

AGRIBUSINESS

FIELD NOTES

Weekly news update from the KPMG Agribusiness network

Holiday catch up edition – 14 January 2015

Organisations referenced in this week's Field Notes include:

AgriHQ	McCains
AmerisourceBergen	McDonalds
ANZ	Ministry for Primary Industries
ASB Bank	MWI Veterinary Supply
Asda	National Cannabis Industry Association
Australian Wool Innovation	National Party
Beingmate	New Zealand Avocado
Bumble Bee Seafoods LLC	New Zealand First
Cedenco	New Zealand Guild of Agricultural Journalists and Communicators
China Food and Drug Administration	New Zealand King Salmon
Chinese Ministry of Commerce	New Zealand Winegrowers
Commerce Commission	Otago Regional Council
Countdown	Overseas Investment Office
Cullen Agricultural Holdings	PGG Wrightson
Dairy Solutions New Zealand	Pyper's Produce
Duncan and Co's	Rabobank
Environment Canterbury	Riddet Institute
Federated Farmers	Rural Women New Zealand
Fonterra Co-operative Group	Sealord
Foodstuffs	Silver Fern Farm
Founders Fund	South Canterbury Rural Support Trust
Giesen Wines	Texus Fibre
Hart Acquisitions LLC	Thai Union Frozen Products PCL
Hefei Huayi Investment Co Ltd	United Kingdom Department for Environment, Food and Rural Affairs
Horticulture New Zealand	Utrecht University
Labour Party	Waikato University
Landcorp Farming	Westpac
Long Island Brand Beverages	WorkSafe New Zealand
Love Food Hate Waste	Zespri
Maraeroa C Incorporation	

Headlines



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**HOT OFF THE PRESS:
KPMG AGRIBUSINESS
AGENDA 2014 VOLUME 2**

17 December

China to lift ban on imports of GM corn [17 December/ NZ Herald] Sources suggest that the Chinese Government has approved the lifting of a ban on imports of a genetically modified corn variety that is commonly grown in the United States (MIR 162, developed by Syngenta) as trade talks between the two countries commenced. The information is yet to be formally announced publicly. Agriculture industry consultant, Shanghai JC Intelligence managing director, Li Qiang, said if the ban is lifted, China's corn imports could increase to 4 million tons in the year through to September 2015, from the current United States Department of Agriculture estimate of 2 million tons. China has rejected over 1.2 million tons of United States corn cargo since 2013 as over ten percent of the United States crop originates from seeds containing the MIR 162 gene.

Global Dairy Auction: Improvement in dairy prices [17 December/ NZ Herald] The GlobalDairyTrade index gained 2.4 percent during the final auction, of the year with whole milk powder prices increasing by 1.4 percent to USD 2,270 per tonne. AgriHQ analyst, Susan Kilsby said it was too early to predict if the positive price trend would continue into 2015. Declining oil prices, geopolitical uncertainty in Russia and Ukraine and falling demand from China have contributed to weaker prices in 2014. Skim milk powder price declined 3.2 percent, while anhydrous milk fat gained 10.8 percent and butter gained 10.4 percent. Butter milk prices declined 9.5 percent, cheddar declined 0.6 percent and rennet casein gained 4.5 percent.

19 December

Farmers, unionists protests EU-US free trade talks [19 December/ NZ Herald] Farmers and trade unionists in Brussels are protesting against negotiations to set up a trans-Atlantic free trade zone. Trade unionists, environmentalists and farmers are concerned that a trans-Atlantic trade deal will impact environmental protection standards and decrease subsidies to the agricultural sector.

22 December

Corporate News: A merger with the tuna business [22 December/ The Wall Street Journal Asia] One of the world's largest seafood companies, Thai Union Frozen Products PCL said it was acquiring United States based Bumble Bee Seafoods LLC from Lion Capital for USD 1.51 billion, which would combine two of North America's largest tuna-fish brands. Thai Union Frozen Products said the move is targeting operating efficiencies in sourcing and production, as well as advancing into North American markets. Thai Union Frozen Products CEO, Thiraphong Chansiri said the merger will result in an increase in group revenue by approximately 25 percent. The agreement is subject to conditions, including approval by United States antitrust authorities. The companies expect the transaction to be completed in the latter half of 2015.

Agriculture targeted in safety campaign [22 December/ Radio New Zealand Rural] A six year safety programme targeted at reducing the number of deaths and serious injuries in the agriculture industry, the Safer Farms programme is to be implemented in 2015, in partnership with WorkSafe New Zealand and the Accident Compensation Corporation. Fifty five workers were killed in New Zealand in the last year that statistics are available for, of which 20 were in the agriculture sector. WorkSafe New Zealand national programmes manager, Francois Barton said the programme was focused on changing farmers' attitude towards safety. He said the programme will include increasing awareness on the hazards in farming, building local leadership and addressing the enforcement of health and safety regulations.

23 December

Small wineries sip profits [23 December/ Business Day] The latest annual financial benchmarking survey released by New Zealand Winegrowers and Deloitte indicate better profits across wineries of all sizes. The report highlighted that it is the bigger wineries that are bringing in larger profits. There was a record harvest of 445,000 tonnes of grapes this year, which was a significant increase from the 345,000 tonnes the previous year. The industry has an annual turnover of approximately \$2 billion, with \$1.33 of it coming from exports. The survey indicated the strong New Zealand dollar as the main problem facing the industry.

Joint venture agreement signed with Chinese company [23 December/ Maraeroa C Incorporation] Maraeroa C Incorporation said that it had signed a joint venture agreement with Chinese company Hefei Huayi Investment Co Ltd, creating Pure-ora Resource Company (NZ) Ltd, with an initial capital base of \$6 million. Pure-ora Resource Company CEO, Glen Katu said that it will expand the incorporation's ginseng plantation from the current 21 acres to 160 acres over three years. Ginseng products will be exported to China from 2016 onwards. The company will be looking at other business opportunities domestically and will be actively seeking partners and/ or supply agreements with those companies.

Avocado industry waits for China clearance [23 December/ Radio NZ Rural] The New Zealand avocado industry is waiting on approval by China for New Zealand exports. New Zealand Avocado CEO, Jen Scoular said only Chile and Mexico had access to China for avocados. She said that indications from Chinese officials were that there were no technical reasons as to why approval should not come through. She also mentioned the impending phasing out of South Korean tariffs over the next ten years as a result of the Free Trade Agreement that is to go through in March 2015. Ms Scoular also said the lower than expected avocado harvest in Australia has resulted in New Zealand's largest overseas market taking in approximately 70 percent of the exports.

Venison companies working together [23 December/ Radio New Zealand Rural] In 2014, seven venison processing plants received approval to export to China, with Duncan and Co's general marketing manager, Glenn Tyrrell saying that it is also hoping to be cleared for export to China in 2015. Mr Tyrrell said the deer industry had applied to the Government for Primary Growth Partnership funding to support the joint China marketing project, as well as for new initiatives to boost chilled venison exports into Europe.

Meat prices bode well for PGG Wrightson turnover [23 December/ Otago Daily Times] PGG Wrightson CEO, Mark Dewdney said that its trading performance is performing well, despite the low forecast milk prices. He mentioned that confidence remained high in the sheep and beef sectors, which would offset any reduced dairy related spending over the rest of the financial year. Mr Dewdney said revenue in the retail segment, which is weighted towards the first half of the year has performed well. He said that they believe market share gains have contributed to the revenue growth. Rabobank's latest dairy quarterly mentioned that many New Zealand dairy farmers will be operating at a cash loss for the year. The report highlighted that the negative cash flow impacts are likely to peak when retrospective milk payments are received and expenditure was required to set up the 2015/16 season. But the report also mentioned that financiers were likely to provide working capital support though the period.

24 December

Year of contrasts for rural New Zealand [24 December/ Radio New Zealand Rural] Commenting on a year of contrasts, Waikato University professor of agribusiness, Jacqueline Rowarth said that she hopes the Fonterra Co-operative Group is correct regarding its prediction of a price increase. She mentioned a positive of the year given the ongoing recovery of the kiwifruit industry. She also mentioned a growing interest among her students in careers in agriculture. Meanwhile, in Northland while some farmers were emerging from drought, others were feeling the impacts of floods.

ASB to pay \$3.2m in interest swaps settlement [24 December/ NZ Herald] ASB Bank has agreed to a settlement with the Commerce Commission over the sale of interest rate swaps to farmers between 2005 and 2009. This follows a 19 million settlement with ANZ Bank. Of the ASB Bank settlement, \$2.7 million will go towards compensation. The Commerce Commission said that it believed ASB Bank had misled customers by the way it marketed the interest rate swaps, breaching the Fair Trading Act. ASB Bank said it was pleased to have settled the matter, although discussions are still being held with the Financial Markets Authority. The Commission is continuing its talks with Westpac regarding its involvement in the sale of interest rate swaps.

Meat export rise shrinks trade deficit [24 December/ NZ Herald] New Zealand's trade deficit narrowed to \$213 million last month, from October's deficit of \$908 million. Exports declined 9.5 percent to \$4.02 billion from the same month the previous year, while imports declined 1.4 percent to \$4.24 billion. Offsetting the decline in dairy prices, meat and edible offal increased 20 percent, driven by a 65 percent increase in frozen beef. The decline in imports were led by an increase in capital goods of 7.9 percent in November, compared with November the previous year. Exports to China declined 44 percent to \$686 million in November, compared to a year earlier, while imports from China increased 1.3 percent to \$829 million in November. New Zealand's annual trade balance was at a deficit of \$453 million, while exports increased to \$50.4 billion in the year to November, while imports increased 6.6 percent to \$50.8 billion. New Zealand recorded a trade deficit of \$2.5 billion in the three months ended November 30, affected by a decline in exports by 7 percent to \$11.6 billion and an increase in imports by 11 percent to \$14.1 billion.

Silver Fern to seek \$100m [24 December/ NZ Herald] Silver Fern Farm CEO, Dean Hamilton said that it is seeking to raise approximately \$100 million in new equity in 2015 to repay debt, upgrade plant and to accelerate its value added product strategy. Mr Hamilton said that it is looking to reduce its current \$280 million debt to \$100 million. Mr Hamilton said Silver Fern Farms intends to exit its 50:50 joint venture, Dairy Bull Beef with fast food chain, McDonald's, which would free up approximately \$50 million. The company also plans to use proceeds from selling surplus assets and use its profitability improvements to reduce its debt. Silver Fern Farms is expected to report a profit of \$5 million to \$7 million in the year to September. Mr Hamilton expects its farmer shareholders to play a part in the capital raising. In addition to debt reduction, it is also focusing on accelerating its value added strategy to form ten percent of total sales, from the current five percent.

26 December

Fish farmers doing damage too – Ecan [26 December/ Business Day: NZ Farmer] Environment Canterbury has accused Salmon farmers in the Mackenzie Basin of discharging waste that can heavily impact waterways. Environment Canterbury hydrology team leader, Helen Shaw said discharges include feed wastage, faeces and ammonia released from the fish. The upper Waitaki zone committee has been assisting Environment Canterbury to introduce nutrient management rules, with nine other Canterbury catchments also developing nutrient management rules. Federated Farmers' North Otago president, Simon Williamson said that nutrient allocations must be tradeable within the catchment. He also said that the Mackenzie Basin required a 50 year vision for water and nutrient management. Water quality results indicated that nitrate and nitrite nitrogen concentrations increased on average by 44 percent per annum between 2003 and October 2013, with water clarity having decreased and turbidity increased significantly.

Nats come under fire after local farmer cops fine [26 December/ Business Day: NZ Farmer] Following the decision to fine farmer Bas Nelis' company, Hold the Gold, \$16,875 National MPs have come under pressure to make changes to the Resource Management Act. Mr Nelis was fined in the Environment Court for the unlawful use of land and disturbing the river bed when he attempted to plant native trees. New Zealand First primary industries spokesman, Richard Prosser criticised the decision to fine Mr Nelis. A council spokesperson said it was disappointing to see political pressure being put on a case that is still before the courts. Despite Mr Nelis' case having gone through the court system, a case involving a contractor on the job is yet to receive a verdict.

27 December

Science key to Federated Farmers' credibility [27 December/ Business Day: NZ Farmer] Federated Farmers' CEO, Graham Smith has been appointed to Crown Research Institute Landcare Research advisory panel. Mr Smith stressed the importance of science research for agribusiness in order to effectively increase production within environmental constraints. He also mentioned precision agriculture as a potentially valuable system that could be used in the future. Mr Smith highlighted the need for the organisation to become more evidence based in order to represent its members' views with agribusiness and Government. He believes that the organisation needs to make a profit in order to be effective and to meet its objectives. Accordingly its membership fees has increased by six percent (an increase of between \$25 and \$30) since January 1. The board has approved a budget of \$9 million for the 2015 financial year. Mr Smith said that the Federation's IT issues are currently under review. He has also appointed a key account manager to focus on corporate farmers. Along with the Federation's other leaders, Mr Smith wants to explore the direction of agribusiness, the key drivers of change and its impact on farmers and agribusinesses.

Landcorp seeks to fatten sheep returns through milk, wool [27 December/ The National Business Review] Landcorp Farming plans to increase returns from sheep, and has signed a three year contract with New Zealand Merino to manage its total wool clip. Landcorp is also looking to establish a premium niche sheep milk brand. The company has been conducting market research on sheep milk demand, as well as potential for products and export destinations. Landcorp has also engaged Massey University's Riddet Institute to experiment with producing butter, yogurt and ice cream products. It has also purchased 2,500 East Friesian sheep, known for its superior milk yield per ewe.

29 December

NZ export log prices rise in December, as cheaper shipping offsets weak demand [29 December/ The National Business Review] New Zealand export log prices increased in December, supported by a decline in shipping costs, which also offset weak prices from China. As per the AgriHQ's monthly survey of exporters, forest owners and sawmillers, the average wharf gate price for New Zealand A-grade logs increased from \$98 per tonne to \$101 per tonne in November, with the AgriHQ Log Price Indicator rising from 92.7 to 94.0. The export returns were strengthened by a decline in the New Zealand dollar, although prices in China remained weak. AgriHQ forestry analyst Ivan Luketina said sawn timber production in the third quarter was the highest in four years, in the domestic market.

Maori freehold land potential highlighted [29 December/ NZ Farmer] Two reports released by the Ministry for Primary Industries predict improvements to Maori agricultural could increase gross domestic profit by \$2.3 billion, with forestry providing an additional \$1.2 billion. Although the total area of Maori land is 1.2 million hectares, the majority is owned in small parcels, making the land non-viable for production. The report suggests that by focusing efforts on properties that are 100 hectares or greater, it would be possible to improve the productivity by 42 percent of the total Maori land. Maori Development Minister, Te Ururoa Flavell said the reports are in line with the Maori Economic Development Strategy, which aims at growing the Maori economy to 2040. Mr Flavell also highlighted the need to reform the Te Ture Whenua Act, making it easier for collective Maori landowners to make decisions over land use and development.

31 December

England bucks trend with surge in rural migration [31 December/ The Times] The rural population in England is expected to increase by more than half a million (six percent) over the next decade, according to the Office of National Statistics. The Department for Environment, Food and Rural Affairs said the shift is expected to boost the local rural economies, as those shifting are likely to be more affluent and are more likely to start businesses in the area. The Department predicts that it could lead to an increase in employment of over 300,000 by 2025. The environment secretary, Elizabeth Truss said that there is a lot of innovation, exports and new technology start-ups being born in rural areas.

1 January

Jamie's new mission: fruit and veg – with knobs on: Campaign to reverse bias against 'wonky' produce: Asda trials 30% discount for misshapen fresh food [1 January/ The Guardian] Jamie Oliver is focusing on a campaign which encourages shoppers to buy misshapen but perfectly edible fruits and vegetables in an attempt to reduce food waste. Supermarket chain, Asda is to trial the sale of misshapen, but edible fruits and vegetables at a 30 percent discount, marketed under Asda's new Beautiful on the Inside range. The move is supported by the Government's food waste reduction advisory body, Wrap, which commented that the waste in the fresh produce supply chain averaged out between 10 and 25 percent, depending on the type of produce. Market research company, Mintel head of United Kingdom food and drink research, Kiti Soinen said offering oddly shaped fruit and vegetables as a tasty low cost option should help reach consumers open to the concept. Love Food Hate Waste head, Emma Marsh highlighted that misshapen or blemished fruit and vegetables are not inferior in taste.

5 January

NZ agri focus for international media [5 January/ Sun Live] New Zealand agriculture and horticulture is to receive international media attention later this year when 200 agricultural journalists attend the International Federation of Agriculture Journalists Congress 2015, which is hosted by the New Zealand Guild of Agricultural Journalists and Communicators. The event is held annually in different parts of the world. The event has already received sponsorship promises of nearly \$200,000. The four days of the event will include speeches, briefings and visits to farms, plant and research facilities around the Waikato. The focus will be on dairy, red meat, horticulture and viticulture, science and innovation, as well as some other broader agricultural topics. NZ guild planning team chairman, Hugh Stringleman thanked all its current sponsors for Congress 2015, including Dairy New Zealand, Fonterra Co-operative Group, AGMARDT, NZXAgri, Ministry for Primary Industries, KPMG, Tourism New Zealand, MFAT, Silver Fern Farms, Zespri, Ballance AgriNutrients, Gallagher and Horticulture New Zealand.

7 January

China regulator to strengthen 'grim' food, drug safety control [7 January/ China Daily] The China Food and Drug Administration said that despite food and drug safety in China currently being weak, it will receive stronger oversight, following a series of scares in 2014. The regulator said that it will increase active regulation to prevent food and drug safety scares, including more on-site inspections, random tests and unannounced visits. It acknowledged that the current quality of personnel, legal structures, management methods and technological aspects were insufficient. China Meat Association deputy secretary-general, Gao Guan said that the current food safety laws are incomplete, with its enforceability responsibility uncertain.

8 January

Sweetcorn seeds were duds [8 January/ NZ Farmer] A McCains spokesman confirmed that it had distributed some non-performing sweetcorn seeds to a number of growers in the Hawke's Bay area. The spokesman said that as soon as the issue was identified, new seed had been issued and a replanting programme was put in place with all costs being borne by the company. He said such issues were not uncommon in the industry. There is an argument as to whether later crop establishment offered a lower yield or not. A Cedeno spokesman said sweetcorn crop has been delayed this spring due to cool, wet weather, but was too early to make a definitive statement about how it would impact the harvest. A Feilding based agronomist, Duncan Thomas said barley yields were expected to be below average this season. Federated Farmers Manawatu/ Rangitikei Grain and Seed chairman, David Lee-Jones said approximately ten to 20 percent of crops were replanted. He also mentioned that the outlook for barley is not overly positive.

New Year honour to Evans [8 January/ Rural News Group] Former Rural Women national president, Liz Evans was made an Officer of the New Zealand Order of Merit and recognised in the New Year's Honours list in recognition for her services to rural women. Ms Evans has increased the organisations communications under her reign, as well as having established the Enterprising Rural Women Awards.

Chilean firm wins King Salmon contract [8 January/ NZ Farmer] New Zealand King Salmon CEO, Grant Rosewarne said that it awarded the contract to build the pens and supply feed for three new salmon farms in the Marlborough Sounds to the Chilean aquaculture company, Akva. Mr Rosewarne said the decision was due to needing more buoyant pens that are not available in New Zealand, hence the decision not to use the usual local companies, Picton Manufacturing and Cuddon. He said the contracts to assemble the pens have been awarded to a local company. Cuddon CEO, Andy Rowe said he was disappointed at not receiving the contract after submitting a tender to build a similar product to the Chilean design. Mr Rosewarne said due to the time constraints and in order to avoid the risks of contracting for a new design that has not been built before, the company decided to proceed with Akva. The first new farm is expected to be functional by approximately March in Waitata Reach, with fish expected to be entered in May. Mr Rosewarne mentioned that the expected cost of the three farms was \$18 million, which will increase turnover from \$100 million to \$200 million, with employee numbers expected to increase from 450 to 600.

Eric Watson's dairy venture to merge with US iced tea maker [8 January/ NZ Herald] Georgia based Cullen Agricultural Holdings, which is, 57 percent owned by expatriate New Zealand businessman, Eric Watson has entered into an agreement to merge with iced tea manufacturer, Long Island Brand Beverages, with an intention to enter the ready-to-drink tea market. The deal, including the rebranding to Long Island Iced Tea Corp is expected to be completed by the first quarter of 2015, with the Long Island Brand Beverages CEO, Philip Thomas to head the new company. The deal will result in Cullen Agricultural having a 37 percent stake of the new entity. An affiliate of Mr Watson's brother, Hart Acquisitions LLC entered into an agreement with Cullen Agricultural Holdings to purchase certain assets and intellectual property of the former business for USD 125,000, according to documents filed with the Securities Exchange Commission. If Hart Acquisitions LLC is to sell the intellectual property prior to the end of January 2020, Cullen Agricultural Holdings will be entitled to 20 percent of the proceeds.

Potato upgraded as new staple crop [8 January/ China Daily] China's vice-minister of agriculture, Yu Xinrong said that the country is boosting its potato cultivation to transform the crop into its fourth staple food after rice. The Ministry of Agriculture said that the area dedicated to potatoes will expand from 5 million hectares to 10 million hectares. The country has set a minimum of 120 million hectares to be for cultivated land, although there is pressure on arable land due to growing urbanisation.

Organic farming 'could be worse for the climate' [8 January/ The Guardian] A scientific adviser to the United Kingdom Government and former Food Standards Agency CEO, Lord Krebs has said organic farming could have a higher detrimental impact on the climate than conventional farming due to the larger land use required and the methods used. He suggested the agricultural method which involves the use of genetically modified crops or biotechnology, known as no-till as an alternative that is better for the climate. He mentioned that the United Kingdom's soils could not be expected to continue to produce food at the current levels in the future decades.

Prices rise at latest dairy auction [8 January/ NZ Herald] The GlobalDairyTrade index gained by 3.6 percent in the first auction of 2015. Whole milk powder prices increased by 1.6 percent to USD 2,307, short of the USD 3,000 required by April for the Fonterra Co-operative Group to reach its \$4.70 per kilogram milk price forecast. Skim milk powder increased by 2.8 percent, while anhydrous milk fat prices increased 6.8 percent, butter increased 13.2 percent, butter milk powder increased by 10.5 percent, cheddar increased by 3.2 percent and rennet casein increased by 4.2 percent. Most bank economists maintained their 2014/15 forecast, which met Fonterra's \$4.70 per kilogram price. ASB Bank said that it remains broadly positive on dairy prospects beyond this season. The ANZ Commodity Price Index declined 17 percent over 2014, including a 4.4 percent decline in December. ANZ said whole milk powder prices declined 11 percent in December, 52 percent lower than the previous year, while beef prices declined ten percent over December, while remaining 28 percent up on a year ago.

9 January

Fonterra says milk production up 4pc [9 January/ NZ Herald] The Fonterra Co-operative Group said milk production was four percent higher in the seven months to December 31, compared with the same period last year, but is beginning to show a decline due to dry conditions in the South Island. Milk production was three percent higher in December 2014, compared to December 2013, with North Island collection up four percent to 125 million kilograms of milksolids and South Island collection up one percent at 76 million kilograms of milksolids. Milk collection in Australia reached 71 million kilograms (up six percent) to the six months to December, while Australian milk collection was down three percent (12.5 million kilograms) for the month of December.

Otago farmers face irrigation shutdown [9 January/ NZ Farmer] The Otago Regional Council has indicated that water from irrigation schemes in Central and North Otago could be cut from early next week, with the Otago Federated Farmers saying that it poses a severe challenge for farmers that are dependent on schemes. The Council CEO, Peter Bodeker said that waterways were reaching minimum flows. Federated Farmers, Stephen Korteweg said that affected farmers had little choice but to unload stock as pasture growth and feed depleted. He mentioned that bringing feed in from elsewhere was an option, but acknowledged the financial restrictions. Mr Bodeker said farmers from Strath Taieri upstream from Middlemarch to Alexandra as well as North Otago will be impacted by the cuts to schemes on the Manuherikia, Taieri, Shag and Kakanui rivers. He said the climate seemed similar to that of 1994, 1999 and 2004 where drought conditions were relieved by heavy rainfall in February. He also mentioned that a minimum of 200 millilitres of rain would be required over two to three days for irrigation to resume.

Fonterra gets Chinese antitrust, foreign investment approval for Beingmate deal [9 January/ The National Business Review] The Fonterra Co-operative Group has been granted antitrust and foreign investment approval by the Chinese Ministry of Commerce to acquire a 20 percent stake in China's Beingmate Baby & Child Food infant formula maker. The deal will include an investment of \$615 million by Fonterra, but requires further regulatory approval. The deal also includes the co-operative using its Darnum plant in Victoria, Australia to form a joint venture with Beingmate, with Fonterra holding 49 percent stake in the new entity. Fonterra is to licence the Annum brand exclusively in China to Beingmate, where it has access to 80,000 outlets, and receive royalties, and a share of dividends by Beingmate, which have been 50 to 60 percent of profits.

10 January

Summer heat good for grape quality [10 January/ NZ Farmer] Warmer conditions have helped Marlborough vineyard growth. Giesen Wines viticulture manager, Mike Poff said recent high temperatures had resulted in a huge increase in growth in his vineyards. Despite the crop not being as big as the last couple of years, he expects the quality to be good. New Zealand Winegrowers CEO, Philip Gregan said it was too early to make predictions about the 2015 harvest, but the warmer weather is encouraging.

Time for tough calls [10 January/ NZ Farmers Weekly] South Canterbury farmers are expecting the region to be declared a drought zone before the end of the month. Dairy farmer, Brent Isbister expects milk production to be back at least 15 percent for the season, with his milk flows down by 20 percent. He said the low milk payout means that he has to keep culling with the impending decision to dry off cows. Federated Farmers South Canterbury president, Ivon Hurst said that the region was extremely dry, and that the region is under drought, although it is not severe enough to be declared as an official drought. With the Opuha Dam at extremely low levels, Mr Hurst said there could be a total ban on irrigation if it did not rain. He said farmers who relied on irrigation as they stocked were most at risk. The South Canterbury Rural Support Trust which met before Christmas is scheduled to meet bankers, stock firms and farm advisers at the end of January. Hurst reassured that there are systems in place that can be activated if the need arises.

Facebook's financier sees the future... in cannabis [10 January/ The Daily Telegraph] The venture capital firm which funded Facebook and was founded by Peter Thiel, Founders Fund has committed funds to legal cannabis start-ups in America. Founders Fund partner, Geoff Lewis said that the cannabis would be a massive industry within the next decade. The funds will help fund Marley Natural, which will be selling Bob Marley branded strains of Jamaican cannabis for recreational users, as well as helping fund a cannabis producer with a 60,000 square feet facility in Canada and an online facility (Leafly), which allow users to rate strains and sellers. After legalisation, the state of Colorado is selling cannabis worth of USD 30 million per month. However, the neighbouring states, Nebraska and Oklahoma have filed suit in the Supreme Court alleging that the legalisation violates the United States Constitution. National Cannabis Industry Association deputy director, Taylor West said that the industry is strong enough to be able to attract an investment firm of this calibre.

11 January

Stress too much for farmers [11 January/ NZ Herald] At least four farmers have committed suicide since the Fonterra Co-operative Group reduced its payout forecast for the 2014-15 season to an eight year low of \$4.70 per kilogram of milksolids, with a total of 14 farmers having taken their lives in the last six months. Private Facebook based support group administrator and Te Aroha farmer, Sue McKay said that she was aware of farmers being admitted to some local hospitals from attempted suicide. Federated Farmers West Coast president, Katie Milne said that it took an advocacy approach to mental health, and ensured that farmers were aware of the resources available to them. She also highlighted financial pressure as a major burden on farmers. Part of its advocacy approach is Urenui farmer, John White, who believes that the reduced payout is a major concern for many farmers. Fonterra group director of co-operative affairs, Miles Hurrell said that farmer wellbeing was important to them and a field team is in frequent contact with farmers and provided referrals to support networks and services where appropriate.

Can plastic-eating mushrooms save the world and end world hunger? [11 January/ Yahoo! Lifestyle] Austrian designer, Katharina Unger, in conjunction with the Utrecht University has devised a system that creates edible fungal biomass from plastic. The Fungi Mutarium builds on the growing body of research which was initiated since Yale researchers discovered a species of fungi that digests plastic.

12 January

Kiwifruit exporters' dollar battle [12 January/ NZ Herald] Despite the drop in the New Zealand dollar against the United States dollar having been a positive for kiwifruit growers, the strengthening of the New Zealand dollar against the Euro (just over 0.66 euro cents) and the strengthening against the yen (94 Yen) is impacting farmers with exposure to the Euro and the Yen. Zespri COO, Simon Limmer said despite the grim outlook from the Euro and the Yen, there has been benefit coming from the United States dollar over the last couple of months. Mr Limmer said that Japan represents approximately 15 to 20 percent of sales by volume, and double that in terms of value. He also highlighted the developments in China as giving a more balanced portfolio, putting less reliance on, European markets. Mr Limmer highlighted the positive growth outlook in China and said it was starting to become a more value oriented market.

Using technology to grow company's 'golden goose' [12 January/ NZ Farmer] Dairy Solutions New Zealand CEO, Derek Fairweather said that New Zealand is better at converting grass into protein than anyone else. Dairy Solutions New Zealand and Mr Fairweather are leading the export of New Zealand knowledge globally. The company currently has staff in Ecuador, Pakistan, Australia, United States and Colombia. The company, supported by the Colombian Government has produced a unique bull using New Zealand dairy genetics and a heat tolerant senepol breed to create a dairy cattle capable of thriving in tropical countries that use pasture based dairy systems. Initiatives are underway to establish a similar farm using the Colombian model in Ecuador and Hawaii within a private sector partnership. The next step for Dairy Solutions New Zealand is to obtain capital for a fund to invest in farms that use New Zealand pasture based farm systems, which in conjunction with partners in host countries could accelerate the farm development.

Federated Farmers backs Labour's call for further audits of overseas farm purchases [12 January/ The National Business Review] Federated Farmers are backing Labour Party's Stuart Nash's calls for overseas investors to uphold their commitment to add value to New Zealand assets. Mr Nash points out that according to figures compiled by the Parliamentary Library, only 1.5 percent of all applications for sales of sensitive assets have been declined since the National Party came into power. He has stated that the Overseas Investment Act 2005 provides clear criteria for the sale of sensitive land. Federated Farmers president, William Rolleston said that although it supports direct investment, there must be a demonstrable benefit for sensitive assets. Dr Rolleston said that it does not have sufficient information to assess if foreign owners are adhering to its commitments. He also highlights that the Overseas Investment Office does not visit the properties as part of its adherence monitoring process. Mr Nash said that he will be conducting a random audit of 100 applications that have been approved over the past decade to check if overseas investors have adhered to the requirements.

New appointment for wool tech company [12 January/ New Zealand Farmers Weekly] New wool technology company which has developed non-woven technical materials which harness the natural functionality of New Zealand wool, Texus Fibre has appointed former Fonterra and Healtheries senior executive, Sarah Kennedy as its chairwoman. Texus Fibre plans to license its products to partners around the world. Texus Fibre founder and CEO, Nick Devenport expects the current 10 tonnes of wool it uses per annum to grow as the company diversifies from its current application to respirator filters for industry use. Mr Devenport acknowledged the ongoing research assistance and funding from Wool Industry Research Ltd. Ms Kennedy highlighted the importance of value added products and said her experience in China will be beneficial to the company. She mentioned the value the air filter products will add to the Chinese market.

Merino a sportswear winner [12 January/ The Australian Financial Review] New York fashion label, Public School was awarded the inaugural International Woolmark Prize of AUD 100,000 for menswear, with London designer, Paul Smith saying that it is exactly what the Australian wool industry needs. Mr Smith said that one of the main reasons the judges decided on designers, Maxwell Osborne and Dao-Yi Chow from Public School was because their clothing represented an innovative use of wool. Amidst questions from some woolgrowers regarding the benefits of Australian Wool Innovation’s marketing strategy, Australian Wool Innovation’s CEO said marketing and innovation were essential to growing demand for the product. The total value of Australia’s wool clip is approximately AUD 2.5 billion.

Sealord returns to annual profit, takes provision for Nelson job cuts [12 January/ The National Business Review] Nelson based Sealord reported a net profit of \$25.3 million in the 12 months ended September 30, from a loss of \$44.4 million the previous year, where it wrote of \$37.1 million from the sale of its Argentinian unit. Sealord attributed the two percent decline in sales to \$448 million to the strong New Zealand dollar. The company declared a \$10.5 million dividend to its shareholders, Aotearoa Fisheries, a collection of Maori iwi interests and Japan’s Nippon Suisan Kaisha. Sealord chairman, Matanuku Mahuika said there had been positive growth in key Australian and New Zealand markets, with joint venture partners, Westfleet fishing business in Greymouth and Petuna aquaculture in Tasmania having made positive contributions. The company is selling its 50 percent stake in North Island Mussels in order to focus its efforts on the core fishing business. As of September 30, Sealords New Zealand fishing quota catching rights were valued at \$317 million (increased from \$309 million the previous year).

Farmers’ hard work going down the drain [12 January/ China Daily] With no demand for Chinese dairy products, Chinese farmers have had to resort to throwing out milk and killing their cows. The Ministry of Agriculture has warned that drastic measures by farmers are necessary as dairy processing companies cut or suspend the purchase of fresh milk. The Ministry has said that it would help dairy farmers in northern China. The dairy boom in late 2013 resulted in farmers purchasing large numbers of dairy cows at high prices to boost production, but was followed by a sharp decline in milk prices due to overproduction. The Ministry of Agriculture said that it is encouraging dairy firms to increase purchases, start weekly production monitoring, as well as strengthening support for the industry. The Ministry will be working with central Government departments to provide more supportive policies to help dairy farmers. China’s Dairy Association managing director, Wang Dingmian said over 100,000 farmers have exited the industry each year since 2009.

13 January

AmerisourceBergen expands into animal health with \$2.5b deal [13 January/ NZ Herald] Pharmaceutical distributor, AmerisourceBergen is to acquire MWI Veterinary Supply for approximately \$2.5 billion. AmerisourceBergen will pay \$190 in cash for each share of MWI, at an eight percent premium to the share closing price. The deal is expected to close early in 2015, but is contingent on a majority outstanding shares being tendered. The company stated that the deal will add an approximate eight percent share to its fiscal 2015 adjusted earnings.

Potato shortage has upside in Southland [13 January/ 13 January] A nationwide potato shortage is impacting the supply of chips, with some supermarkets posting notices indicating the supply shortage. Meanwhile, Southland company, Pyper’s Produce director, Brent Lamb said it was selling potatoes to the North Island due to poor growing conditions. Mr Lamb said the wet spring weather had also affected Southland, but the weather was looking positive since mid-December. Mr Lamb commented that early crops were down on yield, but the main summer crops were back on track, and they expect to meet the demand for the 4,500 tonnes of carrot from the Middle East and Asia. Pyper’s is attempting to grow its export markets and was toying with the idea of exporting fresh potatoes to Taiwan. The company had sold approximately two tonnes of fresh potatoes into Taiwan in 2014, with similar demand this year. The fresh potato market is independent of the chipping market, which had felt the impact of the bad weather. A Countdown spokesman said that new season crops have declined 20 percent, compared to last year due to increased rain over spring. A Foodstuffs spokesperson said suppliers were working to re-establish production levels after the raw material shortages in the lead up to Christmas.

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Field Notes

Weekly news update from the KPMG Agribusiness Network – 14 January 2015

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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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