

AGRIBUSINESS

FIELD NOTES

Weekly news update from the KPMG Agribusiness network

15 April 2015

Organisations referenced in this week's Field Notes include:

AgResearch	Ministry for the Environment
Alliance Group	Miraka
ANZ Bank	Monsanto Co.
ASB Bank	National Bee Association
Australian Banana Growers Council	National Party of New Zealand
Bayer AG	New Zealand Avocado
Beijing Grain Growers' Export Lobby	New Zealand First
Biosecurity Queensland	New Zealand Winegrowers
Callaghan Innovation	Offre & Demande Agricole
Cargill	The Organic Dairy Hub Co-operative
Civil Aviation Authority	OSPRI
COFCO Corporation	Otago Regional Council
Country Calendar	Pacific Pace
DairyNZ	PETA
Evergrain International	Primary Collaboration (Shanghai)
Federated Farmers	Rabobank
Fonterra Co-operative Group	Sanford
Forsyth Barr	Scion
Foundation for Arable Research	Shellfish Production and Technology New Zealand
Goldman Sachs	Silver Fern Farms
Green Party of New Zealand	SPCA
Green Valley Dairy	Spearhead
Hormel Foods Corporation	Sustainable Farming Fund
Horticulture New Zealand	Synlait Milk
JBS	Talley Group
Kono NZ	Teagasc
Landcare Research	Villa Maria Estate
Meat Industry Association	Wood Processors and Manufacturers Association
MetService	Yuan Longping High-Tech Agriculture
Ministry for Primary Industries	

This week's headlines

Viticulture	NZ wine regions to receive protection [1 April/ RadioNZ]
Forestry	Forestry industry to trial drones [2 April/ NZ Herald]
Dairy	New organic co-op rattles Fonterra [7 April/ Rural News]
Red meat	Decision day for SFF looming [13 April/ NZ Farmer Weekly]
Wool	Backlash over mutilated lamb campaign [13 April/ Business Day: NZ Farmer]



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

Arable

Sustainable farming research to begin [9 April/ RadioNZ] Improving potato yields, groundwater and the use of precision agriculture technology are the aims of three out of 30 new projects to get support from the Sustainable Farming Fund. Foundation for Arable Research Chief Executive, Nick Pyke said studying nitrate leaching into aquifers will give farmers understanding of what is going on, how to avoid disease in their potato crop and improve overall soil quality. The third project will develop easy to use precision agriculture technology for growers to better manage soil inputs and crops.

Viticulture

NZ wine regions to receive protection [1 April/ RadioNZ] The government has announced it will pass legislation to set up a geographical indications registration system seeking to protect the geographical descriptions of New Zealand wines and spirits. New Zealand Winegrowers Chief Executive, Philip Gregan said having legislation to back a registration scheme would help to protect New Zealand wines from misappropriation and market access obstacles. Mr Gregan said government in some export markets, if there was no geographical indications registration system, could stop New Zealand winemakers exporting with geographical indications on the label, which is a major issue. Mr Gregan said the industry expects the legislation to take effect next year.

Honey

MP's ready to approve bee sector unity plan [13 April/ NZ Farmer Weekly] The possibility of a single national beekeepers group is gathering momentum following a Parliamentary select committee hearing. National MP and Chairman of the Primary Production Select Committee said the government would look at a request for consolidation. Federated Farmers Bee Industry Chairman, John Hartnell said two obvious benefits, of having a single beekeepers group, would be improved biosecurity and greater control on the standards of Manuka honey. Mr Hartnell added that members would pay a membership fee, with further contributions based on hive holdings for beekeepers and commercial production for processors. Mr Hartnell added that it is not viable to collect from hobbyists. Current indications are around 65 percent of National Beekeepers Association members supported the move and if the plan was approved by beekeepers in June, it could be in place by April 2016.

Goat

Close eye on goat behaviour [2 April/ RadioNZ] The Ruakura AgResearch facility is to house 48 goats to look into goat behaviour and animal welfare. The facility will use video cameras to observe the goats, offering substantial insights into on-farm practices. AgResearch Senior Scientist, Dr Warren King said there was a greater focus on animal welfare and milk quality as the industry expands.

Goat dairying set to take off in Manawatu [9 April/ Business Day: NZ Farmer] Six farms in the Manawatu region are being developed to produce for the fast growing goat milk industry. Milk from all the Manawatu farms would be shipped to a privately owned Waikato plant, where it would be turned into milk powder for infant formula. Farmer, Darrell Shellard said his operation, which houses 850 goats in covered sheds, cost about \$1.5 million to develop. Spearhead Manager, Craig Nash said he did not know whether a goat milk drier would be viable in Manawatu but believed milk powder and goat cheese might be the niche markets for the product.

Forestry

Forestry industry to trial drones [2 April/ NZ Herald] Forestry crown research institute, Scion is to trial the use of drones for forestry purposes next month, and hopes to be an early adopter when rule changes permit drones to fly beyond line of site. The Civil Aviation Authority is awaiting rule changes to be signed off by the Transport Minister, allowing operators to apply on a case-by-case basis for the safe operation of beyond line of sight flights. Scion Science Leader, Bryan Graham said the trials are about validating drone technology, which according to Callaghan Innovation, could provide economic gains of up to \$190 million a year to the farming, forestry and energy sectors. Callaghan Innovation Aviation Manager, Chris Thomson said that examples, such as Australian start up Flirtey who are working alongside TradeMe in trialling delivery drones, show the growing momentum in the UAV industry and the commercial opportunities available once new regulatory framework is introduced. Mr Thomson added that being at the forefront of regulatory change in the industry will give New Zealand companies first mover advantage.

Wood firms fear dollar linked closures [13 April/ RadioNZ] The close to parity exchange rate between the New Zealand and Australian dollar is threatening wood processors throughout the nation. Australia is New Zealand's biggest market for manufactured wood products, with trans-tasman sales making up more than 60 percent in revenue for some companies. Wood Processors and Manufacturers Association CEO, Jon Tanner said the exchange rate was making New Zealand processors more expensive than competitors, leading to slashed earnings and the risk of some companies going bust.

Fishing and aquaculture

Selective breeding for Greenshell mussels unveiled [2 April/ NZ Herald] A new mussel hatchery and lab facility, the result of a partnership between the mussel industry and the Ministry for Primary Industries, has opened with the aim to increase control over mussel spat. The hatchery comes two years into a seven year Primary Growth Partnership programme called Shellfish Production and Technology New Zealand (SpatNZ), where both the Ministry for Primary Industries and Sanford Limited have committed \$13 million. SpatNZ Programme Manager, Rodney Roberts said female mussels spawn around 40 million eggs in the wild, with the majority not surviving, and if farmers can get spat from the hatchery it allows for more control. Ministry for Primary Industries Deputy Director-General, Ben Dalton said the initial financial benefits of the hatchery are expected to be around \$80 million per year by 2026 with up to \$200 million per year if the technology is adopted throughout the industry in New Zealand. The programme is also aiming to reduce the growing time of Greenshell mussels, from 36 months to 27 months, through its selective breeding programme.

Sanford looks to lay off 232 Christchurch staff [9 April/ NZ Herald] Sanford is in discussions with 232 employees, who are likely to lose their jobs at the company's Christchurch mussel processing plant, with a decision on their futures to be announced in two to three weeks. Sanford Chief Executive, Volker Kuntzsch said recent weather patterns have impacted natural spat supply for several seasons and has made the company reconsider its mussel processing capacity. Mr Kuntzsch added that the company's long term investment to alleviate the reliance on wild caught spat, is not at the stage that will boost spat supply in order to efficiently utilise Sanford's South Island plants. Efforts will be made to redeploy staff in Sanford's other operations or to find jobs with other employers in the Christchurch region.

Sanford blames warming seas for Christchurch plant closure [9 April/ Business Day] Sanford Chief Executive, Volker Kuntzsch said the closure of its Christchurch mussel plant is the result of high ocean temperatures which have affected the growth of its farmed mussels in the Marlborough Sounds and its supply of wild, young mussel spats that it harvests from other places for future stock. Mr Kuntzsch added that staff at the Christchurch plant had been on unpredictable shifts for a long time, and the company could not be certain of the plant's efficiency. Mr Kuntzsch expected other companies, with less of a geographical buffer than Sanford, could lose more of their production, with a total impact on industry volumes of 10 to 20 percent. The supply shortage is likely to raise the export value of New Zealand mussels but Mr Kuntzsch believed it would not impact local price.

Dairy

World dairy prices slide 10.8pc on supply concerns [2 April/ NZ Herald] The GlobalDairyTrade index fell by 10.8 percent, compared with the last auction, raising concerns about both Fonterra Co-operative Group's \$4.70 farmgate milk price and next season's payout. Wholemilk powder fell 13.3 percent to USD 2,538 a tonne while skim milk powder dropped 9.9 percent to USD 2,467 a tonne. The largest price falls at the auction were longer dated contracts, up to six months out, into the new season. ANZ Rural Economist, Con Williams said the results suggested a payout of between \$4.50 and \$4.70 a kilogram this year and with less price recovery anticipated, next year's payout is raising concerns. Most of the price weaknesses were down to better than expected supply, with the effects of this year's drought being offset by rain in most parts of the country. ASB Bank said it expects production for New Zealand processors to be steady for this season, with Fonterra expected to fall about 1 percent. ASB also revised its milk price forecasts down by 10 cents for this season, to \$4.60/kg, and by 30 cents to \$6.20/kg for next season.

New organic co-op rattles Fonterra [7 April/ Rural News] The Organic Dairy Hub Co-operative, launching in late April, will compete with Fonterra for New Zealand's fledging organic milk supply and will have about 1 million kilograms of milk solids next season from about 12 farms. Organic Dairy Hub will only be an organic milk wholesaler, supplying milk to local processors and will have toll manufacturing agreements with global marketers. Organic Dairy Hub Project Manager, Bill Quinn believed Fonterra had not been sincere with its organic suppliers, leaving milk suppliers and processors frustrated. Mr Quinn said that Fonterra only lifts its game when other players enter the market, and the need for an alternative market other than Fonterra led to Organic Dairy Hub's formation. Green Valley Dairy chief executive Corrie Den Haring, whose company backs the co-operative and will be a major buyer of its milk, said the formation of the Organic Dairy Hub is a positive development for the organic sector.

Fonterra rebrand stalled [8 April/ Rural News] Plans to refurbish 67 RD1 stores and milk tankers into Farm Source attire have been put on hold until Fonterra's finances improve. Farm Source offers shareholders a loyalty programme, exclusive deals with other service providers and help in managing shares and capital. Existing RD1 stores are planned to be transformed into Farm Source hubs where farmers can hold seminars, use free wifi and meet with Fonterra representatives. Fonterra Chairman, John Wilson said Farm Source is moving ahead, regardless of the brand changeover, and is already saving money for farmers. Federated Farmers Dairy Chairman, Andrew Hoggard applauded the decision to halt the refurbishments while times are tight as it would send the wrong message. Mr Hoggard believed Farm Source is a good concept and that farmers are saving money through it.

All 'smiles' over Miraka's success [8 April/ Rural News] Miraka Chairman, Kingi Smiler is proud of his company's achievements after winning the inaugural Maori Excellence in Export award He kai kei aku ringa. The company, opened late 2011, has about 100 local suppliers and produces both milk powder and UHT milk, selling into 23 countries. Minister for Maori Development, Te Ururoa Flavell praised Miraka for being the first company in the world to use renewable electricity and steam to process milk powder. Minister Flavell said the premium price Miraka pays its milk suppliers has injected an extra \$5 million into the rural economy over the past three years.

Fonterra units hit new low [11 April/ NZ Herald] Fonterra Shareholders Fund units fell to their lowest point since listing on the NZX as unrest grows over a weaker than expected interim result and a drop in the co-operatives forecast dividend for the full year, which many hoped would partly offset a low farmgate milk price. Fonterra announced a 16 percent fall in first half net profit, down to \$183 million, and lowered its dividend forecast range to between 20 cents and 30 cents per share, from a range of 25 cents and 30 cents. Fonterra's gearing ratio also jumped to 50.7 percent from 44.6 percent the previous year. Forsyth Barr Analyst, James Bascand said the weakness in the price may be due to milk supply issues, as when farmers want to increase their production, they have to buy more Fonterra shares. Fonterra's production is expected to fall by 2 per cent this season, freeing up farmers to sell shares that are surplus to requirements to raise cash. ANZ bank said the reduced dividend was a surprise and continued low dividend payments would raise question marks over the execution of Fonterra's strategy.

Fonterra's bond issue gets money expert's okay [13 April/ NZ Farmer Weekly] Fonterra is to sell \$250 million of six-year bonds on the NZX debt market. Forsyth Barr Head of Fixed Interest, Max Brown suggested the bonds may sell in the range of 4.3 and 4.5 percent when comparing with current interest rates of similarly-rated securities. Mr Brown added that market interest in the new bond would be high and there would be plenty of willing investors. Standard and Poors confirmed Fonterra's A and A-1 ratings with a stable outlook. Mr Brown said it was prudent treasury management for large companies, such as Fonterra, to have a diversified funding base across all potential sources. Fonterra at January 31 had total assets of \$18.8 billion, and liabilities of \$12.4 billion.

Auctions crucial to opening milk prices [14 April/ Otago Daily Times] The next three GlobalDairyTrade auctions are being described as critical when it comes to the opening milk price and advance for the 2015-16 season. ANZ Bank said it was holding its \$5.75 milk price for the new season, but recent auction weakness and the strength of the New Zealand dollar raised the risk the opening estimate might come in below that. Prices had fallen back in recent auctions, as customers had over-reacted to the drought declaration earlier in the year. The improvement of conditions resulted in Fonterra adding more product to the last few auctions, and while it was not a considerable amount, a weak market sentiment meant the price impact was considerable. ANZ expected milk powder prices to be around USD 3000 per tonne as the new season supply builds, growing to USD 3300 in early 2016.

Red meat

Cold shoulder for meat to go [13 April/ NZ Farmer Weekly] Meat companies are hoping an agreement with China, which would allow chilled New Zealand meat into the Chinese market, is only months away. Access would lift the value of sheep meat exports particularly, as China is New Zealand's largest market by volume, 36 percent, but not by value which sits at 24 percent. Meat Industry Association Chief Executive, Tim Richie said getting approval for chilled exports is one of the developments underpinning industry optimism about lamb's positive long-term market outlook. The Ministry for Primary Industries has been in constructive discussions with Chinese agencies, but no time-frames have been released. Mr Richie said beef sales to Indonesia had been hit by new trade restrictions and face losing about 80 percent of the trade levels achieved last year. New Zealand and the United States have filed a complaint with the World Trade Organisation, a process that would take time.

Decision day for SFF looming [13 April/ NZ Farmer Weekly] With strong speculation that numerous overseas investors have expressed interest in Silver Fern Farms proposed capital raising, crunch time is approaching for the meat industry, including farmers wanting greater level of ownership and control, and the Alliance Group which may lose an opportunity to take a major role in a bigger industry co-operative. Silver Fern Farms equity raising agent, Goldman Sachs, has called for initial bids by April 20. Opportunities for outside investors include buying the group as a whole, buying one of the beef, sheep or venison businesses or fund joint venture businesses to sell Silver Fern Farm products in chosen markets. Two names mentioned as potential investors are JBS from Brazil and Cargill from the United States. Silver Fern Farms Chief Executive, Dean Hamilton said the objectives of the capital raising is to pay down debt and to have funds to complete the company's value-added Plate to Pasture strategy. Alliance Group view is that a merger with Silver Fern Farms is not financially viable, however a common view in the industry is the merger would create a market leader which would enable access to capital by temporary holding back a portion of pool payments to the expanded shareholder base. Hawarden Farmer, James Costello said he would not invest in a capital raising but would put in new capital to share-up in a merged group, a view which is shared by many shareholders.

Health and safety

Talley's guilty in death of crewman [2 April/ Business Day] Talley's Group have been convicted under the Health and Safety in Employment Act for failing to ensure the safety of crewman Cain Adams, who fell 6.9 metres, to his death, through an insecure hatch of one of Talley's tuna boats on May 12, 2012. Judge Ian Mill said the risk of a fall from height from an open or insecure deck hatch is a foreseeable and significant risk and that once the hatch, which had been vented, was open to any degree it became an open hatch. Judge Mill added that Talley's did not take the accepted practical steps to protect employees from an open hatch. Talley Group Nelson Division Chief Executive, Tony Hazlett declined to comment.

Environment and emissions

NZ's greenhouse gas emissions soar [11 April/ NZ Herald] Figures released in the Ministry for the Environment's latest greenhouse gas inventory show New Zealand's net emissions of greenhouse gases and gross emissions climbed 42 per cent and 21 percent respectively between 1990 and 2013, raising doubts about the Government's 5 percent reduction from 1990 levels by 2020. Climate Change Minister, Tim Groser said that for the past six years afforestation had exceeded deforestation. However the Ministry for the Environment's report and Green Party Co-leader Russel Norman said the contrary and that in 2013 almost twice the area of land was deforested rather than planted with new trees. Emissions from agriculture rose 14 percent between 1990 and 2013 and remains the nation's largest emission source, accounting for nearly half of the national total. The Ministry for the Environment said the emissions intensity of agricultural production had declined since 1990 as productivity increased. The ministry said CO2 presents a long term challenge as it persists in the atmosphere for thousands of years.

Animal welfare

Keeping OSPRI relevant the key [13 April/ NZ Farmer Weekly] Former Australian Meat Processor Corporation Chief Executive, Michelle Edge has been appointed as the new Chief Executive of OSPRI. Ms Edge believed that traceability is the next big thing in realising agricultural export potential and that OSPRI is at the forefront in driving it. Ms Edge said her role is key to develop strategies that make OSPRI more relevant to the industry and is striving to grow opportunity and develop baseline programmes to clearly show product integrity. Ms Edge said industry will want greater market access for investments in key programmes, and anything OSPRI can do to facilitate that will be a priority in developing strategy.

Biosecurity

Otago bunnies breeding like rabbits [8 April/ RadioNZ] Otago Regional Council Director of Environmental Monitoring, Jeff Donaldson said the recent drought conditions in the Otago region has led to an increase in the number of rabbits, as they prefer drier conditions. Mr Donaldson added that the high country, previously rabbit prone, is now inhospitable as the rabbits do not like the wet conditions irrigators are creating. Landcare Research Wildlife Ecologist, Grant Norbury agreed that rabbit numbers are increasing, and that there has been a gradual increase in hunting rates as the effects of the calicivirus diminishes.

MPI in for the long haul [8 April/ Rural News] The Ministry for Primary Industries remain confident that the isolated Queensland fruit fly population, in Auckland, will be eradicated. The last find was on March 6th, with the last detection of larvae in fruit collected from the area was on March 13th. Ministry for Primary Industries Director of Response, Veronica Herrera said it is good news that there have been no additional discoveries, but months are needed to ensure eradication. Ms Herrera added that as flies go to ground over winter, the ministry expects to stop baiting treatments around June, however to be certain of eradication, baiting is likely to resume in the spring. Ms Herrera said extensive baiting is needed to assure trading partners that New Zealand is fruit fly free and thanked the community for their support.

International

COFCO's push into U.S is likely to face tall hurdles [31 March/ The Wall Street Journal Asia] Chinese-owned, COFCO Corporation is hoping to gain access to the American grain industry through acquisitions or alliances with American rivals, however it may struggle with high price tags and U.S. trading houses' reluctance to cede capacity to a burgeoning global competitor. COFCO, with its direct pipeline to the Chinese food sector, represents both a threat and an attractive partner for long-established US grain-trading companies. By owning American assets, COFCO would reduce the cost and dependence on U.S grain shippers, however if partnered with a U.S company, that firm could gain direct access to one of the world's fastest growing food markets. Rabobank Senior Agribusiness Analyst, Sterling Liddell said COFCO will face a premium price for any assets they look to purchase, and could face political resistance from lawmakers concerned about the rising Chinese ownership of American food-production assets. Bunge Chief Executive, Soren Schroder said the company is open to talks with customers about potential partnerships.

Daily-filled breakfast marks end of milk quotas [2 April/ The Irish Times] Leaders of the Irish dairy industry congregated at the Department of Agriculture, with the Irish Minister of Agriculture, Simon Coveney, to mark the end of the European milk quota regime, abolished on March 31st. Minister Coveney said the ending of the quota was a serious responsibility in terms of expansion and an opportunity for rural Ireland to grow to their potential but challenges of price volatility, sustainability and environment impacts have to be managed. Minister Coveney added that EUR 2 billion, including EUR 200 million in Cork, had been invested in Irish farms since 2007 and Teagasc had estimated the removal of quotas could create 15,000 new jobs over the next five years.

Chinese pigs feasting on French barley [3 April/ NZ Herald] According to French farm advisers, Offre & Demande Agricole, French barley shipments to China are to rise to 2.19 million metric tonnes this season, with the nation set to pass Australia as the world's top barley shipper. Beijing Grain Growers' Export Lobby Manager, Zhao Yu Li said China will keep buying French barley as long as prices stay competitive, with the weak Euro and low shipping costs making Europe a top seller of grain. Evergrain International Managing Director, Matthias Wree said China imported twice as much barley last year and the total may rise 14 percent to 6.15 million tonnes in 2015, as additional purchases are driven by demand for feed.

Meat processor sentenced to 30 months for horse meat fraud [8 April/ NZ Herald] A Dutch court sentenced meat processor, Willy Selten, to 30 months imprisonment for the massive fraud operation, where he illicitly sold horse meat as more expensive pure beef. The written judgment said Mr Selten contributed to a negative image for the Dutch meat industry and damaged the sectors interests.

Monsanto, Bayer Cultivate New Funds [8 April/ The Wall Street Journal] Agribusiness giants, including Monsanto Co. and Bayer AG, have established or expanded investment units to fund new agricultural ventures to ensure they do not miss out on cutting-edge tools for food formulation and pest prevention. Bayer AG Head of New Ventures, Geoff Kneen said venture-capital investing is a means to adapt innovation from aerospace and other sectors that could help harness huge quantities of newly available data about food production. Bayer recently formed new USD 150 million fund, with investment firms Finistere Ventures and AVAC Ltd, with a focus on agricultural technology. Monsanto Head of Research and Development Investment Strategy, Steve Padgett said the firm wants to get one step closer to entrepreneurs and scientists. Industry observers believe agricultural entrepreneurs are more likely to work with agriculture venture funds, as they fear non-agriculture funds want to cash out quickly.

Silicon Valley Sows Seeds for Farm Tech [8 April/ The Wall Street Journal Asia] According to Dow Jones VentureSource, the interest in food startups is rising, with venture-capital in agriculture and food soaring 54% to USD 486 million in 2014. Many agribusiness giants have launched, or are in the process of launching, venture-capital initiatives and many investment managers have started to raise more funds dedicated to food and agricultural technology. Five key areas drawing interest in the food-investment wave are; precision agricultural, indoor farming, food safety, alternative foods and farm robots. Silicon Valley Lawyer, Roger Royse said that agriculture is a last frontier for many types of technologies.

Big turkey farm in US hit by deadly bird flu [9 April/ NZ Herald] The United States Department of Agriculture has confirmed a ninth Minnesota turkey farm has contracted the highly pathogenic H5N2 strain of avian influenza. The nine Minnesota farms have lost about 373,000 turkeys to the outbreak which included both birds killed by the disease itself and those killed to prevent it spreading. The ninth farm, a Jennie-O-Turkey Store operation and division of Hormel Foods Corporation, houses around 310,000 birds confirming on its parents website that it was the first company owned facility that tested positive for the virus. Meeker County turkey producer, Greg Langmo said producers have already done everything possible to keep turkeys healthy, including restricted access to people and outside equipment. Officials said that the risk to the public is low and there is no danger to the food supply.

Spread of banana blight stings \$600m industry [10 April/ The Australian] Around 52 percent of the Australian banana industry is under threat, as Biosecurity Queensland confirmed that a farm at Mareeba, west of Cairns, had tested positive for the Tropical Race 4 Panama disease. The confirmation comes a month after the first infected farm, Tully Valley farm, 180km south of Mareeba, was discovered. The two growing districts combined produce up to 52 percent of Australia's 500,000 weekly cartons of bananas. Australian Banana Growers Council Chairman, Doug Phillips said the disease, which when in the soil is impossible to remove, would have been on the Mareeba property before the Tully discovery. Mr Phillips added that consumers had nothing to fear from eating banana's, as the disease does not affect the safety of the fruit. Compensation is a possibility for quarantined farmers, while the disease's spread will not force up supermarket fruit prices.

Farmers find super hybrid rice lacking in yield [11 April/ China Daily] Poor harvest results of a super hybrid rice variety, which claimed to yield more than 13,500 kilograms per hectare, have prompted farmers to rethink about future seed purchases. Many farmers found the claimed yield virtually impossible to reach, with average production since 2008 sitting at approximately 7,500 kilograms per hectare, slightly higher than ordinary hybrid variety's. The super hybrid was also touted as disease-resistant, however for many farmers had their entire crops destroyed by the rice blast disease. The disease-stricken farmers have accused the company of cheating in the promotion of the rice. The seeds packaging stated a 5.6 resistance to rice, however a card inside the package said a level 9 resistance, meaning no resistance at all. Agricultural authorities are helping stricken farmers negotiate with the seed company, Yuan Longping High-Tech Agriculture.

Why food prices are drought-resistant [13 April/ The Wall Street Journal] The California drought only produced a small increase in produce prices throughout 2014, with slight increases expected for 2015. The Sacramento and San Joaquin valleys typically rely on a mix of pumped groundwater and surface water deliveries via both the Central Valley Project and the California State Water Project, however farmers will again receive no water from the central valley project and a small fraction from the state water project. The water shortages coupled with higher groundwater pumping costs has forced many farmers to shift out of thirsty field crops, however the decreased production has had a minimal effect on food prices, as California accounts for a small share of the supply or the crops do not directly affect food prices. In the Salinas Valley, rainfall is stored in struggling local reservoirs or underground aquifers, groundwater is still available and farmers find it economical, given the value of the produce they grow. Produce prices are more likely to be affected by labour shortages and the increase of California's minimum wage.

Water

Brash warns National could face provincial revolt over water [13 April/ Stuff: Politics] Former National Party Leader, Don Brash said the party could hand NZ First and Winston Peters a powerful election campaign if it gives Maori preferential access in the fresh-water reform. Signs are the government is moving towards catchment by catchment negotiations with Iwi at a regional government level, which could grant Iwi preferential water access. Mr Brash said the Crown was trying to stop the issue becoming a national one by passing responsibility to regional government, and believed there was growing anger among the public at preferential deals for Maori. Mr Brash believed there is no one better to lead a one law for all campaign than Winston Peters. Labour rejected the idea of conferring tradable rights on water to existing consent-holders, as it would transfer of billions of dollars of value from the public to the private.

Wool

Backlash over mutilated lamb campaign [13 April/ Business Day: NZ Farmer] The image of an Australian musician holding the explicitly graphic and mutilated body of a lamb, used by animal rights group PETA as a way of advertising their latest expose on sheep shearing, has sparked a backlash by many in the industry. New Zealand Shearer, Mark Barrowcliffe said he had worked, as a shearer, for 25 years and has never seen anything the image depicts, with sheep welfare being of huge importance to the industry. Federated Farmers Meat and Fibre Industry Chair, Rick Powdrell, said he was disappointed at the PETA campaign, noting sheep are the shearer's livelihood and are treated with utmost respect. Mr Powdrell added that the sheep benefit from shearing as it protects them from fly strike. SPCA Regional Manager, Sue Baudet said 642 sheep welfare complaints were received last year, none about shearing abuse, and that many were about sheep not being sheared.

Agribusiness strategy

NZ primary growers join forces in China [9 April/ Business Day] New Zealand primary producers have joined forces to establish a marketing group in Shanghai, China. Primary Collaboration (Shanghai) Limited (PCNZ) is backed by six founding shareholders including Sealord, Silver Fern Farms, Synlait Milk, Villa Maria Estate, Kono NZ and Hawkes Bay apple-based business collaboration, Pacific Pace. PCNZ General Manager, Kevin Parish said the company is an innovative business model for China to deliver value in ways members could not achieve individually. PCNZ Chairman, Andy Borland said one of the most important roles, of the group, is to connect to the e-commerce side of the Chinese market. Mr Borland added that the collaboration idea came out of the 2012 Stanford a primary sector boot-camp and is supported by New Zealand Trade and Enterprise.

What's behind the longevity of Country Calendar? [9 April/ Business Day: NZ Farmer] Country Calendar Producer, Julian O'Brien said the key to Country Calendar's enduring popularity is that New Zealanders have a deep emotional connection to the land and not because New Zealand is a nation of farmers, as statistics show New Zealand is one of the most urbanised countries in the world. Mr O'Brien added that rural folk embody the Kiwi ideals we all like to live up to. Mr O'Brien said New Zealand is a beautiful country and this creates a love affair between the land and the viewers.

Economics and trade

Exporters frustrated with NZ dollar climb [7 April/ RadioNZ] The high New Zealand dollar, edging closer to parity with the Australian, is frustrating exporters as it is reducing the value of exports to New Zealand's second biggest market. New Zealand Winegrowers Chief Executive, Philip Gregan said winemakers would stick with Australia as it has been a very good market over the past decade. Mr Gregan added that currency fluctuations is the norm, and while it may hurt in the short term, winegrowers must take a long term view of things. New Zealand Avocado Chief Executive, Jen Scoular said while the high dollar would reduce returns for New Zealand growers it was unlikely to change export volumes. Mr Scoular explained how Australians generally pay more than New Zealand consumers and there is an increasing demand in Australia. Horticulture New Zealand Chief Executive Peter Silcock said growers will have to absorb smaller returns caused by the exchange rate and that he does not expect any changes in volumes. Federated Farmers also added that the weak Australian dollar meant meat and wool exporters will face increased international competition from Australian rivals.

Farmers and producers

Farmers breaching employment laws targeted [1 April/ RadioNZ] Labour Inspectorate's Central Regional Manager, Natalie Gardiner said the high level of non-compliance amongst dairy farmers in the employment area was concerning, as the latest round of checks found two thirds of farmers were not complying with employment rules. Most of the breaches related to poor record keeping, but in some more severe cases farmers had underpaid their workers. Ms Gardiner added that inspectors had targeted many of the farms as they had information of non-compliance, so the expected results were to be poor. Federated Farmers National Dairy Chair, Andrew Hoggard said the group was disappointed with the poor results and that despite all the effort put into improving farmer employment practices, the message still was not getting through with some farmers. Mr Hoggard added that lifting employment standards is a high priority for Federated Farmers, but need to do more to sort out the issue. Federated Farmers is developing a new Workplace Accord, set to be launched next month, with DairyNZ and other industry stakeholders.

Early snow disrupts farming, travel [14 April/ Radio NZ] Snowfall in parts of Southland and South Otago has caused disruption for farmers, road users and flights. Southland Farmer, Geoffrey Young said the snow, which came as a surprise to many, was only a smattering on the paddocks, with five to ten centimetres on the hills.

Field Notes

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Big dry drags on for southern farmers [14 April/ NZ Herald] Parts of the South Island have experienced sporadic bursts of rain in recent weeks, however both Canterbury and Marlborough are still waiting for the rain to break the drought. The Ministry for Primary Industries said the conditions were still classified as a medium-scale adverse event and will review its recovery measures at the end of June. MetService Meteorologist, Georgina Griffiths said that Marlborough and Canterbury had remained in significant soil moisture deficit and the current cold snap may provide some moisture. Federated Farmers South Canterbury President, Ivon Hurst said the recent rain has created a green drought, where the grass has turned green but the ground is hard underneath. Mr Hurst said a downpour of 50mm is needed to break the drought. Federated Farmers' Marlborough president, Greg Harris, said parts of the region had experienced the driest nine months on record.

Farm sales robust despite product price drop, drought [14 April/ NZ Herald] ANZ Bank said the rural property market has remain resilient, in the face of lower farmgate prices and drought conditions, with the seasonally adjusted measure for total turnover continuing to hover around the 10-year average and the all-farm price measure sitting at an elevated level after a rise in February to \$27,300 a hectare. Existing quality dairy farms remained sought after, grazing and horticulture prices have improved and western Bay of Plenty Orchard sale volumes have been strong. Arable and finishing property prices had softened, reflecting a bit of a pull-back from dairy sector interests and a shortage of suitable properties. According to the REINZ's all-farm index, prices are now back to pre-GFC levels. ANZ said the increase in land values had not been reflected in the growth of rural credit, suggesting purchases are being funded by other capital sources, due to a different mix of buyers, including more foreign and equity investors.

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