

AGRIBUSINESS

FIELD NOTES

Weekly news update from the KPMG Agribusiness network

22 April 2015



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

Organisations referenced in this week's Field Notes include:

3R Group	Modern Meadow
Alliance Group	Murray Goulburn
ANZ Bank	National Farmers Federation
Beef + Lamb New Zealand	New Zealand Fur Council
Bunge Limited	New Zealand Merino Company
Coca-Cola	NZPork
Costa Group	Open Country Dairy
Dairy Solutionz	Organics Aotearoa New Zealand
DairyNZ	Pacific Fishery Management Council
Department of Conservation	Potatoes New Zealand
Federated Farmers	Sherwood Estate
Fonterra Co-operative Group	Silver Fern Farms
FoodHQ	SmartWool
Forest Industry Contractors Association	Snowy Peak
Foundation for Arable Research	Statistics New Zealand
Gibbston Valley Winery	The Canadian Wheat Board
Global Grain Group	The Cawthron Institute
Harvestpro	The New Zealand Dairy Collaborative Group
Landcorp	Westland Milk Products
Lely Group	WorkSafe NZ
Livestock Improvement Corporation	Xiamen Culiangwang Beverage Technology Company
Meat Industry Excellence	Yashili International Holdings
Ministry for Primary Industries	

This week's headlines

Fishing and aquaculture	Sanford closes plant [20 April/ Business Day]
Dairy	Dairy shares dip after global auction registers another price fall [17 April/ NZ Herald]
Red Meat	Burger-loving Americans push beef exports to record [16 April/ NZ Herald]
Goat	New goat milk plant in the South [20 April/ New Zealand Farmers Weekly]
Biosecurity	Overhaul for border protection [20 April/ New Zealand Farmers Weekly]

Agribusiness strategy

Organic sector feels let down [21 April/ Radio NZ] Organics Aotearoa New Zealand Chair, Brendan Hoare said the organics sector has been told by the Ministry for Primary Industries that regulations to protect certified producers from falsely-labelled products on the domestic market is not a priority and it will not discuss the issue until 2017. Mr Hoare said the organic sector has got bigger than the current consumer protection labelling can work with. Mr Hoare added that the sector will not be giving up on the issue.

Viticulture

Winemakers thankful for early harvest [14 April/ Radio NZ] Winemakers in the Central Otago region are thankful for an early harvest in the wake of recent cold weather conditions. Gibbston Valley Winery Chief Winemaker, Christopher Keys said the early harvest meant the vineyard had around 70 percent of its grapes picked before the snow arrived. Mr Keys said snow on the vines did not cause any damage, but if there are frosts it can affect the quality of unpicked grapes. Sherwood Estate Winemaker, Petter Evans said their harvest will finish in the next week and that the fruit had been very ripe and full of flavour, however yields are down.

Wool

NZ Merino signs \$8m deal with US firm [15 April/ NZ Herald] The New Zealand Merino Company has signed an \$8 million, one-year deal to supply 600 tonnes of New Zealand fine and medium micron wool to US sock and apparel manufacturer SmartWool. The contract continues an 18 year partnership with SmartWool, which has been worth \$150 million to New Zealand Merino growers. NZ Merino Chief Executive, John Brakenridge said the contract is testament to the business new model, where the NZ Merino markets wool to customers on behalf of suppliers, and how it can work in the commodity-based primary sector.

Forestry

Chinese logjam stunts forest harvest [16 April/ Radio NZ Rural] Forest Industry Contractors Association Chief Executive, John Stulen said the four-and-a-half million cubic metres of wood that was sitting in ports in China, has resulted in a lack of demand and a drop in prices and has caused the farm forestry log market to collapse. Mr Stulen added that the low prices in China were not enough to support harvesting of small forests blocks at the current time, and those contractors without long-term contracts on larger blocks had more or less shut down. Despite issues the industry is facing, around 40 former Harvestpro employees have found new jobs in the sector, the company had all its equipment seized by financiers and had halted operations.

Fishing and aquaculture

Sanford closes plant [20 April/ Business Day] Sanford has closed its Christchurch plant, at cost of more than \$2 million in exit pay, as recent weather patterns have reduced the supply of natural mussel spat. Sanford Chief Executive, Volker Kuntzsch said all employees will receive a minimum of eight weeks total pay. Mr Kuntzsch explained how the company needed one South Island location working efficiently rather than two affected by uncertain supply. Sanford will host an introduction session for affected staff and prospective employers, while also hoping to relocate staff to other operations across the country.

Arable

Potatoes New Zealand wins funding [15 April/ PNZ Press Release] Potatoes New Zealand has won funding from the Ministry for Primary Industries for a major project aimed at improving crop yield. The \$260,000, three year project will investigate the impact of potato crop rotations on soil borne diseases and soil quality. Potatoes New Zealand Inc. Chief Executive, Champak Mehta said the project's aim is to develop and implement strategies to increase yields by 12 percent. The project, which will be financed through the Sustainable Farming Fund and managed by the Foundation for Arable Research, will begin in July and be carried out in Auckland, Hawkes Bay, Manawatu/Whanganui and Canterbury. Foundation for Arable Research Chief Executive, Nick Pyke said the project was developed after discussions, with growers, about the key problems they face.

Grain harvest holds steady [20 April/ Radio NZ] A survey released by the Arable Industry Marketing Initiative showed the Canterbury drought did not have an impact on the overall grain harvest, with production levels similar to those achieved last seasons. The estimated amount of feed wheat and feed barley increased by three percent and 11 percent respectively on last year, milling wheat dipped by around five percent. Federated Farmers Grain and Seed representative David Clark said the dry conditions had reduced yields on unirrigated lands but was offset by improved yields on irrigated land, where overall quality has been very good. Mr Clark said there should be enough grain to meet demands, without any over-supply issues. Grain prices have dipped from forward contract levels, reflecting the drop in dairy farmers' incomes and falling international grain prices, but have started to pick up again more recently.

Dairy

Fonterra looks to strengthen South Canterbury milk processing [16 April/ Business Day: NZ Farmer] Fonterra has held a public meeting to discuss the proposed expansion of its Studholme site. The site is the preferred option for expansion to meet growing milk volumes in the South Island. Fonterra Managing Director of Global Operations, Robert Spurway said the expansion would play an important role in delivering the co-operatives growth strategy and will bring much needed processing capacity to the South Island.

Fonterra's overseas risk up for debate [16 April/ Business Day: NZ Farmer] Federated Farmers Dairy Chairman, Andrew Hoggard said it is time for debate whether Fonterra's New Zealand farmer-shareholders should continue to accept the financial risk for the company's non-co-operative overseas milk pools. Mr Hoggard suggested there should be a discussion on whether overseas Fonterra suppliers, where Fonterra has to meet a competitive market on milk price, should be sister co-ops. Mr Hoggard added that Fonterra had two identities, a co-operative at home and corporate overseas, sending mixed messages to farmers. Fonterra Shareholders Council Chairman, Ian Brown said while New Zealand farmers are taking the risk of overseas milk pools, it is not a big issue as farmers are getting the reward for that risk. Mr Brown added that the mixed identity is expected with doing business with a subsidiary and that in different countries many farmers have never been and do not want to be co-operative members, as the environment is unlike New Zealand, with different market pricing signals than expected in New Zealand. Fonterra Managing Director for Latin America, Alex Turnbull said Chilean milk prices tended to stay relatively stable compared with New Zealand's as they were less-affected by global market volatility.

Dairy shares dip after global auction registers another price fall [17 April/ NZ Herald] The price of Fonterra Shareholders' Fund units fell to their lowest point, \$5.04, since listing after further falls in the latest GlobalDairyTrade auction. Wholemilk powder prices dropped 4.3 percent, to USD 2446 a tonne, and skim milk powder fell by 7.8 percent to USD 2253 a tonne. ANZ Rural Economist, Con Williams said the weakness reflected farmers selling their shares, as they look to reduce production. The next few auctions have been labelled as critical in determining next season's opening milk price.

Dairy industry competition report looming Dairy industry competition report looming [19 April/ Business Day: NZ Farmer] Primary Industries Minister, Nathan Guy, is required under the Dairy Industry Restructuring Act, to call for a report on competition in the Dairy industry later this year. A provision of the Act is that deregulation of the industry has to be considered if it is judged workably competitive, if not, market share thresholds in the industry need to be reset. Current thresholds state that independent, non-Fonterra, processors have to collect 20 percent or more of milk solids, directly or indirectly, on both the North and South Islands in a season. The act requires Fonterra to accept all milk offered to it, to supply regulated priced milk to new start-up processors and to offer a regulated price supply of milk to other processors all of which could be reviewed if the industry is deregulated. When Minister Guy requests the report, all industry stakeholders would be informed and told how to make submissions and upon receiving the report, Minister Guy has 90 days to respond to its findings.

Bond issue raises extra \$100m [20 April/ New Zealand Farmers Weekly] Fonterra has raised \$350 million on the bond market, with an interest rate for the six year issue being fixed at 4.33 percent considerably lower than the 7.75 percent bonds the issue replaced. The bond issue of \$250 million attracted \$100 million in over-subscriptions, showing the willingness of mainly institutional and retail investors to get into long-term secure positions and have tradability if needed. Forsyth Barr Head of Fixed Interest, Max Brown said Fonterra's good credit rating put the bond in the corporate bond indices, obliging fund managers to include the bond in their portfolios. The announcement of a \$250 million need and accepting an additional \$100 million was to avoid asking for \$350 million and falling short, which Mr Brown described as not a good look. Fonterra will use the money raised for general business purposes.

Opening of Yashili's \$212 million plant delayed [20 April/ Business Day: NZ Farmer] The \$212 million Yashili International Holdings infant formula plant, in Pokeno, has been hit by an eight month delay as approval is needed for complex Chinese food safety regulations. The plant also needs to complete its New Zealand registration for canning and blending, which it hopes to have by the end of May. When the plant is fully functional it will produce 8.4 tonnes of infant formula every hour, equating to 52,000 tonnes each year, all which will be transported to China. Yashili New Zealand Managing Director, William Zhao said the trial batches have been produced from reconstituted skim milk, brought from Westland Milk Products, but the plant would revert to raw milk once all consents have been approved. Open Country Dairy Chair, Laurie Margrain confirmed the company was in talks to supply Yashili.

Red meat

Hungry? Order a steak from the lab [15 April/ NZ Herald] Modern Meadow Investor, Justin Rockefeller said he has tried a lab grown steak chip, created by the company, and that it was delicious. Modern Meadow Co-Founder, Andras Forgacs said the technology is still costly and in its early stages but he believed price will come down dramatically, as production ramps up in factories and that the company would be marketing factory-grown meat products within less than a decade. Modern Meadow will start by producing factory-grown leather, as it will be easier to sell at first, but then will move to factory-grown meat. Mr Rockefeller said the company, valued at USD 60 million, was a good financial bet and has a huge positive social impact by reducing global warming, with livestock accounting for 18 percent of greenhouse gas emissions. Beef + Lamb New Zealand CEO, Scott Champion said synthetic meat was a long way from reality, with customers seeing the naturalness of a product being important.

Burger-loving Americans push beef exports to record [16 April/ NZ Herald] According to Beef + Lamb New Zealand, beef and veal export returns reached a record high of \$1.6 billion in the first six months of the export season, a rise of 43 percent on the corresponding period last season. The average per tonne value of beef and veal exports also rose by 28 per cent to \$7540 a tonne in the six months. ANZ Rural Economist, Con Williams said the pace of America's economic recovery would be important to many New Zealand farmers and exporters, with the possible bonus of a strong market and weaker currency if United States economic growth continues to pick up. New Zealand beef and veal exports reached 212,100 tonnes in the six months, up 12 percent on last season with exports to the United States and China rising 33 percent and 21 percent respectively. The increase of shipments came from processing beef, used for ground beef products such as hamburgers. Beef + Lamb said lamb export volumes decreased by 2.9 percent in the first six months of the export season.

Southern farmers support Newco meat company merger [16 April/ Business Day: NZ Farmer] Farmers, at a Meat Industry Excellence meeting, agreed that a merger between Silver Fern Farms and Alliance Group, dubbed Newco, is needed to ensure the future profitability of sheep farming. Meat Industry Excellence Principal Advisor, Ross Hyland said the group was not making any decisions to close any plants and presented a hypothetical model in the report based on consolidation, committed lamb supply and farmers sending stock to the nearest works. Mr Hyland said overcapacity was the biggest issue in the industry and is destroying the trust between farmers and processors. Silver Fern Farms and Alliance Group accounted for 55 percent of the annual sheep and lamb kill and had around 40 percent of beef kill. Mr Hyland also explained how the cost savings, of a merger, would be more than \$400 million in the first 5 years.

Window for meat sector action now [18 April/ Otago Daily Times] The recently released Meat Industry Excellence report, into reform of the meat industry, has opened up debate as it was designed to do. Meat Industry Excellence Principal Adviser, Ross Hyland said one of the biggest challenges was getting farmers to read the report and understand the implications of doing nothing. Mr Hyland explained how companies needed to stop wasting time and take control of the consolidation process before potential foreign investors take long-term control of key players in the industry. Silver Fern Farms have entertained consolidation, and while Alliance Group had disagreed to some of the figures quoted, in the report, Mr Hyland encouraged the company to release some data about consolidation to its shareholders. Mr Hyland said overall there has been a positive response to the report.

Sturgess: 'I'll help' [20 April/ New Zealand Farmers Weekly] International businessman, Tom Sturgess said he would help improve the red meat sector's profitability, if he was wanted. Mr Sturgess said the perceived damage of farm gate competition was the wrong part of the supply chain to focus on and that attention should be on adding value to New Zealand products and reducing competition for markets, as it removed any chance of market premiums. Mr Sturgess also suggested offering chief executives financial incentives to improve meat sector prices, as it will change the behaviour of organisations. Mr Sturgess believed the recent industry reform report ignored issues such as meat yield. High yielding animals are more profitable to process and Mr Sturgess believed there should be a greater reward, for yield, to encourage positive farmer behaviour.

Goat

New goat milk plant in the South [20 April/ New Zealand Farmers Weekly] The New Zealand Dairy Collaborative Group (NZDCG) is to establish a goat milk plant in the new Ashburton business estate. The \$40 million plant will initially be an infant formula blending and packaging facility, but with future development, could include a drying plant. NZDCG Managing Director, Solomon Ling said the lack of dairy goat herds in Canterbury was not a deterrent to the plants location and that in time the group hopes to have more access to local product. The group will initially source product from overseas, moving to local product when herds have established. Ashburton Mayor, Angus McKay said the venture was perfect for the new business estate and believed goat farming could be an attractive proposition for farmers, especially if returns are better.

Animal welfare

No charges over Cook Strait cows [17 April/ Radio NZ Rural] The Ministry for Primary Industries will not charge anyone, for animal welfare offences, in relation to the condition of cattle ferried across the Cook Strait last month. Animal welfare inspectors interviewed all parties involved as part of the investigation. Nelson-Marlborough District Compliance Manager, Ian Bright said although the cows were not in prime condition, there was no evidence of physical harm through poor body condition. Mr Bright added that the cows were able to be transported and processed, and no animal welfare offence was committed.

Environment and emissions

DOC opens estate to possum trappers [15 April/ Business Day] The Department of Conservation has given access to members of the New Zealand Fur Council to recover possum fur, skin and meat from its sprawling national estates. DoC Director General, Lou Sanson said the agreement was a pragmatic way to battle against the pest and aid possum control on the millions of hectares of land it could not cover. New Zealand Fur Council Chairman, Neil Mackie said the closer relationship with DoC would help fur and skin manufacturers to meet demand of the possum product industry, currently valued between \$100 and \$150 million. Mr Mackie said the industry could double its production once it had access to DoC land and when customers knew New Zealand had a reliable supply. Snowy Peak Owner, Peri Drysdale said regular supply of possum fibre would make the trapper's supply price more predictable and encourage retailers to spend more on promoting possum fibre. DoC does not expect to make a financial saving on possum control, costing more than \$10 million per year, from the agreement.

'Great DDT muster' underway [21 April/ Radio NZ] A nationwide collection of banned pesticides is underway to remove them from farms. Persistent organic pollutants, including DDT and Dieldrin, were banned more than a decade ago due to the threat they posed to human health and the environment. 3R Group National Project Manager, Jason Richards believed there was many tonnes of forgotten toxic chemicals, at farms around the country, with a high potential for harm as most of the original packaging will begin to deteriorate. The 3R Group will collect the pesticides, region by region, over the next two years.

Pork

NZPork courts consumer [14 April/ Rural News] NZPork Chairman Ian Carter said the company's annual report highlighted the importance of the New Zealand consumer to the future of its business. Mr Carter said the industry and its production standards and systems are not understood by consumers, with transparency needed to build consumer confidence. Projects to enable a better understanding of New Zealand pig farming, include the development of education resources and short videos on the NZPork website. Mr Carter said demonstrating that required standards are being met or exceeded builds confidence in the industry, but is also a challenge.

New Zealand farmed pork loses ground to imports [20 April/ Business Day: NZ Farmer] The percentage of imported pork in New Zealand has again increased, hitting 52 percent in January. NZPork Chairman, Ian Carter said the industry is under siege from a number of areas, with the cost of production constraining the industry's ability to be competitive on world markets. Mr Carter said high domestic labour rates and welfare standards, when compared to American counterparts, carry a much higher economic cost which is reflected in the premium price for New Zealand pork. Mad Butcher CEO, Michael Morton said the imported fresh pork the company sells is around half the price of the domestic alternative, and without imported pork, there would not be enough to satisfy demand as not enough pigs are farmed in New Zealand. Mr Morton said the biggest cost to New Zealand farmers was the high cost of feed. Stricter environmental regulations also affect domestic pork producers, with councils drafting plans for even tougher standards. Mr Carter said the industry is trying to promote pork, with New Zealand pork being superior as pigs are largely disease free, compared to North American pigs.

Biosecurity

Overhaul for border protection [20 April/ New Zealand Farmers Weekly] Primary Industries Minister, Nathan Guy announced that biosecurity protection is to get an overhaul after launching the Biosecurity 2025 project, which will update and replace the current 2003 Biosecurity Strategy. Minister Guy said it is fundamental to have an effective biosecurity system in place, to achieve the goal of doubling the value of exports by 2025. Minister Guy said the recent Queensland fruit fly discovery highlighted how the New Zealand biosecurity system faced ever-increasing pressures.

International

Brand new day for 'true' produce [15 April/ The Australian] The first brand identifying all Australian agricultural produce sold overseas, that is 100 percent sourced from Australian farms, has been released. The brand, True Aussie, aims to increase sales of key exports and ensure global consumers their food has been authentically grown in Australia. Fresh Australian rural produce has been in high demand from Asian consumers, with ANZ Bank forecasting Australian beef exports could be worth more than AUD 100 billion by 2030. National Farmers Federation Chief Executive, Simon Talbot predicts the value of Australian rural exports could double from AUD 40 billion to AUD 80 billion, in the next 15 years, if the booming demands of Asian consumers for safe, clean, green and trusted food from Australia is satisfied. The True Aussie brand aims to mirror the success of the 100 per cent Pure New Zealand campaign backed by the New Zealand government. Federal Agriculture Minister, Barnaby Joyce welcomed the True Aussie brand and said it can boost sales of Australian produce, improving farmgate profits for Australian farmers.

US fisheries regulators halt West Coast sardine season [16 April/ NZ Herald] The Pacific Fishery Management Council approved the early closure of the commercial sardine fishing season in a move to prevent overfishing. The decision to halt the season was based on revised estimates of sardine populations, which found numbers were much lower and declining faster than estimated last year when quotas were set. The council also shut down the next sardine season, set to begin July 1, affecting about 100 fishing boats. Pacific Fishery Management Council Member, Michele Culver said the council did not take the decision lightly and understood the pain the closure would cause.

Oz 'downplaying agri-food sector' [16 April/ Rural News: Dairy] The Netherlands is the second largest exporter of food and the President of the Dutch Topsector Agri & Food, Dr Aalt Dijkhuizen believed this is down to the close collaboration between the Government, private industry and universities and research institutes, dubbed the golden triangle. Dr Dijkhuizen said Australia did not give its agri-food sector the merit it deserved in terms of its place in the economy's future development and that it could accelerate food security and export outcomes with improved cooperation between the so-called golden triangle. With the increasing wealth within Asian countries, Dr Dijkhuizen said the Australian government needs to invest in the sector, or else it could miss opportunities in Asia. Dr Dijkhuizen added that finance was a crucial part of the production chain, with the need for financiers to understand the dynamics of the agribusiness sector.

Farmers to cast vote on \$500m listing [16 April/ The Sydney Morning Herald] Murray Goulburn Managing Director, Gary Helou said the enthusiasm for a dairy business on Asia's doorstep will trump any investor concerns about taking up units with no voting rights during the company's AUD 500 million listing. The company issued a notice of meeting for May 8, where farmers will vote on a capital restructure, including listing a unit trust on the Australian Security Exchange. Murray Goulburn plans to create a dual-share structure than keeps control in the hands of its farmers and offer economic rights, without voting power, to third party investors. Mr Helou said the proceeds from the float are to fund three projects, with up to \$300 million being used to expand infant formula production capacity and capability, up to \$190 million to reduce operating costs and boost volumes in the group's long-life milk business, and up to \$145 million to reduce costs and boost production and innovation in cheese and food service.

Horrific' costs hold back farming [16 April/ The Australian] Australian agriculture industry leaders said horrific operating costs have to be addressed to take full advantage of growing demand from Asia. Visy Industries Chairman, Anthony Pratt said food exports from Australia have grown by 26 percent, in the past three years, with total value reaching AUD 36 billion. JB Swift Australia Chief Executive, Brent Eastwood said the industry needs to focus on higher productivity to overcome costs that come with clean, green branding and that the industry has turned to imported labour to counter resource shortages. Consolidated Pastoral Chief Executive, Troy Setter said cost of production has to be addressed, as brand Australia can only be pushed so far in respect of securing a price premium.

Wheat Board deal with U.S., Saudi group ends an era [16 April/ The Globe and Mail] The Canadian Wheat Board is to be taken over by the Global Grain Group (G3), a joint venture between American foods giant Bunge Limited and the Saudi Agricultural and Livestock Investment Company. The group will pay CAD 250 million for a 50.1 percent stake, with the rest of the equity being made available to farmers who sell grain to the company. Farmers will receive CAD 5 in equity for every tonne sold. Canadian Wheat Board CEO, Ian White said the Global Grain Group will help the company expand its network of grain terminals and offer farmers new markets for their crops. Mr White added that the group would bring financial strength and extensive operating experience to facilitate growth. Grain Growers of Canada President, Gary Stanford and Agriculture Minister, Gerry Ritz welcomed the possibility of another bigger buyer of grain. New Democratic Party MP, Pat Martin said the deal contained no guarantees that the Global Grain Group would make good on its commitment to invest and should face more scrutiny given the buyers are foreign.

Hindus push for expanded ban [17 April/ China Daily] The Indian beef industry, which is banned throughout the majority of the country, is under threat as Prime Minister Narendra Modi's Hindu nationalist Bharatiya Janata Party is pushing to expand the slaughter ban to all types of cattle, male or female. The industry uses meat from bulls and buffaloes, and is the world's fifth-largest exporter of beef. Fears grew among meat traders as India's second most populous state, Maharashtra, extended the slaughter ban to include bulls. Meat traders are challenging the ban in court, saying tens of thousands of people have lost their jobs and the meat is a source for food for millions. The ban carries a stiff punishment, with anyone convicted of selling or processing beef facing a five-year jail term and a USD 200 fine.

Coca-Cola to buy Chinese protein drinks business [18 April/ Agence France Presse] Coca-Cola has agreed to purchase Xiamen Culiangwang Beverage Technology Company, a producer of plant-based protein drinks sold in China, for around USD 400 million. Plant-based protein drinks are a growing beverage category in China and satisfies Coca-Cola's Chinese strategy of providing a diverse range of beverages to Chinese consumers. Coca-Cola is to submit an application to relevant government authorities for approval of the purchase.

Private equity struggles in Costa Group auction [20 April/ The Australian Financial Review] Major private equity firms, including Pacific Equity Partners, have dropped out of the auction for horticulture company, Costa Group, after being unable to meet the company's 12 times earnings price expectation. Trade and strategic buyers are now believed to be the front runners in the auction, with Chinese conglomerate Fosun and Driscoll's from the US and Hong Kong's Chevalier Group being named as interested parties. The Costa Group is to look at first round bids and decide whether to continue with the trade sale or pull the trigger on initial public offering plans.

Research and development

Cawthron Institute joins FoodHQ [17 April/ National Business Review] The Cawthron Institute has become the newest member of the FoodHQ research collaboration. Cawthron Institute Chief Executive, Professor Charles Eason said it is essential that aquaculture is represented in the collaboration and that the company sees it as a great opportunity to help add value to New Zealand's food export economy. The Cawthron Institute specialises in aquaculture, with a focus on production, protection and adding value to seafood

Economics and trade

Food prices rise at fastest pace since 2011 [15 April/ NZ Herald] New Zealand food prices rose at their fastest annual pace in over three years in March, increasing 1.9 percent from the same month a year earlier. The food price index rose 0.1 percent in March, from a 0.7 percent drop in February. Statistics New Zealand said grocery food prices in March gained 1.2 percent, the price of bread and cereals increased 1.7 per cent, cakes and biscuits rose 4.4 per cent and yoghurt climbed 7 per cent, reflecting a reduction in store discounting. Meat, poultry and fish increased 0.4 per cent, while restaurant meals and ready-to-eat foods gained 0.2 per cent in March. The monthly gain was tempered by a 3.1 per cent drop across fruit and vegetables because of seasonally lower prices, while non-alcoholic beverages slipped 0.6 per cent. The annual gain was led by a 7 per cent jump in fruit and vegetables. Grocery foods increased 0.5 per cent, while milk, cheese and eggs climbed 1.6 per cent. Meat, poultry and fish prices rose 2.5 per cent, with restaurant meals and ready-to-eat foods increasing 1.7 per cent in the year to March. Non-alcoholic beverages edged up 0.6 per cent.

US vote crucial to TPP progress [20 April/ New Zealand Farmers Weekly] A bill introduced by lawmakers in the United States, allowing trade agreements to be fast-tracked through Congress, is crucial for the completion of the Trans-Pacific Partnership agreement. If passed, the legislation will give the President the power to negotiate trade approval, without line-by-line approval from Congress. The agreement has stalled for the past 18 months, with a dozen countries waiting for the Trade Promotion Authority to be passed by the Senate and House of Representatives. International Business Forum Executive Director, Stephen Jacobi said it was critical to the success of the agreement that the Trade Promotion Authority is passed before election campaigns begin, as many politicians will be less inclined to support the deal.

NZ demo farm set to go [21 April/ Business Day: NZ Farmer] A demonstration dairy farm in Colombia built in partnership with Waikato-based Dairy Solutionz is to be officially opened by the country's president. The farm, a \$2m development funded by the Columbia government and research institute Corpoica, is the first to use New Zealand technology in the high tropics, which is similar to the Waikato where rye grass and clover flourish. The project benefits 14 New Zealand businesses through exports and will lead to increased technology exports in the future, when Columbian farmers see the proven value of New Zealand technologies. Dairy Solutionz Chief Executive Derek Fairweather said the farm had the potential to help solve the issue of global food security by using the potential of the world's tropical environments, where New Zealand cows and pasture thrives.

Farmers and producers

Heat to go on farm safety [14 April/ Rural News] Landcorp General Manager of People and Capabilities, Anna Cassel-Brown said unless industry educates regulators and consumers, the agricultural sector will remain under scrutiny. Landcorp is trying to work with WorkSafe NZ inspectors, many who are not familiar with agriculture to help them understand the industry, allowing each party to gain a better understanding of the others position. Ms Cassel-Brown added that Landcorp wants farms to strive for excellence and not to wait for regulators to inform them of the benchmarks. Landcorp is also opening up to scrutiny and is wanting to hear any ideas put forward. Ms Cassel-Brown said the defensive nature of the industry also needs to change, with the industry needing to take onboard different views and actively engage with communities.

Farmers face hard season – DairyNZ [20 April/ NZ Herald] The ongoing weakness in the past three GlobalDairyTrade auctions has forced many economists to revise down their milk price forecasts for the new season. DairyNZ estimated \$5.40 per kilogram to be the breakeven point for farmers. DairyNZ Chief Executive, Tim Mackle said cashflow in the new season will be a major issue that may result in increased term debt and reduced spending, with current forecasts indicating many farmers will not be in credit for the entire 12 months of the next season unless costs are reduced, income is higher than predicted or overdraft's are changed into term debt. DairyNZ's Tactics for Tight Times campaign is to start this week to raise awareness about the need to focus on cashflow and putting plans in place for the new season. Mr Mackle said the long term prospects for the industry were still positive and that farmers had to stay competitive in a global exporting business, as New Zealand's market share could be easily eroded by competitors.

Rural infrastructure

LIC partners with Lely Group [17 April/ Business Day: NZ Farmer] Farmer co-operative Livestock Improvement Corporation (LIC) has announced a partnership with Dutch agri-tech company Lely Group, with the companies undertaking joint research and development projects. The partnership will also involve LIC acquiring Lely Group's Hamilton research and development division, Lely Sensortec. LIC had recently entered a partnership with cow intelligence company SCR Dairy and bought a majority stake in NZ Brasil Genetics Producao Animal, as part of a strategy to grow LIC into a \$1 billion business by 2025. LIC Chief Executive, Wayne McNee said the joint research and development projects will boost progress in sensor technology, helping to deliver gains in productivity and profitability for farmers. Lely Sensortec will become part of the new subsidiary, LIC Automation.

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Weekly news update from the KPMG Agribusiness Network – 22 April 2015

7

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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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