

FIELD NOTES

Weekly news update from the KPMG Agribusiness network



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

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Organisations referenced in this week's Field Notes include:

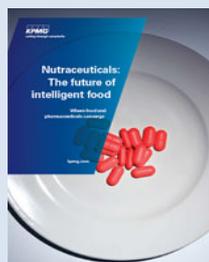
A2 Milk	Life Health Foods
AgFirst	McDonalds
Alliance Group	Meat Industry Association
Almondco	Ministry for Primary Industries
ANZCO	Monsanto
Arla	Murray Goulburn
ASB Bank	My Farm
Beef + Lamb New Zealand Genetics	New Zealand First
Blackwing Quality Meats	New Zealand Young Farmers
BNZ	North American Bison Cooperative
Canadian Bison Association	Ngati Porou
Canterbury University	Plant and Food Research
Challenger Scallop Enhancement Company	Rabobank
Chorus	Rural Equities
Consolidated Pastoral Co	S Kidman & Co
CP Wool	Sanford
Delegat Group	Scales Corp
Federated Farmers	Shanghai Pengxin Group
Foley Family Wines	Silver Fern Farms
Forest Owners Association	Soy Australia
Green Valley Dairy	Syngenta
Gisborne District Council	Telecommunications User Association
HoneyLab	Tyson Foods
Landcorp	University of Otago
LegaSea	Villa Maria
Lewis Road Creamery	

This week's headlines

Apiculture	Sweet result as honey ointment hits the spot [29 August/ NZ Herald]
Health and safety	Bike death makes tragic point [28 August/ Business Day: NZ Farmer]
Red meat	Silver Fern Farms silent on China report [29 August/ Otago Daily Times]
Environment and emissions	ETS scheme needs closer agriculture link [31 August/ NZ Farmers Weekly]
Farmers and producers	Banks not forcing farmers out [31 August/ NZ Farmers Weekly]

NEW! KPMG International Publication

Nutraceuticals: The Future of Intelligent Food



The report delves into some of the challenges and opportunities facing both food and pharmaceutical companies. It also explores the six main areas companies must excel in if they want to succeed in this growing market.

This convergence of medicine, food and technology is likely to create a battleground in which food and pharma companies compete for dominance of the sector. The global market for functional foods certainly presents a big opportunity: sales are predicted to reach US\$250 billion by 2018, roughly five times larger than in 1992. This is substantial when compared with the \$900 billion pharmaceuticals market, but it is small in relation to the \$5 trillion worldwide food industry. Food companies have strong expertise in large-scale manufacturing and global logistics that reach into mass markets of consumers, but their research expertise does not go as deep as that of the pharmaceuticals industry. Successful companies will have to hit the bullseye in six main areas: technology, product strategy, compliance, marketing, supply chain management and corporate deal-making.

The report can be accessed here:

<http://www.kpmg.com/bm/en/issuesandinsights/articlespublications/pages/nutraceuticalsthefutureofintelligentfood.aspx>

Horticulture

Scales Corp first half profit leaps 59 per cent [27 August/ Business Day] Scales Corp has posted a second-half profit of \$33.2 million, an increase of 59 percent on its first-half profit. Scales Corp Managing Director, Andy Borland said the result reflected strong performance across all divisions, particularly in the company's Mr Apple business. Mr Borland said the company's full-year result is likely to produce an EBITDA that is between 25 and 35 percent higher than the company's prospectus forecast of \$41.2 million. The company is to consider payment of an interim dividend later in the year.

Kiwifruit the new flavour for MyFarm investment [31 August/ National Business Review] MyFarm is to invest \$9 million into a Karaka-based kiwifruit orchard owned by Punchbowl Investments. The investment will also involve buying and developing a nearby greenfield block. MyFarm Executive Director, Andrew Watters said the Karaka Orchards Limited Partnership is an opportunity to acquire good quality orchard land at a lower cost than equivalent assets in the Bay of Plenty. Mr Watters added that while the partnership's orchards may yield 1000 trays a hectare less than the best Bay of Plenty orchards, they will still yield above the national average. Fees are due to include a \$586,441 one-off fee to MyFarm for set-up costs and a continuing business administration fee of \$400 per canopy hectare.

Viticulture

Delegat posts 24% decline in annual earnings on writedowns [27 August/ National Business Review] Delegat Group has posted a 24 percent drop in annual profit, as it wrote down the value of its grapes and financial instruments used to limit its foreign currency and interest rate exposure. Net profit fell to \$32.5 million in the year ending June 30, from \$42.6 million a year earlier. Excluding write-downs, operating net profit after tax increased 10 percent to \$34.4 million, ahead of the company's \$34 million forecast. The company met its target to increase global wine case sales by 9 percent to 2.21 million in the 2015 financial year, and is expected to increase sales by a further 8 percent to 2.38 million cases in 2016. Net debt rose 31 percent to \$202 million as it invested \$78.9 million in additional property, plant and equipment.

Wine awards recognise top drops from the Bay [28 August/ Radio NZ Rural] Villa Maria has won two major awards at the recent New Zealand Winegrowers Romeo Bragato conference. A Villa Maria chardonnay, with grapes grown by Brett Donaldson, won the Bragato Trophy, while a Villa Maria cabernet sauvignon merlot, made from grapes grown by Phil Holden in Hawke's Bay, won the Champion Domaine Wine award. Chair of Judges, Ben Glover said the competition was unique that it recognises the vineyard as a whole. Craggy Range Viticulture Team Member, Caleb Dennis was announced as the winner of young viticulturist of the year award.

Wine firm earnings up \$2.3 million in a year [1 September/ NZ Herald] Foley Family Wines operating earnings have more than doubled to \$3.5 million before revaluations and tax, an increase of \$2.3 million from the previous year. Sales increased 20 percent to \$37.2 million, and outpaced a 12 percent rise in expenses. Net profit dropped 62 percent to \$1.2 million, due to valuation adjustments to financial assets and harvested grapes. The company sold an equivalent of 91,557 cases as bulk wine this year, up from 55,000 cases a year earlier. The company said it was pleased that all bulk wine sold was at a profit.

Apiculture

Sweet result as honey ointment hits the spot [29 August/ NZ Herald] A study by the Medical Research Institute of New Zealand has found that kanuka honey can help treat acne. The study, which assessed the effectiveness of the product Honevo, found that twice as many participants who used the product had improvements in their acne, than those that did not. HoneyLab Science Director, Dr Shaun Holt said he was not surprised by the result, as kanuka honey is an antibacterial that reduces inflammation and heals wounds. Dr Holt believed the product's market potential could be worth upwards of \$10 million to the company, with the worldwide acne treatment market being worth more than \$10 billion.

Manuka honey drive threatens pollination [31 August/ Radio NZ Rural] Federated Farmers Bee Chairman, John Hartnell said the manuka honey phenomenon had raised pollination concerns, with many beekeepers focusing their bees on producing a manuka crop rather than pollination services. Mr Hartnell said the concerns had increased in recent years with more hectares of kiwifruit and other fruit being planted each year. Mr Hartnell said there needed to be sufficient incentive for beekeepers to prepare their hives for pollination requirements.

Health and safety

Health and safety reform bill passes, amid division over worker representation [28 August/ Business Day: NZ Farmer] The controversial Health and Safety Reform Bill, which does not classify farms as high risk, has completed its third and final reading in Parliament. Workplace Relations and Safety Minister, Michael Woodhouse said the legislation was a major step in addressing unacceptable workplace death and injury tolls. Mr Woodhouse added that the bill had a balance between providing a safe environment for workers, while avoiding unnecessary protocols for businesses. Labour MP, Iain Lees-Galloway said stronger legislation would have prevented more workplace incidents. Mr Lees-Galloway claimed that the figures which defined what was high risk were set at a level to deliberately exclude farming, with dairy farming being only five more serious injuries from being classed as high risk. The Council of Trade Unions said the reformed bill was a failure which would add to the unnecessary deaths in New Zealand workplaces.

Parents put children off going into agriculture [28 August/ Radio NZ Rural] Landcorp Chief Executive, Steven Carden said some parents do not want their children entering the farming industry because it is too dangerous. Mr Carden said that while the industry's safety record had made significant progress in recent years, it still needed to have a more serious look at how it can keep people safe. Mr Carden said the requirement for long hours had led to many parents questioning whether a farming career path is one they want their children exposed to. The government is pushing for an extra 50,000 workers in the sector to reach its goal of doubling primary exports by 2025.

Bike death makes tragic point [28 August/ Business Day: NZ Farmer] Labour Leader, Andrew Little said the tragic quad bike accident that claimed the life of a share milker in the Waikato, just hours after new health and safety law passed parliament, proved the government's decision to brand the industry as low risk was wrong. Mr Little said the tragic accident confirmed that farming was a high risk business. Mr Little added that while tougher legislation would not have prevented the accident, it would demonstrate that the government cared about minimising risk. Workplace Relations and Safety Minister, Michael Woodhouse said farmers had not been let off the hook, and that they still have duties under the new law and must still engage in effective worker participation practices. National MP, Jonathan Young said it was likely that there are to be more regulations, to sit alongside the new legislation, which will address issues such as quad bike safety. Federated Farmers Waikato President, Chris Lewis said the accident appeared to be a one-off rather than following a pattern.

Fishing

LegaSea back review of Fisheries Act but focus has to include recreational fishing focus [27 August/ LegaSea Media Release] LegaSea has backed the review of the Fisheries Act, but said the government needed to broaden its focus to take into account the value of recreational fishing. LegaSea believed recreational fishing has a substantial economic value despite only taking six percent of New Zealand's total catch each year, and that it needed to be recognised in any overhaul of the Act. LegaSea has also supported New Zealand Marine Research Foundation's recently commissioned study on the economic contribution of recreational fishing in New Zealand, and has launched a crowdfunding campaign to help pay for the study.

Sanford quits Pacific tuna business, lines up buyers for vessels [1 September/ NZ Herald] Sanford is to abandon its underperforming tuna business, selling the units fleet. Sanford Chief Executive, Volker Kuntzsch said unsatisfactory returns driven by low prices, the strict commodity nature of skipjack tuna as well the increasing costs of accessing fisheries resulted in the decision to exit the tuna business. The company has already sold one of its vessels, and is in talks with potential buyers for the others. Skipjack tuna accounted for around 5 percent of the company's \$226 million first-half revenue.

Aquaculture

Scallop harvest plan draws fire [27 August/ Marlborough Express] Kenepuru and Central Sounds Residents' Association, the Pelorus Boating Club and the Marlborough Recreational Fishers Association have banded together to demand the government restricts or shuts down Challenger Scallop Enhancement Company's scallop take. The groups said recent results have shown that scallop biomass is at an all-time low, and that the proposed 2015 harvest plan prepared by the commercial scallop industry has no scientific or sustainable basis. Challenger Scallop Enhancement Company has asked the ministry for approval to harvest 34 tonnes from the Marlborough Sounds, as well as 15 tonnes from a newly found scallop resource in Tasman Bay. The three groups said that if an amount near 34 tonnes is approved, it is highly unlikely that the scallop resource will recover. According to Ministry for Primary Industries figures, the scallop take in the Marlborough Sounds has been in steady decline, from 120.5 meatweight tonnes in 2009/10 to 42.9 tonnes in 2013/14 and 21.5 tonnes last season. The Ministry for Primary Industries said the sustainability of the fishery will be the main consideration when it assesses the scallop harvest for the Marlborough Sounds.

Dairy

Dairy-beef calves attractive option for dairy farmers [26 August/ Dairy News] AgFirst Consultant and Beef Specialist, Bob Thompson has urged dairy farmers to focus on value, and not cost, when it comes to choosing beef bulls. Mr Thompson said it is possible for farmers to recover a proportion of the cost of mating by selecting proven beef bulls which could allow for up to 5 extra days in milk and generating a dairy-beef calf which is currently in demand by the beef industry. Mr Thompson added that farmers can reduce risks by selecting beef bulls which will generate income in three streams; easier calving, more days in milk and a high-value dairy-beef calf. Mr Thompson also believed that there needed to be more collaboration between the beef and dairy industries. Beef + Lamb New Zealand Genetics is currently investing in a dairy-beef programme to promote greater awareness of the attributes needed by the dairy and beef industries.

Hopes milk prices on the rise tonight [1 September/ Otago Daily Times] Whole milk powder future contracts are indicating a lift of around 15 percent in prices at the next GlobalDairyTrade auction. ASB Rural Economist, Nathan Penny said that since the last auction, whole milk powder futures were up between 10 and 21 percent versus comparable GlobalDairyTrade contracts. Mr Penny said that the indicated fall in New Zealand production, as well as Fonterra reducing volumes at auctions, was having a positive price impact.

Lewis Rd Creamery releases two new milk brews [1 September/ Business Day] Lewis Road Creamery has released two new milk flavours, coffee and vanilla. Lewis Road Creamery Founder, Peter Cullinane believed the coffee flavour, which was developed in a partnership with Coffee Supreme, would be just as successful as the company's chocolate milk flavour. The vanilla-flavoured milk was developed in partnership with Heilala Vanilla. Both of the new flavours will be produced out of Green Valley Dairy factories. Green Valley Dairy currently produces 45,000 litres of chocolate milk a week for Lewis Road Creamery, with that figure likely to increase as the product is launched in the South Island this week. Mr Cullinane said the company will now focus on making the ultimate ice cream, and has aspirations to enter into the Chinese market.

A2 shares halted after 7% plunge [1 September/ National Business Review] A2 Milk has halted the trading of its shares, after they plunged 7 percent in response to the news that Freedom Foods and Dean Foods had decided not to pursue a takeover bid. A2 Milk blamed the share price drop on the end of takeover speculation and said that while it had no formal withdrawal of a takeover, it believed no takeover offer is imminent. The company said it intended to fund its growth strategy from cash flows and short term debt.

Red meat

New lecturer pursuing genetic gains [26 August/ Otago Daily Times] Beef + Lamb New Zealand Genetics has appointed Dr Philip Wilcox as its inaugural senior lecturer in quantitative genetics at the University of Otago. Dr Wilcox's main focus in the role is to establish a two-year master of applied sciences degree in quantitative genetics at the university. Dr Wilcox said the masters' course would ensure New Zealand has a constant supply of capable personnel and talent that was highly relevant to the sectors productivity. Dr Wilcox added that continued genetic improvement was a key part of sustaining the country's GDP. Beef + Lamb New Zealand Genetics Chairman, Dr Chris Kelly said quantitative genetics was critical to the organisations ability to drive continued genetic gains for commercial sheep and beef farmers.

Silver Fern Farms silent on China report [29 August/ Otago Daily Times] Silver Fern Farms has remain silent over suggestions that a Chinese-owned multinational is in the final stages of negotiations to buy into the company. A Silver Fern Farms spokesman said that there were no further updates on its capital-raising process. The company halted trading of its shares on the unlisted exchange until further notice, to allow investors to trade shares in a fully-informed manner as it could not provide information due to the confidential due diligence process with potential investors. The company is expected to conclude the process in the next four weeks, if a compelling offer is made.

Foreign investment in Silver Fern Farms opposed by farmers [31 August/ Business Day: NZ Farmer] Silver Fern Farms farmer shareholders have opposed the prospect of foreign investment in the company, and are concerned that they may not have a say in the matter. Under the co-operatives constitution, shareholders do not get to vote on any investment proposals less than 20 percent of total asset value. Silver Fern Farms Shareholder Leader, Allan Richardson said shareholders are annoyed that a deal with an overseas investor could end the possibility of a merger with Alliance Group. Mr Richardson said it was possible for Silver Fern Farms to avoid foreign investment due to excellent returns from high beef prices in the past year. Silver Fern Farms Chairman, Rob Hewitt said the co-operatives debt was currently in a range between \$140 million and \$170 million, down from \$289 million in September. New Zealand First Leader, Winston Peters said a foreign investor would also get the benefit of the taxpayer-funded Primary Growth Partnership research and development scheme.

NZ close to breaching US beef quota [31 August/ Business Day: NZ Farmer] Meat Industry Association Chief Executive, Tim Richie said New Zealand will come very close to filling its beef export quota to the United States. Mr Richie said that in August, New Zealand filled around 75 percent of its 213,402 tonne per year beef quota, up 11 percent on the same time last year. Mr Richie added that while two-thirds of annual production for North America goes out in the first half of the year, the current kill is around double of its normal amount. Mr Richie believed it was unlikely processors would choose to pay the 25 percent tariff before the new quota period started in January, and believed that many are likely to diversify into another market or put excess meat into store.

More change coming for Alliance [31 August/ NZ Farmers Weekly] Alliance Group Directors, Murray Donald and Doug Brown have announced that they are to retire, effective as of December. Alliance Group Chairman, Murray Taggart, who will be the only supplier representative with more than four years' experience on the board, said the retirements would lead to a loss of institutional knowledge and provide a challenge for the co-operative. Mr Taggart said that long-serving directors on the board ensured mistakes of the past were not repeated. Alliance has been seeking interest from shareholders wanting to join the board.

New Alliance Group technology means more meat faster [1 September/ Business Day: NZ Farmer] New state-of-the-art packaging technology at Alliance Group's Lorneville plant will allow the company to package and export its products to customers in Europe, North America and Asia faster. Alliance Marketing Development Services Manager, Gary Maclennan said the technology would mean more money in farmer's pockets. Mr Maclennan said the machine has the ability to extend the shelf life of products by up to four weeks, offering more flexibility for supermarkets and retailers. Mr Maclennan added that it will also reduce the amount of packaging required per kilogram of lamb, delivering further environmental and cost-saving benefits, while providing extra assurance in product quality. The technology cost the company around \$1 million.

Rural infrastructure

More small NZ towns could get ultrafast broadband [31 August/ Business Day] Chorus Chief Executive, Mark Ratcliffe said that if the government spends the full \$210 million it has budgeted for enlarging the fibre-optic network, ultrafast broadband could be extended to 90 percent of people. At 90 percent coverage, towns and villages with more than 300 people could expect to get access to the network. Mr Ratcliffe said the cost of wiring up smaller towns was not much different to that of larger cities. Communications Minister, Amy Adams said the government's goal was to roll out broadband to at least 80 percent of people, but added that the government would support extending that further for the same amount of money. Federated Farmers Vice President, Anders Crofoot said broadband made a difference to rural communities, some of whom have faced hardship as a result of low milk prices. Telecommunications Users Association Chief Executive, Craig Young said high-speed connectivity was critical to the economic development of the country, and everyone would benefit if 90 percent coverage could be achieved. Chorus, Northpower, Ultrafast Fibre and Enable have all expressed interest in bidding for the job of extending the ultrafast broadband network.

Environment and emissions

ETS scheme needs closer agriculture link [31 August/ NZ Farmers Weekly] Canterbury University Forestry School Professor, Euan Mason said the failure of the emissions trading scheme represented lost opportunities for primary sector owners. Mr Mason said the scheme represented a mass giveaway of carbon credits to different interests, legitimising their ability to emit without a reduction in carbon emissions. Mr Mason added that more than 95 percent of surrendered carbon credits were imported, with the cost to emitters being around 10 cents a credit, far below the average New Zealand Units price of \$4. Since the banning of imported credits, the value of New Zealand Units had increased to \$7, but is still too low to encourage the amount tree plantings needed to offset the harvesting of plantings from the 1990's. Mr Mason said the credits needed a value of \$15 per tonne to encourage plantings. Mr Mason believed it was critical that agriculture was brought into the scheme, if a more unified approach to carbon emissions was to be taken among all land users.

Water

Council approves Waiapu River agreement [31 August/ Radio NZ Rural] The Gisborne District Council has approved an agreement with Ngati Porou to jointly manage the Waiapu River and its tributaries. Gisborne Mayor, Meng Foon said the council recognised the fundamental role Ngati Porou had as a source of knowledge, and acknowledged their interests in the future management of the river. Mr Foon said the agreement enabled Ngati Porou and the council to combine staff resources for research and development of a catchment plan for the Waiapu River, as well as joint decision making on how water is used in the catchment. The council will meet with landowners to ensure they are comfortable with the agreement.

Wool

Faith in wool unwavering [31 August/ NZ Farmers Weekly] Farmlands Board Member, Howie Gardner is to become the new chairman of CP Wool (previously Elders Primary Wool). Mr Gardner said the biggest challenge for the wool industry was re-educating flooring retailers, staff and customers about the merits of wool, its origin and its attributes. Mr Gardner said another challenge for the industry and CP Wool was to dispel myths that wool stained and faded worse than synthetics. CP Wool handled around 40 percent of all New Zealand wool sold at auction last year. Mr Gardner believed there was an opportunity for consolidation of the wool industry.

Biosecurity

Grain spillage signals continued softening of biosecurity rules for imports [27 August/ Stuff: Environment] Following two spillages of imported maize in New Plymouth, New Zealand First Primary Industries Spokesman, Richard Prosser said both Biosecurity New Zealand and the Ministry for Primary Industries were not grasping the seriousness of the situation. Mr Prosser said there could have been numerous amounts of pests and diseases among the spillage, many that could have significantly affected New Zealand maize yield. Federated Farmers Arable Council Member, Colin McKinnon echoed Mr Prosser's concerns and said biosecurity measures were not strong enough. The Ministry for Primary Industries said there had been no change in biosecurity measures for imported maize, and believed the system was robust enough to avoid any risk of cross-pollination or growth of genetically modified crops as a result of spillage. The ministry confirmed there were no genetically modified corn in the shipment, and said it had carried out representative sampling and inspections of the grain on arrival.

Scientists work together on fruit fly control [28 August/ Radio NZ Rural] Plant and Food Research Institute has paired up with Australian research bodies to improve detection and control of the Queensland fruit fly. Plant and Food Research Science Group Leader, Dr Max Suckling said it was in New Zealand's interest to help control the spread of the fly in Australia, as it would reduce the pressure on New Zealand's borders.

International

Monsanto pulls out of Syngenta bid [27 August/ The Times] Monsanto has pulled out of its hostile USD 45 billion take-over bid of Syngenta. Monsanto said that while it believed its offer would have created tremendous value, it has decided to focus on building its core business. Syngenta argued that Monsanto's offer undervalued the company and involved too much risk.

Farmers stamp their mark on products [27 August/ Dairy News] European dairy giant, Arla is to promote on its products that the company is owned by farmers. Arla Chief Executive, Peder Tuborgh said the company wanted to make it clear that it is owned by farmers, with all of its earnings going back into the pocket of its farmer-owners. Arla Chairman, Åke Hantoft said consumers are becoming increasingly interested in the origin of the products they purchase. Mr Hantoft added that the company wanted to clarify to consumers that when they purchase Arla products, they are supporting dairy farmers who focus on sustainability, animal welfare and quality products.

Farm profits to fall second consecutive year [27 August/ NZ Herald] According to a United States Department of Agriculture report, net farm incomes for American farms are set to decline for a second year, falling by around 36 percent to USD 58.3 billion, its lowest level in nine years. Factors of the decline are low crop and livestock prices, both which have fallen by 6.2 percent and 9.1 percent respectively. Iowa State University Agricultural Economist, Chad Hart said farmers are burning through their cash reserves to offset lost income, while some have increased borrowing. The report said that while farm debt is forecasted to increase by 5.8 percent, financial risk ratios remained in acceptable ranges. United States government payments to farmers, which includes crop insurance, price support programs and disaster relief, is expected to increase by 16 percent to USD 11.4 billion this year.

Water savings drive shifts from farms [28 August/ The Australian] Australian state and federal governments have announced that they are confident enough water can be found to save Murray-Darling Basin river systems, without retrieving additional amounts from farmers and irrigated basin communities. Federal Water Minister, Bob Balwin said the same environmental outcomes specified in the \$10 billion Murray-Darling Basin Plan can be achieved by reducing the amount of water taken from irrigators to 2100 gegalitres, from the 2750 gegalitre target set in 2012. Farmers have expressed relief that one of the harshest water-adjustment periods may be over. Australian Conservation Foundation River Campaigner, Arlene Harriss-Buchan claimed that environment benefits of still-to-be-completed and scientifically assessed engineering and water projects will never be delivered, and added that the water saved by such projects was not real water going back into the system.

McDonald's, Tyson Drop a Supplier [28 August/ The Wall Street Journal] McDonald's and Tyson Foods have severed ties with Tennessee-based poultry farm, T&S Farms, after video footage from the farm that showed chickens being stabbed, clubbed and crushed to death. McDonalds said the company, alongside Tyson Foods, were investigating the farm and will reinforce McDonalds' expectations for animal treatment. Tyson Foods said it has terminated the farm's contract with the meat company, as the company valued animal welfare as a priority for all of its suppliers. District Attorney General, Tommy Thomas said the farm is to be investigated, with a decision whether to press charges to be made of the next few days.

Bison is the new beef as diners swap steak for grass-fed game [31 August/ NZ Herald] Demand for bison in North America has grown, with consumers viewing it as a healthier alternative to beef. Blackwing Quality Meats CEO, Roger Gerber said consumers no longer trusted the food industry, and that many felt comfortable knowing bison is not filled with antibiotics or hormones. According to the Canadian Bison Association, bison has one-third less fat than beef and is lower calorie, while being raised without steroids or chemicals. North American Bison Cooperative President, Tom Riemann said that while prices have doubled in the past five years, consumer demand has remained high due to the increased cost of other forms of protein. Ribeye bison steak prices increased by around 17 percent to USD 31.76 a pound in August, compared with a month earlier, and is more than three times the retail price of a boneless beef ribeye.

Demand for meat alternatives and soy products growing in Australia [31 August/ ABC Rural] Life Health Foods General Manager, Dean Epps said the demand for protein alternatives, such as soy-based products, has grown with around half of Australian adults reducing meat intake to improve their health or lose weight. Mr Epps said the retail space for meat analogues had doubled over the last decade, with the majority of competition coming from overseas. Mr Epps added that the meat analogue and wholefoods market would continue to benefit growers across the board, as manufacturers used more wholefoods such as potatoes, corn and chick peas. Coleambally Soybean Buyer and Marketer, Tom Graham, said Australian tofu manufacturers had increased their production by as much as 10 per cent annually over the past 15 years. Mr Graham said the price for soybeans had also grown over the last few years, with increased demand for specific soy varieties that can be made into meat alternatives. Soy Australia Field Officer, Joe Kochman said interest in tofu had grown steadily in response to increased Asian migration. Mr Kochman added that most of Australia's soybean production is exported to Asia for tofu production.

Pengxin may buy 2 cattle farms in Australia [29 August/ China Daily] Shanghai Pengxin Group Co Ltd is set to become the largest farmland owner in Australia if it is successful in the acquisitions of Consolidated Pastoral Co and S Kidman & Co Ltd for combined price of AUD 1 billion. S Kidman & Co Managing Director, Greg Campbell said that there are currently a number of short-listed bidders undertaking detailed due diligence on the company. Consolidated Pastoral Co has around 375,000 heads of cattle and owns 0.75 percent of Australia's land mass, while S Kidman, with a herd of 185,000 cattle, exports meat to the United States, Japan and Southeast Asia. BMI Commodity Analyst, Aurelia Britsch said the ongoing shortage of cattle in China has led to Chinese companies investing overseas to meet the growing demand for red meat and dairy products.

\$1bn crop grows as world goes nuts for almonds [29 August/ The Australian] Riverland Almond Farmer, Simon Vause said almond growers in southeastern Australia have experienced near-perfect growing and trade conditions. Mr Vause said the lack of almond supply in the United States coupled with the low Australian dollar has seen prices more than double to AUD 10 per kilogram, with the expectation that prices will rise above AUD 11 in the next few months. Almondco Chief Executive, Tim Jackson said next year's crop will likely be valued above \$1 billion for the first time. Mr Jackson added that the drought in California combined with other factors such as the low Australian dollar has seen international demand outstrip supply.

Milk plan hinges on price growth [1 September/ The Australian Financial Review] Murray Goulburn has repeated its forecast to pay farmers AUD 6.05 a kilogram of milk solids in the 2016 financial year, on the condition that dairy prices improve. The company said for the first time that its milk price could fall to between AUD 5.60 and AUD 5.90 if dairy prices do not improve as expected. Murray Goulburn Chief Executive, Gary Helou believed that prices have bottomed out, and added that the company was better placed than its competitors because only 30 percent of its business is directly impacted by commodity prices. The company noted in its outlook statement that favourable exchange rates and initiatives, such as shifting production to different products like UHT and consumer cheese, were helping offset the impact of low prices. Mr Helou said that international markets were now responding, with New Zealand, Europe and the United States cutting supply forecasts, and believed that despite the recent fears about China's economic slowdown, there will be continued demand for dairy products. Murray Goulburn beat prospectus forecasts with an AUD 21.2 million net profit, while revenue fell 1.5 percent for the 12 months to June 30 to AUD 2.87 billion.

Forestry

China blamed for latest log price drop [25 August/ Radio NZ Rural] The average wharf gate price for New Zealand A-grade logs has dropped to \$84 a tonne, from \$86 a tonne in July, due to a slowdown in demand from China. Forest Owners Association Technical Manager, Glen Mackie said increased stock piles in China had put pressure on harvesting, but added that New Zealand was very competitive internationally for the supply of logs which allowed radiata to take an increasing percentage of a reducing market. Mr Mackie added that domestic log prices had been faring well, driven by demand in Christchurch and Auckland.

Economics and trade

NZ trade deficit smaller than expected in July on gains in fruit, meat exports [26 August/ NZ Herald] New Zealand's trade deficit narrowed to \$649 million in July from \$943 million a year earlier, and was smaller than the \$755 million shortfall predicted by Reuters. Exports increased by around 14 percent to \$4.2 billion from a year earlier, underpinned by a 24 percent gain in foreign meat sales and a 51 percent jump in fruit exports. Exports of meat and edible offal increased to \$505 million in July from \$406 million, and were up annually by 15 percent. Fruit exports climbed to \$311 million in July from \$206 million the previous year, led by the country's record kiwifruit crop. Dairy prices also recorded a 0.1 percent increase in July, to \$932 million. Exports to China rose 14 percent in July to \$695 million, on the back of increased frozen beef sales. July exports to the United States also increased by around 30 percent to \$479 million.

Farmers and producers

Landcorp hints at change of direction over Taupo conversions [27 August/ Business Day: NZ Farmer] Landcorp Chief Executive, Steven Carden has hinted that planned dairy conversions in the central North Island could be altered to accommodate different land uses such as cropping, forestry, cattle or horticulture. Mr Carden said that while the company is contractually bound to develop the land, the company can use it for a range of pastoral uses. Costs relating to the conversions are about \$35 million over the period to 2019, jumping to \$229 million as Landcorp begins to pay for leases. Labour Primary Industries Spokesman, Damien O'Connor said the company should look carefully at any large scale operation involved with dairying, given the changes in the industry and returns. Mr Carden said he is upbeat about the company's long-term prospects, and expressed comfort in the company's diversification strategy which includes sheep, beef, deer, wool and dairy farming. Mr O'Connor, a fan of Landcorp and its diversification strategy, warned that inadequate shareholder oversight could lead to some bold and over ambitious projects.

Huge potential in Chathams – farmer [26 August/ Radio NZ Rural] Federated Farmers Chatham Islands Chairman, Tony Anderson said the islands had huge, untapped potential for farming due to its soils and climate, but a better understanding of its soils is needed. Mr Anderson said the islands' soil is sterile at the moment, but it could become incredibly productive if addressed correctly. Mr Anderson also acknowledged that transport, to mainland New Zealand, also remained a major challenge.

Depiction of socialist-loathing farmers ignores strong strands of agricultural history [28 August/ Business Day: NZ] Fairfax Media Business Reporter, Tim Fulton, notes in an opinion that that columnist, Chris Trotter's belief that New Zealand farmers loath socialism does not align with agricultural history. Mr Fulton said that farmers have an inclination to remain in collective structure, as seen during the radically different years of the 1980s, where farming was stripped of its protected-industry status. Mr Fulton also believed the co-operative structure seen in the farming sector, was of a socialist nature as it moved wealth from the wealthy to the most vulnerable. Mr Fulton added that while farmers are generally too busy to be bogged down by socialist aspirations, they are not blind to the power of standing together in the interest of the farming collective. Mr Fulton labelled farmers' contributions into the pillars of government as rural socialism.

New chairman for Young Farmers [31 August/ Radio NZ Rural] ANZCO Sales and Marketing Executive, Jason Te Brake has been elected as the new chairman for New Zealand Young Farmers, taking over from Cole Groves who stepped down after two years in the role. Mr Te Brake said the next five years will be vital for the organisation, and added that membership continued to be one of his main drivers.

Banks not forcing farmers out [31 August/ NZ Farmers Weekly] BNZ Northland Senior Partner, Sam Johnson said that rural bankers have approved cashflow forecasts for the majority of their clients, with bankers agreeing to working finance for the season. Mr Johnson said banks and farmers have agreed milestones which would be discussed again before Christmas to ensure debt levels were in line with projections. Mr Johnson agreed with National MP, Shane Reti's comments that only 2 to 3 percent of Northland's 950 dairy farmers were being restructured due to unsustainable debt levels, and added that those farms tended to be more recent acquisitions at a time when land prices were higher. Rabobank North Island Regional Manager, Bruce Weir said banks were working to support dairy farming customers as best as they could. Mr Weir added that there will not be a large number of forced sales, but that there will be more farms with management supervised by the bank.

Rural Equities says lower milk price impacts earnings [1 September/ Business Day: NZ Farmer] Rural Equities total comprehensive income for the June 2015 year fell to \$9.51 million, less than half the previous financial year's result of \$24.02 million. The previous year's result was boosted by gains on farm revaluations, with those valuations being reduced in 2015. The company's operating profit also fell in the 12 months to \$4.67 million, from \$6.43 million the previous year. The company reduced its debt from \$27.1 million to \$17.25 million during the year. Rural Equities Executive Chairman, David Cushing said its earnings had been impacted by the steep decline in dairy prices during the financial year.

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Weekly news update from the KPMG Agribusiness Network – 2 September 2015

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