUSINESS
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Horticulture

Health starts skip fruit, and veges [8 August/ Radio New Zealand Rural] The produce industry body United Fresh general manager, Paula Dudley said that the Government backed healthy food labelling system which uses stars to show the nutritional value of food products will not be applied to fresh produce. After having consulted with the Ministry for Primary Industries and the secretariat of the front of pack labelling group in Australia, Ms Dudley said that the system was not intended for fresh produce, but for grocery items.

Turners & Growers first half profit slumps 39% [8 August/ National Business Review] Turners & Growers reported a 39 percent decline in first half earnings with profit declining to \$10.2 million (8.72 cents per share) from \$16.6 million (14.2 cents per share) a year earlier. Turners & Growers international produce division was affected with supply shortages, while the processed foods unit was impacted by the strong New Zealand dollar. Turners & Growers chairman, Klaus Lutz said that trading for the remainder of the year is expected to be consistent with the prior year's performance. The pipfruit segment recorded an operating profit of \$16.8 million on sales of \$114.1 million (compared to an operating profit of \$13.9 million on sales of \$126.1 million the prior year), the international produce unit recorded earnings of \$1.3 million on sales of \$90.1 million (compared to an operating profit of \$5.7 million on sales of \$103.4 million the prior year), processed foods reported a loss of \$1.6 million on sales of \$42.9 million (compared to a profit of \$3.8 million on sales of \$51 million the prior year) and the produce division reported an operating loss of \$397,000 on sales of \$73.6 million, from a loss of \$1.1 million on revenue of \$69.6 million.

Viticulture

Winemakers work together to boost exports [8 August/ Business Day: NZ Farmer] A group of 12 New Zealand winemakers, called the Family of Twelve have joined together to promote their wine internationally. The group focuses on marketing and brand building for its members, with the responsibility for sales falling on the individual wineries. The group's chairman, William Hoare said although the aim of the group was to increase exposure, members had engaged in other ways to learn from each other. The group comprises of Kumeu River and Villa Maria (Auckland), The Millton Vineyard (Gisborne), Craggy Range (Hawkes Bay), Palliser Estate and Ata Rangi (Martinborough), Fromm Winery, Nautilus and Lawsons Dry Hills (Marlborough), Neudorf Vineyards (Nelson), Pegasus Bay (Waipara) and Felton Road (Central Otago).

Forestry

Wood prop would stimulate \$1 billion-plus investments says timber industry [7 August/ National Business Review] The Wood Processors and Manufacturers Association released a proposal, which it says will trigger \$1.17 billion of investment in the sector if adopted by the Government. Association spokesman, Marty Verry said that the policy which involves the Government prioritising the use of timber is in line with the Labour Party's pro-wood policy and Rotorua District Council's intention to develop and adopt a 'wood first' policy. The Wood Processors and Manufacturers Association said that if the \$1.17 billion is invested, it could result in an additional 1.1 million cubic metres of logs being processed domestically each year, the creation of 2020 regional manufacturing jobs, a \$520 million increase in timber exports and up to a 10 percent reduction in wood product prices.

Tree felling machines trialled [11 August/ Radio New Zealand Rural] The Forest Owners Association said that a remote controlled tree felling machine by John Deere, capable of being operated on steep slopes has undergone a successful trial. Forest Owners Association research and development manager, Russell Dale, while mentioning that 40 percent of accidents occur on steep slopes, said the new machine would make tree felling on steep slopes safer and cheaper. The trials are being carried out as part of the Steepland Harvesting Programme which is a Primary Growth Partnership initiative between the Government and forest industry.

Wool

Primary Wool, Elders join to buy yarn maker [8 August/ NZ Farmers Weekly] The Primary Wool Co-operative and its 50 percent owned investee, Elders Primary Wool, are intending to purchase the Christchurch Yarns NZ business from its receiver, Andrew Oorschot. They mentioned that some Australian wool carpet manufacturers face the prospect of having to move to synthetics if the only independent wool carpet yarn-spinning business in the Southern Hemisphere is to fail. The two companies have formed a new entity, NZ Yarns in order to facilitate the purchase. Approximately 98 percent of Christchurch Yarns' product is exported to Australia, US and South America. Primary Wool Co-operative chairman, Bay de Lautour said that the strong New Zealand dollar was an obstacle for the business. Mr Oorschot's receiver's report in June said that the company had estimated net assets at \$1.9 million, prior to receivership costs.

Dairy

Milk prices take another hit [7 August/ Otago Daily Times] The latest GlobalDairyTrade auction showed an 8.4 percent decline, with whole milk powder prices declining 11.5 percent at the latest event. Prices have now declined 40 percent since February. BNZ currency strategist, Raiko Shareef said that the current prices and the strength of the New Zealand dollar suggests a payout in the mid-\$5 range. Westpac senior economist, Anne Boniface indicated the risk of the price falling below Westpac's current forecast of \$6, however with a few signs of a pending change in sentiment, including the anticipated recovery in the Chinese consumer sector. ASB has downgraded its milk price forecast from \$6.20 to \$5.80 and highlighted the risk of a price closer to \$5 if prices stayed at current low levels for an extended period. An ASB report indicated that with approximately 80 percent of this season's product yet to have milk prices set, there can be substantial volatility from now until the end of the season. Last week Dairy New Zealand CEO Tim Mackle said that a \$6 payout was a breakeven point for many farmers. Federated Farmers dairy chairman, Andrew Hoggard did not anticipate the GlobalDairyTrade results to impact the payout forecast in the short term. Mr Hoggard said that despite the price decline there was more product sold (48,380 metric tonnes), with the highest number of successful bidders since April 1. ASB chief economist, Nick Tuffley said that domestic retail prices should not be more than marginally impacted by any given auction.

Danone fights to keep Fonterra case live [8 August/ NZ Herald] French food giant, Danone is appealing the High Court ruling, which ruled that the arbitration seated in Singapore should occur prior to litigation in New Zealand. Justice Geoffrey Venning sitting in the High Court ruled in favour of Fonterra saying that the facts underlying Danone's claims in arbitration and New Zealand litigation are essentially the same. Danone is seeking compensation and losses related to the botulism scare totalling an alleged \$981 million.

Formula firm back on track [11 August/ NZ Herald] Auckland infant formula maker, New Image said that it has received approval from China's Certification and Accreditation Administration to export to the Chinese market. New Image general manager, Guy Wills said that being restricted from the Chinese market has cost the company millions of dollars. He emphasised that the delay was due to having to wait for the completion of the registration process, rather than due to compliance requirements. The Auckland formula maker, New Zealand New Milk and a2 Milk received registration in July. Synlait Milk's registration is currently pending, after its completion of the construction of a new infant formula packaging and blending facility in its Canterbury plant.

A2 strengthens health claims with first human study [11 August/ Business Day: NZ Farmer] A2 milk revealed the first human scientific study that indicates that those who consumed the A1 protein had a 61 percent higher bloating score and a 38 percent higher abdominal pain score, when compared with A2. Curtin University associate professor, Sebely Pal said that A2 protein did not release the BCM-7 peptide that was linked to gut inflammation, which the A1 protein released. Associate Professor Pal said that although A2 funded the study, it had no influence over the study. Prominent Australian nutritionist, Joanna McMillan said that more research was needed and said that the next phase of the study is to understand what is happening at the gut level.

LIC has no plans to use freedom to demutualise [11 August/ NZ Farmers Weekly] The Ministry for Primary Industries is to remove three legal encumbrances on the farmer owned genetics improvement company, Livestock Improvement Corporation, which include the requirement to obtain written ministerial approval to demutualise, although it will require a 75 percent shareholder majority to stop being a co-operative or to change its constitution. The co-operative will also not be encumbered with the requirement of providing herd testing nationwide at uniform prices or the need to get ministerial approval to change its constitution on shareholding and voting. LIC chairman, Murray King said that the changes are part of the agreement to transfer the industry's core information database from the co-operative's control to DairyNZ. He also said that there were no plans to change the co-operative structure. Ministry for Primary Industries Director of Sector Policy, Jarred Mair said that under the new legal regime, once the Dairy Industry Restructuring Act review was completed, ministerial approval would not be needed to move from a farmer owned co-operative. Mr Mair said that the Ministry will conduct a market study of the dairy herd improvement sector to validate the integrity of the information that is being fed into the national industry database.

Red meat

Maori group committed to red-meat farming [11 August/ NZ Farmers Weekly] Tuhono Whenua Red Meat Coalition project director, Craig Ellison, said that the steering group representing several North Island farming corporations is working on how to maximise returns from sheep and cattle, which is likely to result in stock being processed through one or two processors rather than each farmer engaging with their own processor. Mr Ellison said that it could involve approximately a million stock units per year. The project favoured the concept of a long term supply agreement with a processor. He said that farmers would be asked to consider and compare all processors based on price, prompt payment, credit risk, relationship with their bank, relationship with the Ministry for Primary Industries, their market base, relations with Maori, environmental record, plant facilities and so forth. Mr Ellison said that in two to three years' time, farmers will be asked how they feel on a 15 to 20 to 30 point checklist. Mr Ellison said that the Federation of Maori Authorities recently engaged with Silver Fern Farms to get access to its FarmIQ system, in addition to the relationships Maori owners have with a range of other processors such as AFFCO, ANZCO and Alliance, as well as smaller processors such as First Light. Tuhono Whenua was also liaising with farmer group, Meat Industry Excellence.

Poultry

The free-range egg scam: 2.47m eggs really from caged hens [6 August/ NZ Herald] Egg farmer and owner of now non-operational Forest Hill Farm, John Garnett, who admitted to supplying 2.47 million eggs between April 2010 and November 2011 as free range when they were from caged hens was sentenced to 12 months home detention and 200 hours of community service. The Poultry Industry Association rejects Mr Garnett's claim that the practice is widespread, but said that it ultimately depends on the honesty of farmers in providing correct labelling. The Poultry Industry Association executive director, Michael Brooks said that the Ministry for Primary Industries would notice if such a practice of false labelling was to occur. The supermarket chain, Countdown said that it immediately suspended trading with Mr Garnett and removed the affected eggs from sale after being made aware of the case. Foodstuffs (owner of New World and Pak'n Save) also said that it ceased trading with Mr Garnett as soon as it was made aware of the situation. The Commerce Commission estimated Forest Hill Farm to have made an additional \$376,000 from the false labelling. The Poultry Industry Association executive director, Michael Brooks said that the association was pleased to see Mr Garnett prosecuted.

Deer

Deer industry push for venison [10 August/ Business Day: NZ Farmer] Deer Industry New Zealand CEO, Dan Coup said the outlook for spring venison supply to the German game market is reasonably positive, while there was concern over the strong New Zealand dollar. Deer Farmers Association chairman, Kris Orange said that the farmer opinion was that farmgate venison price needed to be a \$2 per kilogram more than lamb in order to make venison farming competitive. The five largest venison exporters have proposed the extension of the Cervena appellation to Europe and potentially China as a selected premier brand promoting top-end product, in order to differentiate New Zealand's farm raised venison from the wild product which makes up the majority venison sold in Europe. PGG Wrightson national velvet manager, Tony Cochrane said that deer velvet prices have seen continual improvement over the last four years, with last season deer velvet having sold for a weighted average of \$104 per kilogram over all grades compared with \$95 per kilogram the previous season. Mr Cochrane said that the deer velvet production in New Zealand is relatively stable at 450 tonnes, while competitors are producing less. Highlighting initiatives such as the party concept, which is currently being trialled by farmers to increase deer farming profits, Mr Coup said that improved genetics, feeding and animal health could result in a doubling of export sales in seven years. The advance party concept is expected to launch in 2015.

Rural infrastructure

Refocused, revitalised, rebate paid [8 August/ Otago Daily Times] Fertiliser co-operative, Ravensdown, has recorded a before rebate and tax trading profit of \$46 million (up \$40 million from last year) for the year ended May 2014, with a record low level of debt for a decade (net debt down \$200 million to \$49 million, equity ratio up from 49 percent to 65 percent and before tax and rebate operating profit increased from \$28 million to \$73 million). The co-operative also reported a return to shareholders worth a total of \$37.38 per tonne (\$15 rebate and a fully imputed bonus share issue worth \$22.38). Ravensdown chairman, John Henderson said that the improvements were due to actions taken since 2012-13 as part of the new strategy. He also said the company's transition to a more flexible foreign exchange policy will assist results in future seasons. Rival, co-operative Balance Agri-Nutrients reported a record trading performance of \$93.5 million for the year ended May 2014 (up from \$92.6 million), with revenues at a record \$921 million and sales volume at 1.55 million tonnes. The co-operative is expected to make a record \$78.9 million distribution to shareholders.

International

Firms to provide \$7 billion to Africa agriculture [5 August/ The Washington Post] A group of African and US firms is to announce an additional \$7 billion spending to promote agricultural development in Africa, doubling the Obama administration's initiative targeted at mobilising private money to address hunger and poverty in the African continent. The spending includes plans by Coca-Cola to secure more reliable sources of mango puree in Kenya and Malawi and promote orange and pineapple concentrate production in Nigeria. The Obama Administration also has a separate initiative called Feed the Future, which receives approximately \$1.1 billion per annum in federal funds. The US Agency for International Development Administrator, Rajiv Shah said that the initiative has provided assistance to 7 million small farmers in Africa. In Ethiopia the Administration liberalised its regulations to allow private parties to take part in the New Alliance programme to develop and distribute seeds to farmers. Humanitarian groups have generally commended the Obama Administration, although they have also cautioning against the over reliance on private companies to address the needs of the poor in Africa.

Light gene boosts tomato yields by a fifth [6 August/ Agence France Presse] Wageningen University Netherlands researchers said that they had discovered a gene (CAB-13 in chromosome 7) in wild tomatoes that enabled farmed tomato plants to be grown 24 hours a day under natural and artificial light, increasing yields up to 20 percent. The scientists said that the gene was transferred to plants by cross breeding rather than genetic engineering. Lead investigator, Aaron Velez-Ramirez said that some varieties of potatoes and petunias that are sensitive to continuous light could also benefit from the findings, but mentioned that it would only be financially feasible for high value crops, given the cost of lighting.

Russia hits West with food import ban in sanctions row [7 August/ BBC News Europe] Russia has imposed a full embargo on food imports from the European Union, the US, Australia, Canada and Norway, with Prime Minister Dmitry Medvedev saying the ban would include fruit, vegetables, meat, fish, milk and dairy products. Russia was the European Union's second largest market for food exports at 10 percent of total exports. The European Commission said that the embargo was clearly a political move. On August 6, President Vladimir Putin said that the embargo will be effective immediately and would last for a year. Mr Medvedev has ordered the Agricultural Ministry and producer organisations to work on increasing Russian farm output to maintain prices. Authorities have said that they are confident that there will not be a food shortage, with authorities searching for alternative suppliers in South America, Turkey and China. The major food exporters to Russia in 2013 were Belarus (USD 2.7 billion), Brazil (USD 2.4 billion), Ukraine (USD 1.9 billion), Germany (USD 1.8 billion) and Turkey (USD 1.68 billion).

Australia, China agree on 100-year food plan [8 August/ National Business Review] Mining tycoon, Andrew Forrest is leading a Chinese backed initiative to revive Australia's farm sector, and has engaged three major food companies, (New Hope Group, state-owned COFCO Group and Wilmar International) to join his move to position Australia as China's 'friendliest, largest and most efficient' supplier of agricultural products over the next 100 years. Mr Forrest said that he would like Australia to be seen as China's friendliest, largest, most reliable, highest quality, most competitive and most efficient food and agricultural products supplier. Mr Forrest has outlined his plans for the 100 year Agricultural and Food Safety Partnership, known as ASA 100. The partnership is resultant from a meeting between Mr Forrest and Chinese Premier, Li Keqiang earlier in 2014. Mr Forrest said that Premier Li Keqiang's biggest concern was ensuring a safe food supply for China.

World food prices hit 6-month low [8 August/ Rural News Group] The United Nations Food and Agricultural Organisation (FAO) Food Price Index (based on the prices of a basket of internationally traded food commodities) averaged at 203.9 points in July 2014 (down 2.1 percent from a revised June value and down 1.7 percent from July 2013). The FAO Cereal Price Index averaged at 185.4 points (down 5.5 percent from June and down 16.6 percent from July 2013) and the FAO Dairy Price Index averaged at 226.1 points (down 4.4 percent from June and down 7.2 percent from July 2013), while the FAO Meat Price Index increased to 204.8 points (1.8 percent higher than the revised June value and 14.1 percent higher than July 2013), supported by a strong demand for meat in Asia. FAO senior economist, Concepción Caple said that the decline indicates positive expectations over supplies in the current and upcoming seasons, particularly for cereals and oils. Meat prices increased for the fifth consecutive month, while sugar prices remained stable. Ms Caple said the fact that many meat (especially beef) exporting countries are undergoing a herd rebuilding phase is limiting the availability for exports and sustaining prices. She mentioned the abundant supply of dairy products and the levelling off of global import demand as contributing on July's quotations.

Global Finance: Thailand restarts sales of rice, jolting market [8 August/ The Wall Street Journal] Thailand's military has implemented a sales resumption on the accumulated rice stocks, after the sale halt was imposed by General Prayuth Chan-ocha after taking power on May 22. The resumption is part of addressing the rice subsidy policy implemented by former Prime Minister, Yingluck Shinawatra where rice was purchased at above market prices to increase farmer incomes. On August 7, 167,000 metric tons of rice was offered to 48 bidders, which will bring in much need funds to the military Government, enabling it to pay its debt to farmers that arose under the previous programme. The Commerce Ministry Director of Foreign Trade, Duangporn Rodphaya said that the Ministry provided a guarantee on the quality of rice to dispel trader concerns. Thailand expects to sell approximately 18 million tons of rice from the Government stockpiles over the next three years, although a proportion is expected to be of poor quality due to age and storage conditions.

Russia food embargo creates golden opportunity for Brazil [8 August/ Agence France Presse] Brazilian meat exporters said that Moscow's ban on food importation from Europe and the US provides its companies with a good opportunity to increase exports. The Russian ban was introduced after the country entered import deals with two dozen Brazilian poultry companies and five pork producers. Brazilian meat exporters' association, ABIEC said that there are over two dozen beef production facilities approved for Russian export. Russian Prime Minister, Dmitry Medvedev said that the embargo will ban meat, fruits and vegetables, fish and dairy products from Australia, Canada, European Union, Norway and the US for a year, with the only exception being baby food.

Don't let your children grow up to be farmers [10 August/ The New York Times] The New York Times' Bren Smith said in an opinion piece that the median farm income for an American farmer was a loss of USD 1,453 in 2012, with 90 percent of all farm households relying on multiple sources of income, and some relying almost entirely on Department of Agriculture or foundation grants to generate farm income. He said that with an increasing number of agricultural programmes and farmers' markets, there is a growing pressure for farmers to compete on price, resulting in insufficient income to produce a living wage for the small scale farmer. He highlighted the proliferation of lifestyle farmers (many former Wall Street Executives) selling products at farmers' markets, due to the attractive tax advantages available. He also mentioned having to compete with non-profit farms supported by million dollar grants. Additionally he said that the current food movement based on providing good, healthy food has marginalised the food growers, with restaurants also capping the cost of food in order to maintain margins. Mr Smith stressed the need for farmers to start their own organisations in order to lobby for their issues, such as addressing agricultural students' debts, programmes supporting land ownership for farmers, affordable healthcare and shifting subsidies from factory farms to family farms.

Farmers look to bright side to repair image [12 August/ The Australian] Farm organisations are focusing on promoting positive stories of their members in an attempt to address the image that farmers are constantly complaining. It is also hoped that the new positive focus will help young people consider a career in agriculture, in order to address the current severe skill shortage. New South Wales Farmers president, Fiona Simson believes that the farmers "right to farm" using best practice techniques is also under threat, which is impacting on farmers bottom lines. Agriculture Minister, Barnaby Joyce acknowledged that unless farmgate profitability increased, more farmers will be overcome by debt. Liberal MP for Hume, Angus Taylor said that most farmers only receive 10 percent of the final consumer price of the food they grow, whereas farmers received over 80 percent of the retail or sale price of their product in 1900s. He highlighted that 14 percent of farm profits are spent on red-tape compliance and encouraged urban Australia to consider issues such as environmental regulations, land use, food-chain traceability and safety and animal welfare. Bega Cheese chairman, Barry Irvin highlighted the opportunities in Australian agriculture and the interest received from foreign companies, private investors and overseas funds. He mentioned his belief that Australian farmers should protect themselves from the inevitable boom and bust cycles by adding value in order to deliver high value, premium products.

Economics and trade

Trade talks failure may cost NZ in Korea [7 August/ Radio New Zealand Rural] The Agricultural Trade Envoy, Mike Peterson has warned that New Zealand farmers may lose out on a profitable South Korean market if trade talks are to fail. The Minister for Trade, Tim Groser said that he had made a final offer to South Korea to resolve issues, such as easing tariffs for New Zealand exports, currently costing farmers \$195 million per annum. He mentioned that South Korea had signed free-trade deals with many New Zealand competitors, including Chile, the USA, Australia and Canada. He said that South Korea is either the second or the third biggest beef export market for New Zealand. While mentioning the 8 percent tariff advantage that the US will receive by January 2015, Mr Groser highlighted the importance of concluding a deal by the end of the year in order to maintain New Zealand's competitiveness in the South Korean market.

Primary groups in joint China push [8 August/ Business Day: NZ Farmer] Primary Collaboration New Zealand (with members such as Sealord, Silver Fern Farms, Synlait Milk and Villa Maria Estate) has set up a launching pad based in Shanghai named ServeCo to help its members establish itself in China by providing services such as office facilities, catering, administration and staff to help members gain easier entry to the mainland Chinese market. New Zealand Trade and Enterprise helped with formation costs. Primary Collaboration New Zealand chairman and Scales Corporation managing director, Andy Borland said that the collaboration is also aiming to reduce the cost and risk of entry into China. As ServeCo is a wholly foreign owned enterprise, it would not be subjected to the complexities and costs of establishing a stand-alone business in China.

Farmers and producers

Misery – snow hits farming families [8 August/ Radio New Zealand Rural] Widespread snow to the low levels in the south, along with heavy rains is impacting farmers and stock, especially dairy farmers who have started calving. Federated Farmers Southland branch president, Russell MacPherson said that conditions are prompting dairy farmers to move calves indoors in order to keep them warm and dry. Federated Farmers Otago president, Stephen Korteweg highlighted access issues for farmers and vets caused by icy conditions on the roads, as well as mentioning issues around finding dry places for stock and additional stress on cows that had calved. Both Mr Korteweg and Mr McPherson mentioned that sheep farmers were not as badly impacted due to the lambing season not having commenced yet. PowerNet said that 1,000 households and businesses in Southland and eastern Otago had experienced power cuts during the two days of the storm, while Delta said that 100 customers lost power in Roxburgh on August 7.

Alliance bid to close rural health gaps [11 August/ Radio New Zealand Rural] A collection of 20 health related and rural organisations and some district councils making up the Rural Health Alliance, released its strategy for healthy rural communities, with chairperson, Jo Scott-Jones highlighting its aim of achieving equality of outcomes for people living in rural communities. Dr Scott-Jones mentioned improving mental health and Maori health in rural areas as some of its priorities. He mentioned measuring the gap between urban and the rural population as one of the prevailing barriers.

Pengzin may not survive – Bill English [12 August/ Business Day] Finance Minister, Bill English expressed his doubts about the longevity of Shanghai Pengxin, saying that corporate farming entities do not survive in the long run. Shanghai Pengxin is awaiting Overseas Investment Office approval to purchase the 13,800 hectare Lochinver Station. Mr English highlighted that farming was a low return on asset (1 or 2 percent) business, which will result in shareholders wanting to sell out when prices rise. Federated Farmers national president, William Rolleston acknowledged Mr English’s point and said that it was the family farmer who can trim costs when the need arises. Labour leader, David Cunliffe said that possibility of Shanghai Pengxin selling off its assets was not a sufficient reason for the Government to approve the transaction, seeing that it had approved over a million hectares of land sales to overseas buyers. He highlighted the lack of a capital gains tax and the ability to offset the interest costs of the borrowings against income as a reason for the dairy industry farm purchases. Rabobank director of dairy research, Hayley Moynihan said that she did not expect a lot of corporate farming businesses to fall over during a harsh time, and that corporate farming is likely to have a place in the industry. Landcorp CEO, Steve Carden said that he expects corporate farming to survive and highlighted the fact that they have been in business for 27 years, and have only lost money in one of these years.

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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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