cutting through complexity

AGRIBUSINESS

FIELD NOTES

Weekly news update from the KPMG Agribusiness network

FIELDNOTES.CO.NZ

HOT OFF THE PRESS:
KPMG AGRIBUSINESS AGENDA 2014 VOLUME 2

21 January 2015

Organisations referenced in this week's Field Notes include:	
AgResearch	Natural Fare
Air New Zealand	New Zealand Avocado Industry Council
Avoco	New Zealand Farm Environment Awards Trust
California Department of Pesticide Regulation	New Zealand Stock Exchange
California Strawberry Commission	New Zealand Trade and Enterprise
Chinese Ministry of Agriculture	New Zealand Winegrowers
Dairy Farmers of America	Otago Regional Council
Dairy Women's Network	Rabobank
Deer Industry New Zealand	Riddet Institute
Dong Nam Company Ltd	Stanley Management Incorporated
European Parliament	Statistics New Zealand
Federated Farmers	Sucre Arias Reyes
Fonterra Co-operative Group	Synlait Farms
Goodman Fielder	Wairarapa Rural Fire District
Hawke's Bay Regional Council	Westpac
Meat Industry Association	Wilmar International
Milk New Zealand Holdings	Yealands Wine Group
Ministry for Primary Industries	Wairarapa Rural Fire District

This week's headlines	
Horticulture	**Good prices for bumper crop** [19 January/ NZ Farmers Weekly]
Drought	**Nathan Guy visits parched Canterbury** [20 January/ Business Day: NZ Farmer]
Fishing and aquaculture	**Murray McCully names front for toothfish poachers** [16 January/ Politics]
Dairy	**Falling dairy price hits regional confidence** [14 January/ Otago Daily Times]
Red Meat	**Decree casts doubt on beef sales** [19 January/ NZ Farmers Weekly]

© 2015 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").

Horticulture

Hydroponic herb business 'never stops' [15 January/ Business Day: NZ Farmer] Hydroponics pioneer, Natural Fare, said that its system yields as much as ten times what is grown in soil. Natural Fare produces over 300,000 potted herbs and over 20 tonnes of cut herbs for the New Zealand market annually. The company's glasshouse built in 2000 covers 8,000 square metres and includes over 10 kilometres of underground piping to supply water. Natural Fare co-founder Russell Jordan's watering system adds his own mix of soluble fertilisers, including potassium, iron, calcium and nitrogen, with up to 15,000 litres of water being used daily from a pond on the property and under consents granted by the New Plymouth District Council. Mr Russell highlighted the hydroponic environment as the most effective and efficient as there is control over all inputs and outputs, with all nutrients being used by the plants.

Good prices for bumper crop [19 January/ NZ Farmers Weekly] The avocado industry is in line to complete its largest export season for volume. Export earnings are expected to exceed $100 million. One third of the anticipated 4.6 million export trays were diversified to markets outside Australia, with an expected 2 million trays for the local market. With two months of the export season remaining, major exporter, Avoco had packed 80 percent of its expected season's volume. Avoco director, John Carroll said more growers will make substantial money this season due to the large crop and the in-market prices, and he predicted an average $14 orchard gate returns per tray to all Avoco suppliers from the season long pooled returns, adjusted for fruit sizes. The New Zealand Avocado Industry Council and Avocado Growers' Association had allocated substantial funds and resources to telling the New Zealand Avocado story in the Asian markets and gaining first mover advantage. Mr Carroll said the industry had invested wisely in promotion, long distance shipping in controlled atmosphere containers and in pre-season planning in order to develop the new Asian markets. He said Australia took a larger proportion of exports than anticipated. The Primary Growth Partnership with the Government initiated toolkit of New Zealand origin information had been used in the Asian markets.

Viticulture

Wine company Yealands rules out full sale [16 January/ Business Day] Yealands Wine Group founder, Peter Yealands said claims by the Sydney based newspaper, The Australian, that Yealands Estate is being prepared for a sale are incorrect and that he is not selling the company "as a whole". Yealands Wine Group told the New Zealand Stock Exchange that it would conduct a strategic review to help identify how much investment is needed for expansion and whether it should be through an initial public offering. Mr Yealands said plans could include an initial public offering or selling parts of his business.

Air NZ moves to one wine supplier [19 January/ Business Day] Air New Zealand has confirmed that its Koru lounges and economy and premium economy cabins will only stock Villa Maria wines. New Zealand Winegrowers chairman, Steve Green said the move is not constructive for the wine industry, as having wines featured on the airline increases the wine's profile, particularly for smaller wineries.

NZ Winegrowers opposes costly MPI proposal [19 January / Business Day] New Zealand Winegrowers say the Ministry for Primary Industries' proposal to recover $2.9 million per year from the industry in order to meet regulation costs as part of a wider review of the fees it charges the primary industries for its biosecurity and food safety services and activities are unjustifiable. New Zealand Winegrowers chair, Steve Green said payments to Government have increased over 60 percent ($70 million) in the past decade to over $200 million per annum in excise tax.

Arable

Fire risk in mowing roadside vegetation [15 January/ Rural News Group] With continuing dry conditions giving rise to high risk of fire, Federated Farmers are cautioning farmers and the rural community against using mechanical mowers to top paddocks and mow road sides. Federated Farmers rural fire spokesperson, Anders Crofoot said the Wairarapa Rural Fire District has attended six vegetation fires in the last 14 days caused by people mowing the roadside or topping paddocks. Mr Crofoot reminded that people responsible for causing the fire are liable for any damage and costs incurred in putting out the fire. He mentioned using firearms as another potential activity that has a high risk of causing a fire.

Drought

Nathan Guy visits parched Canterbury [20 January/ Business Day: NZ Farmer] While meeting farmers and local leaders in Mid Canterbury, the Minister for Primary Industries, Nathan Guy said it was time to be supporting farmers to help reduce the effects of the lack of rain. When questioned about irrigation projects, he said that the Government was supportive of water storage projects and placed emphasis on projects that focus on collecting rain water. He stressed that substantial rain will be required to change the conditions, but remained optimistic. Mr Guy stressed the main areas of concern to be North Otago through to Canterbury, up into Wairarapa and a few areas around Northland. Ashburton Trading Society chairman, Phil McKendry said there was a loss of confidence in the dairy sector this season and farmers were mostly purchasing essentials.

Water

Ruataniwha dam questions asked [15 January/ Business Day: NZ Farmer] Along with questions regarding the viability of water storage schemes, a recent paper released by the former Treasury and Ministry of Agriculture analyst, Peter Fraser said the Ruataniwha dam would require a major subsidy for it to be feasible as the price of the water would be uneconomic for farmers. Mr Fraser argues that with 869 millimetres of rain per annum in Waipukurau, there was no need for water storage when compared with areas in the South Island. Federated Farmers Hawke's Bay president, Will Foley said that according to historical records, the Ruataniwha dam would fill in most years. Mr Fraser said the contractual terms requiring farmers to pay even if they did not take water would discourage farmers from signing up to invest in the dam. He said the investigation of the dam is funded by the Hawke's Bay Regional Council until the end of March, at a cost of $250,000 per month. The Board of Inquiry is to meet in February to consider the High Court judgement on how nitrogen is to be managed in the Tukituki and associated rivers.

© 2015 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").

Farmers urged to go easy on water [15 January/ Radio New Zealand Rural] A 24 hour irrigation ban has been imposed on Otago's Taieri River in order for the regional council to evaluate the amount of water left in the catchment. Irrigation bans are already in force in Central and North Otago due to lack of rain, with the council closely monitoring the declining levels in the Taieri River. Regional Council CEO, Peter Bodeker said they are able to accurately measure the amount of water in the river, which will enable them to determine whether there is any water above the minimum flow levels to allocate to irrigators. He said river flows in parts of Otago have reached the levels of the 2004 drought. Due to continuing dry weather and low river levels in Canterbury, the Canterbury Regional Council resource monitoring manager, Marty Mortiaux cautioned irrigators on using water allocations and to plan ahead.

Fishing and aquaculture

South Korean officers find $110k for dumping fish [14 January/ Business Day] Two South Korean fishing boat officers, Captain Gyeong Deog Gim and Chief Officer, Kyng Ju Kim have been fined $60,000 and $50,000 respectively for high-grading, where smaller, damaged or unsuitable fish are thrown overboard, but with the Christchurch District Court saying that its owners (Dong Nam Company Ltd) of the South Korean flagged foreign charter vessel, Sur Este 707 would have benefitted by approximately $202,000 from the dumping. The conviction was supported by evidence from the vessel's Indonesian crew who claimed they were underpaid, or unpaid.

Murray McCully names front for toothfish poachers [16 January/ Politics] In the last week, the New Zealand navy caught three boats poaching Antarctic toothfish, and seized documents from two boats linking them to Panama based Stanley Management Incorporated. The shelf company was established by Panama based law firm Sucre Arias Reyes. Panama is a signatory to an international treaty that regulates Antarctic waters. The Foreign Minister, Murray McCully has named and shamed Stanley Management Incorporated and Sucre Arias Reyes. Mr McCully maintains that the Spanish piracy ring, Vidal Armadores SA, which was earlier linked to two of the boats, is responsible for the poaching. He said that the navy has been asked to focus on illegal fishers in order to initiate a process of internationally squeezing them out of business.

Dairy

Fran O'Sullivan: White Gold Rush hits sticky patch [14 January/ NZ Herald] In an opinion piece, Fran O'Sullivan notes that the current challenges faced by the dairy sector are not limited to the milk payout cut to suppliers, but are also felt by China, where the country has actively encouraged its companies to reduce its reliance on New Zealand as its key foreign dairy supplier. Chinese diversification efforts include new investments in European plants, as well as joining players such as the Dairy Farmers of America. According to Infometrics, the additional Chinese demand accounted for 84 percent of the overall rise in New Zealand dairy exports during the March 2014 year, with 34 percent of the country's dairy exports by value being exported as milk powder to China. Alongside this there has been substantial direct investment by Chinese firms in New Zealand dairy subsidiaries. New Zealand witnessed local investment in dairy farms and infant formula plants, encouraged by the Chinese dairy demand. With demand having pulled back to normal levels in China and as well as the ramp up in production coming into effect, the price of imported products from New Zealand, Europe and the United States have all suffered. With China also experiencing over production, the Chinese Ministry of Agriculture has called on provincial Governments to assist farmers, as well as putting pressure on companies such as Yili and Mengniu to buy locally. However, there are potential untapped valuable markets such as the Middle East, Latin America and Southeast Asia which may be able to drive milk demand for the future.

Falling dairy price hits regional confidence [14 January/ Otago Daily Times] Dairying centres, Southland and the Waikato's regional economic confidence has plummeted, as seven regions reflect pessimism over the year ahead, with the potential of the lower Fonterra Co-operative Group payout reflected in the latest Westpac McDermott Miller regional economic confidence survey. The survey indicates that the national regional economic confidence has declined five percent, with Southland down 39 percent and Waikato down 32 percent. Westpac senior economist, Felix Delbruck said the Waikato and Southland regions have experienced a substantial decline in economic confidence based on the prospect of a lower dairy payout. While the survey was conducted during the first week of December, Mr Delbruck said farmers are likely to be concerned about the impact from the drought. He said the economic confidence in Canterbury remained the most optimistic.

Changes mean 'death by degrees' [16 January/ NZ Farmers Weekly] Fonterra Co-operative Group's five principles established in 2001 are to be renewed and expanded to six principles to reflect some of the recent structural changes. Council chairman, Ian Brown expects ratification of the new wording to occur at the Shareholders Council's February meeting. The 70 to 80 submissions received suggest that most shareholders were in favour of the new wording. However Coromandel supplier, Jenny Morrison said the proposed wording makes fundamental changes with subtle differences in power and control. Ms Morrison said the new wording mandates the company to work for the 'shareholders', who now include non-farmers. She said the wording opens up the doors to hand over control from New Zealand dairy farmers. Mr Brown disagreed that the changes were a slippery slope, and said that Fonterra has numerous checks and balances to secure farmers' rights and control. Fonterra supplier and unsuccessful director candidate in 2014, Gary Reymer has proposed changes to the shareholders council saying it needs to shift from being a watchdog to a cornerstone investor in order to provide for more engagement from shareholders. Mr Brown said Mr Reymer's views would be discussed by the council.

Red meat

Decree casts doubt on beef sales [19 January/ NZ Farmers Weekly] The Indonesian Government blocked large amounts of beef imports in an attempt to stimulate increased local production. The Indonesian President, Joko Widodo granted import permits for a narrow range of prime beef cuts for the first three months of 2015, but has issued no permits for secondary cuts and offal. The Meat Industry Association estimates that secondary cuts to Indonesia including chuck, knuckles and neck bones cover over 80 percent of New Zealand's beef exports to the country. Australian live cattle and boxed beef exports have also been affected. The Meat Industry Association trade and economic manager, Philip Houlding said based on past experience, the ban would raise prices for Indonesian consumers, rather than increasing cattle numbers. It also confirmed the industry's view that the New Zealand Government should commence the next stage of litigation at the World Trade Organisation, challenging a number of Indonesian import regulations, including the reference pricing system for beef. A Ministry of Foreign Affairs and Trade spokeswoman said the Government was contemplating whether to ask for an adjudication panel to be formed to hear the case.

© 2015 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").

Deer

Brilliant velvet, weak venison prices [16 January/ Deer Industry New Zealand] Deer Industry New Zealand chair and Mid Canterbury farm advisor, Andy Macfarlane encouraged deer farmers to remain proactive in managing their feed situation and budgets. He said despite high velvet prices, venison prices are between the $6.20 and $6.45 range, and there are no prominent supply or demand issues in the market. Since approximately 70 percent of venison is sold in Euros, the recent currency weakness in that currency has impacted venison schedules, with an approximate 55 cents per kilogram impact over the past year and approximately 32 cents per kilogram impact over the past month. Given the weakness in the Euro, Mr Macfarlane stressed the need to diversify the market risk. He mentioned that the Deer Industry New Zealand is supporting the diversification process through the new market development component of its Passion2Profit strategy, and expects results to become evident over the year.

Environment and emissions

Website celebrates farming stories [20 January/ Rural News Group] New Zealand Farm Environment Trust chairman, Simon Saunders said it recently revamped its website to make its educational material and farming stories, including the 'Sustainability in Action' video presentations and written reports available to farmers and the public. The site also contains the Ballance Farm Environment Awards brochures from past competitions and award winners along with their farming practices and goals.

Research and development

Goodman Fielder to commercialise three new products with health benefits [15 January/ National Business Review] Goodman Fielder, the food manufacturer facing a takeover from a consortium led by Wilmar International, is to introduce three new patented food products, a baking product with enhanced health properties and two dairy products with improved sensory and health attributes, all meant to be the first of a range of innovative smart foods. Goodman Fielder research and innovation manager, Shantanu Das said the products should be released within the next 12 months. The products have been developed in conjunction with the Riddet Institute. Mr Das said the company was developing technology to produce differentiated products that would be hard to copy in three categories, dairy, baking and grocery. He mentioned the company's key drivers of innovation as taste, health convenience and cultural relevance.

AgResearch scientist gets top Chinese award [16 January/ Rural News Group] AgResearch senior scientist in the Forage Breeding team, Phil Rolston was awarded the Chinese Government's most prestigious science award, the International Science and Technology Co-operation Award. Dr Rolston has been actively involved in 30 research and development projects on grassland and livestock production in China since the early 1980s, and has been a key figure in introducing New Zealand style grassland farming systems and techniques to western China. Outgoing ambassador to China, Carl Worker said Dr Rolston's work converted unusable areas to New Zealand green pastures with significant improvement in productivity and farmer incomes. Dr Rolston worked with Lanzhou University, the Guizhou Agriculture Commission and other organisations to improve soil fertility through plant selection, pasture establishment and management. He also assisted in the development of forage seed science research, as well as having trained significant numbers of Chinese technical staff, which has resulted in accelerated grassland agriculture production in China. AgResearch director of research, Professor Warren McNabb said Dr Rolston's award highlights the strong relationship between China and New Zealand in the field of science and technology.

International

110 arrested for selling meat of diseased pigs [13 January/ South China Morning Post] Over 110 people have been arrested on suspicious of selling meat of diseased pigs in the Chinese mainland, with over 1,000 tonnes of contaminated pork seized. A total of 75 of the suspects have been prosecuted. The Public Security Minister said that the accused were part of a network that bought pigs that died of illnesses from livestock farms at low prices. The Ministry said that the group also bribed food supervisory authorities.

Europe clears the way for GM crops [14 January/ The Daily Telegraph] The European Parliament approved a deal which will allow countries to decide whether they want to plant genetically modified crops. British scientists are supportive of genetically modified crops, believing that it could produce healthier plants that also require fewer pesticides. The legislation is expected to be in place by the spring. Although the crops are unlikely to be sold for human consumption initially, it would pave the way for genetically modified fruits and vegetables to be sold in supermarkets.

Four more banks piling into Japan's first halal fund [14 January/ Nikkei Asian Review] Japanese banks, Tohoku Bank, Michinoku Bank, the Eighteenth Bank and investment company under Ogaki Kyoritsu Bank will invest between 50 million yen and 100 million yen in Japan's first halal fund which was established in 2014 by Tokyo venture capital company, Inspire and Malaysia's Permodalan Nasional. The move is focused on helping the banks' clients to target their exports to Southeast Asia and the Middle East, as well as to better cater for Muslim visitors to the country. More than ten regional banks could be investing in the fund by spring.

California enacts strict pesticide rules to protect farm workers [16 January/ The Globe and Mail] Regulators in California have announced restrictions that target pesticide used on crops such as strawberries, tomatoes and almonds, called chloropicrin. The restrictions limit the farmers from applying the pesticide on up to 40 acres in one day, a 75 percent reduction, as well as increasing the distance between the fields and human activity. State officials commented that the pesticide has caused hundreds of people to suffer from irritated eyes, coughing fits and headaches. Health Canada is currently re-evaluating the chemical. California Department of Pesticide Regulation director, Brian Leahy said higher standards were needed in California, although as a result costs of produce are likely to rise. California Strawberry Commission spokeswoman, Caralyn O'Donnell said it will cost the State's strawberry growers an estimated USD 20 million to buy upgraded traps to comply with the new standards.

© 2015 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").

Egyptian cotton farms left hanging by thread: Growers say removal of state subsidy is last straw: Low price exacerbates crop's long-term decline [19 January/ The Guardian] According to Egyptian farmers, the Government's decision to end subsidies for cotton growers will pronounce the end of the industry in the country. Cotton farmer and Cairo University agricultural economist who was a former advisor to the Egyptian agricultural ministry, Gamal Siam said cutting the subsidy will result in farmers exiting the industry. International Cotton Advisory Committee's former director, Terry Townsend said that cotton lint production has declined from 400,000 tonnes in the early 90s to 127,000, with his forecast saying that the country will only be producing 60,000 by 2020.

Agribusiness technology

$1.2 billion agritech sector on the rise [14 January/ Business Day] A report by Coriolis Research for New Zealand Trade and Enterprise said that the current agritech export sector worth $1.2 billion could increase 10 fold. The report stated that the sector grew at a rate of four percent per annum in the five years to 2013, with the predominantly agritech part of the sector growing at nine percent. The fastest growing categories were animal genetics (32 percent per annum) and plant genetics (10 percent per annum). However the report also outlined that the agritech sector was underperforming in size compared to key competitors such as Israel, Ireland and the United States. While the current major markets are Australia, the United States and Europe, Coriolis stated that Europe, China and South America appear to have future growth potential. Economic Development Minister, Steven Joyce said that New Zealand exports are growing faster than its competitor counterparts, with further opportunities for growth in a wide range of markets.

Agribusiness education

Farm Days to educate next generation [14 January/ Rural News Group] Federated Farmers Manawatu-Rangitikei is launching a Farm Day programme to educate the next generation of potential recruits and the urban community. Federated Farmers Manawatu-Rangitikei provincial president, James Stewart said Manawatu-Whanganui has increased its agricultural GDP by 71 percent over the last five years. He in part attributes the gain to the strong agricultural research and innovative agritech manufacturing firms in the region. He said as the region becomes increasingly urbanised, it is important to maintain the rural aspects of the community. He said that the Farm Days focus on connecting the community and raising their awareness around how food gets from the paddock to the plate, as well as fostering interest in the agricultural sector among the next generation and highlighting the numerous career opportunities that are available. Mr Stewart highlighted the advantage of the Manawatu being in an ideal logistical and freight hub to be competitive in the New Zealand economy, and stressed the need to grow a diverse and up skilled workforce to keep the region and the primary industries competitive.

Agribusiness strategy

Strong field for Dairy Woman of the Year [16 January/ NZ Farmer] Dairy Women's Network named the finalists for the Diary Woman of the Year award as Andrea Murphy (animal nutritionist), Wilma van Leeuwen (dairy director), Elaine Cook (Southland Demonstration Farm director) and Katie Milne (Federated Farmers West Coast president). The Fonterra Co-operative Group sponsored award includes a 12 month scholarship to an international leaders programme valued at $25,000. The winner is to be announced on March 19.

Economics and trade

Food prices push up in December [15 January/ Business Day] Statistics New Zealand figures indicated that overall food prices increased 0.3 percent in December, following a 0.5 declined in November. Fruit and vegetable prices increased 1.4 percent, with meat, poultry and fish prices increasing 0.9 percent in December. Statistics New Zealand prices manager, Chris Pike said the increase in fruit, yoghurt and chicken were partially offset by lower prices for some dairy products. For the December 2014 year, annual food prices increased one percent, with meat, poultry, fish, fruit and vegetables and non-alcoholic beverages having all increased by over three percent in the last year. However grocery prices have declined 1.5 percent, due to heavy supermarket discounting of own-brand products.

Meat companies left chewing on untapped Chinese potential [20 January/ The National Business Review] According to a new Rabobank report, Bulls in a China Ship: How western companies can navigate China's animal protein market, the most significant obstacle for western animal protein companies are high operating costs, a lack of understanding of local culture and a general inability to establish sufficient and sustainable connections with governmental and regulatory bodies as well as other players in the supply chain. Rabobank analyst, Chenjun Pan said western companies have found it difficult to make sustainable profits and compete in the Chinese protein industry due to infrastructural and cultural challenges. She said as the industry moves through the consolidation and modernisation process, more opportunities are likely to emerge. However the report says the supply chain can still be inefficient and difficult to access. Methods of addressing this include vertically integrated operations or differentiating by offering great value to justify the higher operating costs. The Ministry for Primary Industries predicts the value of New Zealand meat and wool exports to increase by approximately 22 percent over the next four years. The United States Department of Agriculture forecasts Asian beef imports to more than double by 2023. Growth is also expected for lamb and mutton in China and other Asian markets over the next three years. The report emphasises the importance of localising and diversifying business and showing commitment to local markets in China. However, western companies also benefit from their strengths including Chinese market perceptions around quality assurance, food safety and advanced technologies, which can be leveraged to their advantage.

Farmers and producers

Bank gears up for drought support [16 January/ Rural News Group] Westpac is preparing to assist its South Canterbury and North Otago customers that have been most impacted from the drought like conditions. Westpac Head of Agribusiness, Mark Steed said they are aware of the water and feed challenges and costs that farmers are facing in some areas around of Timaru which have had little rain. He said some dry land dairy farmers have dried off some cows and are intending to completely dry off if the drought like conditions continue. Mr Steed also said that there will be a potential shortage of winter feed with prices being pushed up. He said they will be working with farmers to find the best solutions for them, with the bank already having spoken to a number of them. Westpac ambassador, Sir John Kirwan has conducted a number of workshops in rural areas and has planned more workshops for 2015.

© 2015 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").

Chinese report NZ farms a bargain [19 January/ Business Day: NZ Farmer] The financial accounts of Chinese owned Milk New Zealand Holdings which bought 13 dairy farms around Ashburton in a takeover of Synlait Farms in March 2014 indicate the company paid $41 million less than what the farms current value. While the takeover valued Synlait Farms equity at $90.7 million, New Zealand Milk valued its assets, in its accounts as of last June at $131.8 million. The increased valuation results in a substantial gain for Shanghai Pengxin and its controlling shareholders, Juliet Maclean and John Penno. Milk New Zealand CEO, Gary Romano declined to comment on whether Synlait Farms would be included in the proposal to sell Milk New Zealand to Shenzen based pig producer, Hunan Dakang Pasture Farming. Victoria University emeritus professor of accounting, Don Trow noted that the company had offered shares in Synlait Farms to its managers after the balance date at the original takeover price of $2.22, indicating a discounted employee share offering or that the true enterprise value is closer to $2.22 per share.

Contact Us

Auckland/ Audit	Taxation	Tauranga	Wellington
Ian Proudfoot	Greg Knowles	Robert Lee	Graeme Edwards
09 367 5882	09 367 5989	07 571 1773	04 816 4522
021 656 815	021 307 332	027 451 1035	027 296 5050
iproudfoot@kpmg.co.nz	gknowles@kpmg.co.nz	relee@kpmg.co.nz	gdedwards@kpmg.co.nz
Christchurch	Financial Advisory Services	Management Consulting	Hamilton/ Private Enterprise
Andrew Hawkes	Gary Ivory	Simon Hunter	Hamish McDonald
03 353 0093	09 367 5943	09 367 5881	07 858 6519
027 508 0135	021 932 890	027489 9737	021 586 519
ahawkes@kpmg.co.nz	givory@kpmg.co.nz	simonhunter@kpmg.co.nz	hamishmcdonald@kpmg.co.nz
Farm Enterprise			
North Island	South Island		
Julia Jones	Brent Love		
07 858 6553	03 683 1871		
027 524 8901	027 528 1537		
juliajones1@kpmg.co.nz	blove@kpmg.co.nz		

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

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 will it 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.

© 2015 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").