

FIELD NOTES

Weekly news update from the KPMG Agribusiness network

12 August 2015



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**HOT OFF THE PRESS:
KPMG AGRIBUSINESS
AGENDA 2015 VOLUME 1**

Organisations referenced in this week's Field Notes include:

Affco	National Farmers Union
Alliance Group	New Zealand Marine Research Foundation
ANZ Bank	New Zealand Merino Company
Apollo Apples	New Zealand Wool Services
ASB Bank	NZX AgriHQ
Beef + Lamb New Zealand	Ontario Teachers' Pension Plan Board
Bunbartha Fruit Packers	Overseer
Carrfields	Potatoes New Zealand
Cavalier Corporation	Poultry Industry Association
Cavalier Wool Holdings	Rabobank New Zealand
Climate Action Tracker	Ratepayers Association
Commerce Commission	Renewable Resources Group
Dairy NZ	Rothamsted Research
Elders New Zealand	Seeka Kiwifruit Industries
Farmers for Action	Skretting
Federated Farmers	Swanndri
Flight Group	T&G Global
Fonterra Co-operative Group	Talley's Group
Institute of Forestry	Timberlink
Landcorp Farming	Tru-Test Corporation
Landless Farmers Movement	Waikato Rural Support
Meat Workers Union	Zespri Group
Ministry for Primary Industries	

This week's headlines

Horticulture	Seeka buys Aussie kiwifruit company for \$25 million [5 August/ Business Day]
Dairy	Milk price cut 25% [10 August/ NZ Farmers Weekly]
Red Meat	Rabobank Report: China's role in the global beef market [6 August/ Rabobank Press Release]
Biosecurity	MPI introduce tougher biosecurity at airports [7 August/ Rural News]
Farmers and producers	Survey shows farmer optimism [10 August/ NZ Farmers Weekly]

Horticulture

Seeka buys Aussie kiwifruit company for \$25 million [5 August/ Business Day] Seeka Kiwifruit Industries is to buy Australian company Bunbartha Fruit Packers for \$24.8 million. Seeka Chief Executive, Michael Franks said the purchase included 505 hectares of land (including a kiwifruit orchard), and is expected to become profitable within the 2016 financial year. Mr Franks added that the deal is to be funded through debt and an element of deferred payment. Bunbartha last year had revenue of about \$17 million and is expected to add between \$3.2 million and \$4 million to Seeka's operating profit.

Focus on growing apple, pear industry [6 August/ Radio NZ Rural] The topic of growing the apple and pear industry using both domestic and foreign workers has been discussed at the Pipfruit Industry Conference. The challenge of balancing the industry's demand for labour, while meeting the government's requirement of using New Zealand workers first was discussed at the conference. Ministry for Social Development Spokesperson, Carl Crafer said the more the industry and government worked together, the better the outcome would be. Samoan Prime Minister, Tuilaepa Sailele Malielegaoi praised the New Zealand government's Recognised Seasonal Employment scheme as it allowed Samoan workers to earn more. Mr Tuilaepa said seeing the money being brought back into Samoa made more people join the scheme.

T&G Global first-half profit rises 18% on pipfruit performance, Apollo Apples [7 August/ National Business Review] T&G Global has posted an 18 percent rise in first half profit, which it said had been driven by the performance of its pipfruit division and by the contribution of Apollo Apples. The company posted a profit of \$12.1 million, while sales rose \$30 million to \$371 million. Hawkes Bay-based, Apollo Apples achieved \$28 million in revenue and \$2 million in operating profit for its first six-month period.

Zespri sets up marketing hub in Singapore [10 August/ Radio NZ Rural] Zespri has set up a new global sales and marketing hub in Singapore to boost international sales. Zespri Chairman, Peter McBride said the company was in a growth phase, with volumes of its gold variety kiwifruit set to double from 30 million trays this year, to 60 million by 2019. Mr McBride added that the new hub would bring services together for the wider Asian region and Europe to balance the company's Chinese focussed market portfolio. Prime Minister, John Key, officially opened the hub during a visit to Singapore last week.

New Zealand spuds head to Vietnam [11 August/ Radio NZ Rural] New Zealand fresh potato crops have been cleared for export to Vietnam after three years of negotiations. Potatoes New Zealand Chief Executive, Champak Mehta said Vietnam would absorb excess New Zealand potatoes in a good growing season, and increase prices when yields are small. Mr Mehta said the Vietnamese market was counter seasonal to New Zealand's, which will allow New Zealand exporters to fill supply shortages. Mr Mehta added that the projected export volumes to Vietnam were not yet clear.

Wool

Wool scouring monopoly hearing delayed [6 August/ Radio NZ Rural] The Commerce Commission has delayed a hearing of final submissions for the merger between Cavalier Wool Holdings and New Zealand Wool Services. The commission said it had received new information on property valuations relating to the takeover, and now needed more time to check the information.

Merino deal lined up with Swannndri [6 August/ Business Day: NZ Farmer] New Zealand Merino Company is to supply both fine and strong wool to Swannndri for its new clothing range. An initial 30 tonnes is to be supplied, with New Zealand Merino expecting that to increase quickly because of its ability to supply a wide range of wool types for Swannndri's range. New Zealand Merino Commercial Manager, Keith Ovens said farmers would receive a premium from the contract. Swannndri Chief Executive, Mark Nevin said the partnership supported the company's plans of growing its rural and urban markets. Mr Nevin said the wool gave the company an edge against competitors as it was traceable and because New Zealand wool is the best in the world.

Cavalier to sell assets, cut costs [10 August/ NZ Farmers Weekly] Wool carpet manufacturer, Cavalier Corporation, is to sell its Ontera carpet tiles business in a bid to further reduce operating costs and debt. The company is also outsourcing its broadloom logistics operations and restructuring its New Zealand support functions which will lead to the loss of around 20 jobs. Cavalier Corporation Interim CEO, Paul Alston said the company has been struggling to compete with imported products. Mr Alston added that the company has been trying to reduce costs and debt to a range where they can be supported by the operating business. Net debt has been reduced by \$6 million in the six months to June, mainly by a reduction in inventory. Further debt is expected to be paid as a result of the Ontera and Sydney premises sales.

Forestry

Aussie firm buys 4200 hectares of Marlborough forestry land [6 August/ Business Day] Sydney fund management firm, New Forests has reached an agreement with the Flight Group to buy more than 4,000 hectares of Marlborough forestry land. The agreement, subject to Overseas Investment Office approval, forms part of a larger deal in which Flight Group will sell its sawmilling assets to Timberlink. New Forests Chief Executive, David Brand said the acquisition would expand the company's New Zealand presence to more than 12,000 hectares of softwood plantations. New Forests is to appoint a New Zealand-based company to manage its forest operations.

Claim Govt won't develop long-term forestry policy [10 August/ Radio NZ Rural] Institute of Forestry President, James Treadwell said the institute is to help develop the Forest Policy Project as the government is unwilling to initiate a long-term forest policy. Mr Treadwell said forests would have more to offer New Zealanders if the government understood their long-term benefits and non-economic benefits such as erosion control and climate change prevention. Mr Treadwell added that governments are too focussed on their own three year cycles, which does not align with the long-term industry of forestry.

Aquaculture

Okiwi Bay residents to air concerns about fish food trial plan [7 August/ Business Day: NZ Farmer] Okiwi Bay residents are to gather to discuss a potential land-based fish farming research project in their area, and the pollution it could cause. Ratepayers' Association Chairman, Rodney Boulton said aquaculture food company Skretting wanted to use existing resource consents for salt water take and discharge to set up a fish feeding trial. Mr Boulton said most residents are concerned about the pollution inside the discharged salt water. The company hoped to try a range of foods on salmon, hapuka, snapper and rainbow trout. Skretting Representative, Ben Wybourne said the venture was for research purposes only, to monitor the results of different types of fish food. Mr Wybourne added that the project would not go ahead if it had any negative effects on Okiwi Bay.

Dairy

More pressure on milk payout [6 August/ NZ Herald] The GlobalDairyTrade index recorded its tenth consecutive decline, falling by 9.3 percent. Whole milk powder fell 10.3 percent, to USD 1,590 a tonne, while skim milk powder fell by 14.4 percent to USD 1,419 a tonne. ASB Bank Senior Economist, Jane Turner said the recent auction highlighted the risks to the economy brought on by dairy. Ms Turner expected the dairy market to stabilise soon. OM Financial Director, Nigel Brunel expected further declines following the United States Department of Agriculture's expectation that global milk production will be a record 580 million metric tonnes in 2015.

Dairy farm prices set to fall, says ANZ [6 August/ NZ Herald] According to ANZ Bank, the price of New Zealand dairy farms are likely to fall as the sector faces the prospect of two years of low payouts. The bank said its analysis highlighted that large dairy operations are struggling to attract buyers, while many second-tier properties have received discounted offers. ANZ said turnover of dairy-aligned property has stabilised in recent months and prices have popped higher, reflecting a higher than-usual proportion of sales in the Waikato area, rather than a genuine lift in prices. The average farm value meanwhile has continued to increase to a new high, averaging \$30,800 a hectare.

Should Fonterra leave the GDT auction? [6 August/ Radio NZ Rural] Fonterra has rejected calls for it to suspend its trading on the Global Dairy Trade auction. Labour Primary Industries Spokesperson, Damien O'Connor said the auction was not working for Fonterra, and that they should return to the traditional way of negotiating longer term contracts with people who depend upon the supply of the product. Fonterra Managing Director for Global Ingredients, Kelvin Wickham said the platform was not to blame for low prices, which were a reflection of the market. Mr Wickham said most the product sold on the platform in the past week was sold to willing buyers and that suspending it would not solve the supply-demand imbalance. Fonterra Shareholders Council Chair, Duncan Coull agreed that the platform should stay, as it provided transparency. Mr Coull added that Fonterra could reduce the amount of dairy products offer on the platform.

'Dairy model broken' says Landcorp boss [7 August/ NZ Herald] Landcorp Chief Executive, Steve Carden said the swing from a record-high to a record-low dairy payout was evidence that the New Zealand dairy model was broken. Mr Carden added that the status-quo cannot continue as it is damaging to farmers and the supply chains they are producing for. Fonterra slashed \$1.40 from its forecast payout to farmers to \$3.85 per kilogram of milk solids, and Mr Carden was pleased that Landcorp could lock as much as it could into Fonterra's \$5.25 guaranteed milk price scheme. Fonterra also increased its guidance for earnings per share to between 40 cents and 50 cents, ahead of the market's expectations of about 36 cents per share.

Dairy auction halt call backed [9 August/ Business Day: NZ Farmer] New Zealand First Leader, Winston Peters has backed Waikato Federated Farmers President, Chris Lewis' call to for Fonterra to suspend its GlobalDairyTrade offerings until dairy prices stabilise. Mr Peters said the auction was a great tool in bull markets, but a terrible way to sell when markets are falling. Mr Peters added that Fonterra should follow European dairy co-operative, Milker Umland's example of leaving the auction because it did not align with its sales and marketing strategy. Mr Peters believed that suspending trading on the auction platform would act as an immediate price stabiliser. Waikato Rural Support Trust Chairman, Neil Bateup disagreed with calls to leave the platform, as the co-operative still needed ways of moving product onto the market.

'There is a crisis in dairy' says Little [9 August/ NZ Herald] Labour Leader, Andrew Little said another bad season for dairy farmers could lead to land being sold to offshore buyers. Mr Little said banks would help farmers for one tough season, but beyond that there were uncertainties which could lead to many farmers being unable to afford to keep their land. Mr Little added that there is a desperate need for a regional development plan, with some rural areas in need of road and harbour upgrades to boost and diversify local economies.

Milk price cut 25% [10 August/ NZ Farmers Weekly] Fonterra has reduced its milk price forecast by 25 percent to \$3.85, from a previous forecast of \$5.25. The co-operative also issued a 40 to 50 cents earnings per share dividend guidance. Farmers will also be able to apply for loans of 50 cents for every shared-up kilogram of milksolids. The loans will be interest-free for up to two years and will be paid back when the milk price rises above \$6. Fonterra Chairman, John Wilson said the company has not updated its 2014/15 season figures and that investors can assume its previous guidance of \$4.40 per kilogram of milk and dividend range of 20 to 30 cents was still valid. Fonterra Chief Executive, Theo Spierings said prices had fallen below bottoming out, as dairy farming was not sustainable at present price levels. Mr Spierings added that the forecast of \$3.85 contained an element of price recovery towards the end of the season. Mr Wilson said the forecast cut stemmed from the global demand and supply imbalance. Fonterra also reduced its New Zealand milk volume forecast by 2 percent, from the previous season.

Farmers urged to talk to banks [10 August/ Radio NZ Rural] Bankers Association Chief Executive, Kirk Hope advised farmers to talk to their banks as soon as possible if they believe they will have issues servicing their debt. Mr Hope said banks had been working with clients to develop stronger business plans and if necessary the suspension of interest payments for a certain period of time. Primary Industries Minister, Nathan Guy said banks have indicated that they will stand by farmers, and that the current issue for many farmers is that of tight cash flows. Mr Guy added that farmers' equity would be reasonably sound, as estimated land prices are relatively stable. ASB Bank expects average annual GDP growth to slow a range of 2.2 to 3 percent in the next year due to weaker rural spending and reduced dairy investment.

Dairy price too low for Fonterra forecast [11 August/ NZ Herald] OM Financial Director, Nigel Brunel and ANZ Rural Economist, Con Williams both agreed that milk powder prices needed to improve substantially before Fonterra's revised farmgate milk price of \$3.85 per kg of milk solids can be achieved. Mr Brunel said the market needed to see a 15 percent increase from current levels to achieve the revised forecast. Mr Brunel and Mr Williams expected global production to decline in response to the constant low prices, thereby creating a more price-friendly supply/demand balance. Trading activity in NZX futures has suggested prices would be flat over the next few months, with the expectation that prices would increase later in the year.

Red meat

TPP could see Japan cut red meat tariffs - Beef & Lamb [4 August/ Radio NZ Rural] Beef + Lamb New Zealand Chief Executive, Scott Champion said Japan could be willing to reduce its red meat tariffs through the Trans-Pacific Partnership agreement. Mr Champion said Japan's recent free trade agreement with Australia set a pathway for the reduction of tariffs. New Zealand currently pays \$77million in red meat tariffs to Japan. Mr Champion said New Zealand beef did not compete head-on with Japan's domestic market.

Rabobank Report: China's role in the global beef market [6 August/ Rabobank Press Release] According to Rabobank's latest Moving Globally report, Chinese investors are to play an influential role in the global beef market over the next decade. Driven by high demand, which is expected to grow by 2.2 million tonnes by 2025 and weak domestic production, Rabobank believes the Chinese beef sector is likely to be the country's first agricultural sector which is highly integrated with the rest of the world. The report also said the Chinese beef market demonstrated potential for value-added and branded beef products. Rabobank expects Chinese beef companies to invest more offshore to cope with the volume gap, with the majority aiming to participate in the whole supply chain, from farming to processing.

North Island Affco workers call off strike after talks with Talleys [10 August/ Business Day: NZ Farmer] Affco workers have called off a planned two-day strike after Meat Workers Union representatives met with Talley's Group Director and Affco Owner, Andrew Talley. Workers planned to go on strike in protest over working conditions. The union has made no further comment.

Beef future bright, not so Fonterra's, says Alliance candidate Gray Baldwin [10 August/ Business Day: NZ Farmer] Waikato Dairy Farmer and Ballance Agri-Nutrients Director, Gray Baldwin is to seek election to the board of the Alliance Group. Mr Baldwin believed the beef industry had a bright future, while Fonterra struggled to inspire any confidence. Mr Baldwin added that the Alliance Group needed to increase its exposure within the North Island.

Performance potential in red meat industry [11 August/ Radio NZ Rural] ANZ Bank Managing Director, Graham Turley said he believed the red meat sector showed huge potential. Mr Turley said the sectors returns were currently the best of any agricultural sector in the country, which could increase both investment and future returns. Mr Turley did note that business succession was an issue for the industry, as the average age of a red meat farmer was close to 60. Mr Turley said improving pasture was the most popular investment to increase production, followed by fencing, fertiliser and animal genetics.

Rural infrastructure

Disease crossroads lead Elders boss to business [7 August/ Business Day: NZ Farmer] Elders New Zealand Managing Director, Stu Chapman said he moved into the commercial side of farming, from being a dairy farmer, after he contracted Leptospirosis. Mr Chapman has stood down as managing director of the company, following its takeover by the Carr Group, which will see Elders be rebranded as Carrfields. As part of the sale of the company, Mr Chapman agreed to continue working as managing director during the handover process, and will now serve as director of the company's wool and live export operations. Mr Chapman said that while he knew little about the Carr Group, he was pleased the company will remain New Zealand owned, and that the purchase of Elders will firmly place the Carr Group on the rural services map.

Dairy uncertainty weighs on Tru-Test [10 August/ National Business Review] Tru-Test Corporation reported a \$4.2 million net profit after tax for the year ended March 31, up from \$2.2 million the year before. Tru-Test Chairman, John Loughlin said revenues rose by 8.6 percent to \$141 million, with both the United States and Brazilian markets being standout performers despite the distraction of the 2014 Fifa World Cup. Mr Loughlin noted that the company's performance at the end of the first quarter of the 2016 financial-year is behind expectations due to the late winter across New Zealand, as well as the uncertainty surrounding the New Zealand dairy sector. Mr Loughlin added that the company will continue to look for acquisition opportunities and expects to announce two in the coming months.

Environment and emissions

Overseer farming programme revamped and funding boosted [7 August/ Business Day: NZ Farmer] Nutrient-budgeting programme, Overseer has been given a funding boost of \$750,000 and has been revamped. Overseer Executives said the programme has had improvements made to improve its customer experience. A formal quality assurance programme is to be established, while critical maintenance and testing work on the model will be accelerated. The programme is to aid in the setting of nutrient limits and monitoring of compliances. Ministry for Primary Industries Director of Resource Policy, David Wansborough said while the programme was not designed as a regulatory tool, it was the best option available.

NZ is not even a fast follower [10 August/ NZ Farmers Weekly] Climate Action Tracker has labelled New Zealand's latest emissions targets as mediocre and weak. New Zealand is aiming to reduce carbon emissions to 11 percent below 1990 levels by 2030. The target fell short of targets set by both the United States and Europe, who are aiming for a reduction of 15 and 30 percent below 1990 levels by 2025, respectively. The government argued that no other country had yet put a direct carbon price on its farmers. Climate Action Tracker acknowledged the merit in excluding agriculture but noted that other emission sources could be addressed. New Zealand's first Climate Change Ambassador, Dr Adrian Macey was concerned at the lack of policies aimed at addressing the country's fastest growing sources of emissions, which included transport and industry. Mr Macey added that New Zealand is falling behind global leaders in respect to carbon emissions.

Fishing

NZ Marine Research Foundation announces study of the economic value of recreational fishing [11 August/ NZMRF Press Release] New Zealand Marine Research Foundation has announced plans to carry out the first definitive study into the economic value of recreational fishing in New Zealand. New Zealand Marine Research Foundation Chairman, Jeff Romeril said the study, which will cost \$250,000, will unlock new insights about the balance of commercial and recreational fishing interests in New Zealand. Similar research internationally has led to changes in fishery allocation policies, the establishment of more conservation areas and increased tourism and regional income. Recreational fishing in New Zealand is currently estimated to account for around six percent of total catch. The study will be conducted by Florida-based Southwick Associates, Blue Water Marine Research and Moana Consultants.

Biosecurity

Illegal birds' nests 'could devastate poultry industry' [4 August/ Radio NZ Rural] The Poultry Industry Association has praised the prosecution of a man who tried to import 68 swiftlet birds' nests from Malaysia. Poultry Industry Association Chief Executive, Michael Brooks said avian diseases, related to the nests, have been devastating for poultry farms across the world and were currently not present in New Zealand.

MPI introduce tougher biosecurity at airports [7 August/ Rural News] New biosecurity measures are to be implemented at international airports before the December busy season. The measures are the result of increased biosecurity funding from the government's 2015 budget. Included in the measures are the introduction of 20 more biosecurity detector dog teams, more x-raying of baggage and more targeting of passengers likely to be carrying risk goods. Ministry for Primary Industries Border Services Director, Steve Gilbert said the increasing number of passenger arrivals is one of the reasons behind the new measures.

International

Protesters Occupy Finance Ministry in Brasilia [4 August/ The Wall Street Journal] Protesters from the Landless Farmers Movement, which calls for the distribution of farmland to poor Brazilians, occupied Brazil's Finance Ministry forcing the suspension of official business in the building. The group was protesting funding cuts for land distribution, reduced to BRL 1.8 billion from BRL 3.5 billion. A Brazilian Agrarian Development Ministry Spokesperson said the funding cut was one of many across the ministry, as part of the government's commitment to increased savings.

India likely to bring in rules to make mills export sugar stocks: sources [5 August/ Reuters] India is likely to make it compulsory for sugar mills to export millions of tonnes of surplus sugar to support local prices, and reduce growing anger by local farmers. The proposal comes at a time where global markets are oversupplied and prices are at a six and a half year low. The rule, which could be introduced by October, will only apply when output exceeds local demand. A potential sugar-tax has also been discussed by government officials in a bid to raise local sugar prices. The government-backed export policy could also help mills clear around USD 2.5 billion owed to farmers. A final decision now rests with Indian Prime Minister, Narendra Modi.

Profit stampede: farmers find greener pastures [7 August/ The Australian] Australian government figures have shown that the average income on northern cattle stations, during the most recent financial year, increased 91 percent to AUD 148,000 per farm, while the annual income of specialist live export producers jumped up to AUD 277,000. Smaller southern Australian beef farmers have also seen their incomes increase from \$38,100 a farm in 2013/14 to \$64,000 in the most recent financial year. The increase in revenue has been driven by the fall in the Australian dollar, the return of significant live cattle export demand from Indonesia and unprecedented meat demand from the United States and China. Cattle prices have also increased by 38 percent since the start of 2015, in response to a worldwide beef shortage.

India's Beef Bans Stir Religious Divisions [7 August/ The Wall Street Journal] The various bans on the slaughtering of cows, and the consumption of beef across India has caused religious divides across the country. Hindu nationalists, including Indian Prime Minister, Narendra Modi, have called for stricter limits on the consumption of beef. Muslims believe the beef bans are specifically aimed at them, in response to the fear of Muslim domination. Yummy Protest Organiser, Ramala Chakraborty believed India is too poor not to be utilising its cattle. Bharatiya Janata Party Spokesman, Nalin Kohli said those who complain about the beef bans should read the constitution of India, which prohibits the slaughter of cows. Selling beef is still legal in a handful of states, however there are strict jail-term sentences in those in which it is prohibited. Cow smuggling has also become common across India's border with Bangladesh, with many Hindu nationalists attempting disrupt the trade by blocking roads and freeing transported cattle.

Dairy farmers call for supermarket boycott as milk price falls [7 August/ The Guardian] British dairy farmers have urged consumers to avoid buying milk from the supermarket chains of Morrisons, Aldi, Lidl and Asda. Farmers have been protesting across the United Kingdom after three major milk processors; Arla, First Milk and Dairy Crest announced they are to reduce the price they pay farmers. Farmers for Action Chairman, David Handley said the four supermarket chains were not paying farmers a sustainable price for their milk products. According to AHDB Dairy, farmers were paid an average of GBP 0.24 per litre of milk in June, 25 percent lower than the previous year. Farmers have said that they need to be paid at least GBP 0.30 to produce each litre of milk, with only Tesco's, Sainsbury's, M&S and Waitrose promising to pay fairly under specific contracts. The Royal Association of British Dairy Farmers warned that the latest price cuts will force more farmers into bankruptcy, with an average of three to four farmers quitting the industry each week. Mr Handley urged consumers to buy from Marks & Spencer, Waitrose, farm shops or their local milkman as they pay a sustainable price for their milk.

EU extends safety net to help farmers cope with Russian ban [8 August/ NZ Herald] The European Union has extended for a further year a series of measures, aimed at helping European farmers cope with the Russian import ban. European Union Farm Official, Phil Hogan said the union needed to continue to provide a safety net to give security to producers. The measures are designed to help farmers to sell or store produce they would previously have exported to Russia.

Farmers' union attacks move to ban GM crops [10 August/ The Times] Scotland's decision to ban the growing of genetically modified crops has come under attack by the National Farmers Union. Scottish Rural Affairs Secretary, Richard Lochhead said allowing GM crops would damage the country's clean and green brand. National Farmers Union Scotland Chief Executive, Scott Walker disagreed with the move, and said genetically modified crops could play a vital role in shaping sustainable agriculture. Rothamsted Research Professor, Huw Jones said the announcement was a backwards step, because all approved crops were safe for humans, animals and the environment.

Canada cracks almond deal [10 August/ The Australian Financial Review] Ontario Teachers' Pension Plan Board along with Californian-based Renewable Resources Group have purchased Macquarie Group's almond properties in the Sunraysia district of north-west Victoria for more than AUD 115 million. The purchase of the properties, a combined total of 2878 hectares, included 1067 hectares of mature almond groves and around AUD 25 million worth of water entitlements. Investors in the orchards will receive varying payouts after performance and operating fees are taken out by Macquarie, with all expected to receive positive cash returns on their investments. Australian Prime Minister, Tony Abbot has encouraged Canadian funds to invest more into Australia.

Economics and trade

Dairy plunge drives commodity index down [5 August/ NZ Herald] The ANZ Commodity Price Index has fallen 11.2 percent to a six-year low, with dairy prices being the driving force of its decline. The dairy sub-index dropped 23.1 percent to an 11-year low, with whole milk powder and skim milk powder prices falling 35 and 11 percent respectively. Most other sectors stated in the index also fell during July, with only beef recording a rise. Even with a 3.6 percent fall in the exchange rate on a trade-weighted basis, in New Zealand dollar terms the ANZ index fell 6.7 percent last month to be 7.3 percent down on a year ago. ANZ Economist, Con Williams said the weaker exchange rate was helpful, but the index's recent decline indicated it was not moving fast enough in response to commodity price falls.

NZ will receive largest economic benefit out of all TPP nations – US professor [7 August/ National Business Review] Brandeis University Professor of International Finance, Peter Petri said New Zealand will likely receive the largest benefit from the Trans-Pacific Partnership, because the country is an open economy that is very engaged in trade. Mr Petri said New Zealand is projected to have a GDP of around \$200 billion by 2025, with the agreement estimated to be around 2 percent of that, which is the largest percentage estimated for the advanced economies in the agreement. Trade Minister, Tim Groser said economic estimates usually underestimated economic gains from such deals. Federated Farmers Dairy Chairman, Andrew Hoggard said the major growth markets for New Zealand exports are in the Asia-Pacific region, and that a deal on tariffs in the region is vital for New Zealand.

Auditor-General asked to probe \$4m McCully Saudi deal [11 August/ Stuff: Politics] Labour has asked both the Auditor-General and the Treasury to investigate whether Foreign Affairs and Trade Minister, Murray McCully misled them in relation to payments for an \$11 million Saudi-Arabian agri-hub. Labour Trade Spokesman, David Parker said documents released last week showed both the Auditor-General and Treasury had concerns about the deal, and that Mr McCully misled them by facilitating payments as an investment rather than compensation in a bid to avoid the involvement of lawyers and bureaucrats. Mr McCully said appropriate independent and internal legal advice was sought on the contract for services, while Prime Minister, John Key said he was comfortable with the deal, and that it was not a form of compensation. Mr Parker said Mr McCully did not obtain Cabinet approval for the \$4 million payment.

Farmers and producers

Survey shows farmer optimism [10 August/ NZ Farmers Weekly] The first AgriHQ Dairy Farmer Survey of Intentions revealed that most dairy farmers intend to cut back on supplementary feeding and send unproductive cows to slaughter earlier. Around 80 percent of farmers believed pasture growth was at the same level or worse than the previous season, while 75 percent expected milk production to be at the same or higher levels than last season. AgriHQ Dairy Analyst, Susan Kilsby said incremental milk that is reliant on high-cost feeds would be eliminated but strategic use of supplementary feeds would continue. Ms Kilsby added that the amount of milk produced would be reliant on the weather, as the low milk price made it difficult for farmers to justify buying additional feed to fill gaps in pasture production. Around 26 percent of farmers expect the adverse effects of the forecasted El Nino weather pattern to reduce milk production, while only 25 percent of respondents said they would take advantage of high beef prices. Dairy NZ Senior Economist, Matthew Newman said farmers looked optimistic regarding milk production despite potential trends towards lower production such as the reduced use of supplements, an increase in culled cows and the looming El Nino.

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