

AGRIBUSINESS

FIELD NOTES

Weekly news update from the KPMG Agribusiness network

10 September 2014

Organisations referenced in this week's Field Notes include:

ACT Party	National Party
Archer Daniels Midland Co	New Zealand Merino Company
AsureQuality	NSW Government
Australian Drug and Alcohol Services	NZX Agri
Australian Winemakers Federation	Overseas Investment Office
Beef + Lamb New Zealand	Pew Charitable Trust
British Meat Processors' Association	Primary Wool Co-operative
Cargill	Pure 100
China Agricultural University	Queen's University
China Rural Technology Development Centre	Rural Equities
Chiquita	Seeka Kiwifruit Industries
Christchurch Yarns	Shanghai Pengxin International
Cutrale Group	Taratahi Agricultural Training Centre
Dairy Goat Co-operative	The Chinese Government
European Union	UK Food Standards Agency
Federated Farmers	University Stanford
Flinders University	University Waikato
Fonterra Co-operative Group	US National Oceanic and Atmospheric Administration
Fyffes	Wakatu Incorporation
Gallagher Group	Western and Central Pacific Fisheries Commission
Green Party	Wools of New Zealand
Massey University	WorkSafe NZ
Meat Industry Excellence Group	

This week's headlines

Wool	Farmer co-op seeks to buy carpet yarn spinner [8 September/ Radio New Zealand Rural]
Dairy	Payout risk after GDT drop - again [3 September/ Rural News Group]
Agribusiness Education	Taratihi signs MOU with China [8 September/ Rural News Group]
Election 2014	Farmers to fence off waterways – Green Party [7 September/ NZ Herald]
Election 2014	Zones 'preserved' for recreational fishers [7 September/ stuff.co.nz]



FIELDNOTES.CO.NZ

HOT OFF THE PRESS:
KPMG AGRIBUSINESS
AGENDA 2014 VOLUME 1

New Zealand Bootcamp 2014: Stanford University

I was incredibly privileged to be invited to attend the New Zealand Bootcamp at Stanford University during August.

As the following articles highlight the opportunity to spend a week thinking about what the future may look like and how New Zealand companies can create value in our fast changing world is something we don't get the opportunity to do very often. Combine this with the chance to spend the week with 42 leaders who are passionate about making New Zealand a great country for generations to come, some (very) early morning exercise, a huge measure of intellectual challenge from keynote speakers and Stanford faculty and a chance to try out Google Glass (at Google); it made a week that will stand out as a highlight in my career and more importantly one that has equipped me with expanded insights to help fuel New Zealand's prosperity.

When thinking back now about the week, some key words and themes stand out:

Relevance: the challenge of remaining relevant in a rapidly growing and changing world featured highly in many discussions. Nobody owes us a living thus we need to be more targeted, smarter, more edgy, more flexible and closer to our customers than our competitors so we maintain our relevance to them. Without this, as Professor Richard Petty suggested, we run a real risk of being squeezed out of the most valuable markets in future, as we will have insufficient scale and lack the unique products to retain their interest.

Scaling: while we were urged not to describe New Zealand as small, it was clear that being able to identify and focus on markets were our companies are able to secure a position of influence and scale is critically important. Professor Huggy Rao clearly articulated to us that scaling any business depends on having a clear understanding of an organisation's culture and values so that this can be replicated as the business grows. It also requires recognition that the factors that have enabled success to date will not guarantee success in the future, making it imperative that organisations become attuned to likely sources of business disruption, embed strategic perspectives across their organisations and, perhaps most critically, redevelop an ability to think and act on intuition; much like a Silicon Valley start-up.

Innovation: Professor Condoleezza Rice gave a compelling example of the need for innovation (discussing how the US Government reacted to 9/11 terrorist attacks) clearly making the point that old world institutions and behaviours will not solve new world problems. Being in the heart of Silicon Valley we had the opportunity to gain exposure first-hand some of the new world disruptions that need to be on a company's radar; Bitcoins (or an equivalent challenge to traditional monetary systems), a soon to explode uptake in mobile payment technologies, the desire of millennials to be part of a sharing (rather than owning) economy and the need to extract value from the 'free' data resources that organisations are developing. The message was clear, an organisation that is not innovating will eventually die.

Cultural dividend: the most important theme for me came from the participants on the course. The differentiator to keep NZ relevant and guide how our businesses innovate and grow is inherent in the culture of our country. In sharing karakia and singing waiata, regardless of our individual backgrounds, it was crystal clear that fundamental values of the Maori, encapsulated in kaitiakitanga (protecting the environment and managing resources in a manner that meets the expectations and responsibilities of ancestors, without compromising the opportunities for future generations) provides all New Zealanders with a unique road map for our primary industries to collaborate around a common set of aspirations that guide where and how we invest and ensures relevance to our customers.

The cultural values of our country are one of the most powerful assets we have at our disposal to really grow wealth from our primary sector in a world, which our week in Stanford clearly demonstrated, is becoming more disrupted far faster than we realise here in New Zealand. The Stanford bootcampers absolutely acknowledged that the industry has a responsibility to sustainably manage the environment for the benefit of all New Zealanders and there were many examples of organisations actively working to remediate historic failures. It was recognised that the bigger challenge is gaining the trust of the wider community so that together we can build a stronger, more prosperous New Zealand based on maximising the value of our primary production; something that everybody in the industry has a responsibility to work towards achieving every day.

Ian Proudfoot

Global Head of Agribusiness, KPMG

KPMG is proud to partner with AGMARDT, ANZ, New Zealand Trade and Enterprise, the Ministry of Business, Innovation and Employment, the Ministry for Primary Industries, Callaghan Innovation, Te Puni Kokiri and the New Zealand Treasury in supporting the Stanford Bootcamp programme to create a more prosperous future for all New Zealanders.

Building a country for tomorrow [15 August/ National Business Review] Steve Maharey, vice-chancellor of Massey University, reflected in an opinion piece on his experiences at the New Zealand Bootcamp at Stanford University. Mr Maharey notes that the issue at the core of the week for participants was how the primary sector could triple the value of its exports, an aspirational challenge yet one that everybody in the room agreed could be done, if the industry can change the way that New Zealanders think about what we do best; produce value from the land and sea. Rather than being defensive about the role of the primary sector plays in the country, the bootcampers focused on how they take a lead into the future and conquer the world with products aimed at discerning consumers whose expectations demand a fundamental change in sector behaviour. The discussions were wide range and often focused more on Silicon Valley start-ups than the primary sector, however the central theme remained how to add value to any business. The Maori leaders on the bootcamp provided significant influence to the discussions, focusing the conversation on the long term; a desire to create a world fit for their great grandchildren were care for the environment and a need to create wealth, deliver a new way to do business. The week finished with a workshop day with IDEO, the design thinking company, where a vision was crafted about New Zealand being a fast, nimble, edgy nation that can take the world in a new direction, a country that becomes an exemplar of how people who build value from the land and the sea can and should act. Geographically New Zealand is always ahead of the rest of the world, the enormously productive bootcamp week was, Mr Maharey concludes, about transforming our primary sector to recognise it has the advantage of always being tomorrow.

Bootcamp helps global ties [22 August/ The Press: NZ Farmer] New Zealand is expected to be the winner from the third New Zealand Bootcamp at Stanford University. 42 leaders from the primary industries, Maori organisations, universities and business came together for a packed agenda focused on increasing the value of primary sector exports for New Zealand. Speakers including former US Secretary of State, Condoleezza Rice, Stanford academics as well as New Zealand business innovators (like Jeremy Moon of Icebreaker and Victoria Ransom of Wildfire and now Google) provided the attendees insights on how they can improve their businesses in a fast changing digital world and look to collaborate with other companies for big and small benefits. John Brackenridge, who was among the leaders to come up with the original bootcamp idea, highlighted that there are actions dropping out of this bootcamp that will shape the future of New Zealand primary sector businesses. Mr Brackenridge pointed to the recently announced China hub as a substantive development that came out of the first camp and demonstrated how companies are able to work together while continuing to pursue their own interests. He also highlighted that the third bootcamp had a strong representation from across the dairy industry, which has seen connections made that would have been unlikely to have happened otherwise. In respect of his own business, the NZ Merino Company, Mr Brackenridge, pointed to the benefits from the Silere Alpine Origin Merino meat project and other partnerships coming out of the bootcamp that have helped to grow farmer returns as well as accessing global thinkers in retail and digital communications to enable the company to remain relevant to its brand partners.

Horticulture

Seeka offers kiwifruit growers share incentive in exchange for trays [3 September/ National Business Review] Seeka Kiwifruit Industries is targeting to secure kiwifruit supply over the next three years by offering growers annual shares (based on the number of trays supplied at 10 cents worth of shares per tray) in return for exclusive supply. The first round of new shares for the 2014 harvest is to be issued on October 7. Seeka expects the gold kiwifruit market to double in 2015 once the re-grafted SunGold orchards reach commercial volumes. In the first six months of 2014, Seeka's kiwifruit volumes packed rose to 20.2 million trays from 18.8 million the previous year. The company's first half profits increased from \$672,000 to \$1.48 million, while sales increased 18 percent to \$79.2 million. While market share for Hayward (green variety) increased to 15 percent, market share for the Zespri SunGold variety declined to 11 percent. Seeka's post-Psa strategies have included selling its non-core assets (including a 20 percent stake in Opotiki Packing and Cool Storage) and diversification (acquiring the fruit ripening and import business, Glassfields).

Fruit trade event 'will pay dividends' [9 September/ Radio New Zealand Rural] The Asia Fruit Logistica trade event in Hong Kong consisted of approximately 460 exhibitors, with the New Zealand Pavilion featuring 13 companies, of which seven were first time participants. Maori owned Wakatu Incorporation's Kono Horticulture general manager, Ru Collin expressed his belief that its participation at the event will see it getting more business, with its products being sold into Asian markets, at the same time as helping the company to understand the market dynamic better.

Forestry

Manslaughter charge laid over forestry fatality [3 September/ NZ Herald] A 46 year old Horowhenua man is to appear in the Levin District Court on September 4 on a manslaughter charge related to the death of the forestry worker, Lincoln Kidd, which occurred during a tree felling operation on December 19. He is also facing serious workplace health and safety charges from WorkSafe NZ.

Wool

Farmers told to question need for wool levy [8 September/ Radio New Zealand Rural] In anticipation of the farmer vote on a proposal to reintroduce a compulsory wool levy, chairman of the farmer owned company, Wools of New Zealand, Mark Shadbolt said that farmers need to question whether there is a need to reintroduce the levy. The farmer and the wool industry group that is responsible for the proposal said that the levy was necessary to support industry good activities such as research, educational and promotional work. Mr Shadbolt said that the industry was already saturated with organisations that could carry out the work, including the Wool Industry Research Consortium.

Farmer co-op seeks to buy carpet yarn spinner [8 September/ Radio New Zealand Rural] Primary Wool Co-operative, through its new company, NZ Yarn is planning to raise \$3 million to \$5 million from wool growers and other investors by September 19 to purchase Christchurch Yarns out of receivership. Primary Wool and NZ Yarn director, Hamish de Lautour said that Christchurch Yarns is the only serious, independent carpet yarn spinning facility in the Southern Hemisphere, with a range of independent carpet manufacturers solely relying on it for woollen yarn. Mr de Lautour said that the operation has the capacity to produce up to 50 tonnes of carpet yarn wool per week, although it is currently producing 20 tonnes per week while in receivership. Primary Wool Co-operative is also proposing to purchase a stake in the farmer-owned Wool Equities company.

Dairy

Payout risk after GDT drop - again [3 September/ Rural News Group] ASB rural economist, Nathan Penny said that the downside risks are increasing for the ASB milk payout forecast of \$5.80 per kilograms of milksolids. Mr Penny highlighted that the overall GlobalDairyTrade price has reduced 42.2 percent from a year earlier, with SMP having declined 9.5 percent, BMP declined 12.9 percent, casein declined 14.3 percent and WMP declined 4.3 percent in the most recent auction. He also mentioned the possibility of the Russian ban placing further downward price pressure on products with European supply strong. Higher prices for later contracts indicate the potential for higher prices later in the season, but at the expense of short-term weakness.

Better position to cope with milk peak [4 September/ Radio New Zealand Rural] Fonterra Co-operative Group said that it is in a much better position this season to cope with an expected bumper peak milk period in October, with capacity to collect over 90 million litres a day. Fonterra Managing Director of Global Operations, Robert Spurway said that in order to handle higher loadings, it had invested in over 50 capital and enhancement projects, including a milk concentration plant at Longburn, Manawatu. However, he said that it is possible that Fonterra will still be disposing of some lower value by-products during the peak period, but that it will be managed sustainably.

Farmer cut off in milk dispute [9 September/ NZ Farmer] Fonterra Co-operative Group director milk supply, Lisa Payne although refusing to mention specific farmers, confirmed that the company was not collecting milk from one of its farmers in the Marlborough district, due to breaches in Fonterra's supply terms and conditions and environmental compliance. She said that the Co-operative will need to be satisfied that all requirements are met before collection resumes. The only dairy farmer known to be entangled in multiple court cases about environmental breaches is farmer Philip Woolley. Milk from Mr Woolley's farms is being disposed of by either being sprayed on paddocks or through effluent ponds. Marlborough District Council environmental committee chairman, Peter Jerram said that its monitoring of the district's dairy industry indicated that the progress on meeting environmental performance standards was disappointingly slow, with 2013-2014 dairymen's effluent and stream crossing survey showing that of the 60 dairy farms, six had wastewater systems too close to waterways and ten did not have contingency measures in place to store effluent in order to prevent water contamination. The survey findings also show that there are still 45 low priority stream crossings and that the fencing of waterways to exclude stock has not yet been completed. Councillors have agreed that the next dairy audit is to have a major focus on stream crossings, with enforcement to be taken as appropriate.

Red meat

Meat reports create 'a false impression' [4 September/ Radio New Zealand Rural] Beef + Lamb New Zealand is forecasting an eight percent increase in the average sheep and beef farm pre-tax profit to over \$110,000, based on a combination of higher lamb and beef prices, better climate conditions and an easier exchange rate. Meat Industry Excellence Group chairman, John McCarthy said that the marginal increase should not divert farmers' attention from the need to resolve deeper issues in the meat industry. He said that the large overcapacity in the processing sector has been resulting in large costs and that the industry is not able to obtain the best prices under the current model where all players are competing with each other, resulting in a price reduction. Mr McCarthy said that the Meat Industry Excellence group expects to release its business analysis for the red meat sector within a few weeks.

Goat

New \$70m drier opened by Dairy Goat Co-op [5 September/ Radio New Zealand Rural] The Prime Minister, John Key opened Dairy Goat Co-operative's new \$70 million spray dryer at its Hamilton plant. Dairy Goat Co-operative CEO, Tony Giles said it had been building manufacturing capacity to support the increase in sales growth over the past 15 years. He mentioned the company's narrow focus by saying that it specialises in infant and children's formula and does not produce any other types of goat products. Mr Giles said that the co-operative currently exports to approximately 25 markets and has been focusing on a market development programme over the last 10 years to avoid the risk of market concentration.

Environment and emissions

Farmers challenge water policy [4 September/ Otago Daily Times] Federated Farmers dairy chairman, Andrew Hoggard said while the quality of New Zealand's water bodies was generally stable and improving, the legal enforcement of stock exclusion from the start of 2017-18 season implies that the Sustainable Dairying: Water Accord had failed. Environment Minister, Amy Adams and Primary Industries Minister, Nathan Guy, along with Prime Minister John Key announced that a re-elected Government would spend \$100 million over 10 years to acquire and retire selected areas of farmland next to important waterways, along with a mandatory requirement to exclude dairy cattle from waterways. Irrigation New Zealand commended the announcement, saying that the policy recognised the value of irrigation and places the responsibility of cleaning up the waterways with the community. However Mr Hoggard said that although stock exclusion appears voluntary, it is a required condition of supply to the Fonterra Co-operative Group. Federated Farmers meat and fibre chairman, Rick Powdrell said that with some politicians attempting to exclude all stock on all farms, extensive farm systems will not be feasible.

Research and development

Drone big success on and off farm [8 September/ NZ Farmer] Southland farmer, Neil Gardyne, who used a drone (20 minutes), instead of a quad bike (120 minutes) to check on hogget lambing said that there is a real opportunity and huge potential to develop drone applications for agriculture, with the Gardyne family having compiled a list of more than 400 potential applications. Their target is to develop three ideas a year that will directly add value to their business and make the farm more efficient. Mr Gardyne spoke of the efficiencies that the drones have enabled them to realise so far. Over the past year, the Gardynes have been working with Beef + Lamb NZ and AbacusBio scientist, Bram Visser on the development of software to recognise and count sheep from the air. The Gardynes have had a positive reaction from New Zealand farmers, with many saying that they are anticipating the arrival of a machine that can be used out of the box to accomplish farm tasks. Mr Gardyne's son, Mark Gardyne has set up a company contracting to fly aerial mapping sorties for regional authorities, drain mapping, search and rescue work and helping farmers recover stock. Mr Gardyne and Mark were invited as keynote speakers to address a Digital Rural Futures conference in Toowoomba, Australia.

Farm technology is the Silicon Valley of NZ [9 September/ Business Day NZ Farmer] Massey University professor, Peter Kemp said that although he agrees with the need to diversify New Zealand's export industries from the primary industries and the need to add value to primary production through manufacturing, New Zealand's strengths in primary production and farming innovation and technology should not be ignored. Professor Kemp believes that there is huge potential for growth through the export of on-farm technology. Professor Kemp highlighted the innovative technologies that have been developed in New Zealand, such as the electric fence systems exported by Gallagher Group, the variable rate fertiliser system developed by the New Zealand Centre for Precision Agriculture at Massey University, electromagnetic soil mapping of water holding capacity across the farm and variable rate irrigator and fertiliser application with a GPS linked spreader used by Craig and Roz McKenzie on their Methven farm to produce high yielding crops, patent ultra-violet light recipes to increase the production and hardness of vegetable crops developed by BioLumic and the Grass2Milk app helping farmers feed their herd and manage livestock developed by OneFarm Centre of Excellence in Farm Business Management.

Food safety

AsureQuality profit beats guidance on higher testing volumes [4 September/ The National Business Review] State owned, AsureQuality surpassed its profit forecast on higher testing volumes across its laboratories, with profit increasing to \$12.5 million in the 12 months ended June 30, from \$10.1 million a year earlier. The company sales increased 8 percent to \$173.1 million. According to its statement of corporate intent for 2015 to 2017, AsureQuality expects a \$10 million profit in the 2015 financial year on sales of \$174.2 million. The state-owned enterprise paid interim and special dividends of \$4.5 million to the Government, and is expected to declare a final dividend on September 16.

International

ADM selling chocolate business to Cargill [3 September/ NZ Herald] The agribusiness company, Archer Daniels Midland Co is selling its global chocolate business to food and agriculture, giant, Cargill for \$440 million, stating that it will allow it to invest capital in other areas in order to improve returns. The sale is to include the chocolate manufacturing operations in Hazleton (Pennsylvania), Milwaukee, Georgetown (Ontario), Liverpool, Manage (Belgium) and Mannheim (Germany). Archer Daniels Midland Co. said that approximately 700 workers will transfer to Cargill. Cocoa processing operations at Hazleton will cease once the deal is finalised, resulting in the cancellation of approximately 90 positions. The transaction is expected to close in the first half of 2015.

Fisheries to cut catch of endangered Bluefin tuna [4 September/ NZ Herald] The body that monitors most of the Pacific Ocean, the Western and Central Pacific Fisheries Commission said that the catch of juvenile Bluefin tuna should be reduced to half of its average level in 2002-2004, which conservationist, the Pew Charitable Trust says is only an initial step towards saving the endangered Bluefin tuna. The Pew Charitable Trust director of global tuna conservation, Amanda Nickson said more than just the target of rebuilding the population to 8 percent of its original size is needed. The Nations that manage the eastern Pacific Bluefin fisheries are due to discuss their management plans for the species in October, with the final decision on catch limits for the western Pacific expected in December. An International Scientific Committee for Tuna and Tuna like Species in the Northern Pacific Ocean found that the levels of bluefin tuna in 2012 were at their lowest levels recorded at 4 percent of original stock levels, with most of the fish caught being juveniles. The US National Oceanic and Atmospheric Administration issued stricter quotas for unintentional catches of Atlantic bluefin tunas on surface longlines, and the European Union proposed banning the use of driftnets in its waters and vessels by the end of 2014 to better enforce the protection for fish, including bluefin tuna.

Smart farming the key to China's food problems: study [4 September/ Agence France Presse] China Agricultural University, Beijing scientists led by Fusuo Zhang reported on how to improve yields on existing land. Of the four different agricultural techniques tested, the highest yield was produced from the technique that focused on yield maximisation without regard for the environment, with an increase of 7.2 to 8.8 tonnes per hectare for rice, 7.2 to 9.2 tonnes per hectare for wheat and 10.5 to 14.4 tonnes per hectare for corn. In the publication in the journal Nature, the scientists also reported that the smart farming technique called the integrated soil-crop management system worked extremely well with 8.5 tonne increase for rice, 8.9 tonne increase for wheat and 14.2 tonne increase for corn without an increase in nitrogen fertiliser. The study stated that the integrated soil-crop system management substantially reduced the excessive use of nitrogen and emission of greenhouse gases. The report stated that if China is able to achieve average grain yields equivalent to 80 percent of this treatment by 2030 over the same planting area as in 2012, the total production of rice, wheat and maize in China would be more than enough to meet the demand for direct human consumption and a substantially increased demand for animal feed, while being able to decrease the environmental costs of intensive agriculture.

Horsemeat report calls for 'food fraud' unit [4 September/ The Financial Times] Queen's University Institute for Global Food Security director, Chris Elliot has recommended that the Food Standards Agency establish a national food crime unit to protect UK consumers from food adulteration, tampering, stealing and counterfeiting within the supply chain. Professor Elliot said that the most common type of food fraud involved the adulteration of products, such as that seen from the horsemeat scandal in 2013. Leicester Council's meat tests conducted in 2013 indicated that over 50 percent of the samples tested contained meats other than those on the label, indicating careless practices, as well as potential fraud. Professor Elliot also said consumers needed to be more vigilant and question when food appeared to be too under-priced. The British Meat Processors' Association said it supported increased testing of meat supplies and severe penalties for food fraud. Downing Street stated that the Government accepted the report and would take its recommendations, but refused to clarify how much and when extra funding would be allocated.

Wine industry says health warnings would make it 'global laughing stock' [5 September/ ABC News] Although some medical research has highlighted cancer risks associated with alcohol consumption, the Australian wine industry thinks that Australia would be a laughing stock if health warnings are put on alcohol bottles. Winemakers Federation's Paul Evans said that the wine industry would strongly resist any move requiring further compulsory health warning labels. Flinders University, Adelaide is currently researching consumer responses to any labelling changes. The South Australian Drug and Alcohol Services' Robert Ali said there were clear links between consumption levels and health risks, with the gradient increasing with the level of consumption. However, Dr Ali admitted that communicating the risk to consumers would be complex.

Social farming pilot project reveals benefits for farmers and users [8 September/ The European Union funded Social Farming Across Borders project involved 20 farmers working with 66 people with intellectual disabilities and mental health issues on their farms for a year, in the six Border counties of Ireland and in Northern Ireland. Project manager from University College Dublin's school of agriculture, Jim Kinsella said despite the fact that farmers were not paid, the project was oversubscribed threefold and farmers are now setting up an association to support social farming. A published review of the project stated that both parties benefited from the arrangement, with the farm visitors having been inspired to move from institutions to their own homes, and some farmers reporting lower stress levels and benefits from the visitors' company. Dr Kinsella said that the extent to which the potential of social farming will be realised depends on the extent to which health and social care services were willing to pay farmers for delivering the services.

Chiquita delays vote on Fyffes deal [9 September/ Agence France Presse] US banana giant, Chiquita stated that it had postponed a shareholder vote on a merger with European fruit producer Fyffes from September 17 to October 3, and invited rival Brazilian juice exporter, the Cutrale Group and Brazilian its partner, investment bank, Safra Group to make another counteroffer, following the USD 611 million joint offer that was rejected on the basis of being inadequate. Chiquita said that it is continuing to recommend the Fyffes deal to its shareholders. Cutrale and Safra criticised the Chiquita move saying that it had only been given eight days to deliver a full and binding bid. Cutrale and Safra have publicly criticised Chiquita-Fyffes deal.

NSW biodiversity fund “encouraging first step” – Nuffield Scholar [9 September/ ABC Rural] New South Wales Environment Minister, Rob Stokes said that developers of major road, rail and mining projects will be required to contribute to a biodiversity fund, which will be used to pay farmers to protect biodiversity, with Riverina farmer, Nuffield Scholar and Riverina Local Land Services board chairman, Sam Archer saying that the State Government’s plan is an encouraging first step. Mr Stokes said that areas requiring the most focus are those places that have big infrastructure or resource extraction projects proposed. He said when woodland is affected by a large mining or road project, it will provide a landholder of a similar woodland in the vicinity an upfront payment to set aside woodland, with an ongoing payment to aid the management of the woodland for pests and weeds to ensure its environmental values are sustained. Mr Stokes clarified that the scheme does not mean that land will necessarily be restricted indefinitely.

Agribusiness education

Taratihi signs MOU with China [8 September/ Rural News Group] The Taratahi Agricultural Training Centre has signed a memorandum of understanding focusing on the cooperation in agricultural policy research, technology training and livestock breeding with the China Rural Technology Development Centre. The memorandum of understanding aims to improve global agricultural sustainable development, and will formalise the current working relationship in agriculture in general. Taratahi CEO, Donovan Wearing said that the Chinese Government is looking to New Zealand to help support its recently announced reforms in the vocational training sector. Six hundred universities are expected to be transformed into applied institutions under the vocational education reform.

Agribusiness strategy

Columnist changes tack to book editor [8 September/ NZ Farmers Weekly] NZ Farmers Weekly columnist, Alan Emerson, noted that sensible discussion of farming related topics has been missing from the election campaign to date in launching his new book, New Zealand Agriculture: An Economic Perspective, co-authored with Professor Jacqueline Rowarth and Professor Frank Scrimgeour (both of Waikato University). Mr Emerson said he wanted to produce a book that demonstrated, in economic terms, the potential of the primary sector to the NZ economy to balance the apparent irrelevance the sector seems to have to the mainstream community. One example he pointed to in the book was the amount of milksolids a lactating ewe is able to produce (more than a dairy cow) which when extrapolated, suggests that we could produce three times the level of milksolids with half the environmental footprint by switching to sheep’s milk, a discussion Mr Emerson suggested was worth having. He also said the research system in New Zealand was a disaster and noted that it is good agricultural research, genetic improvements and investment in market access and innovation that will grow the New Zealand economy. The book, which has been produced by NZX Agri, concludes that the future of the industry is promising provided farmers, agribusiness and the government continue to invest in the sector and continue to explain the realities of operations.

Election 2014

Farmers to fence off waterways – Green Party [7 September/ NZ Herald] Green Party co-leader, Russel Norman, has announced that the party will require all farmers to fence off rivers, lakes, waterways and wetland from stock with a buffer zone for vegetation by mid-2017. He also announced that farmers and other commercial users will be required to pay for any water used for irrigation with the revenue generated being ring-fenced for water clean-up projects, and noted the policy was consistent with advice the government had received from The Treasury and the Ministry for the Environment. Mr Norman said that freshwater was a common good and if it is used for private profit, this should deliver a benefit to the environment and the wider community. He said the proposed policies were good for the environment and good for farmers. The proposals include a \$100 million fund over three years that farmers will be able to access to support the planting of riparian strips.

Zones ‘preserved’ for recreational fishers [7 September/ stuff.co.nz] National have announced a policy to create a new system for marine reserves, which will see commercial fishing banned from parts of the Marlborough Sounds and Hauraki Gulf. Conservation Minister, Nick Smith, and Minister for Primary Industries, Nathan Guy, announced the creation of two new recreational fishing parks at an event in Auckland. It was noted that commercial fisherman with quota in the areas that will be restricted will be given the option to move further out to fish or will be compensated for their loss of property right. The Ministers noted that the proposed areas were a New Zealand first and are intended to enhance the opportunity for kiwi families to catch fish in these areas. An industry source noted that \$20 million in compensated mooted by the Government would not even cover the snapper quota in the Hauraki Gulf.

ACT would push to abolish RMA [7 September/ Otago Daily Times] ACT Party leader, Jamie Whyte, says it would seek to abolish the Overseas Investment Office and the Resource Management Act if it became part of the next government. Mr Whyte said the OIO should be abolished as it has no proper job to do, as New Zealanders benefit from international investors investing in this country, adding there is no injury for the OIO to protect us from. He challenged the backlash to the sale of the Lochinver Station, noting the land was not owned by New Zealanders but private individuals, so it was not ‘our’ land being sold. He also said he would abolish the RMA as the fundamental issue with the Act was in its conception, claiming it was an assault on private property rights that stifles investment and economic growth that should be replaced by a policy that respects property rights. He also said ACT would remove all race based policies, cut the money go round of government welfare and seek to raise the retirement age.

Impact of dairy farming a key election issue [8 September/ NZ Herald] A Herald-DigiPoll survey indicates that the country is evenly divided on whether farmers are moving quickly enough to reduce their impact on the environment, with a 47.3 percent majority agreeing with the statement that farmers were continually improving their practices and were unfairly criticised by environmentalists, 39.2 percent agreeing that farmers were moving too slowly to improve their practices, and 6.4 percent saying that farmers deserved all the criticism they received from environmental groups. While Aucklanders and the young middle-aged were more likely to be critical of farmers, those outside Auckland and aged over 65 years were more likely to be supportive of farmers. Federated Farmers dairy chairman, Andrew Hoggard said although historically farmers were slow to introduce mitigation measures, 90 percent of dairy farms had now fenced off their waterways and 96 percent were complying with dairy effluent rules. The National Party believes that dairying can continue to expand, while environmental impacts are being controlled by fencing rivers and retiring farmland around waterways, with the Government having introduced environmental bottom lines for rivers requiring all councils to ensure that rivers and streams were at least clean enough for boating or wading. The Labour Party and the Green Party believe that all rivers should be clean enough to swim in, and that land intensification needs to be controlled in order to limit environmental damage, with both parties supporting a tax on freshwater, contrary to National Party's belief that it would unfairly burden New Zealand's largest exporter.

Farmers and producers

Romano confirms dairy intentions for Lochinver [4 September/ National Business Review] Shanghai Pengxin International CEO, Gary Romano said that it intends to turn a small part of Lochinver station to a dairy farm. Shanghai Pengxin Group's local subsidiary, Pure 100 Farm's acquisition of Lochinver station is currently pending approval by the Overseas Investment Office, and is subjected to Chinese regulatory approval. Mr Romano said that it intends retain all of Lochinver station's current staff, and expects there to be more jobs available due to the extra activity on the farm.

REL operating earnings jump to \$6.43 million [8 September/ NZ Farmers Weekly] Rural Equities, the corporate farming business with 25 dairy, sheep and beef, deer and cropping farms spread across the country, reported a near doubling of operating earnings to \$6.4 million as a result of productivity gains and high export commodity prices. The company also reported revaluation gains on land and stock of around \$20 million. The company, listed on the Unlisted platform, saw net tangible asset backing rise from \$4.77 to \$5.37 per share. The company has embarked on the conversion of a farm near Ashburton to dairy and was unconcerned about the current fall in milk prices, with chairman, David Cushing, noting that company plays a long game and are confident about dairying's future.

Contact Us

<p>Auckland/ Audit</p> <p>Ian Proudfoot 09 367 5882 021 656 815 iproudfoot@kpmg.co.nz</p>	<p>Taxation</p> <p>Greg Knowles 09 367 5989 021 307 332 gknowles@kpmg.co.nz</p>	<p>Tauranga</p> <p>Robert Lee 07 571 1773 027 451 1035 relee@kpmg.co.nz</p>	<p>Wellington</p> <p>Graeme Edwards 04 816 4522 027 296 5050 gdedwards@kpmg.co.nz</p>
<p>Christchurch</p> <p>Andrew Hawkes 03 353 0093 027 508 0135 ahawkes@kpmg.co.nz</p>	<p>Financial Advisory Services</p> <p>Gary Ivory 09 367 5943 021 932 890 givory@kpmg.co.nz</p>	<p>Risk Advisory Services</p> <p>Gabrielle Wyborn 09 363 3687 gwyborn@kpmg.co.nz</p>	<p>Hamilton/ Private Enterprise</p> <p>Hamish McDonald 07 858 6519 021 586 519 hamishmcdonald@kpmg.co.nz</p>
<p>Farm Enterprise</p> <p>North Island</p> <p>Julia Jones 07 858 6553 027 524 8901 juliajones1@kpmg.co.nz</p>	<p>South Island</p> <p>Brent Love 03 683 1871 027 528 1537 blove@kpmg.co.nz</p>		

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

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

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

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